



**Auditor of State
Betty Montgomery**

**TUSCARAWAS VALLEY LOCAL SCHOOL DISTRICT
TUSCARAWAS COUNTY**

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**Auditor of State
Betty Montgomery**

INDEPENDENT ACCOUNTANTS' REPORT

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

To the Board of Education:

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Tuscarawas Valley Local School District, Tuscarawas County, Ohio, (the District) as of and for the year ended June 30, 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, the business-type activities, each major fund, and the aggregate remaining fund information of Tuscarawas Valley Local School, Tuscarawas County, Ohio, as of June 30, 2004, and the respective changes in financial position and cash flows, where applicable, and the respective budgetary comparison for the General Fund thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

As discussed in Note 3 to the basic financial statements, accumulated depreciation was understated in the prior period in governmental capital assets. Accordingly, governmental capital assets have been restated as of July 1, 2003 to correct the understatement of accumulated depreciation.

In accordance with *Government Auditing Standards*, we have also issued our report dated January 25, 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.

Managements 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.

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



Betty Montgomery
Auditor of State

January 25, 2005

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

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

The discussion and analysis of Tuscarawas Valley Local School District's (the "District") financial performance provides an overall review of the District's financial activities for the fiscal year ended June 30, 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 increased \$329,593. Net assets of governmental activities increased \$375,936, which represents a 17.92% increase from 2003. Net assets of business-type activities decreased \$46,343 or 290.72% from 2003.
- General revenues accounted for \$11,577,279 in revenue or 92.70% of all revenues. Program specific revenues in the form of charges for services and sales, grants and contributions accounted for \$912,239 or 7.30% of total revenues of \$12,489,518.
- The District had \$12,113,582 in expenses related to governmental activities; \$912,239 of these expenses were offset by program specific charges for services, grants or contributions. General revenues supporting governmental activities (primarily taxes and unrestricted grants and entitlements) of \$11,577,279 were used to provide for these programs.
- The District's major governmental funds are the general fund and debt service fund. The general fund had \$11,105,761 in revenues and other financing sources and \$11,269,653 in expenditures and other financing uses. The fund balance of the general fund decreased from \$1,801,361 to \$1,651,508.
- The debt service fund had \$724,943 in revenues and \$677,103 in expenditures. The fund balance of the debt service fund increased from \$502,031 to \$549,871.
- Net assets for the District's enterprise funds decreased \$80,132 or 546.6%. The food service and uniform school supplies funds net assets decreased from \$10,733 to (\$69,399) on expenses of \$601,405 versus revenues (both operating and non-operating) of \$521,273.

Using this Financial Report

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

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

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

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

Reporting the District as a Whole

Statement of Net Assets and the Statement of Activities

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

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

In the Statement of Net Assets and the Statement of Activities, the District is divided into two distinct kinds of activities:

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

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

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

Reporting the District's Most Significant Funds

Fund Financial Statements

The analysis of the District's major governmental funds begins on page 10 and the analysis of the District's major and nonmajor enterprise funds begins on page 9. Fund financial reports provide detailed information about the District's major funds. The District uses many funds to account for a multitude of financial transactions. However, these fund financial statements focus on the District's most significant funds.

Governmental Funds

Most of the District's activities are reported in governmental funds, which focus on how money flows into and out of those funds and the balances left at year-end available for spending in future periods. These funds are reported using an accounting method called *modified accrual* accounting, which measures cash and all other *financial assets* that can readily be converted to cash. The governmental fund statements provide a detailed *short-term* view of the District's general government operations and the basic services it provides. Governmental fund information helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance educational programs. The relationship (or differences) between governmental *activities* (reported in the Statement of Net Assets and the Statement of Activities) and governmental *funds* is reconciled in the financial statements. The basic governmental fund financial statements can be found on pages 20-24 of this report.

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

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

Proprietary Funds

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

Reporting the District's Fiduciary Responsibilities

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

Notes to the Basic Financial Statements

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

The District as a Whole

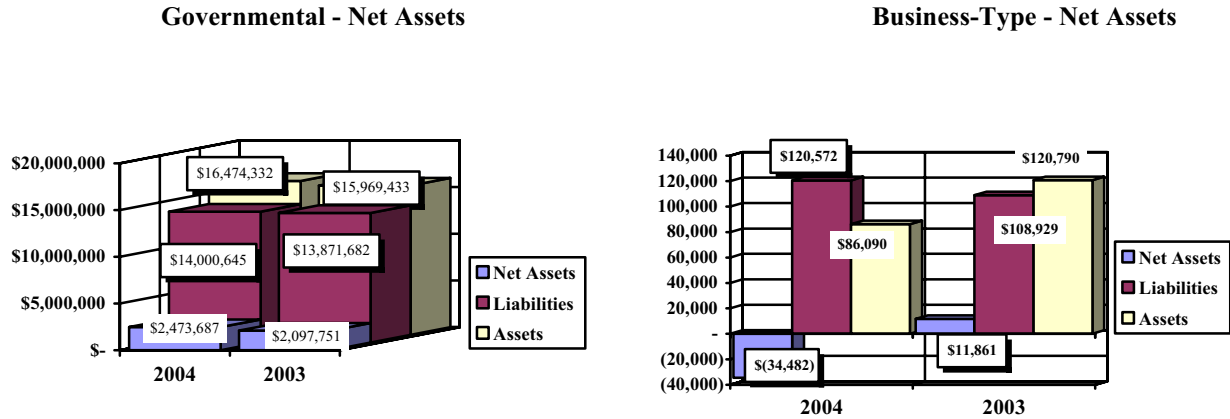
The Statement of Net Assets provides the perspective of the District as a whole. The table below provides a summary of the District's net assets for 2004 and 2003.

| | Net Assets | | | |
|-----------------------------|---------------------|--------------------|---------------------|----------------------|
| | Governmental | Business-Type | Restated | Business-Type |
| | <u>Activities</u> | <u>Activities</u> | <u>Governmental</u> | <u>Business-Type</u> |
| | 2004 | 2004 | 2003 | 2003 |
| <u>Assets</u> | | | | |
| Current assets | \$ 9,118,425 | \$ 15,141 | \$ 8,393,422 | \$ 35,229 |
| Capital assets | <u>7,355,907</u> | <u>70,949</u> | <u>7,576,011</u> | <u>85,561</u> |
| Total assets | <u>16,474,332</u> | <u>86,090</u> | <u>15,969,433</u> | <u>120,790</u> |
| <u>Liabilities</u> | | | | |
| Current liabilities | 6,445,906 | 74,499 | 6,048,336 | 56,196 |
| Long-term liabilities | <u>7,554,739</u> | <u>46,073</u> | <u>7,823,346</u> | <u>52,733</u> |
| Total liabilities | <u>14,000,645</u> | <u>120,572</u> | <u>13,871,682</u> | <u>108,929</u> |
| <u>Net Assets</u> | | | | |
| Invested in capital | | | | |
| assets, net of related debt | 1,670,237 | 70,949 | 1,412,182 | 85,561 |
| Restricted | 654,897 | - | 1,785 | - |
| Unrestricted | <u>148,553</u> | <u>(105,431)</u> | <u>683,784</u> | <u>(73,700)</u> |
| Total net assets | <u>\$ 2,473,687</u> | <u>\$ (34,482)</u> | <u>\$ 2,097,751</u> | <u>\$ 11,861</u> |

Total net assets increased by \$329,593 due primarily to an overall decrease in long-term obligations.

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

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



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

| | Change in Net Assets | | | |
|------------------------------------|------------------------------------|-------------------------------------|------------------------------------|-------------------------------------|
| | <u>Governmental Activities</u> | <u>Business-Type Activities</u> | <u>Governmental Activities</u> | <u>Business-Type Activities</u> |
| | <u>2004</u> | <u>2004</u> | <u>2003</u> | <u>2003</u> |
| Revenues | | | | |
| Program revenues: | | | | |
| Charges for services and sales | \$ 348,254 | \$ 362,925 | \$ 168,612 | \$ 354,892 |
| Operating grants and contributions | 563,985 | 158,348 | 490,572 | 153,635 |
| Capital grants and contributions | - | - | 16,431 | - |
| General revenues: | | | | |
| Property taxes | 5,333,509 | - | 5,153,807 | - |
| Grants and entitlements | 6,191,979 | - | 5,910,931 | - |
| Investment earnings | 31,745 | - | 46,396 | - |
| Miscellaneous | 20,046 | - | 7,047 | - |
| Total revenues | <u>12,489,518</u> | <u>521,273</u> | <u>11,793,796</u> | <u>508,527</u> |

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

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

| | <u>Governmental Activities</u> | <u>Business-Type Activities</u> | <u>Governmental Activities</u> | <u>Business-Type Activities</u> |
|---|------------------------------------|-------------------------------------|------------------------------------|-------------------------------------|
| | <u>2004</u> | <u>2004</u> | <u>2003</u> | <u>2003</u> |
| <u>Expenses</u> | | | | |
| Program expenses: | | | | |
| Instruction: | | | | |
| Regular | \$ 5,685,404 | \$ - | \$ 5,287,001 | \$ - |
| Special | 700,221 | - | 738,108 | - |
| Vocational | 137,530 | - | 133,857 | - |
| Support services: | | | | |
| Pupil | 495,319 | - | 297,863 | - |
| Instructional staff | 845,521 | - | 784,789 | - |
| Board of education | 26,225 | - | 29,952 | - |
| Administration | 1,040,542 | - | 1,023,600 | - |
| Fiscal | 295,173 | - | 268,213 | - |
| Business | 1,550 | - | 3,020 | - |
| Operations and maintenance | 1,147,696 | - | 1,089,865 | - |
| Pupil transportation | 894,533 | - | 978,777 | - |
| Central | 41,684 | - | 35,982 | - |
| Operation of non-instructional services | 22,418 | - | 24,834 | - |
| Extracurricular activities | 379,156 | - | 388,564 | - |
| Interest and fiscal charges | 400,610 | - | 420,972 | - |
| Food service | - | 513,031 | - | 504,546 |
| Uniform school supplies | - | 54,585 | - | 51,416 |
| Total expenses | <u>12,113,582</u> | <u>567,616</u> | <u>11,505,397</u> | <u>555,962</u> |
| Changes in net assets | <u>\$ 375,936</u> | <u>\$ (46,343)</u> | <u>\$ 288,399</u> | <u>\$ (47,435)</u> |

Governmental Activities

Net assets of the District's governmental activities increased by \$375,936. Total governmental expenses of \$12,113,582 were offset by program revenues of \$912,239, and general revenues of \$11,577,279. Program revenues supported 7.53% of the total governmental expenses.

The primary sources of revenue for governmental activities are derived from property taxes and grants and entitlements. These two revenue sources represent 92.28% of total governmental revenue. Real estate property is reappraised every six years. As a result of the latest reappraisal by Tuscarawas County in tax year 2001, the District's tax valuation increased by 10% that year. Although recent growth has had a positive effect on the District's tax base, the full tax revenue impact has not been realized due to H.B. 920. This state law, enacted in 1976, does not allow for revenue increases caused by inflationary growth of real property values. Increases in valuation prompt corresponding annual reductions in the "effective millage", the tax rates applied to real property. H.B. 920 also provided a "floor" of 20 mills to which "effective millage" would not be reduced below. The District is at the 20 mill floor for Residential Real Estate Tax. Thus, although District tax valuation continues to grow, this built-in revenue limitation is one of the factors that requires the District to request additional school operating revenue by placing a levy on the ballot periodically.

