



Mary Taylor, CPA  
Auditor of State



**TWIN VALLEY COMMUNITY LOCAL SCHOOL DISTRICT  
PREBLE COUNTY**

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# Mary Taylor, CPA

Auditor of State

## INDEPENDENT ACCOUNTANTS' REPORT

Twin Valley Community Local School District  
Preble County  
100 Education Drive  
West Alexandria, Ohio 45381

To the Board of Education:

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Twin Valley Community Local School District, Preble County, Ohio (the School District), as of and for the year ended June 30, 2007, which collectively comprise the School District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the School District's management. Our responsibility is to express an opinion 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 that our audit provides a reasonable basis for our opinions.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective modified cash financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Twin Valley Community Local School District, Preble County, Ohio as of June 30, 2007, and the respective changes in modified cash financial position and the respective budgetary comparison for the General Fund thereof for the year then ended in conformity with the basis of accounting Note 2 describes.

In accordance with *Government Auditing Standards*, we have also issued our report dated April 25, 2008, on our consideration of the School 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.

We conducted our audit to form opinions on the financial statements that collectively comprise the School District's basic financial statements. U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations* requires presenting a federal awards receipts and expenditure schedule and is not a required part of the basic financial statements. We subjected the federal awards receipts and expenditure 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.

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

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

**Mary Taylor, CPA**  
Auditor of State

April 25, 2008

## **Twin Valley Community Local School District**

### *Management's Discussion and Analysis For the Fiscal Year Ended June 30, 2007*

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The discussion and analysis of Twin Valley Community Local School District's financial performance provides an overall review of the School District's financial activities for the fiscal year ended June 30, 2007, within the limitations of the School District's modified cash basis of accounting. Readers should also review the basic financial statements and the notes to the basic financial statements to enhance their understanding of the School District's financial performance.

### **Financial Highlights**

Key financial highlights for fiscal year 2007 are as follows:

- In total, net assets increased \$98,254, which represents a one percent increase from fiscal year 2006.
- General receipts accounted for \$8,073,492, or 83.0 percent of all receipts. Program specific receipts in the form of charges for services, operating and capital grants and contributions accounted for \$1,655,659 or 17.0 percent of total receipts of \$9,729,151.
- The School District had \$9,630,897 in disbursements; only \$1,655,659 of these disbursements were offset by program specific charges for services, grants, and contributions.

### **Using The Basic Financial Statements**

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

#### *Report Components*

The Statement of Net Assets and Statement of Activities provide information about the cash activities as a whole.

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

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

**Twin Valley Community Local School District**

*Management's Discussion and Analysis  
For the Fiscal Year Ended June 30, 2007*

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*Basis of Accounting*

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

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

**Reporting the School District as a Whole**

*Statement of Net Assets and the Statement of Activities – Modified Cash Basis*

The Statement of Net Assets and the Statement of Activities reflect how the School District did financially during fiscal year 2007, within the limitations of modified cash basis accounting. The Statement of Net Assets presents the cash balances and investments of the governmental activities of the School District at fiscal year-end. The Statement of Activities compares cash disbursements with program receipts for each governmental program. Program receipts include charges paid by the recipient of the program's goods or services, and grants and contributions restricted to meeting the operational or capital requirements of a particular program. General receipts are all receipts not classified as program receipts. The comparison of cash disbursements with program receipts identifies how each governmental program draws from the School District's general receipts.

These statements report the School District's modified cash position and the changes in modified cash position. Keeping in mind the limitations of the modified cash basis of accounting, you can think of these changes as one way to measure the School District's financial health. Over time, increases or decreases in the School District's cash position is one indicator of whether the School District's financial health is improving or deteriorating. When evaluating the School District's financial condition, you should also consider other nonfinancial factors as well, such as the School District's property tax base, the condition of the School District's capital assets, the extent of the School District's debt obligations, the reliance on non-local financial resources for operations and the need for continued growth in the major local receipt sources such as property and income taxes.



**Twin Valley Community Local School District**  
*Management's Discussion and Analysis*  
*For the Fiscal Year Ended June 30, 2007*

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

*Fund Financial Statements*

Fund financial statements provide detailed information about the School District's major funds, not the School District as a whole. The School District uses many funds to account for a multitude of financial transactions. However, these fund financial statements focus on the School District's most significant funds. The School District's major governmental funds are the General Fund and the Bond Retirement Debt Service Fund.

*Governmental Funds*

The School 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 fiscal year-end available for spending in future periods. These funds are reported on a modified cash basis. The governmental fund statements provide a detailed short-term view of the School District's general governmental 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.

*Fiduciary Funds*

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

**Twin Valley Community Local School District**  
*Management's Discussion and Analysis*  
For the Fiscal Year Ended June 30, 2007

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**The School District as a Whole**

Table 1 provides a summary of the School District's net assets for fiscal year 2007 compared to fiscal year 2006:

Table 1 Net Assets			
	2007	2006	Change
<b>Assets:</b>			
Current Assets	\$1,582,138	\$1,373,120	\$209,018
Capital Assets	10,936,337	11,237,101	(300,764)
<i>Total Assets</i>	12,518,475	12,610,221	(91,746)
<b>Liabilities:</b>			
Due Within One Year	190,000	175,000	15,000
Due In More Than One Year	2,735,000	2,940,000	(205,000)
<i>Total Liabilities</i>	2,925,000	3,115,000	(190,000)
<b>Net Assets:</b>			
Invested in Capital Assets, Net of Related Debt	8,011,337	8,122,101	(110,764)
Restricted	545,798	456,486	89,312
Unrestricted	1,036,340	916,634	119,706
<i>Total Net Assets</i>	\$9,593,475	\$9,495,221	\$98,254

Current assets of governmental activities increased, primarily due to an increase in cash from more property taxes, income taxes and intergovernmental revenues received during fiscal year. Capital assets decreased primarily due to depreciation expense. Unrestricted net assets, the part of net assets that can be used to finance day-to-day activities without constraints established by grants or legal requirements also increased mainly due to an increase in current assets in the General Fund.

Table 2 shows the changes in net assets for fiscal years 2007 and 2006.

Table 2 Change in Net Assets			
	2007	Restated 2006	Change
<b>Receipts:</b>			
<b>Program Cash Receipts:</b>			
Charges for Services	\$667,397	\$653,106	\$14,291
Operating Grants and Contributions	982,262	980,882	1,380
Capital Grants and Contributions	6,000	16,053	(10,053)
<i>Total Program Cash Receipts</i>	\$1,655,659	\$1,650,041	\$5,618

(continued)

**Twin Valley Community Local School District**  
*Management's Discussion and Analysis*  
*For the Fiscal Year Ended June 30, 2007*

Table 2  
Change in Net Assets (continued)

	2007	2006	Change
<b>General Receipts:</b>			
Property Taxes Levied for:			
General Purposes	\$2,336,763	\$2,304,765	\$31,998
Debt Service	346,899	336,556	10,343
Other Purposes	37,103	40,080	(2,977)
Income Tax	743,500	677,180	66,320
Grants and Entitlements not Restricted to			
Specific Programs	4,451,698	4,316,271	135,427
Investment Earnings	74,477	47,129	27,348
Premium on Bonds Issued	48,215	0	48,215
Miscellaneous	34,837	1,656	33,181
<i>Total General Receipts</i>	<u>8,073,492</u>	<u>7,723,637</u>	<u>349,855</u>
<i>Total Receipts</i>	<u>9,729,151</u>	<u>9,373,678</u>	<u>355,473</u>
<b>Cash Disbursements:</b>			
Instruction:			
Regular	4,023,947	3,987,445	36,502
Special	912,226	999,443	(87,217)
Vocational	250,297	240,284	10,013
Student Intervention Services	13,179	0	13,179
Support Services:			
Pupils	235,478	231,978	3,500
Instructional Staff	378,653	394,898	(16,245)
Board of Education	102,376	104,791	(2,415)
Administration	970,512	947,056	23,456
Fiscal	204,377	196,273	8,104
Operation and Maintenance of Plant	904,875	895,691	9,184
Pupil Transportation	561,498	570,826	(9,328)
Central	70,523	71,645	(1,122)
Operation of Non-Instructional Services	462,302	429,907	32,395
Extracurricular Activities	322,518	327,830	(5,312)
Debt Service:			
Interest and Fiscal Charges	189,087	203,460	(14,373)
Issuance Costs	29,049	0	29,049
<i>Total Cash Disbursements</i>	<u>9,630,897</u>	<u>9,601,527</u>	<u>29,370</u>
<i>Increase (Decrease) in Net Assets</i>	98,254	(227,849)	
<i>Net Assets at Beginning of Year</i>	<u>9,495,221</u>	<u>9,723,070</u>	
<i>Net Assets at End of Year</i>	<u>\$9,593,475</u>	<u>\$9,495,221</u>	

**Twin Valley Community Local School District**

*Management's Discussion and Analysis  
For the Fiscal Year Ended June 30, 2007*

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**Governmental Activities**

The unique nature of taxes in Ohio creates the need to routinely seek voter approval for the School District's operations. Property taxes and income taxes made up 35.6 percent of receipts for governmental activities for the School District for fiscal year 2007. The increase in property taxes was primarily due to the result of the County's reappraisal of assessed values.

Income taxes increased primarily due to collections of 2006 delinquencies. Miscellaneous receipts increased largely due to reimbursements from handicap transportation.

Instruction comprises 54 percent of School District disbursements. Support services make up 35.6 percent of the disbursements.

The primary decrease in special instruction was from the decrease of multi-handicapped students within the School District.

The Statement of Activities shows the cost of program services and the charges for services, grants, and contributions offsetting those services. Table 3 shows the total cost of services and the net cost of services for fiscal years 2007 and 2006. That is, it identifies the cost of these services supported by tax receipts and unrestricted State entitlements.

