



Mary Taylor, CPA
Auditor of State

**TRI-VILLAGE LOCAL SCHOOL DISTRICT
DARKE COUNTY**

TABLE OF CONTENTS

TITLE	PAGE
Independent Accountants' Report.....	1
Management's Discussion and Analysis for the Fiscal Year Ended June 30, 2006.....	3
Basic Financial Statements:	
Government-Wide Financial Statements:	
Statement of Net Assets – Modified Cash Basis - June 30, 2006	11
Statement of Activities – Modified Cash Basis For the Fiscal Year Ended June 30, 2006	12
Fund Financial Statements:	
Statement of Assets and Fund Balances – Modified Cash Basis Governmental Funds - June 30, 2006	13
Statement of Cash Receipts, Disbursements, and Changes in Fund Balances – Modified Cash Basis – For the Fiscal Year Ended June 30, 2006	14
Statement of Receipts, Disbursements, and Changes in Fund Balance – Budget and Actual – Budget Basis - General Fund – For the Fiscal Year Ended June 30, 2006	15
Statement of Fiduciary Net Assets – Modified Cash Basis For the Fiscal Year Ended June 30, 2006	16
Notes to the Basic Financial Statements for the Fiscal Year Ended June 30, 2006	17
Management's Discussion and Analysis for the Fiscal Year Ended June 30, 2005.....	37
Basic Financial Statements:	
Government-Wide Financial Statements:	
Statement of Net Assets – Modified Cash Basis - June 30, 2005	45
Statement of Activities – Modified Cash Basis For the Fiscal Year Ended June 30, 2005	46
Governmental Financial Statements:	
Statement of Assets and Fund Balances – Modified Cash Basis Governmental Funds - June 30, 2005	47
Statement of Cash Receipts, Disbursements, and Changes in Fund Balances – Modified Cash Basis – For the Fiscal Year Ended June 30, 2005	48

**TRI-VILLAGE LOCAL SCHOOL DISTRICT
DARKE COUNTY**

TABLE OF CONTENTS

TITLE	PAGE
Statement of Receipts, Disbursements, and Changes in Fund Balance – Budget and Actual – Budget Basis – General Fund – For the Fiscal Year Ended June 30, 2005	49
Statement of Fiduciary Net Assets – Modified Cash Basis For the Fiscal Year Ended June 30, 2005	50
Notes to the Basic Financial Statements for the Fiscal Year Ended June 30, 2005	51
Independent Accountants’ Report on Internal Control Over Financial Reporting And on Compliance and Other Matters Required by <i>Government Auditing Standards</i>	69
Schedule of Findings.....	71



Mary Taylor, CPA

Auditor of State

INDEPENDENT ACCOUNTANTS' REPORT

Tri-Village Local School District
Darke County
P.O. Box 31
New Madison, Ohio 45346

To the Board of Education:

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Tri-Village Local School District, Darke County, (the District), as of and for the years ended June 30, 2006 and 2005, which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the District's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

Ohio Administrative Code § 117-2-03 (B) requires the District to prepare its annual financial report in accordance with accounting principles generally accepted in the United States of America. However, as discussed in Note 2, the accompanying financial statements and notes follow the cash accounting basis. This is a comprehensive accounting basis other than generally accepted accounting principles. The accompanying financial statements and notes omit assets, liabilities, fund equities, and disclosures that, while material, we cannot determine at this time.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective cash financial position the of the governmental activities, each major fund, and the aggregate remaining fund information of Tri-Village Local School District, Darke County, as of June 30, 2006 and 2005, and the respective changes in cash financial position and the respective budgetary comparison for the General Fund thereof for the years then ended in conformity with the basis of accounting Note 2 describes.

For the years ended June 30, 2006 and 2005, the District revised its financial presentation comparable to the requirements of Governmental Accounting Standard No. 34, *Basic Financial Statements—and Management's Discussion and Analysis—for State and Local Governments*.

One First National Plaza / 130 W. Second St. / Suite 2040 / Dayton, OH 45402
Telephone: (937) 285-6677 (800) 443-9274 Fax: (937) 285-6688
www.auditor.state.oh.us

In accordance with *Government Auditing Standards*, we have also issued our report dated March 14, 2007, on our consideration of the District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. While we did not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting and compliance, and the results of that testing. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*. You should read it in conjunction with this report in assessing the results of our audit.

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

A handwritten signature in cursive script that reads "Mary Taylor".

Mary Taylor, CPA
Auditor of State

March 14, 2007

**TRI-VILLAGE LOCAL SCHOOL DISTRICT
DARKE COUNTY**

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

This discussion and analysis of the Tri-Village Local School District's financial performance provides an overall review of the School District's financial activities for the fiscal year ended June 30, 2006, within the limitations of the School District's modified cash basis accounting. Readers should also review the basic financial statements and notes to enhance their understanding of the School District's financial performance.

Highlights

Key highlights for fiscal year 2006 are as follows:

- Net assets of governmental activities increased \$153,679, or 13 percent, a significant change from the prior year. The fund most affected by the increase in was the General Fund.
- The School District's general receipts are primarily property and income taxes and grants and entitlements not restricted to specific programs. These receipts represent respectively 39 and 40 percent of the total cash received for governmental activities during the fiscal year.
- A substantial savings was recognized in personnel services for FY 2006. There were nine (9) personnel changes at the end of FY 2005 consisting of six (6) retirements and three (3) resignations. However, only seven (7) positions were filled for the FY 2006 school year. An additional classified janitorial position was eliminated as well due to the individual's retirement in December, 2005.
- The District was fortunate enough to experience only a 5.5% increase in health insurance rates. There were 3 main factors that contributed to the favorable renewal in the Southwestern Ohio Educational Purchasing Council Medical Benefits Plan. First, there were very few claims over \$100,000. Secondly, the consortium no longer pays for gastric bypass surgery (stomach stapling). Finally, hospital expenses were lower because of not having the Premier hospitals in the network. Unfortunately, effective October 1, 2006, the District experienced a 13.7% increase in the costs of premiums. It is expected that insurance costs will continue to increase by double digits in future years having a negative affect on the District's year end cash balances.

Using the Basic Financial Statements

This annual report is presented in a format consistent with the presentation requirements of Governmental Accounting Standards Board Statement No. 34, as applicable to the School District's modified cash basis of accounting.

Report Components

The statement of net assets and the statement of activities provide information about the cash activities of the School District as a whole.

Fund financial statements provide a greater level of detail. Funds are created and maintained on the financial records of the School District as a way to segregate money whose use is restricted to a particular specified purpose. These statements present financial information by fund, presenting funds with the largest balances or most activity in separate columns.

The notes to the financial statements are an integral part of the government-wide and fund financial statements and provide expanded explanation and detail regarding the information reported in the statements.

**TRI-VILLAGE LOCAL SCHOOL DISTRICT
DARKE COUNTY**

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

Basis of Accounting

The basis of accounting is a set of guidelines that determine when financial events are recorded. The School District has elected to present its financial statements on a modified cash basis of accounting. This basis of accounting is a basis of accounting other than generally accepted accounting principles. Under the School District's modified cash basis of accounting, receipts and disbursements are recorded when cash is received or paid. The School District also reports long-term investments as assets, valued at cost.

As a result of using the modified cash basis of accounting, certain assets and their related revenues (such as accounts receivable) and certain liabilities and their related expenses (such as accounts payable) are not recorded in the financial statements. Therefore, when reviewing the financial information and discussion within this report, the reader must keep in mind the limitations resulting from the use of the modified cash basis of accounting.

Reporting the School District as a Whole

The statement of net assets and the statement of activities reflect how the School District did financially during fiscal year 2006, within the limitations of modified cash basis accounting. The statement of net assets presents the cash balances and investments of the governmental activities of the School District at fiscal year-end. The statement of activities compares cash disbursements with program receipts for each governmental program. Program receipts include charges paid by the recipient of the program's goods or services and grants and contributions restricted to meeting the operational or capital requirements of a particular program. General receipts are all receipts not classified as program receipts. The comparison of cash disbursements with program receipts identifies how each governmental function draws from the School District's general receipts.

These statements report the School District's cash position and the changes in cash position. Keeping in mind the limitations of the modified cash basis of accounting, you can think of these changes as one way to measure the School District's financial health. Over time, increases or decreases in the School District's cash position is one indicator of whether the School District's financial health is improving or deteriorating. When evaluating the School District's financial condition, you should also consider other non-financial factors as well such as the School 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 School District reports governmental activities. Governmental activities are where the School District's basic services are reported, including, but not limited to, instruction, support services, operation and maintenance of plant, pupil transportation and extracurricular activities. The School District has no business-type activities.

Reporting the School District's Most Significant Funds

Fund financial statements provide detailed information about the School District's major funds – not the School District as a whole. The School District establishes separate funds to better manage its many activities and to help demonstrate that money that is restricted as to how it may be used is being spent for the intended purpose. The funds of the School District are split into two categories: governmental and fiduciary.

**TRI-VILLAGE LOCAL SCHOOL DISTRICT
DARKE COUNTY**

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

Governmental Funds - Most of the School District's activities are reported in governmental funds. The governmental fund financial statements provide a detailed view of the School District's governmental operations and the basic services it provides. Governmental fund information helps determine whether there are more or less financial resources that can be spent to finance the Government's programs. The School District's significant governmental funds are presented on the financial statements in separate columns. The information for non-major funds (funds whose activity or balances are not large enough to warrant separate reporting) is combined and presented in total in a single column. The School District's major governmental funds are the General Fund and the Bond Retirement Fund. The programs reported in governmental funds are closely related to those reported in the governmental activities section of the entity-wide statements. We describe this relationship in reconciliations presented with the governmental fund financial statements.

Fiduciary Funds - Fiduciary funds are used to account for resources held for the benefit of parties outside the School District. Fiduciary funds are not reflected on the government-wide financial statements because the resources of these funds are not available to support the School District's programs.

The School District as a Whole

Table 1 provides a summary of the School District's net assets for fiscal year 2006 compared to fiscal year 2005 on a modified cash basis:

(Table 1)
Net Assets

	Governmental Activities	
	2006	2005
Assets		
Equity in Pooled Cash and Cash Equivalents	\$1,325,894	\$1,172,215
Net Assets		
Restricted for:		
Bus Purchase	\$0	\$9,924
Capital Outlay	20,968	52,555
Debt Service	272,193	239,671
Other Purposes	208,121	181,599
Set-Asides	35,675	35,675
Unrestricted	788,937	652,791
Total Net Assets	\$1,325,894	\$1,172,215

As mentioned previously, net assets of governmental activities increased \$153,679 or 13 percent during fiscal year 2006. The primary reason contributing to the increase is increases in tuition and fees revenue and interest revenue.

**TRI-VILLAGE LOCAL SCHOOL DISTRICT
DARKE COUNTY**

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

Table 2 reflects the changes in net assets for fiscal years 2006 and 2005:

**(Table 2)
Changes in Net Assets**

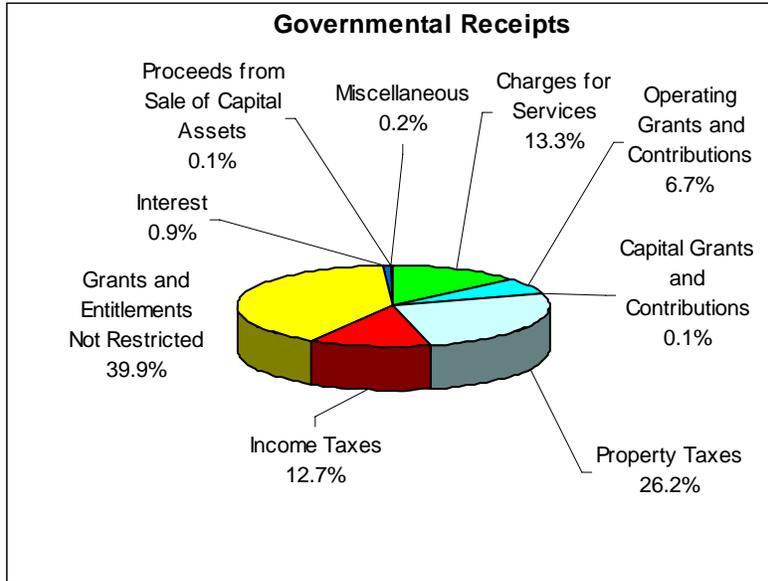
	Governmental Activities 2006	Governmental Activities 2005
Receipts:		
Program Receipts:		
Charges for Services and Sales	\$999,384	\$939,790
Operating Grants and Contributions	501,913	394,311
Capital Grants and Contributions	8,060	11,663
Total Program Receipts	<u>1,509,357</u>	<u>1,345,764</u>
General Receipts:		
Property Taxes	1,976,146	1,954,162
Income Taxes	955,900	949,215
Grants and Entitlements Not Restricted to Specific Programs	3,012,590	3,004,605
Interest	64,866	30,924
Proceeds from Sale of Capital Assets	11,200	
Miscellaneous	11,664	19,470
Total General Receipts	<u>6,032,366</u>	<u>5,958,376</u>
Total Receipts	<u>7,541,723</u>	<u>7,304,140</u>
Disbursements:		
Instruction	3,543,828	3,644,092
Support Services:		
Pupils and Instructional Staff	702,737	588,738
Board of Education, Administration and Fiscal	726,283	796,282
Operation and Maintenance of Plant	532,577	548,706
Pupil Transportation	605,380	498,489
Central	26,347	24,948
Operation of Non-Instructional Services	274,857	268,884
Extracurricular Activities	328,235	319,154
Capital Outlay	30,827	380,266
Debt Service	616,973	612,061
Total Disbursements	<u>7,388,044</u>	<u>7,681,620</u>
Increase (Decrease) in Net Assets	153,679	(377,480)
Net Assets, Beginning of Year	<u>1,172,215</u>	<u>1,549,695</u>
Net Assets, Ending of Year	<u><u>\$1,325,894</u></u>	<u><u>\$1,172,215</u></u>

**TRI-VILLAGE LOCAL SCHOOL DISTRICT
DARKE COUNTY**

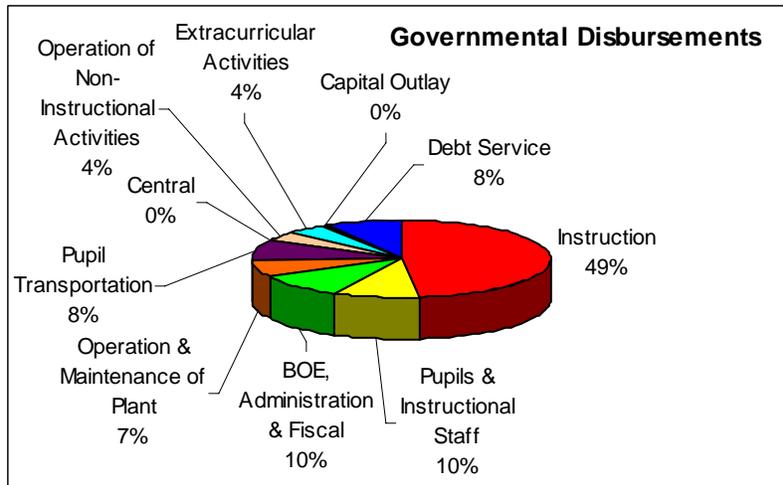
**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2006
(Continued)**

Governmental Activities

The unique nature of property taxes in Ohio creates the need to routinely seek voter approval for the School District Operations. Property taxes make up 26.2% of receipts while income taxes add an additional 12.7% of receipts. Grants and entitlements not restricted, the School District's largest source of receipts consists largely of state foundation monies and make up 39.9% of receipts.



Instruction comprises 49% of the School District's disbursements. Support services make up 35% of disbursements.



If you look at the Statement of Activities on page 12 you will see that the first column lists the major services provided by the School District. The next column identifies the costs of providing these services

**TRI-VILLAGE LOCAL SCHOOL DISTRICT
DARKE COUNTY**

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

The next three columns of the Statement entitled Program Receipts identify amounts paid by people who are directly charged for the service and grants received by the School District that must be used to provide a specific service. The Net Receipt (Disbursement) column compares the program receipts to the cost of the service. This "net cost" amount represents the cost of the service which ends up being paid from money provided by local taxpayers. These net costs are paid from the general receipts which are presented at the bottom of the statement. A comparison between the total cost of services and the net cost is presented in Table 3.

**(Table 3)
Governmental Activities**

	Total Cost Of Services 2006	Net Cost Of Services 2006	Total Cost Of Services 2005	Net Cost Of Services 2005
Instruction	\$3,543,828	(\$2,916,594)	\$3,644,092	(\$3,033,772)
Support Services:				
Pupils and Instructional Staff	702,737	(465,927)	588,738	(423,187)
Board of Education, Administration and Fiscal	726,283	(710,259)	796,282	(782,916)
Operation and Maintenance of Plant	532,577	(520,677)	548,706	(545,990)
Pupil Transportation	605,380	(482,636)	498,489	(386,513)
Central	26,347	(15,347)	24,948	(13,948)
Operation of Non-Instructional Services	274,857	1,915	268,884	(16,173)
Extracurricular Activities	328,235	(121,362)	319,154	(144,424)
Capital Outlay	30,827	(30,827)	380,266	(376,872)
Debt Service	616,973	(616,973)	612,061	(612,061)
Total Expenses	\$7,388,044	(\$5,878,687)	\$7,681,620	(\$6,335,856)

The dependence upon property and income tax receipts is apparent as 80 percent of governmental activities are supported through these general receipts.

The School District's Funds

Total governmental funds had receipts of \$7,511,735 and disbursements of \$7,381,866. The greatest change within governmental funds occurred within the General Fund as a result of increases in tuition and fees revenue and interest revenue.

General Fund Budgeting Highlights

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

During fiscal year 2006, the School District amended its General Fund budget several times to reflect changing circumstances. Final budgeted receipts were slightly below original budgeted receipts. The difference between final budgeted receipts and actual receipts was not significant.

Final disbursements were budgeted at \$6,163,738 while actual disbursements were \$5,922,630. The School District monitored spending closely during the fiscal year; however, the result is the increase in budget basis fund balance of \$135,401 for fiscal year 2006.

**TRI-VILLAGE LOCAL SCHOOL DISTRICT
DARKE COUNTY**

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

Capital Assets and Debt Administration

Capital Assets

The School District does not report its capital assets and infrastructure.

