



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, 2008, 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 opinions on these financial statements based on our audit.

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

Ohio Administrative Code 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, 2008, 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 February 18, 2009, 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

February 18, 2009

**Twin Valley Community Local School District**  
*Management's Discussion and Analysis*  
*For the Fiscal Year Ended June 30, 2008*  
*Unaudited*

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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, 2008, 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 2008 are as follows:

- In total, net assets decreased \$124,724, which represents a 1.3 percent decrease from fiscal year 2007.
- General receipts accounted for \$8,114,856, or 83.9 percent of all receipts. Program specific receipts in the form of charges for services, operating and capital grants, interest, and contributions accounted for \$1,557,572 or 16.1 percent of total receipts of \$9,672,428.
- The School District had \$9,797,152 in disbursements; only \$1,557,572 of these disbursements were offset by program specific charges for services, grants, interest 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 the 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, 2008*  
*Unaudited*

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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 2008, 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, 2008*  
*Unaudited*

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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, 2008*  
*Unaudited*

**The School District as a Whole**

Table 1 provides a summary of the School District's net assets for fiscal year 2008 compared to fiscal year 2007:

Table 1 Net Assets			
	2008	2007	Change
<b>Assets:</b>			
Current Assets	\$1,541,498	\$1,582,138	(\$40,640)
Capital Assets	10,662,253	10,936,337	(274,084)
<i>Total Assets</i>	12,203,751	12,518,475	(314,724)
<b>Liabilities:</b>			
Due Within One Year	215,000	190,000	25,000
Due In More Than One Year	2,520,000	2,735,000	(215,000)
<i>Total Liabilities</i>	2,735,000	2,925,000	(190,000)
<b>Net Assets:</b>			
Invested in Capital Assets, Net of Related Debt	7,927,253	8,011,337	(84,084)
Restricted	755,333	545,798	209,535
Unrestricted	786,165	1,036,340	(250,175)
<i>Total Net Assets</i>	\$9,468,751	\$9,593,475	(\$124,724)

Current assets of governmental activities decreased, primarily due to depreciation reducing capital assets valuation. 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 decreased mainly due to a decrease in current assets from an increase in disbursements.

Table 2 shows the changes in net assets for fiscal years 2008 and 2007.

Table 2 Change in Net Assets			
	2008	2007	Change
<b>Receipts:</b>			
<b>Program Cash Receipts:</b>			
Charges for Services	\$706,423	\$667,397	\$39,026
Operating Grants, Interest, and Contributions	845,277	982,262	(136,985)
Capital Grants and Contributions	5,872	6,000	(128)
<i>Total Program Cash Receipts</i>	\$1,557,572	\$1,655,659	(\$98,087)

(continued)

**Twin Valley Community Local School District**  
*Management's Discussion and Analysis*  
*For the Fiscal Year Ended June 30, 2008*  
*Unaudited*

Table 2  
Change in Net Assets (continued)

	2008	2007	Change
<b>General Receipts:</b>			
Property Taxes Levied for:			
General Purposes	\$2,222,520	\$2,336,763	(\$114,243)
Debt Service	336,065	346,899	(10,834)
Other Purposes	38,146	37,103	1,043
Income Tax	767,126	743,500	23,626
Grants and Entitlements not Restricted to			
Specific Programs	4,617,147	4,451,698	165,449
Interest	72,748	74,477	(1,729)
Premium on Bonds Issued	0	48,215	(48,215)
Miscellaneous	61,104	34,837	26,267
<i>Total General Receipts</i>	<u>8,114,856</u>	<u>8,073,492</u>	<u>41,364</u>
<i>Total Receipts</i>	<u>9,672,428</u>	<u>9,729,151</u>	<u>(56,723)</u>
<b>Cash Disbursements:</b>			
Instruction:			
Regular	4,414,408	4,023,947	390,461
Special	822,925	912,226	(89,301)
Vocational	240,529	250,297	(9,768)
Student Intervention Services	12,078	13,179	(1,101)
Support Services:			
Pupils	227,811	235,478	(7,667)
Instructional Staff	293,875	378,653	(84,778)
Board of Education	120,978	102,376	18,602
Administration	860,628	970,512	(109,884)
Fiscal	266,910	204,377	62,533
Operation and Maintenance of Plant	1,031,304	904,875	126,429
Pupil Transportation	476,919	561,498	(84,579)
Central	84,469	70,523	13,946
Operation of Non-Instructional Services	467,645	462,302	5,343
Extracurricular Activities	325,623	322,518	3,105
Debt Service:			
Interest and Fiscal Charges	151,050	189,087	(38,037)
Issuance Costs	0	29,049	(29,049)
<i>Total Cash Disbursements</i>	<u>9,797,152</u>	<u>9,630,897</u>	<u>166,255</u>
<i>Increase (Decrease) in Net Assets</i>	(124,724)	98,254	
<i>Net Assets at Beginning of Year</i>	<u>9,593,475</u>	<u>9,495,221</u>	
<i>Net Assets at End of Year</i>	<u><u>\$9,468,751</u></u>	<u><u>\$9,593,475</u></u>	

**Twin Valley Community Local School District**  
*Management's Discussion and Analysis*  
*For the Fiscal Year Ended June 30, 2008*  
*Unaudited*

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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 34.9 percent of receipts for governmental activities for the School District for fiscal year 2008.

Operating grants, interest, and contributions decreased primarily due a to collections decrease in special education from foundation settlements.

Instruction comprises 56.0 percent of the School District's disbursements. Support services make up 34.3 percent of the disbursements.

The primary increase in regular instruction was from the incentive retirement bonus that ten employees received in fiscal year 2008. The increase in operation and maintenance of plant was from increases in utilities. The decrease in administration occurred due to the reduction of three aide positions in fiscal year 2008.

The Statement of Activities shows the cost of program services and the charges for services, grants, interest and contributions offsetting those services. Table 3 shows the total cost of services and the net cost of services for fiscal years 2008 and 2007. 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 2008	Net Cost of Services 2008	Total Cost of Services 2007	Net Cost of Services 2007
Instruction	\$5,489,940	(\$4,655,063)	\$5,199,649	(\$4,206,114)
Support Services	3,362,894	(3,318,084)	3,428,292	(3,364,838)
Operation of Non-Instructional Services	467,645	12,603	462,302	(11,250)
Extracurricular Activities	325,623	(127,986)	322,518	(174,900)
Debt Service	151,050	(151,050)	218,136	(218,136)
<i>Total Disbursements</i>	<u>\$9,797,152</u>	<u>(\$8,239,580)</u>	<u>\$9,630,897</u>	<u>(\$7,975,238)</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 \$9,672,428 and disbursements of \$9,713,068.

**Twin Valley Community Local School District**  
*Management's Discussion and Analysis*  
*For the Fiscal Year Ended June 30, 2008*  
*Unaudited*

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The net change in fund balance for the General Fund and the Bond Retirement Debt Service Fund was (\$134,669) and \$32,497, respectively. The decrease in the General Fund was primarily due to a decrease in special education receipts from foundation settlements as well as ten incentive retirement bonuses being paid. The Bond Retirement Debt Service Fund increased slightly from reduced interest payments for debt during the fiscal year.

