

**TUSCARAWAS VALLEY LOCAL SCHOOL DISTRICT
TUSCARAWAS COUNTY**

SINGLE AUDIT

FOR THE YEAR ENDED JUNE 30, 2006



Mary Taylor, CPA
Auditor of State

**TUSCARAWAS VALLEY LOCAL SCHOOL DISTRICT
TUSCARAWAS COUNTY**

TABLE OF CONTENTS

TITLE	PAGE
Independent Accountants' Report.....	1
Management's Discussion and Analysis.....	3
Basic Financial Statements:	
Government-Wide Financial Statements:	
Statement of Net Assets.....	17
Statement of Activities.....	18
Fund Financial Statements:	
Balance Sheet	
Governmental Funds	20
Reconciliation of Total Governmental Fund Balances to Net Assets of Governmental Activities.....	21
Statement of Revenues, Expenditures and Changes in Fund Balances Governmental Funds	22
Reconciliation of the Statement of Revenues, Expenditures and changes in Fund Balances of Governmental Funds to the Statement of Activities	23
Statement of Revenues, Expenditures and Changes in Fund Balance – Budget (Non-GAAP Budgetary Basis) and Actual General Fund.....	24
Statement of Net Assets Proprietary Funds	25
Statement of Revenues, Expenses and Changes in Fund Net Assets Proprietary Funds	26
Statement of Cash Flows Proprietary Funds	27
Statement of Fiduciary Net Assets Fiduciary Funds	28
Notes to the Basic Financial Statements	29
Federal Awards Receipts and Expenditures Schedule.....	59
Notes to the Federal Awards Receipts and Expenditures Schedule	60
Independent Accountants' Report on Internal Control over Financial Reporting and on Compliance and Other Matters Required by <i>Government Auditing Standards</i>	61

**TUSCARAWAS VALLEY LOCAL SCHOOL DISTRICT
TUSCARAWAS COUNTY**

**TABLE OF CONTENTS
(CONTINUED)**

TITLE	PAGE
Independent Accountants' Report on Compliance with Requirements Applicable to Each Major Federal Program and on Internal Control Over Compliance in Accordance with OMB Circular A-133	63
Schedule of Findings.....	65



Mary Taylor, CPA

Auditor of State

INDEPENDENT ACCOUNTANTS' REPORT

Tuscarawas Valley Local School District
Tuscarawas County
2637 Tuscarawas Valley Road NE
Zoarville, Ohio 44656-2213

To the Board of Education:

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Tuscarawas Valley Local School District, Tuscarawas County, Ohio, (the District) as of and for the year ended June 30, 2006, which collectively comprise the District's basic financial statements as listed in the Table of Contents. These financial statements are the responsibility of the District's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Tuscarawas Valley Local School District, Tuscarawas County, Ohio, as of June 30, 2006, and the respective changes in financial position and cash flows, where applicable, thereof and the budgetary comparison for the General Fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated January 22, 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 accounting principles generally accepted in the United States of America requires. We have applied certain limited procedures, consisting principally of inquiries of management regarding the methods of measuring and presenting the required supplementary information. However, we did not audit the information and express no opinion on it.

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

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

Mary Taylor, CPA
Auditor of State

January 22, 2007

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

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

The discussion and analysis of Tuscarawas Valley Local School District's (the "District") financial performance provides an overall review of the District's financial activities for the fiscal year ended June 30, 2006. The intent of this discussion and analysis is to look at the District's financial performance as a whole; readers should also review the basic financial statements and the notes to the basic financial statements to enhance their understanding of the District's financial performance.

Financial Highlights

Key financial highlights for 2006 are as follows:

- In total, net assets increased \$1,136,445. Net assets of governmental activities increased \$1,137,203, which represents a 37.52% increase from 2005. Net assets of business-type activities decreased \$758 or 2.15% from 2005.
- General revenues accounted for \$12,352,095 in revenue or 91.25% of all governmental activity revenues. Program specific revenues in the form of charges for services and sales, grants and contributions accounted for \$1,184,259 or 8.75% of total governmental activity revenues of \$13,536,354.
- The District had \$12,399,151 in expenses related to governmental activities; \$1,184,259 of these expenses were offset by program specific charges for services, grants or contributions. General revenues supporting governmental activities (primarily taxes and unrestricted grants and entitlements) of \$12,352,095 were used to provide for these programs.
- The District's major governmental funds are the general fund and debt service fund. The general fund had \$12,065,652 in revenues and other financing sources and \$11,772,756 in expenditures. The fund balance of the general fund increased from \$980,289 to \$1,263,391.
- The debt service fund had \$736,075 in revenues and \$681,618 in expenditures. The fund balance of the debt service fund increased from \$555,464 to \$609,921.
- Net assets for the District's business-type activities decreased \$758 or 2.15%. The food service and uniform school supplies funds net assets deficit increased from \$35,269 to \$36,027 on expenses of \$594,252 versus revenues (both operating and non-operating) of \$593,494.

Using this Financial Report

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

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

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

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

Reporting the District as a Whole

Statement of Net Assets and the Statement of Activities

While this document contains the large number of funds used by the District to provide programs and activities, the view of the District as a whole looks at all financial transactions and asks the question, "How did we do financially during 2006?" The Statement of Net Assets and the Statement of Activities answer this question. These statements include *all non-fiduciary assets, liabilities, revenues and expenses* using the *accrual basis of accounting* similar to the accounting used by most private-sector companies. This basis of accounting will take into account all of the current year's revenues and expenses regardless of when cash is received or paid.

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

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

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

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

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

Reporting the District's Most Significant Funds

Fund Financial Statements

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

Governmental Funds

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

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

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

Proprietary Funds

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

Reporting the District's Fiduciary Responsibilities

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

Notes to the Basic Financial Statements

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

The District as a Whole

The Statement of Net Assets provides the perspective of the District as a whole. The table below provides a summary of the District's net assets for 2006 and 2005.

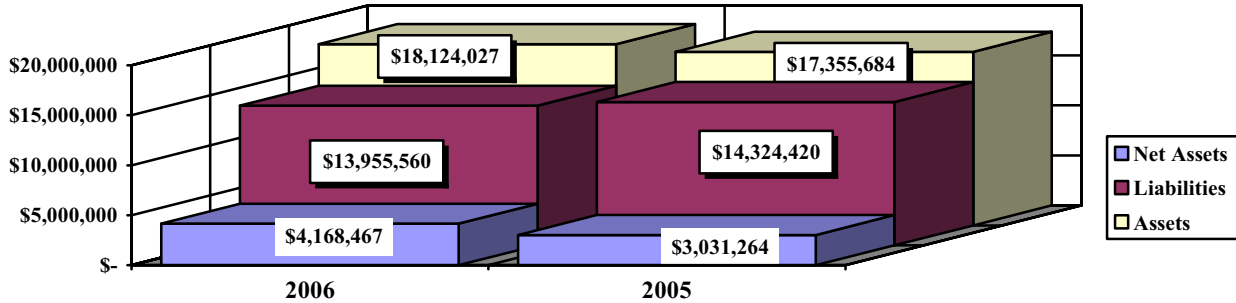
	Net Assets					
	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Total</u>	
	<u>2006</u>	<u>2005</u>	<u>2006</u>	<u>2005</u>	<u>2006</u>	<u>2005</u>
<u>Assets</u>						
Current assets	\$ 10,804,706	\$ 10,074,164	\$ (17,117)	\$ 17,715	\$ 10,787,589	\$ 10,091,879
Capital assets	<u>7,319,321</u>	<u>7,281,520</u>	<u>55,400</u>	<u>60,076</u>	<u>7,374,721</u>	<u>7,341,596</u>
Total assets	<u>18,124,027</u>	<u>17,355,684</u>	<u>38,283</u>	<u>77,791</u>	<u>18,162,310</u>	<u>17,433,475</u>
<u>Liabilities</u>						
Current liabilities	6,985,653	7,128,700	55,527	65,245	7,041,180	7,193,945
Long-term liabilities	<u>6,969,907</u>	<u>7,195,720</u>	<u>18,783</u>	<u>47,815</u>	<u>6,988,690</u>	<u>7,243,535</u>
Total liabilities	<u>13,955,560</u>	<u>14,324,420</u>	<u>74,310</u>	<u>113,060</u>	<u>14,029,870</u>	<u>14,437,480</u>
<u>Net Assets</u>						
Invested in capital assets, net of related debt	2,499,315	2,095,619	55,400	60,076	2,554,715	2,155,695
Restricted	887,825	794,247	-	-	887,825	794,247
Unrestricted	<u>781,327</u>	<u>141,398</u>	<u>(91,427)</u>	<u>(95,345)</u>	<u>689,900</u>	<u>46,053</u>
Total net assets	<u>\$ 4,168,467</u>	<u>\$ 3,031,264</u>	<u>\$ (36,027)</u>	<u>\$ (35,269)</u>	<u>\$ 4,132,440</u>	<u>\$ 2,995,995</u>

Total governmental activities net assets increased by \$1,137,203 due primarily to an overall decrease in long-term obligations.

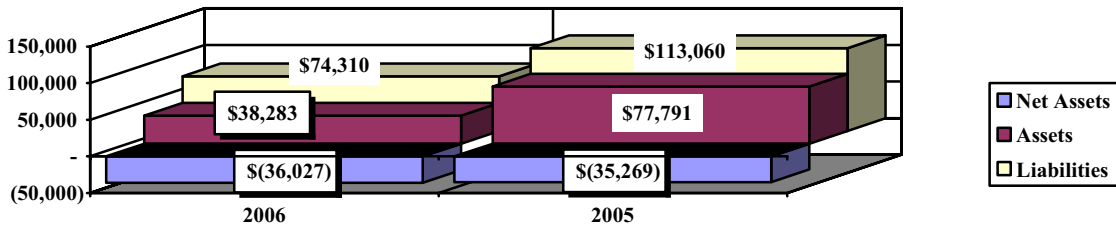
**TUSCARAWAS VALLEY LOCAL SCHOOL DISTRICT
TUSCARAWAS COUNTY, OHIO**

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

Governmental - Net Assets



Business-Type - Net Assets



The table below shows the changes in net assets for fiscal years 2006 and 2005.