Table 3  
Governmental Activities

	Total Cost of Services 2007	Net Cost of Services 2007	Total Cost of Services 2006	Net Cost of Services 2006
Instruction	\$5,199,649	(\$4,206,114)	\$5,227,172	(\$4,371,795)
Support Services	3,428,292	(3,364,838)	3,413,158	(3,355,040)
Operation of Non-Instructional Services	462,302	(11,250)	429,907	(1,760)
Extracurricular Activities	322,518	(174,900)	327,830	(142,209)
Debt Service	218,136	(218,136)	203,460	(203,460)
<i>Total Disbursements</i>	<u>\$9,630,897</u>	<u>(\$7,975,238)</u>	<u>\$9,601,527</u>	<u>(\$8,074,264)</u>

**The School District's Funds**

Information about the School District's major funds starts on page 12. These funds are accounted for using the modified cash basis of accounting. All governmental funds had total receipts of \$9,680,936 and disbursements of \$9,445,810.

The net change in fund balance for the General Fund and the Bond Retirement Debt Service Fund was \$160,380 and \$32,020, respectively. The increase in the General Fund was primarily due to more income taxes collected during the fiscal year. Income tax revenues increased due to collections of 2006 delinquencies. The Bond Retirement Debt Service Fund increased slightly from less interest payments for debt during the fiscal year.

**Twin Valley Community Local School District**  
*Management's Discussion and Analysis*  
*For the Fiscal Year Ended June 30, 2007*

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**General Fund Budgeting Highlights**

The School 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.

For the General Fund, the final budget basis receipts estimate remained the same from the original budget basis receipts. Actual receipts increased \$406,065 from final budget basis receipts, primarily from property taxes and intergovernmental being higher than expected.

Final appropriations increased from the original appropriations by \$112,000. Actual disbursements decreased \$308,645 from final appropriations, primarily from special instruction being lower than expected. The School District uses site-based budgeting and the budgeting systems are designed to tightly control total site budgets but provide flexibility for site management.

**Capital Assets**

At the end of fiscal year 2007, the School District had \$10,907,664 invested in land, land improvements, buildings and improvements, furniture, fixtures, and equipment, and vehicles.

Table 4 shows fiscal year 2007 balances compared to fiscal year 2006.

Table 4  
Capital Assets (Net of Depreciation) at June 30,

	<u>2007</u>	<u>2006</u>
Land	\$336,998	\$336,998
Land Improvements	115,059	121,304
Buildings and Improvements	10,269,026	10,539,859
Furniture, Fixtures, and Equipment	49,330	46,715
Vehicles	165,924	192,225
<i>Totals</i>	<u>\$10,936,337</u>	<u>\$11,237,101</u>

Overall capital assets decreased \$300,764 from fiscal year 2006 to fiscal year 2007. This was due to depreciation expense during the fiscal year. For more information on capital assets, see Note 7 of the basic financial statements.

**Twin Valley Community Local School District**  
*Management's Discussion and Analysis*  
*For the Fiscal Year Ended June 30, 2007*

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**Debt Administration**

At June 30, 2007 the School District had \$2,925,000 in general obligation bonds outstanding, of which \$190,000 is due within one year. Table 5 summarizes the bonds outstanding:

Table 5  
Outstanding Debt, at Fiscal Year-End  
Governmental Activities

	<u>2007</u>	<u>2006</u>
1994 School Improvement Bonds	\$1,000,000	\$3,115,000
2007 School Improvement Refunding Bonds	<u>1,925,000</u>	<u>0</u>
<i>Totals</i>	<u><u>\$2,925,000</u></u>	<u><u>\$3,115,000</u></u>

The School District's overall legal debt margin was \$6,281,481, with an unvoted debt margin of \$99,688 at June 30, 2007.

For more information on the School District's debt, see Note 11 of the basic financial statements.

**Contacting the School District's Financial Management**

This financial report is designed to provide our citizens, taxpayers, investors and creditors with a general overview of the School District's finances and to show the School District's accountability for the money it receives. If you have questions about this report or need additional financial information, contact John Kinsel, Treasurer, at Twin Valley Community Local School District, 100 Education Drive, West Alexandria, Ohio 45381, or email at [jkinsel@tvs.k12.oh.us](mailto:jkinsel@tvs.k12.oh.us).

**Twin Valley Community Local School District**  
*Statement of Net Assets - Modified Cash Basis*  
*June 30, 2007*

	Governmental Activities
<b>Assets:</b>	
Equity in Pooled Cash and Cash Equivalents	\$1,582,138
Nondepreciable Capital Assets	336,998
Depreciable Capital Assets, Net	10,599,339
<i>Total Assets</i>	12,518,475
<b>Liabilities:</b>	
Long-Term Liabilities:	
Due Within One Year	190,000
Due in More Than One Year	2,735,000
<i>Total Liabilities</i>	2,925,000
<b>Net Assets:</b>	
Invested in Capital Assets, Net of Related Debt	8,011,337
Restricted for:	
Debt Service	234,579
Capital Projects	1,680
Classroom Facilities Maintenance	104,794
Food Service	64,798
Other Purposes	95,262
Set-Asides	44,685
Unrestricted	1,036,340
<i>Total Net Assets</i>	\$9,593,475

See Accompanying Notes to the Basic Financial Statements

**Twin Valley Community Local School District**

*Statement of Activities - Modified Cash Basis*

*For the Fiscal Year Ended June 30, 2007*

	Program Cash Receipts				Net (Disbursements) Receipts and Changes in Net Assets
	Cash Disbursements	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Total Governmental Activities
<b>Governmental Activities:</b>					
Instruction:					
Regular	\$4,023,947	\$203,584	\$62,534	\$0	(\$3,757,829)
Special	912,226	22,500	641,709	0	(248,017)
Vocational	250,297	2,129	47,900	0	(200,268)
Student Intervention Services	13,179	0	13,179	0	0
Support Services:					
Pupils	235,478	0	7,474	0	(228,004)
Instructional Staff	378,653	0	44,980	0	(333,673)
Board of Education	102,376	0	0	0	(102,376)
Administration	970,512	0	0	0	(970,512)
Fiscal	204,377	0	0	0	(204,377)
Operation and Maintenance of Plant	904,875	0	0	0	(904,875)
Pupil Transportation	561,498	0	0	6,000	(555,498)
Central	70,523	0	5,000	0	(65,523)
Operation of Non-Instructional					
Services	462,302	291,645	159,407	0	(11,250)
Extracurricular Activities	322,518	147,539	79	0	(174,900)
Debt Service:					
Interest and Fiscal Charges	189,087	0	0	0	(189,087)
Issuance Costs	29,049	0	0	0	(29,049)
<i>Total Governmental Activities</i>	<u>\$9,630,897</u>	<u>\$667,397</u>	<u>\$982,262</u>	<u>\$6,000</u>	<u>(7,975,238)</u>
<b>General Receipts:</b>					
Property Taxes Levied for:					
General Purposes					2,336,763
Debt Service					346,899
Other Purposes					37,103
Income Tax					743,500
Grants and Entitlements not Restricted to Specific Programs					4,451,698
Investment Earnings					74,477
Premium on Bonds Issued					48,215
Miscellaneous					34,837
<i>Total General Receipts</i>					<u>8,073,492</u>
<i>Change in Net Assets</i>					98,254
<i>Net Assets at Beginning of Year</i>					<u>9,495,221</u>
<i>Net Assets at End of Year</i>					<u><u>\$9,593,475</u></u>

See Accompanying Notes to the Basic Financial Statements



**Twin Valley Community Local School District**  
*Statement of Assets and Fund Balances - Modified Cash Basis*  
*Governmental Funds*  
*June 30, 2007*

	General	Bond Retirement	Other Governmental Funds	Total Governmental Funds
<b>Assets:</b>				
Equity in Pooled Cash and Cash Equivalents	\$1,014,534	\$234,579	\$288,340	\$1,537,453
Restricted Equity in Pooled Cash and Cash Equivalents	44,685	0	0	44,685
<i>Total Assets</i>	<u>\$1,059,219</u>	<u>\$234,579</u>	<u>\$288,340</u>	<u>\$1,582,138</u>
<b>Fund Balances:</b>				
Reserved for Encumbrances	\$59,030	\$0	\$28,958	\$87,988
Reserved for Textbooks and Instructional Materials	44,685	0	0	44,685
Unreserved, Undesignated, Reported in:				
General Fund	955,504	0	0	955,504
Special Revenue Funds	0	0	257,702	257,702
Debt Service Fund	0	234,579	0	234,579
Capital Projects Funds	0	0	1,680	1,680
<i>Total Fund Balances</i>	<u>\$1,059,219</u>	<u>\$234,579</u>	<u>\$288,340</u>	<u>\$1,582,138</u>

See Accompanying Notes to the Basic Financial Statements

**Twin Valley Community Local School District**  
*Reconciliation of Total Governmental Fund Balances to  
 Net Assets of Governmental Activities - Modified Cash Basis  
 June 30, 2007*

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**Total Governmental Fund Balances** \$1,582,138

*Amounts reported for governmental activities in the  
 Statement of Net Assets are different because:*

Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds. These assets consist of:

Land	336,998	
Land Improvements	229,826	
Buildings and Improvements	15,674,906	
Furniture, Fixtures, and Equipment	1,818,170	
Vehicles	666,962	
Accumulated Depreciation	(7,790,525)	
		10,936,337

General obligation bonds are not due and payable in the current period and therefore are not reported in the funds. (2,925,000)

