



**Auditor of State  
Betty Montgomery**



**TEAYS VALLEY LOCAL SCHOOL DISTRICT  
PICKAWAY COUNTY**

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## Auditor of State Betty Montgomery

### INDEPENDENT ACCOUNTANTS' REPORT

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

To the Board of Education:

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

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

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

In accordance with *Government Auditing Standards*, we have also issued our report dated January 26, 2005, on our consideration of the District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

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

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We conducted our audit to form opinions on the financial statements that collectively comprise the District's basic financial statements. The schedule of federal awards receipts and expenditure is required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the basic financial statements. We subjected this information to the auditing procedures applied in the audit of the basic financial statements. In our opinion, this information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

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

**Betty Montgomery**  
Auditor of State

January 26, 2005

**TEAYS VALLEY LOCAL SCHOOL DISTRICT  
PICKAWAY COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2004  
UNAUDITED**

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

**Financial Highlights**

Key financial highlights for 2004 are as follows:

- In total, net assets of governmental activities increased \$1,346,287 which represents a 4.57% increase from 2003.
- General revenues accounted for \$23,331,090 in revenue or 90.02% of all revenues. Program specific revenues in the form of charges for services and sales, grants and contributions accounted for \$2,585,709 or 9.98% of total revenues of \$25,916,799.
- The District had \$24,570,512 in expenses related to governmental activities; \$2,585,709 of these expenses were offset by program specific charges for services, grants or contributions. General revenues supporting governmental activities (primarily taxes and unrestricted grants and entitlements) were adequate to provide for these programs.
- The District has three major funds which include the general fund, debt service fund, and building fund. The general fund had \$21,630,728 in revenues and other financing sources and \$21,476,761 in expenditures and other financing uses. The general fund's fund balance increased from \$3,052,523 to \$3,176,950.
- The debt service fund had \$1,812,506 in revenues and \$1,863,075 in expenditures. The debt service fund's fund balance decreased from \$1,573,938 to \$1,523,369.
- The building fund had \$29,206 in revenues and \$1,570,872 in expenditures. The building fund's fund balance decreased from \$3,617,216 to \$2,075,550.
- The District has \$47,107,429 in capital assets at June 30, 2004. This amount is net of accumulated depreciation in the amount of \$7,938,313. Fiscal year 2004 depreciation expense was \$626,248. Total capital assets, net of related debt to acquire or construct the assets, were \$26,632,397 at June 30, 2004.
- The District has \$24,524,946 in long-term liabilities outstanding at June 30, 2004. Of this total, \$1,178,486 is due within one year and \$23,346,460 is due in greater than one year.

**Using this Financial Report**

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

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

**TEAYS VALLEY LOCAL SCHOOL DISTRICT  
PICKAWAY COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2004  
UNAUDITED  
(Continued)**

**Reporting the District as a Whole**

*Statement of Net Assets and the Statement of Activities*

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

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

In the Statement of Net Assets and the Statement of Activities, the Governmental Activities include the District's programs and services, including instruction, support services, operation and maintenance of plant, pupil transportation, extracurricular activities, and food service operations.

The District's statement of net assets and statement of activities can be found on pages 15-16 of this report.

**Reporting the District's Most Significant Funds**

*Fund Financial Statements*

The analysis of the District's major governmental funds begins on page 10. Fund financial reports provide detailed information about the District's major funds. The District uses many funds to account for a multitude of financial transactions. However, these fund financial statements focus on the District's most significant funds. The District's major governmental funds are the general fund, debt service fund and building fund.

*Governmental Funds*

Most of the District's activities are reported in governmental funds, which focus on how money flows into and out of those funds and the balances left at year-end available for spending in future periods. These funds are reported using an accounting method called *modified accrual* accounting, which measures cash and all other *financial assets* that can readily be converted to cash. The governmental fund financial statements provide a detailed *short-term* view of the District's general government operations and the basic services it provides. Governmental fund information helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance educational programs. The relationship (or differences) between governmental *activities* (reported in the Statement of Net Assets and the Statement of Activities) and governmental *funds* is reconciled in the basic financial statements. The basic governmental fund financial statements can be found on pages 17-20 of this report.

*Proprietary Funds*

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

**TEAYS VALLEY LOCAL SCHOOL DISTRICT  
PICKAWAY COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2004  
UNAUDITED  
(Continued)**

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

The District is the trustee, or fiduciary, for some of its scholarship programs. This activity is presented as a private-purpose trust fund. The District also acts in a trustee capacity as an agent for individuals, private organizations, other governmental units and/or other funds. These activities are reported in an agency fund. The District's fiduciary activities are reported in separate Statements of Fiduciary Net Assets and Changes in Fiduciary Net Assets on pages 25 and 26. These activities are excluded from the District's other financial statements because the assets cannot be utilized by the District to finance its operations.

***Notes to the Basic Financial Statements***

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. These notes to the basic financial statements can be found on pages 27-54 of this report.

**The District as a Whole**

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

The table below provides a summary of the District's net assets for fiscal years 2004 and 2003. Net assets at June 30, 2002, and June 30, 2003, were restated to properly reflect capital assets due to a reappraisal and errors and omissions reported in prior years (see Note 3.A to the basic financial statements for detail).

	<b>Net Assets</b>		
	Governmental Activities <u>2004</u>	(Restated) Governmental Activities <u>2003</u>	Percentage <u>Change</u>
<b><u>Assets</u></b>			
Current and other assets	\$ 16,724,010	\$ 22,312,877	(25.05) %
Capital assets	<u>47,107,429</u>	<u>42,700,285</u>	10.32 %
Total assets	<u>63,831,439</u>	<u>65,013,162</u>	(1.82) %
<b><u>Liabilities</u></b>			
Current liabilities	8,479,487	10,544,067	(19.58) %
Long-term liabilities	<u>24,524,946</u>	<u>24,988,376</u>	(1.85) %
Total liabilities	<u>33,004,433</u>	<u>35,532,443</u>	(7.11) %
<b><u>Net Assets</u></b>			
Invested in capital assets, net of related debt	26,632,397	23,198,779	14.80 %
Restricted	2,007,583	3,966,428	(49.39) %
Unrestricted	<u>2,187,026</u>	<u>2,315,512</u>	(5.55) %
Total net assets	<u>\$ 30,827,006</u>	<u>\$ 29,480,719</u>	4.57 %

**TEAYS VALLEY LOCAL SCHOOL DISTRICT  
PICKAWAY COUNTY**

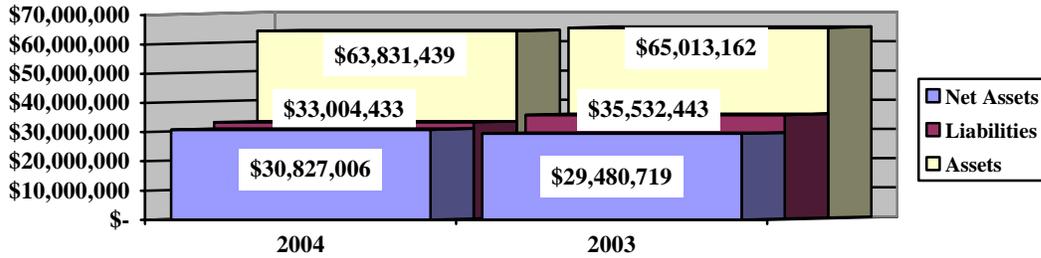
**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2004  
UNAUDITED  
(Continued)**

Over time, net assets can serve as a useful indicator of a government's financial position. At June 30, 2004 and June 30, 2003, the District's assets exceeded liabilities by \$30,827,006 and \$29,480,719, respectively.

At year-end, capital assets represented 73.80% of total assets. Capital assets include land, construction in progress, land improvements, buildings and improvements, furniture and equipment, and vehicles. Capital assets, net of related debt to acquire the assets at June 30, 2004 and June 30, 2003, were \$26,632,397 and \$23,198,779, respectively. These capital assets are used to provide services to the students and are not available for future spending. Although the District's investment in capital assets is reported net of related debt, it should be noted that the resources to repay the debt must be provided from other sources, since capital assets may not be used to liquidate these liabilities.

A portion of the District's net assets, \$2,007,583, represents resources that are subject to external restriction on how they may be used. Of the restricted net assets, \$122,145 is restricted for capital projects. The remaining balance of unrestricted net assets of \$2,187,026 may be used to meet the District's ongoing obligations to the students and creditors.

**Governmental Activities**



The table below shows the change in net assets for fiscal years 2004 and 2003.

**Change in Net Assets**

	Governmental Activities 2004	(Restated) Governmental Activities 2003	Percentage Change
<b>Revenues</b>			
Program revenues:			
Charges for services and sales	\$ 973,890	\$ 1,137,935	(14.42) %
Operating grants and contributions	1,337,719	1,305,663	2.46 %
Capital grants and contributions	274,100	7,529,938	(96.36) %
General revenues:			
Property taxes	8,613,961	7,001,836	23.02 %
Grants and entitlements	14,417,742	12,530,441	15.06 %
Investment earnings	74,105	150,207	(50.66) %
Other	225,282	109,555	105.63 %
<b>Total revenues</b>	<b>25,916,799</b>	<b>29,765,575</b>	<b>(12.93) %</b>

**TEAYS VALLEY LOCAL SCHOOL DISTRICT  
PICKAWAY COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2004  
UNAUDITED  
(Continued)**

**Change in Net Assets**

	Governmental Activities <u>2004</u>	(Restated) Governmental Activities <u>2003</u>	<u>Percentage Change</u>
<b><u>Expenses</u></b>			
Program expenses:			
Instruction:			
Regular	\$ 10,611,262	\$ 9,760,395	8.72 %
Special	2,098,422	1,968,696	6.59 %
Vocational	819,603	666,726	22.93 %
Other	146	733	(80.08) %
Support services:			
Pupil	1,035,719	769,274	34.64 %
Instructional staff	1,096,494	1,310,381	(16.32) %
Board of education	225,379	688,512	(67.27) %
Administration	1,925,735	1,860,857	3.49 %
Fiscal	538,453	343,793	56.62 %
Business	71,492	178,435	(59.93) %
Operations and maintenance	2,164,807	1,299,900	66.54 %
Pupil transportation	1,198,608	1,142,241	4.93 %
Central	137,956	108,886	26.70 %
Operations of non-instructional services	-	665	(100.00) %
Food service operations	833,419	862,736	(3.40) %
Extracurricular activities	490,641	466,386	5.20 %
Intergovernmental	27,892	-	100.00 %
Interest and fiscal charges	<u>1,294,484</u>	<u>1,290,892</u>	0.28 %
Total expenses	<u>24,570,512</u>	<u>22,719,508</u>	8.15 %
Change in net assets	1,346,287	7,046,067	(80.89) %
Net assets, beginning of year (restated)	<u>29,480,719</u>	<u>22,434,652</u>	31.41 %
Net assets, end of year (restated)	<u>\$ 30,827,006</u>	<u>\$ 29,480,719</u>	4.57 %

**Governmental Activities**

Net assets at June 30, 2003, were restated to property state capital assets (see Note 3.A to the basic financial statements for detail). Net assets of the District's governmental activities increased \$1,346,287 in fiscal 2004 and \$7,046,067 in fiscal 2003. The overall increase in net assets in both fiscal years can be attributed to the increase in capital assets related to the District's construction project. Total governmental expenses of \$24,570,512 were offset by program revenues of \$2,585,709 and general revenues of \$23,331,090 during fiscal 2004. Program revenues supported 10.52% of the total governmental expenses during fiscal 2004 and 43.90% during fiscal 2003. This variance is due a decrease of 96.36% in capital grants and contributions in fiscal 2004. This is caused by less revenue received in fiscal 2004 compared to 2003 related to the State's share of the construction project. In the general revenues area, investment earnings decreased as the District had fewer investments during fiscal 2004 and interest rates on allowable investments were lower.

**TEAYS VALLEY LOCAL SCHOOL DISTRICT  
PICKAWAY COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2004  
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The primary sources of revenue for governmental activities are derived from property taxes and Grants and Entitlements. These revenue sources accounted for 89.08% of total governmental revenue for 2004. Real estate property is reappraised every six years. As a result of the latest update by Pickaway County in 2002, the District's tax valuation increased by 9% that year. Property tax revenue increased 23.02% during fiscal 2004. The District also received a increase in school foundation payments due to increased enrollment.