Change in Net Assets

	Governmental Activities		Business-Type Activities		Total	
	2006	2005	2006	2005	2006	2005
Revenues						
Programs revenues:						
Charges for services and sales	\$ 539,158	\$ 452,190	\$ 451,936	\$ 409,252	\$ 991,094	\$ 861,442
Operating grants and contributions	645,101	647,409	141,558	124,082	786,659	771,491
Capital grants and contribution	-	16,590	-	-	-	16,590
General revenues:						
Property taxes	5,981,950	5,195,660	-	-	5,981,950	5,195,660
Grants and entitlements	6,184,719	6,198,956	-	-	6,184,719	6,198,956
Investment earnings	139,662	59,709	-	-	139,662	59,709
Miscellaneous	45,764	9,270	-	-	45,764	9,270
Total revenues	13,536,354	12,579,784	593,494	533,334	14,129,848	13,113,118

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

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

	Governmental Activities		Business-Type Activities		Total	
	2006	2005	2006	2005	2006	2005
Expenses						
Program expenses:						
Instruction:						
Regular	\$ 5,722,498	\$ 5,721,431	\$ -	\$ -	\$ 5,722,498	\$ 5,721,431
Special	739,484	697,186	-	-	739,484	697,186
Vocational	132,945	124,976	-	-	132,945	124,976
Other	110,223	-	-	-	110,223	-
Support services:						
Pupil	541,663	540,416	-	-	541,663	540,416
Instructional staff	778,559	747,277	-	-	778,559	747,277
Board of education	28,383	31,912	-	-	28,383	31,912
Administration	1,048,740	946,804	-	-	1,048,740	946,804
Fiscal	343,413	309,600	-	-	343,413	309,600
Business	149	-	-	-	149	-
Operations and maintenance	1,175,766	1,116,978	-	-	1,175,766	1,116,978
Pupil transportation	928,179	884,971	-	-	928,179	884,971
Central	42,603	32,145	-	-	42,603	32,145
Operation of non-instructional services	22,543	22,416	-	-	22,543	22,416
Extracurricular activities	415,516	401,204	-	-	415,516	401,204
Interest and fiscal charges	368,487	379,485	-	-	368,487	379,485
Food service	-	-	529,363	536,341	529,363	536,341
Uniform school supplies	-	-	64,889	63,186	64,889	63,186
Total expenses	12,399,151	11,956,801	594,252	599,527	12,993,403	12,556,328
Changes in net assets before transfers	1,137,203	622,983	(758)	(66,193)	1,136,445	556,790
Transfers	-	(65,406)	-	65,406	-	-
Changes in net assets	1,137,203	557,577	(758)	(787)	1,136,445	556,790
Net assets at beginning of year	3,031,264	2,473,687	(35,269)	(34,482)	2,995,995	2,439,205
Net assets at end of year	\$ 4,168,467	\$ 3,031,264	\$ (36,027)	\$ (35,269)	\$ 4,132,440	\$ 2,995,995

Governmental Activities

Net assets of the District's governmental activities increased by \$1,137,203. Total governmental expenses of \$12,399,151 were offset by program revenues of \$1,184,259, and general revenues of \$12,352,095. Program revenues supported 9.55% of the total governmental expenses.

The primary sources of revenue for governmental activities are derived from property taxes and grants and entitlements. These two revenue sources represent 89.88% of total governmental revenue. Real estate property is reappraised every six years. Although recent growth has had a positive effect on the District's tax base, the full tax revenue impact has not been realized due to H.B. 920. This state law, enacted in 1976, does not allow for revenue increases caused by inflationary growth of real property values. Increases in valuation prompt corresponding annual reductions in the "effective millage", the tax rates applied to real property. H.B. 920 also provided a "floor" of 20 mills to which "effective millage" would not be reduced below. The District is at the 20 mill floor for Residential Real Estate Tax. Thus, although District tax valuation continues to grow, this built-in revenue limitation is one of the factors that require the District to request additional school operating revenue by placing a levy on the ballot periodically.

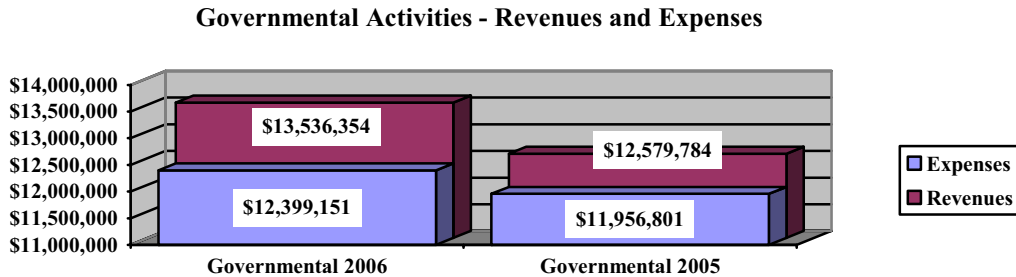
**TUSCARAWAS VALLEY LOCAL SCHOOL DISTRICT
TUSCARAWAS COUNTY, OHIO**

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

Voters approved the last additional operating levy in February 1997 which was a renewable 5 year emergency levy in the annual amount of \$947,500. This levy was also renewed in May 2002. This levy amount required 8 mills to be levied in 1997. In 2003, only 5.7 mills were required to be levied to generate \$947,500. This levy and all other current levies are expected to provide adequate revenue for general fund operating expenses through the fiscal year 2007. Unless there is an unexpected adjustment in State funding, an additional operating levy will be required in the next twelve to eighteen months.

The District's financial condition is solid as of the end of fiscal year 2006, but a trend of expenses exceeding revenues appears to have begun. This trend is expected to continue the next two years. The principal cause is stagnate growth in revenue coupled with major increases in health insurance costs, special education costs, and utility costs.

The graph below presents the District's governmental activities revenue and expenses for fiscal years 2006 and 2005.



The Statement of Activities shows the cost of program services and the charges for services and grants offsetting those services. The following table shows, for governmental activities, the total cost of services and the net cost of services for 2006 and 2005. That is, it identifies the cost of these services supported by tax revenue and unrestricted State grants and entitlements.

Governmental Activities

	Total Cost of Services 2006	Net Cost of Services 2006	Total Cost of Services 2005	Net Cost of Services 2005
Program expenses:				
Instruction:				
Regular	\$ 5,722,498	\$ 5,254,812	\$ 5,721,431	\$ 5,238,333
Special	739,484	617,877	697,186	563,726
Vocational	132,945	132,945	124,976	124,976
Other	110,223	110,223	-	-

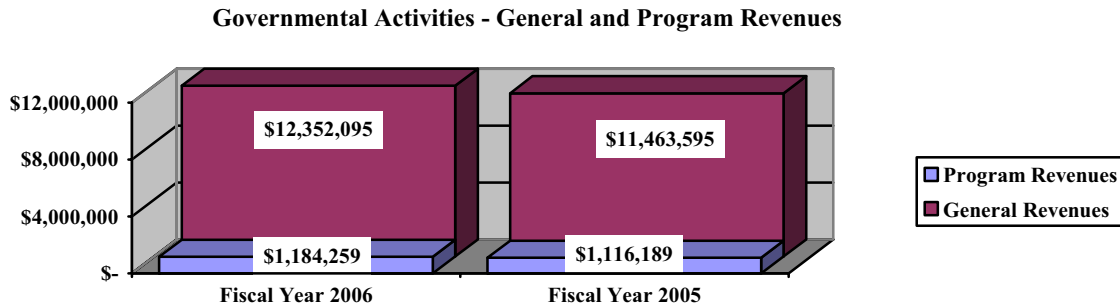
**TUSCARAWAS VALLEY LOCAL SCHOOL DISTRICT
TUSCARAWAS COUNTY, OHIO**

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

	Total Cost of Services <u>2006</u>	Net Cost of Services <u>2006</u>	Total Cost of Services <u>2005</u>	Net Cost of Services <u>2005</u>
Support services:				
Pupil	\$ 541,663	\$ 451,128	\$ 540,416	\$ 480,909
Instructional staff	778,559	525,676	747,277	538,184
Board of Education	28,383	28,383	31,912	31,912
Administration	1,048,740	1,011,355	946,804	905,759
Fiscal	343,413	343,413	309,600	308,249
Business	149	149	-	-
Operations and maintenance	1,175,766	1,170,568	1,116,978	1,112,253
Pupil transportation	928,179	914,447	884,971	869,737
Central	42,603	27,603	32,145	17,145
Operation of non-instructional services	22,543	22,543	22,416	22,416
Extracurricular activities	415,516	235,283	401,204	247,528
Interest and fiscal charges	<u>368,487</u>	<u>368,487</u>	<u>379,485</u>	<u>379,485</u>
Total expenses	<u>\$ 12,399,151</u>	<u>\$ 11,214,892</u>	<u>\$ 11,956,801</u>	<u>\$ 10,840,612</u>

The dependence upon tax revenues during fiscal year 2006 for governmental activities is apparent, as 91.20% of 2006 instruction activities are supported through taxes and other general revenues. The District's taxpayers, as a whole, is by far the primary support for District's students.

The graph below presents the District's governmental activities revenue for fiscal years 2006 and 2005.



Business-Type Activities

Business-type activities include food service and uniform school supplies operations. These programs had revenues of \$593,494 and expenses of \$594,252 for fiscal year 2006. Business-type activities net assets decreased \$758 in fiscal year 2006. The District's business-type activities do not receive support from tax revenues. The activities of the major Food Service fund are presented on pages 25-27.

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

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

The District's Governmental Funds

The District's governmental funds (as presented on the balance sheet on page 20) reported a combined fund balance of \$1,966,529, which is above last year's total of \$1,663,074. The schedule below indicates the fund balance and the total change in fund balance as of June 30, 2006 and 2005.

	Fund Balance <u>June 30, 2006</u>	Fund Balance <u>June 30, 2005</u>	Increase <u>(Decrease)</u>
General	\$ 1,263,391	\$ 980,289	\$ 283,102
Debt Service	609,921	555,464	54,457
Other Governmental	<u>93,217</u>	<u>127,321</u>	<u>(34,104)</u>
Total	<u>\$ 1,966,529</u>	<u>\$ 1,663,074</u>	<u>\$ 303,455</u>

General Fund

The District's general fund balance increased \$283,102 during 2006. This was due to several different factors. First, revenues increased by 7.75%. Next, our expenditures increased by 2.19% which is lower than revenue growth.

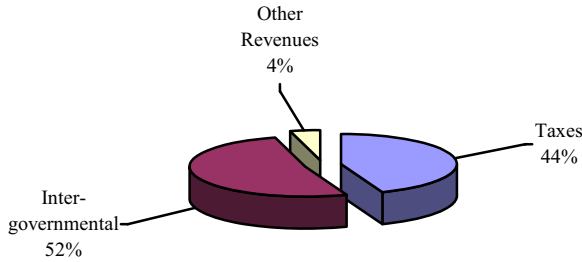
	2006 <u>Amount</u>	2005 <u>Amount</u>	Percentage <u>Change</u>
<u>Revenues</u>			
Taxes	\$ 5,258,040	\$ 4,561,594	15.27 %
Intergovernmental	6,121,594	6,130,579	(0.15) %
Other revenues	<u>499,250</u>	<u>332,285</u>	50.25 %
Total	<u>\$ 11,878,884</u>	<u>\$ 11,024,458</u>	7.75 %

Tax revenue increased by \$696,446 or 15.27% from fiscal 2005. Intergovernmental revenue decreased \$8,985 or 0.15% from the prior year. Other revenues increased \$166,965 or 50.25% partially due to a significant increase of \$55,880 in interest revenue and a \$70,404 increase in tuition income.