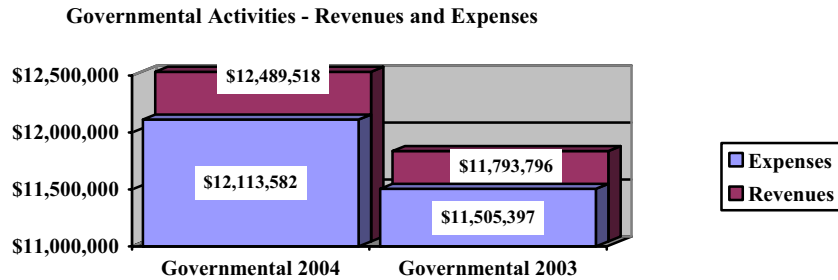
**TUSCARAWAS VALLEY LOCAL SCHOOL DISTRICT
TUSCARAWAS COUNTY, OHIO**

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

Voters approved the last additional operating levy in February 1997 which was a renewable 5 year emergency levy in the annual amount of \$947,500. This levy was also renewed in May 2002. This levy amount required 8 mills to be levied in 1997. In 2003 only 5.7 mills were required to be levied to generate \$947,500. This levy and all other current levies are expected to provide adequate revenue for general fund operating expenses through the fiscal year 2005. Unless there is an unexpected adjustment in State funding, an additional operating levy will be required in the next twelve to eighteen months.

The District's financial condition is solid as of the end of fiscal year 2004, but a trend of expenses exceeding revenues appears to have begun. This trend is expected to continue the next two years. The principle cause is stagnate growth in revenue coupled with major increases in health insurance costs, special education costs, and utility costs.

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



The Statement of Activities shows the cost of program services and the charges for services and grants offsetting those services. The following table shows, for governmental activities, the total cost of services and the net cost of services for 2004 and 2003. That is, it identifies the cost of these services supported by tax revenue and unrestricted State grants and entitlements.

Governmental Activities

| | Total Cost of Services <u>2004</u> | Net Cost of Services <u>2004</u> | Total Cost of Services <u>2003</u> | Net Cost of Services <u>2003</u> |
|-------------------|--|--|--|--|
| Program expenses: | | | | |
| Instruction: | | | | |
| Regular | \$ 5,685,404 | \$ 5,313,096 | \$ 5,287,001 | \$ 5,135,073 |
| Special | 700,221 | 582,889 | 738,108 | 615,639 |
| Vocational | 137,530 | 137,530 | 133,857 | 133,857 |

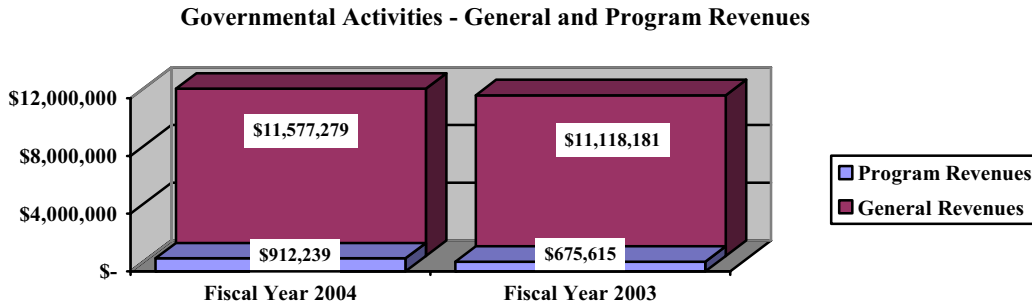
**TUSCARAWAS VALLEY LOCAL SCHOOL DISTRICT
TUSCARAWAS COUNTY, OHIO**

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

| | Total Cost of Services <u>2004</u> | Net Cost of Services <u>2004</u> | Total Cost of Services <u>2003</u> | Net Cost of Services <u>2003</u> |
|---|--|--|--|--|
| Support services: | | | | |
| Pupil | \$ 495,319 | \$ 465,056 | \$ 297,863 | \$ 262,228 |
| Instructional staff | 845,521 | 667,024 | 784,789 | 646,895 |
| Board of Education | 26,225 | 26,225 | 29,952 | 22,301 |
| Administration | 1,040,542 | 999,143 | 1,023,600 | 988,014 |
| Fiscal | 295,173 | 293,685 | 268,213 | 268,213 |
| Business | 1,550 | 1,550 | 3,020 | 3,020 |
| Operations and maintenance | 1,147,696 | 1,143,196 | 1,089,865 | 1,084,721 |
| Pupil transportation | 894,533 | 884,637 | 978,777 | 966,357 |
| Central | 41,684 | 26,684 | 35,982 | 18,482 |
| Operation of non-instructional services | 22,418 | 22,418 | 24,834 | 24,834 |
| Extracurricular activities | 379,156 | 237,600 | 388,564 | 239,176 |
| Interest and fiscal charges | <u>400,610</u> | <u>400,610</u> | <u>420,972</u> | <u>420,972</u> |
| Total expenses | <u>\$ 12,113,582</u> | <u>\$ 11,201,343</u> | <u>\$ 11,505,397</u> | <u>\$ 10,829,782</u> |

The dependence upon general revenues during fiscal year 2004 for governmental activities is apparent, as 92.49% of 2004 instruction activities are supported through taxes and other general revenues. The District's taxpayers and grants, as a whole, is by far the primary support for District's students.

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



Business-Type Activities

Business-type activities include food service and uniform school supplies operations. These programs had revenues of \$521,273 and expenses of \$567,616 for fiscal year 2004. Business-type activities decreased \$46,343 in fiscal year 2004, primarily due to a \$70,128 internal loan outstanding at year-end. The District's business-type activities do not receive support from tax revenues. The activities of the major Food Service fund are presented on pages 25-27.

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

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

The District's Governmental Funds

The District's governmental funds (as presented on the balance sheet on page 20) reported a combined fund balance of \$2,296,881, which is below last year's total of \$2,392,121. The schedule below indicates the fund balance and the total change in fund balance as of June 30, 2004 and 2003.

| | <u>Fund Balance</u> <u>June 30, 2004</u> | <u>Fund Balance</u> <u>June 30, 2003</u> | <u>Increase/</u> <u>(Decrease)</u> |
|--------------------|---|---|---------------------------------------|
| General | \$ 1,651,508 | \$ 1,801,361 | \$ (149,853) |
| Debt Service | 549,871 | 502,031 | 47,840 |
| Other Governmental | <u>95,502</u> | <u>88,729</u> | <u>6,773</u> |
| Total | <u>\$ 2,296,881</u> | <u>\$ 2,392,121</u> | <u>\$ (95,240)</u> |

General Fund

The District's general fund balance decreased \$149,853 during 2004. This was due to several different factors. First, revenues grew by 6.73%. Next, our expenditures increased by 9.13% which is 2.40% higher than revenue growth. The main factor in the increase in expenditures was a 25% increase in health insurance premiums.

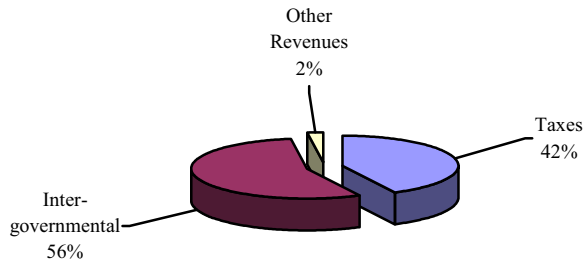
| | <u>2004</u> <u>Amount</u> | <u>2003</u> <u>Amount</u> | <u>Percentage</u> <u>Change</u> |
|------------------------|------------------------------|------------------------------|------------------------------------|
| <u>Revenues</u> | | | |
| Taxes | \$ 4,693,420 | \$ 4,459,742 | 5.24 % |
| Intergovernmental | 6,123,932 | 5,842,763 | 4.81 % |
| Other revenues | <u>255,069</u> | <u>71,677</u> | 255.86 % |
| Total | <u>\$ 11,072,421</u> | <u>\$ 10,374,182</u> | 6.73 % |

Tax revenue increased by \$233,678 or 5.24% from fiscal 2003. Intergovernmental revenue increased \$281,169 or 4.81% from the prior year. This increase is attributed to an increase in the number of grants the district received in 2004. Other revenues increased \$183,392 or 255.86% partially due to a \$191,152 increase in tuition income.

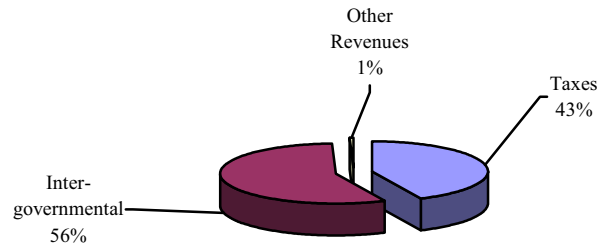
**TUSCARAWAS VALLEY LOCAL SCHOOL DISTRICT
TUSCARAWAS COUNTY, OHIO**

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

Revenues - Fiscal Year 2004



Revenues - Fiscal Year 2003



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

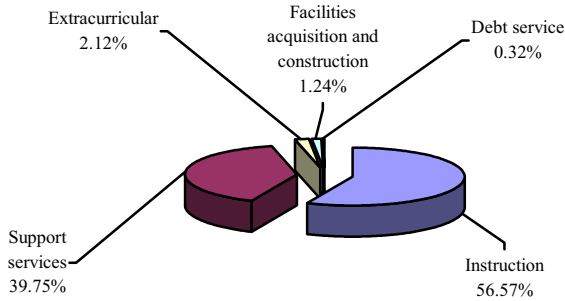
| | <u>2004</u> Amount | <u>2003</u> Amount | <u>Percentage</u> <u>Change</u> |
|---|-----------------------|-----------------------|------------------------------------|
| <u>Expenditures</u> | | | |
| Instruction | \$ 6,360,889 | \$ 5,798,011 | 9.71 % |
| Support services | 4,468,894 | 4,068,644 | 9.84 % |
| Extracurricular activities | 237,914 | 230,298 | 3.31 % |
| Facilities acquisition and construction | 139,186 | 168,928 | (17.61) % |
| Debt service | <u>35,733</u> | <u>35,733</u> | - % |
| Total | <u>\$ 11,242,616</u> | <u>\$ 10,301,614</u> | 9.13 % |

The largest expenditure line item, instruction, increased by \$562,878 or 9.71%, which is primarily attributed to wage and benefit increases.

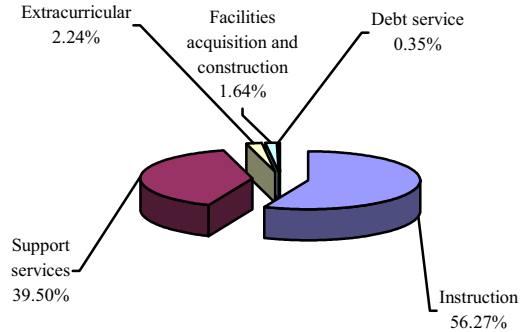
**TUSCARAWAS VALLEY LOCAL SCHOOL DISTRICT
TUSCARAWAS COUNTY, OHIO**

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

Expenditures - Fiscal Year 2004



Expenditures - Fiscal Year 2003



Debt Service Fund

The debt service fund had \$724,943 in revenues and \$677,103 in expenditures. The fund balance of the debt service fund increased \$47,840 from \$502,031 to \$549,871.

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 2004, the District amended its general fund budget several times. The District uses site-based budgeting and the budgeting systems are designed to tightly control total site budgets but provide flexibility for site management.

For the general fund, original and final budgeted revenues and other financing sources were \$10,902,200, below actual revenues and other financing sources of \$11,273,253. Of this \$371,053 difference, most was due to tax and tuition estimates in the original and final budget.