**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 \$140,715 from final budget basis receipts, primarily from intergovernmental being higher than expected.

Final appropriations stayed the same as original appropriations. Actual disbursements increased \$234,431 from final appropriations, primarily from regular instruction being more 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 2008, the School District had \$10,662,253 invested in land, land improvements, buildings and improvements, furniture, fixtures, and equipment, and vehicles.

Table 4 shows fiscal year 2008 balances compared to fiscal year 2007.

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

	2008	2007
Land	\$336,998	\$336,998
Land Improvements	108,814	115,059
Buildings and Improvements	9,999,293	10,269,026
Furniture, Fixtures, and Equipment	64,979	49,330
Vehicles	152,169	165,924
<i>Totals</i>	\$10,662,253	\$10,936,337

Overall capital assets decreased \$274,084 from fiscal year 2007 to fiscal year 2008. 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, 2008*  
*Unaudited*

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**Debt Administration**

At June 30, 2008, the School District had \$2,735,000 in general obligation bonds outstanding, of which \$215,000 is due within one year. Table 5 summarizes the bonds outstanding:

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

	2008	2007
1994 School Improvement Bonds	\$1,000,000	\$1,000,000
2007 School Improvement Refunding Bonds	1,735,000	1,925,000
<i>Totals</i>	\$2,735,000	\$2,925,000

The School District's overall legal debt margin was \$6,556,674, with an unvoted debt margin of \$100,273 at June 30, 2008.

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 Dan Bassler, Treasurer, at Twin Valley Community Local School District, 100 Education Drive, West Alexandria, Ohio 45381, or email at dbassler@tvs.k12 .oh.us.

**Twin Valley Community Local School District**  
*Statement of Net Assets - Modified Cash Basis*  
*June 30, 2008*

	Governmental Activities
<b>Assets:</b>	
Equity in Pooled Cash and Cash Equivalents	\$1,541,498
Nondepreciable Capital Assets	336,998
Depreciable Capital Assets, Net	10,325,255
<i>Total Assets</i>	12,203,751
<b>Liabilities:</b>	
Long-Term Liabilities:	
Due Within One Year	215,000
Due in More Than One Year	2,520,000
<i>Total Liabilities</i>	2,735,000
<b>Net Assets:</b>	
Invested in Capital Assets, Net of Related Debt	7,927,253
Restricted for:	
Debt Service	267,076
Capital Projects	1,680
Classroom Facilities Maintenance	110,497
Food Service	77,401
Other Purposes	139,072
Set-Asides	159,607
Unrestricted	786,165
<i>Total Net Assets</i>	\$9,468,751

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, 2008*

	Program Cash Receipts				Net (Disbursements) Receipts and Changes in Net Assets
	Cash Disbursements	Charges for Services	Operating Grants Interest and Contributions	Capital Grants and Contributions	Total Governmental Activities
<b>Governmental Activities:</b>					
Instruction:					
Regular	\$4,414,408	\$209,583	\$59,847	\$0	(\$4,144,978)
Special	822,925	22,500	492,139	0	(308,286)
Vocational	240,529	3,585	35,145	0	(201,799)
Student Intervention Services	12,078	0	12,078	0	0
Support Services:					
Pupils	227,811	0	8,795	0	(219,016)
Instructional Staff	293,875	0	25,143	0	(268,732)
Board of Education	120,978	0	0	0	(120,978)
Administration	860,628	0	0	0	(860,628)
Fiscal	266,910	0	0	0	(266,910)
Operation and Maintenance of Plant	1,031,304	0	0	0	(1,031,304)
Pupil Transportation	476,919	0	0	5,872	(471,047)
Central	84,469	0	5,000	0	(79,469)
Operation of Non-Instructional Services	467,645	273,178	207,070	0	12,603
Extracurricular Activities	325,623	197,577	60	0	(127,986)
Debt Service:					
Interest and Fiscal Charges	151,050	0	0	0	(151,050)
<i>Total Governmental Activities</i>	<u>\$9,797,152</u>	<u>\$706,423</u>	<u>\$845,277</u>	<u>\$5,872</u>	<u>(8,239,580)</u>

**General Receipts:**

Property Taxes Levied for:	
General Purposes	2,222,520
Debt Service	336,065
Other Purposes	38,146
Income Tax	767,126
Grants and Entitlements not Restricted to Specific Programs	4,617,147
Interest	72,748
Miscellaneous	61,104
<i>Total General Receipts</i>	<u>8,114,856</u>
 <i>Change in Net Assets</i>	 (124,724)
 <i>Net Assets at Beginning of Year</i>	 <u>9,593,475</u>
<i>Net Assets at End of Year</i>	<u>\$9,468,751</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, 2008*

	General	Bond Retirement	Other Governmental Funds	Total Governmental Funds
<b>Assets:</b>				
Equity in Pooled Cash and Cash Equivalents	\$764,943	\$267,076	\$349,872	\$1,381,891
Restricted Assets:				
Equity in Pooled Cash and Cash Equivalents	159,607	0	0	159,607
<i>Total Assets</i>	<u>\$924,550</u>	<u>\$267,076</u>	<u>\$349,872</u>	<u>\$1,541,498</u>
<b>Fund Balances:</b>				
Reserved for Encumbrances	\$74,540	\$0	\$15,496	\$90,036
Reserved for Textbooks and Instructional Materials	159,607	0	0	159,607
Unreserved, Undesignated, Reported in:				
General Fund	690,403	0	0	690,403
Special Revenue Funds	0	0	332,696	332,696
Debt Service Fund	0	267,076	0	267,076
Capital Projects Funds	0	0	1,680	1,680
<i>Total Fund Balances</i>	<u>\$924,550</u>	<u>\$267,076</u>	<u>\$349,872</u>	<u>\$1,541,498</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, 2008*

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**Total Governmental Fund Balances** \$1,541,498

*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	1,824,890	
Vehicles	576,882	
Accumulated Depreciation	<u>(7,981,249)</u>	
		10,662,253

Some liabilities are not due and payable in the current period and therefore are not reported in the funds. Those liabilities consist of:

General Obligation Bonds Payable		<u>(2,735,000)</u>
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*Net Assets of Governmental Activities* \$9,468,751