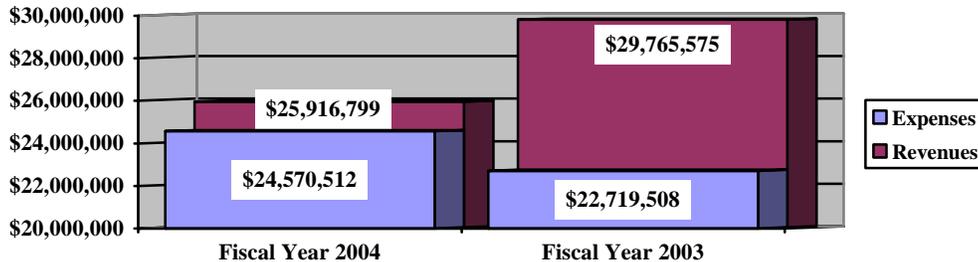
Overall, expenses increased by 8.15% or \$1,851,004. Vocational instruction increased by 22.93% during fiscal 2004 due to the implementation and costs associated with an IT program through Eastland Career Center. Pupil support services increased due to the addition of personnel for the increasing number of students entering the District. In addition to personnel costs, the District also increased supply costs. In fiscal 2003, the District paid over \$500,000 from Board of Education support services for run-out medical claims when the Ross County School Employee Insurance Consortium changed third party administrators. This resulted in a 67.27% decrease in Board of Education support services expenses in fiscal 2004. Fiscal support services increased 56.62% as fiscal 2004 was the first full year for the cost of the Assistant Treasurer position, and the District incurred costs for a capital asset reappraisal and State software start-up. Operations and maintenance support services increased due to costs associated with the construction project.

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

The District is at the twenty mill floor for local taxes. The District is projecting an increase in local funding in future years as Pickaway County is currently undergoing a triennial update in assessed valuations which will result in an increase of 20 mills times the increase in value. In addition, the District has a .75% school income tax and is rapidly growing with many subdivisions already built and more planned for the future. The District has used general fund monies over the past several years to complete needed construction projects. The funds were available at the time of these projects, but the District is now beginning a program to rebuild the general fund balance.

The graph below presents the District's governmental activities revenue and expenses for fiscal years 2004 and 2003.

**Governmental Activities - Revenues and Expenses**



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

**TEAYS VALLEY LOCAL SCHOOL DISTRICT  
PICKAWAY COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
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(Continued)**

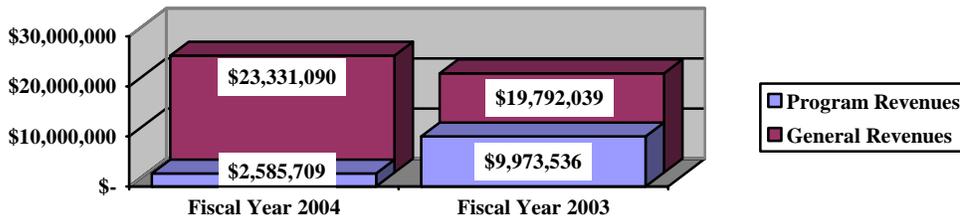
**Governmental Activities**

	Total Cost of Services 2004	Net Cost of Services 2004	Total Cost of Services 2003	Net Cost of Services 2003
<b>Program expenses</b>				
Instruction:				
Regular	\$ 10,611,262	\$ 9,889,048	\$ 9,760,395	\$ 2,600,300
Special	2,098,422	1,777,702	1,968,696	1,594,136
Vocational	819,603	819,603	666,726	666,726
Other	146	146	733	733
Support services:				
Pupil	1,035,719	944,052	769,274	467,847
Instructional staff	1,096,494	755,890	1,310,381	1,092,482
Board of education	225,379	225,373	688,512	688,482
Administration	1,925,735	1,782,793	1,860,857	1,734,380
Fiscal	538,453	531,373	343,793	343,793
Business	71,492	71,492	178,435	178,435
Operations and maintenance	2,164,807	2,151,245	1,299,900	526,430
Pupil transportation	1,198,608	1,198,608	1,142,241	1,140,649
Central	137,956	122,956	108,886	90,031
Food service operations	833,419	22,472	862,736	(13,259)
Operations of non-instructional services	-	-	665	665
Extracurricular activities	490,641	369,674	466,386	343,250
Intergovernmental	27,892	27,892	-	-
Interest and fiscal charges	1,294,484	1,294,484	1,290,892	1,290,892
<b>Total</b>	<b>\$ 24,570,512</b>	<b>\$ 21,984,803</b>	<b>\$ 22,719,508</b>	<b>\$ 12,745,972</b>

The dependence upon tax and other general revenues for governmental activities is apparent, 92.29% of instruction activities were supported through taxes and other general revenues during fiscal 2004 and 39.22% in fiscal 2003. For all governmental activities, general revenue support was 89.48% in fiscal 2004 and 56.10% in fiscal 2003. These variances are primarily due to the reporting of \$7,199,516 in capital grants and contributions revenue received in fiscal 2003 for the State's share of costs related to the construction project. The majority of State's share was received by June 30, 2003. The District's taxpayers, as a whole, are by far the primary support for District students.

The graph below presents the District's governmental activities revenue for fiscal years 2004 and 2003.

**Governmental Activities - General and Program Revenues**



**TEAYS VALLEY LOCAL SCHOOL DISTRICT  
PICKAWAY COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2004  
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**The District's Funds**

The District's governmental funds (as presented on the balance sheet on page 17) reported a combined fund balance of \$7,538,000, which is lower than last year's total of \$11,229,777. The schedule below indicates the fund balance and the total change in fund balance as of June 30, 2004 and 2003.

	Fund Balance <u>June 30, 2004</u>	Fund Balance <u>June 30, 2003</u>	Increase <u>(Decrease)</u>	Percentage <u>Change</u>
General	\$ 3,176,950	\$ 3,052,523	\$ 124,427	4.08 %
Debt Service	1,523,369	1,573,938	(50,569)	(3.21) %
Building	2,075,550	3,617,216	(1,541,666)	(42.62) %
Other Governmental	<u>762,131</u>	<u>2,986,100</u>	<u>(2,223,969)</u>	(74.48) %
Total	<u>\$ 7,538,000</u>	<u>\$ 11,229,777</u>	<u>\$ (3,691,777)</u>	(32.87) %

**General Fund**

During fiscal year 2004, the District's general fund balance increased by \$124,427, which can be attributed to revenue increases exceeding increasing expenses related to the growing student population during fiscal year 2004. Tuition revenue and intergovernmental revenue increased during fiscal year 2004 due to a change in accounting for open enrollment and an increase in state foundation payments. Earnings on investments decreased as the District had fewer funds to invest in fiscal 2004 and interest rates were lower. Debt service expenditures increased due to the principal and interest payments associated with several new capital lease agreements that the District entered into during fiscal 2004. The table that follows assists in illustrating the financial activities and fund balance of the general fund.

	2004 <u>Amount</u>	2003 <u>Amount</u>	Increase <u>(Decrease)</u>	Percentage <u>Change</u>
<b><u>Revenues</u></b>				
Taxes	\$ 6,804,900	\$ 5,687,738	\$ 1,117,162	19.64 %
Tuition	56,988	15,846	41,142	259.64 %
Earnings on investments	54,226	126,788	(72,562)	(57.23) %
Intergovernmental	14,238,853	12,366,873	1,871,980	15.14 %
Other revenues	<u>246,256</u>	<u>306,311</u>	<u>(60,055)</u>	(19.61) %
Total	<u>\$ 21,401,223</u>	<u>\$ 18,503,556</u>	<u>\$ 2,897,667</u>	15.66 %
<b><u>Expenditures</u></b>				
Instruction	\$ 12,884,908	\$ 11,577,456	\$ 1,307,452	11.29 %
Support services	7,790,359	7,650,237	140,122	1.83 %
Operation of non-instructional services	-	707	(707)	(100.00) %
Extracurricular activities	348,300	339,442	8,858	2.61 %
Capital outlay	229,505	255,979	(26,474)	(10.34) %
Debt service	<u>211,786</u>	<u>40,795</u>	<u>170,991</u>	419.15 %
Total	<u>\$ 21,464,858</u>	<u>\$ 19,864,616</u>	<u>\$ 1,600,242</u>	8.06 %

**TEAYS VALLEY LOCAL SCHOOL DISTRICT  
PICKAWAY COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2004  
UNAUDITED  
(Continued)**

***Debt Service***

During fiscal year 2004, the District's debt service fund balance decreased \$50,569. The table that follows assists in illustrating the financial activities of the debt service fund.

	<u>2004</u> <u>Amount</u>	<u>2003</u> <u>Amount</u>	<u>Increase</u> <u>(Decrease)</u>	<u>Percentage</u> <u>Change</u>
<b><u>Revenues</u></b>				
Taxes	\$ 1,621,964	\$ 1,264,769	\$ 357,195	28.24 %
Earnings on investments	10,114	18,476	(8,362)	(45.26) %
Intergovernmental	<u>180,428</u>	<u>163,568</u>	<u>16,860</u>	10.31 %
Total	<u>\$ 1,812,506</u>	<u>\$ 1,446,813</u>	<u>\$ 365,693</u>	25.28 %
<b><u>Expenditures</u></b>				
Fiscal	\$ 38,128	\$ 21,248	\$ 16,880	79.44 %
Debt Service:				
Principal	685,000	520,000	165,000	31.73 %
Interest	<u>1,139,947</u>	<u>1,174,812</u>	<u>(34,865)</u>	(2.97) %
Total	<u>\$ 1,863,075</u>	<u>\$ 1,716,060</u>	<u>\$ 147,015</u>	8.57 %

***Building***

During fiscal year 2004, the District's building fund balance decreased \$1,541,666 due to expenditures related to various District building projects. The table that follows assists in illustrating the financial activities of the building fund:

	<u>2004</u> <u>Amount</u>	<u>2003</u> <u>Amount</u>	<u>Increase</u> <u>(Decrease)</u>	<u>Percentage</u> <u>Change</u>
<b><u>Revenues</u></b>				
Earnings on investments	\$ 29,206	\$ 299,422	\$ (270,216)	(90.25) %
Other revenues	<u>-</u>	<u>12,750</u>	<u>(12,750)</u>	(100.00) %
Total	<u>\$ 29,206</u>	<u>\$ 312,172</u>	<u>\$ (282,966)</u>	(90.64) %
<b><u>Expenditures</u></b>				
Instruction	\$ 5,214	\$ 27,198	\$ (21,984)	(80.83) %
Support services	351,985	219,572	132,413	60.31 %
Facilities acquisition and construction	<u>1,213,673</u>	<u>7,524,006</u>	<u>(6,310,333)</u>	(83.87) %
Total	<u>\$ 1,570,872</u>	<u>\$ 7,770,776</u>	<u>\$ (6,199,904)</u>	(79.78) %

**TEAYS VALLEY LOCAL SCHOOL DISTRICT  
PICKAWAY COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2004  
UNAUDITED  
(Continued)**

***General Fund Budgeting Highlights***

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

During the course of fiscal year 2004, the District amended its general fund budget several times. For the general fund, final budgeted revenues and other financing sources of \$21,271,054 were \$1,356,728 higher than the original budgeted revenues and other financing sources estimate of \$19,914,326. Actual revenues and other financing sources of \$21,483,526 were \$212,472 higher than the final budgeted amounts.

General fund original and final appropriations (appropriated expenditures plus other financing uses) were \$22,904,734. Actual expenditures plus other financing uses of \$21,468,710 were \$1,436,024 lower than the final budgeted amounts.

**Capital Assets and Debt Administration**

***Capital Assets***

The District restated capital assets due to a re-appraisal, see note 9 to the basic financial statements for detail. At the end of fiscal year 2004, the District had \$47,107,429 invested in land, construction in progress, land improvements, buildings and improvements, furniture and equipment, and vehicles. This entire amount is reported in governmental activities. The following table shows fiscal 2004 balances compared to 2003:

	<b>Capital Assets at June 30</b>	
	<b>(Net of Depreciation)</b>	
	<u>Governmental Activities</u>	
	<u>2004</u>	<u>Restated 2003</u>
Land	\$ 445,549	\$ 445,549
Land improvements	206,142	247,760
Buildings and improvements	2,453,754	2,653,348
Furniture and equipment	2,818,989	2,369,199
Vehicles	656,262	610,964
Construction in progress	<u>40,526,733</u>	<u>36,373,465</u>
<b>Total</b>	<b><u>\$47,107,429</u></b>	<b><u>\$42,700,285</u></b>

The primary increase occurred in construction in progress related to various District building projects. Total additions to capital assets for fiscal 2004 were \$5,033,392, and construction in progress accounted for \$4,153,268 of the additions. The District had \$626,248 in depreciation expense for 2004.