General fund original and final appropriations (appropriated expenditures plus other financing uses) were \$11,646,349. The actual budget basis expenditures and other financing uses for fiscal year 2004 totaled \$11,639,957, which was \$6,392 less than the final budget appropriations.

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

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

Capital Assets and Debt Administration

Capital Assets

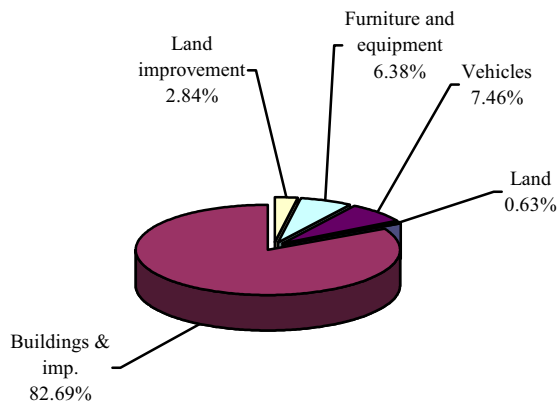
During fiscal year 2004, the District restated capital assets in governmental activities to properly state accumulated depreciation (see Note 3.A. and 8.A. for detail). At the end of fiscal 2004, the District had \$7,426,856 invested in land, land improvements, buildings and improvements, furniture and equipment and, vehicles. The following table shows fiscal 2004 balances compared to 2003:

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

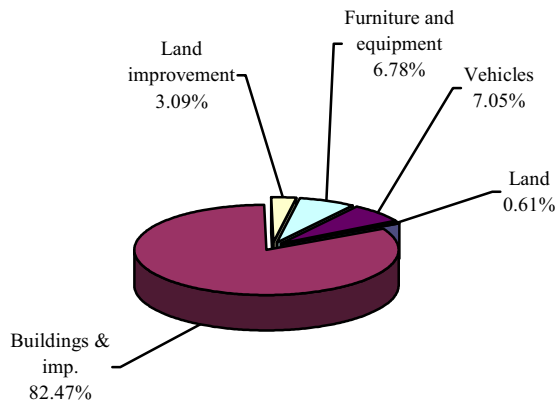
| | <u>Governmental Activities</u> | | <u>Business-Type Activities</u> | | <u>Total</u> | |
|----------------------------|--------------------------------|----------------------------|---------------------------------|-------------------------|----------------------------|----------------------------|
| | <u>2004</u> | <u>2003</u> | <u>2004</u> | <u>2003</u> | <u>2004</u> | <u>2003</u> |
| Land | \$ 46,031 | \$ 46,031 | \$ - | \$ - | \$ 46,031 | \$ 46,031 |
| Land improvements | 208,718 | 234,390 | - | - | 208,718 | 234,390 |
| Buildings and improvements | 6,082,710 | 6,247,835 | - | - | 6,082,710 | 6,247,835 |
| Furniture and equipment | 469,532 | 513,466 | 70,949 | 85,561 | 540,481 | 599,027 |
| Vehicles | 548,916 | 534,289 | - | - | 548,916 | 534,289 |
| Total | <u>\$ 7,355,907</u> | <u>\$ 7,576,011</u> | <u>\$ 70,949</u> | <u>\$ 85,561</u> | <u>\$ 7,426,856</u> | <u>\$ 7,661,572</u> |

The following graphs show the breakdown of governmental activities capital assets by category for 2004 and 2003.

**Capital Assets - Governmental Activities
2004**



**Capital Assets - Governmental Activities
2003**



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

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

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

Debt Administration

At June 30, 2004 the District had \$6,133,016 in general obligation bonds and, \$330,000 in energy conservation loans outstanding. Of the total outstanding debt, \$470,000 is due within one year and \$5,993,016 is due within greater than one year. The following table summarizes the bonds and loans outstanding.

Outstanding Debt, at Year End

| | <u>Governmental Activities 2004</u> | <u>Governmental Activities 2003</u> |
|----------------------------|---|---|
| General obligation bonds: | | |
| Current interest bonds | \$ 4,265,000 | \$ 4,650,000 |
| Capital appreciation bonds | 1,868,016 | 1,688,409 |
| Energy conservation loans | <u>330,000</u> | <u>395,000</u> |
| Total | <u>\$ 6,463,016</u> | <u>\$ 6,733,409</u> |

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

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

At June 30, 2004 the District's overall legal debt margin was \$11,243,877 (including available funds of \$549,871) and an unvoted debt margin of \$176,989.

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

Current Financial Related Activities

As the preceding information shows, the District relies heavily upon grants, entitlements, and property taxes. These combined revenues increased about 5% in fiscal year 2004. Despite large increases in health insurance and utility costs (each over 15%) the District's expenditures overall increased only 9.13%. This caused a decrease in the general fund balance by \$149,853. This appears to be the beginning of a trend of expenditures exceeding receipts. It is projected that with the current fund balance, the District will have the necessary funds to meet its operating expenses through fiscal year 2007. In order to maintain the current curricular and co-curricular programs for our students, an additional operating levy will be required by the end of calendar year 2007 at the latest.

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

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

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

Contacting the District's Financial Management

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

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

STATEMENT OF NET ASSETS
JUNE 30, 2004

| | Governmental Activities | Business-Type Activities | Total |
|---|------------------------------------|-------------------------------------|-------------------------|
| Assets: | | | |
| Equity in pooled cash and cash equivalents. . . | \$ 2,986,813 | \$ 61,119 | \$ 3,047,932 |
| Cash with fiscal agent | 290,499 | | 290,499 |
| Receivables: | | | |
| Taxes | 5,678,665 | - | 5,678,665 |
| Accounts | 7,346 | - | 7,346 |
| Intergovernmental | - | 15,991 | 15,991 |
| Internal loan | 70,128 | (70,128) | - |
| Prepayments | 34,680 | - | 34,680 |
| Materials and supplies inventory | 50,294 | 8,159 | 58,453 |
| Capital assets: | | | |
| Land | 46,031 | - | 46,031 |
| Depreciable capital assets, net | 7,309,876 | 70,949 | 7,380,825 |
| Capital assets, net. | <u>7,355,907</u> | <u>70,949</u> | <u>7,426,856</u> |
| Total assets. | <u>16,474,332</u> | <u>86,090</u> | <u>16,560,422</u> |
| Liabilities: | | | |
| Accounts payable. | 123,803 | 2,167 | 125,970 |
| Accrued wages and benefits | 1,082,759 | 51,610 | 1,134,369 |
| Pension obligation payable. | 254,882 | 19,314 | 274,196 |
| Intergovernmental payable | 43,104 | 1,408 | 44,512 |
| Deferred revenue | 4,675,054 | - | 4,675,054 |
| Accrued interest payable | 26,290 | - | 26,290 |
| Claims payable | 240,014 | - | 240,014 |
| Long-term liabilities: | | | |
| Due within one year. | 609,880 | 7,787 | 617,667 |
| Due within more than one year | 6,944,859 | 38,286 | 6,983,145 |
| Total liabilities | <u>14,000,645</u> | <u>120,572</u> | <u>14,121,217</u> |
| Net Assets: | | | |
| Invested in capital assets, net of related debt. | 1,670,237 | 70,949 | 1,741,186 |
| Restricted for: | | | |
| Capital projects | 189 | - | 189 |
| Debt service. | 566,622 | - | 566,622 |
| Other purposes | 88,086 | - | 88,086 |
| Unrestricted. | <u>148,553</u> | <u>(105,431)</u> | <u>43,122</u> |
| Total net assets | <u>\$ 2,473,687</u> | <u>\$ (34,482)</u> | <u>\$ 2,439,205</u> |

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

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

| | <u>Expenses</u> | <u>Program Revenues</u> | |
|---|----------------------|---|---|
| | | <u>Charges for Services and Sales</u> | <u>Operating Grants and Contributions</u> |
| Governmental activities: | | | |
| Instruction: | | | |
| Regular | \$ 5,685,404 | \$ 201,634 | \$ 170,674 |
| Special | 700,221 | - | 117,332 |
| Vocational | 137,530 | - | - |
| Support services: | | | |
| Pupil | 495,319 | - | 30,263 |
| Instructional staff | 845,521 | 564 | 177,933 |
| Board of education | 26,225 | - | - |
| Administration | 1,040,542 | - | 41,399 |
| Fiscal | 295,173 | - | 1,488 |
| Business | 1,550 | - | - |
| Operations and maintenance | 1,147,696 | 4,500 | - |
| Pupil transportation | 894,533 | - | 9,896 |
| Central | 41,684 | - | 15,000 |
| Operation of non-instructional services | 22,418 | - | - |
| Extracurricular activities | 379,156 | 141,556 | - |
| Interest and fiscal charges | 400,610 | - | - |
| Total governmental activities | <u>12,113,582</u> | <u>348,254</u> | <u>563,985</u> |
| Business-type activities: | | | |
| Food service | 513,031 | 308,151 | 158,348 |
| Uniform school supplies | 54,585 | 54,774 | - |
| Total business-type activities | <u>567,616</u> | <u>362,925</u> | <u>158,348</u> |
| Totals | <u>\$ 12,681,198</u> | <u>\$ 711,179</u> | <u>\$ 722,333</u> |

General Revenues:

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

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**Net (Expense) Revenue
and Changes in Net Assets**

| Governmental Activities | Business-Type Activities | Total |
|------------------------------------|-------------------------------------|---------------------|
| \$ (5,313,096) | \$ - | \$ (5,313,096) |
| (582,889) | - | (582,889) |
| (137,530) | - | (137,530) |
| (465,056) | - | (465,056) |
| (667,024) | - | (667,024) |
| (26,225) | - | (26,225) |
| (999,143) | - | (999,143) |
| (293,685) | - | (293,685) |
| (1,550) | - | (1,550) |
| (1,143,196) | - | (1,143,196) |
| (884,637) | - | (884,637) |
| (26,684) | - | (26,684) |
| (22,418) | - | (22,418) |
| (237,600) | - | (237,600) |
| (400,610) | - | (400,610) |
| <u>(11,201,343)</u> | <u>-</u> | <u>(11,201,343)</u> |
| - | (46,532) | (46,532) |
| - | 189 | 189 |
| <u>-</u> | <u>(46,343)</u> | <u>(46,343)</u> |
| <u>(11,201,343)</u> | <u>(46,343)</u> | <u>(11,247,686)</u> |
| 4,678,388 | - | 4,678,388 |
| 655,121 | - | 655,121 |
| 6,191,979 | - | 6,191,979 |
| 31,745 | - | 31,745 |
| 20,046 | - | 20,046 |
| <u>11,577,279</u> | <u>-</u> | <u>11,577,279</u> |
| 375,936 | (46,343) | 329,593 |
| <u>2,097,751</u> | <u>11,861</u> | <u>2,109,612</u> |
| <u>\$ 2,473,687</u> | <u>\$ (34,482)</u> | <u>\$ 2,439,205</u> |