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, 2008

	General	Bond Retirement	Other Governmental Funds	Total Governmental Funds
<b>Receipts:</b>				
Property Taxes	\$2,222,520	\$336,065	\$38,146	\$2,596,731
Income Tax	767,126	0	0	767,126
Tuition and Fees	128,838	0	74,885	203,723
Extracurricular Activities	46,181	0	151,396	197,577
Interest	72,748	0	907	73,655
Intergovernmental	4,797,777	46,713	622,899	5,467,389
Charges for Services	0	0	273,178	273,178
Rent	31,945	0	0	31,945
Miscellaneous	61,104	0	0	61,104
<i>Total Receipts</i>	<u>8,128,239</u>	<u>382,778</u>	<u>1,161,411</u>	<u>9,672,428</u>
<b>Disbursements:</b>				
Current:				
Instruction:				
Regular	4,022,016	0	105,641	4,127,657
Special	552,086	0	270,839	822,925
Vocational	237,942	0	2,587	240,529
Student Intervention Services	0	0	12,078	12,078
Support Services:				
Pupils	223,542	0	4,269	227,811
Instructional Staff	262,492	0	34,938	297,430
Board of Education	120,978	0	0	120,978
Administration	860,122	446	60	860,628
Fiscal	257,130	8,785	995	266,910
Operation and Maintenance of Plant	994,328	0	36,547	1,030,875
Pupil Transportation	483,881	0	0	483,881
Central	77,473	0	6,465	83,938
Operation of Non-Instructional Services	0	0	467,645	467,645
Extracurricular Activities	164,490	0	157,815	322,305
Capital Outlay	6,428	0	0	6,428
Debt Service:				
Principal Retirement	0	190,000	0	190,000
Interest and Fiscal Charges	0	151,050	0	151,050
<i>Total Disbursements</i>	<u>8,262,908</u>	<u>350,281</u>	<u>1,099,879</u>	<u>9,713,068</u>
<i>Net Change in Fund Balances</i>	(134,669)	32,497	61,532	(40,640)
<i>Fund Balances at Beginning of Year</i>	<u>1,059,219</u>	<u>234,579</u>	<u>288,340</u>	<u>1,582,138</u>
<i>Fund Balances at End of Year</i>	<u>\$924,550</u>	<u>\$267,076</u>	<u>\$349,872</u>	<u>\$1,541,498</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, 2008*

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**Net Change in Fund Balances - Total Governmental Funds** (\$40,640)

*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	43,759	
Current Fiscal Year Depreciation Disbursement	(317,843)	
Excess of Depreciation Disbursement over Capital Outlay		(274,084)

Repayment of long-term obligations 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	190,000	
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*Change in Net Assets of Governmental Activities* (\$124,724)

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, 2008*

	Budgeted Amounts			Variance With Final Budget Positive (Negative)
	Original	Final	Actual	
<b>Receipts:</b>				
Property Taxes	\$2,317,000	\$2,317,000	\$2,222,520	(\$94,480)
Income Tax	740,000	740,000	767,126	27,126
Tuition and Fees	120,000	120,000	128,838	8,838
Extracurricular Activities	48,000	48,000	46,181	(1,819)
Interest	70,000	70,000	72,394	2,394
Intergovernmental	4,560,000	4,560,000	4,769,746	209,746
Rent	30,000	30,000	31,945	1,945
Miscellaneous	60,500	60,500	47,465	(13,035)
<i>Total Receipts</i>	7,945,500	7,945,500	8,086,215	140,715
<b>Disbursements:</b>				
Current:				
Instruction:				
Regular	3,551,158	3,551,158	4,025,141	(473,983)
Special	735,556	735,556	552,539	183,017
Vocational	248,600	248,600	238,075	10,525
Student Intervention Services	18,000	18,000	484	17,516
Support Services:				
Pupils	230,344	230,344	223,853	6,491
Instructional Staff	346,715	346,715	262,849	83,866
Board of Education	95,300	95,300	121,494	(26,194)
Administration	961,698	961,698	875,510	86,188
Fiscal	207,879	207,879	264,952	(57,073)
Operation and Maintenance of Plant	874,973	874,973	1,027,971	(152,998)
Pupil Transportation	558,601	558,601	493,274	65,327
Central	92,901	92,901	77,473	15,428
Extracurricular Activities	176,579	176,579	167,192	9,387
Capital Outlay	4,500	4,500	6,428	(1,928)
<i>Total Disbursements</i>	8,102,804	8,102,804	8,337,235	(234,431)
<i>Excess of Receipts Under Disbursements</i>	(157,304)	(157,304)	(251,020)	(93,716)
<b>Other Financing Sources:</b>				
Refund of Prior Year Disbursements	0	0	41,670	41,670
<i>Net Change in Fund Balance</i>	(157,304)	(157,304)	(209,350)	(52,046)
<i>Fund Balance at Beginning of Year</i>	994,939	994,939	994,939	0
<i>Prior Year Encumbrances Appropriated</i>	59,030	59,030	59,030	0
<i>Fund Balance at End of Year</i>	\$896,665	\$896,665	\$844,619	(\$52,046)

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, 2008*

	Private Purpose Trust	Agency
<b>Assets:</b>		
Equity in Pooled Cash and Cash Equivalents	\$76,278	\$35,447
<b>Liabilities:</b>		
Undistributed Monies	0	\$370
Due to Students	0	35,077
Total Liabilities	0	\$35,447
<b>Net Assets:</b>		
Held in Trust for Scholarships	\$76,278	

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, 2008*

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	Private Purpose Trust
<b>Additions:</b>	
Interest	\$17
Contributions	3,800
<i>Total Additions</i>	3,817
 <b>Deductions:</b>	
Payments in Accordance with Trust Agreements	4,950
<i>Change in Net Assets</i>	(1,133)
 <i>Net Assets at Beginning of Year</i>	 77,411
 <i>Net Assets at End of Year</i>	 \$76,278

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, 2008*

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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, 2008*  
(Continued)

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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, 2008*  
(Continued)

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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 rather than reporting by type. 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 grants intended to offset tax exemptions to be used 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, 2008*  
*(Continued)*

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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 disbursements 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, 2008*  
*(Continued)*

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

During fiscal year 2008, 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, 2008.

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 2008 amounted to \$72,748, which includes \$45,506 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 disbursements 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, 2008*  
(Continued)

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

Description	Estimated Lives
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 whose use is 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.

**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.

**Twin Valley Community Local School District**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2008*  
(Continued)

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

**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 postemployment 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, all of 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.

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.

**Twin Valley Community Local School District**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2008*  
(Continued)

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**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	(\$131,428)
Unrecorded Cash - Fiscal Year 2008	(5,391)
Unrecorded Cash - Fiscal Year 2007	5,250
Adjustment for Encumbrances	(74,540)
Budget Basis	<u><u>(\$206,109)</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.

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:

**Twin Valley Community Local School District**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2008*  
*(Continued)*

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

1. United States Treasury Notes, Bills, Bonds, or any other obligation or security issued by the United States Treasury, or any other obligation guaranteed as to principal and interest by the United States;
2. Bonds, notes, debentures, or any other obligations or securities issued by any federal government agency or instrumentality including, but not limited to, the Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, Government National Mortgage Association, and Student Loan Marketing Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
3. Written repurchase agreements in the securities listed above;
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.

**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, \$281,776 of the School District's bank balance of \$398,854 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.

**Twin Valley Community Local School District**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2008*  
(Continued)

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

The School District’s deposits were not covered by collateral as required by State Statute at certain times during fiscal year 2008.

**B. Investments**

As of June 30, 2008, the School District’s only investment was in STAROhio.

	<u>Fair Value</u>	<u>Maturity</u>
STAROhio	<u>\$221,792</u>	Average 53.8 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. The School District’s investment policy limits investments to those authorized by State statute.

**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.

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 2008 represents collections of calendar year 2007 taxes. Real property taxes received in calendar year 2008 were levied after April 1, 2007, on the assessed value listed as of January 1, 2007, 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.