*Net Assets of Governmental Activities* \$9,593,475

See Accompanying Notes to the Basic Financial Statements

**Twin Valley Community Local School District**

*Statement of Cash Receipts, Disbursements and Changes in Fund Balances - Modified Cash Basis*

*Governmental Funds*

*For the Fiscal Year Ended June 30, 2007*

	General	Bond Retirement	Other Governmental Funds	Total Governmental Funds
<b>Receipts:</b>				
Property Taxes	\$2,336,763	\$346,899	\$37,103	\$2,720,765
Income Tax	743,500	0	0	743,500
Tuition and Fees	146,327	0	51,920	198,247
Extracurricular Activities	0	0	147,539	147,539
Interest	73,616	0	940	74,556
Intergovernmental	4,713,872	41,812	684,197	5,439,881
Charges for Services	0	0	291,645	291,645
Rent	29,966	0	0	29,966
Miscellaneous	22,707	12,130	0	34,837
<i>Total Receipts</i>	<u>8,066,751</u>	<u>400,841</u>	<u>1,213,344</u>	<u>9,680,936</u>
<b>Disbursements:</b>				
Current:				
Instruction:				
Regular	3,593,300	0	108,686	3,701,986
Special	536,013	0	376,213	912,226
Vocational	248,385	0	1,912	250,297
Student Intervention Services	0	0	13,179	13,179
Support Services:				
Pupils	227,657	0	7,821	235,478
Instructional Staff	356,304	0	21,639	377,943
Board of Education	102,376	0	0	102,376
Administration	960,584	8,900	1,028	970,512
Fiscal	204,377	0	0	204,377
Operation and Maintenance of Plant	864,598	0	27,406	892,004
Pupil Transportation	573,975	0	0	573,975
Central	65,523	0	5,000	70,523
Operation of Non-Instructional Services	0	0	462,302	462,302
Extracurricular Activities	167,903	0	160,384	328,287
Capital Outlay	5,906	0	10,626	16,532
Debt Service:				
Principal Retirement	0	175,000	0	175,000
Interest and Fiscal Charges	0	129,764	0	129,764
Issuance Costs	0	29,049	0	29,049
<i>Total Disbursements</i>	<u>7,906,901</u>	<u>342,713</u>	<u>1,196,196</u>	<u>9,445,810</u>
<i>Excess of Revenues Over Expenditures</i>	<u>159,850</u>	<u>58,128</u>	<u>17,148</u>	<u>235,126</u>
<b>Other Financing Sources and Uses:</b>				
Refunding Bonds Issued	0	1,925,000	0	1,925,000
Premium on Bonds Issued	0	48,215	0	48,215
Payment to Refunded Bond Escrow Agent	0	(1,999,323)	0	(1,999,323)
<i>Total Other Financing Sources and Uses</i>	<u>0</u>	<u>(26,108)</u>	<u>0</u>	<u>(26,108)</u>
<i>Net Change in Fund Balances</i>	159,850	32,020	17,148	209,018
<i>Fund Balances at Beginning of Year</i>	<u>899,369</u>	<u>202,559</u>	<u>271,192</u>	<u>1,373,120</u>
<i>Fund Balances at End of Year</i>	<u>\$1,059,219</u>	<u>\$234,579</u>	<u>\$288,340</u>	<u>\$1,582,138</u>

See Accompanying Notes to the Basic Financial Statements

**Twin Valley Community Local School District**  
*Reconciliation of the Statement of Cash Receipts, Disbursements and Changes in Fund Balances  
of Governmental Funds to the Statement of Activities - Modified Cash Basis  
For the Fiscal Year Ended June 30, 2007*

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**Net Change in Fund Balances - Total Governmental Funds** \$209,018

*Amounts reported for governmental activities in the Statement of Activities are different because:*

Governmental funds report capital outlays as disbursements. However, in the Statement of Activities, the cost of those assets is allocated over their estimated useful lives as depreciation disbursement.

In the current period, these amounts are:

Capital Outlay	29,602	
Current Fiscal Year Depreciation Disbursement	(330,366)	
Excess of Depreciation Disbursement over Capital Outlay		(300,764)

Other financing sources, such as proceeds of bonds, loans, and notes, in the governmental funds increase long-term liabilities in the Statement of Net Assets. In the current fiscal year, these amounts consist of:

Proceeds of Refunding Bonds		(1,925,000)
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Repayment of general obligation bonds is a disbursement in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Assets. In the current fiscal year, these amounts consist of:

General Obligation Bond Payments	175,000	
Payment to Refunded Bond Escrow Agent	<u>1,999,323</u>	
		2,174,323

Interest on long-term debt in the Statement of Activities differs from the amount reported in the governmental funds because interest is recognized as disbursement in the funds, when it is due, and thus requires the use of current financial resources. In the Statement of Activities, the change in interest is the result of recognizing the gain as a disbursement.

(59,323)

*Change in Net Assets of Governmental Activities*

\$98,254

See Accompanying Notes to the Basic Financial Statements

**Twin Valley Community Local School District**  
*Statement of Receipts, Disbursements and Changes*  
*In Fund Balance - Budget and Actual (Budget Basis)*  
*General Fund*  
*For the Fiscal Year Ended June 30, 2007*

	Budgeted Amounts			Variance With Final Budget Positive (Negative)
	Original	Final	Actual	
<b>Receipts:</b>				
Property Taxes	\$2,185,000	\$2,185,000	\$2,336,763	\$151,763
Income Tax	700,000	700,000	743,500	43,500
Tuition and Fees	80,000	80,000	146,327	66,327
Interest	30,000	30,000	72,852	42,852
Intergovernmental	4,556,483	4,556,483	4,645,863	89,380
Rent	31,000	31,000	29,966	(1,034)
Miscellaneous	17	17	13,294	13,277
<i>Total Receipts</i>	<u>7,582,500</u>	<u>7,582,500</u>	<u>7,988,565</u>	<u>406,065</u>
<b>Disbursements:</b>				
Current:				
Instruction:				
Regular	3,591,501	3,658,251	3,579,592	78,659
Special	834,800	835,300	540,053	295,247
Vocational	316,650	316,800	248,385	68,415
Student Intervention Services	0	0	17,968	(17,968)
Support Services:				
Pupils	230,050	230,050	227,701	2,349
Instructional Staff	335,185	341,285	359,669	(18,384)
Board of Education	94,700	94,700	102,376	(7,676)
Administration	885,370	891,870	964,982	(73,112)
Fiscal	199,300	199,300	205,956	(6,656)
Operation and Maintenance of Plant	850,699	850,699	883,321	(32,622)
Pupil Transportation	541,650	556,650	579,326	(22,676)
Central	73,960	90,960	81,824	9,136
Extracurricular Activities	204,211	204,211	168,872	35,339
Capital Outlay	4,500	4,500	5,906	(1,406)
<i>Total Disbursements</i>	<u>8,162,576</u>	<u>8,274,576</u>	<u>7,965,931</u>	<u>308,645</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	(580,076)	(692,076)	22,634	714,710
<b>Other Financing Sources:</b>				
Refund of Prior Year Disbursements	0	0	77,422	77,422
<i>Net Change in Fund Balance</i>	(580,076)	(692,076)	100,056	792,132
<i>Fund Balance at Beginning of Year</i>	839,656	839,656	839,656	0
<i>Prior Year Encumbrances Appropriated</i>	55,227	55,227	55,227	0
<i>Fund Balance at End of Year</i>	<u>\$314,807</u>	<u>\$202,807</u>	<u>\$994,939</u>	<u>\$792,132</u>

See Accompanying Notes to the Basic Financial Statements

**Twin Valley Community Local School District**  
*Statement of Fiduciary Net Assets - Modified Cash Basis*  
*Fiduciary Funds*  
*June 30, 2007*

	Private Purpose Trust	Agency
<b>Assets:</b>		
Equity in Pooled Cash and Cash Equivalents	\$77,411	\$39,019
<b>Liabilities:</b>		
Undistributed Monies	0	370
Due to Students	0	38,649
Total Liabilities	0	\$39,019
<b>Net Assets:</b>		
Held in Trust for Scholarships	\$77,411	

See Accompanying Notes to the Basic Financial Statements

**Twin Valley Community Local School District**  
*Statement of Changes in Fiduciary Net Assets - Modified Cash Basis*  
*Fiduciary Funds*  
*For the Fiscal Year Ended June 30, 2007*

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	Private Purpose Trust
<b>Additions:</b>	
Interest	\$2,614
Contributions	3,750
<i>Total Additions</i>	6,364
 <b>Deductions:</b>	
Payments in Accordance with Trust Agreements	5,700
<i>Change in Net Assets</i>	664
 <i>Net Assets at Beginning of Year</i>	 76,747
 <i>Net Assets at End of Year</i>	 \$77,411

See Accompanying Notes to the Basic Financial Statements

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**Twin Valley Community Local School District**

*Notes to the Basic Financial Statements*

*For the Fiscal Year Ended June 30, 2007*

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**NOTE 1 - DESCRIPTION OF THE SCHOOL DISTRICT AND REPORTING ENTITY**

The West Alexandria School District was formed in the early 1800's. On December 30, 1963, the Preble County Board of Education consolidated all of the schools located in Lanier, Harrison, and Twin Townships as Twin Valley School District. On June 1, 1983, the Preble County Board of Education split the Twin Valley School District, resulting in the formation of the present Twin Valley Community Local School District.

Twin Valley Community Local School District (the "School District") is organized under Article VI, Sections 2 and 3 of the Constitution of the State of Ohio. The School District operates under a locally-elected five-member Board form of government and provides educational services as mandated by State statute and federal guidelines. This Board of Education controls the School District's one instructional and administrative facility.