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

**TEAYS VALLEY LOCAL SCHOOL DISTRICT  
PICKAWAY COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2004  
UNAUDITED  
(Continued)**

***Debt Administration***

At June 30, 2004 the District had \$22,271,858 in general obligation bonds outstanding. The issue is comprised of current issue bonds and capital appreciation bonds. Of this total, \$740,000 is due within one year and \$21,531,858 is due within greater than one year. The following table summarizes the bonds outstanding.

**Outstanding Debt, at Year End**

	<u>Governmental Activities 2004</u>	<u>Governmental Activities 2003</u>
Current interest bonds - 1984	\$ 170,000	\$ 340,000
Current interest bonds - 2000	20,930,000	21,445,000
Capital appreciation bonds - 2000	<u>1,171,858</u>	<u>1,040,085</u>
Total	<u>\$ 22,271,858</u>	<u>\$ 22,825,085</u>

The District issued the 1984 series general obligation bonds on February 1, 1984, to provide funds for purpose of constructing and equipping a new middle school and improving the site thereof. The annual interest rate is 9.1250% and the bonds are scheduled to mature in fiscal 2005.

The District issued the 2000 series general obligation bonds on September 5, 2000 for building construction and improvements. The annual interest rate ranges from 4.30% to 5.50% and the bonds are scheduled to mature in fiscal 2028.

At June 30, 2004, the District's overall legal debt margin was \$295,012 with an unvoted debt margin of \$220,796. The District's most recent bond issue maintained a Moody's Investors Service rating and a Fitch IBCA, Inc. rating of Aaa and AAA respectively on the understanding that the Bonds would be insured by Financial Guaranty Insurance Company upon their issuance. The District has received an underlying rating of A2 from Moody's.

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

**Current Financial Related Activities**

Overall, the District has been financially strong. As the preceding information shows, the District depends upon local property taxes, primarily residential/agricultural class property. An increase in property tax revenue is expected in fiscal year 2006 due to the increased tax valuation caused by the triennial valuation update. This additional tax revenue, along with the District's cash balance, will provide the District with the necessary funds to meet its operating expenses in fiscal year 2005. However, the future financial stability of the District is not without challenges.

The first challenge is the loss of state foundation revenues due to charge-offs for post secondary option and children attending community schools and other school districts. The District currently has a sufficient cash balance to meet operating expenses through fiscal year 2008. The District is currently developing a plan to control spending for years beyond fiscal year 2004 to increase the cash balance to a more acceptable level.

The next challenge facing the District is to continue meeting the demands of growth. The District's enrollment has grown tremendously in the last several years, and projections indicate that growth will continue for at least several years in the future.

**TEAYS VALLEY LOCAL SCHOOL DISTRICT  
PICKAWAY COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2004  
UNAUDITED  
(Continued)**

The last challenge facing the District is the future of state funding. The State of Ohio was found by the Ohio Supreme Court in March 1997 to be operating an unconstitutional educational system, one that was neither "adequate" nor "equitable." Since 1997, the state has directed its tax revenue growth toward school districts with little property tax wealth. On May 16, 2003, the Ohio Supreme Court emphatically clarified that jurisdiction of the DeRolph case had ended. The Ohio Coalition for Equity and Adequacy of School Funding filed a petition with the U.S. Supreme Court for permission to file an appeal. The District does not anticipate growth in state revenue, as in the ten years prior to the DeRolph decision, no state revenue growth was realized. From a legislative standpoint many decisions have been made that have a deteriorating effect on school revenues: the decision in past years to raise the charge off millage on the school foundation program to 23 mills from 20 mills; the decision to phase out the personal property tax; the decision to grant authority to the State Department of Taxation charging a fee to distribute rollback, homestead and personal property tax.

The public schools in Ohio also face the challenges of meeting many unfunded mandates by both the state and federal government. Examples would be Educational Management Information System (state) and No Child Left Behind (federal) compliance.

**Contacting the District's Financial Management**

This financial report is designed to provide our citizens, taxpayers, investors and creditors with a general overview of the District's finances and to show the District's accountability for the money it receives. If you have questions about this report or need additional financial information contact Marsha R. Clark, Treasurer, Teays Valley Local School District, 385 Circleville Avenue, Ashville OH 43103-9417.

**TEAYS VALLEY LOCAL SCHOOL DISTRICT  
PICKAWAY COUNTY**

**STATEMENT OF NET ASSETS  
JUNE 30, 2004**

	<b>Governmental Activities</b>
<b>Assets:</b>	
Equity in pooled cash and cash equivalents. . . . .	\$ 8,739,301
Cash with fiscal agent. . . . .	191,512
Receivables:	
Taxes . . . . .	7,453,185
Accounts . . . . .	5,022
Intergovernmental . . . . .	255,804
Accrued interest . . . . .	14,268
Prepayments. . . . .	9,898
Materials and supplies inventory . . . . .	55,020
Capital assets:	
Land . . . . .	445,549
Construction in progress . . . . .	40,526,733
Depreciable capital assets, net . . . . .	6,135,147
Total capital assets, net. . . . .	47,107,429
 Total assets . . . . .	 63,831,439
 <b>Liabilities:</b>	
Accounts payable. . . . .	24,190
Contracts payable. . . . .	51,150
Retainage payable . . . . .	107,932
Accrued wages and benefits . . . . .	1,862,799
Pension obligation payable. . . . .	519,745
Intergovernmental payable . . . . .	91,273
Deferred revenue . . . . .	5,541,326
Accrued interest payable . . . . .	87,268
Claims payable . . . . .	193,804
Long-term liabilities:	
Due within one year. . . . .	1,178,486
Due in more than one year . . . . .	23,346,460
 Total liabilities . . . . .	 33,004,433
 <b>Net Assets:</b>	
Invested in capital assets, net of related debt. . . . .	26,632,397
Restricted for:	
Capital projects . . . . .	122,145
Debt service. . . . .	1,727,478
Other purposes . . . . .	157,960
Unrestricted. . . . .	2,187,026
 Total net assets . . . . .	 \$ 30,827,006

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**TEAYS VALLEY LOCAL SCHOOL DISTRICT  
PICKAWAY COUNTY**

**STATEMENT OF ACTIVITIES  
FOR THE FISCAL YEAR ENDED JUNE 30, 2004**

	<b>Program Revenues</b>				<b>Net (Expense) Revenue and Changes in Net Assets</b>
<b>Expenses</b>	<b>Charges for Services and Sales</b>	<b>Operating Grants and Contributions</b>	<b>Capital Grants and Contributions</b>	<b>Governmental Activities</b>	
<b>Governmental activities:</b>					
Instruction:					
Regular . . . . .	\$ 10,611,262	\$ 256,228	\$ 227,182	\$ 238,804	\$ (9,889,048)
Special . . . . .	2,098,422	153	320,567	-	(1,777,702)
Vocational . . . . .	819,603	-	-	-	(819,603)
Other . . . . .	146	-	-	-	(146)
Support services:					
Pupil . . . . .	1,035,719	1,655	76,453	13,559	(944,052)
Instructional staff . . . . .	1,096,494	33,682	305,657	1,265	(755,890)
Board of education . . . . .	225,379	6	-	-	(225,373)
Administration . . . . .	1,925,735	2,323	140,399	220	(1,782,793)
Fiscal . . . . .	538,453	-	-	7,080	(531,373)
Business . . . . .	71,492	-	-	-	(71,492)
Operations and maintenance . . . . .	2,164,807	-	390	13,172	(2,151,245)
Pupil transportation . . . . .	1,198,608	-	-	-	(1,198,608)
Central . . . . .	137,956	-	15,000	-	(122,956)
Food service operations . . . . .	833,419	558,876	252,071	-	(22,472)
Extracurricular activities . . . . .	490,641	120,967	-	-	(369,674)
Intergovernmental . . . . .	27,892	-	-	-	(27,892)
Interest and fiscal charges . . . . .	1,294,484	-	-	-	(1,294,484)
Totals . . . . .	<u>\$ 24,570,512</u>	<u>\$ 973,890</u>	<u>\$ 1,337,719</u>	<u>\$ 274,100</u>	<u>(21,984,803)</u>
 <b>General Revenues:</b>					
Property taxes levied for:					
General purposes . . . . .					6,839,329
Classroom facilities maintenance . . . . .					125,300
Debt service . . . . .					1,649,332
Grants and entitlements not restricted					
to specific programs . . . . .					14,417,742
Investment earnings . . . . .					74,105
Miscellaneous . . . . .					225,282
					23,331,090
Total general revenues . . . . .					23,331,090
Change in net assets . . . . .					1,346,287
<b>Net assets, July 1 (restated) . . . . .</b>					<b>29,480,719</b>
<b>Net assets, June 30 . . . . .</b>					<b>\$ 30,827,006</b>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**TEAYS VALLEY LOCAL SCHOOL DISTRICT  
PICKAWAY COUNTY**

**BALANCE SHEET  
GOVERNMENTAL FUNDS  
JUNE 30, 2004**

	<u>General</u>	<u>Debt Service</u>	<u>Building</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
<b>Assets:</b>					
Equity in pooled cash and cash equivalents . . . . .	\$ 4,104,481	\$ 1,343,189	\$ 2,124,560	\$ 831,318	\$ 8,403,548
Receivables:					
Taxes . . . . .	5,710,393	1,742,792	-	-	7,453,185
Accounts . . . . .	4,953	-	-	69	5,022
Intergovernmental . . . . .	5,156	-	-	146,366	151,522
Accrued interest . . . . .	8,647	2,762	2,140	719	14,268
Interfund loans . . . . .	42,926	-	-	-	42,926
Materials and supplies inventory . . . . .	37,239	-	-	17,781	55,020
Prepayments. . . . .	9,898	-	-	-	9,898
Restricted assets:					
Equity in pooled cash and cash equivalents . . . . .	-	-	95,505	12,427	107,932
<b>Total assets . . . . .</b>	<b><u>\$ 9,923,693</u></b>	<b><u>\$ 3,088,743</u></b>	<b><u>\$ 2,222,205</u></b>	<b><u>\$ 1,008,680</u></b>	<b><u>\$ 16,243,321</u></b>
<b>Liabilities:</b>					
Accounts payable . . . . .	\$ 22,702	\$ -	\$ -	\$ 1,488	\$ 24,190
Contracts payable . . . . .	-	-	51,150	-	51,150
Retainage payable . . . . .	-	-	95,505	12,427	107,932
Accrued wages and benefits . . . . .	1,712,799	-	-	150,000	1,862,799
Compensated absences payable . . . . .	105,803	-	-	2,471	108,274
Pension obligation payable . . . . .	333,118	-	-	23,214	356,332
Intergovernmental payable. . . . .	84,195	-	-	7,078	91,273
Interfund loan payable . . . . .	-	-	-	42,926	42,926
Deferred revenue. . . . .	4,488,126	1,565,374	-	6,945	6,060,445
<b>Total liabilities . . . . .</b>	<b><u>6,746,743</u></b>	<b><u>1,565,374</u></b>	<b><u>146,655</u></b>	<b><u>246,549</u></b>	<b><u>8,705,321</u></b>
<b>Fund Balances:</b>					
Reserved for encumbrances . . . . .	411,783	540	188,541	87,352	688,216
Reserved for prepayments . . . . .	9,898	-	-	-	9,898
Reserved for materials and supplies inventory. . . . .	37,239	-	-	17,781	55,020
Reserved for property tax unavailable for appropriation . . . . .	497,920	173,506	-	-	671,426
Reserved for debt service. . . . .	-	1,349,323	-	-	1,349,323
Unreserved, undesignated, reported in:					
General fund. . . . .	2,220,110	-	-	-	2,220,110
Special revenue funds . . . . .	-	-	-	582,222	582,222
Capital projects funds . . . . .	-	-	1,887,009	74,776	1,961,785
<b>Total fund balances. . . . .</b>	<b><u>3,176,950</u></b>	<b><u>1,523,369</u></b>	<b><u>2,075,550</u></b>	<b><u>762,131</u></b>	<b><u>7,538,000</u></b>
<b>Total liabilities and fund balances . . . . .</b>	<b><u>\$ 9,923,693</u></b>	<b><u>\$ 3,088,743</u></b>	<b><u>\$ 2,222,205</u></b>	<b><u>\$ 1,008,680</u></b>	<b><u>\$ 16,243,321</u></b>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**TEAYS VALLEY LOCAL SCHOOL DISTRICT  
PICKAWAY COUNTY**