**Twin Valley Community Local School District**

*Notes to the Basic Financial Statements*

*For the Fiscal Year Ended June 30, 2008*

*(Continued)*

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

Public utility property tax revenue received in calendar year 2008 represents collections of calendar year 2007 taxes. Public utility real and tangible personal property taxes received in calendar year 2008 became a lien December 31, 2006, were levied after April 1, 2007 and are collected in calendar year 2008 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 2008 (other than public utility property tax) represents the collection of 2008 taxes. Tangible personal property taxes received in calendar year 2008 were levied after April 1, 2007, on the value listed as of December 31, 2007. 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 2008 is 6.25 percent. This will be reduced to 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, 2008, are available to finance fiscal year 2008 operations. The amount available to be advanced can vary based on the date the tax bills are sent.

The assessed values upon which the fiscal year 2008 taxes were collected are:

	2007 Second-Half Collections		2008 First-Half Collections	
	Amount	Percent	Amount	Percent
Real Estate	\$92,265,180	87.66%	\$93,201,000	89.59%
Public Utility Personal	7,988,210	7.59%	7,443,170	7.16%
General Business Personal	4,995,114	4.75%	3,381,152	3.25%
Total Assessed Value	<u>\$105,248,504</u>	<u>100.00%</u>	<u>\$104,025,322</u>	<u>100.00%</u>
Tax rate per \$1,000 of assessed valuation	\$44.38		\$44.38	

**Twin Valley Community Local School District**  
*Notes to the Basic Financial Statements*  
For the Fiscal Year Ended June 30, 2008  
(Continued)

**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.

**NOTE 7 - CAPITAL ASSETS**

Capital assets activity for the fiscal year ended June 30, 2008, was as follows:

	Balance 6/30/07	Additions	Deductions	Balance 6/30/08
<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	1,818,170	28,759	(22,039)	1,824,890
Vehicles	666,962	15,000	(105,080)	576,882
Total Capital Assets, Being Depreciated	18,389,864	43,759	(127,119)	18,306,504
Less Accumulated Depreciation:				
Land Improvements	(114,767)	(6,245)	0	(121,012)
Buildings and Improvements	(5,405,880)	(269,733)	0	(5,675,613)
Furniture, Fixtures, and Equipment	(1,768,840)	(13,110)	22,039	(1,759,911)
Vehicles	(501,038)	(28,755)	105,080	(424,713)
Total Accumulated Depreciation	(7,790,525)	(317,843) *	127,119	(7,981,249)
Capital Assets, Being Depreciated, Net	10,599,339	(274,084)	0	10,325,255
Governmental Activities Capital Assets, Net	\$10,936,337	(\$274,084)	\$0	\$10,662,253

\* Depreciation was charged to governmental functions as follows:

Instruction:	
Regular	\$305,097
Support Services:	
Instructional Staff	430
Operation and Maintenance of Plant	429
Pupil Transportation	8,038
Central	531
Extracurricular Activities	3,318
Total Depreciation Disbursement	\$317,843

**Twin Valley Community Local School District**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2008*  
(Continued)

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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 2008, 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)	\$26,633,900
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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 the 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, 2008*  
(Continued)

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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 2008, 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 GRP is divided into numerous tiers based on participants' experience. 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 tier. Each participant pays its workers' compensation premium to the State based on the rate for the GRP rather than its individual rate. Participation in the GRP is limited to participants that can meet the GRP's selection criteria. The firm of Hunter Consulting provides administrative, cost control, and actuarial services to the GRP.

**C. Employee Medical Benefits**

For fiscal year 2008, 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 all of the Council's liabilities to its employees, dependents, and designated beneficiaries accruing as a result of withdrawal.

**NOTE 9 - DEFINED BENEFIT PENSION PLANS**

**A. School Employees Retirement System**

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

**Twin Valley Community Local School District**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2008*  
(Continued)

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

Funding Policy – 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 2008, 9.16 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 by the SERS’ Retirement Board up to a statutory maximum amount of 10 percent for plan members and 14 percent for employers. Chapter 3309 of the Ohio Revised Code provides statutory authority for member and employer contributions. The School District’s required contributions for pension obligations to SERS for the fiscal years ended June 30, 2008, 2007 and 2006 were \$83,778, \$116,563 and \$114,502 respectively; 100 percent has been contributed for all three fiscal years.

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

Plan Description – The School District participates in the State Teachers Retirement System of Ohio (STRS Ohio), a cost-sharing, multiple employer public employee retirement plan. 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 Street, Columbus, OH 43215-3771, by calling (888) 227-7877, or by visiting the STRS Ohio website at [www.strsoh.org](http://www.strsoh.org).

New members have a choice of three retirement plans, a Defined Benefit (DB) Plan, a Defined Contribution (DC) Plan and a Combined Plan. The 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 a member’s lifetime contributions and earned interest matched by STRS Ohio funds divided by 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 member may elect to receive a lifetime monthly annuity or a lump sum withdrawal.

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. The DB portion of the Combined Plan payment is payable to a member on or after age 60; the DC portion of the account may be taken as a lump sum or converted to a lifetime monthly annuity at age 50. Benefits are established by Chapter 3307 of the Ohio Revised Code.

**Twin Valley Community Local School District**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2008*  
(Continued)

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

A DB or Combined Plan member with five or more years of 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 of the DC Plan dies before retirement benefits begin, the member's designated beneficiary is entitled to receive the member's account balance.

Funding Policy – For the fiscal year ended June 30, 2008, 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, 2008, 2007, and 2006 were \$495,568, \$492,687, and \$482,300 respectively; 100 percent has been contributed for all three fiscal years. Contributions to the DC and Combined Plans for fiscal year 2008 were \$13,052 made by the School District and \$19,552 made by the plan members.

**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, 2008, four 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**

**A. School Employees Retirement System**

Plan Description – The School District participates in two cost-sharing multiple employer defined benefit OPEB plans administered by the School Employees Retirement System (SERS) for non-certificated retirees and their beneficiaries, a Health Care Plan and a Medicare Part B Plan. The Health Care Plan includes hospitalization and physicians' fees through several types of plans including HMO's, PPO's and traditional indemnity plans as well as a prescription drug program. The Medicare Part B Plan reimburses Medicare Part B premiums paid by eligible retirees and beneficiaries up to a statutory limit. Benefit provisions and the obligations to contribute are established by SERS based on authority granted by State statute. The financial reports of both Plans are included in the SERS Comprehensive Annual Financial Report which is available by contacting SERS at 300 East Broad Street, Suite 100, Columbus, Ohio 43215-3746.

**Twin Valley Community Local School District**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2008*  
*(Continued)*

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

Funding Policy – State statute permits SERS to fund the health care benefits through employer contributions. Each year, after the allocation for statutorily required benefits, the Retirement Board allocates the remainder of the employer contribution of 14 percent of covered payroll to the Health Care Fund. The Health Care Fund was established and is administered in accordance with Internal Revenue Code Section 401h. For 2008, 4.18 percent of covered payroll was allocated to health care. In addition, employers pay a surcharge for employees earning less than an actuarially determined amount; for 2008, this amount was \$35,800.