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

BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2004

| | General | Debt Service | Other Governmental Funds | Total Governmental Funds |
|--|---------------------|-------------------------|---|---|
| Assets: | | | | |
| Equity in pooled cash and cash equivalents | \$ 2,263,519 | \$ 484,499 | \$ 175,205 | \$ 2,923,223 |
| Receivables: | | | | |
| Taxes | 5,105,624 | 573,041 | - | 5,678,665 |
| Accounts | 7,346 | - | - | 7,346 |
| Interfund loans | 105,045 | - | - | 105,045 |
| Prepayments | 34,680 | - | - | 34,680 |
| Materials and supplies inventory | 50,294 | - | - | 50,294 |
| Restricted assets: | | | | |
| Equity in pooled cash and cash equivalents | 63,590 | - | - | 63,590 |
| Total assets | \$ 7,630,098 | \$ 1,057,540 | \$ 175,205 | \$ 8,862,843 |
| Liabilities: | | | | |
| Accounts payable | \$ 120,592 | \$ - | \$ 3,211 | \$ 123,803 |
| Accrued wages and benefits | 1,015,459 | - | 67,300 | 1,082,759 |
| Compensated absences payable | 82,953 | - | - | 82,953 |
| Pension obligation payable | 147,538 | - | 7,086 | 154,624 |
| Intergovernmental payable | 40,998 | - | 2,106 | 43,104 |
| Deferred revenue | 4,571,050 | 507,669 | - | 5,078,719 |
| Total liabilities | 5,978,590 | 507,669 | 79,703 | 6,565,962 |
| Fund Balances: | | | | |
| Reserved for encumbrances | 244,691 | - | 23,970 | 268,661 |
| Reserved for materials and supplies inventories | 50,294 | - | - | 50,294 |
| Reserved for prepayments | 34,680 | - | - | 34,680 |
| Reserved for property tax unavailable for appropriation | 534,574 | 65,372 | - | 599,946 |
| Reserved for textbooks | 63,590 | - | - | 63,590 |
| Unreserved, undesignated, reported in: | | | | |
| General fund | 723,679 | - | - | 723,679 |
| Special revenue funds | - | - | 71,343 | 71,343 |
| Debt service fund | - | 484,499 | - | 484,499 |
| Capital projects funds | - | - | 189 | 189 |
| Total fund balances | 1,651,508 | 549,871 | 95,502 | 2,296,881 |
| Total liabilities and fund balances | \$ 7,630,098 | \$ 1,057,540 | \$ 175,205 | \$ 8,862,843 |

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

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

| | | |
|---|-----------|------------------|
| Total governmental fund balances | \$ | 2,296,881 |
| <i>Amounts reported for governmental activities in the statement of net assets are different because:</i> | | |
| Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds. | | 7,355,907 |
| Other long-term assets (taxes) are not available to pay for current period expenditures and therefore are deferred in the funds. | | 403,665 |
| An internal service fund is used by management to charge the costs of insurance to individual funds. The assets and liabilities of the internal service fund are included in governmental activities in the statement of net assets, including internal balances are: | | 15,568 |
| Long-term liabilities, including bonds, loans and capital leases payable are not due and payable in the current period and therefore are not reported in the funds. | | |
| Compensated absences | 888,081 | |
| Pension obligation payable | 100,258 | |
| General obligation bonds payable | 6,133,016 | |
| Energy conservation loan payable | 330,000 | |
| Capital lease obligation payable | 120,689 | |
| Accrued interest payable | 26,290 | |
| Total | | (7,598,334) |
| Net assets of governmental activities | \$ | 2,473,687 |

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

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

| | <u>General</u> | <u>Debt Service</u> | <u>Other Governmental Funds</u> | <u>Total Governmental Funds</u> |
|---|---------------------|-------------------------|---|---|
| Revenues: | | | | |
| From local sources: | | | | |
| Taxes | \$ 4,693,420 | \$ 656,896 | \$ - | \$ 5,350,316 |
| Tuition. | 198,607 | - | - | 198,607 |
| Earnings on investments. | 31,352 | - | - | 31,352 |
| Classroom materials and fees | 3,691 | - | - | 3,691 |
| Extracurricular. | - | - | 111,311 | 111,311 |
| Other local revenues. | 21,419 | - | 33,273 | 54,692 |
| Intergovernmental - State | 6,123,932 | 68,047 | 172,298 | 6,364,277 |
| Intergovernmental - Federal. | - | - | 392,869 | 392,869 |
| Total revenue | <u>11,072,421</u> | <u>724,943</u> | <u>709,751</u> | <u>12,507,115</u> |
| Expenditures: | | | | |
| Current: | | | | |
| Instruction: | | | | |
| Regular | 5,594,023 | - | 196,308 | 5,790,331 |
| Special. | 622,578 | - | 115,377 | 737,955 |
| Vocational. | 144,288 | - | - | 144,288 |
| Support Services: | | | | |
| Pupil. | 460,800 | - | 29,352 | 490,152 |
| Instructional staff | 677,103 | - | 182,964 | 860,067 |
| Board of education | 24,978 | - | - | 24,978 |
| Administration. | 995,187 | - | 41,370 | 1,036,557 |
| Fiscal | 286,149 | 10,944 | 2,108 | 299,201 |
| Business. | 1,550 | - | - | 1,550 |
| Operations and maintenance. | 1,027,039 | - | - | 1,027,039 |
| Pupil transportation | 969,404 | - | 11,274 | 980,678 |
| Central. | 26,684 | - | 15,000 | 41,684 |
| Extracurricular activities. | 237,914 | - | 136,262 | 374,176 |
| Facilities acquisition and construction | 139,186 | - | - | 139,186 |
| Debt service: | | | | |
| Principal retirement | 28,159 | 450,000 | - | 478,159 |
| Interest and fiscal charges | 7,574 | 216,159 | - | 223,733 |
| Total expenditures | <u>11,242,616</u> | <u>677,103</u> | <u>730,015</u> | <u>12,649,734</u> |
| Excess of revenues under expenditures | <u>(170,195)</u> | <u>47,840</u> | <u>(20,264)</u> | <u>(142,619)</u> |
| Other financing sources: | | | | |
| Transfers in. | - | - | 27,037 | 27,037 |
| Transfers (out) | (27,037) | - | - | (27,037) |
| Proceeds from sale of capital assets | 33,340 | - | - | 33,340 |
| Total other financing sources | <u>6,303</u> | <u>-</u> | <u>27,037</u> | <u>33,340</u> |
| Net change in fund balances | (163,892) | 47,840 | 6,773 | (109,279) |
| Fund balances at beginning of year | 1,801,361 | 502,031 | 88,729 | 2,392,121 |
| Increase in reserve for inventory. | 14,039 | - | - | 14,039 |
| Fund balances at end of year | <u>\$ 1,651,508</u> | <u>\$ 549,871</u> | <u>\$ 95,502</u> | <u>\$ 2,296,881</u> |

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

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

| | | |
|---|-----------|----------------|
| Net change in fund balances - total governmental funds | \$ | (109,279) |
| <i>Amounts reported for governmental activities in the statement of activities are different because:</i> | | |
| Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which depreciation expense exceeds capital outlays in the current period. | | (170,181) |
| Governmental funds only report the gain from the disposal of capital assets to the extent proceeds are received from the sale. In the statement of activities, a gain or loss is reported for each disposal. | | (49,923) |
| Governmental funds report expenditures for inventory when purchased. However, in the statement of activities, they are reported as an expense when consumed. | | 14,039 |
| Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds. | | (17,990) |
| Repayment of principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets. | | 478,159 |
| Governmental funds report expenditures for interest when it is due. 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. | | (176,877) |
| 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. | | (7,723) |
| The internal service fund used by management to charge the costs of insurance to individual funds is not reported in the district-wide statement of activities. Governmental fund expenditures and the related internal service fund revenues are eliminated. The net revenue (expense) of the internal service funds, including internal balances, is allocated among the governmental activities. | | 415,711 |
| Change in net assets of governmental activities | \$ | 375,936 |

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

STATEMENT IN 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> | | | Variance with Final Budget Positive (Negative) |
|--|-------------------------|---------------------|---------------------|---|
| | <u>Original</u> | <u>Final</u> | <u>Actual</u> | |
| Revenues: | | | | |
| From local sources: | | | | |
| Taxes | \$ 4,575,000 | \$ 4,575,000 | \$ 4,679,719 | \$ 104,719 |
| Tuition. | 8,000 | 8,000 | 198,607 | 190,607 |
| Earnings on investments. | 40,000 | 40,000 | 31,352 | (8,648) |
| Classroom materials and fees | 2,000 | 2,000 | 3,691 | 1,691 |
| Other local revenues. | 6,700 | 6,700 | 21,419 | 14,719 |
| Intergovernmental - State | <u>6,079,500</u> | <u>6,079,500</u> | <u>6,123,932</u> | <u>44,432</u> |
| Total revenue | <u>10,711,200</u> | <u>10,711,200</u> | <u>11,058,720</u> | <u>347,520</u> |
| Expenditures: | | | | |
| Current: | | | | |
| Instruction: | | | | |
| Regular | 5,733,823 | 5,733,823 | 5,677,150 | 56,673 |
| Special. | 659,555 | 659,555 | 630,679 | 28,876 |
| Vocational. | 143,867 | 143,867 | 145,472 | (1,605) |
| Support services: | | | | |
| Pupil. | 486,410 | 486,410 | 472,567 | 13,843 |
| Instructional staff | 616,684 | 616,684 | 693,790 | (77,106) |
| Board of education | 45,350 | 45,350 | 24,093 | 21,257 |
| Administration. | 973,367 | 973,367 | 1,012,878 | (39,511) |
| Fiscal | 288,764 | 288,764 | 298,068 | (9,304) |
| Business | 38,000 | 38,000 | 37,283 | 717 |
| Operations and maintenance. | 1,094,266 | 1,094,266 | 1,049,177 | 45,089 |
| Pupil transportation | 922,025 | 922,025 | 978,028 | (56,003) |
| Central. | 14,362 | 14,362 | 30,046 | (15,684) |
| Extracurricular activities. | 204,696 | 204,696 | 237,968 | (33,272) |
| Facilities acquisition and construction. | 132,180 | 132,180 | 183,883 | (51,703) |
| Debt service: | | | | |
| Principal retirement | <u>93,000</u> | <u>93,000</u> | <u>86,825</u> | <u>6,175</u> |
| Total expenditures | <u>11,446,349</u> | <u>11,446,349</u> | <u>11,557,907</u> | <u>(111,558)</u> |
| Excess of revenues over (under) expenditures. | <u>(735,149)</u> | <u>(735,149)</u> | <u>(499,187)</u> | <u>235,962</u> |
| Other financing sources (uses): | | | | |
| Refund of prior year receipt. | - | - | (768) | (768) |
| Refund of prior year expense. | 5,000 | 5,000 | 7,193 | 2,193 |
| Transfers (out) | (100,000) | (100,000) | (27,037) | 72,963 |
| Advances in. | 186,000 | 186,000 | 174,000 | (12,000) |
| Advances (out) | (100,000) | (100,000) | (54,245) | 45,755 |
| Proceeds from sale of capital assets. | <u>-</u> | <u>-</u> | <u>33,340</u> | <u>33,340</u> |
| Total other financing sources (uses) | <u>(9,000)</u> | <u>(9,000)</u> | <u>132,483</u> | <u>141,483</u> |
| Net change in fund balance | (744,149) | (744,149) | (366,704) | 377,445 |
| Fund balance at beginning of year. | 2,000,974 | 2,000,974 | 2,000,974 | - |
| Prior year encumbrances appropriated | <u>350,314</u> | <u>350,314</u> | <u>350,314</u> | <u>-</u> |
| Fund balance at end of year | <u>\$ 1,607,139</u> | <u>\$ 1,607,139</u> | <u>\$ 1,984,584</u> | <u>\$ 377,445</u> |