**RECONCILIATION OF TOTAL GOVERNMENTAL FUND BALANCES TO  
NET ASSETS OF GOVERNMENTAL ACTIVITIES  
JUNE 30, 2004**

<b>Total governmental fund balances</b>		\$ 7,538,000
<i>Amounts reported for governmental activities in the statement of net assets are different because:</i>		
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.		47,107,429
Other long-term assets are not available to pay for current-period expenditures and therefore are deferred in the funds.		
Delinquent property taxes	\$ 506,428	
Earnings on investments	6,086	
Intergovernmental revenue	<u>6,605</u>	
Total		519,119
An internal service fund is used by management to charge the costs of insurance to individual funds. The assets and liabilities of the internal service fund are included in governmental activities in the statement of net assets.		329,811
Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds.		
General obligation bonds	(22,271,858)	
Capital lease obligation	(423,239)	
Compensated absences	(1,721,575)	
Pension obligation payable	(163,413)	
Accrued interest payable	<u>(87,268)</u>	
Total		<u>(24,667,353)</u>
<b>Net assets of governmental activities</b>		<u><u>\$ 30,827,006</u></u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**TEAYS VALLEY LOCAL SCHOOL DISTRICT  
PICKAWAY COUNTY**

**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES  
GOVERNMENTAL FUNDS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2004**

	<u>General</u>	<u>Debt Service</u>	<u>Building</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
<b>Revenues:</b>					
From local sources:					
Taxes . . . . .	\$ 6,804,900	\$ 1,621,964	\$ -	\$ 125,300	\$ 8,552,164
Tuition . . . . .	56,988	-	-	-	56,988
Charges for services . . . . .	-	-	-	557,611	557,611
Classroom materials and fees . . . . .	75,200	-	-	-	75,200
Earnings on investments . . . . .	54,226	10,114	29,206	12,609	106,155
Extracurricular . . . . .	-	-	-	263,466	263,466
Other local revenues . . . . .	171,056	-	-	78,410	249,466
Other revenue . . . . .	1,539	-	-	-	1,539
Intergovernmental - state . . . . .	14,201,716	180,428	-	404,243	14,786,387
Intergovernmental - federal . . . . .	35,598	-	-	1,191,336	1,226,934
Total revenues . . . . .	<u>21,401,223</u>	<u>1,812,506</u>	<u>29,206</u>	<u>2,632,975</u>	<u>25,875,910</u>
<b>Expenditures:</b>					
Current:					
Instruction:					
Regular . . . . .	10,271,865	-	5,214	877,216	11,154,295
Special . . . . .	1,801,020	-	-	327,407	2,128,427
Vocational . . . . .	811,877	-	-	-	811,877
Other . . . . .	146	-	-	-	146
Support Services:					
Pupil . . . . .	921,683	-	165,829	76,959	1,164,471
Instructional staff . . . . .	864,615	-	15,477	340,945	1,221,037
Board of education . . . . .	193,475	-	-	6	193,481
Administration . . . . .	1,827,419	-	2,685	158,425	1,988,529
Fiscal . . . . .	422,798	38,128	81,067	2,799	544,792
Business . . . . .	71,492	-	-	-	71,492
Operations and maintenance . . . . .	2,165,563	-	86,927	25,361	2,277,851
Pupil transportation . . . . .	1,235,854	-	-	-	1,235,854
Central . . . . .	87,460	-	-	20,448	107,908
Food service operations . . . . .	-	-	-	785,356	785,356
Extracurricular activities . . . . .	348,300	-	-	125,307	473,607
Intergovernmental . . . . .	-	-	-	27,892	27,892
Facilities acquisition and construction . . . . .	-	-	1,213,673	2,100,104	3,313,777
Capital outlay . . . . .	229,505	-	-	-	229,505
Debt service:					
Principal retirement . . . . .	180,820	685,000	-	-	865,820
Interest and fiscal charges . . . . .	30,966	1,139,947	-	-	1,170,913
Total expenditures . . . . .	<u>21,464,858</u>	<u>1,863,075</u>	<u>1,570,872</u>	<u>4,868,225</u>	<u>29,767,030</u>
Excess of revenues under expenditures . . . . .	(63,635)	(50,569)	(1,541,666)	(2,235,250)	(3,891,120)
<b>Other financing sources (uses):</b>					
Transfers in . . . . .	-	-	-	15,571	15,571
Transfers (out) . . . . .	(11,903)	-	-	(3,668)	(15,571)
Proceeds from capital lease transaction . . . . .	229,505	-	-	-	229,505
Total other financing sources (uses) . . . . .	<u>217,602</u>	<u>-</u>	<u>-</u>	<u>11,903</u>	<u>229,505</u>
Net change in fund balances . . . . .	153,967	(50,569)	(1,541,666)	(2,223,347)	(3,661,615)
<b>Fund balances, July 1 . . . . .</b>	<b>3,052,523</b>	<b>1,573,938</b>	<b>3,617,216</b>	<b>2,986,100</b>	<b>11,229,777</b>
<b>Decrease in reserve for inventory . . . . .</b>	<b>(29,540)</b>	<b>-</b>	<b>-</b>	<b>(622)</b>	<b>(30,162)</b>
<b>Fund balances, June 30 . . . . .</b>	<b><u>\$ 3,176,950</u></b>	<b><u>\$ 1,523,369</u></b>	<b><u>\$ 2,075,550</u></b>	<b><u>\$ 762,131</u></b>	<b><u>\$ 7,538,000</u></b>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**TEAYS VALLEY LOCAL SCHOOL DISTRICT  
PICKAWAY COUNTY**

**RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES  
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS  
TO THE STATEMENT OF ACTIVITIES  
FOR THE FISCAL YEAR ENDED JUNE 30, 2004**

<b>Net change in fund balances - total governmental funds</b>	\$ (3,661,615)
<i>Amounts reported for governmental activities in the statement of activities are different because:</i>	
Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over estimated useful lives as depreciation expense. This is the amount by which capital outlays (\$5,033,392) exceeded depreciation expense (\$626,248) in the current period.	4,407,144
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.	40,889
Governmental funds report expenditures for inventory when purchased. However, in the statement of activities, they are reported as an expense when consumed.	(30,162)
Repayment of bond principal and capital leases is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets.	865,820
Proceeds of capital lease transactions are recorded as revenue in the funds however, on the statement of activities, they are not reported as revenues as they increase the liabilities on the statement of net assets.	(229,505)
In the statement of activities, interest expense is recognized as the interest accrues, regardless of when it is due. The additional interest reported in the statement of activities is due to the accrued interest on bonds and additional accumulated accreted interest on the capital appreciation bonds.	(123,571)
Some expenses reported in the statement of activities, such as compensated absences and pension obligations, do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds.	(18,735)
The internal service fund used by management to charge the costs of insurance to individual funds is not reported in the district-wide statement of activities. Governmental fund expenditures and the related internal service fund revenues are eliminated. The net revenue (expense) of the internal service fund is allocated among the governmental activities.	96,022
<b>Change in net assets of governmental activities</b>	<u>\$ 1,346,287</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**TEAYS VALLEY LOCAL SCHOOL DISTRICT  
PICKAWAY COUNTY**

**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN  
FUND BALANCE - BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)  
GENERAL FUND  
FOR THE FISCAL YEAR ENDED JUNE 30, 2004**

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		<u>(Negative)</u>
<b>Revenues:</b>				
From local sources:				
Taxes . . . . .	\$ 6,222,510	\$ 6,646,439	\$ 6,712,829	\$ 66,390
Tuition . . . . .	52,960	56,568	57,133	565
Earnings on investments . . . . .	62,807	67,086	67,756	670
Classroom materials and fees . . . . .	69,707	74,456	75,200	744
Other local revenue . . . . .	89,274	95,356	96,308	952
Other revenue . . . . .	1,427	1,524	1,539	15
Intergovernmental - state . . . . .	13,167,774	14,064,871	14,205,363	140,492
Intergovernmental - federal . . . . .	29,599	31,615	31,931	316
<b>Total revenues . . . . .</b>	<b>19,696,058</b>	<b>21,037,915</b>	<b>21,248,059</b>	<b>210,144</b>
<b>Expenditures:</b>				
Current:				
Instruction:				
Regular . . . . .	11,047,342	11,047,342	10,408,978	638,364
Special . . . . .	1,977,242	1,977,242	1,840,278	136,964
Vocational . . . . .	775,460	775,460	764,631	10,829
Other . . . . .	145	145	145	-
Support services:				
Pupils . . . . .	967,641	967,641	911,623	56,018
Instructional staff . . . . .	929,926	929,926	867,824	62,102
Board of education . . . . .	228,710	228,710	196,687	32,023
Administration . . . . .	1,942,749	1,942,749	1,856,984	85,765
Fiscal . . . . .	451,397	451,397	440,411	10,986
Business . . . . .	163,333	163,333	135,548	27,785
Operations and maintenance . . . . .	2,441,986	2,441,986	2,179,455	262,531
Pupil transportation . . . . .	1,399,300	1,399,300	1,286,548	112,752
Central . . . . .	102,969	102,969	87,610	15,359
Operation of non-instructional services . . . . .	745	745	-	745
Extracurricular activities . . . . .	462,023	462,023	436,300	25,723
<b>Total expenditures . . . . .</b>	<b>22,890,968</b>	<b>22,890,968</b>	<b>21,413,022</b>	<b>1,477,946</b>
Excess of revenues over (under) expenditures . . . . .	(3,194,910)	(1,853,053)	(164,963)	1,688,090
<b>Other financing sources (uses):</b>				
Advances in . . . . .	196,954	210,372	212,473	2,101
Advances (out) . . . . .	-	-	(42,926)	(42,926)
Transfers (out) . . . . .	(12,494)	(12,494)	(12,494)	-
Contingencies . . . . .	(1,004)	(1,004)	-	1,004
Proceeds from sale of capital assets . . . . .	7,318	7,817	7,895	78
Refund of prior year's receipt . . . . .	(268)	(268)	(268)	-
Refund of prior year's expenditures . . . . .	13,996	14,950	15,099	149
<b>Total other financing sources (uses) . . . . .</b>	<b>204,502</b>	<b>219,373</b>	<b>179,779</b>	<b>(39,594)</b>
Net change in fund balance . . . . .	(2,990,408)	(1,633,680)	14,816	1,648,496
<b>Fund balance, July 1 . . . . .</b>	<b>2,426,337</b>	<b>2,426,337</b>	<b>2,426,337</b>	<b>-</b>
<b>Prior year encumbrances appropriated . . . . .</b>	<b>873,453</b>	<b>873,453</b>	<b>873,453</b>	<b>-</b>
<b>Fund balance, June 30 . . . . .</b>	<b>\$ 309,382</b>	<b>\$ 1,666,110</b>	<b>\$ 3,314,606</b>	<b>\$ 1,648,496</b>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**TEAYS VALLEY LOCAL SCHOOL DISTRICT  
PICKAWAY COUNTY**

**STATEMENT OF NET ASSETS  
PROPRIETARY FUND  
JUNE 30, 2004**

	<b>Governmental Activities - Internal Service Fund</b>
<b>Assets:</b>	
Equity in pooled cash and cash equivalents . . . . .	\$ 227,821
Cash with fiscal agent . . . . .	191,512
Receivables:	
Intergovernmental . . . . .	104,282
Total assets . . . . .	523,615
<b>Liabilities:</b>	
Claims payable. . . . .	193,804
Total liabilities. . . . .	193,804
<b>Net assets:</b>	
Unrestricted . . . . .	329,811
Total net assets. . . . .	\$ 329,811

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**TEAYS VALLEY LOCAL SCHOOL DISTRICT  
PICKAWAY COUNTY**

**STATEMENT OF REVENUES, EXPENSES AND  
CHANGES IN NET ASSETS  
PROPRIETARY FUND  
FOR THE FISCAL YEAR ENDED JUNE 30, 2004**