*Reporting Entity*

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

Component units are legally separate organizations for which the School District is financially accountable. The School District is financially accountable for an organization if the School District appoints a voting majority of the organization's governing board and (1) the School District is able to significantly influence the programs or services performed or provided by the organization; or (2) the School District is legally entitled to or can otherwise access the organization's resources; the School District is legally obligated or has otherwise assumed the responsibility to finance the deficits of, or provide financial support to, the organization; or the School District is obligated for the debt of the organization. Component units may also include organizations that are fiscally dependent on the School District in that the School District approves the budget, the issuance of debt, or the levying of taxes. The School District does not have any component units.

The School District participates in three jointly governed organizations, two insurance purchasing pools and one shared risk pool. These organizations include the Southwest Ohio Computer Association (SWOCA), the Southwestern Ohio Educational Purchasing Council (SOEPC), the Southwestern Ohio Instructional Technology Association (SOITA), the Southwestern Ohio Educational Purchasing Council Workers' Compensation Group Rating Plan (GRP), the Ohio School Plan (OSP), and the Preble County Schools Regional Council of Governments (the "Council"), respectively. These organizations are presented in Notes 12, 13 and 14 to the basic financial statements.

**Twin Valley Community Local School District**

*Notes to the Basic Financial Statements*

*For the Fiscal Year Ended June 30, 2007*

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**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

As discussed further in Section C of Note 2, these financial statements are presented on a modified cash basis of accounting. This modified cash basis of accounting differs from accounting principles generally accepted in the United States of America. Generally accepted accounting principles (GAAP) include all relevant Governmental Accounting Standards Board (GASB) pronouncements, which have been applied to the extent they are applicable to the modified cash basis of accounting. In the government-wide financial statements, Financial Accounting Standards Board (FASB) pronouncements and Accounting Principles Board (APB) opinions issued on or before November 30, 1989, have been applied, to the extent they are applicable to the modified cash basis of accounting, unless those pronouncements conflict with or contradict GASB pronouncements, in which case GASB prevails. Following are the more significant of the School District's accounting policies.

**A. Basis Of Presentation**

The School District's basic financial statements consist of government-wide statements, including a Statement of Net Assets and a Statement of Activities, and fund financial statements which provide a more detailed level of financial information.

*Government-wide Financial Statements*

The Statement of Net Assets and the Statement of Activities display information about the School District as a whole. These statements include the financial activities of the primary government, except for fiduciary funds. The government-wide statements usually distinguish between those activities of the School District that are governmental and those that are considered business-type activities. The School District, however, has no activities which are reported as business-type.

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

**Twin Valley Community Local School District**

*Notes to the Basic Financial Statements*

*For the Fiscal Year Ended June 30, 2007*

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**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (continued)

*Fund Financial Statements*

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

**B. Fund Accounting**

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

*Governmental Funds*

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

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

*Bond Retirement Debt Service Fund* – The Bond Retirement Debt Service Fund accounts for property tax receipts and State reimbursements collected for the payment of general obligation bonded debt.

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

**Twin Valley Community Local School District**

*Notes to the Basic Financial Statements*

*For the Fiscal Year Ended June 30, 2007*

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**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 four classifications: pension trust funds, investment trust funds, private purpose trust funds and agency funds. Trust funds are used to account for assets held by the School District under a trust agreement for individuals, private organizations, or other governments and are therefore not available to support the School District's own programs. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. The School District's trust funds are private purpose trusts which account for college scholarship programs for students. The Student Managed Activities Agency Fund accounts for those student activities which consist of a student body, student president, student treasurer, and faculty advisor.

**C. Basis of Accounting**

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

As a result of the use of this modified cash basis of accounting, certain assets and their related receipts (such as accounts receivable and revenue for billed or provided services not yet collected) and certain liabilities and their related expenses (such as accounts payable and expenses for goods or services received but not yet paid, and accrued expenses and liabilities) are not recorded in these financial statements.

**D. Cash and Cash Equivalents**

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

**Twin Valley Community Local School District**

*Notes to the Basic Financial Statements*

*For the Fiscal Year Ended June 30, 2007*

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**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (continued)

During fiscal year 2007, the School District's investments were limited to the State Treasury Asset Reserve of Ohio (STAROhio). STAROhio is an investment pool managed by the State Treasurer's Office which allows governments within the State to pool their funds for investment purposes. STAROhio 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 STAROhio are valued at STAROhio's share price which is the price the investment could be sold for on June 30, 2007.

Following Ohio Statutes, the Board of Education has, by resolution, specified the funds to receive an allocation of interest earnings. Interest revenue credited to the General Fund during fiscal year 2007 amounted to \$73,616, which includes \$32,636 assigned from other School District funds.

Investments of the cash management pool and investments with original maturities of three months or less at the time they are purchased by the School District are presented on the financial statements as cash equivalents.

**E. Capital Assets and Depreciation**

The School District's only capital assets are general capital assets associated with governmental activities. General capital assets usually result from expenditures in the governmental funds. These assets are reported in the governmental activities column of the government-wide Statement of Net Assets but are not reported in the fund financial statements.

All capital assets are capitalized at cost (or estimated historical cost, which is determined by indexing the current replacement cost back to the year of acquisition) and updated for additions and retirements during the fiscal year. Donated capital assets are recorded at their fair market values as of the date received. The School District maintains a capitalization threshold of two thousand dollars. The School 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 capitalized.

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

**Twin Valley Community Local School District**

*Notes to the Basic Financial Statements*

*For the Fiscal Year Ended June 30, 2007*

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**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (continued)

<u>Description</u>	<u>Estimated Lives</u>
Land Improvements	20 years
Buildings and Improvements	45 years
Furniture, Fixtures, and Equipment	5-20 years
Vehicles	6-8 years

**F. Restricted Assets**

Assets are reported as restricted when limitations on their use change the nature or normal understanding of the availability of the asset. Such constraints are either externally imposed by creditors, contributions, grantors, laws of other governments, or imposed by law through constitutional provisions or enabling legislation. Restricted assets in the General Fund represent amounts required by State statute to be set aside for the purchase of textbooks and instructional materials.

**G. Long-Term Obligations**

Long-term obligations are reported in the government-wide financial statements. The School District reported a liability for general obligation bonds, which arose from cash transactions.

**H. 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 School District or through external restrictions imposed by creditors, grantors, or laws or regulations of other governments. Net assets restricted for other purposes include resources restricted for food service operations, music and athletic programs, and federal and State grants restricted to cash disbursement for specified purposes. The School District's policy is to first apply restricted resources when a cash disbursement is incurred for purposes for which both restricted and unrestricted net assets are available.

The government-wide Statement of Net Assets reports \$545,798 of restricted net assets, none of which are restricted by enabling legislation.

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (continued)

**I. Fund Balance Reserves**

The School District reserves any portion of fund balances which is not available for appropriation or which is legally segregated for a specific future use. Unreserved fund balance indicates that portion of fund balance which is available for appropriation in future periods. Fund balance reserves have been established for encumbrances and textbooks and instructional materials.

**J. Employer Contributions to Cost-Sharing Pension Plans**

The School District recognizes the disbursement for employer contributions to cost-sharing pension plans when they are paid. As described in Notes 9 and 10, the employer contributions include portions for pension benefits and for postretirement health care benefits.

**K. Estimates**

The modified cash basis of accounting used by the School District requires management to make estimates and assumptions that affect certain reported amounts and disclosures (such as estimated useful lives in determining depreciation expense); accordingly, actual results could differ from those estimates.

**L. Budgetary Process**

All funds, other than agency funds, are legally required to be budgeted and appropriated. The major documents prepared are the tax budget, the appropriation resolution and the certificate of estimated resources, which are prepared on the budgetary basis of accounting. The tax budget demonstrates a need for existing or increased tax rates. The certificate of estimated resources establishes a limit on the amounts that the Board of Education may appropriate. The appropriation resolution is the Board's authorization to spend resources and sets annual limits on cash disbursements plus encumbrances at a level of control selected by the Board. The legal level of control has been established by the Board of Education at the fund level. Any budgetary modifications at this level may only be made by resolution of the Board of Education. The Treasurer has been authorized to allocate Board appropriations to the function and object level within all funds.

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

**Twin Valley Community Local School District**

*Notes to the Basic Financial Statements*

*For the Fiscal Year Ended June 30, 2007*

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**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (continued)

The appropriation resolution is subject to amendment by the Board throughout the fiscal year with the restriction that appropriations may not exceed estimated receipts. The amounts reported as the original budgeted amounts in the budgetary statements reflect the first appropriation for that fund that covered the entire fiscal year, including amounts automatically carried over from prior fiscal years. The amounts reported as the final budgeted amounts represent the final appropriation amounts passed by the Board during the fiscal year, including all supplemental appropriations.

**NOTE 3 - BUDGETARY BASIS OF ACCOUNTING**

The budgetary basis as provided by law is based upon accounting for certain transactions on the basis of cash receipts, disbursements, and encumbrances. The Statement of Receipts, Disbursements and Changes in Fund Balance – Budget and Actual – (Budget Basis) presented for the General Fund is prepared on the budgetary basis to provide a meaningful comparison of actual results with the budget. The differences between the budgetary basis and the modified cash basis are outstanding year-end encumbrances, which are treated as cash disbursements (budgetary basis) rather than as a reservation of fund balance (modified cash basis), and unrecorded cash, which represents amounts received but not included on the budgetary basis.

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

<u>Net Change in Fund Balance</u>	
Modified Cash Basis	\$160,380
Unrecorded Cash - Fiscal Year 2007	(5,250)
Unrecorded Cash - Fiscal Year 2006	4,486
Adjustment for Encumbrances	<u>(59,030)</u>
Budget Basis	<u><u>\$100,586</u></u>

**NOTE 4 - DEPOSITS AND INVESTMENTS**

Monies held by the School District are classified by State Statute into three categories.