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

STATEMENT OF NET ASSETS
PROPRIETARY FUNDS
JUNE 30, 2004

| | <u>Business-Type Activities - Enterprise Funds</u> | | | <u>Governmental Activities - Internal Service Fund</u> |
|---|--|---|--------------------|--|
| | <u>Food Service</u> | <u>Nonmajor Enterprise Fund</u> | <u>Total</u> | |
| Assets: | | | | |
| Current assets: | | | | |
| Equity in pooled cash and cash equivalents | \$ 15,034 | \$ 46,085 | \$ 61,119 | \$ - |
| Cash with fiscal agent | - | - | - | 290,499 |
| Receivables: | | | | |
| Intergovernmental | 15,991 | - | 15,991 | - |
| Materials and supplies inventory | 8,159 | - | 8,159 | - |
| Total current assets | <u>39,184</u> | <u>46,085</u> | <u>85,269</u> | <u>290,499</u> |
| Noncurrent assets: | | | | |
| Capital assets, net. | <u>70,949</u> | <u>-</u> | <u>70,949</u> | <u>-</u> |
| Total assets | <u>110,133</u> | <u>46,085</u> | <u>156,218</u> | <u>290,499</u> |
| Liabilities: | | | | |
| Accounts payable. | - | 2,167 | 2,167 | - |
| Accrued wages and benefits | 51,610 | - | 51,610 | - |
| Pension obligation payable. | 19,314 | - | 19,314 | - |
| Interfund loan payable | 105,045 | - | 105,045 | - |
| Intergovernmental payable | 1,408 | - | 1,408 | - |
| Current portion of compensated absences | 7,787 | - | 7,787 | - |
| Claims payable | - | - | - | 240,014 |
| Total liabilities | <u>185,164</u> | <u>2,167</u> | <u>187,331</u> | <u>240,014</u> |
| Long-term liabilities: | | | | |
| Compensated absences. | <u>38,286</u> | <u>-</u> | <u>38,286</u> | <u>-</u> |
| Total liabilities | <u>223,450</u> | <u>2,167</u> | <u>225,617</u> | <u>240,014</u> |
| Net assets: | | | | |
| Invested in capital assets | 70,949 | - | 70,949 | - |
| Unrestricted. | (184,266) | 43,918 | (140,348) | 50,485 |
| Total net assets | <u>\$ (113,317)</u> | <u>\$ 43,918</u> | <u>(69,399)</u> | <u>\$ 50,485</u> |
| Adjustment to reflect the consolidation of the internal service fund activity related to enterprise funds. | | | <u>34,917</u> | |
| Net assets of business-type activities. | | | <u>\$ (34,482)</u> | |

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

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

| | <u>Business-Type Activities - Enterprise Funds</u> | | | Governmental Activities - Internal Service Fund |
|---|--|---|--------------------|--|
| | Food Service | Nonmajor Enterprise Fund | Total | |
| Operating revenues: | | | | |
| Tuition and fees | \$ - | \$ 54,774 | \$ 54,774 | \$ - |
| Sales/charges for services | 308,151 | - | 308,151 | 2,066,904 |
| Total operating revenues | <u>308,151</u> | <u>54,774</u> | <u>362,925</u> | <u>2,066,904</u> |
| Operating expenses: | | | | |
| Personal services | 345,225 | - | 345,225 | 127,641 |
| Purchased services | 9,572 | - | 9,572 | - |
| Materials and supplies | 177,411 | 54,585 | 231,996 | - |
| Depreciation | 8,445 | - | 8,445 | - |
| Claims expense | - | - | - | 1,490,156 |
| Total operating expenses | <u>540,653</u> | <u>54,585</u> | <u>595,238</u> | <u>1,617,797</u> |
| Operating income (loss) | <u>(232,502)</u> | <u>189</u> | <u>(232,313)</u> | <u>449,107</u> |
| Nonoperating revenues (expenses): | | | | |
| Federal donated commodities | 24,958 | - | 24,958 | - |
| Loss on disposal of capital assets | (6,167) | - | (6,167) | - |
| Interest revenue | - | - | - | 393 |
| Operating grants | 133,390 | - | 133,390 | - |
| Total nonoperating revenues (expenses) | <u>152,181</u> | <u>-</u> | <u>152,181</u> | <u>393</u> |
| Change in net assets | (80,321) | 189 | (80,132) | 449,500 |
| Net assets at beginning of year | <u>(32,996)</u> | <u>43,729</u> | | <u>(399,015)</u> |
| Net assets at end of year | <u>\$ (113,317)</u> | <u>\$ 43,918</u> | | <u>\$ 50,485</u> |
| Adjustment to reflect the consolidation of the internal service funds activities related to enterprise funds. | | | <u>33,789</u> | |
| Changes in net assets of business-type activities. | | | <u>\$ (46,343)</u> | |

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

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

| | <u>Business-Type Activities - Enterprise Funds</u> | | | <u>Governmental Activities - Internal Service Fund</u> |
|--|--|---|---------------------|--|
| | <u>Food Service</u> | <u>Nonmajor Enterprise Fund</u> | <u>Total</u> | |
| Cash flows from operating activities: | | | | |
| Cash received from tuition and fees | \$ - | \$ 54,774 | \$ 54,774 | \$ - |
| Cash received from sales/charges for services. | 308,151 | - | 308,151 | 2,066,904 |
| Cash payments for personal services | (334,514) | - | (334,514) | (127,641) |
| Cash payments for purchased services. | (9,806) | - | (9,806) | (1,649,157) |
| Cash payments for materials and supplies. | (147,329) | (53,419) | (200,748) | - |
| Net cash provided by (used in) operating activities | (183,498) | 1,355 | (182,143) | 290,106 |
| Cash flows from noncapital financing activities: | | | | |
| Cash received from operating grants | 131,965 | - | 131,965 | - |
| Cash received from interfund loans | 54,245 | - | 54,245 | - |
| Cash used in repayment of interfund loans | - | - | - | (173,000) |
| Net cash provided by (used in) noncapital financing activities | 186,210 | - | 186,210 | (173,000) |
| Cash flows from investing activities: | | | - | |
| Interest received | - | - | - | 393 |
| Net cash provided by investing activities. | - | - | - | 393 |
| Net increase in cash and cash equivalents. | 2,712 | 1,355 | 4,067 | 117,499 |
| Cash and cash equivalents at beginning of year. . . | <u>12,322</u> | <u>44,730</u> | <u>57,052</u> | <u>173,000</u> |
| Cash and cash equivalents at end of year | <u>\$ 15,034</u> | <u>\$ 46,085</u> | <u>\$ 61,119</u> | <u>\$ 290,499</u> |
| Reconciliation of operating income (loss) to net cash provided by (used in) operating activities: | | | | |
| Operating income (loss) | \$ (232,502) | \$ 189 | \$ (232,313) | \$ 449,107 |
| Adjustments: | | | | |
| Depreciation | 8,445 | - | 8,445 | - |
| Federal donated commodities. | 24,958 | - | 24,958 | - |
| Changes in assets and liabilities: | | | | |
| Decrease in materials and supplies inventory. | 5,124 | - | 5,124 | - |
| Increase (decrease) in accounts payable | (234) | 1,166 | 932 | - |
| Increase in accrued wages and benefits. | 13,513 | - | 13,513 | - |
| Increase in pension obligation payable | 3,718 | - | 3,718 | - |
| Increase in intergovernmental payable | 140 | - | 140 | - |
| Decrease in compensated absences payable. | (6,660) | - | (6,660) | - |
| Decrease in claims payable | - | - | - | (159,001) |
| Net cash provided by (used in) operating activities | <u>\$ (183,498)</u> | <u>\$ 1,355</u> | <u>\$ (182,143)</u> | <u>\$ 290,106</u> |

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

STATEMENT OF FIDUCIARY NET ASSETS
FIDUCIARY FUND
JUNE 30, 2004

| | Agency |
|---|---------------|
| Assets: | |
| Equity in pooled cash and cash equivalents | \$ 46,290 |
| Total assets. | 46,290 |
| Liabilities: | |
| Accounts payable. | 40 |
| Due to students | 46,250 |
| Total liabilities | \$ 46,290 |

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

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

NOTE 1 - DESCRIPTION OF THE SCHOOL DISTRICT

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

The District ranks as the 325th largest by total enrollment among the 613 public school districts in the state. It operates under a locally-elected, five-member board and provides educational services as authorized and mandated by state and federal agencies. The Board controls the District's 5 instructional support facilities staffed by 85 classified employees and 115 certificated teaching personnel, and 6 administrators, who provide services to 1,744 students.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

A. Reporting Entity

The reporting entity has been defined in accordance with GASB Statement No. 14, "The Financial Reporting Entity" as amended by GASB Statement No. 39, "Determining Whether Certain Organizations Are Component Units." When applying GASB Statement No. 14, management has considered all potential component units. Component units are legally separate organizations for which the District is financially accountable. The District is financially accountable for an organization if the District appoints a voting majority of the organization's governing board and (1) the District is able to significantly influence the programs or services performed or provided by the organization; or (2) the District is legally entitled to or can otherwise access the organization's resources; 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 debt, the issuance of debt, or the levying of taxes. Based upon the application of this criteria, the District has no component units. The financial statements of the reporting entity include only those of the District (the primary government). The following organizations are described due to their relationship to the District:

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

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

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

JOINTLY GOVERNED ORGANIZATIONS

Buckeye Joint Vocational School District (JVSD)

The JVSD is a separate body politic and corporate, established by the Ohio Revised Code to provide for the vocational and special education needs of the students. The JVSD's Board of Education is comprised of representatives from the Board of each participating school district. The JVSD's Board is responsible for approving its own budgets, appointing personnel and accounting and finance related activities. The District's students may attend the vocational school. Each school district's control is limited to its representation on the JVSD's Board. During fiscal year 2004, no monies were paid to the JVSD by the District.

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

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

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

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

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

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

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

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

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

Tuscarawas County Tax Incentive Review Council (TCTIRC)

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

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

PUBLIC ENTITY RISK POOLS

Workers' Compensation

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

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

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

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

B. Fund Accounting

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

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

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

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

GOVERNMENTAL FUNDS

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

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

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

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

PROPRIETARY FUNDS

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

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

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

Internal Service Fund - The internal service fund is used to account for the financing of goods or services provided by one department or agency to other departments or agencies of the district, or to other governments, on a cost-reimbursement basis.

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

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

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

FIDUCIARY FUNDS

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

C. Basis of Presentation

Government-wide Financial Statements - The statement of net assets and the statement of activities display information about the District as a whole. These statements include the financial activities of the primary government, except for fiduciary funds. Internal service fund activity is eliminated to avoid "doubling up" revenues and expenses. The statements distinguish between those activities of the District that are governmental and those that are considered business-type activities.

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

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

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

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

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

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

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

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

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

D. Basis of Accounting

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

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

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

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

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

Deferred Revenue - Deferred revenue arises when assets are recognized before revenue recognition criteria have been satisfied.

Property taxes for which there is an enforceable legal claim as of June 30, 2004, but which were levied to finance fiscal year 2004 operations, have been recorded as deferred revenue. Grants and entitlements received before the eligibility requirements are met are also recorded as deferred revenue.

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

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

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

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

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

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

E. Budgets

The District is required by state statute to adopt an annual appropriated cash basis budget for all funds. The specific timetable for fiscal year 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. On July 25, 2002, the Tuscarawas County Budget Commission voted to waive the requirement that school districts adopt a tax budget as required by Section 5705.28 of the Ohio Revised Code, by January 15 and the filing by January 20. In order to complete other necessary documents, the Budget Commission now requires certain information to be filed by May 1. Information required includes the general fund five year forecast submitted to the Department of Education, projected revenues and expenditures line items for all levy funds, projected revenues and debt requirements (principal and interest) and amortization schedules for the debt service fund, and balances and total anticipated activity for all other funds.
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.
4. By July 1, the Annual Appropriation Resolution is legally enacted by the Board of Education at the fund level of expenditures, which is the legal level of budgetary control. (State statute permits a temporary appropriation to be effective until no later than October 1 of each year). Resolution appropriations by fund must be within the estimated resources as certified by the County Budget Commission and the total of expenditures and encumbrances may not exceed the appropriation totals.
5. Any revisions that alter the total of any fund appropriation must be approved by the Board of Education.