	<b>Governmental Activities - Internal Service Fund</b>
<b>Operating revenues:</b>	
Charges for services . . . . .	\$ 1,639,614
Total operating revenues . . . . .	1,639,614
<b>Operating expenses:</b>	
Fringe benefits . . . . .	91,135
Claims and administrative services . . . . .	1,452,457
Total operating expenses . . . . .	1,543,592
Change in net assets. . . . .	96,022
<b>Net assets, July 1. . . . .</b>	<b>233,789</b>
<b>Net assets, June 30. . . . .</b>	<b>\$ 329,811</b>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**TEAYS VALLEY LOCAL SCHOOL DISTRICT  
PICKAWAY COUNTY**

**STATEMENT OF CASH FLOWS  
PROPRIETARY FUND  
FOR THE FISCAL YEAR ENDED JUNE 30, 2004**

	<b>Governmental Activities - Internal Service Fund</b>
<b>Cash flows from operating activities:</b>	
Cash received from charges for services . . . . .	\$ 1,623,749
Cash payments for fringe benefits. . . . .	(91,135)
Cash payments for claims and administrative services . . . . .	(1,397,453)
Net cash provided by operating activities. . . . .	135,161
Net increase in cash and cash equivalents . . . . .	135,161
<b>Cash and cash equivalents, July 1 . . . . .</b>	<b>284,172</b>
<b>Cash and cash equivalents, June 30 . . . . .</b>	<b>\$ 419,333</b>
<b>Reconciliation of operating income to net cash provided by operating activities:</b>	
Operating income . . . . .	\$ 96,022
Changes in assets and liabilities:	
Increase in intergovernmental receivable. . . . .	(15,865)
Increase in claims payable . . . . .	55,004
Net cash provided by operating activities. . . . .	\$ 135,161

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**TEAYS VALLEY LOCAL SCHOOL DISTRICT  
PICKAWAY COUNTY**

**STATEMENT OF FIDUCIARY NET ASSETS  
FIDUCIARY FUNDS  
JUNE 30, 2004**

	<u>Private-Purpose Trust</u>	
	<u>Scholarship</u>	<u>Agency</u>
<b>Assets:</b>		
Equity in pooled cash and cash equivalents . . . . .	\$ 10,000	\$ 49,602
Receivables:		
Accounts . . . . .	-	135
Accrued interest . . . . .	143	-
	<hr/>	<hr/>
Total assets . . . . .	10,143	\$ 49,737
	<hr/>	<hr/> <hr/>
<b>Liabilities:</b>		
Due to students . . . . .	-	\$ 49,737
	<hr/>	<hr/>
Total liabilities . . . . .	-	\$ 49,737
	<hr/>	<hr/> <hr/>
<b>Net Assets:</b>		
Held in trust for scholarships . . . . .	10,143	
	<hr/>	
Total net assets . . . . .	\$ 10,143	
	<hr/> <hr/>	

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**TEAYS VALLEY LOCAL SCHOOL DISTRICT  
PICKAWAY COUNTY**

**STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS  
FIDUCIARY FUND  
FOR THE FISCAL YEAR ENDED JUNE 30, 2004**

	<b>Private-Purpose Trust</b>
	<b>Scholarship</b>
<b>Additions:</b>	
Interest . . . . .	\$ 215
Total additions. . . . .	215
<b>Deductions:</b>	
Scholarships awarded . . . . .	279
Change in net assets . . . . .	(64)
<b>Net assets, July 1 . . . . .</b>	<b>10,207</b>
<b>Net assets, June 30 . . . . .</b>	<b>\$ 10,143</b>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**TEAYS VALLEY LOCAL SCHOOL DISTRICT  
PICKAWAY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2004**

**1. DESCRIPTION OF THE SCHOOL DISTRICT**

The Teays Valley Local School District (the "District") is a body politic and corporate established for the purpose of exercising the rights and privileges conveyed to it by the constitution and laws of the State of Ohio. The District is a local school district as defined by Section 3311.03 of the Ohio Revised Code. The District operates under an elected Board of Education (five members) and is responsible for the provision of public education to residents of the District.

Average daily membership (ADM) as of October 1, 2003, was 3,074. The District employed 9 administrative and supervisory personnel, 214 certified employees and 95 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.

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

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

**A. Reporting Entity**

The reporting entity has been defined in accordance with GASB Statement No. 14, "The Financial Reporting Entity". The reporting entity is composed of the primary government, component units and other organizations that are included to ensure that the basic financial statements of the District are not misleading. The primary government consists of all funds, departments, boards and agencies that are not legally separate from the District. For the District, this includes general operations, food service, preschool and student related activities of the District.

Component units are legally separate organizations for which the District is financially accountable. The District is financially accountable for an organization if the District appoints a voting majority of the organizations' government board and (1) the District is able to significantly influence the programs or services performed or provided by the organization; or (2) the District is legally entitled to or can otherwise have access to the organizations' resources; the District is legally obligated or has otherwise assumed the responsibility to finance the deficits of, or provide financial support to, the organization; or the District is obligated for the debt of the organization. Component units may also include organizations that are fiscally dependent on the District in that the District approves the budget, the issuance of debt or the levying of taxes. Based upon the application of this criteria, the District has no component units. The basic financial statements of the reporting entity include only those of the District (the primary government). The following organizations are described due to their relationship to the District:

**TEAYS VALLEY LOCAL SCHOOL DISTRICT  
PICKAWAY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2004  
(Continued)**

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

**A. Reporting Entity (Continued)**

*JOINTLY GOVERNED ORGANIZATION*

Metropolitan Education Council (MEC) - Is a not for profit educational council whose primary purpose and objective is to contribute to the educational services available to school districts in Franklin County and surrounding areas by cooperative action membership. The governing board consists of a representative from each of the Franklin County districts. Districts outside of Franklin County are associate members and each county selects a single district to represent them on the governing board. MEC is its own fiscal agent. The District paid \$16,515 to MEC for services provided during fiscal 2004.

Central Ohio Special Education Regional Resource Center

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

*PUBLIC ENTITY RISK POOL*

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

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

Ross County School Employees Insurance Consortium

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

**TEAYS VALLEY LOCAL SCHOOL DISTRICT  
PICKAWAY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2004  
(Continued)**

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

**B. Fund Accounting**

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

*GOVERNMENTAL FUNDS*

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

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

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

*Building Fund* - This fund is used to account for monies received and expended in connection with the renovation and construction of District buildings.

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

*PROPRIETARY FUND*

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

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

**TEAYS VALLEY LOCAL SCHOOL DISTRICT  
PICKAWAY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2004  
(Continued)**

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

**B. Fund Accounting (Continued)**

*FIDUCIARY FUNDS*

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

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

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

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

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

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

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

**TEAYS VALLEY LOCAL SCHOOL DISTRICT  
PICKAWAY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2004  
(Continued)**

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

**C. Basis of Presentation and Measurement Focus (Continued)**

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

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

The private purpose trust fund is reported using the economic resources measurement focus. The agency fund does not report a measurement focus as it does not report operations.

**D. Basis of Accounting**

Basis of accounting determines when transactions are recorded in the financial records and reported on the financial statements. Government-wide financial statements are prepared using the accrual basis of accounting on the fund financial statements. Governmental funds use the modified accrual basis of accounting. Proprietary and fiduciary funds also use the accrual basis of accounting.

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

Nonexchange transactions, in which the District receives value without directly giving equal value in return, include property taxes, income taxes, grants, entitlements and donations. On an accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied (see Note 6). Revenue from grants, entitlements and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the fiscal year when use is first permitted, matching requirements, in which the District must provide local resources to be used for a specified purpose, and expenditure requirements, in which the resources are provided to the District on a reimbursement basis. On a modified accrual basis, revenue from nonexchange transactions must also be available before it can be recognized.

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

**TEAYS VALLEY LOCAL SCHOOL DISTRICT  
PICKAWAY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2004  
(Continued)**

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

**D. Basis of Accounting (Continued)**

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

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

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

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

**E. Budgets**

The District is required by state statute to adopt an annual appropriated cash basis budget for all funds. The specific timetable for fiscal year 2004 is as follows.

1. Prior to January 15, the Superintendent and Treasurer submit to the Board of Education a proposed operating budget for the fiscal year commencing the following July 1. The budget includes proposed expenditures and the means of financing for all funds. Public hearings are publicized and conducted to obtain taxpayers' comments. The expressed purpose of this budget document is to reflect the need for existing (or increased) tax rates.
2. By no later than January 20, the board-adopted budget is filed with the Pickaway County Budget Commission for tax rate determination.
3. Prior to April 1, the Board of Education accepts, by formal resolution, the tax rates as determined by the Budget Commission and receives the Commission's Certificate of Estimated Resources which states the projected revenue of each fund. Prior to June 30, the District must revise its budget so that total contemplated expenditures from any fund during the ensuing year will not exceed the amount stated in the Certificate of Estimated Resources. The revised budget then serves as a basis for the appropriation measure. On or about July 1, the Certificate is amended to include any unencumbered balances from the preceding year as reported by the District Treasurer. The Certificate may be further amended during the year if projected increases or decreases in revenue are identified by the District Treasurer. The amounts reported as the final budgeted amount in the budgetary statement reflect the amounts set forth in the final Amended Certificate issued for fiscal year 2004.

**TEAYS VALLEY LOCAL SCHOOL DISTRICT  
PICKAWAY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2004  
(Continued)**

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

**E. Budgets (Continued)**

4. By July 1, the annual appropriation resolution is legally enacted by the Board of Education at the fund level for all funds, which is the legal level of budgetary control. (State statute permits a temporary appropriation to be effective until no later than October 1 of each year.)

Resolution appropriations by fund must be within the estimated resources as certified by the County Budget Commission and the total of expenditures and encumbrances may not exceed appropriations totals.

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

**F. Cash and Investments**

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

During fiscal year 2004, investments were limited to nonnegotiable certificates of deposits and investments in the State Treasury Asset Reserve of Ohio (STAR Ohio). Except for nonparticipating investment contracts, investments are reported at fair value, which is based on quoted market prices. Nonparticipating investment contracts such as nonnegotiable certificates of deposit are reported at cost.

The District has invested funds in STAR Ohio during fiscal year 2004. 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, 2004.

Following Ohio statutes, the Board of Education has, by resolution, specified the funds to receive an allocation of interest earnings. Interest revenues credited to the general fund during fiscal year 2004 amounted to \$54,226, which includes \$19,745 assigned from other District funds.

**TEAYS VALLEY LOCAL SCHOOL DISTRICT  
PICKAWAY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2004  
(Continued)**

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

**F. Cash and Investments (Continued)**

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

An analysis of the Treasurer's investments at year-end is provided in Note 4.

**G. Inventory**

On government-wide financial statements, inventories are presented at the lower of cost or market on a first-in, first-out basis and are expensed when used. Inventories are accounted for using the consumption method. On the fund financial statements, inventories are accounted for using the purchase method.

Inventory consists of supplies, donated food and purchased food.

**H. Capital Assets**

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

All capital assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the year. Donated fixed assets are recorded at their fair market values as of the date received. The District maintains a capitalization threshold of \$1,000. The District does not possess any infrastructure. Improvements are capitalized; the costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset life are not. Interest incurred during the construction of capital assets is also capitalized.

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

<u>Description</u>	<u>Governmental Activities Estimated Lives</u>
Land improvements	20 years
Buildings and improvements	20 - 50 years
Furniture and equipment	5 - 20 years
Vehicles	8 years

**I. Interfund Balances**

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

**TEAYS VALLEY LOCAL SCHOOL DISTRICT  
PICKAWAY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2004  
(Continued)**

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

**J. Compensated Absences**

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

In accordance with the provisions of GASB Statement No. 16, "Accounting for Compensated Absences", a liability for vacation leave is accrued if a) the employees' rights to payment are attributable to services already rendered; and b) it is probable that the employer will compensate the employees for the benefits through paid time off or other means, such as cash payment at termination or retirement. A liability for severance is accrued using the vesting method; i.e., the liability is based on the sick leave accumulated at June 30, 2004, by those employees who are currently eligible to receive termination (severance) payments, as well as those employees expected to become eligible in the future. For purposes of establishing a liability for severance on employees expected to become eligible to retire in the future, all employees with at least ten years of service were considered expected to become eligible to retire in accordance with GASB Statement No. 16.

The total liability for vacation and severance payments has been calculated using pay rates in effect at June 30, 2004, and reduced to the maximum payment allowed by labor contract and/or statute, plus any applicable additional salary related payments.

The entire compensated absence liability is reported on the government-wide financial statements. For governmental fund financial statements, compensated absences are recognized as liabilities and expenditures as payments come due each period upon the occurrence of employee resignations and retirements.