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



**Twin Valley Community Local School District**

*Notes to the Basic Financial Statements*

*For the Fiscal Year Ended June 30, 2007*

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

Interim monies held by the School District may be deposited or invested in the following securities:

1. United States Treasury Notes, Bills, Bonds, or any other obligation or security issued by the United States Treasury, or any other obligation guaranteed as to principal and interest by the United States;
2. Bonds, notes, debentures, or any other obligations or securities issued by any federal government agency or instrumentality including, but not limited to, the Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, Government National Mortgage Association, and Student Loan Marketing Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
3. Written repurchase agreements in the securities listed above;
4. Bonds and other obligations of the State of Ohio;
5. Time certificates of deposit or savings or deposit accounts including, but not limited to, passbook accounts.
6. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2);
7. The State Treasurer's investment pool (STAROhio); and,
8. Commercial paper and bankers acceptances if training requirements have been met.

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. Investments may only be made through specified dealers and institutions.

**Twin Valley Community Local School District**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2007*

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**NOTE 4 - DEPOSITS AND INVESTMENTS** (continued)

**A. Deposits**

Custodial credit risk for deposits is the risk that in the event of bank failure, the School District will not be able to recover deposits or collateral securities that are in the possession of an outside party. At fiscal year-end, \$600,061 of the School District's bank balance of \$788,062 was exposed to custodial credit risk because it was uninsured and collateralized with securities held by the pledging financial institution.

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

**B. Investments**

As of June 30, 2007, the School District's only investment was in STAROhio.

	<u>Fair Value</u>	<u>Maturity</u>
STAROhio	<u>\$213,224</u>	Average 39 Days

**Interest Rate Risk**

The School District's investment policy follows State statute, which requires that an investment mature within five years from the date of purchase, unless matched to a specific obligation of debt of the School District, and that an investment must be purchased with the expectation that it will be held to maturity.

**Credit Risk**

STAROhio carries a rating of AAAM by Standard and Poor's. Ohio law requires that STAROhio maintain the highest rating provided by at least one nationally recognized standard rating service.

**NOTE 5 - PROPERTY TAXES**

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

**Twin Valley Community Local School District**

*Notes to the Basic Financial Statements*

*For the Fiscal Year Ended June 30, 2007*

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**NOTE 5 - PROPERTY TAXES** (continued)

Property taxes include amounts levied against all real, public utility and tangible personal property (used in business) located in the School District. Real property tax revenue received in calendar year 2007 represents collections of calendar year 2006 taxes. Real property taxes received in calendar year 2007 were levied after April 1, 2006, on the assessed value listed as of January 1, 2006, 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 year 2007 represents collections of calendar year 2006 taxes. Public utility real and tangible personal property taxes received in calendar year 2007 became a lien December 31, 2005, were levied after April 1, 2006 and are collected in 2007 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 year 2007 (other than public utility property tax) represents the collection of 2007 taxes. Tangible personal property taxes received in calendar year 2007 were levied after April 1, 2006, on the value listed as of December 31, 2006. In prior years, tangible personal property was assessed at twenty-five percent of true value for capital assets and twenty-three percent of true value for inventory. The tangible personal property tax is being phased out – the assessment percentage for all property including inventory for 2007 is 12.5 percent. This will be reduced to 6.25 percent for 2008 and zero for 2009. Payments by multi-county taxpayers are due September 20. Single county taxpayers may pay annually or semi-annually. If paid annually, payment is due April 30; if paid semi-annually, the first payment is due April 30, with the remainder payable by September 20. Tangible personal property taxes paid by April 30 are usually received by the School District prior to June 30.

The School District receives property taxes from Preble County. The County Auditor periodically advances to the School District its portion of the taxes collected. Second-half real property tax payments collected by the County by June 30, 2007, are available to finance fiscal year 2007 operations. The amount available to be advanced can vary based on the date the tax bills are sent.

**Twin Valley Community Local School District**

*Notes to the Basic Financial Statements*

*For the Fiscal Year Ended June 30, 2007*

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**NOTE 5 - PROPERTY TAXES** (continued)

The assessed values upon which the fiscal year 2007 taxes were collected are:

	2006 Second-Half Collections		2007 First-Half Collections	
	Amount	Percent	Amount	Percent
Real Estate	\$91,706,950	87.55%	\$92,265,180	87.66%
Public Utility Personal	8,115,930	7.75%	7,988,210	7.59%
General Business Personal	4,924,810	4.70%	4,995,114	4.75%
Total Assessed Value	<u>\$104,747,690</u>	<u>100.00%</u>	<u>\$105,248,504</u>	<u>100.00%</u>
Tax rate per \$1,000 of assessed valuation	\$44.38		\$44.38	

**NOTE 6 - INCOME TAX**

The School District levies a voted tax of 0.75 percent for general operations on the income of residents and of estates. The tax was effective on January 1, 2003, and was renewed in May, 2007 for five years. Employers of residents are required to withhold income tax on compensation and remit the tax to the State. Taxpayers are required to file an annual return. The State makes quarterly distributions to the School District after withholding amounts for administrative fees and estimated refunds. Income tax receipts are credited to the General Fund.

**Twin Valley Community Local School District**

*Notes to the Basic Financial Statements*

*For the Fiscal Year Ended June 30, 2007*

**NOTE 7 - CAPITAL ASSETS**

Capital assets activity for the fiscal year ended June 30, 2007, was as follows:

	<u>Balance</u> <u>6/30/06</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance</u> <u>6/30/07</u>
<b>Governmental Activities</b>				
Capital Assets, not Being Depreciated:				
Land	\$336,998	\$0	\$0	\$336,998
Capital Assets, Being Depreciated:				
Land Improvements	229,826	0	0	229,826
Buildings and Improvements	15,674,906	0	0	15,674,906
Furniture, Fixtures, and Equipment	1,794,856	23,314	0	1,818,170
Vehicles	707,414	6,288	(46,740)	666,962
Total Capital Assets, Being Depreciated	<u>18,407,002</u>	<u>29,602</u>	<u>(46,740)</u>	<u>18,389,864</u>
Less Accumulated Depreciation:				
Land Improvements	(108,522)	(6,245)	0	(114,767)
Buildings and Improvements	(5,135,047)	(270,833)	0	(5,405,880)
Furniture, Fixtures, and Equipment	(1,748,141)	(20,699)	0	(1,768,840)
Vehicles	(515,189)	(32,589)	46,740	(501,038)
Total Accumulated Depreciation	<u>(7,506,899)</u>	<u>(330,366) *</u>	<u>46,740</u>	<u>(7,790,525)</u>
Capital Assets, Being Depreciated, Net	<u>10,900,103</u>	<u>(300,764)</u>	<u>0</u>	<u>10,599,339</u>
Governmental Activities Capital Assets, Net	<u>\$11,237,101</u>	<u>(\$300,764)</u>	<u>\$0</u>	<u>\$10,936,337</u>

Instruction:

    Regular \$316,055

Support Services:

    Instructional Staff 710

    Operation and Maintenance of Plant 2,245

    Pupil Transportation 7,109

Extracurricular Activities 4,247

Total Depreciation Expense \$330,366

**Twin Valley Community Local School District**

*Notes to the Basic Financial Statements*

*For the Fiscal Year Ended June 30, 2007*

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**NOTE 8 - RISK MANAGEMENT**

**A. Property and Liability**

The School District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During fiscal year 2007, the School District contracted with Erie Insurance Group for fleet insurance, and with Westfield Companies for insurance for its school building and contents.

Coverage provided by Erie Insurance Group includes the following:

School Bus Fleet insurance:	
Per Accident	\$1,000,000
Per Individual	1,000,000

Coverage provided by Westfield Companies includes the following:

School building and contents (\$1,000 deductible)	\$26,545,200
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The School District, along with other school districts in Ohio, participates in the Ohio School Plan (OSP), an insurance purchasing pool. Each individual school district enters into an agreement with the OSP and its premium is based on types of coverage, limits of coverage, and deductibles that it selects. The School District pays this annual premium to OSP. (See Note 13).

The types and amounts of coverage provided by the Ohio School Plan are as follows:

General Liability:	
Per Occurrence	\$1,000,000
Aggregate Limit	3,000,000
Products - Completed Operations Aggregate Limit	1,000,000
Fire Legal Liability	500,000
Medical Expense - Per Person/Accident	10,000
Employers Liability:	
Per Accident	1,000,000
Per Disease - Each Employee	1,000,000
Per Disease - Policy Limit	1,000,000
Employee Benefits Liability:	
Per Claim	1,000,000
Aggregate Limit	3,000,000
Educators' Legal Liability:	
Per Claim (\$2,500 deductible)	1,000,000
Annual Aggregate	3,000,000
Excess Liability:	
Limit of Liability	2,000,000
Annual Aggregate	2,000,000

**Twin Valley Community Local School District**

*Notes to the Basic Financial Statements*

*For the Fiscal Year Ended June 30, 2007*

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**NOTE 8 - RISK MANAGEMENT** (continued)

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

**B. Workers' Compensation**

For fiscal year 2007, the School District participated in the Southwestern Ohio Educational Purchasing Council Workers' Compensation Group Rating Plan (GRP), an insurance purchasing pool (Note 13). The intent of the GRP is to achieve the benefit of a reduced premium for the School District by virtue of its grouping and representation with other participants in the GRP. The workers' compensation experience of the participants is calculated as one experience and a common premium rate is applied to all participants in the GRP. Each participant pays its workers' compensation premium to the State based on the rate for the GRP rather than its individual rate. Total savings are then calculated and each participant's individual performance is compared to the overall savings percentage of the GRP.