Debt

At June 30, 2006, the School District's outstanding debt included \$5,200,000 in general obligation bonds issued for improvements to buildings and structures, and \$1,740,000 in capital leases for facilities. For further information regarding the School District's debt and leases, refer to Notes 9 and 10 to the basic financial statements.

Current Issues

The challenge for all school districts is to provide quality services to the public while staying within the restrictions imposed by limited, and in some cases shrinking, funding. The School District relies heavily on local taxes and state funding.

In fiscal year 2006, the School District was able to maintain revenues over expenditures by \$123,718 in the General Fund. In future years, the prepared five year forecast is projecting spending deficits for each year through fiscal year 2011. The administration is studying areas in which the deficits may be reduced. The current biennium budget education bill for fiscal years 2006 and 2007, known as House Bill 66, is no help to the School District. Tri-Village Local School District is one of 211 school districts that will receive no additional funding over the next two years. The budget recommendations for FY 2008 and 2009 have been delayed to March 15, 2007. The next biennium budget will be of utmost importance to Ohio schools and especially to our District as we await the education-related provisions of that particular budget.

Also, with HB 66 legislation, the School District's valuation will decrease due to the phase out of taxes on tangible personal property. The tax is phased out by reducing the assessment rate on the property each year. In the first five years, school districts according to the House Bill are to be fully reimbursed for the lost revenue. However, in the following seven years, the reimbursement will be phased out.

Contacting the School District's Financial Management

This financial report is designed to provide our citizens, taxpayers, investors, and creditors with a general overview of the School District's finances and to reflect the School District's accountability for the monies it receives. Questions concerning any of the information in this report or requests for additional information should be directed to Kimberly Chowning, Treasurer at P.O. Box 31, New Madison, Ohio 45346.

This page intentionally left blank.

**TRI-VILLAGE LOCAL SCHOOL DISTRICT
DARKE COUNTY**

**STATEMENT OF NET ASSETS - MODIFIED CASH BASIS
JUNE 30, 2006**

	<u>Governmental Activities</u>
Assets	
Equity in Pooled Cash and Cash Equivalents	<u>\$1,325,894</u>
Net Assets	
Restricted for:	
Capital Projects	\$20,968
Debt Service	272,193
Other Purposes	208,121
Set Asides	35,675
Unrestricted	<u>788,937</u>
Total Net Assets	<u>\$1,325,894</u>

See accompanying notes to the basic financial statements.

**TRI-VILLAGE LOCAL SCHOOL DISTRICT
DARKE COUNTY**

**STATEMENT OF ACTIVITIES - MODIFIED CASH BASIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2006**

	<u>Program Cash Receipts</u>			<u>Net (Disbursements) Receipts and Changes in Net Assets</u>	
	<u>Cash Disbursements</u>	<u>Charges for Services and Sales</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>	<u>Total Governmental Activities</u>
Governmental Activities					
Instruction:					
Regular	\$3,013,688	\$413,914	\$58,997		(\$2,540,777)
Special	443,357	101,447	52,876		(289,034)
Vocational	68,057				(68,057)
Other	18,726				(18,726)
Support Services:					
Pupil	234,146		18,129		(216,017)
Instructional Staff	468,591		218,681		(249,910)
Board of Education	20,650				(20,650)
Administration	513,339		16,024		(497,315)
Fiscal	192,294				(192,294)
Operation and Maintenance of Plant	532,577	288	8,559	\$3,053	(520,677)
Pupil Transportation	605,380	117,737		5,007	(482,636)
Central	26,347		11,000		(15,347)
Operation of Non-Instructional Services	274,857	170,416	106,356		1,915
Extracurricular Activities	328,235	195,582	11,291		(121,362)
Capital Outlay	30,827				(30,827)
Principal Retirement	252,000				(252,000)
Interest and Fiscal Charges	364,973				(364,973)
Total Governmental Activities	<u>\$7,388,044</u>	<u>\$999,384</u>	<u>\$501,913</u>	<u>\$8,060</u>	(5,878,687)
General Receipts					
Property Taxes Levied for:					
					1,470,258
					33,330
					472,558
					955,900
					3,012,590
					64,866
					11,200
					11,664
					<u>6,032,366</u>
					153,679
					1,172,215
					<u>\$1,325,894</u>

See accompanying notes to the basic financial statements.

**TRI-VILLAGE LOCAL SCHOOL DISTRICT
DARKE COUNTY**

**STATEMENT OF ASSETS AND FUND BALANCES - MODIFIED CASH BASIS
GOVERNMENTAL FUNDS
JUNE 30, 2006**

	<u>General</u>	<u>Bond Retirement</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
Assets				
Equity in Pooled Cash and Cash Equivalents	\$803,509	\$272,193	\$229,089	\$1,304,791
Restricted Assets:				
Equity in Pooled Cash and Cash Equivalents	21,103			21,103
Total Assets	<u>\$824,612</u>	<u>\$272,193</u>	<u>\$229,089</u>	<u>\$1,325,894</u>
Fund Balances				
Reserved for Encumbrances	\$30,374		\$33,604	\$63,978
Reserved for Budget Stabilization	21,013			21,013
Designated for Budget Stabilization	14,662			14,662
Unreserved, Undesignated, Reported in:				
General Fund	758,563			758,563
Special Revenue Funds			182,102	182,102
Debt Service Fund		272,193		272,193
Capital Projects Funds			13,383	13,383
Total Fund Balances	<u>\$824,612</u>	<u>\$272,193</u>	<u>\$229,089</u>	<u>\$1,325,894</u>

See accompanying notes to the basic financial statements.

**TRI-VILLAGE LOCAL SCHOOL DISTRICT
DARKE COUNTY**

**STATEMENT OF CASH RECEIPTS, DISBURSEMENTS AND CHANGES IN FUND BALANCES - MODIFIED CASH BASIS
GOVERNMENTAL FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2006**

	General	Bond Retirement	Other Governmental Funds	Total Governmental Funds
Receipts				
Property Taxes	\$1,470,258	\$472,558	\$33,330	\$1,976,146
Income Taxes	955,900			955,900
Intergovernmental	2,965,448	48,679	492,739	3,506,866
Interest	53,288	10,435	1,946	65,669
Tuition and Fees	565,342			565,342
Extracurricular Activities			194,684	194,684
Charges for Services			222,698	222,698
Miscellaneous	5,738		18,692	24,430
Total Receipts	<u>6,015,974</u>	<u>531,672</u>	<u>964,089</u>	<u>7,511,735</u>
Disbursements				
Current:				
Instruction:				
Regular	2,897,937		109,573	3,007,510
Special	388,923		54,434	443,357
Vocational	68,057			68,057
Other	18,726			18,726
Support Services:				
Pupil	216,017		18,129	234,146
Instructional Staff	247,610		220,981	468,591
Board of Education	20,650			20,650
Administration	500,979		12,360	513,339
Fiscal	181,199	10,362	733	192,294
Operation and Maintenance of Plant	469,937		62,640	532,577
Pupil Transportation	600,405		4,975	605,380
Central	15,347		11,000	26,347
Operation of Non-Instructional Services			274,857	274,857
Extracurricular Activities	138,284		189,951	328,235
Capital Outlay			30,827	30,827
Debt Service:				
Principal Retirement	32,000	220,000		252,000
Interest and Fiscal Charges	96,185	268,788		364,973
Total Disbursements	<u>5,892,256</u>	<u>499,150</u>	<u>990,460</u>	<u>7,381,866</u>
Excess of Receipts Over (Under) Disbursements	<u>123,718</u>	<u>32,522</u>	<u>(26,371)</u>	<u>129,869</u>
Other Financing Sources (Uses)				
Sale of Fixed Assets	11,200			11,200
Refund of Prior Year Expenditures	18,788			18,788
Advance In			21,306	21,306
Advance Out	(21,306)			(21,306)
Refund of Prior Year Receipts	(6,178)			(6,178)
Total Other Financing Sources (Uses)	<u>2,504</u>		<u>21,306</u>	<u>23,810</u>
Net Change in Fund Balances	126,222	32,522	(5,065)	153,679
Fund Balances Beginning of Year	<u>698,390</u>	<u>239,671</u>	<u>234,154</u>	<u>1,172,215</u>
Fund Balances End of Year	<u>\$824,612</u>	<u>\$272,193</u>	<u>\$229,089</u>	<u>\$1,325,894</u>

See accompanying notes to the basic financial statements.

**TRI-VILLAGE LOCAL SCHOOL DISTRICT
DARKE COUNTY**

**STATEMENT OF RECEIPTS, DISBURSEMENTS AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL - BUDGET BASIS
GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2006**

	<u>Budgeted Amounts</u>			Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
Receipts				
Property Taxes	\$1,433,762	\$1,433,762	\$1,470,258	\$36,496
Income Taxes	900,000	900,000	955,900	55,900
Intergovernmental	2,984,080	2,979,712	2,965,448	(14,264)
Interest	25,000	25,000	53,288	28,288
Tuition and Fees	535,500	535,500	565,342	29,842
Miscellaneous	8,500	11,351	5,738	(5,613)
Total Receipts	<u>5,886,842</u>	<u>5,885,325</u>	<u>6,015,974</u>	<u>130,649</u>
Disbursements				
Current:				
Instruction:				
Regular	2,968,590	2,941,406	2,898,884	42,522
Special	419,162	425,815	388,923	36,892
Vocational	66,527	69,057	68,609	448
Other	16,828	27,791	18,726	9,065
Support Services:				
Pupil	221,892	248,970	228,388	20,582
Instructional Staff	252,502	255,477	247,826	7,651
Board of Education	23,430	24,332	20,910	3,422
Administration	522,979	527,429	504,521	22,908
Fiscal	184,276	187,051	181,361	5,690
Operation and Maintenance of Plant	528,310	535,010	473,940	61,070
Pupil Transportation	568,954	634,086	608,725	25,361
Central	16,634	16,634	15,347	1,287
Extracurricular Activities	142,495	142,495	138,285	4,210
Capital Outlay				
Debt Service:				
Principal Retirement	32,000	32,000	32,000	
Interest and Fiscal Charges	96,185	96,185	96,185	
Total Disbursements	<u>6,060,764</u>	<u>6,163,738</u>	<u>5,922,630</u>	<u>241,108</u>
Excess of Receipts Over (Under) Disbursements	<u>(173,922)</u>	<u>(278,413)</u>	<u>93,344</u>	<u>371,757</u>
Other Financing Sources (Uses)				
Proceeds from Sale of Fixed Assets	11,000	11,000	11,200	200
Refund of Prior Year Expenditures	30,000	30,000	18,788	(11,212)
Advances Out		(21,306)	(21,306)	
Refund of Prior Year Receipts	(6,500)	(6,500)	(6,178)	322
Total Other Financing Sources (Uses)	<u>34,500</u>	<u>13,194</u>	<u>2,504</u>	<u>(10,690)</u>
Net Change in Fund Balance	<u>(139,422)</u>	<u>(265,219)</u>	<u>95,848</u>	<u>361,067</u>
Fund Balance Beginning of Year	658,837	658,837	658,837	
Prior Year Encumbrances Appropriated	39,553	39,553	39,553	
Fund Balance End of Year	<u>\$558,968</u>	<u>\$433,171</u>	<u>\$794,238</u>	<u>\$361,067</u>

See accompanying notes to the basic financial statements.

TRI-VILLAGE LOCAL SCHOOL DISTRICT
DARKE COUNTY

STATEMENT OF FIDUCIARY NET ASSETS - MODIFIED CASH BASIS
FIDUCIARY FUNDS
JUNE 30, 2066

	<u>Agency</u>
Assets	
Equity in Pooled Cash and Cash Equivalents	<u>\$38,067</u>
Liabilities	
Due to Students	<u>\$38,067</u>

See accompanying notes to the basic financial statements.

**TRI-VILLAGE LOCAL SCHOOL DISTRICT
DARKE COUNTY**

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

1. DESCRIPTION OF THE SCHOOL DISTRICT AND REPORTING ENTITY

The Tri-Village Local School District (The School District) is a body politic and corporate established to exercise the rights and privileges the constitution and laws of the State of Ohio convey to it. A locally-elected five-member Board governs the School District, which provides educational services mandated by the State and federal agencies.

The School District was established in 1972 through the consolidation of existing land areas and school districts. The School District serves an area of approximately 82 square miles. It is located in Darke County, and includes the Village of New Madison and portions of Butler, Harrison, Liberty, Neave and Washington Townships. The Board of Education controls the School District's instructional building and administrative building which are staffed by 35 classified employees and 61 certificated full-time personnel who provide services to 747 students.

A. Primary Government

The primary government of the School District consists of all funds, departments, boards and agencies that are not legally separate from the School District. For Tri-Village Local School District, this includes general operations, food service, preschool, and student related activities of the School District.

B. Component Units

Component units are legally separate organizations for which the School District is financially accountable. The School District is financially accountable for an organization if the School District appoints a voting majority of the organization's governing board and (1) the School District is able to significantly influence the programs or services performed or provided by the organization; or (2) the School District is legally entitled to or can otherwise access the organization's resources; the School District is legally obligated or has otherwise assumed the responsibility to finance the deficits of, or provide financial support to, the organization; or the School District is obligated for the debt of the organization. The School District is also financially accountable for any organizations that are fiscally dependent on the School District in that the School District approves the budget, the issuance of debt, or the levying of taxes. Component units also include legally separate, tax-exempt entities whose resources are for the direct benefit of the School District, are accessible to the School District are significant in amount to the School District. The School District has no component units.

The School District participates in three jointly governed organizations, one related organization and three insurance purchasing pools. Note 12 to the basic financial statements provides additional information for these entities. These organizations are:

Jointly Governed Organizations:

- Metropolitan Dayton Education Cooperative Association
- Southwestern Ohio Educational Purchasing Council
- Southwestern Ohio Instructional Technology Association

Related Organization:

- New Madison Public Library

Insurance Purchasing Pools:

- Southwestern Ohio Educational Purchasing Council Workers' Compensation Group Rating Plan
- Southwestern Ohio Educational Purchasing Council Medical Benefits Plan
- Ohio School Plan

**TRI-VILLAGE LOCAL SCHOOL DISTRICT
DARKE COUNTY**

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

As discussed further in Note 2.C, these financial statements are presented on a modified cash basis of accounting. This modified cash basis of accounting differs from accounting principles generally accepted in the United States of America (GAAP). Generally accepted accounting principles include all relevant Governmental Accounting Standards Board (GASB) pronouncements, which have been applied to the extent they are applicable to the modified cash basis of accounting. In the government-wide financial statements, Financial Accounting Standards Board (FASB) pronouncements and Accounting Principles Board (APB) opinions issued on or before November 20, 1989, have been applied, to the extent they are applicable to the modified cash basis of accounting, unless those pronouncements conflict with or contradict GASB pronouncements, in which case GASB prevails. Following are the more significant of the School District's accounting policies.

A. Basis of Presentation

The School District's basic financial statements consist of a government-wide statements, including a statement of net assets and a statement of activities, and fund financial statements which provide a more detailed level of financial information.

1. Government-wide Financial Statement:

The statement of net assets and the statement of activities display information about the School District as a whole. These statements include the financial activities of the primary government, except for the fiduciary funds. The statements distinguish between those activities that are governmental in nature and those that are considered business-type. Governmental activities generally are financed through taxes, intergovernmental receipts or other non-exchange transactions. Business-type activities are financed in whole or in part by fees charged to external parties for goods or services. The School District does not have any business-type activities.

The statement of net assets presents the cash balance of the governmental activities of the School District at fiscal year-end. The statement of activities compares disbursements with program receipts for each function or program of the School District's governmental activities. Disbursements are reported by function. A function is a group of related activities designed to accomplish a major service or regulatory program for which the government is responsible. Program receipts include charges paid by the recipient of the program's goods or services and grants and contributions restricted to meeting the operational or capital requirements of a particular program. General receipts are all receipts not classified as program receipts, with certain limited exceptions. The comparison of direct disbursements with program receipts identifies the extent to which each governmental function is self-financing on the modified-cash basis or draws from the School District's general receipts.

2. Fund Financial Statements:

During the fiscal year, the School District segregates transactions related to certain School District functions or activities in separate funds in order to aid financial management and to demonstrate legal compliance. Fund financial statements are designed to present financial information of the School District at this more detailed level. The focus of governmental fund financial statements is on major funds. Each major fund is presented in a separate column. Non-major funds are aggregated and presented in a single column. Fiduciary funds are reported by type.

**TRI-VILLAGE LOCAL SCHOOL DISTRICT
DARKE COUNTY**

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

B. Fund Accounting

The School District uses funds to maintain its financial records during the fiscal year. A fund is a fiscal and accounting entity with a self-balancing set of accounts. The School District classifies each fund as either governmental or fiduciary.

1. Governmental:

The School District classifies funds financed primarily from taxes, intergovernmental receipts (e.g. grants) and other non-exchange transactions as governmental funds. The following are the School District's major governmental funds

General Fund - The general fund accounts for all financial resources except for restricted resources requiring a separate accounting. The general fund balance is available for any purpose provided it is expended or transferred according to Ohio law.

Bond Retirement Fund - The bond retirement fund accounts for the accumulation of resources received from property taxes for the payment of school improvement general obligation bond principal, interest and related costs.

The other governmental funds of the School District account for grants and other resources whose use is restricted to a particular purpose.

2. Fiduciary Funds:

Fiduciary funds account for cash and investments where the District is acting as trustee or fiscal agent for other entities or individuals. The School District's only fiduciary fund is its agency fund which is custodial in nature, where the School District deposits and pays cash as directed by another entity or individual. The School District's agency fund accounts for student activities' cash.

C. Basis of Accounting

The School District's financial statements are prepared using the modified basis of cash accounting. Except for modifications having substantial support, receipts are recorded in the School District's financial records and reported in the financial statements when cash is received rather than when earned and disbursements are recorded when paid rather than when a liability is incurred. Any such modifications made by the School District are described in the appropriate section in this note.

As a result of the use of this modified cash basis of accounting, certain assets and their related revenues (such as accounts receivable and revenue for billed or provided services not yet collected) and certain liabilities and their related expenses (such as accounts payable and expenses for goods or services received but not yet paid, and accrued expenses and liabilities) are not recorded in these financial statements. If the School District utilized the basis of accounting recognized as generally accepted, the fund financial statements for governmental funds would use the modified accrual basis of accounting. All government-wide financials would be presented on the accrual basis of accounting.