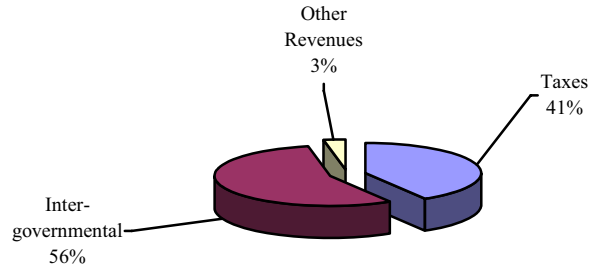
**TUSCARAWAS VALLEY LOCAL SCHOOL DISTRICT
TUSCARAWAS COUNTY, OHIO**

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

Revenues - Fiscal Year 2006



Revenues - Fiscal Year 2005



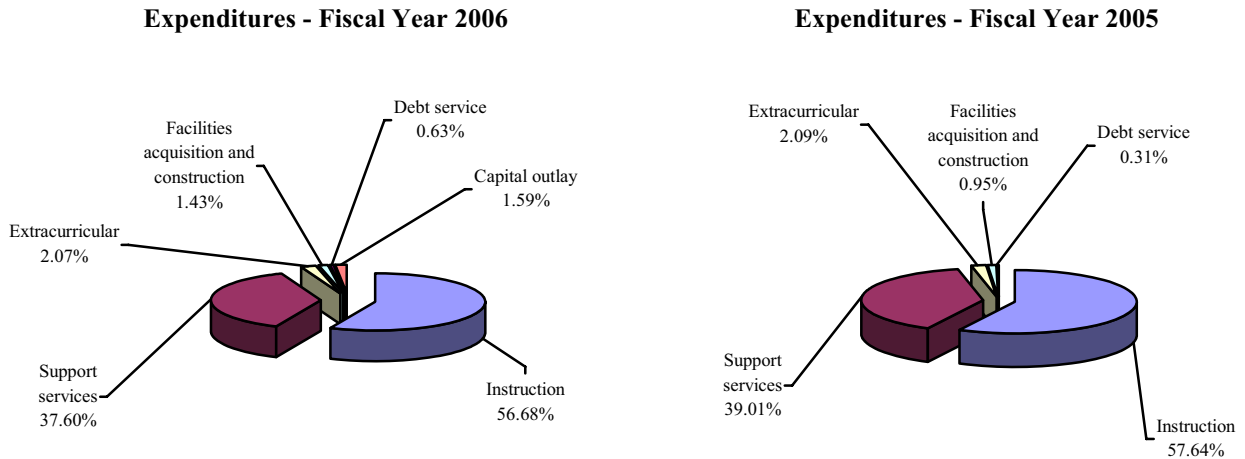
The table that follows assists in illustrating the expenditures of the general fund.

	<u>2006</u> Amount	<u>2005</u> Amount	<u>Percentage</u> <u>Change</u>
<u>Expenditures</u>			
Instruction	\$ 6,672,734	\$ 6,640,085	0.49 %
Support services	4,426,713	4,494,147	(1.50) %
Extracurricular activities	244,235	241,122	1.29 %
Facilities acquisition and construction	168,703	109,207	54.48 %
Capital outlay	186,768	-	100.00 %
Debt service	<u>73,603</u>	<u>35,733</u>	105.98 %
Total	<u>\$ 11,772,756</u>	<u>\$ 11,520,294</u>	2.19 %

The largest expenditure line item, instruction, increased by \$32,649 or 0.49%, which is primarily attributed to wage and benefit increases. Capital outlay was increased due to a capital lease obligation entered into during the fiscal year.

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

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



Debt Service Fund

The debt service fund had \$736,075 in revenues and \$681,618 in expenditures. The fund balance of the debt service fund increased \$54,457 from \$555,464 to \$609,921.

General Fund Budgeting Highlights

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

During the course of fiscal 2006, the District did not amend its general fund budget. The District uses site-based budgeting and the budgeting systems are designed to tightly control total site budgets but provide flexibility for site management.

For the general fund, original budgeted revenues and other financing sources were \$11,455,384. Final budgeted revenues of \$11,455,384 were \$209,674, below actual revenues and other financing sources of \$11,665,058. Of this \$209,674 difference, most was due to tax, intergovernmental and investment earning estimates in the original and final budget.

General fund original appropriations (appropriated expenditures plus other financing uses) were \$12,290,329 and final appropriations were \$12,290,329. The actual budget basis expenditures and other financing uses for fiscal year 2006 totaled \$11,677,326, which was \$613,003 less than the final budget appropriations.

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

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

Capital Assets and Debt Administration

Capital Assets

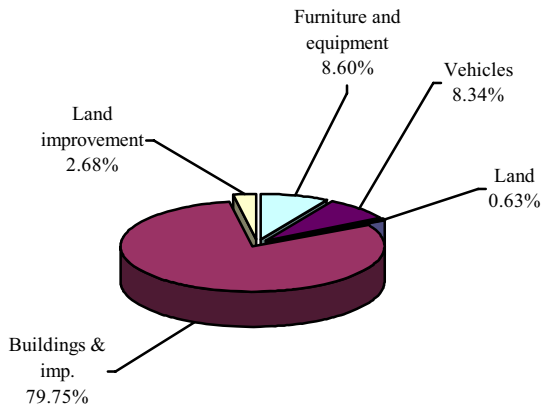
At the end of fiscal 2006, the District had \$7,374,721 invested in land, land improvements, buildings and improvements, furniture and equipment and vehicles. Governmental activities accounted for \$7,319,321 of these assets, and business-type activities accounted for \$55,400. The following table shows fiscal 2006 balances compared to 2005:

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

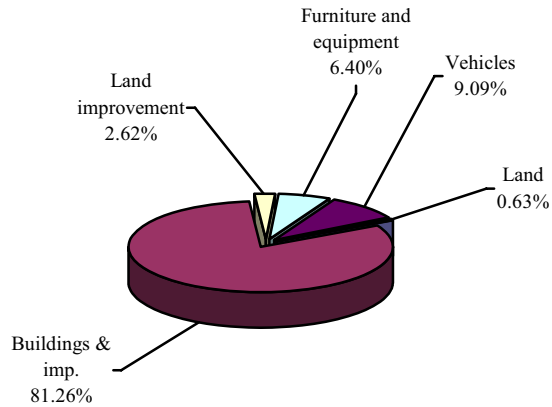
	Governmental Activities		Business-Type Activities		Total	
	2006	2005	2006	2005	2006	2005
Land	\$ 46,031	\$ 46,031	\$ -	\$ -	\$ 46,031	\$ 46,031
Land improvements	196,511	190,532	-	-	196,511	190,532
Buildings and improvements	5,848,895	5,917,585	-	-	5,848,895	5,917,585
Furniture and equipment	622,633	465,810	55,400	60,076	678,033	525,886
Vehicles	605,251	661,562	-	-	605,251	661,562
Total	\$ 7,319,321	\$ 7,281,520	\$ 55,400	\$ 60,076	\$ 7,374,721	\$ 7,341,596

The following graphs show the breakdown of governmental activities capital assets by category for 2006 and 2005.

**Capital Assets - Governmental Activities
2006**



**Capital Assets - Governmental Activities
2005**



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

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

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

Debt Administration

At June 30, 2006, the District had \$5,672,230 in general obligation bonds and, \$185,000 in energy conservation loans outstanding. Of the total outstanding debt, \$505,000 is due within one year and \$5,352,230 is due within greater than one year. The following table summarizes the bonds and loans outstanding.

Outstanding Debt, at Year End

	<u>Governmental Activities 2006</u>	<u>Governmental Activities 2005</u>
General obligation bonds:		
Current interest bonds	\$ 4,414,981	\$ 4,834,981
Capital appreciation bonds	1,257,249	1,077,642
Energy conservation loans	<u>185,000</u>	<u>260,000</u>
Total	<u>\$ 5,857,230</u>	<u>\$ 6,172,623</u>

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

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

At June 30, 2006 the District's overall legal debt margin was \$14,134,639 (including available funds of \$609,921) and an unvoted debt margin of \$199,330.

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

Current Financial Related Activities

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

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

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

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

Contacting the District's Financial Management

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

This page intentionally left blank.

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

STATEMENT OF NET ASSETS
JUNE 30, 2006

	Governmental Activities	Business-Type Activities	Total
Assets:			
Equity in pooled cash and cash equivalents. . .	\$ 2,737,821	\$ 51,150	\$ 2,788,971
Cash with fiscal agent	1,479,673	-	1,479,673
Receivables:			
Taxes	6,374,549	-	6,374,549
Intergovernmental	57,837	14,938	72,775
Internal loan	89,293	(89,293)	-
Prepayments	24,029	-	24,029
Materials and supplies inventory	41,504	6,088	47,592
Capital assets:			
Land	46,031	-	46,031
Depreciable capital assets, net	<u>7,273,290</u>	<u>55,400</u>	<u>7,328,690</u>
Capital assets, net.	<u>7,319,321</u>	<u>55,400</u>	<u>7,374,721</u>
 Total assets.	 <u>18,124,027</u>	 <u>38,283</u>	 <u>18,162,310</u>
Liabilities:			
Accounts payable.	93,178	2,422	95,600
Accrued wages and benefits	1,106,017	36,287	1,142,304
Pension obligation payable.	270,278	15,873	286,151
Intergovernmental payable	27,578	945	28,523
Deferred revenue	5,236,695	-	5,236,695
Accrued interest payable	20,347	-	20,347
Claims payable	231,560	-	231,560
Long-term liabilities:			
Due within one year.	727,038	763	727,801
Due within more than one year	<u>6,242,869</u>	<u>18,020</u>	<u>6,260,889</u>
 Total liabilities	 <u>13,955,560</u>	 <u>74,310</u>	 <u>14,029,870</u>
Net Assets:			
Invested in capital assets, net of related debt.	2,499,315	55,400	2,554,715
Restricted for:			
Capital projects	15	-	15
Debt service.	655,644	-	655,644
Locally funded programs	4,824	-	4,824
State funded programs	690	-	690
Federally funded programs	5,603	-	5,603
Student activities	70,096	-	70,096
Other purposes	150,953	-	150,953
Unrestricted (deficit)	<u>781,327</u>	<u>(91,427)</u>	<u>689,900</u>
 Total net assets (deficit).	 <u>\$ 4,168,467</u>	 <u>\$ (36,027)</u>	 <u>\$ 4,132,440</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

STATEMENT OF ACTIVITIES
FOR THE FISCAL YEAR ENDED JUNE 30, 2006

	<u>Expenses</u>	<u>Program Revenues</u>	
		<u>Charges for Services and Sales</u>	<u>Operating Grants and Contributions</u>
Governmental activities:			
Instruction:			
Regular	\$ 5,722,498	\$ 348,913	\$ 118,773
Special	739,484	-	121,607
Vocational	132,945	-	-
Other	110,223	-	-
Support services:			
Pupil	541,663	-	90,535
Instructional staff	778,559	4,814	248,069
Board of education	28,383	-	-
Administration	1,048,740	-	37,385
Fiscal	343,413	-	-
Business	149	-	-
Operations and maintenance	1,175,766	5,198	-
Pupil transportation	928,179	-	13,732
Central	42,603	-	15,000
Operation of non-instructional services	22,543	-	-
Extracurricular activities	415,516	180,233	-
Interest and fiscal charges	368,487	-	-
Total governmental activities	<u>12,399,151</u>	<u>539,158</u>	<u>645,101</u>
Business-type activities:			
Food service	529,363	391,517	141,558
Uniform school supplies	64,889	60,419	-
Total business-type activities	<u>594,252</u>	<u>451,936</u>	<u>141,558</u>
Totals	<u>\$ 12,993,403</u>	<u>\$ 991,094</u>	<u>\$ 786,659</u>

General Revenues:

Property taxes levied for:

 General purposes

 Debt service

Grants and entitlements not restricted
to specific programs

Investment earnings

Miscellaneous

Total general revenues

Change in net assets

Net assets (deficit) at beginning of year . . .