Active employee members do not contribute to the Health Care Plan. Retirees and their beneficiaries are required to pay a health care premium that varies depending on the plan selected, the number of qualified years of service, Medicare eligibility and retirement status.

The School District's contributions for health care for the fiscal years ended June 30, 2008, 2007, and 2006 were \$58,578, \$60,527, and \$53,317, respectively; 100 percent has been contributed for all three fiscal years.

The Retirement Board, acting with advice of the actuary, allocates a portion of the employer contribution to the Medicare Part B Fund. For 2008, this actuarially required allocation was 0.66 percent of covered payroll. The School District's contributions for Medicare Part B for the fiscal years ended June 30, 2008, 2007, and 2006 were \$6,036, \$7,926, and \$9,581 respectively; 100 percent has been contributed for all three fiscal years.

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

Plan Description – The School District contributes to the cost-sharing multiple employer defined benefit Health Plan administered by the State Teachers Retirement System of Ohio (STRS Ohio) for eligible retirees who participated in the defined benefit or combined pension plans offered by STRS Ohio. Benefits include hospitalization, physicians' fees, prescription drugs and reimbursement of monthly Medicare Part B premiums. The Plan is included in the report of STRS Ohio which may be obtained by visiting [www.strsoh.org](http://www.strsoh.org) or by calling (888) 227-7877.

Funding Policy – Ohio law authorizes STRS Ohio to offer the Plan and gives the Retirement Board authority over how much, if any, of the health care costs will be absorbed by STRS Ohio. Active employee members do not contribute to the Plan. All benefit recipients pay a monthly premium. Under Ohio law, funding for postemployment health care may be deducted from employer contributions. For 2008, STRS Ohio allocated employer contributions equal to one percent of covered payroll to the Health Care Stabilization Fund. The School District's contributions for health care for the fiscal years ended June 30, 2008, 2007, and 2006 were \$38,121, \$37,899, and \$37,100 respectively; 100 percent has been contributed for all three fiscal years.

**Twin Valley Community Local School District**  
*Notes to the Basic Financial Statements*  
For the Fiscal Year Ended June 30, 2008  
(Continued)

**NOTE 11 - LONG-TERM OBLIGATIONS**

The changes in the School District's long-term obligations during fiscal year 2008 were as follows:

	Principal Outstanding 6/30/07	Additions	Deductions	Principal Outstanding 6/30/08	Amounts Due in One Year
<u>Governmental Activities</u>					
School Improvement General Obligation Bonds 1994 - 6.30%	\$1,000,000	\$0	\$0	\$1,000,000	\$215,000
School Improvement General Obligation Refunding Bonds 2007 - 4.25 - 4.50%	1,925,000	0	190,000	\$1,735,000	0
<b>Total Long-Term Liabilities</b>	<b>\$2,925,000</b>	<b>\$0</b>	<b>\$190,000</b>	<b>\$2,735,000</b>	<b>\$215,000</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 Schools School Improvement General Obligation Refunding 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 bonds will reach final maturity on December 1, 2016 and are being paid from the Bond Retirement Debt Service Fund. 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. As of June 30, 2008, \$1,750,000 of the defeased School Improvement Bonds were unmatured and unpaid.

The School District's overall legal debt margin was \$6,556,674, with an unvoted debt margin of \$100,273 at June 30, 2008.

**Twin Valley Community Local School District**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2008*  
(Continued)

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

Principal and interest requirements to retire long-term obligations outstanding at June 30, 2008, are as follows:

Fiscal Year Ending June 30,	1994 School Improvement Bond		
	Principal	Interest	Total
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
<b>Total</b>	<b>\$1,000,000</b>	<b>\$149,107</b>	<b>\$1,149,107</b>

Fiscal Year Ending June 30,	2007 School Improvement Refunding Bonds		
	Principal	Interest	Total
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	300,000	70,138	370,138
2014-2017	1,435,000	133,807	1,568,807
<b>Total</b>	<b>\$1,735,000</b>	<b>\$509,993</b>	<b>\$2,244,993</b>

**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 \$27,381 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.

**Twin Valley Community Local School District**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2008*  
(Continued)

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

**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 2008, the School District paid \$2,632 to SOEPC. To obtain financial information, write to the Southwestern Ohio Educational Purchasing Council, Ken Swink, who serves as Director, at 303 Corporate Center Drive, Suite 208, Vandalia, Ohio 45377.

**C. Southwestern Ohio Instructional Technology Association**

The Southwestern Ohio Instructional Technology Association (SOITA) is a not-for-profit corporation formed under chapter 1702 of the Ohio Revised Code. 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 counties, i.e., 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 2008, the School District paid \$6,755 to SOITA. To obtain financial information, write to the Southwestern Ohio Instructional Technology Association, Larry Pogue, who serves as Executive Director, at 150 East Sixth Street, Franklin, Ohio 45005.

**Twin Valley Community Local School District**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2008*  
(Continued)

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**NOTE 13 - INSURANCE PURCHASING POOLS**

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

The School District participates in a group rating plan for workers' compensation as established under Section 4123.29 of the Ohio Revised Code. The Southwestern Ohio Educational Purchasing Council Workers' Compensation Group Rating Plan (GRP) was established as an insurance purchasing pool. The GRP's business and affairs are conducted by the Southwestern Ohio Educational Purchasing Cooperative and the participating members of the Plan. The Benefits Administrator of the SOEPC coordinates the management and administration of the GRP. Each fiscal year, the participants pay an enrollment fee to the GRP to cover the costs of administering the program.

**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 OSP 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 Dave Harcum, an independent consultant of Hylant Administrative Services, LLC, and a partner of the Hylant Administrative Services, LLC. The Hylant Administrative Services, LLC is the administrator of the OSP and is responsible for processing claims.

**NOTE 14 - SHARED RISK POOL**

**Preble County Schools Regional Council of Governments**

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.

**Twin Valley Community Local School District**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2008*  
(Continued)

**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.

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.

	Textbooks/ Instructional Materials	Capital Improvements
Set-aside Reserve Balance June 30, 2007	\$44,685	\$0
Current Fiscal Year Set-aside Requirement	158,702	158,702
Qualifying Disbursements	(43,780)	(143,520)
Current Fiscal Year Offsets	0	(38,146)
Totals	\$159,607	(\$22,964)
Set-aside Balance Carried Forward to Future Fiscal Years	\$159,607	\$0
Set-aside Reserve Balance June 30, 2008	\$159,607	\$0

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, 2008.

**Twin Valley Community Local School District**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2008*  
(Continued)

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**NOTE 16 – CONTINGENCIES** (continued)

**B. Litigation**

The School District is a defendant in one lawsuit. Although management cannot presently determine the outcome of this suit, they believe the resolution of this matter will not materially adversely affect the School District's financial condition.

**NOTE 17 - COMPLIANCE**

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

The School District did not always timely deposit money received for classroom materials and fees.

The School District did not properly maintain student activity records and receipt supporting documentation.

The School District did not approve a permanent appropriation measure.