**TRI-VILLAGE LOCAL SCHOOL DISTRICT
DARKE COUNTY**

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Cash, Cash Equivalents and Investments

To improve cash management, cash received by the School District is pooled and invested. Monies for all funds are maintained in this pool. Individual fund integrity is maintained through School District records. Interest in the pool is presented as "equity in pooled cash and cash equivalents" on the financial statements.

Investments of the cash management pool and investments with an original maturity of three months or less when purchased are presented on the financial statements as cash equivalents. Investments with an initial maturity of more than three months that were not purchased from the pool are reported as investments

Investments are reported as assets. Accordingly, purchases of investment are not recorded as disbursements, and sales of investments are not recorded as receipts. Gains or losses at the time of the sale are recorded as receipts or negative receipts (contra revenue), respectively.

The School District invested funds in STAR Ohio during fiscal year 2006. STAR Ohio is an investment pool, managed by the State Treasurer's Office, which allows governments within the State to pool their funds for investment purposes. STAR Ohio is not registered with the SEC as an investment company, but does operate in a manner consistent with Rule 2a7 of the Investment Company Act of 1940. Investments in STAR Ohio are valued at STAR Ohio's share price, which is the price the investment could be sold for on June 30, 2006.

Following Ohio statutes, the Board of Education specified the funds to receive an allocation of interest earnings. Interest revenue credited to the general fund during fiscal year 2006 was \$53,288, including \$19,246 assigned from other School District funds.

E. Restricted Assets

Assets are reported as restricted when limitations on their use change the nature or normal understanding of the availability of the asset. Such constraints are either imposed by creditors, contributors, grantors, or laws of other governments, or imposed by law through constitutional provisions or enabling legislation. Restricted cash and investments in the General Fund include amounts State statute requires to be set aside for budget stabilization. See note 11 for additional information regarding set-asides.

F. Inventory and Prepaid Items

On the modified cash-basis of accounting, inventories of supplies and prepaid items are reported as disbursements when paid.

G. Capital Assets

Acquisitions of property, plant and equipment are recorded as disbursements when paid. The financial statements do not report these assets.

H. Interfund Receivables/Payables

The School District reports advances-in and advances-out for interfund loans. These items are not reflected as assets and liabilities in the accompanying financial statements.

**TRI-VILLAGE LOCAL SCHOOL DISTRICT
DARKE COUNTY**

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

I. Accumulated Leave

In certain circumstances, such as upon leaving employment, employees are entitled to cash payments for unused leave. Unpaid leave is not reflected as a liability under the School District's modified-cash basis of accounting.

J. Employer Contributions to Cost-Sharing Pension Plans

The School District recognizes the disbursement for employer contributions to cost-sharing pension plans when they are paid. As described in Notes 7 and 8, the employer contributions include portions for pension benefits and for postretirement health care benefits.

K. Long-term Obligations

Bonds and other long-term obligations are not recognized as a liability in the financial statements under the modified cash-basis of accounting. Proceeds of debt are reported when cash is received and principal and interest payments are reported when paid. Since recording a capital asset when entering into a capital lease is not the result of a cash transactions, neither and other financing source nor a capital outlay expenditure are recorded at inception. Lease payments are reported when paid.

L. Fund Balance Reserves and Designations

The School District reserves those portions of fund equity which are legally segregated for a specific future use or which are not available for appropriation or expenditure. The School District also designates a portion of fund balance to indicate tentative plans for future financial resource uses that reflect managerial intent. Fund equity reserves have been established for encumbrances, bus purchases and budget stabilization. The reserve for budget stabilization represents Bureau of Workers' Compensation Refunds that are required to be reserved in accordance with State statute.

M. Net Assets

Net assets are reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the School District or through external restrictions imposed by creditors, grantors or laws or regulations of other governments. Net assets restricted for other purposes include resources for food service operations, music and athletic programs, and federal and state grants restricted to cash disbursement for specified purposes. The School District first applies restricted resources when a cash disbursement is incurred for purposes for which both restricted and unrestricted net assets are available. Net assets restricted by enabling legislation at June 30, 2006, was \$35,675.

N. Interfund Transactions

Exchange transactions between funds are reported as receipts in the seller funds and as disbursements in the purchasing funds. Non-exchange flows of cash from one fund to another are reported as interfund transfers. Interfund transfers are reported as other financing sources/uses in governmental funds. Repayments from funds responsible for particular disbursements to the funds that initially paid for them are not presented on the financial statements.

**TRI-VILLAGE LOCAL SCHOOL DISTRICT
DARKE COUNTY**

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

O. Budgetary Data

Ohio law requires all funds, other than agency funds, to be budgeted and appropriated. The major documents prepared are the tax budget, the appropriation resolution and the certificate of estimated resources, which use the budgetary basis of accounting. The tax budget demonstrates a need for existing or increased tax rates. The certificate of estimated resources establishes a limit on the amounts that the Board of Education may appropriate. The appropriation resolution is the Board's authorization to spend resources and sets annual limits on expenditures plus encumbrances at a level of control selected by the Board. The Board of Education uses the object level within each fund and function as its legal level of control.

The certificate of estimated resources may be amended during the fiscal year if the School District Treasurer projects increases or decreases in receipts. The amounts reported as the original budget in the budgetary statements reflect the amounts in the certificate of estimated resources when the original appropriations were adopted. The amounts reported as the final budget in the budgetary statements reflect the amounts in the amended certificate of estimated resources in effect at the time the final appropriations were passed by the Board.

The Board may amend appropriations throughout the fiscal year with the restriction that appropriations may not exceed estimated resources. The amounts reported as the original budget reflect the first appropriation for that fund covering the entire fiscal year, including amounts automatically carried over from prior fiscal years. The amounts reported as the final budget represent the final appropriation the Board passed during the fiscal year.

3. DEPOSITS AND INVESTMENTS

Investment Policies

State statutes require the classification of the monies held by the School 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 School District Treasury, in commercial accounts payable or withdrawable on demand, including negotiable order of withdrawal (NOW) accounts, or in money market deposit accounts.

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

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

Interim monies are to be deposited or invested in the following securities:

**TRI-VILLAGE LOCAL SCHOOL DISTRICT
DARKE COUNTY**

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

3. DEPOSITS AND INVESTMENTS (Continued)

1. United States Treasury Notes, Bills, Bonds, or any other obligation or security issued by the United States Treasury or any other obligation guaranteed as to principal and interest by the United States;
2. Bonds, notes, debentures, or any other obligations or securities issued by any federal government agency or instrumentality, including but not limited to, the Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, Government National Mortgage Association, and Student Loan Marketing Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
3. Written repurchase agreements in the securities listed above provided that the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least two percent and be marked to market daily, and that the term of the agreement must not exceed thirty days;
4. Bonds and other obligations of the State of Ohio;
5. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2) and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions;
6. The State Treasurer's investment pool (STAR Ohio);
7. Certain bankers' acceptances and commercial paper notes for a period not to exceed one hundred eighty days from the purchase date in an amount not to exceed twenty-five percent of the interim monies available for investment at any one time; and,
8. Under limited circumstances, corporate debt interests rated in either of the two highest 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 School 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.

A. Deposits

Custodial credit risk for deposits is the risk that in the event of bank failure, the School District will not be able to recover deposits or collateral securities that are in possession of an outside party. At fiscal year-end, the carrying amount of the School District's deposits was \$26,580 and the bank balance was \$91,771. The entire bank balance was covered by federal depository insurance.

The School District has no deposit policy for custodial risk beyond the requirements of State statute. Ohio law requires that deposits be either insured or be protected by eligible securities pledged to and deposited with either the School District or a qualified trustee by the financial institution as security for repayment, or by a collateral pool of eligible securities deposited with a qualified trustee and pledged to secure the repayment of all public monies deposited in the financial institution whose market value at all times shall be at least 105 percent of deposits being secured.

**TRI-VILLAGE LOCAL SCHOOL DISTRICT
DARKE COUNTY**

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

3. DEPOSITS AND INVESTMENTS (Continued)

B. Investments

The School District investment in STAR Ohio, an investment pool operated by the Ohio State Treasurer, had a fair value of \$1,337,381 at June 30, 2006.

Interest Rate Risk – Interest rate risk arises because the potential purchasers of debt securities will not agree to pay face value for those securities if interest rates subsequently increase. The Ohio Revised Code generally limits security purchases to those that mature within five years of the settlement date. The School District's investment policy does not further limit its investment choices. The average days to maturity of the STAR Ohio portfolio at June 20, 2006, was 35 days.

Credit Risk – State law limits investments in commercial paper and corporate bonds to the top two ratings issued by nationally recognized statistical rating organizations. Ohio law requires that STAR Ohio maintain the highest rating provided by at least one nationally recognized standard rating service and that the money market fund be rated in the highest category at the time of purchase by at least one nationally recognized standard rating service. The School District's investment policy does not further limit its investment choices. The School District's investment in STAR Ohio is rated AAAM by Standard & Poor's.

Custodial Credit Risk - Custodial credit risk is the risk that, in the event of the failure of the counterparty, the School District will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The School District has no investment policy dealing with investment custodial risk beyond the requirements of ORC 135.14(M)(2) which states, "Payment for investments shall be made only upon the delivery of securities representing such investments to the treasurer, investing authority, or qualified trustee. If the securities transferred are not represented by a certificate, payment shall be made only upon receipt of confirmation of transfer from the custodian by the treasurer, governing board, or qualified trustee."

Concentration of Credit Risk - The School District places no limits on the amount the School District may invest in any one issuer. The School District's investments consist solely of investments in STAR Ohio.

4. PROPERTY TAXES

Property taxes are levied and assessed on a calendar year basis while the School District fiscal year runs from July through June. First half tax collections are received by the School 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 School District. Real property tax revenue received in calendar 2006 represents collections of calendar year 2005 taxes. Real property taxes received in calendar year 2006 were levied after April 1, 2005, on the assessed value listed as of January 1, 2005, the lien date. Assessed values for real property taxes are established by State law at thirty-five percent of appraised market value. Real property taxes are payable annually or semi-annually. If paid annually, payment is due December 31; if paid semi-annually, the first payment is due December 31 with the remainder payable by June 20. Under certain circumstances, State statute permits alternate payment dates to be established.

**TRI-VILLAGE LOCAL SCHOOL DISTRICT
DARKE COUNTY**

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

4. PROPERTY TAXES (Continued)

Public utility property tax revenue received in calendar 2006 represents collections of calendar year 2005 taxes. Public utility real and tangible personal property taxes received in calendar year 2006 became a lien December 31, 2004, were levied after April 1, 2005 and are collected in 2006 with real property taxes. Public utility real property is assessed at thirty-five percent of true value; public utility tangible personal property currently is assessed at varying percentages of true value.

Tangible personal property tax revenue received during calendar 2006 (other than public utility property) represents the collection of 2006 taxes. Tangible personal property taxes received in calendar year 2006 were levied after April 1, 2006, on the value as of December 31, 2005. Tangible personal property is currently assessed at 18.75 percent of true value.

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 School District prior to June 30.

The School District receives property taxes from Darke County. The County Auditor periodically advances to the School District its portion of the taxes collected. Second-half real property tax payments collected by the County by June 30, 2006, are available to finance fiscal year 2006 operations. The amount available to be advanced can vary based on the date the tax bills are sent.

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

	2005 Second- Half Collections		2006 First- Half Collections	
	Amount	Percent	Amount	Percent
Agricultural/ Residential and Other Real Estate	\$55,316,030	74.9 %	\$59,484,650	77.0 %
Public Utility Personal	16,611,070	22.5	15,903,980	20.6
Tangible Personal Property	1,888,730	2.6	1,820,320	2.4
Total	\$73,815,830	100.0 %	\$77,208,950	100.0 %
Tax rate per \$1,000 of assessed valuation	\$34.91		\$35.15	

5. INCOME TAX

The School District levies a voted tax of one and one-half percent for general operations on the income of residents and of estates. The original one percent tax was effective on January 1, 1991, and is a continuing tax. In May 1999, the voters of the School District approved an increase of one-half percent for a total continuing income tax of one and one-half percent, effective January 1, 2000. Employers of residents are required to withhold income tax on compensation and remit the tax to the State. Taxpayers are required to file an annual return. The State makes quarterly distributions to the School District after withholding amounts for administrative fees and estimated refunds. Income tax revenue is credited to the General Fund.

6. RISK MANAGEMENT

A. Property and Liability

The School 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 2006, the School District participated in the Ohio School Plan for property, fleet coverage, and liability insurance.

**TRI-VILLAGE LOCAL SCHOOL DISTRICT
DARKE COUNTY**

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

6. RISK MANAGEMENT (Continued)

Coverage provided is as follows:

Building and Contents – replacement cost (\$1,000 deductible)	\$20,111,189
Boiler and Machinery – (\$1,000 deductible)	20,821,076
Crime Insurance	
Employee Dishonesty (per loss coverage, \$1,000 deductible)	25,000
Electronic Data Processing (\$1,000 deductible)	953,770
Automobile Liability	1,000,000
Uninsured/Underinsured Motorists	1,000,000
Education General Liability:	
Bodily Injury and Property Damage - Each Occurrence	1,000,000
Personal and Advertising Injury Limit – each offense	1,000,000
Fire Damage Limit – any one event	500,000
Medical Expense – any one person/each accident	10,000
General Aggregate Limit	3,000,000
Products – Completed Operations Limit	1,000,000
Employee Benefits Liability:	
Each Offense	1,000,000
Aggregate Limit	3,000,000
Employer’s Liability and Stop Gap:	
Each Occurrence	1,000,000
Disease – each employee	1,000,000
Errors and Omissions Liability (\$2,500 deductible):	
Each Occurrence	1,000,000
Aggregate Limit	2,000,000

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 the prior year.

B. Workers’ Compensation

For fiscal year 2006, the School District participated in the Southwestern Ohio Educational Purchasing Council Workers’ Compensation Group Rating Program (GRP), an insurance purchasing pool (Note 12). The intent of the GRP is to achieve the benefit of a reduced premium for the School District by virtue of its grouping and representation with other participants in the GRP. The workers’ compensation experience of the participating school districts is calculated as one experience and a common premium rate is applied to all school districts in the GRP. Each participant pays its workers’ compensation premium to the State based on the rate for the GRP rather than its individual rate. Total savings are then calculated and each participant’s individual performance is compared to the overall savings percentage of the GRP. A participant will then either receive money from or be required to contribute to the “equity pooling fund.” This “equity pooling” arrangement insures that each participant shares equally in the overall performance of the GRP. Participation in the GRP is limited to school districts that can meet the GRP’s selection criteria. The firm of Integrated Comp, Inc. provides administrative, cost control and actuarial services to the GRP.

**TRI-VILLAGE LOCAL SCHOOL DISTRICT
DARKE COUNTY**

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

6. RISK MANAGEMENT (Continued)

C. Employee Medical Benefits

For fiscal year 2006, the School District participated in the Southwestern Ohio Educational Purchasing Council Medical Benefits Plan (MBP), an insurance purchasing pool (Note 12). The intent of the MBP is to achieve the benefit of reduced health insurance premiums for the School District by virtue of its grouping and representation with other participants in the MBP. The health insurance experience of the participating school districts is calculated and a premium rate is applied to all school districts in the MBP. Each participant pays its health insurance premiums to Southwestern Ohio Educational Purchasing Council Medical Benefits Plan. Participation in the MBP is limited to school districts that can meet the MBP's selection criteria.

7. DEFINED BENEFIT PENSION PLANS

A. School Employees Retirement System

The School District contributes to the School Employees Retirement System (SERS), a cost-sharing multiple-employer defined benefit pension plan. SERS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Authority to establish and amend benefits is provided by Chapter 3309 of the Ohio Revised Code. SERS issues a publicly available, stand-alone financial report that includes financial statements and required supplementary information. That report may be obtained by writing to the School Employees Retirement System, 300 East Broad Street, Suite 100, Columbus, Ohio 43215-3746 or by calling (614) 222-5853.

Plan members are required to contribute 10 percent of their annual covered salary and the School District is required to contribute at an actuarially determined rate. The current School District rate is 14 percent of annual covered payroll. A portion of the School District's contribution is used to fund pension obligations with the remainder being used to fund health care benefits; for fiscal year 2006, 10.58 percent of annual covered salary was the portion used to fund pension obligations. For fiscal year 2005, 10.57 percent of annual covered salary was the portion used to fund pension obligations. 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 School District's required contributions for pension obligations to SERS for the fiscal years ended June 30, 2006, 2005 and 2004 were \$93,604, \$96,940 and \$93,236 respectively; 43 percent has been contributed for fiscal year 2006 and 100 percent for fiscal years 2005 and 2004.

B. State Teachers Retirement System

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

New members have a choice of three retirement plans, a Defined Benefit (DB) Plan, a Defined Contribution (DC) Plan and a Combined Plan. The DC Plan allows members to place all their member contributions and employer contributions equal to 10.5 percent of earned compensation into an investment account. The Combined Plan offers features of the DC Plan and the DB Plan. In the Combined Plan, member contributions are allocated by the member, and employer contributions are used to fund a defined benefit payment at a reduced level from the regular DB plan.

**TRI-VILLAGE LOCAL SCHOOL DISTRICT
DARKE COUNTY**

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

7. DEFINED BENEFIT PENSION PLANS (Continued)

Contributions to the DC Plan and the Combined Plan are credited to member accounts as employers submit their payroll information to STRS Ohio, generally on a biweekly basis. 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.

DB Plan Benefits – Benefits are established under Chapter 3307 of the Revised Code. Any member may retire who has (i) five years of service credit and attained age 60; (ii) 25 years of service credit and attained age 55; or (iii) 30 years of service credit regardless of age. The annual retirement allowance, payable for life, is the greater of the “formula benefit” or the “money-purchase benefit” calculation. Under the “formula benefit,” the retirement allowance is based on years of credited service and final average salary, which is the average of the member’s three highest salary years. The annual allowance is calculated by using a base percentage of 2.2% multiplied by the total number of years of service credit (including Ohio-valued purchased credit) times the final average salary. The 31st year of Ohio service credit is calculated at 2.5%. An additional one-tenth of a percent is added to the calculation for every year of earned Ohio service over 31 years (2.6% for 32 years, 2.7% for 33 years and so on) until 100% of final average salary is reached. For members with 35 or more years of Ohio contributing service, the first 30 years will be calculated at 2.5% instead of 2.2%. Under the “money-purchase benefit” calculation, a member’s lifetime contributions plus interest at specified rates are matched by an equal amount from other STRS Ohio funds. This total is then divided by an actuarially determined annuity factor to determine the maximum annual retirement allowance.