Net assets (deficit) at end of year

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
\$ (5,254,812)	\$ -	\$ (5,254,812)
(617,877)	-	(617,877)
(132,945)	-	(132,945)
(110,223)	-	(110,223)
(451,128)	-	(451,128)
(525,676)	-	(525,676)
(28,383)	-	(28,383)
(1,011,355)	-	(1,011,355)
(343,413)	-	(343,413)
(149)	-	(149)
(1,170,568)	-	(1,170,568)
(914,447)	-	(914,447)
(27,603)	-	(27,603)
(22,543)	-	(22,543)
(235,283)	-	(235,283)
(368,487)	-	(368,487)
<u>(11,214,892)</u>	<u>-</u>	<u>(11,214,892)</u>
-	3,712	3,712
-	(4,470)	(4,470)
-	(758)	(758)
<u>(11,214,892)</u>	<u>(758)</u>	<u>(11,215,650)</u>
5,305,246	-	5,305,246
676,704	-	676,704
6,184,719	-	6,184,719
139,662	-	139,662
45,764	-	45,764
<u>12,352,095</u>	<u>-</u>	<u>12,352,095</u>
1,137,203	(758)	1,136,445
<u>3,031,264</u>	<u>(35,269)</u>	<u>2,995,995</u>
<u>\$ 4,168,467</u>	<u>\$ (36,027)</u>	<u>\$ 4,132,440</u>

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

BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2006

	<u>General</u>	<u>Debt Service</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
Assets:				
Equity in pooled cash and cash equivalents	\$ 1,877,331	\$ 543,503	\$ 170,470	\$ 2,591,304
Receivables:				
Taxes	5,747,826	626,723	-	6,374,549
Intergovernmental	-	-	57,837	57,837
Interfund loans	105,045	-	-	105,045
Prepayments	24,029	-	-	24,029
Materials and supplies inventory	41,504	-	-	41,504
Restricted assets:				
Equity in pooled cash and cash equivalents	146,517	-	-	146,517
Total assets	<u>\$ 7,942,252</u>	<u>\$ 1,170,226</u>	<u>\$ 228,307</u>	<u>\$ 9,340,785</u>
Liabilities:				
Accounts payable	\$ 90,965	\$ -	\$ 2,213	\$ 93,178
Accrued wages and benefits	1,037,875	-	68,142	1,106,017
Compensated absences payable	117,595	-	-	117,595
Pension obligation payable	256,183	-	14,095	270,278
Intergovernmental payable	26,004	-	1,574	27,578
Deferred revenue	5,150,239	560,305	49,066	5,759,610
Total liabilities	<u>6,678,861</u>	<u>560,305</u>	<u>135,090</u>	<u>7,374,256</u>
Fund Balances:				
Reserved for encumbrances	160,047	-	16,614	176,661
Reserved for materials and supplies inventories	41,504	-	-	41,504
Reserved for prepayments	24,029	-	-	24,029
Reserved for debt service	-	543,503	-	543,503
Reserved for property tax unavailable for appropriation	597,587	66,418	-	664,005
Reserved for textbooks	146,517	-	-	146,517
Unreserved, undesignated, reported in:				
General fund	293,707	-	-	293,707
Special revenue funds	-	-	76,588	76,588
Capital projects funds	-	-	15	15
Total fund balances	<u>1,263,391</u>	<u>609,921</u>	<u>93,217</u>	<u>1,966,529</u>
Total liabilities and fund balances	<u>\$ 7,942,252</u>	<u>\$ 1,170,226</u>	<u>\$ 228,307</u>	<u>\$ 9,340,785</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

RECONCILIATION OF TOTAL GOVERNMENTAL FUND BALANCES TO
NET ASSETS OF GOVERNMENTAL ACTIVITIES
JUNE 30, 2006

Total governmental fund balances		\$	1,966,529
<i>Amounts reported for governmental activities in the statement of net assets are different because:</i>			
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.			7,319,321
Other long-term assets (taxes) are not available to pay for current period expenditures and therefore are deferred in the funds.			
Taxes	\$	473,849	
Intergovernmental revenue		49,066	
Total			522,915
An internal service fund is used by management to charge the costs of insurance to individual funds. The assets and liabilities of the internal service fund are included in governmental activities in the statement of net assets, including internal balances are:			1,232,361
Accrued interest payable is not due and payable in the current period and therefore is not reported in the funds.			(20,347)
Long-term liabilities, including bonds, loans and capital leases payable are not due and payable in the current period and therefore are not reported in the funds.			
Compensated absences		(775,057)	
General obligation bonds payable		(5,672,230)	
Energy conservation loan payable		(185,000)	
Capital lease obligation payable		(220,025)	
Total			(6,852,312)
Net assets of governmental activities		\$	4,168,467

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2006

	<u>General</u>	<u>Debt Service</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
Revenues:				
From local sources:				
Taxes	\$ 5,258,040	\$ 672,925	\$ -	\$ 5,930,965
Tuition.	334,990	-	-	334,990
Earnings on investments.	108,982	-	-	108,982
Classroom materials and fees	11,866	-	-	11,866
Extracurricular.	-	-	139,273	139,273
Other local revenues.	43,412	25	55,356	98,793
Intergovernmental - State	6,120,439	63,125	102,200	6,285,764
Intergovernmental - Federal.	1,155	-	503,580	504,735
Total revenue	<u>11,878,884</u>	<u>736,075</u>	<u>800,409</u>	<u>13,415,368</u>
Expenditures:				
Current:				
Instruction:				
Regular	5,792,865	-	141,632	5,934,497
Special.	635,787	-	117,058	752,845
Vocational.	133,859	-	-	133,859
Other	110,223	-	-	110,223
Support Services:				
Pupil.	452,890	-	93,732	546,622
Instructional staff	550,711	-	254,324	805,035
Board of education	28,383	-	-	28,383
Administration.	1,033,224	-	38,454	1,071,678
Fiscal	332,124	10,621	-	342,745
Business.	149	-	-	149
Operations and maintenance.	1,101,578	-	-	1,101,578
Pupil transportation	900,051	-	13,760	913,811
Central.	27,603	-	15,000	42,603
Extracurricular activities.	244,235	-	160,414	404,649
Facilities acquisition and construction	168,703	-	139	168,842
Capital outlay	186,768	-	-	186,768
Debt service:				
Principal retirement	57,662	495,000	-	552,662
Interest and fiscal charges	15,941	175,997	-	191,938
Total expenditures	<u>11,772,756</u>	<u>681,618</u>	<u>834,513</u>	<u>13,288,887</u>
Excess of revenues over (under) expenditures	<u>106,128</u>	<u>54,457</u>	<u>(34,104)</u>	<u>126,481</u>
Other financing sources:				
Capital lease transaction	<u>186,768</u>	<u>-</u>	<u>-</u>	<u>186,768</u>
Total other financing sources	<u>186,768</u>	<u>-</u>	<u>-</u>	<u>186,768</u>
Net change in fund balances	292,896	54,457	(34,104)	313,249
Fund balances at beginning of year	980,289	555,464	127,321	1,663,074
Decrease in reserve for inventory.	(9,794)	-	-	(9,794)
Fund balances at end of year	<u>\$ 1,263,391</u>	<u>\$ 609,921</u>	<u>\$ 93,217</u>	<u>\$ 1,966,529</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES
FOR THE FISCAL YEAR ENDED JUNE 30, 2006

Net change in fund balances - total governmental funds	\$	313,249
<i>Amounts reported for governmental activities in the statement of activities are different because:</i>		
Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which capital outlays exceed depreciation expense in the current period.		
Capital asset additions	\$ 323,193	
Current year depreciation	<u>(283,679)</u>	
Total		39,514
The net effect of various miscellaneous transactions involving capital assets (i.e., sales, disposals, trade-ins, and donations) is to decrease net assets.		
		(1,713)
Governmental funds report expenditures for inventory when purchased. However, in the statement of activities, they are reported as an expense when consumed.		
		(9,794)
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.		
Taxes	50,985	
Intergovernmental revenue	<u>39,321</u>	
Total		90,306
Repayment of principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets.		
		552,662
Proceeds of capital leases are recorded as revenue in the funds, however on the statement of activities, they are not reported as revenues as they increase the liabilities on the statement of net assets.		
		(186,768)
In the statement of activities, interest is accrued on outstanding bonds, whereas in governmental funds, interest is expensed when due.		
Accrued interest	3,058	
Accreted interest on capital appreciation bonds	<u>(179,607)</u>	
Total		(176,549)
Some expenses reported in the statement of activities, such as compensated absences, do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds.		
		74,652
The internal service fund used by management to charge the costs of insurance to individual funds is not reported in the district-wide statement of activities. Governmental fund expenditures and the related internal service fund revenues are eliminated. The net revenue (expense) of the internal service funds, including internal balances, is allocated among the governmental activities.		
		<u>441,644</u>
Change in net assets of governmental activities	\$	<u>1,137,203</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCE - BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)
GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2006

	<u>Budgeted Amounts</u>			Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
Revenues:				
From local sources:				
Taxes	\$ 5,210,440	\$ 5,210,440	\$ 5,046,259	\$ (164,181)
Tuition	350,403	350,403	338,415	(11,988)
Earnings on investments	35,000	35,000	103,512	68,512
Classroom materials and fees	3,000	3,000	11,866	8,866
Other local revenues	12,500	12,500	43,412	30,912
Intergovernmental - State	5,844,041	5,844,041	6,120,439	276,398
Intergovernmental - Federal	-	-	1,155	1,155
Total revenue	<u>11,455,384</u>	<u>11,455,384</u>	<u>11,665,058</u>	<u>209,674</u>
Expenditures:				
Current:				
Instruction:				
Regular	6,062,235	6,062,235	5,861,267	200,968
Special	725,969	725,969	634,249	91,720
Vocational	142,588	142,588	133,893	8,695
Other	-	-	66,974	(66,974)
Support services:				
Pupil	526,407	526,407	458,205	68,202
Instructional staff	633,566	633,566	560,446	73,120
Board of education	42,395	42,395	28,358	14,037
Administration	1,029,084	1,029,084	1,013,158	15,926
Fiscal	307,041	307,041	313,954	(6,913)
Business	38,000	38,000	35,882	2,118
Operations and maintenance	1,137,516	1,137,516	1,114,808	22,708
Pupil transportation	1,007,788	1,007,788	923,716	84,072
Central	17,000	17,000	26,048	(9,048)
Extracurricular activities	244,840	244,840	244,217	623
Facilities acquisition and construction	252,900	252,900	173,274	79,626
Debt service:				
Principal retirement	75,000	75,000	75,000	-
Interest and fiscal charges	18,000	18,000	13,877	4,123
Total expenditures	<u>12,260,329</u>	<u>12,260,329</u>	<u>11,677,326</u>	<u>583,003</u>
Excess of revenues over (under) expenditures	<u>(804,945)</u>	<u>(804,945)</u>	<u>(12,268)</u>	<u>792,677</u>
Other financing (uses):				
Transfers (out)	(30,000)	(30,000)	-	30,000
Total other financing (uses)	<u>(30,000)</u>	<u>(30,000)</u>	<u>-</u>	<u>30,000</u>
Net change in fund balance	(834,945)	(834,945)	(12,268)	822,677
Fund balance at beginning of year	1,617,896	1,617,896	1,617,896	-
Prior year encumbrances appropriated	303,594	303,594	303,594	-
Fund balance at end of year	<u>\$ 1,086,545</u>	<u>\$ 1,086,545</u>	<u>\$ 1,909,222</u>	<u>\$ 822,677</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