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

**C. Employee Medical Benefits**

For fiscal year 2007, the School District participated in the Preble County Schools Regional Council of Governments (the "Council"), a shared risk pool consisting of five local school districts and an educational service center (See Note 14). The School District pays monthly premiums to the Council for employee medical benefits. The Council is responsible for the management and operations of the program. Upon withdrawal from the Council, a participant is responsible for the payment of any delinquent contributions relating to the medical insurance and all dental claims related to its employees, dependents, and designated beneficiaries accruing as a result of withdrawal.

**Twin Valley Community Local School District**

*Notes to the Basic Financial Statements*

*For the Fiscal Year Ended June 30, 2007*

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**NOTE 9 - DEFINED BENEFIT PENSION PLANS**

**A. School Employees Retirement System**

The School District contributes to the School Employees Retirement System (SERS), a cost-sharing multiple-employer defined benefit pension plan. SERS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Authority to establish and amend benefits is provided by Chapter 3309 of the Ohio Revised Code. SERS issues a publicly available, stand-alone financial report that includes financial statements and required supplementary information. That report may be obtained by writing to the School Employees Retirement System, 300 East Broad Street, Suite 100, Columbus, Ohio 43215-3476, or by calling toll-free (800) 878-5853. It is also posted on SERS' website, [www.ohsers.org](http://www.ohsers.org), under Forms and Publications.

Plan members are required to contribute 10 percent of their annual covered salary and the School District is required to contribute at an actuarially determined rate. The current School District rate is 14 percent of annual covered payroll. A portion of the School District's contribution is used to fund pension obligations with the remainder being used to fund health care benefits; for fiscal year 2007, 10.68 percent of annual covered salary was the portion used to fund pension obligations. The contribution requirements of plan members and employers are established and may be amended, up to a statutory maximum amount, by the SERS' Retirement Board. The School District's required contributions for pension obligations to SERS for the fiscal years ended June 30, 2007, 2006, and 2005 were \$116,563, \$114,502, and \$110,989, respectively; 100 percent has been contributed for all three fiscal years.

**B. State Teachers Retirement System of Ohio**

The School District participates in the State Teachers Retirement System of Ohio (STRS Ohio), a cost-sharing, multiple-employer public employee retirement system. STRS Ohio provides retirement and disability benefits to members and death and survivor benefits to beneficiaries. STRS Ohio issues a stand-alone financial report that may be obtained by writing to STRS Ohio, 275 E. Broad St., Columbus, OH 43215-3371, by calling toll-free (888) 227-7877, or by visiting the STRS Ohio website at [www.strsoh.org](http://www.strsoh.org).



**Twin Valley Community Local School District**

*Notes to the Basic Financial Statements*

*For the Fiscal Year Ended June 30, 2007*

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**NOTE 9 - DEFINED BENEFIT PENSION PLANS** (continued)

New members have a choice of three retirement plans, a Defined Benefit (DB) Plan, a Defined Contribution (DC) Plan and a Combined Plan. The DB plan offers an annual retirement allowance based on final average salary times a percentage that varies based on years of service, or an allowance based on member contributions and earned interest matched by STRS Ohio funds times an actuarially determined annuity factor. The DC Plan allows members to place all their member contributions and employer contributions equal to 10.5 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.

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, 2007, plan members were required to contribute 10 percent of their annual covered salaries. The School District was required to contribute 14 percent; 13 percent was the portion used to fund pension obligations. For fiscal year 2007, the portion used to fund pension obligations was also 13 percent. Contribution rates are established by the State Teachers Retirement Board, upon recommendations of its consulting actuary, not to exceed statutory maximum rates of 10 percent for members and 14 percent for employers. Chapter 3307 of the Ohio Revised Code provides statutory authority for member and employer contributions.

The School District's required contributions for pension obligations to STRS Ohio for the fiscal years ended June 30, 2007, 2006, and 2005, were \$492,687, \$482,300, and \$479,063, respectively; 100 percent has been contributed for all three fiscal years. Contributions to the DC and Combined Plans for fiscal year 2007 were \$15,830 made by the School District and \$21,893 made by the plan members.

**Twin Valley Community Local School District**

*Notes to the Basic Financial Statements*

*For the Fiscal Year Ended June 30, 2007*

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**NOTE 9 - DEFINED BENEFIT PENSION PLANS** (continued)

**C. Social Security System**

Effective July 1, 1991, all employees not otherwise covered by the School Employees Retirement System or the State Teachers Retirement System of Ohio have an option to choose Social Security or the School Employees Retirement System. As of June 30, 2007, three members of the Board of Education have elected Social Security. The Board's liability is 6.2 percent of wages paid.

**NOTE 10 - POSTEMPLOYMENT BENEFITS**

The School District provides comprehensive health care benefits to retired teachers and their dependents through the State Teachers Retirement System of Ohio (STRS Ohio), and to retired non-certified employees and their dependents through the School Employees Retirement System (SERS). Benefits include hospitalization, physicians' fees, prescription drugs and 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 on a pay-as-you-go basis.

All STRS Ohio retirees who participated in the DB or Combined Plans and their dependents are eligible for health care coverage. The STRS Ohio Board has statutory authority over how much, if any, of the health care costs will be absorbed by STRS Ohio. All benefit recipients pay a portion of the health care cost in the form of a monthly premium. By law, the cost of coverage paid from STRS Ohio funds is included in the employer contribution rate, currently 14 percent of covered payroll. For the fiscal year ended June 30, 2007, the STRS Ohio Board allocated employer contributions equal to one percent of covered payroll to the Health Care Stabilization Fund. For the School District, this amount equaled \$37,899 for fiscal year 2007.

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

For SERS, coverage is made available to service retirees with ten or more years of qualifying service credit, and to disability and survivor benefit recipients. All retirees and beneficiaries are required to pay a portion of their health care premium. The portion is based on years of service, Medicare eligibility, and retirement status.

**Twin Valley Community Local School District**

*Notes to the Basic Financial Statements*

*For the Fiscal Year Ended June 30, 2007*

**NOTE 10 - POSTEMPLOYMENT BENEFITS** (continued)

After the allocation for basic benefits, the remainder of the employer's 14 percent contribution is allocated to providing health care benefits. For the fiscal year ended June 30, 2007, employer contributions to fund health care benefits were 3.32 percent of covered payroll, compared to 3.42 percent of covered payroll for fiscal year 2006. 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 2007, the minimum pay was established at \$35,800. However, the surcharge is capped at two percent of each employer's SERS salaries. For the School District, the amount contributed to fund health care benefits, including the surcharge, during the 2007 fiscal year equaled \$59,154.

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 the projected claims less premium contributions for the next fiscal year. Expenses for health care for the fiscal year ended June 30, 2006 (the latest information available) were \$158,751,207. At June 30, 2006, SERS had net assets available for payment of health care benefits of \$295.6 million. SERS has 59,492 participants eligible to receive health care benefits.

**NOTE 11 - LONG-TERM OBLIGATIONS**

The changes in the School District's long-term obligations during fiscal year 2007 were as follows:

	Principal Outstanding 6/30/06	Additions	Deductions	Principal Outstanding 6/30/07	Amounts Due in One Year
<u>Governmental Activities</u>					
School Improvement General Obligation Bonds 1994 - 6.30%	\$3,115,000	\$0	\$2,115,000	\$1,000,000	\$0
School Improvement General Obligation Refunding Bonds 2007 - 4.25 - 4.50%	0	1,925,000	0	\$1,925,000	190,000
<b>Total Long-Term Liabilities</b>	<b>\$3,115,000</b>	<b>\$1,925,000</b>	<b>\$2,115,000</b>	<b>\$2,925,000</b>	<b>\$190,000</b>

*Twin Valley Community Schools School Improvement General Obligation Bonds* – On July 1, 1994, Twin Valley Community Local School District issued \$4,285,000 in voted general obligation bonds for the purpose of the acquisition, construction, reconstruction and other improvements to the school building. The bonds were issued for a twenty-three year period with final maturity on June 1, 2017. \$1,940,000 of the bonds were advance refunded during fiscal year 2007, and the new final maturity is June 1, 2012. The debt will be retired from the Bond Retirement Debt Service Fund.

**Twin Valley Community Local School District**

*Notes to the Basic Financial Statements*

*For the Fiscal Year Ended June 30, 2007*

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**NOTE 11 - LONG-TERM OBLIGATIONS** (continued)

*Twin Valley Community Schools School Improvement General Obligation Refunding Bonds* – During the fiscal year, the School District retired \$175,000 in principal on the School District Improvement Bonds. The 2007 Refunding Bonds were issued September 25, 2006, for the purpose of advance refunding \$1,940,000 of the \$3,115,000 outstanding school improvement general obligation bonds. The net proceeds of \$1,999,323 (after payments of \$29,049 in underwriting fees, insurance and other issuance costs) were used to purchase U.S. Government securities. Those securities were deposited into an irrevocable trust with an escrow agent to provide for all future debt service payments on the 1994 bonds. As a result, \$1,940,000 of the 1994 bonds are considered defeased and the liability for the refunded portion of these bonds has been removed from the financial statements.

The refunding resulted in a difference of \$59,323 between the net carrying amount of the old debt and the acquisition price. This difference is reported as interest disbursements. Total debt service payments decreased by \$318,130 as a result of the refunding. The School District also incurred an economic gain (difference between the present values of the old and new debt service payments) of \$330,040.

During the fiscal year, the School District has defeased School Improvement Bonds by placing the proceeds of the new bonds in an irrevocable trust to provide for all future debt service payment on the old bonds. Accordingly, the trust assets and the liability of the defeased bonds are not included in the School District financial statements. As of June 30, 2007, \$1,940,000 of the School Improvement Bonds were unmatured and unpaid.