DC Plan Benefits – Benefits are established under Sections 3307.80 to 3307.89 of the Revised Code. For members who select the DC plan, all member contributions and employer contributions at a rate of 10.5% are placed in an investment account. The member determines how to allocate the member and employer money among various investment choices. A member is eligible to receive a retirement benefit at age 50 and termination of employment. The member may elect to receive a lifetime monthly annuity or a lump-sum withdrawal. Employer contributions into member’s accounts are vested after the first anniversary of the first day of paid service. 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.

Combined Plan Benefits – Member contributions are allocated by the member, and employer contributions are used to fund a defined benefit payment. A member’s defined benefit is determined by multiplying 1% of the member’s final average salary by the member’s years of service credit. The defined benefit portion of the Combined Plan payment is payable to a member on or after age 60. The defined contribution portion of the account may be taken as a lump sum or converted to a lifetime monthly annuity at age 50.

A retiree of STRS Ohio or another Ohio public retirement system is eligible for reemployment as a teacher following the elapse of two months from the date of retirement. Contributions are made by the reemployed member and employer during reemployment. Upon termination of reemployment or age 65, whichever comes later, the retiree is eligible for a money-purchase benefit or a lump-sum payment in addition to the original retirement allowance. Effective April 11, 2005, a reemployed retiree may alternatively receive a refund of member contributions with interest before age 65, once employment is terminated.

**TRI-VILLAGE LOCAL SCHOOL DISTRICT
DARKE COUNTY**

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

7. DEFINED BENEFIT PENSION PLANS (Continued)

Benefits are increased annually by 3% of the original base amount for Defined Benefit Plan participants.

The Defined Benefit and Combined Plans offer access to health care coverage to eligible retirees who participated in the plans and their eligible dependents. Coverage under the current program includes hospitalization, physicians' fees, prescription drugs and partial reimbursement of Medicare Part B premiums. By Ohio law, health care benefits are not guaranteed.

A Defined Benefit 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 members who die before retirement may qualify for survivor benefits. A death benefit of \$1,000 is payable to the beneficiary of each deceased member who participated in the Defined Benefit Plan. Death benefit coverage up to \$2,000 can be purchased by participants in the DB, DC or Combined Plans. Various other benefits are available to members' beneficiaries.

For the fiscal year ended June 30, 2006, plan members were required to contribute 10 percent of their annual covered salaries. The School District was required to contribute 14 percent; 13 percent was the portion used to fund pension obligations. Contribution rates are established by the State Teachers Retirement Board, upon recommendations of its consulting actuary, not to exceed statutory maximum rates of 10 percent for members and 14 percent for employers. Chapter 3307 of the Ohio Revised Code provides statutory authority for member and employer contributions.

The School District's required contributions for pension obligations to the DB Plan for the fiscal years ended June 30, 2006, 2005, and 2004 were \$361,009, \$382,460 and \$393,846 respectively; 83 percent has been contributed for fiscal year 2006 and 100 percent for fiscal years 2005 and 2004. Contributions to the DC and Combined Plans for fiscal year 2006 were \$4,653 made by the School District and \$4,431 made by the plan members.

8. POSTEMPLOYMENT BENEFITS

The School District provides comprehensive health care benefits to retired teachers and their dependents through the State Teachers Retirement System of Ohio (STRS Ohio), and to retired non-certified employees and their dependents through the School Employees Retirement System (SERS). Benefits include hospitalization, physicians' fees, prescription drugs and partial reimbursement of monthly Medicare Part B premiums. Pursuant to the Revised Code (R.C.), the State Teachers Retirement Board (the Board) has discretionary authority over how much, if any, of the associated health care costs will be absorbed by STRS Ohio. All benefit recipients pay a portion of the health care costs in the form of a monthly premium.

The R.C. grants authority to STRS Ohio to provide health care coverage to eligible benefit recipients, spouses and dependents. By Ohio law, health care benefits are not guaranteed and the cost of the coverage paid from STRS Ohio funds shall be included in the employer contribution rate, currently 14% of covered payroll. For the fiscal years ended June 30, 2006, and June 20, 2005, the STRS Ohio Board allocated employer contributions equal to 1 percent of covered payroll to the Health Care Stabilization Fund. For the School District, this amount equaled \$27,770 for fiscal year 2006.

STRS Ohio pays health care benefits from the Health Care Stabilization Fund. At June 30, 2006, the balance in the Fund was \$3.5 billion. For the year ended June 30, 2006, net health care costs paid by STRS Ohio were \$282,743,000 and STRS Ohio had 119,184 eligible benefit recipients.

**TRI-VILLAGE LOCAL SCHOOL DISTRICT
DARKE COUNTY**

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

8. POSTEMPLOYMENT BENEFITS (Continued)

For SERS, coverage is made available to service retirees with ten or more years of qualifying service credit, and to disability and survivor benefit recipients. 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.

After the allocation for basic benefits, the remainder of the employer's 14 percent contribution is allocated to providing health care benefits. For the fiscal year ended June 30, 2006, employer contributions to fund health care benefits were 3.42 percent of covered payroll, a decrease from 3.43 percent in fiscal year 2005. In addition, SERS levies a surcharge to fund health care benefits equal to 14 percent of the difference between a minimum pay and the member's pay, pro-rated for partial service credit. For fiscal year 2006, the minimum pay was established at \$35,800. For the School District, the amount contributed to fund health care benefits, including the surcharge, during the 2006 fiscal year equaled \$43,568.

The surcharge, added to the unallocated portion of the 14 percent employer contribution rate, provides for maintenance of the asset target level for the health care fund. Health care benefits are financed on a pay-as-you-go basis. The target level for the health care reserve is 150 percent of the projected claims less premium contributions for the next fiscal year. Net health care costs for the fiscal year ended June 30, 2006, were \$158,751,207. At June 30, 2006, the value of the health care fund was \$295.6 million, which is about 221% of next year's projected health care costs. On the basis of actuarial projections, the allocated contributions will be insufficient, in the long term, to provide for a health care reserve equal to at least 150% of estimated annual net claim costs. SERS has 59,492 participants currently receiving health care benefits.

9. LEASES

During fiscal year 2003, the School District entered into a lease-purchase agreement for the renovation and construction of additions to the high school that began in fiscal year 2004. The School District is leasing the project additions from the Columbus Regional Airport Authority. The Columbus Regional Airport Authority assigned National City Bank as trustee, transferring rights, title, and interest in the project to the trustee.

During fiscal year 2002, the School District entered into a lease-purchase agreement for the renovation and construction of the additions to the high school. The School District is leasing the project site from Rickenbacker Port Authority. Rickenbacker Port Authority assigned National City bank as trustee, transferring rights, title, and interest in the project to the trustee. The School District is acting as an agent for the lessor and is constructing the facilities and improvements from the proceeds provided by the lessor for both of the above leases.

As part of the agreements, National City Bank deposited \$1,221,000 and \$630,000, respectively, with a fiscal agent for the building lease. The School District will make semi-annual lease payments to National City Bank for both of the above leases. The leases are renewable annually and expire in fiscal year 2032. The intention of the School District is to renew the leases annually.

The lease payments have been classified as debt service expenditures in the financial statements in the General Fund. These expenditures amounted to \$128,185. The following is a schedule of the future minimum lease payments required under the lease and the present value of the minimum lease payments as of June 30, 2006:

**TRI-VILLAGE LOCAL SCHOOL DISTRICT
DARKE COUNTY**

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

9. LEASES (Continued)

Year ending June 30:	Amount
2007	\$128,379
2008	128,584
2009	127,423
2010	128,409
2011	127,192
2012-2016	633,879
2017-2021	625,203
2022-2026	615,448
2027-2031	601,889
2032	119,193
Total	3,235,599
Less: Amount Representing Interest	(1,495,599)
Present Value of Minimum Lease Payments	\$1,740,000

10. LONG-TERM LIABILITIES

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

	Principal Outstanding 6/30/05	Additions	Reductions	Principal Outstanding 6/30/06	Amounts Due in One Year
Governmental Activities					
General Obligation Bonds:					
1988 School Improvement Bonds	\$270,000	\$0	\$45,000	\$225,000	\$45,000
2001 School Improvement Bonds	5,150,000	0	175,000	4,975,000	180,000
Total Governmental Activities					
Long-Term Liabilities	\$5,420,000	\$0	\$220,000	\$5,200,000	\$225,000

School Improvement Bonds were issued February 1, 1988, in the amount of \$910,000, for the purpose of school improvements. The bonds interest rate is 7.25%. The bonds will mature December 1, 2010, and will be retired from the Bond Retirement Debt Service Fund.

The School Facilities Construction and Improvement Bonds were issued April 10, 2001, for the purpose of constructing additions to and renovating and improving the existing junior-senior high school and to house grades k-12, including multi-purpose facilities for school and community use, along with health and safety upgrades and improving access for the disabled. The original bond issue was for \$5,710,000. The interest rate on the bonds is 3.40%-5.80%. The bonds will mature December 1, 2023, and will be retired from the Bond Retirement Debt Service Funds.

At June 30, 2006, the School District's overall legal debt margin was \$2,020,999 with an unvoted debt margin of \$77,209. Principal and interest requirements to retire long-term liabilities outstanding at June 30, 2006, are as follows:

**TRI-VILLAGE LOCAL SCHOOL DISTRICT
DARKE COUNTY**

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

10. LONG-TERM LIABILITIES (Continued)

<u>Fiscal Year Ending June 30</u>	<u>General Obligation Bonds</u>		<u>Total</u>
	<u>Principal</u>	<u>Interest</u>	
2007	\$225,000	\$257,871	\$482,871
2008	235,000	247,114	482,114
2009	240,000	235,861	475,861
2010	250,000	224,045	474,045
2011	260,000	211,594	471,594
2012 – 2016	1,230,000	870,863	2,100,863
2017 – 2021	1,600,000	500,218	2,100,218
2022 – 2023	1,160,000	90,738	1,250,738
Total	<u>\$5,200,000</u>	<u>\$2,638,304</u>	<u>\$7,838,304</u>

11. SET-ASIDE CALCULATIONS

State statute annually requires the School District set aside in the general fund an amount based on a statutory formula to purchase textbooks and other instructional materials and an equal amount to acquire and construct capital improvements. Amounts not spent by fiscal year-end or offset by similarly restricted resources received during the fiscal year must be held in cash at fiscal year-end and carried forward to be used for the same purposes in future fiscal years. The amount reserved for budget stabilization represents refunds received from the Bureau of Workers' Compensation. Based on legislative changes, this is the only money still required to be set aside for this purpose.

The following cash basis information describes the change in the fiscal year-end set-aside amounts for textbooks, capital acquisition and budget stabilization. State statute requires disclosing this information.

	<u>Budget Stabilization</u>	<u>Textbooks & Instructional Materials</u>	<u>Capital Improvements</u>
Set-aside Reserve Balance as of June 30, 2005	\$21,013	(\$34,857)	(\$7,367,258)
Current Year Set-aside Requirement	0	114,750	114,750
Current Year Offsets	0	0	(39,853)
Qualifying Disbursements	0	(92,106)	(110,255)
Total	<u>\$21,013</u>	<u>(\$12,213)</u>	<u>(\$7,402,616)</u>
Total Set-aside Carried Forward to Future Years	<u>\$21,013</u>	<u>(\$12,213)</u>	<u>(\$7,292,361)</u>

The School District had offsets and qualifying disbursements during the fiscal year that reduced the capital improvements and textbooks and instructional materials set-aside amounts below zero. These extra amounts may be used to reduce the set-aside requirement of future fiscal years. Although the School District had qualifying disbursements during the fiscal year that reduced the set-aside amount below zero for the capital improvement set-aside, the negative amount can only be carried forward to the extent of proceeds from capital lease, Classroom Facilities Special Revenue Fund receipts and Capital Improvement Fund property tax receipts.

**TRI-VILLAGE LOCAL SCHOOL DISTRICT
DARKE COUNTY**

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

**12. JOINTLY GOVERNED ORGANIZATIONS, RELATED ORGANIZATION AND INSURANCE
PURCHASING POOLS**

A. Jointly Governed Organizations

Metropolitan Dayton Education Cooperative Association – The School District is a participant in the Metropolitan Dayton Educational Cooperative Association (MDECA), which is a computer consortium. MDECA is an association of public school districts within the boundaries of Montgomery, Miami, and Darke Counties and the Cities of Dayton, Troy and Greenville. The organization was formed for the purpose of applying modern technology with the aid of computers and other electronic equipment to administrative and instructional functions among member school districts.

The governing board of MDECA consists of seven Superintendents of member school districts, with six of the Superintendents elected by majority vote of all member school districts except Montgomery County Educational Service Center. The seventh Superintendent is from the Montgomery County Educational Service Center. The School District paid MDECA \$32,091 for services provided during the fiscal year. Financial information can be obtained from Jerry Woodyard, who serves as Executive Director, at 225 Linwood Street, Dayton, Ohio 45405.

Southwestern Ohio Education Purchasing Council - The Southwestern Ohio Educational Purchasing Council (SOEPC) is a purchasing cooperative made up of 124 school districts in 18 counties. The purpose of the cooperative is to obtain prices for quality merchandise and services commonly used by schools. All member districts are obligated to pay all fees, charges, or other assessments as established by the SOEPC. Each member district has one voting representative. Title to any and all equipment, furniture and supplies purchased by the SOEPC is held in trust for the member districts. Any district withdrawing from the SOEPC shall forfeit its claim to any and all SOEPC assets. One year prior notice is necessary for withdrawal from the group.

During this time, the withdrawing member is liable for all member obligations. Payments to SOEPC are made from the general fund. During fiscal year 2006, the School District paid \$58,287 to SOEPC. To obtain financial information, write to the Southwestern Ohio Educational Purchasing Council, Ken Swink, who serves as Director, at 303 Corporate Center Drive, Suite 208, Vandalia, OH 45377.

Southwestern Ohio Instructional Technology Association - The Southwestern Ohio Instructional Technology Association (SOITA) is a not-for-profit corporation. The purpose of the corporation is to serve the educational needs of the area through television programming for the advancement of educational programs. The Board of Trustees is comprised of twenty-three representatives of SOITA member schools or institutions. Twenty-one representatives are elected from within the counties by the qualified members within the counties, i.e., Auglaize, Brown, Butler, Champaign, Clark, Clermont, Clinton, Darke, Fayette, Greene, Hamilton, Logan, Mercer, Miami, Montgomery, Preble, Shelby, and Warren. Montgomery, Greene and Butler Counties elect two representatives per area. All others elect one representative per area. One at-large non-public representative is elected by the non-public school SOITA members in the State-assigned SOITA service area representative. One at-large higher education representative is elected by higher education SOITA members from within the State-assigned SOITA service area.

All member districts are obligated to pay all fees, charges, or other assessments as established by the SOITA. Upon dissolution, the net assets shall be distributed to the federal government, or to a state or local government, for a public purpose. Payments to SOITA are made from the general fund. During fiscal year 2006, the School District paid \$942 to SOITA. To obtain financial information, write to the Southwestern Ohio Instructional Technology Association, Dave Gibson, who serves as Executive Director, at 150 East Sixth Street, Franklin, Ohio 45005.

**TRI-VILLAGE LOCAL SCHOOL DISTRICT
DARKE COUNTY**

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

12. JOINTLY GOVERNED ORGANIZATIONS, RELATED ORGANIZATION AND INSURANCE PURCHASING POOLS (Continued)

B. Related Organization

New Madison Public Library – The New Madison Public Library is a distinct political subdivision of the State of Ohio created under Chapter 3375 of the Ohio Revised Code. The Library is governed by a Board of Trustees appointed by the Tri-Village Local School District Board of Education. The Board of Trustees possesses its own contracting and budgeting authority, hires and fires personnel and does not depend on the School District for operational subsidies. Although the School District does serve as the taxing authority and may issue tax related debt on behalf of the Library, its role is limited to a ministerial function. The determination to request approval of a tax, the rate, and the purpose are discretionary decisions made solely by the Board of Trustees. The School District did not make any contributions to the New Madison Public Library during fiscal year 2006. Financial information can be obtained from the New Madison Public Library, Kim Chowning, Clerk/Treasurer, at 142 South Main, New Madison, Ohio 45346.

C. Insurance Purchasing Pools

Southwestern Ohio Educational Purchasing Council Workers' Compensation Group Rating Plan - The School District participates in the Southwestern Ohio Education Purchasing Council Workers' Compensation Group Rating Plan (GRP), an insurance purchasing pool. The GRP's business and affairs are conducted by an eleven member Executive Committee consisting of the Chairperson, the Vice-Chairperson, a representative from the Montgomery County Educational Service Center and eight other members elected by majority vote of all member school districts. The Chief Administrator of GRP serves as the coordinator of the program. Each fiscal year, the participating school districts pay an enrollment fee to the GRP to cover the costs of administering the program.

Southwestern Ohio Educational Purchasing Council Medical Benefits Plan – The School District participates in the Southwestern Ohio Educational Purchasing Council Medical Benefits Plan (MBP). The MBP's business and affairs are conducted by a six member committee consisting of various EPC representatives that are elected by the general assembly. Either the superintendent or treasurer from each participating school district serves on the general assembly. Each fiscal year, the participating school districts pay an enrollment fee to the MBP to cover the costs of administering the program.