**K. Prepayments**

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

**L. Accrued Liabilities and Long-Term Obligations**

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

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

**TEAYS VALLEY LOCAL SCHOOL DISTRICT  
PICKAWAY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2004  
(Continued)**

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

**M. Fund Balance Reserves**

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

**N. Restricted Assets**

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

**O. Estimates**

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

**P. Net Assets**

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

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

**Q. Operating Revenues and Expenses**

Operating revenues are those revenues that are generated directly from the primary activity of the proprietary funds. For the District, these revenues are charges for services for self-insurance programs. Operating expenses are necessary costs incurred to provide the service that is the primary activity of the fund.

**TEAYS VALLEY LOCAL SCHOOL DISTRICT  
PICKAWAY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2004  
(Continued)**

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

**R. Interfund Activity**

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

**3. ACCOUNTABILITY AND COMPLIANCE**

**A. Prior Period Adjustment**

A prior period adjustment is required to properly state capital assets at June 30, 2003, due to a reappraisal and errors and omissions reported in prior years. This restatement had the following effect on net assets at June 30, 2003:

Net assets as previously reported	\$ 30,852,816	
Restatement for capital assets	(1,372,097)	
Net assets, restated at July 1, 2003	\$ 29,480,719	

**B. Deficit Fund Balance**

Fund balances at June 30, 2004 included the following individual fund deficits:

		Deficit
<u>Nonmajor Funds</u>		
Management Information Systems	\$ 32	
Disadvantaged Pupil Impact Fund		198
Ohio Reads		20
Title I		2,583
Preschool for the Handicapped		60
Reducing Class Size		17,143

These funds complied with Ohio state law, which does not permit a cash basis deficit at year-end. The general fund is liable for any deficits in these funds and provides transfers when cash is required, not when accruals occur. The deficit fund balances resulted from adjustments for accrued liabilities.

**TEAYS VALLEY LOCAL SCHOOL DISTRICT  
PICKAWAY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2004  
(Continued)**

**4. EQUITY IN POOLED CASH AND INVESTMENTS**

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

Active deposits are public deposits necessary to meet certain 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 five-year period of designation of depositories. Inactive deposits must either be evidenced by certificates of deposit maturing not later than the end of the current period of designation of depositories, or by savings or deposit accounts including, but not limited to, passbook accounts.

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

Protection of the District's deposits is provided by the Federal Deposit Insurance Corporation (FDIC), by eligible securities pledged by the financial institution as security for repayment, by surety company bonds deposited with the Treasurer by the financial institution or by a single collateral pool established by the financial institution to secure the repayment of all public 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 or 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 2% and be marked to market daily, and that the term of the agreement must not exceed 30 days;
4. Bonds and other obligations of the State of Ohio;
5. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2) of this section and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions;

**TEAYS VALLEY LOCAL SCHOOL DISTRICT  
PICKAWAY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2004  
(Continued)**

**4. EQUITY IN POOLED CASH AND INVESTMENTS - (Continued)**

6. The State Treasury Asset Reserve of Ohio (STAR Ohio);
7. Certain bankers' acceptances and commercial paper notes for a period not to exceed 180 days in an amount not to exceed 25% of the interim monies available for investment at any one time; and
8. Under limited circumstances, corporate debt instruments rated in either of the two highest rating classifications by at least two nationally recognized rating agencies.

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

*Cash on Hand:* At fiscal year-end, the District had \$15 in undeposited cash on hand which is included on the basic financial statements of the District as part of "Equity in Pooled Cash and Cash Equivalents."

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, including non-negotiable certificates of deposit, was \$6,696,010, and the bank balance was \$7,362,543. Of the bank balance:

1. \$500,000 was covered by federal depository insurance; and
2. \$6,862,543 was uninsured and uncollateralized as defined by GASB although it was secured by collateral held by third party trustees, pursuant to section 135.181 Ohio Revised Code, in collateralized pools securing all public funds on deposit with specific depository institutions; these securities not being in the name of the District. Although all state statutory requirements for the deposit of money had been followed, non-compliance with federal requirements would potentially subject the District to a successful claim by the FDIC.

*Investments:* Investments are categorized to give an indication of the level of risk assumed by the entity at year-end. Category 1 includes investments that are insured or registered or securities held by the District. Category 2 includes uninsured and unregistered investments for which the securities are held by the counterparty'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 counterparty or by its trust department, but not in the District's name.

**TEAYS VALLEY LOCAL SCHOOL DISTRICT  
PICKAWAY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2004  
(Continued)**

**4. EQUITY IN POOLED CASH AND INVESTMENTS - (Continued)**

At June 30, 2004, the District had an investment of \$2,102,878 in STAR Ohio. STAR Ohio is not categorized because it is not evidenced by securities that exist in physical or book entry form.

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

	<u>Cash and Cash Equivalents/Deposits</u>	<u>Investments</u>
GASB Statement No. 9	\$ 8,990,415	\$ -
Investment of the cash management pool:		
Investments in STAR Ohio	(2,102,878)	2,102,878
Cash on hand	(15)	-
Cash with fiscal agent	<u>(191,512)</u>	<u>-</u>
 GASB Statement No. 3	 <u>\$ 6,696,010</u>	 <u>\$ 2,102,878</u>

**5. INTERFUND TRANSACTIONS**

**A.** Interfund balances consisted of the following at June 30, 2004, as reported on the fund statements:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General Fund	Nonmajor Governmental Funds	\$ 42,926

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

Interfund balances between governmental funds are eliminated on the government-wide financial statements; therefore, no internal balances at June 30, 2004 are reported on the Statement of Net Assets.

**B.** Interfund transfers for the year ended June 30, 2004, consisted of the following, as reported on the fund financial statements:

Transfers to Nonmajor Governmental funds from:		
General Fund		\$ 11,903
Nonmajor Governmental funds		3,668

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

**TEAYS VALLEY LOCAL SCHOOL DISTRICT  
PICKAWAY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2004  
(Continued)**

**6. PROPERTY TAXES**

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

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

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

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

The District receives property taxes from Fairfield, Franklin and Pickaway Counties. The County Auditors periodically advances to the District their portion of the taxes collected. Second-half real property tax payments collected by the County by June 30, 2004, are available to finance fiscal year 2004 operations. The amount available to be advanced can vary based on the date the tax bills are sent.

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

The amount available as an advance at June 30, 2004 was \$497,920 in the general fund and \$173,506 in the debt service fund. These amounts have been recorded as revenue. The amount available as an advance at June 30, 2003 was \$426,429 in the general fund and \$134,745 in the debt service fund.

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

**TEAYS VALLEY LOCAL SCHOOL DISTRICT  
PICKAWAY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2004  
(Continued)**

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

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

	2003 Second Half Collections		2004 First Half Collections	
	<u>Amount</u>	<u>Percent</u>	<u>Amount</u>	<u>Percent</u>
Agricultural/residential and other real estate	\$ 221,423,060	88.36	\$ 186,784,480	84.60
Public utility personal	19,393,250	7.74	25,200,720	11.41
Tangible personal property	<u>9,783,090</u>	<u>3.90</u>	<u>8,810,829</u>	<u>3.99</u>
Total	<u>\$ 250,599,400</u>	<u>100.00</u>	<u>\$ 220,796,029</u>	<u>100.00</u>
Tax rate per \$1,000 of assessed valuation	\$	33.60	\$	33.60

**7. RECEIVABLES**

Receivables at June 30, 2004 consisted of taxes, accounts (billings for user charged services and student fees), accrued interest and intergovernmental grants and entitlements. All receivables are considered collectible in full due to the ability to foreclose for the nonpayment of taxes, the stable condition of state programs and the current year guarantee of federal funds. A summary of the principal items of receivables reported on the Statement of Net Assets follows:

**Governmental Activities:**

Taxes	\$	7,453,185
Accounts		5,022
Intergovernmental		255,804
Accrued interest		<u>14,268</u>
Total	<u>\$</u>	<u>7,728,279</u>

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

**8. INCOME TAX**

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

**TEAYS VALLEY LOCAL SCHOOL DISTRICT  
PICKAWAY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2004  
(Continued)**

**9. CAPITAL ASSETS**

- A. Capital assets were restated at June 30, 2003, to properly state capital assets due to a reappraisal and errors and omissions reported in prior years. The restatement is as follows:

<b>Governmental Activities</b>	<u>Balance 06/30/03</u>	<u>Adjustment</u>	<u>Restated Balance 06/30/03</u>
<i>Capital assets, not being depreciated:</i>			
Land	\$ 369,029	\$ 76,520	\$ 445,549
Construction in progress	<u>33,980,495</u>	<u>2,392,970</u>	<u>36,373,465</u>
Total capital assets, not being depreciated	<u>34,349,524</u>	<u>2,469,490</u>	<u>36,819,014</u>
<i>Capital assets, being depreciated:</i>			
Land improvements	-	860,797	860,797
Building and improvements	10,162,202	(2,392,763)	7,769,439
Furniture and equipment	3,081,619	298,000	3,379,619
Vehicles	<u>1,381,873</u>	<u>(198,392)</u>	<u>1,183,481</u>
Total capital assets, being depreciated	<u>14,625,694</u>	<u>(1,432,358)</u>	<u>13,193,336</u>
<i>Less: accumulated depreciation</i>			
Land improvements	-	(613,037)	(613,037)
Building and improvements	(2,874,389)	(2,241,702)	(5,116,091)
Furniture and equipment	(1,504,368)	493,948	(1,010,420)
Vehicles	<u>(524,079)</u>	<u>(48,438)</u>	<u>(572,517)</u>
Total accumulated depreciation	<u>(4,902,836)</u>	<u>(2,409,229)</u>	<u>(7,312,065)</u>
Governmental activities capital assets, net	<u>\$ 44,072,382</u>	<u>\$ (1,372,097)</u>	<u>\$ 42,700,285</u>

**TEAYS VALLEY LOCAL SCHOOL DISTRICT  
PICKAWAY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2004  
(Continued)**

**9. CAPITAL ASSETS - (Continued)**

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

	Restated			
	Balance at			Balance at
	<u>06/30/03</u>	<u>Additions</u>	<u>Disposals</u>	<u>06/30/04</u>
<b>Governmental Activities:</b>				
<i>Capital assets, not being depreciated:</i>				
Land	\$ 445,549	\$ -	\$ -	\$ 445,549
Construction in progress	<u>36,373,465</u>	<u>4,153,268</u>	<u>-</u>	<u>40,526,733</u>
Total capital assets, not being depreciated	<u>36,819,014</u>	<u>4,153,268</u>	<u>-</u>	<u>40,972,282</u>
<i>Capital assets, being depreciated:</i>				
Land improvements	860,797	-	-	860,797
Buildings and improvements	7,769,439	-	-	7,769,439
Furniture and equipment	3,379,619	704,774	-	4,084,393
Vehicles	<u>1,183,481</u>	<u>175,350</u>	<u>-</u>	<u>1,358,831</u>
Total capital assets, being depreciated	<u>13,193,336</u>	<u>880,124</u>	<u>-</u>	<u>14,073,460</u>
<i>Less: accumulated depreciation:</i>				
Land improvements	(613,037)	(41,618)	-	(654,655)
Buildings and improvements	(5,116,091)	(199,594)	-	(5,315,685)
Furniture and equipment	(1,010,420)	(254,984)	-	(1,265,404)
Vehicles	<u>(572,517)</u>	<u>(130,052)</u>	<u>-</u>	<u>(702,569)</u>
Total accumulated depreciation	<u>(7,312,065)</u>	<u>(626,248)</u>	<u>-</u>	<u>(7,938,313)</u>
Governmental activities capital assets, net	<u>\$ 42,700,285</u>	<u>\$ 4,407,144</u>	<u>\$ -</u>	<u>\$ 47,107,429</u>

**TEAYS VALLEY LOCAL SCHOOL DISTRICT  
PICKAWAY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2004  
(Continued)**

**9. CAPITAL ASSETS - (Continued)**

Depreciation expense was charged to governmental functions as follows:

<u>Instruction:</u>	
Regular	\$ 324,414
Special	1,902
Vocational	10,071
<u>Support Services:</u>	
Pupil	5,044
Instructional staff	11,645
Board of education	6,685
Administration	6,705
Fiscal	130
Operations and maintenance	8,994
Pupil transportation	148,779
Central	30,048
Extracurricular activities	28,920
Food service operations	<u>42,911</u>
Total depreciation expense	<u>\$ 626,248</u>

**10. CAPITALIZED LEASE - LESSEE DISCLOSURE**

During fiscal 2004, the District entered into a capitalized lease for computer equipment. In prior fiscal years, the District entered into capitalized leases for fitness and copier equipment. These lease agreements meet the criteria of capital lease as defined by FASB Statement No. 13, "Accounting for Leases", which defines a capital lease generally as one which transfers benefits and risks of ownership to the lessee. Capital lease payments have been reclassified and are reflected as debt service expenditures in the financial statements for the governmental funds. These expenditures are reported as function expenditures on the budgetary statements.