The School District's overall legal debt margin was \$6,281,481, with an unvoted debt margin of \$99,688 at June 30, 2007.

Principal and interest requirements to retire long-term obligations outstanding at June 30, 2007, are as follows:

Fiscal Year Ending June 30,	1994 School Improvement Bond		
	Principal	Interest	Total
2008	\$0	\$70,500	\$70,500
2009	215,000	62,921	277,921
2010	240,000	46,882	286,882
2011	260,000	29,258	289,258
2012	285,000	10,046	295,046
Total	\$1,000,000	\$219,607	\$1,219,607

**Twin Valley Community Local School District**

*Notes to the Basic Financial Statements*

*For the Fiscal Year Ended June 30, 2007*

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**NOTE 11 - LONG-TERM OBLIGATIONS** (continued)

Fiscal Year Ending June 30,	2007 School Improvement Refunding Bonds		
	Principal	Interest	Total
2008	\$190,000	\$80,550	\$270,550
2009	0	76,512	76,512
2010	0	76,512	76,512
2011	0	76,512	76,512
2012	0	76,512	76,512
2013-2017	1,735,000	203,945	1,938,945
Total	\$1,925,000	\$590,543	\$2,515,543

**NOTE 12 - JOINTLY GOVERNED ORGANIZATIONS**

**A. Southwest Ohio Computer Association**

The School District is a participant in the Southwest Ohio Computer Association (SWOCA) which is a computer consortium. SWOCA is an association of public school districts within the boundaries of Butler, Warren, and Preble Counties. The organization was formed for the purpose of applying modern technology with the aid of computers and other electronic equipment to administrative and instructional functions among member school districts. The governing board of SWOCA consists of one representative from each district plus one representative from the fiscal agent. The School District paid SWOCA \$26,488 for services provided during the fiscal year. Financial information can be obtained from K. Michael Crumley, Executive Director of SWOCA, at 3607 Hamilton-Middletown Road, Hamilton, Ohio 45011.

**B. Southwestern Ohio Educational Purchasing Council**

The Southwestern Ohio Educational Purchasing Council (SOEPC) is a purchasing cooperative made up of nearly 100 school districts in 12 counties. The purpose of the cooperative is to obtain prices for quality merchandise and services commonly used by schools. All member districts are obligated to pay all fees, charges, or other assessments as established by the SOEPC. Each member district has one voting representative. Title to any and all equipment, furniture and supplies purchased by the SOEPC is held in trust for the member districts. Any district withdrawing from the SOEPC forfeits its claim to any and all SOEPC assets. One year prior notice is necessary for withdrawal from the group. During this time, the withdrawing member is liable for all member obligations.

Payments to SOEPC are made from the General Fund. During fiscal year 2007, the School District paid \$2,720 to the SOEPC. To obtain financial information, write to the Southwestern Ohio Educational Purchasing Council, Ken Swink, who serves as Director, at 303 Corporate Center Drive Suite 208, Vandalia, Ohio 45377.

**NOTE 12 - JOINTLY GOVERNED ORGANIZATIONS** (continued)

**C. Southwestern Ohio Instructional Technology Association**

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

All member districts are obligated to pay all fees, charges, or other assessments as established by the SOITA. Upon dissolution, the net assets shall be distributed to the federal government, or to a State or local government, for a public purpose. Payments to SOITA are made from the General Fund. During fiscal year 2007, the School District paid \$31,377 to SOITA. To obtain financial information, write to the Southwestern Ohio Instructional Technology Association, Dave Gibson, who serves as Director, at 150 East Sixth Street, Franklin, Ohio 45005.

**NOTE 13 - INSURANCE PURCHASING POOLS**

**A. Southwestern Ohio Educational Purchasing Council Workers' Compensation Group Rating Plan**

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

**Twin Valley Community Local School District**

*Notes to the Basic Financial Statements*

*For the Fiscal Year Ended June 30, 2007*

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**NOTE 13 - INSURANCE PURCHASING POOLS** (continued)

**B. Ohio School Plan**

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

Hylant Group, Inc. is the Administrator of the OSP and is responsible for processing claims. Harcum-Schuett Insurance Agency, Inc. is the sales and marketing representative, which establishes agreements between OSP and member schools.

**NOTE 14 - SHARED RISK POOL**

**Preble County Consortium**

The Preble County Schools Regional Council of Governments (the "Council"), a shared risk pool, was formed by five local school districts and the Preble County Educational Service Center for the purpose of achieving lower rates for medical insurance. The Council is governed by an advisory committee consisting of each member's superintendent or designee from each participating school district. Premiums are paid on a monthly basis to the Council and their designated insurance company. The Council is responsible for the operation and maintenance of the program. If the premiums are insufficient to pay the program costs for the fiscal year, the Council may assess additional charges to all participants. The Preble County Educational Service Center serves as coordinator of the Council. Financial information can be obtained from Teresa Freeman, who serves as Treasurer, at 597 Hillcrest Drive, Eaton, Ohio 45320.

**NOTE 15 - SET-ASIDE CALCULATIONS**

The School District is required by State statute to annually set aside, in the General Fund, an amount based on a statutory formula for the purchase of textbooks and instructional materials and an equal amount for the acquisition and construction of capital improvements. Amounts not spent by fiscal year-end or offset by similarly restricted resources received during the fiscal year must be held in cash at fiscal year-end and carried forward to be used for the same purposes in future fiscal years.

**Twin Valley Community Local School District**

*Notes to the Basic Financial Statements*

*For the Fiscal Year Ended June 30, 2007*

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**NOTE 15 - SET-ASIDE CALCULATIONS** (continued)

The following cash basis information describes the change in the fiscal year-end set-aside amounts for textbooks and instructional materials and capital improvements. Disclosure of this information is required by State statute.

	<u>Textbooks/ Instructional Materials</u>	<u>Capital Improvements</u>
Set-aside Reserve Balance June 30, 2006	(\$11,893)	\$0
Current Fiscal Year Set-aside Requirement	157,007	157,007
Qualifying Disbursements	(100,429)	(205,315)
Current Fiscal Year Offsets	0	(37,103)
Totals	<u>\$44,685</u>	<u>(\$85,411)</u>
Set-aside Balance Carried Forward to Future Fiscal Years	<u>\$44,685</u>	<u>\$0</u>
Set-aside Reserve Balance June 30, 2007	<u>\$44,685</u>	<u>\$0</u>

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

**NOTE 16 - CONTINGENCIES**

**A. Grants**

The School District received financial assistance from federal and State agencies in the form of grants. The disbursement of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and is subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the General Fund or other applicable funds. However, in the opinion of management, any such disallowed claims will not have a material adverse effect on the overall financial position of the School District at June 30, 2007.

**B. Litigation**

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



**Twin Valley Community Local School District**

*Notes to the Basic Financial Statements*

*For the Fiscal Year Ended June 30, 2007*

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**NOTE 17 - COMPLIANCE**

Contrary to Ohio Administrative Code, Section 117-2-03 (B), the School District did not prepare its annual financial report in accordance with generally accepted accounting principles.

Contrary to Ohio Administrative Code Rule § 3301-61-16(B)(2), the School District did not spend 75% of the weighted career technical revenue on eligible costs other than salaries and benefits.

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**TWIN VALLEY COMMUNITY LOCAL SCHOOL DISTRICT  
PREBLE COUNTY  
FEDERAL AWARDS RECEIPTS AND EXPENDITURES SCHEDULE  
FOR FISCAL YEAR ENDED JUNE 30, 2007**

Federal Grantor/ Pass Through Grantor Program Title	Pass Through Entity Number	Federal CFDA Number	Receipts	Non-Cash Receipts	Disbursements	Non-Cash Disbursements
<b><u>U.S. DEPARTMENT OF AGRICULTURE</u></b>						
<i>Passed Through Ohio Department of Education:</i>						
Food Distribution Program		10.550	-	\$ 30,446	-	\$ 30,446
Nutrition Cluster:						
National School Breakfast Program	05PU-2006	10.553	3,749	-	3,749	-
	05PU-2007		\$ 21,292	-	\$ 21,292	-
Total National School Breakfast Program			25,041	-	25,041	-
National School Lunch Program	LLP4-2006	10.555	17,365	-	17,365	-
	LLP4-2007		79,515	-	79,515	-
Total National School Lunch Program			96,880	-	96,880	-
Total Nutrition Cluster			121,921	30,446	121,921	30,446
<i>Total Passed Through Ohio Department of Education</i>			121,921	30,446	121,921	30,446
Total U.S. Department of Agriculture			121,921	30,446	121,921	30,446
<b><u>U.S. DEPARTMENT OF EDUCATION</u></b>						
<i>Passed Through Ohio Department of Education:</i>						
Grants to Local Educational Agencies (ESEA Title I)	C1S1-2006	84.010	14,388	-	14,388	-
	C1S1-2007		141,241	-	132,842	-
Total Grants to Local Educational Agencies (ESEA Title I)			155,629	-	147,230	-
Special Education Cluster:						
Special Education: Grants to States (IDEA Part B)	6BSF-2007	84.027	228,983	-	228,983	-
Special Education: Preschool Grant	PGS1-2007	84.173	1,744	-	1,744	-
Total Special Education Cluster			230,727	-	230,727	-
Safe and Drug Free Schools and Communities	DRS1-2007	84.186	4,174	-	4,174	-
Innovative Education Program Strategy	C2S1-2007	84.298	1,556	-	1,556	-
Title II-D: Technology Literacy Challenge Fund	TJS1-2007	84.318	154	-	-	-
Title II-A: Improving Teacher Quality	TRS1-2007	84.367	52,641	-	52,641	-
<i>Total Passed Through Ohio Department of Education</i>			444,881	-	436,328	-
Total U.S. Department of Education			444,881	-	436,328	-
<b>Total</b>			<b>\$ 566,802</b>	<b>\$ 30,446</b>	<b>\$ 558,249</b>	<b>\$ 30,446</b>

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

**TWIN VALLEY COMMUNITY LOCAL SCHOOL DISTRICT  
PREBLE COUNTY**

**NOTES TO THE FEDERAL AWARDS RECEIPTS AND EXPENDITURES SCHEDULE  
FISCAL YEAR ENDED JUNE 30, 2007**

**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 - 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.

**NOTE C – 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 D - MATCHING REQUIREMENTS**

Certain Federal programs require that the School District contribute non-Federal funds (matching funds) to support the Federally-funded programs. The School District has complied with the matching requirements. The expenditure of non-Federal matching funds is not included on the Schedule.