School District expenditures exceeded appropriations for the following funds at June 30, 2008: General (001), Bond Retirement (002), Food Service (006), Uniform School Supply (009), Principal (018), Student Activities (200), Athletics (300), Management Information Systems (432), OneNet Ohio Program Connectivity (451), eTech Ohio (452), Ohio Reads (459), and Poverty Based Assistance (494).

The School District had appropriations in excess of actual receipts and beginning unencumbered fund balances for the following funds: Management Information Systems (432), High Schools that Work (461), and Title VIB-Special Education (516).

The School District had negative fund balances for the following funds: Principal (018), Ohio Reads (459), Food Service (006), OneNet Ohio Program Connectivity (451), Ohio Reads (459), and Title I (572).

The School District did not properly post levy revenues into the Bond Retirement Fund or Classroom Facilities Maintenance Fund.

**Twin Valley Community Local School District**

*Notes to the Basic Financial Statements*

*For the Fiscal Year Ended June 30, 2008*

*(Continued)*

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**NOTE 17 - COMPLIANCE** (continued)

The School District did not properly monitor budgetary activity. Estimated receipts were not properly posted to the revenue ledger for the following funds: General (001), Food Service (006), Scholarship (007), Principal (018), Student Activities (200), Athletics (300), Management Information Systems (432), OneNet Ohio Program Connectivity (451), eTech Ohio (452), Ohio Reads (459), Poverty Based Assistance (494), High Schools that Work (499), and Title I (572). Appropriations were not properly posted to the appropriations ledger for the following funds: General (001), Food Service (006), Uniform School Supply (009), Principal (018), Student Activities (200), Athletics (300), Management Information Systems (432), OneNet Ohio Program Connectivity (451), eTech Ohio (452), Ohio Reads (459), Poverty Based Assistance (494), High Schools that Work (499), and Title I (572).

The School District did not submit their data collection form for the fiscal year 2007 audit.

**TWIN VALLEY COMMUNITY LOCAL SCHOOL DISTRICT  
PREBLE COUNTY  
FEDERAL AWARDS RECEIPTS AND EXPENDITURES SCHEDULE  
FOR FISCAL YEAR ENDED JUNE 30, 2008**

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		\$ 32,322	-	\$ 32,322
Nutrition Cluster:						
National School Breakfast Program	2007	10.553	3,975	-	3,975	-
	2008		\$ 28,751	-	\$ 28,751	-
Total National School Breakfast Program			32,726	-	32,726	-
National School Lunch Program	2007	10.555	15,168	-	15,168	-
	2008		119,634	-	119,634	-
Total National School Lunch Program			134,802	-	134,802	-
Total Nutrition Cluster			167,528	32,322	167,528	32,322
<i>Total Passed Through Ohio Department of Education</i>			167,528	32,322	167,528	32,322
Total U.S. Department of Agriculture			167,528	32,322	167,528	32,322
<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)	2007	84.010	9,706	-	18,105	-
	2008		150,514	-	113,261	-
Total Grants to Local Educational Agencies (ESEA Title I)			160,220	-	131,366	-
Special Education Cluster:						
Special Education: Grants to States (IDEA Part B)	2008	84.027	139,474	-	139,474	-
Special Education: Preschool Grant	2008	84.173	1,624	-	1,624	-
Total Special Education Cluster			141,098	-	141,098	-
Safe and Drug Free Schools and Communities	2008	84.186	4,089	-	4,089	-
Innovative Education Program Strategy	2008	84.298	1,541	-	1,541	-
Title II-D: Technology Literacy Challenge Fund	2008	84.318	2,961	-	-	-
Title II-A: Improving Teacher Quality	2008	84.367	52,987	-	47,114	-
<i>Total Passed Through Ohio Department of Education</i>			362,896	-	325,208	-
Total U.S. Department of Education			362,896	-	325,208	-
<b>Total</b>			<b>\$ 530,424</b>	<b>\$ 32,322</b>	<b>\$ 492,736</b>	<b>\$ 32,322</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, 2008**

**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 entitlement 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.



# 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, 2008, which collectively comprise the School District's basic financial statements and have issued our report thereon dated February 18, 2009, 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 findings 2008-002, 2008-003, 2008-006, and 2008-013 described in the accompanying schedule of findings to be significant deficiencies in internal control over financial reporting.

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. However, of the significant deficiencies described above, we believe findings numbers 2008-002, 2008-003, and 2008-013 are also material weaknesses.

We noted certain internal control matters that we reported to the School District's management in a separate letter dated February 18, 2009.

### **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 we must report under *Government Auditing Standards*, which are described in the accompanying schedule of findings as items 2008-001, and 2008-004 through 2008-015.

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 February 18, 2009.

The School District's responses to the findings identified in our audit are described in the accompanying schedule of findings. We did not audit the School District's responses and, accordingly, we express no opinion on them.

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

February 18, 2009



# 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, 2008. 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, 2008. However, the results of our auditing procedures disclosed an instance of noncompliance with those requirements that OMB Circular A-133 requires us to report, which is described in the accompanying schedule of findings as item 2008-015.

#### 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.

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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 School District'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.

The School District's response to the finding we identified is described in the accompanying schedule of findings. We did not audit the School District's response and, accordingly, we express no opinion on it.

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

February 18, 2009

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

**SCHEDULE OF FINDINGS  
OMB CIRCULAR A -133 § .505  
JUNE 30, 2008**

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

<b>(d)(1)(i)</b>	<b>Type of Financial Statement Opinion</b>	Unqualified – Modified Cash Basis
<b>(d)(1)(ii)</b>	<b>Were there any material control weaknesses reported at the financial statement level (GAGAS)?</b>	Yes
<b>(d)(1)(ii)</b>	<b>Were there any other significant deficiencies in internal control reported at the financial statement level (GAGAS)?</b>	Yes
<b>(d)(1)(iii)</b>	<b>Was there any reported material noncompliance at the financial statement level (GAGAS)?</b>	Yes
<b>(d)(1)(iv)</b>	<b>Were there any material internal control weaknesses reported for major federal programs?</b>	No
<b>(d)(1)(iv)</b>	<b>Were there any other significant deficiencies in internal control reported for major federal programs?</b>	No
<b>(d)(1)(v)</b>	<b>Type of Major Programs' Compliance Opinion</b>	Unqualified
<b>(d)(1)(vi)</b>	<b>Are there any reportable findings under § .510?</b>	No
<b>(d)(1)(vii)</b>	<b>Major Programs (list):</b>	Nutr. Cluster:CFDA 10.553 10.555 Special Education Cluster: CFDA 84.027 & 84.173
<b>(d)(1)(viii)</b>	<b>Dollar Threshold: Type A/B Programs</b>	Type A: > \$ 300,000 Type B: all others
<b>(d)(1)(ix)</b>	<b>Low Risk Auditee?</b>	No

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

**FINDING NUMBER 2008-001**

**Noncompliance Citation**

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

**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. The School District can be fined and various other administrative remedies may be taken against the School District. As such we recommend the School District prepares its annual financial report in accordance with generally accepted accounting principles.

**Officials' Response:**

The District chooses to complete the annual financial report on a modified cash basis on the needs of the District and for financial purposes.