Capital assets consisting of equipment have been capitalized in the statement of net assets. This amount represents the present value of the minimum lease payments at the time of acquisition. A corresponding liability is recorded in the government-wide financial statements. Principal payments in fiscal year 2004 totaled \$180,820 paid by the general fund.

**TEAYS VALLEY LOCAL SCHOOL DISTRICT  
PICKAWAY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2004  
(Continued)**

**10. CAPITALIZED LEASE - LESSEE DISCLOSURE - (Continued)**

The following is a schedule of the future long-term minimum lease payments required under the capital lease and the present value of the future minimum lease payments as of June 30, 2004:

<u>Fiscal Year Ending June 30,</u>	<u>Amount</u>
2005	\$ 228,520
2006	189,636
2007	31,784
2008	<u>3,763</u>
Total minimum lease payments	453,703
Less amount representing interest	<u>(30,464)</u>
Total	<u>\$ 423,239</u>

**11. LONG-TERM OBLIGATIONS**

A. During the fiscal year 2004, the following changes occurred in governmental activities long-term obligations:

	<u>Balance at July 1, 2003</u>	<u>Increase</u>	<u>Decrease</u>	<u>Balance at June 30, 2004</u>	<u>Amounts Due in One Year</u>
General obligation bonds	\$ 22,825,085	\$ 131,773	\$ (685,000)	\$ 22,271,858	\$ 740,000
Capital lease obligation	374,554	229,505	(180,820)	423,239	207,431
Compensated absences	<u>1,788,737</u>	<u>157,331</u>	<u>(116,219)</u>	<u>1,829,849</u>	<u>231,055</u>
Total	<u>\$ 24,988,376</u>	<u>\$ 518,609</u>	<u>\$ (982,039)</u>	<u>\$ 24,524,946</u>	<u>\$ 1,178,486</u>

B. *General Obligation Bonds – Series 1984:* \$170,000 of the outstanding general obligation bonds relate to a project for which bonds were issued on February 1, 1984, for the purpose of constructing and equipping a new middle school and improving the site thereof. These bonds mature December 2005, and are in full compliance with the general laws of the State of Ohio, particularly Sections 133.01 to 133.48, inclusive, of the Ohio Revised Code and Section 133.09 thereof. The bonds bear an annual interest rate of 9.1250%.

*General Obligation Bonds – Series 2000:* On September 5, 2000, the District issued general obligation bonds to finance building construction and improvements. This issue is comprised of both current interest bonds, par value \$22,100,000, and capital appreciation bonds, par value \$1,995,000. The interest rates on the current interest bonds range from 4.30% to 5.50%. The capital appreciation bonds mature on December 1, 2007 (effective interest 12.29%), December 1, 2008 (effective interest 12.29%) and December 1, 2009 (effective interest 12.29%) at a redemption price equal to 100% of the principal, plus accrued interest to the redemption date. The present value (as of issue date) reported in the statement of net assets at June 30, 2004 was \$750,286. A total of \$421,572 in accreted interest on the capital appreciation bonds has been included in the statement of net assets at June 30, 2004.

**TEAYS VALLEY LOCAL SCHOOL DISTRICT  
PICKAWAY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2004  
(Continued)**

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

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

Interest payments on the current interest bonds are due on June 1 and December 1 of each year. The final maturity stated in the issues December 1, 2027.

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

	<u>Balance</u> <u>06/30/03</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance</u> <u>06/30/04</u>
Current interest bonds -				
1984 Series	\$ 340,000	\$ -	\$ (170,000)	\$ 170,000
Current interest bonds -				
2000 Series	21,445,000	-	(515,000)	20,930,000
Capital appreciation bonds -				
2000 Series	<u>1,040,085</u>	<u>131,773</u>	<u>-</u>	<u>1,171,858</u>
Total	<u>\$ 22,825,085</u>	<u>\$ 131,773</u>	<u>\$ (685,000)</u>	<u>\$ 22,271,858</u>

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

Fiscal Year Ending June 30	<u>Current Interest Bonds</u>			<u>Capital Appreciation Bonds</u>		
	<u>Principal</u>	<u>Interest</u>	<u>Total</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2005	\$ 740,000	\$ 1,115,664	\$ 1,855,664	\$ -	\$ -	\$ -
2006	610,000	1,066,284	1,676,284	-	-	-
2007	640,000	1,038,312	1,678,312	-	-	-
2008	-	1,023,911	1,023,911	665,000	-	665,000
2009	-	1,023,911	1,023,911	665,000	-	665,000
2010 - 2014	2,870,000	4,848,096	7,718,096	665,000	-	665,000
2015 - 2019	4,490,000	3,843,409	8,333,409	-	-	-
2020 - 2024	5,825,000	2,461,973	8,286,973	-	-	-
2025 - 2028	<u>5,925,000</u>	<u>673,338</u>	<u>6,598,338</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total	<u>\$ 21,100,000</u>	<u>\$ 17,094,898</u>	<u>\$ 38,194,898</u>	<u>\$ 1,995,000</u>	<u>\$ -</u>	<u>\$ 1,995,000</u>

**C. Legal Debt Margin**

The Ohio Revised Code provides that voted net general obligation debt of the District shall never exceed 9% of the total assessed valuation of the District. The code further provides that unvoted indebtedness shall not exceed 1/10 of 1% of the property valuation of the District. The effects of these debt limitations at June 30, 2004, are a voted debt margin of \$295,012 (including available funds of \$1,523,369) and an unvoted debt margin of \$220,796.

**TEAYS VALLEY LOCAL SCHOOL DISTRICT  
PICKAWAY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2004  
(Continued)**

**12. COMPENSATED ABSENCES**

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

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

The classified personnel accumulate vacation based on the following schedule:

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

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

For all employees, retirement severance is paid to each employee retiring from the District at a per diem rate of the annual salary at the time of retirement. Any employee receiving retirement severance pay shall be entitled to a dollar amount equivalent to one-fourth of all accumulated sick leave credited to that employee up to a maximum of fifty 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.

**13. RISK MANAGEMENT**

**A. General Risk**

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

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

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

**TEAYS VALLEY LOCAL SCHOOL DISTRICT  
PICKAWAY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2004  
(Continued)**

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

**A. General Risk**

The District maintains replacement cost insurance on buildings and contents in the amount of \$53,706,777. 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. Each district is then placed at one of fourteen separate levels based on that district's experience. Each participant pays its workers' compensation premium to the state based on the rate for the group level rather than its individual rate. Total savings are then calculated and each participant's individual performance is compared to the overall savings percentage of the GRP.

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

**C. Health Insurance**

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

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 medical claims in excess of \$100,000 per employee consortium wide.

The District utilizes a self-insurance fund for the purpose of tracking the fund's balance as held by the fiscal agent. Amounts are paid into this fund for the purpose of tracking the fund's balance as held by the fiscal agent. Amounts are paid into this fund from the general fund, Food Service fund, and certain special revenue funds (grants). Expenses for claims are recorded as other expenses when it is probable that an asset has been impaired or a liability has been incurred and the amount of loss can be reasonably estimated. The basis for estimating the liability for unpaid claims is based on documentation obtained by the insurance carrier. A summary of changes in self-insurance claims for the years ended June 30, 2004 and June 30, 2003:

**TEAYS VALLEY LOCAL SCHOOL DISTRICT  
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**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2004  
(Continued)**

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

	<u>June 30, 2004</u>	<u>June 30, 2003</u>
Claims liabilities at beginning of fiscal year	\$ 138,800	\$ 252,149
Incurred claims	1,452,457	1,217,661
Claims paid	<u>(1,397,453)</u>	<u>(1,331,010)</u>
Claims liabilities at end of fiscal year	<u>\$ 193,804</u>	<u>\$ 138,800</u>

**14. DEFINED BENEFIT PENSION PLANS**

**A. School Employees Retirement System**

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

Plan members are required to contribute 10% of their annual covered salary and the District is required to contribute at an actuarially determined rate. The current District rate is 14% of annual covered payroll. A portion of the District's contribution is used to fund pension obligations with the remainder being used to fund health care benefits. For fiscal year 2004, 9.09% of annual covered salary was the portion used to fund pension obligations. For fiscal year 2003, 8.17% of annual covered salary was the portion used to fund pension obligations. The contribution requirements of plan members and employers are established and may be amended, up to a statutory maximum amount, by the SERS' Retirement Board. The adequacy of the contribution rates is determined annually. The District's required contributions to SERS for the fiscal years ended June 30, 2004, 2003, and 2002 were \$373,520, \$318,072, and \$263,928, respectively; 50.82% has been contributed for fiscal year 2004 and 100% for the fiscal years 2003 and 2002. \$183,684 represents the unpaid contribution for fiscal year 2004.

**B. State Teachers Retirement System**

The District contributes to the State Teachers Retirement System of Ohio (STRS), a cost-sharing, multiple-employer public employee retirement system administered by the State Teachers Retirement Board. STRS provides retirement and disability benefits, annual cost-of-living adjustments, and death and survivor benefits to plan members and beneficiaries. Authority to establish and amend benefits is provided by Chapter 3307 of the Ohio Revised Code. STRS issues a publicly available, stand-alone financial report that includes financial statements and required supplementary information. The report may be obtained by writing to the State Teachers Retirement System, 275 East Broad Street, Columbus, Ohio 43215-3771, or by calling (614) 227-4090.

**TEAYS VALLEY LOCAL SCHOOL DISTRICT  
PICKAWAY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2004  
(Continued)**

**14. DEFINED BENEFIT PENSION PLANS (Continued)**

**B. State Teachers Retirement System (Continued)**

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

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

Plan members are required to contribute 10% of their annual covered salary and the District is required to contribute at an actuarially determined rate. The current District rate is 14% of annual covered payroll. A portion of the District's contribution is used to fund pension obligations with the remainder being used to fund health care benefits. For fiscal year 2004, 13% of annual covered salary was the portion used to fund pension obligations. For fiscal year 2003, 13% of annual covered salary was the portion used to fund pension obligations. Contribution rates are established by the State Teachers Retirement Board, upon recommendation of its consulting actuary, not to exceed statutory maximum rates of 10% for members and 14% for employers. Chapter 3307 of the Ohio Revised Code provides statutory authority for member and employee contributions. The District's required contributions to STRS for the fiscal years ended June 30, 2004, 2003, and 2002 were \$1,566,956, \$1,443,624, and \$1,255,464, respectively; 81.17% has been contributed for fiscal year 2004 and 100% for the fiscal years 2003 and 2002. \$295,104 represents the unpaid contribution for fiscal year 2004.

**C. Social Security System**

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

**TEAYS VALLEY LOCAL SCHOOL DISTRICT  
PICKAWAY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2004  
(Continued)**

**15. POSTEMPLOYMENT BENEFITS**

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

The State Teachers Retirement Board has statutory authority over how much, if any, of the health care costs will be absorbed by STRS. Most benefit recipients pay a portion of the health care cost in the form of a monthly premium. By Ohio law, the cost of coverage paid from STRS funds shall be included in the employer contribution rate, currently 14% of covered payroll. For this fiscal year, the State Teachers Retirement Board allocated employer contributions equal to 1% of covered payroll to the Health Care Reserve fund. For the District, this amount equaled \$111,925 during fiscal 2004.

STRS pays health care benefits from the Health Care Reserve fund. The balance in the Health Care Reserve fund was \$2.8 billion at June 30, 2003 (the latest information available). For the fiscal year ended June 30, 2003 (the latest information available), net health care costs paid by STRS were \$352.301 million and STRS had 108,294 eligible benefit recipients.

For SERS, coverage is made available to service retirees with 10 or more years of qualifying service credit, and disability and survivor benefit recipients. Members retiring on or after August 1, 1989, with less than 25 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.