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

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

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

6. Formal budgetary integration is employed as a management control device during the year for all funds consistent with the general obligation bond indenture and other statutory provisions. All funds completed the year within the amount of their legally authorized cash basis appropriation.
7. Appropriations amounts are as originally adopted, or as amended by the Board of Education through the year by supplemental appropriations which either reallocated, increased or decreased the original appropriated amounts. All supplemental appropriations were legally enacted by the Board during fiscal 2004.
8. Unencumbered appropriations lapse at year-end. Encumbered appropriations are carried forward to the succeeding fiscal year and need not be reappropriated. Cash disbursements plus encumbrances may not legally exceed budgeted appropriations at the fund level.

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

F. Cash and Investments

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

During fiscal year 2004, investments were limited to STAR Ohio and a repurchase agreement. Except for nonparticipating investment contracts, investments are reported at fair value, which is based on quoted market prices. Nonparticipating investment contracts, such as repurchase agreements, are reported at cost.

STAR Ohio is an investment pool managed by the State Treasurer's Office which allows governments within the state to pool their funds for investment purposes. STAR Ohio is not registered with the SEC as an investment company, but does operate in a manner consistent with Rule 2a7 of the Investment Company Act of 1940. Investments in STAR Ohio are valued at STAR Ohio's share price, which is the price the investment could be sold for on June 30, 2004.

Under existing Ohio statutes all investment earning are assigned to the general fund unless statutorily required to be credited to a specific fund. By policy of the Board of Education, investment earnings are assigned to the general fund. Interest revenue credited to the general fund during fiscal 2004 amounted to \$31,352, which includes \$8,512 assigned from other District funds.

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

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

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

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

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

G. Inventory

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

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

H. Capital Assets

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

All capital assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the year. Donated capital assets are recorded at their fair market values as of the date received. The District maintains a capitalization threshold of \$5,000. The District does not possess any infrastructure. Improvements are capitalized; the costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not. Interest incurred during the construction of enterprise capital assets is also capitalized.

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

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

I. Interfund Balances

On fund financial statements, receivables and payables resulting from short-term interfund loans are classified as "interfund receivables/payables." These amounts are eliminated in the governmental and business-type activities columns of the statement of net assets, except for the net residual amounts due between governmental and business-type activities, which are presented as internal balances.

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

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

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

J. Compensated Absences

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

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

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

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

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

K. Accrued Liabilities and Long-Term Obligations

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

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

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

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

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

L. Fund Balance Reserves

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

M. Net Assets

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

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

N. Prepayments

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

O. Estimates

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

P. Restricted Assets

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

Q. Operating Revenues and Expenses

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

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

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

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

R. Capital Contributions

Capital contributions in proprietary fund financial statements arise from outside contributions of capital assets, or from grants or outside contributions of resources restricted to capital acquisition and construction. There were no capital contributions during fiscal year 2004.

S. Interfund Activity

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

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

T. Extraordinary and Special Items

Extraordinary items are transactions or events that are both unusual in nature and infrequent in occurrence. Special items are transactions or events that are within the control of the Board of Education and that are either unusual in nature or infrequent in occurrence. Neither type of transaction occurred during fiscal 2004.

NOTE 3 - ACCOUNTABILITY AND COMPLIANCE

A. Prior Period Adjustment

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

| | Governmental <u>Activities</u> |
|--------------------------------------|-----------------------------------|
| Net assets as previously reported | \$ 2,798,235 |
| Restatement for capital assets | <u>(700,484)</u> |
| Net assets, restated at July 1, 2003 | <u>\$ 2,097,751</u> |

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

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

NOTE 3 - ACCOUNTABILITY AND COMPLIANCE - (Continued)

B. Deficit Fund Balances

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

| | |
|---------------------------|------------|
| <u>Major Fund</u> | |
| Food Service | \$ 113,317 |
| <u>Nonmajor Funds</u> | |
| Public School Preschool | 28,168 |
| Reducing Class Size | 2,681 |
| Summer School | 740 |

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

NOTE 4 - EQUITY IN POOLED CASH AND INVESTMENTS

Monies are held by the District into three categories.

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

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

Interim deposits are deposits of interim monies. Interim monies are those monies which are not needed for immediate use but which will be needed before the end of the current period of designation of depositories. Interim deposits must be evidenced by time certificates of deposit maturing not more than one year from the date of deposit or by savings 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 finance institution as security for repayment, by surety company bonds deposited with the Treasurer by the financial institution or by a single collateral pool established by the financial institution to secure the repayment of all public monies deposited with the institution.

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;

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

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

NOTE 4 - EQUITY IN POOLED CASH AND INVESTMENTS - (Continued)

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 thirty days;
4. Bonds and other obligations of the State of Ohio;
5. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2) of this section and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions;
6. The State 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 the exceed 25% of the interim monies available for investment at any one time; and
8. Under limited circumstances, corporate debt instrument 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 with Fiscal Agent: The District is self-insured through a fiscal agent. The money held by the fiscal agent cannot be identified as an investment or deposit, since it is held in a pool made up of numerous participants. The amount held by the fiscal agent at June 30, 2004, was \$290,499.

The following information classifies deposits and investments by categories of custodial credit risk as defined in GASB Statement No. 3, "Deposits with Financial Institutions, Investments and Reserve Repurchase Agreements".

Deposits: At year-end, the carrying amount of the District's deposits was \$343,328 and the bank balance was \$382,543. Of the bank balance:

1. \$100,000 was covered by federal depository insurance; and

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

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

NOTE 4 - EQUITY IN POOLED CASH AND INVESTMENTS - (Continued)

2. \$282,543 was uninsured and uncollateralized because 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 deposits of money had been followed, non-compliance with federal requirements would potentially subject the District to a successful claim by the FDIC.

Collateral is required for demand deposits and certificates of deposit in excess of all deposits not covered by federal depository insurance. Obligations that may be placed as collateral are obligations of the United States and its agencies, obligations of the State of Ohio and its municipalities, and obligations of the other states. Obligations pledged to secure deposits must be delivered to a bank other than the institution in which the deposit is made. Written custodial agreements are required.

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. Investments in STAR Ohio unclassified investments since they are not evidenced by securities that exist in physical or book entry form. The following is a breakdown of the districts investments:

| | Category 3 | Reported Amount | Fair Value |
|--------------------------|---------------|--------------------|---------------|
| Repurchase agreements | \$ 120,965 | \$ 120,965 | \$ 120,965 |
| Investments in STAR Ohio | | 2,629,929 | 2,629,929 |
| Total investments | | \$ 2,750,894 | \$ 2,750,894 |

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:

| | Cash and Cash Equivalents/Deposits | Investments |
|--|---------------------------------------|--------------|
| GASB Statement No. 9 | \$ 3,384,721 | \$ - |
| Investments of the cash management pool: | | |
| Repurchase agreement | (120,965) | 120,965 |
| Investment in STAR Ohio | (2,629,929) | 2,629,929 |
| Cash with fiscal agent | (290,499) | - |
| GASB Statement No. 3 | \$ 343,328 | \$ 2,750,894 |

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

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

NOTE 5 - INTERFUND TRANSACTIONS

- A. Interfund loans receivable/payable consisted of the following at June 30, 2004, as reported on the fund statement:

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

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

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

| | <u>Amount</u> |
|---------------------------------|---------------|
| Transfers from General fund to: | |
| Nonmajor Governmental Funds | \$ 27,037 |

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

NOTE 6 - PROPERTY TAXES

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

Property taxes include amounts levied against all real, public utility and tangible personal property (used in business) located in the District. Real property tax revenue received in calendar 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.

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

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

NOTE 6 - PROPERTY TAXES - (Continued)

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 Tuscarawas County and Stark County. The County Auditors periodically advance to the District its portion of the taxes collected. Second-half real property tax payments collected by the County by June 30, 2004, are available to finance fiscal year 2004 operations. The amount available as an advance at June 30, 2004 was \$599,946.

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 deterred revenue.

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

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

| | <u>2003 Second</u> | | <u>2004 Second</u> | |
|---|-------------------------|----------------|-------------------------|----------------|
| | <u>Half Collections</u> | | <u>Half Collections</u> | |
| | <u>Amount</u> | <u>Percent</u> | <u>Amount</u> | <u>Percent</u> |
| Agricultural/residential and other real estate | \$ 146,767,520 | 89.82 | \$ 158,767,730 | 89.70 |
| Public utility personal | 7,973,170 | 4.98 | 9,539,200 | 5.39 |
| Tangible personal property | <u>8,327,430</u> | <u>5.20</u> | <u>8,681,803</u> | <u>4.91</u> |
| Total | <u>\$ 163,068,120</u> | <u>100.00</u> | <u>\$ 176,988,733</u> | <u>100.00</u> |
| Tax rate per \$1,000 of assessed valuation | \$ 41.30 | | \$ 41.25 | |

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

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

NOTE 7 - RECEIVABLES

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

Governmental Activities

| | |
|--------------------------------|--------------|
| Taxes - current and delinquent | \$ 5,678,665 |
| Accounts | 7,346 |
| Internal loan | 70,128 |

Business-Type Activities

| | |
|-------------------|---------------------|
| Intergovernmental | <u>15,991</u> |
| Total receivables | <u>\$ 5,772,130</u> |

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

NOTE 8 - CAPITAL ASSETS

A. Capital assets were restated at June 30, 2003, to properly state accumulated depreciation in governmental activities due to errors and omissions reported in prior years. The restatement is as follows:

| | Balance June 30, 2003 | Adjustment | (Restated) Balance June 30, 2003 |
|---|--------------------------|---------------------|--|
| Governmental Activities | | | |
| <i>Capital assets, not being depreciated:</i> | | | |
| Land | \$ 46,031 | \$ - | \$ 46,031 |
| <i>Capital assets, being depreciated:</i> | | | |
| Land improvements | 473,656 | - | 473,656 |
| Building and improvements | 8,971,469 | - | 8,971,469 |
| Furniture and equipment | 913,845 | - | 913,845 |
| Vehicles | <u>1,103,250</u> | <u>-</u> | <u>1,103,250</u> |
| Total capital assets, being depreciated | <u>11,462,220</u> | <u>-</u> | <u>11,462,220</u> |
| <i>Less: accumulated depreciation</i> | | | |
| Land improvements | (259,162) | 19,896 | (239,266) |
| Building and improvements | (2,092,478) | (631,156) | (2,723,634) |
| Furniture and equipment | (354,651) | (45,728) | (400,379) |
| Vehicles | <u>(525,465)</u> | <u>(43,496)</u> | <u>(568,961)</u> |
| Total accumulated depreciation | <u>(3,231,756)</u> | <u>(700,484)</u> | <u>(3,932,240)</u> |
| Governmental activities capital assets, net | <u>\$ 8,276,495</u> | <u>\$ (700,484)</u> | <u>\$ 7,576,011</u> |

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

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

NOTE 8 - CAPITAL ASSETS - (Continued)