STATEMENT OF NET ASSETS
PROPRIETARY FUNDS
JUNE 30, 2006

	<u>Business-Type Activities - Enterprise Funds</u>			<u>Governmental Activities - Internal Service Fund</u>
	<u>Food Service</u>	<u>Nonmajor Enterprise Fund</u>	<u>Total</u>	
Assets:				
Current assets:				
Equity in pooled cash and cash equivalents	\$ 9,371	\$ 41,779	\$ 51,150	\$ -
Cash with fiscal agent	-	-	-	1,479,673
Receivables:				
Intergovernmental	14,938	-	14,938	-
Materials and supplies inventory	6,088	-	6,088	-
Total current assets	<u>30,397</u>	<u>41,779</u>	<u>72,176</u>	<u>1,479,673</u>
Noncurrent assets:				
Capital assets, net.	<u>55,400</u>	<u>-</u>	<u>55,400</u>	<u>-</u>
Total assets	<u>85,797</u>	<u>41,779</u>	<u>127,576</u>	<u>1,479,673</u>
Liabilities:				
Accounts payable.	132	2,290	2,422	-
Accrued wages and benefits	36,287	-	36,287	-
Pension obligation payable.	15,873	-	15,873	-
Interfund loan payable	105,045	-	105,045	-
Intergovernmental payable	945	-	945	-
Current portion of compensated absences	763	-	763	-
Claims payable	-	-	-	231,560
Total liabilities	<u>159,045</u>	<u>2,290</u>	<u>161,335</u>	<u>231,560</u>
Long-term liabilities:				
Compensated absences.	<u>18,020</u>	<u>-</u>	<u>18,020</u>	<u>-</u>
Total liabilities	<u>177,065</u>	<u>2,290</u>	<u>179,355</u>	<u>231,560</u>
Net assets:				
Invested in capital assets	55,400	-	55,400	-
Unrestricted (deficit)	(146,668)	39,489	(107,179)	1,248,113
Total net assets (deficit)	<u>\$ (91,268)</u>	<u>\$ 39,489</u>	<u>(51,779)</u>	<u>\$ 1,248,113</u>
Adjustment to reflect the consolidation of the internal service fund activity related to enterprise funds.			<u>15,752</u>	
Net assets (deficit) of business-type activities.			<u>\$ (36,027)</u>	

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

STATEMENT OF REVENUES, EXPENSES AND
CHANGES IN NET ASSETS
PROPRIETARY FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2006

	<u>Business-Type Activities - Enterprise Funds</u>			Governmental Activities - Internal Service Fund
	Food Service	Nonmajor Enterprise Fund	Total	
Operating revenues:				
Tuition and fees	\$ -	\$ 60,419	\$ 60,419	\$ -
Sales/charges for services	363,190	-	363,190	1,779,955
Total operating revenues	<u>363,190</u>	<u>60,419</u>	<u>423,609</u>	<u>1,779,955</u>
Operating expenses:				
Personal services	270,776	-	270,776	259,101
Purchased services	6,761	-	6,761	-
Materials and supplies	206,895	64,889	271,784	-
Depreciation	4,676	-	4,676	-
Claims expense	-	-	-	1,150,145
Total operating expenses	<u>489,108</u>	<u>64,889</u>	<u>553,997</u>	<u>1,409,246</u>
Operating income (loss)	<u>(125,918)</u>	<u>(4,470)</u>	<u>(130,388)</u>	<u>370,709</u>
Nonoperating revenues:				
Federal donated commodities	28,327	-	28,327	-
Interest revenue	-	-	-	30,680
Grants	141,558	-	141,558	-
Total nonoperating revenues	<u>169,885</u>	<u>-</u>	<u>169,885</u>	<u>30,680</u>
Change in net assets	43,967	(4,470)	39,497	401,389
Net assets (deficit) at beginning of year . .	<u>(135,235)</u>	<u>43,959</u>		<u>846,724</u>
Net assets (deficit) at end of year	<u>\$ (91,268)</u>	<u>\$ 39,489</u>		<u>\$ 1,248,113</u>
Adjustment to reflect the consolidation of the internal service funds activities related to enterprise funds.			(40,255)	
Changes in net assets of business-type activities.			<u>(758)</u>	

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2006

	<u>Business-Type Activities - Enterprise Funds</u>			Governmental Activities - Internal Service Fund
	Food Service	Nonmajor Enterprise Fund	Total	
Cash flows from operating activities:				
Cash received from tuition and fees	\$ -	\$ 60,419	\$ 60,419	\$ -
Cash received from sales/charges for services. . . .	363,190	-	363,190	1,779,955
Cash payments for personal services	(308,189)	-	(308,189)	(259,101)
Cash payments for purchased services.	(6,629)	-	(6,629)	(1,163,563)
Cash payments for materials and supplies.	(179,105)	(65,169)	(244,274)	-
Net cash provided by (used in) operating activities	(130,733)	(4,750)	(135,483)	357,291
Cash flows from noncapital financing activities:				
Cash received from operating grants	126,620	-	126,620	-
Net cash provided by noncapital financing activities	126,620	-	126,620	-
Cash flows from investing activities:				
Interest received	-	-	-	30,680
Net cash provided by investing activities.	-	-	-	30,680
Net increase (decrease) in cash and cash equivalents. .	(4,113)	(4,750)	(8,863)	387,971
Cash and cash equivalents at beginning of year. . .	13,484	46,529	60,013	1,091,702
Cash and cash equivalents at end of year	\$ 9,371	\$ 41,779	\$ 51,150	\$ 1,479,673
Reconciliation of operating income (loss) to net cash provided by (used in) operating activities:				
Operating income (loss)	\$ (125,918)	\$ (4,470)	\$ (130,388)	\$ 370,709
Adjustments:				
Depreciation	4,676	-	4,676	-
Federal donated commodities.	28,327	-	28,327	-
Changes in assets and liabilities:				
Decrease in materials and supplies inventory.	652	-	652	-
Decrease in accounts payable	(1,057)	(280)	(1,337)	-
Decrease in accrued wages and benefits.	(8,070)	-	(8,070)	-
Decrease in pension obligation payable	(329)	-	(329)	-
Increase in intergovernmental payable	18	-	18	-
Decrease in compensated absences payable.	(29,032)	-	(29,032)	-
Decrease in claims payable	-	-	-	(13,418)
Net cash provided by (used in) operating activities	(130,733)	(4,750)	(135,483)	357,291

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

STATEMENT OF FIDUCIARY NET ASSETS
FIDUCIARY FUND
JUNE 30, 2006

	Agency
Assets:	
Equity in pooled cash and cash equivalents	\$ 51,769
Total assets.	\$ 51,769
Liabilities:	
Accounts payable.	\$ 637
Due to students	51,132
Total liabilities	\$ 51,769

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

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

NOTE 1 - DESCRIPTION OF THE SCHOOL DISTRICT

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

The District ranks as the 333rd largest by total enrollment among the 615 public school districts in the state. It operates under a locally-elected, five-member board and provides educational services as authorized and mandated by state and federal agencies. The Board controls the District's 5 instructional support facilities staffed by 75 classified employees and 116 certificated teaching personnel, and 6 administrators, who provide services to 1,705 students.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

A. Reporting Entity

The reporting entity has been defined in accordance with GASB Statement No. 14, "The Financial Reporting Entity" as amended by GASB Statement No. 39, "Determining Whether Certain Organizations Are Component Units." When applying GASB Statement No. 14, management has considered all potential component units. Component units are legally separate organizations for which the District is financially accountable. The District is financially accountable for an organization if the District appoints a voting majority of the organization's governing board and (1) the District is able to significantly influence the programs or services performed or provided by the organization; or (2) the District is legally entitled to or can otherwise access the organization's resources; (3) the District is legally obligated or has otherwise assumed the responsibility to finance the deficits of, or provide financial support to the organization; or (4) the District is obligated for the debt of the organization. Component units may also include organizations that are fiscally dependent on the District in that the District approves the debt, the issuance of debt, or the levying of taxes. Based upon the application of this criteria, the District has no component units. The financial statements of the reporting entity include only those of the District (the primary government). The following organizations are described due to their relationship to the District:

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

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

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

JOINTLY GOVERNED ORGANIZATIONS

Buckeye Joint Vocational School

The Buckeye Joint Vocational School (the "JVS") is a separate body politic and corporate, established by the Ohio Revised Code to provide for the vocational and special education needs of the students. The JVS Board of Education is comprised of representatives from the Board of each participating school district. The JVS Board is responsible for approving its own budgets, appointing personnel and accounting and finance related activities. The District's students may attend the vocational school. Each school district's control is limited to its representation on the JVS Board. During fiscal year 2006, no monies were paid to the JVS by the District.

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

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

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

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

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

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

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

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

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

Tuscarawas County Tax Incentive Review Council (TCTIRC)

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

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

PUBLIC ENTITY RISK POOLS

Workers' Compensation

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

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

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

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

B. Fund Accounting

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

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

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

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

GOVERNMENTAL FUNDS

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

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

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

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

PROPRIETARY FUNDS

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

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

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

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

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

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

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

FIDUCIARY FUNDS

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

C. Basis of Presentation

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

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

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

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

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

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

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

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

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

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

D. Basis of Accounting

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

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

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

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

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

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

Property taxes for which there is an enforceable legal claim as of June 30, 2006, but which were levied to finance fiscal year 2007 operations, have been recorded as deferred revenue. Grants and entitlements received before the eligibility requirements are met are also recorded as deferred revenue.

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

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

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

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

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

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

E. Budgets

The District is required by state statute to adopt an annual appropriated cash basis budget for all funds. The specific timetable for fiscal year 2006 is as follows:

1. On July 25, 2002, the Tuscarawas County Budget Commission voted to waive the requirement that school districts adopt a tax budget as required by Section 5705.28 of the Ohio Revised Code, by January 15 and the filing by January 20. In order to complete other necessary documents, the Budget Commission now requires certain information to be filed by May 1. Information required includes the general fund five year forecast submitted to the Department of Education, projected revenues and expenditures line items for all levy funds, projected revenues and debt requirements (principal and interest) and amortization schedules for the debt service fund, and balances and total anticipated activity for all other funds.
2. Prior to April 1, the Board of Education accepts, by formal resolution, the tax rates as determined by the Budget Commission and receives the Commission's Certificate of Estimated Resources which states the projected revenue of each fund. Prior to June 30, the District must revise its budget so that total contemplated expenditures from any fund during the ensuing year will not exceed the amount stated in the Certificate of Estimated Resources. The revised budget then serves as a basis for the appropriation measure. On or about July 1, the Certificate is amended to include any unencumbered balances from the preceding year as reported by the District Treasurer. The Certificate may be further amended during the year if projected increases or decreases in revenue are identified by the District Treasurer. The amounts reported as the final budgeted amount in the budgetary statement reflect the amounts set forth in the final Amended Certificate issued for fiscal year 2006.
3. By July 1, the Annual Appropriation Resolution is legally enacted by the Board of Education at the fund level of expenditures, which is the legal level of budgetary control. (State statute permits a temporary appropriation to be effective until no later than October 1 of each year). Resolution appropriations by fund must be within the estimated resources as certified by the County Budget Commission and the total of expenditures and encumbrances may not exceed the appropriation totals.

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

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

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

4. Any revisions that alter the total of any fund appropriation must be approved by the Board of Education.
5. Formal budgetary integration is employed as a management control device during the year for all funds consistent with the general obligation bond indenture and other statutory provisions. All funds completed the year within the amount of their legally authorized cash basis appropriation.
6. Appropriations amounts are as originally adopted, or as amended by the Board of Education through the year by supplemental appropriations which either re-allocated, increased or decreased the original appropriated amounts. All supplemental appropriations were legally enacted by the Board during fiscal 2006.
7. Unencumbered appropriations lapse at year-end. Encumbered appropriations are carried forward to the succeeding fiscal year and need not be reappropriated. Cash disbursements plus encumbrances may not legally exceed budgeted appropriations at the fund level.

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

F. Cash and Investments

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

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

During fiscal year 2006, investments were limited to the State Treasury Asset Reserve of Ohio (STAR Ohio) and a repurchase agreement. Except for nonparticipating investment contracts, investments are reported at fair value, which is based on quoted market prices. Nonparticipating investment contracts, such as repurchase agreements, are reported at cost.