Ohio School Plan – The School District participates in the Ohio School Plan, an insurance purchasing pool. The Ohio School Plan (OSP) is created and organized pursuant to and as authorized by Section 2744.081 of the Ohio Revised Code. The OSP is an unincorporated, non-profit association of its members and an instrumentality for each member for the purpose of enabling members of the Plan to provide for a formalized, joint insurance purchasing program to maintain adequate insurance protection, risk management programs and other administrative services. The OSP's business and affairs are conducted by a fifteen member Board of Directors consisting of school district superintendents and treasurers, as well as the president of Harcum-Hyre Insurance Agency, Inc. and a partner of the Hylant Group, Inc. Hylant Group, Inc. is the Administrator of the OSP and is responsible for processing claims. Harcum-Hyre Insurance Agency, Inc. is the sales and marketing representative, which establishes agreements between OSP and member schools

**TRI-VILLAGE LOCAL SCHOOL DISTRICT
DARKE COUNTY**

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

13. CONTINGENCIES

A. Grants

The School District receives financial assistance from federal and State agencies in the form of grants. Disbursing grant funds generally requires compliance with terms and conditions specified in the grant agreements and are subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the general fund or other applicable funds. However, in the opinion of management, any such disallowed claims will not have a material adverse effect on the overall financial position of the School District at June 30, 2006.

B. Litigation

There are currently no matters in litigation with the School District as defendant.

14. BUDGETARY BASIS OF ACCOUNTING

While the School District is reporting financial position, results of operations and changes in fund balance on the modified cash basis, the budgetary basis as provided by law is based upon accounting for certain transactions on a basis of cash receipts, disbursements and encumbrances. The Statement of Receipts, Disbursements and Changes in Fund Balances - Budget and Actual – Budget Basis presented for the general fund is presented on the budgetary basis to provide a meaningful comparison of actual results with the budget. The difference between the budget basis and modified cash basis is encumbrances are treated as cash disbursements (budget) rather than as a reservation of fund balance (modified cash).

The following table summarizes the adjustments necessary to reconcile the modified cash basis statements to the budgetary basis statements for the general fund.

Net Change in Fund Balance	
Modified Cash Basis	\$126,222
Adjustment for Encumbrances	<u>(30,374)</u>
Budget Basis	<u><u>(\$95,848)</u></u>

15. INTERFUND BALANCES

At June 30, 2006, the Learn & Serve Fund, a non-major special revenue fund, had an unpaid interfund cash advance of \$21,306 to the General Fund. The interfund transaction is due to the timing of the receipt of grants.

16. COMPLIANCE

Ohio Administrative Code, Section 117-2-03 (B), requires the School District to prepare its annual financial report in accordance with generally accepted accounting principles. However, the School District prepared its financial statements on a modified cash basis, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. The accompanying financial statements omit assets, liabilities, net assets/fund balances, and disclosures that, while material, cannot be determined at this time. The School District can be fined and various other administrative remedies may be taken against the School District.

This page intentionally left blank.

**TRI-VILLAGE LOCAL SCHOOL DISTRICT
DARKE COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2005**

This discussion and analysis of the Tri-Village Local School District's financial performance provides an overall review of the School District's financial activities for the fiscal year ended June 30, 2005, within the limitations of the School District's modified cash basis accounting. Readers should also review the basic financial statements and notes to enhance their understanding of the School District's financial performance.

Highlights

Key highlights for fiscal year 2005 are as follows:

- Net assets of governmental activities decreased \$377,480, or 24 percent, a significant change from the prior year. The fund most affected by the decrease in cash and cash equivalents was the Classroom Facilities Capital Projects Fund which is part of the other governmental funds. Approximately \$50,000 of proceeds on the classroom facilities project remains unspent at the end of fiscal year 2005.
- The School District's general receipts are primarily property and income taxes and grants and entitlements not restricted to specific programs. These receipts represent respectively 40 and 41 percent of the total cash received for governmental activities during the fiscal year.
- Health insurance premiums were maintained at a manageable level with the certified and classified negotiating teams accepting concessions in this area in order to receive a 1% increase in salaries. The Southwestern Ohio Educational Purchasing Council Medical Benefits Plan, a health insurance pooling consortium, switched to a self-funding plan saving school districts' involved approximately 9.2%. As a result, the average increase among school districts was 17.8% rather than 27%. The School District's actual increase was 9.6% with office visit co-pays and prescription co-pays increased to maintain a more affordable premium as well. Overall, the School District experienced a 17.4% savings in Anthem health insurance costs.

Using the Basic Financial Statements

This annual report is presented in a format consistent with the presentation requirements of Governmental Accounting Standards Board Statement No. 34, as applicable to the School District's modified cash basis of accounting.

Report Components

The statement of net assets and the statement of activities provide information about the cash activities of the School District as a whole.

Fund financial statements provide a greater level of detail. Funds are created and maintained on the financial records of the School District as a way to segregate money whose use is restricted to a particular specified purpose. These statements present financial information by fund, presenting funds with the largest balances or most activity in separate columns.

The notes to the financial statements are an integral part of the government-wide and fund financial statements and provide expanded explanation and detail regarding the information reported in the statements.

**TRI-VILLAGE LOCAL SCHOOL DISTRICT
DARKE COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2005
(Continued)**

Basis of Accounting

The basis of accounting is a set of guidelines that determine when financial events are recorded. The School District has elected to present its financial statements on a modified cash basis of accounting. This basis of accounting is a basis of accounting other than generally accepted accounting principles. Under the School District's modified cash basis of accounting, receipts and disbursements are recorded when cash is received or paid. The School District also reports long-term investments as assets, valued at cost.

As a result of using the modified cash basis of accounting, certain assets and their related revenues (such as accounts receivable) and certain liabilities and their related expenses (such as accounts payable) are not recorded in the financial statements. Therefore, when reviewing the financial information and discussion within this report, the reader must keep in mind the limitations resulting from the use of the modified cash basis of accounting.

Reporting the School District as a Whole

The statement of net assets and the statement of activities reflect how the School District did financially during fiscal year 2005, within the limitations of modified cash basis accounting. The statement of net assets presents the cash balances and investments of the governmental activities of the School District at fiscal year-end. The statement of activities compares cash disbursements with program receipts for each governmental program. Program receipts include charges paid by the recipient of the program's goods or services and grants and contributions restricted to meeting the operational or capital requirements of a particular program. General receipts are all receipts not classified as program receipts. The comparison of cash disbursements with program receipts identifies how each governmental function draws from the School District's general receipts.

These statements report the School District's cash position and the changes in cash position. Keeping in mind the limitations of the modified cash basis of accounting, you can think of these changes as one way to measure the School District's financial health. Over time, increases or decreases in the School District's cash position is one indicator of whether the School District's financial health is improving or deteriorating. When evaluating the School District's financial condition, you should also consider other non-financial factors as well such as the School 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 School District reports governmental activities. Governmental activities are where the School District's basic services are reported, including, but not limited to, instruction, support services, operation and maintenance of plant, pupil transportation and extracurricular activities. The School District has no business-type activities.

Reporting the School District's Most Significant Funds

Fund financial statements provide detailed information about the School District's major funds – not the School District as a whole. The School District establishes separate funds to better manage its many activities and to help demonstrate that money that is restricted as to how it may be used is being spent for the intended purpose. The funds of the School District are split into two categories: governmental and fiduciary.

**TRI-VILLAGE LOCAL SCHOOL DISTRICT
DARKE COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2005
(Continued)**

Governmental Funds - Most of the School District's activities are reported in governmental funds. The governmental fund financial statements provide a detailed view of the School District's governmental operations and the basic services it provides. Governmental fund information helps determine whether there are more or less financial resources that can be spent to finance the Government's programs. The School District's significant governmental funds are presented on the financial statements in separate columns. The information for non-major funds (funds whose activity or balances are not large enough to warrant separate reporting) is combined and presented in total in a single column. The School District's major governmental funds are the General Fund and the Bond Retirement Fund. The programs reported in governmental funds are closely related to those reported in the governmental activities section of the entity-wide statements. We describe this relationship in reconciliations presented with the governmental fund financial statements.

Fiduciary Funds - Fiduciary funds are used to account for resources held for the benefit of parties outside the School District. Fiduciary funds are not reflected on the government-wide financial statements because the resources of these funds are not available to support the School District's programs.

The School District as a Whole

Table 1 provides a summary of the School District's net assets for fiscal year 2005 compared to fiscal year 2004 on a modified cash basis:

(Table 1)
Net Assets

	Governmental Activities	
	2005	2004
Assets		
Equity in Pooled Cash and Cash Equivalents	\$1,172,215	\$1,549,695
Net Assets		
Restricted for:		
Bus Purchase	9,924	1,656
Set Aside	35,675	35,675
Capital Outlay	52,555	416,346
Debt Service	239,671	219,754
Other Purposes	181,599	219,762
Unrestricted	652,791	656,502
Total Net Assets	\$1,172,215	\$1,549,695

As mentioned previously, net assets of governmental activities decreased \$377,480 or 24 percent during fiscal year 2005. The primary reason contributing to the decrease in cash balances is due to the spending of the classroom facilities lease proceeds used for the renovation and construction of additions to the high school that began in fiscal year 2004. Only \$50,000 in proceeds remains unspent at the end of fiscal year 2005 as the project is nearing completion.

**TRI-VILLAGE LOCAL SCHOOL DISTRICT
DARKE COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2005
(Continued)**

Table 2 reflects the changes in net assets for fiscal year 2005. Since the School District did not prepare financial statements in this format for fiscal year 2004, a comparative analysis of government-wide data has not been presented. In future years, when prior year information is available, a comparative analysis will be presented.

**(Table 2)
Changes in Net Assets**

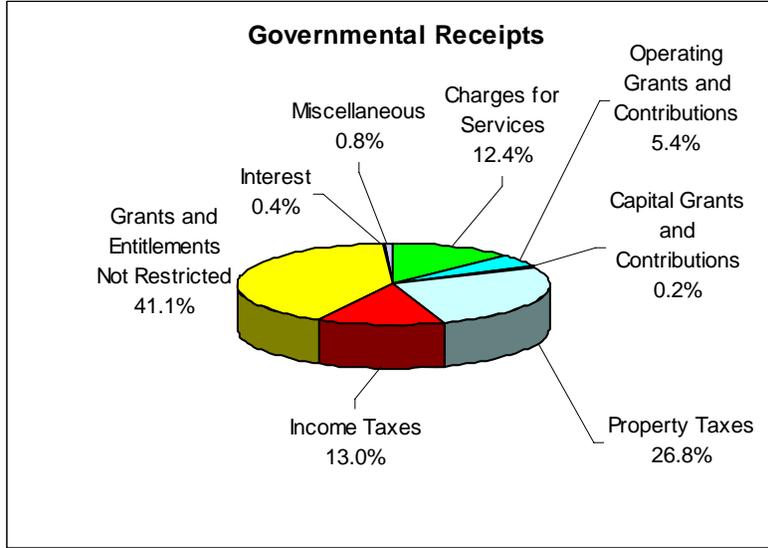
	Governmental Activities 2005
<hr/>	
Receipts:	
Program Receipts:	
Charges for Services and Sales	\$939,790
Operating Grants and Contributions	394,311
Capital Grants and Contributions	11,663
Total Program Receipts	<u>1,345,764</u>
General Receipts:	
Property Taxes	1,954,162
Income Taxes	949,215
Grants and Entitlements Not Restricted to Specific Programs	3,004,605
Interest	30,924
Miscellaneous	19,470
Total General Receipts	<u>5,958,376</u>
Total Receipts	<u>7,304,140</u>
Disbursements:	
Instruction	3,644,092
Support Services:	
Pupils and Instructional Staff	588,738
Board of Education, Administration and Fiscal	796,282
Operation and Maintenance of Plant	548,706
Pupil Transportation	498,489
Central	24,948
Operation of Non-Instructional Services	268,884
Extracurricular Activities	319,154
Capital Outlay	380,266
Debt Service	612,061
Total Disbursements	<u>7,681,620</u>
Decrease in Net Assets	(377,480)
Net Assets, July 1, 2004	<u>1,549,695</u>
Net Assets, June 30, 2005	<u><u>\$1,172,215</u></u>

**TRI-VILLAGE LOCAL SCHOOL DISTRICT
DARKE COUNTY**

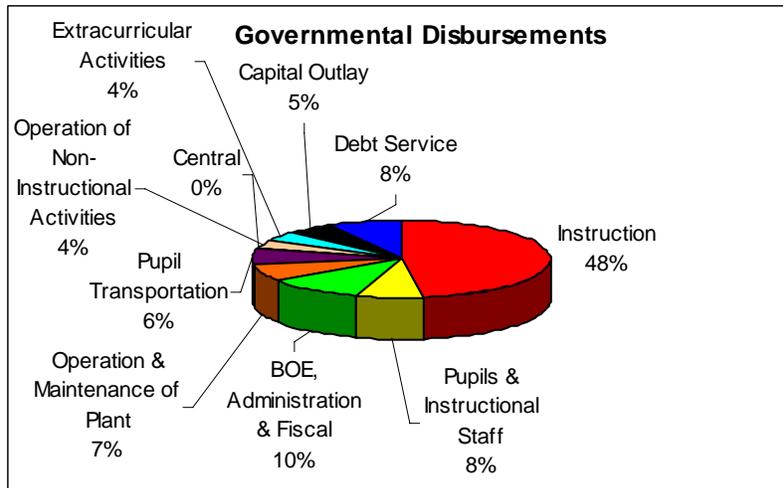
**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2005
(Continued)**

Governmental Activities

The unique nature of property taxes in Ohio creates the need to routinely seek voter approval for the School District Operations. Property taxes make up 26.8% of receipts while income taxes add an additional 13% of receipts. Grants and entitlements not restricted, the School District's largest source of receipts consists largely of state foundation monies and make up 41.1% of receipts.



Instruction comprises 48% of the School District's disbursements. Support services make up 32% of disbursements.



If you look at the Statement of Activities on page 46 you will see that the first column lists the major services provided by the School District. The next column identifies the costs of providing these services.

**TRI-VILLAGE LOCAL SCHOOL DISTRICT
DARKE COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2005
(Continued)**

The next three columns of the Statement entitled Program Receipts identify amounts paid by people who are directly charged for the service and grants received by the School District that must be used to provide a specific service. The Net Receipt (Disbursement) column compares the program receipts to the cost of the service. This "net cost" amount represents the cost of the service which ends up being paid from money provided by local taxpayers. These net costs are paid from the general receipts which are presented at the bottom of the statement. A comparison between the total cost of services and the net cost is presented in Table 3.

**(Table 3)
Governmental Activities**

	Total Cost Of Services 2005	Net Cost of Services 2005
Instruction	<u>\$3,644,092</u>	<u>\$3,033,772</u>
Support Services:		
Pupils and Instructional Staff	588,738	423,187
Board of Education, Administration and Fiscal	796,282	782,916
Operation and Maintenance of Plant	548,706	545,990
Pupil Transportation	498,489	386,513
Central	24,948	13,948
Operation of Non-Instructional Services	268,884	16,173
Extracurricular Activities	319,154	144,424
Capital Outlay	380,266	376,872
Debt Service	612,061	612,061
Total Expenses	<u><u>\$7,681,620</u></u>	<u><u>\$6,335,856</u></u>

The dependence upon property and income tax receipts is apparent as over 82 percent of governmental activities are supported through these general receipts.

The School District's Funds

Total governmental funds had receipts of \$7,253,955 and disbursements of \$7,671,102. The greatest change within governmental funds occurred within the Classroom Facilities Fund. The fund balance of the Classroom Facilities Fund, which is shown with the other governmental funds, decreased \$355,358 as a result of cash disbursements on the renovation and construction of additions to the high school.

The net change in fund balances for the General Fund was \$4,557, indicating the General Fund's fund balance remained stable.

General Fund Budgeting Highlights

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

During fiscal year 2005, the School District amended its General Fund budget several times to reflect changing circumstances. Final budgeted receipts were above original budgeted receipts due to additional receipts expected for tuition and fees due to open enrollment. The difference between final budgeted receipts and actual receipts was not significant.

Final disbursements were budgeted at \$6,151,384 while actual disbursements were \$5,981,099. The School District monitored spending closely during the fiscal year; however, the result is a decrease in budget basis fund balance of \$35,287 for fiscal year 2005.

**TRI-VILLAGE LOCAL SCHOOL DISTRICT
DARKE COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2005
(Continued)**

Capital Assets and Debt Administration

Capital Assets

The School District does not report its capital assets and infrastructure.

Debt

At June 30, 2005, the School District's outstanding debt included \$5,420,000 in general obligation bonds issued for improvements to buildings and structures, and \$1,772,000 in capital leases for facilities. For further information regarding the School District's debt and leases, refer to Notes 10 and 11 to the basic financial statements.

Current Issues

The challenge for all school districts is to provide quality services to the public while staying within the restrictions imposed by limited, and in some cases shrinking, funding. The School District relies heavily on local taxes and state funding.

In fiscal year 2005, the School District was able to maintain revenues over expenditures by \$4,557 in the General Fund. In future years, the prepared five year forecast is projecting spending deficits for each year through fiscal year 2010. The administration is studying areas in which the deficits may be reduced. Currently, the education bill for fiscal years 2006 and 2007, known as House Bill 66, is no help to the School District. Tri-Village Local School District is one of 211 school districts that will receive no additional funding over the next two years.

Also, with HB 66 legislation, the School District's valuation will decrease due to the phase out of taxes on tangible personal property. The tax is phased out by reducing the assessment rate on the property each year. In the first five years, school districts according to the House Bill are to be fully reimbursed for the lost revenue. However, in the following seven years, the reimbursement will be phased out.

Contacting the School District's Financial Management

This financial report is designed to provide our citizens, taxpayers, investors, and creditors with a general overview of the School District's finances and to reflect the School District's accountability for the monies it receives. Questions concerning any of the information in this report or requests for additional information should be directed to Kimberly Chowning, Treasurer at P.O. Box 31, New Madison, Ohio 45346.

This page intentionally left blank.

**TRI-VILLAGE LOCAL SCHOOL DISTRICT
DARKE COUNTY**

**STATEMENT OF NET ASSETS - MODIFIED CASH BASIS
JUNE 30, 2005**

	Governmental Activities
Assets	
Equity in Pooled Cash and Cash Equivalents	<u>\$1,172,215</u>
Net Assets	
Restricted for:	
Bus Purchase	9,924
Set Asides	35,675
Capital Projects	52,555
Debt Service	239,671
Other Purposes	181,599
Unrestricted	<u>652,791</u>
Total Net Assets	<u><u>\$1,172,215</u></u>

See accompanying notes to the basic financial statements.