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

| | (Restated) Balance <u>June 30, 2003</u> | <u>Additions</u> | <u>Deductions</u> | Balance <u>June 30, 2004</u> |
|--|---|---------------------|--------------------|---------------------------------|
| Governmental Activities | | | | |
| Capital assets, not being depreciated: | | | | |
| Land | \$ 46,031 | \$ - | \$ - | \$ 46,031 |
| Total capital assets, not being depreciated | <u>46,031</u> | <u>-</u> | <u>-</u> | <u>46,031</u> |
| Capital assets, being depreciated: | | | | |
| Land improvements | 473,656 | - | - | 473,656 |
| Buildings and improvements | 8,971,469 | - | - | 8,971,469 |
| Furniture and equipment | 913,845 | 6,299 | (25,552) | 894,592 |
| Vehicles | <u>1,103,250</u> | <u>109,198</u> | <u>(201,785)</u> | <u>1,010,663</u> |
| Total capital assets, being depreciated | <u>11,462,220</u> | <u>115,497</u> | <u>(227,337)</u> | <u>11,350,380</u> |
| Less: accumulated depreciation | | | | |
| Land improvements | (239,266) | (25,672) | - | (264,938) |
| Buildings and improvements | (2,723,634) | (165,125) | - | (2,888,759) |
| Furniture and equipment | (400,379) | (42,687) | 18,006 | (425,060) |
| Vehicles | <u>(568,961)</u> | <u>(52,194)</u> | <u>159,408</u> | <u>(461,747)</u> |
| Total accumulated depreciation | <u>(3,932,240)</u> | <u>(285,678)</u> | <u>177,414</u> | <u>(4,040,504)</u> |
| Governmental activities capital assets, net | <u>\$ 7,576,011</u> | <u>\$ (170,181)</u> | <u>\$ (49,923)</u> | <u>\$ 7,355,907</u> |
| Business-Type Activities | | | | |
| Capital assets, being depreciated: | | | | |
| Furniture and equipment | \$ 142,058 | \$ - | \$ (10,773) | \$ 131,285 |
| Less: accumulated depreciation | <u>(56,497)</u> | <u>(8,445)</u> | <u>4,606</u> | <u>(60,336)</u> |
| Business-type activities capital assets, net | <u>\$ 85,561</u> | <u>\$ (8,445)</u> | <u>\$ (6,167)</u> | <u>\$ 70,949</u> |

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

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

NOTE 8 - CAPITAL ASSETS - (Continued)

Depreciation expense was charged to governmental functions as follows:

| | |
|---|-------------------|
| Instruction: | |
| Regular | \$ 157,635 |
| Special | 9,027 |
| Support Services: | |
| Pupil | 1,924 |
| Instructional staff | 8,098 |
| Administration | 10,106 |
| Operations and maintenance of plant | 11,264 |
| Pupil transportation | 53,571 |
| Operation of non-instructional services | 22,418 |
| Extracurricular activities | <u>11,635</u> |
| Total depreciation expense | <u>\$ 285,678</u> |

NOTE 9 - CAPITALIZED LEASES - LESSEE DISCLOSURE

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

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

A corresponding liability is recorded in the statement of net assets. Principal and interest payments in the 2004 fiscal year totaled \$28,159 and \$7,574, respectively. These amounts are reported as debt service payments of the general fund.

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

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

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

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

| Year Ending June 30 | Amount |
|---|------------|
| 2005 | \$ 35,733 |
| 2006 | 35,733 |
| 2007 | 35,733 |
| 2008 | 26,800 |
| Total | 133,999 |
| Less amount representing interest | (13,310) |
| Present value of net minimum lease payments | \$ 120,689 |

NOTE 10 - LONG-TERM OBLIGATIONS

- A. On June 3, 1999, the District issued \$6,949,981 general obligation various purpose refunding bonds. The issue is comprised of both current interest bonds, par value \$5,980,000, and capital appreciation bonds, par value \$969,981. The interest rates on the current interest bonds range from 3.40% to 5.35%. The proceeds of the bonds were used to advance refund the District's 1995 general obligation school improvement bonds by purchasing U.S. Government Securities that were placed in an irrevocable trust for the purpose of generating resources for all future debt service payments of the refunded debt. The refunded bonds are not included in the District's outstanding debt since the District has satisfied its obligations through the advance refunding. The principal balance of the general obligation various purpose refunded bonds at June 30, 2004 was \$5,725,000.

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

The capital appreciation bonds mature in various installments between December 1, 2013 and December 1, 2019 at a redemption price equal to 100% of the principal, plus accrued interest to the redemption date. The capital appreciation bonds have effective interest rates between 8.0839% and 8.9204%. The present value reported in the statement of net assets at June 30, 2004 was \$1,868,016. A total of \$898,035 in accreted interest on the capital appreciation bonds has been included in the statement of net assets at June 30, 2004.

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

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

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

NOTE 10 - LONG-TERM OBLIGATIONS - (Continued)

The following is a schedule of activity for fiscal 2004 for the 1999 series general obligation bonds:

| | <u>Balance July 1, 2003</u> | <u>Appreciation</u> | <u>Reduction</u> | <u>Balance June 30, 2004</u> |
|----------------------------|---------------------------------|---------------------|---------------------|----------------------------------|
| Current interest bonds | \$ 4,650,000 | \$ - | \$ (385,000) | \$ 4,265,000 |
| Capital appreciation bonds | <u>1,688,409</u> | <u>179,607</u> | <u>-</u> | <u>1,868,016</u> |
| Total G.O. bonds | <u>\$ 6,338,409</u> | <u>\$ 179,607</u> | <u>\$ (385,000)</u> | <u>\$ 6,133,016</u> |

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

| Fiscal Year Ending | <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 | \$ 400,000 | \$ 178,730 | \$ 578,730 | \$ - | \$ - | \$ - |
| 2006 | 420,000 | 162,120 | 582,120 | - | - | - |
| 2007 | 430,000 | 144,480 | 574,480 | - | - | - |
| 2008 | 450,000 | 125,775 | 575,775 | - | - | - |
| 2009 | 470,000 | 105,878 | 575,878 | - | - | - |
| 2010 - 2014 | 2,095,000 | 197,902 | 2,292,902 | 165,116 | 419,884 | 585,000 |
| 2015 - 2019 | - | - | - | 690,559 | 2,229,441 | 2,920,000 |
| 2020 | <u>-</u> | <u>-</u> | <u>-</u> | <u>114,306</u> | <u>465,694</u> | <u>580,000</u> |
| Total | <u>\$ 4,265,000</u> | <u>\$ 914,885</u> | <u>\$ 5,179,885</u> | <u>\$ 969,981</u> | <u>\$ 3,115,019</u> | <u>\$ 4,085,000</u> |

B. The District also has energy conservation loans outstanding at June 30, 2004. The energy conservation loans were issued in fiscal years 1997 and 2000 pursuant to Section 3313.372 of the Ohio Revised Code in anticipation of energy cost savings to be realized from an energy conservation project under House Bill 264. Payments of principal and interest relating to this liability are recorded as expenditures in the debt service fund. Unmatured obligations are accounted for in the statement of net assets.

C. The following is a description of the District's long-term debt obligations outstanding as of June 30, 2004:

| | <u>Interest Rate</u> | <u>Maturity Date</u> | <u>Outstanding July 1, 2003</u> | <u>Appreciation in 2004</u> | <u>Retired in 2004</u> | <u>Outstanding June 30, 2004</u> |
|---|--------------------------|--------------------------|-------------------------------------|---------------------------------|----------------------------|--------------------------------------|
| General obligation bonds | 3.40-5.35% | 12/01/19 | \$ 5,619,981 | \$ - | \$ (385,000) | \$ 5,234,981 |
| Accretion of capital appreciation bonds | | 12/01/19 | 718,428 | 179,607 | - | 898,035 |
| Energy conservation loans | 5.70% | Various | <u>395,000</u> | <u>-</u> | <u>(65,000)</u> | <u>330,000</u> |
| Total | | | <u>\$ 6,733,409</u> | <u>\$ 179,607</u> | <u>\$ (450,000)</u> | <u>\$ 6,463,016</u> |

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

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

NOTE 10 - LONG-TERM OBLIGATIONS - (Continued)

The following is a summary of the future debt service requirements to maturity for the 1997 and 2000 Energy Conservation Loans:

| <u>Fiscal Year Ending</u> | <u>Principal on Loans</u> | <u>Interest on Loans</u> | <u>Total</u> |
|-------------------------------|-------------------------------|------------------------------|-------------------|
| 2005 | \$ 70,000 | \$ 18,070 | \$ 88,070 |
| 2006 | 75,000 | 13,878 | 88,878 |
| 2007 | 75,000 | 9,543 | 84,543 |
| 2008 | 35,000 | 6,490 | 41,490 |
| 2009 | 35,000 | 4,923 | 39,923 |
| 2010 | <u>40,000</u> | <u>2,360</u> | <u>42,360</u> |
| Total | <u>\$ 330,000</u> | <u>\$ 55,264</u> | <u>\$ 385,264</u> |

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

| <u>Fiscal Year Ending</u> | <u>Principal on Debt</u> | <u>Interest on Debt</u> | <u>Total</u> |
|-------------------------------|------------------------------|-----------------------------|---------------------|
| 2005 | \$ 470,000 | \$ 191,038 | \$ 661,038 |
| 2006 | 495,000 | 172,462 | 667,462 |
| 2007 | 505,000 | 152,740 | 657,740 |
| 2008 | 485,000 | 132,265 | 617,265 |
| 2009 | 505,000 | 110,303 | 615,303 |
| 2010 - 2014 | 2,300,116 | 620,146 | 2,920,262 |
| 2015 - 2019 | 690,559 | 2,229,441 | 2,920,000 |
| 2020 | <u>114,306</u> | <u>465,694</u> | <u>580,000</u> |
| Total | <u>\$ 5,564,981</u> | <u>\$4,074,089</u> | <u>\$ 9,639,070</u> |

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

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

NOTE 10 - LONG-TERM OBLIGATIONS - (Continued)

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

| | Balance | | | Balance | Amounts |
|---|---------------------|-------------------|---------------------|---------------------|-------------------|
| | June 30, 2003 | Additions | Reductions | June 30, 2004 | Due in |
| | | | | | One Year |
| Governmental Activities | | | | | |
| Compensated absences payable | \$ 941,089 | \$ 111,042 | \$ (81,097) | \$ 971,034 | \$ 110,110 |
| General obligation bonds payable | 5,619,981 | - | (385,000) | 5,234,981 | 400,000 |
| Appreciation of capital appreciation bonds | 718,428 | 179,607 | - | 898,035 | - |
| Energy conservation loans | 395,000 | - | (65,000) | 330,000 | 70,000 |
| Capital lease obligation | <u>148,848</u> | <u>-</u> | <u>(28,159)</u> | <u>120,689</u> | <u>29,770</u> |
| Total governmental activities long-term liabilities | <u>\$ 7,823,346</u> | <u>\$ 290,649</u> | <u>\$ (559,256)</u> | <u>\$ 7,554,739</u> | <u>\$ 609,880</u> |
| Business-Type Activities | | | | | |
| Compensated absences | <u>52,733</u> | <u>-</u> | <u>(6,660)</u> | <u>46,073</u> | <u>7,787</u> |
| Total business-type activities | <u>\$ 52,733</u> | <u>\$ -</u> | <u>\$ (6,660)</u> | <u>\$ 46,073</u> | <u>\$ 7,787</u> |

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

F. Legal Debt Margin

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

The effects of these debt limitations at June 30, 2004 are a voted debt margin of \$11,243,877 (including available funds of \$549,871) and an unvoted debt margin of \$176,989.