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

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

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

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

Under existing Ohio statutes all investment earnings are assigned to the general fund unless statutorily required to be credited to a specific fund. By policy of the Board of Education, investment earnings are assigned to the general fund. Interest revenue credited to the general fund during fiscal 2006 amounted to \$108,982, which includes \$54,991 assigned from other District funds.

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

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

G. Inventory

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

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

H. Capital Assets

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

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

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

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

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

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

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

I. Interfund Balances

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

J. Compensated Absences

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

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

The total liability for vacation and severance payments has been calculated using pay rates in effect at June 30, 2006, and reduced to the maximum payment allowed by labor contract and/or statute, plus any additional salary related payments.

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

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

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

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

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

K. Accrued Liabilities and Long-Term Obligations

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

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

L. Fund Balance Reserves

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

M. Net Assets

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

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

N. Prepayments

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

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

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

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

O. Estimates

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

P. Restricted Assets

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

Q. Operating Revenues and Expenses

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

R. Capital Contributions

Capital contributions in proprietary fund financial statements arise from outside contributions of capital assets, or from grants or outside contributions of resources restricted to capital acquisition and construction. There were no capital contributions during fiscal year 2006.

S. Interfund Activity

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

Exchange transactions between funds are reported as revenues in the seller funds and as expenditures/expenses in the purchaser funds. Flows of cash or goods from one fund to another without a requirement for repayment are reported as interfund transfers. Interfund transfers are reported as other financing sources/uses in governmental funds and after nonoperating revenues/expenses in proprietary funds. Repayments from funds responsible for particular expenditures/expenses to the funds that initially paid for them are not presented on the financial statements. The District had no transfers during fiscal year 2006.

T. Extraordinary and Special Items

Extraordinary items are transactions or events that are both unusual in nature and infrequent in occurrence. Special items are transactions or events that are within the control of the Board of Education and that are either unusual in nature or infrequent in occurrence. Neither type of transaction occurred during fiscal 2006.

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

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

NOTE 3 - ACCOUNTABILITY AND COMPLIANCE

A. Changes in Accounting Principles

For fiscal year 2006, the District has implemented GASB Statement No. 42, "Accounting and Financial Reporting for Impairment of Capital Assets and for Insurance Recoveries", GASB Statement No. 46, "Net Assets Restricted by Enabling Legislation", and GASB Statement No. 47, "Accounting for Termination Benefits".

GASB Statement No. 42 amends GASB Statement No. 34 and establishes accounting and financial reporting standards for impairment of capital assets and accounting requirements for insurance recoveries.

GASB Statement No. 46 defines enabling legislation and specifies how net assets should be reported in the financial statements when there are changes in such legislation. The Statement also requires governments to disclose in the notes to the financial statements the amount of net assets restricted by enabling legislation.

GASB Statement No. 47 establishes accounting standards for termination benefits.

The implementation of GASB Statement No. 42, GASB Statement No. 46 and GASB Statement No. 47 did not have an effect on the fund balances/net assets of the District as previously reported at June 30, 2005.

B. Deficit Fund Balances

Fund balances at June 30, 2006 included the following individual fund deficits:

<u>Major Fund</u>	
Food Service	\$ 91,268
<u>Nonmajor Funds</u>	
Public School Preshool	9,314
Ohio Reads	214
Title VI-B	12,480

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

NOTE 4 - DEPOSITS AND INVESTMENTS

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

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

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

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

NOTE 4 - DEPOSITS AND INVESTMENTS - (Continued)

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

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

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

Interim monies 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) of this section and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions;
6. The State Treasurer's investment pool (STAR Ohio);
7. Certain banker's acceptance and commercial paper notes for a period not to exceed one hundred eighty days from the purchase date in an amount not to exceed twenty-five percent of the interim monies available for investment at any one time: and,
8. Under limited circumstances, corporate debt interests rated in either of the two highest classifications by at least two nationally recognized rating agencies.

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

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

NOTE 4 - DEPOSITS AND INVESTMENTS - (Continued)

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

A. Cash with Fiscal Agent

At year-end, the District had \$1,479,673 cash held by the fiscal agent which cannot be identified as an investment or deposit, since it is held in a pool made up of numerous participants.

B. Deposits with Financial Institutions

At June 30, 2006, the carrying amount of all District deposits was \$2,197,169, exclusive of the \$274,719 repurchase agreement included in investments below. Based on the criteria described in GASB Statement No. 40, "Deposits and Investment Risk Disclosures", as of June 30, 2006, \$2,128,701 of the District's bank balance of \$2,228,701 was exposed to custodial risk as discussed below, while \$100,000 was covered by Federal Deposit Insurance Corporation.

Custodial credit risk is the risk that, in the event of bank failure, the District's deposits may not be returned. All deposits are collateralized with eligible securities in amounts equal to at least 105% of the carrying value of the deposits. Such collateral, as permitted by the Ohio Revised Code, is held in single financial institution collateral pools at Federal Reserve Banks, or at member banks of the federal reserve system, in the name of the respective depository bank and pledged as a pool of collateral against all of the public deposits it holds or as specific collateral held at the Federal Reserve Bank in the name of the District.

C. Investments

As of June 30, 2006, the District had the following investments and maturities:

<u>Investment type</u>	<u>Fair Value</u>	<u>Investment Maturities 6 months or less</u>
Repurchase Agreement	\$ 274,719	\$ 274,719
STAR Ohio	<u>368,852</u>	<u>368,852</u>
Total	<u>\$ 643,571</u>	<u>\$ 643,571</u>

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

Credit Risk: The District's investments in Star Ohio have been assigned an AAAM money market rating by Standard & Poor's.

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

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

NOTE 4 - DEPOSITS AND INVESTMENTS - (Continued)

Custodial Credit Risk: For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the District will not be able to recover the value of its investment or collateral securities that are in the possession of an outside party. Of the District's investment in repurchase agreements, the entire balance is collateralized by underlying securities pledged by the investment's counterparty, not in the name of the District.

Concentration of Credit Risk: The District places no limit on the amount that may be invested in any one issuer. The following table includes the percentage of each investment type held by the District at June 30, 2006:

<u>Investment type</u>	<u>Fair Value</u>	<u>% to Total</u>
Repurchase Agreement	\$ 274,719	42.69
STAR Ohio	<u>368,852</u>	<u>57.31</u>
	<u>\$ 643,571</u>	<u>100.00</u>

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

The following is a reconciliation of cash and investments as reported in the footnote above to cash and investments as reported on the statement of net assets as of June 30, 2006:

<u>Cash and Investments per footnote</u>	
Carrying amount of deposits	\$ 2,197,169
Investments	643,571
Cash with fiscal agent	<u>1,479,673</u>
Total	<u>\$ 4,320,413</u>
 <u>Cash and investments per Statement of Net Assets</u>	
Governmental activities	\$ 4,217,494
Business-type activities	51,150
Agency fund	<u>51,769</u>
Total	<u>\$ 4,320,413</u>

NOTE 5 - INTERFUND TRANSACTIONS

Interfund loans receivable/payable consisted of the following at June 30, 2006, as reported on the fund statement:

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

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

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

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

NOTE 6 - PROPERTY TAXES

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

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

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, 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-four percent of true value for inventory. Payments by multi-county taxpayers are due September 20. Single county taxpayers may pay annually or semi-annually. If paid annually, payment is due April 30; if paid semi-annually, the first payment is due April 30, with the remainder payable by September 20. Tangible personal property taxes paid by April 30 are usually received by the District prior to June 30.

The District receives property taxes from Tuscarawas County and Stark County. The County Auditors periodically advance to the District its portion of the taxes collected. Second-half real property tax payments collected by the County by June 30, 2006, are available to finance fiscal year 2006 operations. The amount available as an advance at June 30, 2006 was \$664,005.

Accrued property taxes receivable includes real property, public utility property and tangible personal property taxes which are measurable as of June 30, 2006 and for which there is an enforceable legal claim. Although total property tax collections for the next fiscal year are measurable, only the amount of real property taxes available as an advance at June 30 was levied to finance current fiscal year operations and is reported as revenue at fiscal year end. The portion of the receivable not levied to finance current fiscal year operations is offset by a credit to deferred revenue.

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

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

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

NOTE 6 - PROPERTY TAXES - (Continued)

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	\$ 176,487,480	90.13	\$ 179,687,950
Public utility personal	9,677,730	4.94	9,657,270	4.84
Tangible personal property	9,663,320	4.93	9,984,765	5.01
Total	\$ 195,828,530	100.00	\$ 199,329,985	100.00
Tax rate per \$1,000 of assessed valuation	\$ 39.80		\$ 39.80	

NOTE 7 - RECEIVABLES

Receivables at June 30, 2006 consisted of taxes, internal loans, and intergovernmental grants and entitlements. All receivables are considered collectible in full due to the ability to foreclose for the nonpayment of taxes, the stable condition of state programs and the current year guarantee of federal funds. A summary of the principal items of receivables reported on the Statement of Net Assets follows:

Governmental Activities

Taxes - current and delinquent	\$ 6,374,549
Intergovernmental	57,837
Internal loan	89,293
Total receivables	\$ 6,521,679

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

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

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

NOTE 8 - CAPITAL ASSETS

Capital asset activity for the fiscal year-ended June 30, 2006, was as follows:

	<u>Balance</u> <u>June 30, 2005</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance</u> <u>June 30, 2006</u>
Governmental Activities				
Capital assets, not being depreciated:				
Land	\$ 46,031	\$ -	\$ -	\$ 46,031
Total capital assets, not being depreciated	<u>46,031</u>	<u>-</u>	<u>-</u>	<u>46,031</u>
Capital assets, being depreciated:				
Land improvements	473,656	14,817	-	488,473
Buildings and improvements	8,971,469	97,409	-	9,068,878
Furniture and equipment	915,242	210,967	(12,126)	1,114,083
Vehicles	1,071,381	-	(5,000)	1,066,381
Total capital assets, being depreciated	<u>11,431,748</u>	<u>323,193</u>	<u>(17,126)</u>	<u>11,737,815</u>
Less: accumulated depreciation				
Land improvements	(283,124)	(8,838)	-	(291,962)
Buildings and improvements	(3,053,884)	(166,099)	-	(3,219,983)
Furniture and equipment	(449,432)	(52,931)	10,913	(491,450)
Vehicles	(409,819)	(55,811)	4,500	(461,130)
Total accumulated depreciation	<u>(4,196,259)</u>	<u>(283,679)</u>	<u>15,413</u>	<u>(4,464,525)</u>
Governmental activities capital assets, net	<u>\$ 7,281,520</u>	<u>\$ 39,514</u>	<u>\$ (1,713)</u>	<u>\$ 7,319,321</u>
Business-Type Activities				
Capital assets, being depreciated:				
Furniture and equipment	\$ 131,285	\$ -	\$ -	\$ 131,285
Less: accumulated depreciation	<u>(71,209)</u>	<u>(4,676)</u>	<u>-</u>	<u>(75,885)</u>
Business-type activities capital assets, net	<u>\$ 60,076</u>	<u>\$ (4,676)</u>	<u>\$ -</u>	<u>\$ 55,400</u>

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

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

NOTE 8 - CAPITAL ASSETS - (Continued)

Depreciation expense was charged to governmental functions as follows:

Instruction:	
Regular	\$ 150,816
Special	9,875
Support Services:	
Pupil	1,943
Instructional staff	8,147
Administration	9,534
Fiscal	543
Operations and maintenance of plant	11,313
Pupil transportation	58,098
Operation of non-instructional services	22,543
Extracurricular activities	<u>10,867</u>
Total depreciation expense	<u>\$ 283,679</u>

NOTE 9 - CAPITALIZED LEASES - LESSEE DISCLOSURE

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

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

A corresponding liability is recorded in the statement of net assets. Principal and interest payments in the 2006 fiscal year totaled \$57,662 and \$15,941, respectively. These amounts are reported as debt service payments of the general fund.