**TRI-VILLAGE LOCAL SCHOOL DISTRICT
DARKE COUNTY**

**STATEMENT OF ACTIVITIES - MODIFIED CASH BASIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2005**

	Cash Disbursements	Program Cash Receipts			Net (Disbursements) Receipts and Changes in Net Assets
		Charges for Services and Sales	Operating Grants and Contributions	Capital Grants and Contributions	Total Governmental Activities
Governmental Activities					
Instruction:					
Regular	\$3,101,768	\$374,577	\$63,764		(\$2,663,427)
Special	461,082	116,383	55,596		(289,103)
Vocational	62,697				(62,697)
Other	18,545				(18,545)
Support Services:					
Pupil	175,074				(175,074)
Instructional Staff	413,664	4,817	160,734		(248,113)
Board of Education	25,397				(25,397)
Administration	569,637		13,366		(556,271)
Fiscal	201,248				(201,248)
Operation and Maintenance of Plant	548,706	139	2,577		(545,990)
Pupil Transportation	498,489	102,682	1,025	\$8,269	(386,513)
Central	24,948		11,000		(13,948)
Operation of Non-Instructional Services	268,884	169,569	83,142		(16,173)
Extracurricular Activities	319,154	171,623	3,107		(144,424)
Capital Outlay	380,266			3,394	(376,872)
Principal Retirement	236,000				(236,000)
Interest and Fiscal Charges	376,061				(376,061)
Total Governmental Activities	\$7,681,620	\$939,790	\$394,311	\$11,663	(6,335,856)
General Receipts					
Property Taxes Levied for:					
					1,459,311
					33,752
					461,099
					949,215
					3,004,605
					30,924
					19,470
					5,958,376
					(377,480)
					1,549,695
					\$1,172,215

See accompanying notes to the basic financial statements.

**TRI-VILLAGE LOCAL SCHOOL DISTRICT
DARKE COUNTY**

**STATEMENT OF ASSETS AND FUND BALANCES - MODIFIED CASH BASIS
GOVERNMENTAL FUNDS
JUNE 30, 2005**

	<u>General</u>	<u>Bond Retirement</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
Assets				
Equity in Pooled Cash and Cash Equivalents	\$667,453	\$239,671	\$234,154	\$1,141,278
Restricted Assets:				
Equity in Pooled Cash and Cash Equivalents	30,937			30,937
Total Assets	<u>\$698,390</u>	<u>\$239,671</u>	<u>\$234,154</u>	<u>\$1,172,215</u>
Fund Balances				
Reserved for Encumbrances	\$39,842		\$61,458	\$101,300
Reserved for Bus Purchases	9,924			9,924
Reserved for Budget Stabilization	21,013			21,013
Designated for Budget Stabilization	14,662			14,662
Unreserved, Undesignated, Reported in:				
General Fund	612,949			612,949
Special Revenue Funds			158,706	158,706
Debt Service Fund		239,671		239,671
Capital Projects Funds			13,990	13,990
Total Fund Balances	<u>\$698,390</u>	<u>\$239,671</u>	<u>\$234,154</u>	<u>\$1,172,215</u>

See accompanying notes to the basic financial statements.

**TRI-VILLAGE LOCAL SCHOOL DISTRICT
DARKE COUNTY**

**STATEMENT OF CASH RECEIPTS, DISBURSEMENTS AND CHANGES IN FUND BALANCES - MODIFIED CASH BASIS
GOVERNMENTAL FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2005**

	<u>General</u>	<u>Bond Retirement</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
Receipts				
Property Taxes	\$1,459,311	\$461,099	\$33,752	\$1,954,162
Income Taxes	949,215			949,215
Intergovernmental	2,961,714	47,683	392,309	3,401,706
Interest	26,680	4,244	3,730	34,654
Tuition and Fees	500,913		48,322	549,235
Extracurricular Activities			172,627	172,627
Contributions and Donations	401		9,559	9,960
Charges for Services	55		169,569	169,624
Rentals	139			139
Miscellaneous	8,042		4,591	12,633
Total Receipts	<u>5,906,470</u>	<u>513,026</u>	<u>834,459</u>	<u>7,253,955</u>
Disbursements				
Current:				
Instruction:				
Regular	2,969,861		121,389	3,091,250
Special	401,641		59,441	461,082
Vocational	62,697			62,697
Other	18,545			18,545
Support Services:				
Pupil	175,074			175,074
Instructional Staff	243,097		170,567	413,664
Board of Education	25,397			25,397
Administration	555,167		14,470	569,637
Fiscal	190,684	9,841	723	201,248
Operation and Maintenance of Plant	503,116		45,590	548,706
Pupil Transportation	491,834		6,655	498,489
Central	7,948		17,000	24,948
Operation of Non-Instructional Services			268,884	268,884
Extracurricular Activities	146,480		172,674	319,154
Capital Outlay	20,921		359,345	380,266
Debt Service:				
Principal Retirement	31,000	205,000		236,000
Interest and Fiscal Charges	97,793	278,268		376,061
Total Disbursements	<u>5,941,255</u>	<u>493,109</u>	<u>1,236,738</u>	<u>7,671,102</u>
Excess of Receipts Over (Under) Disbursements	<u>(34,785)</u>	<u>19,917</u>	<u>(402,279)</u>	<u>(417,147)</u>
Other Financing Sources (Uses)				
Sale of Fixed Assets	5,020			5,020
Refund of Prior Year Expenditures	44,431		734	45,165
Refund of Prior Year Receipts	(10,109)		(409)	(10,518)
Total Other Financing Sources (Uses)	<u>39,342</u>		<u>325</u>	<u>39,667</u>
Net Change in Fund Balances	4,557	19,917	(401,954)	(377,480)
Fund Balances Beginning of Year - Restated (Note 15)	<u>693,833</u>	<u>219,754</u>	<u>636,108</u>	<u>1,549,695</u>
Fund Balances End of Year	<u>\$698,390</u>	<u>\$239,671</u>	<u>\$234,154</u>	<u>\$1,172,215</u>

See accompanying notes to the basic financial statements.

**TRI-VILLAGE LOCAL SCHOOL DISTRICT
DARKE COUNTY**

**STATEMENT OF RECEIPTS, DISBURSEMENTS AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL - BUDGET BASIS
GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2005**

	<u>Budgeted Amounts</u>			Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	<u>(Negative)</u>
Receipts				
Property Taxes	\$1,390,398	\$1,370,398	\$1,459,311	\$88,913
Income Taxes	915,000	915,000	949,215	34,215
Intergovernmental	3,040,761	3,040,761	2,961,714	(79,047)
Interest	20,000	20,000	26,680	6,680
Tuition and Fees	434,500	474,500	500,913	26,413
Contributions and Donations			401	401
Charges for Services			55	55
Rentals	500	500	139	(361)
Miscellaneous	5,000	5,000	8,042	3,042
Total Receipts	<u>5,806,159</u>	<u>5,826,159</u>	<u>5,906,470</u>	<u>80,311</u>
Disbursements				
Current:				
Instruction:				
Regular	2,963,696	3,019,657	2,971,007	48,650
Special	427,032	416,615	401,832	14,783
Vocational	60,373	65,273	62,827	2,446
Other	20,745	20,996	18,545	2,451
Support Services:				
Pupil	190,098	187,548	183,228	4,320
Instructional Staff	253,500	259,534	244,391	15,143
Board of Education	14,964	28,264	25,452	2,812
Administration	579,103	583,623	560,146	23,477
Fiscal	195,030	196,230	190,802	5,428
Operation and Maintenance of Plant	537,915	529,195	510,708	18,487
Pupil Transportation	499,136	525,886	506,583	19,303
Central	13,005	13,005	9,382	3,623
Extracurricular Activities	154,204	154,789	146,480	8,309
Capital Outlay	20,000	21,000	20,921	79
Debt Service:				
Principal Retirement	31,000	31,000	31,000	
Interest and Fiscal Charges	98,769	98,769	97,793	976
Total Disbursements	<u>6,058,570</u>	<u>6,151,384</u>	<u>5,981,097</u>	<u>170,287</u>
Excess of Receipts Under Disbursements	<u>(252,411)</u>	<u>(325,225)</u>	<u>(74,627)</u>	<u>250,598</u>
Other Financing Sources (Uses)				
Proceeds from Sale of Fixed Assets			5,020	5,020
Refund of Prior Year Expenditures	30,000	30,000	44,431	14,431
Refund of Prior Year Receipts	(15,000)	(15,000)	(10,109)	4,891
Total Other Financing Sources (Uses)	<u>15,000</u>	<u>15,000</u>	<u>39,342</u>	<u>24,342</u>
Net Change in Fund Balance	(237,411)	(310,225)	(35,285)	274,940
Fund Balance Beginning of Year	630,634	630,634	630,634	
Prior Year Encumbrances Appropriated	63,490	63,490	63,490	
Fund Balance End of Year	<u>\$456,713</u>	<u>\$383,899</u>	<u>\$658,839</u>	<u>\$274,940</u>

See accompanying notes to the basic financial statements.

TRI-VILLAGE LOCAL SCHOOL DISTRICT
DARKE COUNTY

STATEMENT OF FIDUCIARY NET ASSETS - MODIFIED CASH BASIS
FIDUCIARY FUNDS
JUNE 30, 2005

	<u>Agency</u>
Assets	
Equity in Pooled Cash and Cash Equivalents	<u><u>\$25,239</u></u>
Liabilities	
Due to Students	<u><u>\$25,239</u></u>

See accompanying notes to the basic financial statements.

**TRI-VILLAGE LOCAL SCHOOL DISTRICT
DARKE COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2005**

1. DESCRIPTION OF THE SCHOOL DISTRICT AND REPORTING ENTITY

The Tri-Village Local School District (The School District) is a body politic and corporate established to exercise the rights and privileges the constitution and laws of the State of Ohio convey to it. A locally-elected five-member Board governs the School District, which provides educational services mandated by the State and federal agencies.

The School District was established in 1972 through the consolidation of existing land areas and school districts. The School District serves an area of approximately 82 square miles. It is located in Darke County, and includes the Village of New Madison and portions of Butler, Harrison, Liberty, Neave and Washington Townships. The Board of Education controls the School District's instructional building and administrative building which are staffed by 38 classified employees and 61 certificated full-time personnel who provide services to 753 students.

A. Reporting Entity

A reporting entity is comprised of the primary government, component units and other organizations included ensuring that the basic financial statements are not misleading. The primary government of the School District consists of all funds, departments, boards and agencies that are not legally separate from the School District. For Tri-Village Local School District, this includes general operations, food service, preschool, and student related activities of the School District.

Component units are legally separate organizations for which the School District can "impose its will," such as by appointing a voting majority of the component unit's governing body. Component units may also include organizations that are fiscally dependent on the School District in that the School District approves their budget, the issuance of their debt or the levying of their taxes. There are no component units of the School District.

The School District participates in three jointly governed organizations, one related organization and three insurance purchasing pools. Note 13 to the basic financial statements provides additional information for these entities. These organizations are:

Jointly Governed Organizations:

Metropolitan Dayton Education Cooperative Association
Southwestern Ohio Educational Purchasing Council
Southwestern Ohio Instructional Technology Association

Related Organization:

New Madison Public Library

Insurance Purchasing Pools:

Southwestern Ohio Educational Purchasing Council Workers' Compensation
Group Rating Plan
Southwestern Ohio Educational Purchasing Council Medical Benefits Plan
Ohio School Plan

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Although Ohio Administrative Code Section 117-2-03 (B) requires the School District's financial report to follow generally accepted accounting principles, the School District chooses to prepare its financial statements and notes in accordance with the modified cash basis of accounting.

This basis of accounting is similar to the cash receipts and disbursements basis. The School District recognizes revenues when received in cash rather than when earned and recognizes expenditures when paid rather than when a liability is incurred. The School District also reports long-term investments as assets, valued at cost.

**TRI-VILLAGE LOCAL SCHOOL DISTRICT
DARKE COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2005
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

As a result of the use of this modified cash basis of accounting, certain assets and their related revenues (such as accounts receivable and revenue for billed or provided services not yet collected) and certain liabilities and their related expenses (such as accounts payable and expenses for goods or services received but not yet paid, and accrued expenses and liabilities) are not recorded in these financial statements. If the School District utilized the basis of accounting recognized as generally accepted, the fund financial statements for governmental funds would use the modified accrual basis of accounting. All government-wide financials would be presented on the accrual basis of accounting.

Budgetary presentations report budgetary expenditures when a commitment is made (i.e., when an encumbrance is approved). Differences between disbursements reported in the fund and entity wide statements versus budgetary expenditures are due to encumbrances outstanding at the beginning and end of the fiscal year.

A. Fund Accounting

The School District uses funds to maintain its financial records during the fiscal year. Fund accounting is designed to demonstrate legal compliance and to aid management by segregating transactions related to certain School District functions or activities. A fund is a fiscal and accounting entity with a self-balancing set of accounts. The School District classifies each fund as either governmental or fiduciary.

1. Governmental:

The School District classifies funds financed primarily from taxes, intergovernmental receipts (e.g. grants) and other non-exchange transactions as governmental funds. The following are the School District's major governmental funds:

General Fund - The general fund accounts for all financial resources except for restricted resources requiring a separate accounting. The general fund balance is available for any purpose provided it is expended or transferred according to Ohio law.

Bond Retirement Fund - The bond retirement fund accounts for the accumulation of resources received from property taxes for the payment of school improvement general obligation bond principal, interest and related costs.

The other governmental funds of the School District account for grants and other resources whose use is restricted to a particular purpose.

2. Fiduciary Funds:

Fiduciary funds account for cash and investments where the District is acting as trustee or fiscal agent for other entities or individuals. The School District's only fiduciary fund is its agency fund which is custodial in nature, where the School District deposits and pays cash as directed by another entity or individual. The School District's agency fund accounts for student activities' cash.

B. Basis of Presentation

The School District's basic financial statements consist of a government-wide statements, including a statement of net assets and a statement of activities, and fund financial statements which provide a more detailed level of financial information.

**TRI-VILLAGE LOCAL SCHOOL DISTRICT
DARKE COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2005
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

1. Government-wide Financial Statement:

The government-wide statement of net assets and the statement of activities display information about the School District as a whole. These statements include the financial activities of the primary government, except for the fiduciary funds. The government-wide financial statements distinguish between those activities that are governmental and those that are business-type. The School District does not have any business-type activities.

The statement of net assets presents the financial condition of the governmental activities of the School District at fiscal year-end. The government-wide statement of activities compares disbursements with program receipts for each function or program of the School District's governmental activities. These disbursements are specifically associated with a service, program or department and are therefore clearly identifiable to a particular function. Program receipts include charges paid by the recipient of the program's goods or services and grants and contributions restricted to meeting the operational or capital requirements of a particular program. General receipts are all receipts not classified as program receipts, with certain limited exceptions. The comparison of direct disbursements with program receipts identifies the extent to which each governmental function is self-financing on the modified-cash basis or draws from the School District's general receipts.

2. Fund Financial Statements:

Fund financial statements report detailed information about the School District. The focus of governmental fund financial statements is on major funds. Each major fund is presented in a separate column. Non-major funds are aggregated and presented in a single column. Fiduciary funds are reported by type.

C. Cash, Cash Equivalents and Investments

The School District pools cash from all funds for investment purposes. Interest in the pool is presented as "equity in pooled cash and cash equivalents" on the financial statements.

The School District values investments and cash equivalents at cost. For presentation on the financial statements, investments of the cash management pool and investments with an original maturity of three months or less when purchased are deemed cash equivalents. Investments with an initial maturity of more than three months are reported as investments

The School District invested funds in STAR Ohio during fiscal year 2005. 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, 2005.

Following Ohio statutes, the Board of Education specified the funds to receive an allocation of interest earnings. Interest revenue credited to the general fund during fiscal year 2005 was \$26,680, including \$10,553 assigned from other School District funds.

**TRI-VILLAGE LOCAL SCHOOL DISTRICT
DARKE COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2005
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Restricted Assets

The financial statements classify cash, cash equivalents and investments as restricted when external limitations on their use change the nature or normal understanding of their use. Creditors, contributors, grantors, laws of other governments or enabling legislation are the sources of the restrictions. Restricted cash and investments in the General Fund include amounts State statute requires to be set aside for bus purchases and budget stabilization. See Note 12 for additional information regarding set-asides.

E. Inventory and Prepaid Items

On the modified cash-basis of accounting, inventories of supplies and prepaid items are reported as disbursements when purchased.

F. Capital Assets

Acquisitions of property, plant and equipment are recorded as disbursements when paid. The financial statements do not report these assets.

G. Compensated Absences

In certain circumstances, such as upon leaving employment, employees are entitled to cash payments for unused leave. Unpaid leave is not reflected as a liability under the School District's modified-cash basis of accounting.

H. Long-term Obligations

Bonds and other long-term obligations are not recognized as a liability in the financial statements under the modified cash-basis of accounting. These statements report proceeds of debt when cash is received, and debt service disbursements for debt principal payments.

I. Fund Balance Reserves and Designations

The School District reserves those portions of fund equity which are legally segregated for a specific future use or which are not available for appropriation or expenditure. The School District also designates a portion of fund balance to indicate tentative plans for future financial resource uses that reflect managerial intent. Fund equity reserves have been established for encumbrances, bus purchases and budget stabilization. The reserve for budget stabilization represents Bureau of Workers' Compensation Refunds that are required to be reserved in accordance with State statute.

J. Net Assets

Net assets are reported as restricted when enabling legislation or creditors, grantors or laws or regulations of other governments have imposed limitations on its use. Net Assets restricted by enabling legislation at June 30, 2005, was \$35,675.

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

**TRI-VILLAGE LOCAL SCHOOL DISTRICT
DARKE COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2005
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

K. Interfund Activity

Exchange transactions between funds are reported as receipts in the seller funds and as disbursements in the purchasing funds. Non-exchange flows of cash from one fund to another are reported as interfund transfers. Interfund transfers are reported as other financing sources/uses in governmental funds. Repayments from funds responsible for particular disbursements to the funds that initially paid for them are not presented on the financial statements.

L. Budgetary Data

Ohio law requires all funds, other than agency funds, to be budgeted and appropriated. The major documents prepared are the tax budget, the appropriation resolution and the certificate of estimated resources, which use the budgetary basis of accounting. The tax budget demonstrates a need for existing or increased tax rates. The certificate of estimated resources establishes a limit on the amounts that the Board of Education may appropriate. The appropriation resolution is the Board's authorization to spend resources and sets annual limits on expenditures plus encumbrances at a level of control selected by the Board. The Board of Education uses the object level within each fund and function as its legal level of control.