**FINDING NUMBER 2008-002**

**Material Weakness**

When designing the public office's system of internal control and the specific control activities, management should consider ensuring that all transactions are properly authorized in accordance with management's policies, ensuring that accounting records are properly designed, and verifying the existence and valuation of assets and liabilities and periodically reconcile them to the accounting records. The School District lacked management oversight in the posting of receipts, debt activity, and capital asset transactions. The School District incorrectly posted the following:

- School foundation was posted net of the community school transfer of \$151,599.
- The August real estate settlement was posted at net and entirely to the General Fund. Adjustments were made to post \$29,211 of revenue and \$3,820 of deductions to the Bond Retirement Fund and to post \$3,292 of revenue and \$430 of deductions to the Classroom Facilities Fund. Deductions of \$24,722 were not posted to the General Fund.
- The August real estate advance was posted entirely to the General Fund. \$117,295 should have been posted to the Bond Retirement Fund and \$13,217 to the Classroom Facilities Fund.
- The February real estate settlement was posted at net. Deductions of \$36,153 for the General Fund, \$4,790 for the Bond Retirement Fund, and \$540 for the Classroom Facilities Fund were not posted.

**FINDING NUMBER 2008-002**  
**(Continued)**

- The October manufactured home settlement was posted at net and entirely to the General Fund. Adjustments were made to post \$30 in revenue and \$4 in deductions to the Bond Retirement Fund and to post \$4 in revenue and \$1 in deductions to the Classroom Facilities Fund. Deductions of \$36 were not posted to the General Fund.
- The May personal property tax settlement was posted at net and entirely to the General Fund. Adjustments were made to post \$1,120 in revenues and \$107 in deductions to the Bond Retirement Fund and \$151 in revenues and \$15 in deductions to the Classroom Facilities Fund. Deductions of \$1,088 were not posted to the General Fund.
- The November personal property tax exemption settlement was posted at net and entirely to the Bond Retirement Fund Tax Revenue. Adjustments were made to post \$6,842 in Intergovernmental Revenues and \$650 in deductions to the General Fund and \$91 in Intergovernmental Revenues and \$9 in deductions to the Classroom Facilities Fund. Deductions of \$64 were not posted to the Bond Retirement Fund.
- Three School District Income Tax settlements were posted at net. Adjustments were made to post interest of \$3,489 and administrative fees of \$7,659.
- Two homestead and rollback settlements were posted entirely to General Fund Tax Revenue. Adjustments were made to post \$124,198 to General Fund Intergovernmental Revenue, \$20,264 to Bond Retirement Intergovernmental Revenue, \$2,230 to Classroom Facilities Intergovernmental Revenue, and \$1,785 of administrative fees.
- Two homestead and rollback settlements were posted entirely to the General Fund. Adjustments were made to post \$25,771 to Bond Retirement Intergovernmental Revenue, \$2,837 to Classroom Facilities Intergovernmental Revenue, and \$1,785 of administrative fees.
- One federal food service receipt of \$15,882 was posted to Charges for Services. One state food service receipt of \$467 was posted to federal food service receipts.
- A refund of an overpayment of \$3,454 from the General Fund was posted to Special Revenue Intergovernmental Revenue rather than reducing the expenditure.
- \$175,313 was posted to Miscellaneous Receipts that should have been posted as a reduction/refund of expenditures.
- \$2,000 for the EMIS subsidy was posted to the General Fund Miscellaneous Revenue rather than Management Information Systems Fund (432) Intergovernmental Revenue.
- Debt-interest payments totaling \$73,506 were posted to debt-principal instead of debt-interest in the Bond Retirement Fund.
- The School District did not recognize three buses that were sold and therefore should have been included on the capital assets deletions list totaling \$105,080.

**FINDING NUMBER 2008-002  
(Continued)**

The School District made adjustments to the accompanying financial statements for the above items. Failure to properly post revenues, expenditures, and capital asset activity can result in inaccurate records and could cause the School District to misappropriate funds. We recommend the School District properly post receipts, expenses, and capital asset activity. The School District should review activity posted to the receipts ledger and appropriation ledger for accuracy. The School District should properly delete all items from their asset listing that are no longer in use at year end. Comparisons between years may aid in the proper posting of activity. To improve accountability and record keeping, we recommend that the School District use due care in posting financial activity to the School District's books.

**Officials' Response:**

Procedures for entering receipts and reconciliation to supporting documentation have been reviewed and are in place.

**FINDING NUMBER 2008-003**

**Material Weakness**

When designing the public office's system of internal control and the specific control activities, management should consider ensuring that all transactions are properly authorized in accordance with management's policies, ensuring that accounting records are properly designed, and verifying the existence and valuation of assets and liabilities and periodically reconcile them to the accounting records.

The School District did not reconcile its bank balances to fund balances during the audit period until May 2008. Accurate reconciliations are a basic and essential internal control component for sound fiscal management. School District officials rely on accurate reconciliations to make sound financial decisions.

Examples of continuing unreconciled items were:

- Deposits recorded twice in the range of \$608 to \$3,839 between August 2007 to June 2008.
- Deposits not recorded in the range of \$50 to \$71,318 between August 2007 to June 2008.
- Non-sufficient funds checks (revenue received from students for book fees) in the range of \$52 to \$175 between October 2007 to June 2008.
- Receipts and bank charges posted for a wrong amount in the range of \$5 to \$483 between August 2007 to June 2008.
- Voided checks with funds not moved between accounts to cover replacement checks in the range of \$275 to \$775 between October 2007 to May 2008.
- Interest, not recorded, in the range of \$12 to \$2,881 between July 2007 to June 2008.
- Receipts recorded but not deposited timely totaling \$1,555 between October 2007 to November 2007.
- Receipts deposited in the wrong account totaling \$4,118 to \$4,580 between October 2007 and April 2008.
- Deposit made to the payroll account instead of main account and not recorded totaling \$10,434 to \$22,751 between November 2007 to June 2008.

**FINDING NUMBER 2008-003**  
**(Continued)**

- Duplicate transfer of funds from payroll to the main account in November totaling \$22,681.
- Wire transfer recorded on books and not shown at the bank for \$25 in November 2007.
- Payment of bond interest not recorded on the books of \$267,564 between December 2007 through April 2008.
- Real estate advance totaling \$1,090,253 not recorded on the books in March 2008.
- Checks totaling \$370 and a safety deposit box rental of \$59 not recorded on the books totaling between January 2008 to April 2008.
- Deposit corrections totaling \$.12 to \$30 between February 2008 and April 2008.
- Checks for reverse receipts not entered on books totaling \$30 to \$64 between January 2008 and April 2008.
- Voided payroll check recorded in error totaling \$10,434 between May 2008 to June 2008.

Failure to accurately maintain the School District's accounting records 1) reduces the accountability over the School District's funds, 2) reduces the Board's ability to monitor financial activity, 3) increases the likelihood that monies will be misappropriated and not detected, and 4) increases the likelihood that the School District's financial statements will be misstated. We recommend that the Treasurer reconcile on a monthly basis. Other adjustment factors should be documented and adequately explained. Deposits in transit should be documented by receipt numbers reflecting the date, amount, and source of the deposit in transit. These deposits should trace to the subsequent month's bank statement. Adjustments should be documented, and any unexplained differences should be investigated and resolved immediately. Outstanding checks older than six months should be investigated and appropriate actions taken to remove them from the reconciliations if they no longer apply.