For this fiscal year, employer contributions to fund health care benefits were 4.91% of covered payroll. In addition, SERS levies a surcharge to fund health care benefits equal to 14% of the difference between a minimum pay and the member's pay, pro-rated for partial service credit. For fiscal year 2004, the minimum pay has been established at \$25,400. The surcharge, added to the unallocated portion of the 14% employer contribution rate, provides for maintenance of the asset target level for the health care fund.

The target level for the health care reserve is 150% of annual health care expenses. Expenses for health care at June 30, 2003 (the latest information available) were \$204.931 million and the target level was \$307.4 million. At June 30, 2003, (the latest information available) SERS had net assets available for payment of health care benefits of \$303.6 million and SERS had approximately 50,000 participants receiving health care benefits. For the District, the amount to fund health care benefits which includes the surcharge was \$171,956 during the 2004 fiscal year.

**TEAYS VALLEY LOCAL SCHOOL DISTRICT  
PICKAWAY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2004  
(Continued)**

**16. BUDGETARY BASIS OF ACCOUNTING**

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

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

- (a) Revenues are recorded when received in cash (budget basis) as opposed to when susceptible to accrual (GAAP basis);
- (b) Expenditures are recorded when paid in cash (budget basis) as opposed to when the liability is incurred (GAAP basis); and
- (c) In order to determine compliance with Ohio law, and to reserve that portion of the applicable appropriation, total outstanding encumbrances (budget basis) are recorded as the equivalent of an expenditure, as opposed to a reservation of fund balance for that portion of outstanding encumbrances not already recognized as an account payable (GAAP basis).
- (d) Certain funds that are classified as part of the general fund (GAAP basis) are reported in other fund types on a cash basis (budget basis). These items are reflected as “fund reclassifications”.

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

**Net Change in Fund Balance**

	<u>General Fund</u>
Budget basis	\$ 14,816
Net adjustment for revenue accruals	70,465
Net adjustment for expenditure accruals	(416,165)
Net adjustment for other sources/uses	37,823
Adjustment for encumbrances	364,329
Adjustment for fund reclassification	82,699
GAAP basis	\$ 153,967

**17. CONTINGENCIES**

**A. Grants**

The District receives significant financial assistance from numerous federal, state and local agencies in the form of grants. The disbursement of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements is subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the general fund or other applicable funds; however, in the opinion of management, any such disallowed claims will not have a material effect on the financial position of the District at June 30, 2004.

**TEAYS VALLEY LOCAL SCHOOL DISTRICT  
PICKAWAY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2004  
(Continued)**

**17. CONTINGENCIES - (Continued)**

**B. Litigation**

The District is not a party to legal proceedings at June 30, 2004.

**C. School Funding Decision**

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

The Supreme Court relinquished jurisdiction over the case and directed "...the Ohio General Assembly to enact a school-funding scheme that is thorough and efficient...".

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

**18. STATUTORY RESERVES**

The District is required by state law to set-aside certain general fund revenue amounts, as defined by statute, into various reserves. These reserves are calculated and presented on a cash basis. During the fiscal year ended June 30, 2004, the reserve activity was as follows:

	<u>Textbooks</u>	<u>Capital Maintenance</u>	<u>Budget Stabilization</u>
Set-aside cash balance as of June 30, 2003	\$ -	\$ -	\$ 77,453
Current year set-aside requirement	424,053	424,053	-
Qualifying disbursements	<u>(658,399)</u>	<u>(869,620)</u>	<u>(77,453)</u>
Total	<u>\$ (234,346)</u>	<u>\$ (445,567)</u>	<u>\$ -</u>
Balance carried forward to FY 2005	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

The District had offsets and qualifying disbursements during the year that reduced the set-aside amounts below zero. The negative amount is not presented as being carried forward to the next fiscal year.

**19. SUBSEQUENT EVENT**

The District purchased land as approved by the Board of Education which is for 73.293 acres located in Scioto Township at a purchase price of \$765,515. This land is expected to be the site of future buildings for the District.

TEAYS VALLEY LOCAL SCHOOL DISTRICT  
PICKAWAY COUNTY

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

Federal Grantor/Pass-Through Grantor/Program Title	Pass-Through Entity Number	Federal C.F.D.A. Number	Receipts	Non-Cash Receipts	Expenditures	Non-Cash Expenditures
<b>U.S. DEPARTMENT OF AGRICULTURE</b>						
<i>Passed through Ohio Department of Education:</i>						
<i>Child Nutrition Cluster</i>						
Food Donation (See Note "B")	N/A	10.550	\$0	\$82,624	\$0	\$82,624
School Breakfast Program	05-PU 2003	10.553	1,867	0	1,867	0
	05-PU 2004	10.553	6,061	0	6,061	0
<i>Total School Breakfast Program</i>			7,928	0	7,928	0
National School Lunch Program	LL-P4 2003	10.555	46,652	0	46,652	0
	LL-P4 2004	10.555	154,902	0	154,902	0
<i>Total National School Lunch Program</i>			201,554	0	201,554	0
<i>Total Child Nutrition Cluster</i>			209,482	82,624	209,482	82,624
<b>TOTAL U.S. DEPARTMENT OF AGRICULTURE</b>			<b>209,482</b>	<b>82,624</b>	<b>209,482</b>	<b>82,624</b>
<b>U.S. DEPARTMENT OF EDUCATION</b>						
<i>Passed through the Ohio Department of Education:</i>						
Title I Grants to Local Education Agencies	C1-S1 2003	84.010	64,156	0	48,412	0
	C1-S1 2004	84.010	315,364	0	294,367	0
<i>Total Title I Grants to Local Education Agencies</i>			379,520	0	342,779	0
<i>Special Education Cluster:</i>						
Special Education Grants to States	6B-SF 03- P	84.027	90,918	0	64,099	0
Special Education Grants to States	6B-SF 04 -P	84.027	244,714	0	262,071	0
Special Education Grants to States	6B-SD 03- P	84.027	35,000	0	41,248	0
Special Education Grants to States	6B-SD 04-P	84.027	37,500	0	29,636	0
<i>Total Special Education Grants to States</i>			408,132	0	397,054	0
Special Education Grants to States- Preschool Grants	PG-S1- 03- P	84.173	402	0	807	0
Special Education Grants to States- Preschool Grants	PG-S1- 04-P	84.173	13,862	0	13,852	0
<i>Total Special Education Grants to States- Preschool Grants</i>			14,264	0	14,659	0
<i>Total Special Education Cluster</i>			422,396	0	411,713	0
Safe and Drug Free Schools and Communities State Grant	DR-S1 2003	84.186	(522)	0	2,757	0
Safe and Drug Free Schools and Communities State Grant	DR-S1 2004	84.186	12,900	0	11,799	0
<i>Total Safe and Drug Free Schools and Communities State Grant</i>			12,378	0	14,556	0
Eisenhower Professional Development Grant	MS-S1- 2002	84.281	(3,668)	0	0	0
State Grants for Innovative Educational Program Strategies	C2-S1 2003	84.298	0	0	3,881	0
State Grants for Innovative Educational Program Strategies	C2-S1 2004	84.298	12,168	0	10,460	0
<i>Total State Grants for Innovative Educational Program Strategies</i>			12,168	0	14,341	0
Education Technology State Grant	TJ-S1 2003	84.318	(1,669)	0	0	0
Education Technology State Grant	TJ-S1 2004	84.318	8,947	0	9,122	0
<i>Total Education Technology State Grant</i>			7,278	0	9,122	0
Improving Teacher Quality State Grants	TR-S1 2003	84.367	18,776	0	21,003	0
Improving Teacher Quality State Grants	TR-S1-2004	84.367	127,486	0	126,023	0
<i>Total Improving Teacher Quality State Grants</i>			146,262	0	147,026	0
<b>TOTAL U.S. DEPARTMENT OF EDUCATION</b>			<b>976,334</b>	<b>0</b>	<b>939,537</b>	<b>0</b>
<b>U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES</b>						
<i>Passed Through the Ohio Department of MRDD</i>						
Medical Assistance Program	31-6402688	93.778	31,931	0	31,931	0
<b>TOTAL</b>			<b>\$1,217,747</b>	<b>\$82,624</b>	<b>\$1,180,950</b>	<b>\$82,624</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 EXPENDITURES  
FOR THE FISCAL YEAR ENDED JUNE 30, 2004**

**NOTE A - SIGNIFICANT ACCOUNTING POLICIES**

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

**NOTE B - CHILD NUTRITION CLUSTER**

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

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

**NOTE C- TRANSFERS DUE TO ODE ADMINISTRATIVE ACTION**

The District transferred between special cost centers during fiscal year 2004 for the following: CFDA #'s 84.010-\$2,894; 84.186-\$522; 84.318-\$1,669; and 84.367-\$5,645. This is for transfers from the 2003 grant to the 2004 grant year. This was due to the revised Comprehensive Continuous Improvement Plan Strategy (CCIP) as of July, 2002 which is an attempt to promote consistency between fiscal periods, and allows the local agencies to manage one ODE project at a time, and eliminates refunds to ODE.

**NOTE D- TRANSFERS DUE TO ELIMINATION OF CFDA #**

During fiscal year 2003, Ohio Department of Education, (ODE) began to eliminate CFDA #84.340 and #84.281 and created CFDA #84.367. The District actually transferred \$3,688 from CFDA# 82.281 as approved by ODE into CFDA #84.367 at the beginning of the fiscal year 2004.



## **Auditor of State Betty Montgomery**

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

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

To the Board of Education:

We have audited the financial statements of the governmental activities, each major fund and the aggregate remaining fund information of the Teays Valley Local School District, Pickaway County, Ohio, (the District) as of and for the year ended June 30, 2004, which collectively comprise the District's basic financial statements and have issued our report thereon dated January 26, 2005. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *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 tested its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*. However, we noted a certain immaterial instance of noncompliance that we have reported to management of the District in a separate letter dated January 26, 2005.

#### **Internal Control Over Financial Reporting**

In planning and performing our audit, we considered the District's internal control over financial reporting to determine our auditing procedures for the purpose of expressing our opinions on the 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.

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Teays Valley Local School District  
Pickaway County  
Independent Accountants' Report on Compliance and on  
Internal Control Required by *Government Auditing Standards*  
Page 2

This report is intended solely 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 that reads "Betty Montgomery". The signature is written in a cursive, flowing style.

**Betty Montgomery**  
Auditor of State

January 26, 2005



## Auditor of State Betty Montgomery

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

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

To the Board of Education:

#### Compliance

We have audited the compliance of the Teays Valley Local School District, Pickaway County, Ohio, (the District) with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133, Compliance Supplement* that are applicable to each of its major federal programs for the year ended December 31, 2003. 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, the District complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2004.

### **Internal Control Over Compliance**

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

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 solely 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.



**Betty Montgomery**  
Auditor of State

January 26, 2005

**TEAYS VALLEY LOCAL SCHOOL DISTRICT  
PICKAWAY COUNTY**

**SCHEDULE OF FINDINGS  
OMB CIRCULAR A -133 § .505  
JUNE 30, 2004**

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

<i>(d)(1)(i)</i>	Type of Financial Statement Opinion	Unqualified
<i>(d)(1)(ii)</i>	Were there any material control weakness conditions reported at the financial statement level (GAGAS)?	No
<i>(d)(1)(ii)</i>	Were there any other reportable control weakness conditions reported at the financial statement level (GAGAS)?	No
<i>(d)(1)(iii)</i>	Was there any reported material non-compliance at the financial statement level (GAGAS)?	No
<i>(d)(1)(iv)</i>	Were there any material internal control weakness conditions reported for major federal programs?	No
<i>(d)(1)(iv)</i>	Were there any other reportable internal control weakness conditions reported for major federal programs?	No
<i>(d)(1)(v)</i>	Type of Major Programs' Compliance Opinion	Unqualified
<i>(d)(1)(vi)</i>	Are there any reportable findings under § .510?	No
<i>(d)(1)(vii)</i>	Major Programs (list):	Special Education Cluster: Special Education Grants to States CFDA # 84.027 and Special Education Grants to States- Preschool Grants CFDA # 84.173 Improving Teacher Quality State Grant CFDA # 84.367
<i>(d)(1)(viii)</i>	Dollar Threshold: Type A/B Programs	Type A: > \$ 300,000 Type B: all others
<i>(d)(1)(ix)</i>	Low Risk Auditee?	Yes

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

None

**3. FINDINGS FOR FEDERAL AWARDS**

None





**Auditor of State  
Betty Montgomery**

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**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  
APRIL 5, 2005**