The certificate of estimated resources may be amended during the fiscal year if the School District Treasurer projects increases or decreases in receipts. The amounts reported as the original budget in the budgetary statements reflect the amounts in the certificate when the original appropriations were adopted. The amounts reported as the final budget in the budgetary statements reflect the amounts in the amended certificate in effect at the time the final appropriations were passed.

The Board may amend appropriations throughout the fiscal year with the restriction that appropriations may not exceed estimated resources. The amounts reported as the original budget reflect the first appropriation for that fund covering the entire fiscal year, including amounts automatically carried over from prior fiscal years. The amounts reported as the final budget represent the final appropriation the Board passed during the fiscal year.

3. LEGAL COMPLIANCE AND ACCOUNTABILITY

The Learn and Serve Special Revenue Fund had a deficit cash balance at June 30, 2005, of \$4,597. This was the result of cash disbursements made prior to the receipt of grant dollars. When grant dollars are received, the deficit will be eliminated.

4. DEPOSITS AND INVESTMENTS

Investment Policies

State statutes require the classification of the monies held by the School 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 School District Treasury, in commercial accounts payable or withdrawable on demand, including negotiable order of withdrawal (NOW) accounts, or in money market deposit accounts.

**TRI-VILLAGE LOCAL SCHOOL DISTRICT
DARKE COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2005
(Continued)**

4. DEPOSITS AND INVESTMENTS (Continued)

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

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

Interim monies are to be deposited or invested in the following securities:

1. United States Treasury Notes, Bills, Bonds, or any other obligation or security issued by the United States Treasury or any other obligation guaranteed as to principal and interest by the United States;
2. Bonds, notes, debentures, or any other obligations or securities issued by any federal government agency or instrumentality, including but not limited to, the Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, Government National Mortgage Association, and Student Loan Marketing Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
3. Written repurchase agreements in the securities listed above provided that the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least two percent and be marked to market daily, and that the term of the agreement must not exceed thirty days;
4. Bonds and other obligations of the State of Ohio;
5. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2) and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions;
6. The State Treasurer's investment pool (STAR Ohio);
7. Certain bankers' acceptances and commercial paper notes for a period not to exceed one hundred eighty days from the purchase date in an amount not to exceed twenty-five percent of the interim monies available for investment at any one time; and,
8. Under limited circumstances, corporate debt interests rated in either of the two highest rating classifications by at least two nationally recognized rating agencies.

A. Deposits

Custodial credit risk is the risk that in the event of bank failure, the government's deposits may not be returned to it. Protection of the School District's cash and deposits is provided by the Federal Deposit Insurance Corporation as well as qualified securities pledged by the institution holding the assets. By law, financial institutions must collateralize all public deposits. The face value of the pooled collateral must equal at least 105 percent of public funds deposited. Collateral is held by trustees including the Federal Reserve Bank and designated third parties of the financial institution.

**TRI-VILLAGE LOCAL SCHOOL DISTRICT
DARKE COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2005
(Continued)**

4. DEPOSITS AND INVESTMENTS (Continued)

At fiscal year-end, the carrying amount of the School District's deposits was \$58,979 and the bank balance was \$86,542. The entire bank balance was covered by federal depository insurance.

B. Investments

The School District investment in STAR Ohio, an investment pool operated by the Ohio State Treasurer, had a fair value of \$1,138,475 at June 30, 2005. Average days to maturity of the STAR Ohio portfolio at June 30, 2005, was 34.98 days.

Interest Rate Risk - The Ohio Revised Code generally limits security purchases to those that mature within five years of the settlement date.

Credit Risk - The School District's investment in STAR Ohio is rated AAAM by Standard & Poor's.

Concentration of Credit Risk - The School District places no limits on the amount the School District may invest in any one issuer. The School District's investments consist solely of investments in STAR Ohio.

5. PROPERTY TAXES

Property taxes are levied and assessed on a calendar year basis while the School District fiscal year runs from July through June. First half tax collections are received by the School 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 School District. Real property tax revenue received in calendar 2005 represents collections of calendar year 2004 taxes. Real property taxes received in calendar year 2005 were levied after April 1, 2004, on the assessed value listed as of January 1, 2004, 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 2005 represents collections of calendar year 2004 taxes. Public utility real and tangible personal property taxes received in calendar year 2005 became a lien December 31, 2003, were levied after April 1, 2004 and are collected in 2005 with real property taxes. Public utility real property is assessed at thirty-five percent of true value; public utility tangible personal property currently is assessed at varying percentages of true value.

Tangible personal property tax revenue received during calendar 2005 (other than public utility property) represents the collection of 2005 taxes. Tangible personal property taxes received in calendar year 2005 were levied after April 1, 2005, on the value as of December 31, 2004. Tangible personal property is currently assessed at twenty-five percent of true value for capital assets and twenty-three 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 School District prior to June 30.

**TRI-VILLAGE LOCAL SCHOOL DISTRICT
DARKE COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2005
(Continued)**

5. PROPERTY TAXES (Continued)

The School District receives property taxes from Darke County. The County Auditor periodically advances to the School District its portion of the taxes collected. Second-half real property tax payments collected by the County by June 30, 2005, are available to finance fiscal year 2005 operations. The amount available to be advanced can vary based on the date the tax bills are sent.

The assessed values upon which the fiscal year 2005 taxes were collected are:

	2004 Second- Half Collections		2005 First- Half Collections	
	Amount	Percent	Amount	Percent
Agricultural/ Residential and Other Real Estate	\$54,057,990	75.9 %	\$55,316,030	74.9 %
Public Utility Personal	15,126,080	21.2	16,611,070	22.5
Tangible Personal Property	2,022,510	2.9	1,888,730	2.6
Total	<u>\$71,206,580</u>	<u>100.0 %</u>	<u>\$73,815,830</u>	<u>100.0 %</u>
Tax rate per \$1,000 of assessed valuation	\$35.03		\$34.91	

6. INCOME TAX

The School District levies a voted tax of one and one-half percent for general operations on the income of residents and of estates. The original one percent tax was effective on January 1, 1991, and is a continuing tax. In May 1999, the voters of the School District approved an increase of one-half percent for a total continuing income tax of one and one-half percent, effective January 1, 2000. Employers of residents are required to withhold income tax on compensation and remit the tax to the State. Taxpayers are required to file an annual return. The State makes quarterly distributions to the School District after withholding amounts for administrative fees and estimated refunds. Income tax revenue is credited to the General Fund.

7. RISK MANAGEMENT

A. Property and Liability

The School 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 2005, the School District participated in the Ohio School Plan for property, fleet coverage, and liability insurance.

Coverage provided is as follows:

Building and Contents – replacement cost (\$1,000 deductible)	\$20,111,189
Crime Insurance	
Employee Dishonesty (per loss coverage, \$1,000 deductible)	25,000
Electronic Data Processing (\$1,000 deductible)	953,770
Automobile Liability	1,000,000
Uninsured/Underinsured Motorists	1,000,000
Education General Liability:	
Bodily Injury and Property Damage - Each Occurrence	1,000,000
Personal and Advertising Injury Limit – each offense	1,000,000
Fire Damage Limit – any one event	500,000
Medical Expense – any one person/each accident	10,000
General Aggregate Limit	3,000,000
Products – Completed Operations Limit	1,000,000

**TRI-VILLAGE LOCAL SCHOOL DISTRICT
DARKE COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2005
(Continued)**

7. RISK MANAGEMENT (Continued)

Employee Benefits Liability:	
Each Offense	1,000,000
Aggregate Limit	3,000,000
Employer's Liability and Stop Gap:	
Each Occurrence	1,000,000
Disease – each employee	1,000,000
Errors and Omissions Liability (\$2,500 deductible):	
Each Occurrence	1,000,000
Aggregate Limit	2,000,000

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 the prior year.

B. Workers' Compensation

For fiscal year 2005, the School District participated in the Southwestern Ohio Educational Purchasing Council Workers' Compensation Group Rating Program (GRP), an insurance purchasing pool (Note 13). The intent of the GRP is to achieve the benefit of a reduced premium for the School District by virtue of its grouping and representation with other participants in the GRP. The workers' compensation experience of the participating school districts is calculated as one experience and a common premium rate is applied to all school districts in the GRP. Each participant pays its workers' compensation premium to the State based on the rate for the GRP rather than its individual rate. Total savings are then calculated and each participant's individual performance is compared to the overall savings percentage of the GRP. A participant will then either receive money from or be required to contribute to the "equity pooling fund." This "equity pooling" arrangement insures that each participant shares equally in the overall performance of the GRP. Participation in the GRP is limited to school districts that can meet the GRP's selection criteria. The firm of Integrated Comp, Inc. provides administrative, cost control and actuarial services to the GRP.

C. Employee Medical Benefits

For fiscal year 2005, the School District participated in the Southwestern Ohio Educational Purchasing Council Medical Benefits Plan (MBP), an insurance purchasing pool (Note 13). The intent of the MBP is to achieve the benefit of reduced health insurance premiums for the School District by virtue of its grouping and representation with other participants in the MBP. The health insurance experience of the participating school districts is calculated and a premium rate is applied to all school districts in the MBP. Each participant pays its health insurance premiums to Southwestern Ohio Educational Purchasing Council Medical Benefits Plan. Participation in the MBP is limited to school districts that can meet the MBP's selection criteria.

8. DEFINED BENEFIT PENSION PLANS

A. School Employees Retirement System

The School District contributes to the School Employees Retirement System (SERS), a cost-sharing multiple-employer defined benefit pension plan. SERS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Authority to establish and amend benefits is provided by Chapter 3309 of the Ohio Revised Code. SERS issues a publicly available, stand-alone financial report that includes financial statements and required supplementary information. That report may be obtained by writing to the School Employees Retirement System, 300 East Broad Street, Suite 100, Columbus, Ohio 43215-3746 or by calling (614) 222-5853.

**TRI-VILLAGE LOCAL SCHOOL DISTRICT
DARKE COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2005
(Continued)**

8. DEFINED BENEFIT PENSION PLANS (Continued)

Plan members are required to contribute 10 percent of their annual covered salary and the School District is required to contribute at an actuarially determined rate. The current School District rate is 14 percent of annual covered payroll. A portion of the School District's contribution is used to fund pension obligations with the remainder being used to fund health care benefits; for fiscal year 2005, 10.57 percent of annual covered salary was the portion used to fund pension obligations. For fiscal year 2004, 9.09 percent of annual covered salary was the portion used to fund pension obligations. The contribution requirements of plan members and employers are established and may be amended, up to a statutory maximum amount, by the SERS' Retirement Board. The School District's required contributions for pension obligations to SERS for the fiscal years ended June 30, 2005, 2004 and 2003 were \$96,940, \$93,236 and \$86,434 respectively; 46 percent has been contributed for fiscal year 2005 and 100 percent for fiscal years 2004 and 2003.

B. State Teachers Retirement System

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

New members have a choice of three retirement plans, a Defined Benefit (DB) Plan, a Defined Contribution (DC) Plan and a Combined Plan. The DC Plan allows members to place all their member contributions and employer contributions equal to 10.5 percent of earned compensation into an investment account. The Combined Plan offers features of the DC Plan and the DB Plan. In the Combined Plan, member contributions are allocated by the member, and employer contributions are used to fund a defined benefit payment at a reduced level from the regular DB plan. Contributions to the DC Plan and the Combined Plan are credited to member accounts as employers submit their payroll information to STRS Ohio, generally on a biweekly basis. 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.

DB Plan Benefits – Benefits are established under Chapter 3307 of the Revised Code. Any member may retire who has (i) five years of service credit and attained age 60; (ii) 25 years of service credit and attained age 55; or (iii) 30 years of service credit regardless of age. The annual retirement allowance, payable for life, is the greater of the "formula benefit" or the "money-purchase benefit" calculation. Under the "formula benefit," the retirement allowance is based on years of credited service and final average salary, which is the average of the member's three highest salary years. The annual allowance is calculated by using a base percentage of 2.2% multiplied by the total number of years of service credit (including Ohio-valued purchased credit) times the final average salary. The 31st year of Ohio service credit is calculated at 2.5%. An additional one-tenth of a percent is added to the calculation for every year of earned Ohio service over 31 years (2.6% for 32 years, 2.7% for 33 years and so on) until 100% of final average salary is reached. For members with 35 or more years of Ohio contributing service, the first 30 years will be calculated at 2.5% instead of 2.2%. Under the "money-purchase benefit" calculation, a member's lifetime contributions plus interest at specified rates are matched by an equal amount from other STRS Ohio funds. This total is then divided by an actuarially determined annuity factor to determine the maximum annual retirement allowance.

**TRI-VILLAGE LOCAL SCHOOL DISTRICT
DARKE COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2005
(Continued)**

8. DEFINED BENEFIT PENSION PLANS (Continued)

DC Plan Benefits – Benefits are established under Sections 3307.80 to 3307.89 of the Revised Code. For members who select the DC plan, all member contributions and employer contributions at a rate of 10.5% are placed in an investment account. The member determines how to allocate the member and employer money among various investment choices. A member is eligible to receive a retirement benefit at age 50 and termination of employment. The member may elect to receive a lifetime monthly annuity or a lump-sum withdrawal. Employer contributions into member's accounts are vested after the first anniversary of the first day of paid service. 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.

Combined Plan Benefits – Member contributions are allocated by the member, and employer contributions are used to fund a defined benefit payment. A member's defined benefit is determined by multiplying 1% of the member's final average salary by the member's years of service credit. The defined benefit portion of the Combined Plan payment is payable to a member on or after age 60. The defined contribution portion of the account may be taken as a lump sum or converted to a lifetime monthly annuity at age 50.

A retiree of STRS Ohio or another Ohio public retirement system is eligible for reemployment as a teacher following the elapse of two months from the date of retirement. Contributions are made by the reemployed member and employer during reemployment. Upon termination of reemployment or age 65, whichever comes later, the retiree is eligible for a money-purchase benefit or a lump-sum payment in addition to the original retirement allowance.

Benefits are increased annually by 3% of the original base amount for Defined Benefit Plan participants.

The Defined Benefit and Combined Plans offer access to health care coverage to eligible retirees who participated in the plans and their eligible dependents. Coverage under the current program includes hospitalization, physicians' fees, prescription drugs and partial reimbursement of Medicare Part B premiums. By Ohio law, health care benefits are not guaranteed.

A Defined Benefit 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 members who die before retirement may qualify for survivor benefits. A death benefit of \$1,000 is payable to the beneficiary of each deceased member who participated in the Defined Benefit Plan. Death benefit coverage up to \$2,000 can be purchased by participants in the DB, DC or Combined Plans. Various other benefits are available to members' beneficiaries.

For the fiscal year ended June 30, 2005, plan members were required to contribute 10 percent of their annual covered salaries. The School District was required to contribute 14 percent; 13 percent was the portion used to fund pension obligations. Contribution rates are established by the State Teachers Retirement Board, upon recommendations of its consulting actuary, not to exceed statutory maximum rates of 10 percent for members and 14 percent for employers. Chapter 3307 of the Ohio Revised Code provides statutory authority for member and employer contributions.

The School District's required contributions for pension obligations to the DB Plan for the fiscal years ended June 30, 2005, 2004, and 2003 were \$382,460, \$393,846, and \$371,240 respectively; 83 percent has been contributed for fiscal year 2005 and 100 percent for fiscal years 2004 and 2003.

**TRI-VILLAGE LOCAL SCHOOL DISTRICT
DARKE COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2005
(Continued)**

9. POSTEMPLOYMENT BENEFITS

The School District provides comprehensive health care benefits to retired teachers and their dependents through the State Teachers Retirement System of Ohio (STRS Ohio), and to retired non-certified employees and their dependents through the School Employees Retirement System (SERS). Benefits include hospitalization, physicians' fees, prescription drugs and partial reimbursement of monthly Medicare Part B premiums. Pursuant to the Revised Code (R.C.), the State Teachers Retirement Board (the Board) has discretionary authority over how much, if any, of the associated health care costs will be absorbed by STRS Ohio. All benefit recipients pay a portion of the health care costs in the form of a monthly premium.

The R.C. grants authority to STRS Ohio to provide health care coverage to eligible benefit recipients, spouses and dependents. By Ohio law, health care benefits are not guaranteed and the cost of the coverage paid from STRS Ohio funds shall be included in the employer contribution rate, currently 14% of covered payroll. For the fiscal years ended June 30, 2005, and June 30, 2004, the STRS Ohio Board allocated employer contributions equal to 1 percent of covered payroll to the Health Care Stabilization Fund. For the School District, this amount equaled \$29,420 for fiscal year 2005.

STRS Ohio pays health care benefits from the Health Care Stabilization Fund. At June 30, 2005, the balance in the Fund was \$3.3 billion. For the year ended June 30, 2005, net health care costs paid by STRS Ohio were \$254,780,000 and STRS Ohio had 115,395 eligible benefit recipients.

For SERS, coverage is made available to service retirees with ten or more years of qualifying service credit, and to disability and survivor benefit recipients. 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.

After the allocation for basic benefits, the remainder of the employer's 14 percent contribution is allocated to providing health care benefits. For the fiscal year ended June 30, 2005, employer contributions to fund health care benefits were 3.43 percent of covered payroll, a decrease from 4.91 percent in fiscal year 2004. In addition, SERS levies a surcharge to fund health care benefits equal to 14 percent of the difference between a minimum pay and the member's pay, pro-rated for partial service credit. For fiscal year 2005, the minimum pay was established at \$27,400. For the School District, the amount contributed to fund health care benefits, including the surcharge, during the 2005 fiscal year equaled \$48,808.

The surcharge, added to the unallocated portion of the 14 percent employer contribution rate, provides for maintenance of the asset target level for the health care fund. Health care benefits are financed on a pay-as-you-go basis. The target level for the health care reserve is 150 percent of the annual health care expenses. Expenses for health care for the fiscal year ended June 30, 2005, were \$178,221,113. At June 30, 2005, SERS had net assets available for payment of health care benefits of \$267.5 million, which is about 168% of next years projected net health care costs of \$158,776,151. SERS has approximately 58,123 participants currently receiving health care benefits.