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

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

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

The following is a schedule of the future minimum lease payments required under the capital lease and the present value of the future minimum lease payments as of June 30, 2006:

Year Ending June 30	Amount
2007	\$ 81,177
2008	72,244
2009	45,444
2010	45,444
2011	7,574
Total	251,883
Less amount representing interest	(31,858)
Present value of net minimum lease payments	\$ 220,025

NOTE 10 - LONG-TERM OBLIGATIONS

- A. On June 3, 1999, the District issued \$6,949,981 general obligation various purpose refunding bonds. The issue is comprised of both current interest bonds, par value \$5,980,000, and capital appreciation bonds, par value \$969,981. The interest rates on the current interest bonds range from 3.40% to 5.35%. The proceeds of the bonds were used to advance refund the District's 1995 general obligation school improvement bonds by purchasing U.S. Government Securities that were placed in an irrevocable trust for the purpose of generating resources for all future debt service payments of the refunded debt. The refunded bonds are not included in the District's outstanding debt since the District has satisfied its obligations through the advance refunding. The principal balance of the general obligation various purpose refunded bonds at June 30, 2006 was \$3,445,000.

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

The capital appreciation bonds mature in various installments between December 1, 2013 and December 1, 2019 at a redemption price equal to 100% of the principal, plus accrued interest to the redemption date. The capital appreciation bonds have effective interest rates between 8.0839% and 8.9204%. The present value reported in the statement of net assets at June 30, 2006 was \$2,227,230. A total of \$1,257,249 in accredited interest on the capital appreciation bonds has been included in the statement of net assets at June 30, 2006.

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

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

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

NOTE 10 - LONG-TERM OBLIGATIONS - (Continued)

The following is a schedule of activity for fiscal 2006 for the 1999 series general obligation bonds:

	<u>Balance</u> <u>June 30, 2005</u>	<u>Appreciation</u>	<u>Reduction</u>	<u>Balance</u> <u>June 30, 2006</u>
Current interest bonds	\$ 3,865,000	\$ -	\$ (420,000)	\$ 3,445,000
Capital appreciation bonds	<u>2,047,623</u>	<u>179,607</u>	<u>-</u>	<u>2,227,230</u>
Total G.O. bonds	<u>\$ 5,912,623</u>	<u>\$ 179,607</u>	<u>\$ (420,000)</u>	<u>\$ 5,672,230</u>

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

<u>Fiscal</u> <u>Year Ending</u>	<u>Current Interest Bonds</u>			<u>Capital Appreciation Bonds</u>		
	<u>Principal</u>	<u>Interest</u>	<u>Total</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2007	\$ 430,000	\$ 144,480	\$ 574,480	\$ -	\$ -	-
2008	450,000	125,775	575,775	-	-	-
2009	470,000	105,878	575,878	-	-	-
2010	490,000	84,753	574,753	-	-	-
2011	515,000	62,134	577,134	-	-	-
2012 - 2016	1,090,000	51,017	1,141,017	466,035	1,283,965	1,750,000
2017 - 2020	<u>-</u>	<u>-</u>	<u>-</u>	<u>503,946</u>	<u>1,831,054</u>	<u>2,335,000</u>
Total	<u>\$ 3,445,000</u>	<u>\$ 574,037</u>	<u>\$ 4,019,037</u>	<u>\$ 969,981</u>	<u>\$ 3,115,019</u>	<u>\$ 4,085,000</u>

- B.** The District also has energy conservation loans outstanding at June 30, 2006. The energy conservation loans were issued in fiscal years 1997 and 2000 pursuant to Section 3313.372 of the Ohio Revised Code in anticipation of energy cost savings to be realized from an energy conservation project under House Bill 264. Payments of principal and interest relating to this liability are recorded as expenditures in the debt service fund. Unmatured obligations are accounted for in the statement of net assets.

<u>Fiscal</u> <u>Year Ending</u>	<u>Principal on</u> <u>Loans</u>	<u>Interest on</u> <u>Loans</u>	<u>Total</u>
2007	\$ 75,000	\$ 9,543	\$ 84,543
2008	35,000	6,490	41,490
2009	35,000	4,923	39,923
2010	<u>40,000</u>	<u>2,360</u>	<u>42,360</u>
Total	<u>\$ 185,000</u>	<u>\$ 23,316</u>	<u>\$ 208,316</u>

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

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

NOTE 10 - LONG-TERM OBLIGATIONS - (Continued)

- C. The following is a description of the District's long-term debt obligations outstanding as of June 30, 2006:

	<u>Outstanding June 30, 2005</u>	<u>Appreciation in 2006</u>	<u>Retired in 2006</u>	<u>Outstanding June 30, 2006</u>
General obligation bonds	\$ 4,834,981	\$ -	\$ (420,000)	\$ 4,414,981
Accretion of capital appreciation bonds	1,077,642	179,607	-	1,257,249
Energy conservation loans	<u>260,000</u>	<u>-</u>	<u>(75,000)</u>	<u>185,000</u>
Total	<u>\$ 6,172,623</u>	<u>\$ 179,607</u>	<u>\$ (495,000)</u>	<u>\$ 5,857,230</u>

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

<u>Fiscal Year Ending</u>	<u>Principal on Debt</u>	<u>Interest on Debt</u>	<u>Total</u>
2007	\$ 505,000	\$ 154,023	\$ 659,023
2008	485,000	132,265	617,265
2009	505,000	110,801	615,801
2010	530,000	87,113	617,113
2011	515,000	62,134	577,134
2012 - 2016	1,556,035	1,334,982	2,891,017
2017 - 2020	<u>503,946</u>	<u>1,831,054</u>	<u>2,335,000</u>
Total	<u>\$ 4,599,981</u>	<u>\$ 3,712,372</u>	<u>\$ 8,312,353</u>

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

	<u>Balance June 30, 2005</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance June 30, 2006</u>	<u>Amounts Due in One Year</u>
Governmental Activities					
Compensated absences payable	\$ 932,178	\$ 86,915	\$ (126,441)	892,652	\$ 154,954
General obligation bonds payable	4,834,981	-	(420,000)	4,414,981	430,000
Appreciation of capital appreciation bonds	1,077,642	179,607	-	1,257,249	-
Energy conservation loans	260,000	-	(75,000)	185,000	75,000
Capital lease obligation	<u>90,919</u>	<u>186,768</u>	<u>(57,662)</u>	<u>220,025</u>	<u>67,084</u>
Total governmental activities long-term liabilities	<u>\$ 7,195,720</u>	<u>\$ 453,290</u>	<u>\$ (679,103)</u>	<u>\$ 6,969,907</u>	<u>\$ 727,038</u>
Business-Type Activities					
Compensated absences	\$ 47,815	\$ -	\$ (29,795)	\$ 18,783	\$ 763
Total business-type activities	<u>\$ 47,815</u>	<u>\$ -</u>	<u>\$ (29,795)</u>	<u>\$ 18,783</u>	<u>\$ 763</u>

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

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

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

NOTE 10 - LONG-TERM OBLIGATIONS - (Continued)

F. Legal Debt Margin

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

The effects of these debt limitations at June 30, 2006 are a voted debt margin of \$14,134,639 (including available funds of \$609,921) and an unvoted debt margin of \$199,330.

NOTE 11 - RISK MANAGEMENT

A. Property and Liability

The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During fiscal year 2006, the District contracted with Indiana Insurance Company for property and fleet insurance. Coverages provided by Indiana Insurance are as follows:

Building and Contents - replacement cost (\$2,500 deductible)	
Boiler and Machinery (\$2,500 deductible)	
Inland Marine Coverage (\$250 deductible)	\$30,522,141
Automobile Liability - collision (\$1,000 deductible comprehensive (\$50 deductible))	\$4,000,000 & \$1,000,000 umbrella
Uninsured Motorists (\$0 deductible)	\$1,000,000 & \$1,000,000 umbrella
Umbrella coverage	\$1,000,000

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

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

B. Workers' Compensation Rating Program

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

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

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

NOTE 11 - RISK MANAGEMENT - (Continued)

C. Employee Medical Benefits

The District provides employee medical/surgical benefits through a self-insured plan and maintains a self-insurance internal service fund to account for and finance its uninsured risks of loss in this program. The plan provides medical/surgical coverage, which is 100% paid of reasonable and customary charges. Major medical expense coverage includes a \$100 individual and \$200 family deductible followed by a 10% employee co-payment. A third party administrator, American Administrative Group, Inc., reviews all claims, which are then paid by OME-RESA Health Benefits. The District purchases stop-loss coverage of \$100,000 per individual from ING through OME-RESA Health Benefits. There is an internal pool from \$35,000 to \$99,999 for stop loss coverage. The District also provides dental and vision coverage on this self-insured basis. The medical premiums are paid by the District at a rate of 90% for all employees. Dental and vision premiums are paid 100% by the District. The premium is paid by the fund that paid the salary for the employee and is based on historical cost information.

Total required monthly premiums for coverage are as follows:

	<u>Family</u>	<u>Individual</u>
Medical/Surgical	\$ 1,212.79	\$ 528.65
Dental	73.69	73.69
Vision	23.97	8.83

The liability for unpaid claims of \$231,560 reported in the internal service fund at June 30, 2006, is based on the requirements of GASB Statement No. 10, "Accounting and Financial Reporting for Risk Financing and Related Insurance Issues", as amended by GASB Statement No. 30, "Risk Financing Omnibus", which requires that a liability for unpaid claims costs, including estimates of costs relating to incurred but not reported claims, be accrued at the estimated ultimate cost of settling the claims.

<u>Fiscal Year</u>	<u>Beginning of Fiscal Year Liability</u>	<u>Current-Year Claims and Changes in Estimates</u>	<u>Claims Payments</u>	<u>Balance at Fiscal Year-End</u>
2005 - 2006	\$ 244,978	\$ 1,150,145	\$ (1,163,563)	\$ 231,560
2004 - 2005	240,014	1,238,382	(1,233,418)	244,978

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

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

NOTE 12 - PENSION PLANS

A. School Employees Retirement System

The District contributes to the School Employees Retirement System (SERS), a cost-sharing multiple employer defined benefit pension plan. SERS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Authority to establish and amend benefits is provided by Chapter 3309 of the Ohio Revised Code. SERS issues a publicly available, stand-alone financial report that includes financial statements and required supplementary information. That report may be obtained by writing to the School Employees Retirement System, 300 East Broad Street, Suite 100, Columbus, Ohio 43215-3746 or by calling (800) 878-5853. It is also posted on SERS' website, www.ohsers.org, under Forms and Publications.

Plan members are required to contribute 10 percent of their annual covered salary and the District is required to contribute at an actuarially determined rate. The current District rate is 14 percent of annual covered payroll. A portion of the District's contribution is used to fund pension obligations with the remainder being used to fund health care benefits; for fiscal year 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. 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 statutory maximum amounts, by the SERS' Retirement Board. The District's required contributions to SERS for the fiscal years ended June 30, 2006, 2005, and 2004 were \$167,015, \$164,420, and \$141,598, respectively; 43.43% has been contributed for fiscal year 2006 and 100% for the fiscal years 2005 and 2004. \$94,475 represents the unpaid contribution for fiscal year 2006.