**NOTE E – NEGATIVE RECEIPTS**

Each project completed approved activities within the time frames allotted by the Ohio Department of Education (ODE). At the conclusion of the grant period, the School District requested that unexpended funds be transferred to the following grant period.



# 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*

Twin Valley Community Local School District  
Preble County  
100 Education Drive  
West Alexandria, Ohio 45381

To the Board of Education:

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Twin Valley Community Local School District, Preble County, Ohio (the School District), as of and for the year ended June 30, 2007, which collectively comprise the School District's basic financial statements and have issued our report thereon dated April 25, 2008, in which we noted the School District prepares its financial statements on a basis of accounting other than accounting principles generally accepted in the United States of America. 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 School District's internal control over financial reporting as a basis for designing our audit procedures for expressing our opinions on the financial statements, but not to opine on the effectiveness of the School District's internal control over financial reporting. Accordingly, we have not opined on the effectiveness of the School District's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control over financial reporting that we consider significant deficiencies.

A control deficiency exists when the design or operation of a control does not allow management or employees, in performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the School District's ability to initiate, authorize, record, process, or report financial data reliably in accordance with its applicable accounting basis, such that there is more than a remote likelihood that the School District's internal control will not prevent or detect a more-than-inconsequential financial statement misstatement.

We consider the following deficiencies described in the accompanying schedule of findings to be significant deficiencies in internal control over financial reporting: 2007-002 and 2007-003.

A material weakness is a significant deficiency, or combination of significant deficiencies resulting in more than a remote likelihood that the School District's internal control will not prevent or detect a material financial statement misstatement.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and accordingly, would not necessarily disclose all significant deficiencies that are also material weaknesses. We believe none of the significant deficiencies described above are material weaknesses.

We also noted certain internal control matters that we reported to the School District's management in a separate letter dated April 25, 2008.

### **Compliance and Other Matters**

As part of reasonably assuring whether the School 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 instances of noncompliance or other matters that we must report under *Government Auditing Standards* which are described in the accompanying schedule of findings as items 2007-001 and 2007-003.

We also noted certain noncompliance or other matters not requiring inclusion in this report that we reported to the School District's management in a separate letter dated April 25, 2008.

We intend this report solely for the information and use of the audit committee, management, Board of Education, and federal awarding agencies and pass-through entities. We intend it for no one other than these specified parties.



**Mary Taylor, CPA**  
Auditor of State

April 25, 2008



# 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

Twin Valley Community Local School District  
Preble County  
100 Education Drive  
West Alexandria, Ohio 45381

To the Board of Education:

### Compliance

We have audited the compliance of Twin Valley Community Local School District, Preble County, Ohio (the School 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 each of its major federal programs for the year ended June 30, 2007. The summary of auditor's results section of the accompanying schedule of findings identifies the School District's major federal programs. The School 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 School 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 School 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 School District's compliance with those requirements.

In our opinion, the Twin Valley Community Local School District complied, in all material respects, with the requirements referred to above that apply to each of its major federal programs for the year ended June 30, 2007.

### Internal Control Over Compliance

The School District's management is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the School District's internal control over compliance with requirements that could directly and materially affect a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the School District's internal control over compliance.

A *control deficiency* in internal control over compliance exists when the design or operation of a control does not allow management or employees, when performing their assigned functions, to prevent or detect noncompliance with a federal program compliance requirement on a timely basis. A *significant deficiency* is a control deficiency, or combination of control deficiencies, that adversely affects the School District's ability to administer a federal program such that there is more than a remote likelihood that the Government's internal control will not prevent or detect more-than-inconsequential noncompliance with a federal program compliance requirement.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that the School District's internal control will not prevent or detect material noncompliance with a federal program's compliance requirements.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

However, we noted a matter involving the internal control over federal compliance not requiring inclusion in this report that we reported to the School District's management in a separate letter dated April 25, 2008.

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



**Mary Taylor, CPA**  
Auditor of State

April 25, 2008



**TWIN VALLEY COMMUNITY LOCAL SCHOOL DISTRICT  
PREBLE COUNTY**

**SCHEDULE OF FINDINGS  
OMB CIRCULAR A -133 § .505  
JUNE 30, 2007**

<b>1. SUMMARY OF AUDITOR'S RESULTS</b>
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<i>(d)(1)(i)</i>	Type of Financial Statement Opinion	Unqualified – Modified Cash Basis
<i>(d)(1)(ii)</i>	Were there any material control weaknesses reported at the financial statement level (GAGAS)?	No
<i>(d)(1)(ii)</i>	Were there any other significant deficiencies in internal control reported at the financial statement level (GAGAS)?	Yes
<i>(d)(1)(iii)</i>	Was there any reported material noncompliance at the financial statement level (GAGAS)?	Yes
<i>(d)(1)(iv)</i>	Were there any material internal control weaknesses reported for major federal programs?	No
<i>(d)(1)(iv)</i>	Were there any other significant deficiencies in internal control 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):	Title I: CFDA #84.010
<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**

**FINDING NUMBER 2007-001**

**Material Noncompliance**

**Ohio Administrative Code, §117-2-03(B)**, requires the School District to prepare its annual financial report in accordance with generally accepted accounting principles. However, the School District prepares its financial statements on a modified cash basis, which is a comprehensive basis of accounting other than accounting principles accepted in the United States of America. The accompanying financial statements omit assets, liabilities, fund equities, and disclosure that, while material, cannot be determined at this time. Pursuant to Ohio Revised Code §117.38 the School District can be fined and subject to various other administrative remedies for its failure to file the required financial report.

We recommend the School District prepares its annual financial report in accordance with generally accepted accounting principles.

**FINDING NUMBER 2007-002**

**Significant Deficiency**

When designing the public office's system of internal control and the specific control activities, management should consider ensuring that accounting records are properly designed, verifying the existence and valuation of assets and liabilities and periodically reconcile them to the accounting records, and performing analytical procedures to determine the reasonableness of financial data.

The School District lacks management oversight in the posting of receipts and debt activity. This lack of oversight is illustrated by the following:

- Personal Property Tax Settlements of \$20,647 were posted to intergovernmental revenue rather than tax revenue.
- One Manufactured Home Tax Settlement of \$546 was posted to intergovernmental revenue rather than tax revenue.
- One Homestead and Rollback receipt of \$143,525 was not properly allocated between the School District's funds.
- The School District did not account for the advance refunding of their bond issuance of \$1,925,000, nor budget for the activity.

Adjustments were posted to the financial statements to correct the above classifications for the Bond Retirement Fund and to record the activity related to the advance refunding of their bond issuance.

The lack of proper management oversight could result in material misstatement relating to financial data. To improve record keeping and accountability of receipts we recommend that all county and state revenue receipts be posted properly. Furthermore, we recommend the School District properly post debt activity to the accounting system.

**FINDING NUMBER 2007-003**

**Material Noncompliance / Significant Deficiency**

**Ohio Administrative Code, Rule §3301-61-16(B)(2)**, requires the School District to spend 75% of the weighted career technical revenue on eligible costs other than salaries and benefits. The School District was required to spend \$34,874 on career technical expenditures other than salary and benefits. The Ohio Department of Education received documentation from the School District that \$4,401 of expenditures met this classification resulting in \$30,473 of unspent funds. However, in the course of the audit the School District provided documentation to support expenditures totaling \$34,051 other than salary and benefits resulting in only \$823 of unspent funds. The discrepancy reveals that the School District misclassified \$29,650 of expenditures related to career technical programming.

Also, the School District failed to notify the Ohio Department of Education Office of Career-Technical and Adult Education, in writing, that they had spent less than the required amount so that it could be deducted from their next career-technical payment. We recommend the School District review the requirements for spending these funds, maintain the required supporting documentation, and report to the Ohio Department of Education Office of Career-Technical and Adult Education any excess funds that are required to be refunded. We also recommend the School District properly code expenditures related to career technical programming and resolve any coding discrepancies with the Ohio Department of Education.

**Officials' Response:**

We did not receive a response from Officials to the findings reported above.

<b>3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS</b>
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None.

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**TWIN VALLEY COMMUNITY LOCAL SCHOOL DISTRICT  
PREBLE COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS  
OMB CIRCULAR A -133 § .315 (b)  
JUNE 30, 2007**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <b><i>Explain</i></b>
2006-001	Ohio Admin. Code § 117-2-03(B), failure to report in accordance with generally accepted accounting principles	No	Not corrected – Re-issued as Finding 2007-001
2006-002	Ohio Rev. Code § 135.18, failure to adequately collateralize deposits	No	Partially corrected – Re-issued as management letter citation





**Mary Taylor, CPA**  
Auditor of State

**TWIN VALLEY COMMUNITY LOCAL SCHOOL DISTRICT**

**PREBLE 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  
MAY 13, 2008**