10. LEASES

During fiscal year 2003, the School District entered into a lease-purchase agreement for the renovation and construction of additions to the high school that began in fiscal year 2004. The School District is leasing the project additions from the Columbus Regional Airport Authority. The Columbus Regional Airport Authority assigned National City Bank as trustee, transferring rights, title, and interest in the project to the trustee.

**TRI-VILLAGE LOCAL SCHOOL DISTRICT
DARKE COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2005
(Continued)**

10. LEASES (Continued)

During fiscal year 2002, the School District entered into a lease-purchase agreement for the renovation and construction of the additions to the high school. The School District is leasing the project site from Rickenbacker Port Authority. Rickenbacker Port Authority assigned National City bank as trustee, transferring rights, title, and interest in the project to the trustee. The School District is acting as an agent for the lessor and is constructing the facilities and improvements from the proceeds provided by the lessor for both of the above leases.

As part of the agreements, National City Bank deposited \$1,221,000 and \$630,000, respectively, with a fiscal agent for the building lease. The School District will make semi-annual lease payments to National City Bank for both of the above leases. The leases are renewable annually and expire in fiscal year 2032. The intention of the School District is to renew the leases annually.

The lease payments have been classified as debt service expenditures in the financial statements in the General Fund. These expenditures amounted to \$128,793.

The following is a schedule of the future minimum lease payments required under the lease and the present value of the minimum lease payments as of June 30, 2005:

Year ending June 30:	Amount
2006	\$ 128,186
2007	128,379
2008	128,584
2009	127,423
2010	128,409
2011-2015	634,619
2016-2020	627,711
2021-2025	617,282
2026-2030	604,616
2031-2032	238,576
Total	3,363,785
Less: Amount Representing Interest	(1,591,785)
Present Value of Minimum Lease Payments	\$1,772,000

11. LONG-TERM LIABILITIES

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

	Principal Outstanding 6/30/04	Additions	Reductions	Principal Outstanding 6/30/05	Amounts Due in One Year
Governmental Activities					
General Obligation Bonds:					
1988 School Improvement Bonds	\$310,000	\$0	\$40,000	\$270,000	\$45,000
2001 School Improvement Bonds	5,315,000	0	165,000	5,150,000	175,000
Total Governmental Activities					
Long-Term Liabilities	\$5,625,000	\$0	\$205,000	\$5,420,000	\$220,000

School Improvement Bonds were issued February 1, 1988, in the amount of \$910,000, for the purpose of school improvements. The bonds interest rate is 7.25%. The bonds will mature December 1, 2010, and will be retired from the Bond Retirement Debt Service Fund.

**TRI-VILLAGE LOCAL SCHOOL DISTRICT
DARKE COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2005
(Continued)**

11. LONG-TERM LIABILITIES (Continued)

The School Facilities Construction and Improvement Bonds were issued April 10, 2001, for the purpose of constructing additions to and renovating and improving the existing junior-senior high school and to house grades k-12, including multi-purpose facilities for school and community use, along with health and safety upgrades and improving access for the disabled. The original bond issue was for \$5,710,000. The interest rate on the bonds is 3.40%-5.80%. The bonds will mature December 1, 2023, and will be retired from the Bond Retirement Debt Service Funds.

At June 30, 2005, the School District's overall legal debt margin was \$1,463,096 with an unvoted debt margin of \$73,816. Principal and interest requirements to retire long-term liabilities outstanding at June 30, 2005, are as follows:

<u>Fiscal Year Ending June 30</u>	<u>General Obligation Bonds</u>		<u>Total</u>
	<u>Principal</u>	<u>Interest</u>	
2006	\$220,000	\$268,103	\$488,103
2007	225,000	257,871	482,871
2008	235,000	247,114	482,114
2009	240,000	235,861	475,861
2010	250,000	224,045	474,045
2011 – 2015	1,215,000	937,081	2,152,081
2016 – 2020	1,525,000	577,856	2,102,856
2021 – 2023	1,510,000	158,476	1,668,476
Total	<u>\$5,420,000</u>	<u>\$2,906,407</u>	<u>\$8,326,407</u>

12. SET-ASIDE CALCULATIONS

State statute annually requires the School District set aside in the general fund an amount based on a statutory formula to purchase textbooks and other instructional materials and an equal amount to acquire and construct capital improvements. Amounts not spent by fiscal year-end or offset by similarly restricted resources received during the fiscal year must be held in cash at fiscal year-end and carried forward to be used for the same purposes in future fiscal years. The amount reserved for budget stabilization represents refunds received from the Bureau of Workers' Compensation. Based on legislative changes, this is the only money still required to be set aside for this purpose.

The following cash basis information describes the change in the fiscal year-end set-aside amounts for textbooks, capital acquisition and budget stabilization. State statute requires disclosing this information.

	<u>Budget Stabilization</u>	<u>Textbooks & Instructional Materials</u>	<u>Capital Improvements</u>
Set-aside Reserve Balance as of June 30, 2004	\$21,013	(\$90,951)	(\$7,433,370)
Current Year Set-aside Requirement	0	114,083	114,083
Current Year Offsets	0	0	(39,521)
Qualifying Disbursements	0	(57,989)	(8,450)
Total	<u>\$21,013</u>	<u>(\$34,857)</u>	<u>(\$7,367,258)</u>
Total Set-aside Carried Forward to Future Years	<u>\$21,013</u>	<u>(\$34,857)</u>	<u>(\$7,367,258)</u>

**TRI-VILLAGE LOCAL SCHOOL DISTRICT
DARKE COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2005
(Continued)**

12. SET-ASIDE CALCULATIONS (Continued)

The School District had offsets and qualifying disbursements during the fiscal year that reduced the capital improvements and textbooks and instructional materials set-aside amounts below zero. These extra amounts may be used to reduce the set-aside requirement of future fiscal years. Although the School District had qualifying disbursements during the fiscal year that reduced the set-aside amount below zero for the capital improvement set-aside, the negative amount can only be carried forward to the extent of proceeds from capital lease, Classroom Facilities Special Revenue Fund receipts and Capital Improvement Fund property tax receipts.

13. JOINTLY GOVERNED ORGANIZATIONS, RELATED ORGANIZATION AND INSURANCE PURCHASING POOLS

A. Jointly Governed Organizations

Metropolitan Dayton Education Cooperative Association – The School District is a participant in the Metropolitan Dayton Educational Cooperative Association (MDECA), which is a computer consortium. MDECA is an association of public school districts within the boundaries of Montgomery, Miami, and Darke Counties and the Cities of Dayton, Troy and Greenville. The organization was formed for the purpose of applying modern technology with the aid of computers and other electronic equipment to administrative and instructional functions among member school districts.

The governing board of MDECA consists of seven Superintendents of member school districts, with six of the Superintendents elected by majority vote of all member school districts except Montgomery County Educational Service Center. The seventh Superintendent is from the Montgomery County Educational Service Center. The School District paid MDECA \$29,593 for services provided during the fiscal year. Financial information can be obtained from Jerry Woodyard, who serves as Director, at 225 Linwood Street, Dayton, Ohio 45405.

Southwestern Ohio Education Purchasing Council - The Southwestern Ohio Educational Purchasing Council (SOEPC) is a purchasing cooperative made up of 123 school districts in 18 counties. The purpose of the cooperative is to obtain prices for quality merchandise and services commonly used by schools. All member districts are obligated to pay all fees, charges, or other assessments as established by the SOEPC. Each member district has one voting representative. Title to any and all equipment, furniture and supplies purchased by the SOEPC is held in trust for the member districts. Any district withdrawing from the SOEPC shall forfeit its claim to any and all SOEPC assets. One year prior notice is necessary for withdrawal from the group.

During this time, the withdrawing member is liable for all member obligations. Payments to SOEPC are made from the general fund. During fiscal year 2005, the School District paid \$43,265 to SOEPC. To obtain financial information, write to the Southwestern Ohio Educational Purchasing Council, Ken Swink, who serves as Director, at 303 Corporate Center Drive, Suite 208, Vandalia, OH 45377.

**TRI-VILLAGE LOCAL SCHOOL DISTRICT
DARKE COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2005
(Continued)**

**13. JOINTLY GOVERNED ORGANIZATIONS, RELATED ORGANIZATION AND INSURANCE
PURCHASING POOLS (Continued)**

Southwestern Ohio Instructional Technology Association - The Southwestern Ohio Instructional Technology Association (SOITA) is a not-for-profit corporation. The purpose of the corporation is to serve the educational needs of the area through television programming for the advancement of educational programs. The Board of Trustees is comprised of twenty-three representatives of SOITA member schools or institutions. Twenty-one representatives are elected from within the counties by the qualified members within the counties, i.e., Auglaize, Brown, Butler, Champaign, Clark, Clermont, Clinton, Darke, Fayette, Greene, Hamilton, Logan, Mercer, Miami, Montgomery, Preble, Shelby, and Warren. Montgomery, Greene and Butler Counties elect two representatives per area. All others elect one representative per area. One at-large non-public representative is elected by the non-public school SOITA members in the State-assigned SOITA service area representative. One at-large higher education representative is elected by higher education SOITA members from within the State-assigned SOITA service area.

All member districts are obligated to pay all fees, charges, or other assessments as established by the SOITA. Upon dissolution, the net assets shall be distributed to the federal government, or to a state or local government, for a public purpose. Payments to SOITA are made from the general fund. During fiscal year 2005, the School District paid \$2,285 to SOITA. To obtain financial information, write to the Southwestern Ohio Instructional Technology Association, Dave Gibson, who serves as Director, at 150 East Sixth Street, Franklin, Ohio 45005.

B. Related Organization

New Madison Public Library – The New Madison Public Library is a distinct political subdivision of the State of Ohio created under Chapter 3375 of the Ohio Revised Code. The Library is governed by a Board of Trustees appointed by the Tri-Village Local School District Board of Education. The Board of Trustees possesses its own contracting and budgeting authority, hires and fires personnel and does not depend on the School District for operational subsidies. Although the School District does serve as the taxing authority and may issue tax related debt on behalf of the Library, its role is limited to a ministerial function. The determination to request approval of a tax, the rate, and the purpose are discretionary decisions made solely by the Board of Trustees. The School District did not make any contributions to the New Madison Public Library during fiscal year 2005. Financial information can be obtained from the New Madison Public Library, Kathryn William, Clerk/Treasurer, at 142 South Main, New Madison, Ohio 45306.

C. Insurance Purchasing Pools

Southwestern Ohio Educational Purchasing Council Workers' Compensation Group Rating Plan - The School District participates in the Southwestern Ohio Education Purchasing Council Workers' Compensation Group Rating Plan (GRP), an insurance purchasing pool. The GRP's business and affairs are conducted by an eleven member Executive Committee consisting of the Chairperson, the Vice-Chairperson, a representative from the Montgomery County Educational Service Center and eight other members elected by majority vote of all member school districts. The Chief Administrator of GRP serves as the coordinator of the program. Each fiscal year, the participating school districts pay an enrollment fee to the GRP to cover the costs of administering the program.

Southwestern Ohio Educational Purchasing Council Medical Benefits Plan – The School District participates in the Southwestern Ohio Educational Purchasing Council Medical Benefits Plan (MBP). The MBP's business and affairs are conducted by an sixn member committee consisting of various EPC representatives that are elected by the general assembly. Either the superintendent or treasurer from each participating school district serves on the general assembly. Each fiscal year, the participating school districts pay an enrollment fee to the MBP to cover the costs of administering the program.

**TRI-VILLAGE LOCAL SCHOOL DISTRICT
DARKE COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2005
(Continued)**

13. JOINTLY GOVERNED ORGANIZATIONS, RELATED ORGANIZATION AND INSURANCE PURCHASING POOLS (Continued)

Ohio School Plan – The School District participates in the Ohio School Plan, an insurance purchasing pool. The Ohio School Plan (OSP) is created and organized pursuant to and as authorized by Section 2744.081 of the Ohio Revised Code. The OSP is an unincorporated, non-profit association of its members and an instrumentality for each member for the purpose of enabling members of the Plan to provide for a formalized, joint insurance purchasing program to maintain adequate insurance protection, risk management programs and other administrative services. The OSP's business and affairs are conducted by a fifteen member Board of Directors consisting of school district superintendents and treasurers, as well as the president of Harcum-Hyre Insurance Agency, Inc. and a partner of the Hylant Group, Inc. Hylant Group, Inc. is the Administrator of the OSP and is responsible for processing claims. Harcum-Hyre Insurance Agency, Inc. is the sales and marketing representative, which establishes agreements between OSP and member schools

14. CONTINGENCIES

A. Grants

The School District receives financial assistance from federal and State agencies in the form of grants. Disbursing grant funds generally requires compliance with terms and conditions specified in the grant agreements and are subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the general fund or other applicable funds. However, in the opinion of management, any such disallowed claims will not have a material adverse effect on the overall financial position of the School District at June 30, 2005.

B. Litigation

There are currently no matters in litigation with the School District as defendant.

15. CHANGE IN ACCOUNTING PRINCIPLES AND RESTATEMENT OF FUND BALANCE

For fiscal year 2005, the School District changed its method of accounting for financial reporting from a basis of accounting formerly prescribed for school districts by the Auditor of State to a modified cash basis. This basis of accounting is similar to the cash receipts and disbursements basis. The School District recognizes revenues when received in cash rather than when earned and recognizes expenditures when paid rather than when a liability is incurred.

**TRI-VILLAGE LOCAL SCHOOL DISTRICT
DARKE COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2005
(Continued)**

**15. CHANGE IN ACCOUNTING PRINCIPLES AND RESTATEMENT OF FUND BALANCE
(Continued)**

The financial statements now include government-wide financial statements presented on a modified cash basis and fund financial statements which present information for individual major funds rather than by fund type. Non-major funds are presented in one column. The government-wide financial statements combine the governmental activities into one column. The beginning net asset amount for governmental programs reflects the governmental fund balances for governmental funds at June 30, 2004

Also for fiscal year 2005, the food service and uniform school supplies enterprise funds were reclassified to special revenue funds and are considered non-major funds. These changes reduced proprietary fund net assets from \$46,559 to \$0 and increased fund balance of governmental funds \$46,559, from \$1,503,136 to \$1,549,695.

16. BUDGETARY BASIS OF ACCOUNTING

While the School District is reporting financial position, results of operations and changes in fund balance on the modified cash basis, the budgetary basis as provided by law is based upon accounting for certain transactions on a basis of cash receipts, disbursements and encumbrances. The Statement of Receipts, Disbursements and Changes in Fund Balances - Budget and Actual – Budget Basis presented for the general fund is presented on the budgetary basis to provide a meaningful comparison of actual results with the budget. The difference between the budget basis and modified cash basis is encumbrances are treated as expenditures (budget) rather than as a reservation of fund balance (modified cash).

The following table summarizes the adjustments necessary to reconcile the modified cash basis statements to the budgetary basis statements for the general fund.

Net Change in Fund Balance	
Modified Cash Basis	\$ 4,557
Adjustment for Encumbrances	<u>(39,842)</u>
Budget Basis	<u><u>(\$35,285)</u></u>



Mary Taylor, CPA

Auditor of State

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

Tri-Village Local School District
Darke County
P.O. Box 31
New Madison, Ohio 45346

To the Board of Education:

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Tri-Village Local School District, Darke County, (the District), as of and for the years ended June 30, 2006 and 2005, which collectively comprise the District's basic financial statements and have issued our report thereon dated March 14, 2007, wherein, we noted the District uses a comprehensive basis of accounting other than generally accepted accounting principles. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the District's internal control over financial reporting to determine our auditing procedures in order to express our opinion on the financial statements and not to opine on the internal control over financial reporting. Our consideration of the internal control would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts material to the financial statements we audited may occur and not be timely detected by employees when performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider material weaknesses.

Compliance and Other Matters

As part of reasonably assuring whether the District's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express an opinion. The results of our tests disclosed an instance of noncompliance or other matter that we must report under *Government Auditing Standards* which is described in the accompanying schedule of findings as item 2006-001.

One First National Plaza / 130 W. Second St. / Suite 2040 / Dayton, OH 45402
Telephone: (937) 285-6677 (800) 443-9274 Fax: (937) 285-6688
www.auditor.state.oh.us

Tri-Village Local School District
Darke County
Independent Accountants' Report on Internal Control Over
Financial Reporting and on Compliance and Other Matters
Required by *Government Auditing Standards*

We intend this report solely for the information and use of the audit committee, management, and Board of Education. It is not intended for anyone other than these specified parties.

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

Mary Taylor, CPA
Auditor of State

March 14, 2007

**TRI-VILLAGE LOCAL SCHOOL DISTRICT
DARKE COUNTY**

**SCHEDULE OF FINDINGS
FOR THE FISCAL YEAR ENDED JUNE 30, 2006 AND JUNE 30, 2005**

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

FINDING NUMBER 2006-001

MATERIAL NONCOMPLIANCE

Ohio Rev. Code Section 117.38 provides that each public office shall file a financial report for each fiscal year. The Auditor of State may prescribe forms by rule or may issue guidelines, or both, for such reports. If the auditor of state has not prescribed a rule regarding the form for the report, the public office shall submit its report on the form utilized by the public office. Ohio Administrative Code Section 117-2-03 further clarifies the requirements of Ohio Rev. Code Section 117.38.

Ohio Admin Code Section 117-2-03 (B) requires the District to prepare its annual financial report in accordance with generally accepted accounting principles (GAAP). However, the School District prepared its financial statements in accordance with standards established by the Auditor of State for governmental entities not required to prepare annual reports in accordance with generally accepted accounting principles. The accompanying financial statements omit assets, liabilities, fund equities, and disclosures that, while material, cannot be determined at this time. Pursuant to Ohio Rev. Code Section 117.38 the District may be fined and subject to various other administrative remedies for its failure to file the required financial report.

The Tri-Village Local School District should prepare their financial statements in accordance with GAAP

Officials Response:

Due to the cost of a GAAP conversion, the cost associated with the state auditors reviewing the GAAP report, and tight budget restraints, the Tri-Village Board of Education has chosen to prepare their financial statements using another comprehensive basis of accounting (OCBOA).



Mary Taylor, CPA
Auditor of State

TRI-VILLAGE LOCAL SCHOOL DISTRICT

DARKE COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
APRIL 19, 2007**