NOTE 11 - RISK MANAGEMENT

A. Property and Liability

The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During fiscal year 2004, the District contracted with Indiana Insurance Company for property and fleet insurance. Coverages provided by Indiana Insurance are as follows:

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

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

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

NOTE 11 - RISK MANAGEMENT - (Continued)

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

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

B. Workers' Compensation Rating Program

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

C. Employee Medical Benefits

The District provides employee medical/surgical benefits through a self-insured plan and maintains a self-insurance internal service fund to account for and finance its uninsured risks of loss in this program. The plan provides medical/surgical coverage, which is 100% paid of reasonable and customary charges. Major medical expense coverage includes a \$100 individual and \$200 family deductible followed by a 10% employee co-payment. A third party administrator, Self-Funded Plans, Inc., of Cleveland, Ohio, reviews all claims, which are then paid by OME-RESA Health Benefits. The District purchases stop-loss coverage of \$30,000 per individual from Sun Life Assurance Company of Canada through OME-RESA Health Benefits. The District also provides dental and vision coverage on this self-insured basis. The premiums are paid by the District at a rate of 100% for all employees. The premium is paid by the fund that paid the salary for the employee and is based on historical cost information.

Total required monthly premiums for coverage are as follows:

| | <u>Family</u> | <u>Individual</u> |
|------------------|---------------|-------------------|
| Medical/Surgical | \$ 1,120.89 | \$ 488.59 |
| Dental | 69.53 | 69.53 |
| Vision | 23.52 | 8.67 |

The liability for unpaid claims of \$436,581 reported in the internal service fund at June 30, 2004, is based on the requirements of GASB Statement No. 10, "Accounting and Financial Reporting for Risk Financing and Related Insurance Issues", as amended by GASB Statement No. 30, "Risk Financing Omnibus", which requires that a liability for unpaid claims costs, including estimates of costs relating to incurred but not reported claims, be accrued at the estimated ultimate cost of settling the claims.

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

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

NOTE 11 - RISK MANAGEMENT - (Continued)

| <u>Fiscal Year</u> | <u>Beginning of Fiscal Year Liability</u> | <u>Current-Year Claims and Changes in Estimates</u> | <u>Claims Payments</u> | <u>Balance at Fiscal Year-End</u> |
|--------------------|---|---|----------------------------|---|
| 2003 - 2004 | \$ 399,015 | \$ 1,490,156 | \$(1,649,157) | \$ 240,014 |
| 2002 - 2003 | 424,229 | 1,525,464 | (1,550,678) | 399,015 |

NOTE 12 - DEFINED BENEFIT PENSION PLANS

A. School Employees Retirement System

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

Plan members are required to contribute 10% of their annual covered salary and the District is required to contribute at an actuarially determined rate. The current District rate is 14% of annual covered payroll. A portion of the District's contribution is used to fund pension obligations with the remainder being used to fund health care benefits. For fiscal year 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 \$218,082, \$210,357, and \$199,035, respectively; 42.80% has been contributed for fiscal year 2004 and 100% for the fiscal years 2003 and 2002. \$124,740, 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.

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

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

NOTE 12 - DEFINED BENEFIT PENSION PLANS - (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. 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 years 2004 and 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 \$709,797, \$691,297, and \$680,242, respectively; 83.76% has been contributed for fiscal year 2004 and 100% for the fiscal years 2003 and 2002. \$115,258 represents the unpaid contribution for fiscal year 2004.

C. Social Security System

Effective July 1, 1991, all employees not otherwise covered by SERS or STRS have an option to choose Social Security or SERS/STRS. As of June 30, 2004, certain members of the Board of Education have elected Social Security. The District's liability is 6.20 percent of wages paid.

NOTE 13 - POSTEMPLOYMENT BENEFITS

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

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 \$50,700 during fiscal 2004.

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

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

NOTE 13 - POSTEMPLOYMENT BENEFITS - (Continued)

STRS pays health care benefits from the Health Care Reserve fund. The balance in the Health Care Reserve fund was \$3.1 billion at June 30, 2004. For the fiscal year ended June 30, 2004, net health care costs paid by STRS were \$268.739 million and STRS had 111,853 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. Effective January 1, 2004, all retirees and beneficiaries are required to pay a portion of their health care premium. The portion is based on years of service, Medicare eligibility and retirement status. A safety net is in place for retirees whose household income falls below federal poverty levels. Premiums are reduced by 50% for those who apply.

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, before premium deduction. Gross expenses for health care at June 30, 2004 were \$223.444 million and the target level was \$335.2 million. At June 30, 2004, SERS had net assets available for payment of health care benefits of \$300.8 million and SERS had approximately 62,000 participants receiving health care benefits. For the District, the amount to fund health care benefits, including surcharge, equaled \$104,799 during the 2004 fiscal year.

NOTE 14 - BUDGETARY BASIS OF ACCOUNTING

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

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

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

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

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

NOTE 14 - BUDGETARY BASIS OF ACCOUNTING - (Continued)

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

| | <u>General Fund</u> |
|---|---------------------|
| Budget basis | \$ (366,704) |
| Net adjustment for revenue accruals | 13,701 |
| Net adjustment for expenditure accruals | (27,234) |
| Net adjustment for other sources/uses | (126,180) |
| Adjustment for encumbrances | <u>342,525</u> |
| GAAP basis | <u>\$ (163,892)</u> |

NOTE 15 - CONTINGENCIES

A. Grants

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

B. Litigation

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

C. State School Funding Decision

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

The Supreme Court relinquished jurisdiction over the case and directed "...the Ohio General Assembly to enact a school funding scheme that is thorough and efficient...". The District is currently unable to determine what effect, if any, this decision will have on its future state funding and its financial operations.

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

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

NOTE 16 - STATUTORY RESERVES

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

| | <u>Textbooks</u> | <u>Capital Acquisition</u> |
|--|------------------|--------------------------------|
| Set-aside cash balance as of June 30, 2003 | \$ 32,498 | \$ - |
| Current year set-aside requirement | 233,900 | 233,900 |
| Current year offsets | - | - |
| Qualifying disbursements | <u>(202,808)</u> | <u>(299,951)</u> |
| Total | <u>\$ 63,590</u> | <u>\$ (66,051)</u> |
| Cash balance carried forward to FY 2005 | <u>\$ 63,590</u> | <u>\$ -</u> |

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

A schedule of the restricted assets at June 30, 2004 follows:

| | |
|---------------------------------|------------------|
| Amount restricted for textbooks | <u>\$ 63,590</u> |
| Total restricted assets | <u>\$ 63,590</u> |

TUSCARAWAS VALLEY LOCAL SCHOOL DISTRICT
TUSCARAWAS COUNTY

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

| Federal Grantor/ Pass Through Grantor/ Program Title | Pass Through Entity Number | Federal CFDA Number | Receipts | Non-Cash Receipts | Disbursements | Non-Cash Disbursements |
|--|----------------------------------|---------------------------|------------------|----------------------|------------------|---------------------------|
| <u>U.S. DEPARTMENT OF AGRICULTURE</u> | | | | | | |
| Passed Through Ohio Department of Education: | | | | | | |
| Child Nutrition Cluster: | | | | | | |
| Food Distribution Program | Not Applicable | 10.550 | | \$24,958 | | \$28,185 |
| School Breakfast Program | Not Applicable | 10.553 | \$7,572 | | \$7,572 | |
| National School Lunch Program | Not Applicable | 10.555 | 119,038 | | 119,038 | |
| Total U.S. Department of Agriculture-Child Nutrition Cluster | | | <u>126,610</u> | <u>24,958</u> | <u>126,610</u> | <u>28,185</u> |
| <u>U.S. DEPARTMENT OF EDUCATION</u> | | | | | | |
| Passed Through Ohio Department of Education: | | | | | | |
| Special Education Cluster: | | | | | | |
| Special Education Grants to States | 050302-6BSF-2004 | 84.027 | 212,610 | | 171,908 | |
| Total Special Education Grants to State | 050302-6BSF-2003 | | <u>14,556</u> | | <u>24,845</u> | |
| | | | 227,166 | | 196,753 | |
| Title I Grants to Local Educational Agencies | 050302-C1S1-2004 | 84.010 | 110,771 | | 93,819 | |
| Total Title I Grants to Local Educational Agencies | 050302-C1S1-2003 | | <u>9,775</u> | | <u>16,251</u> | |
| | | | 120,546 | | 110,070 | |
| Title II-A | 050302-TRS1-2004 | 84.367 | 53,794 | | 51,772 | |
| Total Title II-A | 050302-TRS1-2003 | | <u>7,934</u> | | <u>9,117</u> | |
| | | | 61,728 | | 60,889 | |
| Title II-D | 050302-TJS1-2004 | 84.318 | 1,843 | | 1,798 | |
| Title V | 050302-C2S1-2004 | 84.298 | 9,256 | | 9,256 | |
| Safe and Drug Free Schools and Communities State Grants | 050302-DRWS1-2004 | 84.186 | 4,022 | | 5,285 | |
| | 050302-DRWS1-2003 | | <u>3,192</u> | | <u>1,000</u> | |
| Total Safe and Drug Free Schools and Communities State Grants | | | 7,214 | | 6,285 | |
| Total U.S. Department of Education | | | <u>427,753</u> | | <u>385,051</u> | |
| TOTAL | | | <u>\$554,363</u> | <u>\$24,958</u> | <u>\$511,661</u> | <u>\$28,185</u> |

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

**TUSCARAWAS VALLEY LOCAL SCHOOL DISTRICT
TUSCARAWAS COUNTY**

**NOTES TO THE SCHEDULE OF RECEIPTS AND EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2004**

NOTE A – SIGNIFICANT ACCOUNTING POLICIES

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

NOTE B – CHILD NUTRITION CLUSTER

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

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



Auditor of State Betty Montgomery

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

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

To the Board of Education:

We have audited the financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of Tuscarawas Valley Local School District, Tuscarawas County, Ohio, (the District) as of and for the year ended June 30, 2004, which collectively comprise the District's basic financial statements and have issued our report thereon dated January 25, 2005, in which we noted the governmental capital assets balance at July 1, 2003 was restated due to an understatement in accumulated depreciation. 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 we must report under *Government Auditing Standards*.

However, we noted a certain immaterial instance of noncompliance that we have reported to the District's management in a separate letter dated January 25, 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 misstatement 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.

101 Central Plaza South / 700 Bank One Tower / Canton, OH 44702
Telephone: (330) 438-0617 (800) 443-9272 Fax: (330) 471-0001
www.auditor.state.oh.us

Tuscarawas Valley Local School District
Tuscarawas 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 audit committee, 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 25, 2005



**Auditor of State
Betty Montgomery**

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

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

To the Board of Education:

Compliance

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

101 Central Plaza South / 700 Bank One Tower / Canton, OH 44702
Telephone: (330) 438-0617 (800) 443-9272 Fax: (330) 471-0001
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Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts and grants that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over compliance and its operation that we consider to be material weaknesses.

This report is intended for the information and use of the audit committee, 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 25, 2005

**TUSCARAWAS VALLEY LOCAL SCHOOL DISTRICT
TUSCARAWAS COUNTY**

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

1. SUMMARY OF AUDITOR'S RESULTS

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

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

None

3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS

None

**TUSCARAWAS VALLEY LOCAL SCHOOL DISTRICT
TUSCARAWAS COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS
JUNE 30, 2004**

| <u>Finding Number</u> | <u>Finding Summary</u> | Fully Corrected? | Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain:</i> |
|-----------------------|--|------------------|---|
| 2003-001 | Extracurricular Activities Monitoring Policy | Yes | Finding No Longer Valid as the District did not have this condition with its extracurricular activities monitoring. |



**Auditor of State
Betty Montgomery**

88 East Broad Street
P.O. Box 1140
Columbus, Ohio 43216-1140

Telephone 614-466-4514
800-282-0370

Facsimile 614-466-4490

TUSCARAWAS VALLEY LOCAL SCHOOL DISTRICT

TUSCARAWAS COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
MARCH 15, 2005**