B. State Teachers Retirement System

The 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 or by calling (614) 227-4090.

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

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

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

NOTE 12 PENSION PLANS - (Continued)

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

For the fiscal year ended June 30, 2006, plan members were required to contribute 10 percent of their annual covered salaries. The District was required to contribute 14 percent; 13 percent was the portion used to fund pension obligations. Contribution rates are established by the State Teachers Retirement Board, upon recommendation 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 District's required contributions to STRS for the fiscal years ended June 30, 2006, 2005, and 2004 were \$697,369, \$682,217, and \$659,097, respectively; 82.81% has been contributed for fiscal year 2006 and 100% for the fiscal years 2005 and 2004. \$119,908 represents the unpaid contribution for fiscal year 2006. Contributions to the DC and Combined Plans for fiscal year 2006 were \$9,448 paid by the District and \$12,359 paid by the plan members.

C. Social Security System

Effective July 1, 1991, all employees not otherwise covered by SERS or STRS have an option to choose Social Security or SERS/STRS. As of June 30, 2006, certain members of the Board of Education have elected Social Security. The District's liability is 6.20 percent of wages paid.

NOTE 13 - POSTEMPLOYMENT BENEFITS

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

STRS retirees who participated in the DB or combined plans and their dependents are eligible for health care coverage. The STRS Board has statutory authority over how much, if any, of the health care costs will be absorbed by STRS. All benefit recipients pay a portion of health care cost in the form of a monthly premium. By law, the cost of coverage paid from STRS funds is included in the employer contribution rate, currently 14 percent of covered payroll. For the fiscal year ended June 30, 2006, the STRS Board allocated employer contributions equal to 1 percent of covered payroll to the Health Care Reserve Fund. For the District, this amount equaled \$53,644 for fiscal year 2006.

STRS pays health care benefits from the Health Care Stabilization Fund. At June 30, 2005 (the latest information available), the balance in the Health Care Stabilization Fund was \$3.3 billion. For the fiscal year ended June 30, 2005 (the latest information available), net health care costs paid by STRS were \$254.780 million and STRS had 115,395 eligible benefit recipients.

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

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

NOTE 13 - POSTEMPLOYMENT BENEFITS – (Continued)

For SERS, coverage is made available to service retirees with ten or more fiscal years of qualifying service credit, and to disability and survivor benefit recipients. All retirees and beneficiaries are required to pay a portion of their premium for health care. The portion is based on years of service, Medicare eligibility, and retirement status. Premiums may be reduced for retirees whose household income falls below the poverty level.

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 of .01 percent from 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. However, the surcharge is capped at 2 percent of each employer's SERS salaries. For the 2006 fiscal year, District paid \$86,013 to fund health care benefits, including the surcharge.

The surcharge, added to the unallocated portion of the 14 percent employer contribution rate, provides for maintenance of the asset target level for the health care fund. The target level for the health care reserve is 150 percent of annual health care expenses. Expenses for health care for the fiscal year ended June 30, 2005 (the latest information available) were \$178.221 million. At June 30, 2005 (the latest information available), SERS had net assets available for payment of health care benefits of \$267.5 million, which is about 168 percent of next years projected net health care costs of \$158.776 million. 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 percent of estimated annual net claim costs. SERS has 58,123 participants currently receiving health care benefits.

NOTE 14 - BUDGETARY BASIS OF ACCOUNTING

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

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

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

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

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

NOTE 14 - BUDGETARY BASIS OF ACCOUNTING – (Continued)

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

Net Change in Fund Balance

	<u>General Fund</u>
Budget basis	\$ (12,268)
Net adjustment for revenue accruals	213,826
Net adjustment for expenditure accruals	(204,586)
Net adjustment for other financing sources/uses	186,768
Adjustment for encumbrances	<u>109,156</u>
GAAP basis	<u>\$ 292,896</u>

NOTE 15 - CONTINGENCIES

A. Grants

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

B. Litigation

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

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

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

NOTE 16 - STATUTORY RESERVES

The District is required by state law to set-aside certain general fund revenue amounts, as defined by Statute, into various reserves. These reserves are calculated and presented on a cash basis. During the fiscal year ended June 30, 2006, the reserve activity was as follows:

	<u>Textbooks</u>	<u>Capital Acquisition</u>
Set-aside cash balance as of June 30, 2005	\$ 114,333	
Current year set-aside requirement	233,190	233,190
Qualifying disbursements	<u>(201,006)</u>	<u>(274,497)</u>
Total	<u>\$ 146,517</u>	<u>\$ (41,307)</u>
Cash balance carried forward to FY 2007	<u>\$ 146,517</u>	<u>\$ -</u>

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

A schedule of the restricted assets at June 30, 2006 follows:

Amount restricted for textbooks	<u>\$ 146,517</u>
---------------------------------	-------------------

NOTE 17 – SUBSEQUENT EVENTS

At June 30, 2006, the District’s financial statements reflected an outstanding interfund loan receivable and interfund loan payable of \$105,045 made in previous years from the General Fund to the Enterprise Food Service Fund. On December 11, 2006, the Board took action changing these prior years’ board approved advances to transfers thereby eliminating the outstanding interfund loan receivables and interfund loan payables.

TUSCARAWAS VALLEY LOCAL SCHOOL DISTRICT
TUSCARAWAS COUNTY

**FEDERAL AWARDS RECEIPTS AND EXPENDITURES SCHEDULE
FOR THE YEAR ENDED JUNE 30, 2006**

Federal Grantor/ Pass Through Grantor/ Program Title	Pass Through Entity Number	Federal CFDA Number	Receipts	Non-Cash Receipts	Disbursements	Non-Cash Disbursements
<u>U.S. DEPARTMENT OF AGRICULTURE</u>						
<i>Passed Through Ohio Department of Education:</i>						
Child Nutrition Cluster:						
School Breakfast Program	Not Applicable	10.553	\$9,118		\$9,119	
National School Lunch Program	Not Applicable	10.555	<u>112,876</u>		<u>112,876</u>	
Total U.S. Department of Agriculture-Child Nutrition Cluster			<u>121,994</u>		<u>121,995</u>	
Food Distribution Program	Not Applicable	10.550		<u>\$28,327</u>		<u>\$28,327</u>
Total U.S. Department of Agriculture			121,994	28,327	121,995	28,327
<u>U.S. DEPARTMENT OF EDUCATION</u>						
<i>Passed Through Ohio Department of Education:</i>						
Special Education Cluster:						
Special Education Grants to States	050302-6BSF-2006	84.027	358,327		342,154	
Total Special Education Grants to State	050302-6BSF-2005		<u>29,962</u>		<u>45,948</u>	
			388,289		388,102	
Title I Grants to Local Educational Agencies	050302-C1S1-2006	84.010	69,563		64,681	
Total Title I Grants to Local Educational Agencies	050302-C1S1-2005		<u>9,599</u>		<u>12,668</u>	
			79,162		77,349	
Improving Teacher Quality State Grants	050302-TRS1-2006	84.367	52,210		44,190	
Total Improving Teacher Quality State Grants	050302-TRS1-2005		<u>2,761</u>		<u>6,741</u>	
			54,971		50,931	
Education Technology State Grants	050302-TJS1-2006	84.318	2,703		899	
State Grants for Innovative Programs	050302-C2S1-2006	84.298	4,582		4,582	
Safe and Drug Free Schools and Communities State Grants	050302-DRS1-2006	84.186	7,423		7,048	
Total Safe and Drug Free Schools and Communities State Grants	050302-DRS1-2005		<u>22</u>		<u>22</u>	
			7,423		7,070	
Total U.S. Department of Education			<u>537,130</u>		<u>528,933</u>	
TOTAL			<u>\$659,124</u>	<u>\$28,327</u>	<u>\$650,928</u>	<u>\$28,327</u>

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

**TUSCARAWAS VALLEY LOCAL SCHOOL DISTRICT
TUSCARAWAS COUNTY**

**NOTES TO THE FEDERAL AWARDS RECEIPTS AND EXPENDITURES SCHEDULE
FOR THE YEAR ENDED JUNE 30, 2006**

NOTE A - SIGNIFICANT ACCOUNTING POLICIES

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

NOTE B – FOOD DONATION PROGRAM

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

NOTE C – CHILD NUTRITION CLUSTER

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



Mary Taylor, CPA

Auditor of State

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

Tuscarawas Valley Local School District
Tuscarawas County
2637 Tuscarawas Valley Road NE
Zoarville, Ohio 44656-2213

To the Board of Education:

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Tuscarawas Valley Local School District, Tuscarawas County, Ohio, (the District) as of and for the year ended June 30, 2006, which collectively comprise the District's basic financial statements and have issued our report thereon dated January 22, 2007. 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 opinions 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.

In a separate letter to the District's management dated January 22, 2007, we reported other matters involving internal control over financial reporting we did not deem reportable conditions.

Compliance and Other Matters

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

101 Central Plaza South / 700 Chase Tower / Canton, OH 44702-1509
Telephone: (330) 438-0617 (800) 443-9272 Fax: (330) 471-0001
www.auditor.state.oh.us

Tuscarawas Valley School District
Tuscarawas County
Independent Accountants' Report on Internal Control Over
Financial Reporting and on Compliance and Other Matters
Required by *Government Auditing Standards*
Page 2

In a separate letter to the District's management dated January 22, 2007, we reported other matters related to noncompliance we deemed immaterial.

We intend this report solely for the information and use of the audit committee, management, the Board of Education, and federal awarding agencies and pass-through entities. 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

January 22, 2007



Mary Taylor, CPA

Auditor of State

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

Tuscarawas Valley Local School District
Tuscarawas County
2637 Tuscarawas Valley Road NE
Zoarville, Ohio 44656-2213

To the Board of Education:

Compliance

We have audited the compliance of Tuscarawas Valley Local School District, Tuscarawas County, Ohio, (the District) with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133, Compliance Supplement that apply to its major federal program for the year ended June 30, 2006. The summary of auditor's results section of the accompanying Schedule of Findings identifies the District's major federal program. The District's management is responsible for complying with the requirements of laws, regulations, contracts, and grants applicable to each major federal program. Our responsibility is to express an opinion on the District's compliance based on our audit.

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

In our opinion, Tuscarawas Valley Local School District, Tuscarawas County, Ohio, complied, in all material respects, with the requirements referred to above that apply to its major federal program for the year ended June 30, 2006.

Internal Control Over Compliance

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

101 Central Plaza South / 700 Chase Tower / Canton, OH 44702-1509
Telephone: (330) 438-0617 (800) 443-9272 Fax: (330) 471-0001
www.auditor.state.oh.us

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a 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 noncompliance with applicable requirements of laws, regulations, contracts and grants caused by error or fraud that would be material in relation to a major federal program being audited may occur and not be timely detected by employees when performing their assigned functions. We noted no matters involving the internal control over compliance and its operation that we consider to be material weaknesses.

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

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

Mary Taylor, CPA
Auditor of State

January 22, 2007

**TUSCARAWAS VALLEY LOCAL SCHOOL DISTRICT
TUSCARAWAS COUNTY**

**SCHEDULE OF FINDINGS
OMB CIRCULAR A -133 § .505
JUNE 30, 2006**

1. SUMMARY OF AUDITOR'S RESULTS

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

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

None

3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS

None



Mary Taylor, CPA
Auditor of State

TUSCARAWAS VALLEY LOCAL SCHOOL DISTRICT
TUSCARAWAS COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

CERTIFIED
MARCH 6, 2007