**Officials' Response:**

Reconciliations are currently being done. All adjusting entries, along with the proper supporting documentation will be maintained. Moving forward, reconciliations will be completed on a monthly basis.

**FINDING NUMBER 2008-004**

**Noncompliance Citation**

**Ohio Revised Code, § 9.38**, provides, in part, that public money must be deposited with the treasurer of the public office or to a designated depository on the business day following the day of receipt, if the total amount of such monies received exceeds one thousand dollars. If the total amount of public money received does not exceed one thousand dollars, the person shall deposit the monies on the next business day following the day of receipt, unless the public office of which that person is a public official adopts a policy permitting a different time period, not to exceed three business days following the day of receipts, for making such deposits, and the person is able to safeguard the monies until such time as the monies are deposited.

**FINDING NUMBER 2008-004  
(Continued)**

The School District did not always timely deposit money received for classroom materials and fees including "pay to participate" receipts as 13 out of 60 (or 22%) of the transactions tested were not deposited on the next business day. These receipts were deposited from 2 to 8 days after receipt. Failure to promptly receipt and deposit revenues may result in theft of funds. We recommend that any money collected for classroom materials and fees be deposited with the Treasurer by the next business day.

**Officials' Response:**

It is the procedure of the District to have monies received deposited on a daily basis. The procedures will be reviewed with staff.

**FINDING NUMBER 2008-005**

**Noncompliance Citation**

**Ohio Revised Code, § 149.351(A)**, provides that all records are the property of the public office concerned and shall not be removed, destroyed, mutilated, transferred, or otherwise damaged or disposed of, in whole or in part, except as provided by law or under the rules adopted by the records commission provided for under Sections 149.38 to 149.42 of the Ohio Revised Code. Contrary to this section, the School District failed to maintain supporting documentation for 50 miscellaneous receipts totaling \$38,314 posted to the General Fund; making up these 50 receipts are 19 receipts ranging from \$110 to \$6,480 and 31 receipts ranging from \$1 to \$94. Failure to maintain supporting documentation can result in incorrect posting of financial activity. We recommend the School District maintain all supporting documentation for receipts including copies of duplicate receipts.

**Officials' Response:**

Records are currently being maintained by the District.

**FINDING NUMBER 2008-006**

**Significant Deficiency / Noncompliance Citation**

**Ohio Revised Code, § 149.351(A)**, provides that all records are the property of the public office concerned and shall not be removed, destroyed, mutilated, transferred, or otherwise damaged or disposed of, in whole or in part, except as provided by law or under the rules adopted by the records commission provided for under Sections 149.38 to 149.42 of the Ohio Revised Code.

The following was noted during testing of student activity receipts:

19 athletic accountability sheets were not presented for audit.

**FFA Fruit Sale:**

- There were FFA receipts totaling \$310 that were not deposited with the Treasurer or to the bank. \$220 of the \$310 was used to pay for T-shirts. The advisor paid for the T-shirts with cash received from the fruit sale. The total amount of funds unaccounted for total \$90.
- Duplicate receipts were not provided for money collected between August 31, 2007 and December 21, 2007. Other duplicate receipts were provided for audit.

**FINDING NUMBER 2008-006  
(Continued)**

- Orders forms were used but not maintained for the FFA fruit sale.

**Foreign Language Club**

- There were discrepancies in the amounts invoiced by the tour company and the amounts paid by the School District for a Quebec trip. Some payments were made directly to the tour company by the students. The tour company payment spreadsheet indicates \$8,400 was paid on January 11, 2008. The FINDET report states \$8,800 was received in January and \$8,112 was paid by the School District. The tour company payment spreadsheet has the third payment on April 10, 2008 as \$10,637. The FINDET report states \$3,379 was paid in February by the School District. The School District did not maintain documentation of what portion of the trip was paid for by the students directly to the tour company and what was paid by the School District to the tour company.
- We were not provided any duplicate receipts for funds received for the Quebec trip.

**Yearbook**

- The amount deposited for the purchase of yearbooks per the FINDET report was \$1,222 greater than the total of all duplicate receipts issued to the students that were provided by the Yearbook advisor.
- The amount deposited for yearbook ads per the FINDET report was \$925 greater than the total of yearbook ads on the list provided by the Yearbook advisor.

**Class of 2009**

- Individual order forms were not provided for the butter braid sale or the magazine sale.
- Supporting documentation was not provided for the concession sales.
- The total amount sold for the butter braid sale per the master order form was \$510. The total amount owed/sold at concessions per the master order form was \$230 for a variance of \$280 sold by students. The total amount deposited was \$360; \$80 more was deposited than due. The School District was unable to explain the discrepancy.
- Duplicate receipts were not provided for all money collected from the sale of Prom Tickets.
- Prom tickets sales totaling \$1,085 were posted to the Class of 2010 instead of the Class of 2009.
- A list was not maintained documenting students that were eligible to attend the Prom for free or for a discounted rate.

Failure to maintain proper supporting documentation for all student activity fund raiser monies and ticket sales received can result in incorrect receipt records and misappropriation of funds. This could potentially lead to a misstatement in the financial statements.

To improve internal controls over the School District's student activities, it is recommended that the School District implement the following:

**FINDING NUMBER 2008-006  
(Continued)**

- Sales project forms should be completed for all fundraisers. The proposed sales project form should be signed by the activity advisor, building principal, Treasurer, and Superintendent. Once the fundraiser is completed, the bottom of the form should be completed indicating actual results from the fundraiser and signed by the same personnel.
- Pre-numbered duplicate receipts should be issued by all faculty and/or student advisors. Cash registers should be used when applicable. For each receipt recorded by the School District Treasurer's office the relevant advisor should be able to provide documentation for the entire receipt amount. This increases accountability over the receipting process.
- All athletic ticket accountability sheets should be reviewed and signed by either a sponsor or the athletic director.
- All order forms should be reviewed for accuracy.
- An inventory should be maintained for any sales to track which items and how much money each student is accountable for.
- A listing should be maintained for students attending dances.

We recommend that the School District review their current policy. Additional controls and procedures are explained in the Auditor of State (AOS) "Guidelines for Developing Policies for Student Activity Programs" available at the AOS website: [www.auditor.state.oh.us](http://www.auditor.state.oh.us), under publications, scroll down to Manuals, Handbooks, Forms, and Technical Bulletins.

This item was also reported in the management letter in the audit of the fiscal year 2007 financial statements.

**Officials' Response:**

The Treasurer has met with the Student Activity Program Advisors on proper procedures, records to maintain, and forms to follow.

**FINDING NUMBER 2008-007**

**Noncompliance Citation**

**Ohio Revised Code, § 5705.38(B)**, provides, in part, that a board of education shall pass its annual appropriation measure by the first day of October. If, by the first day of October, a board has not received either the amended certificates of estimated resources required by division (B) of section 5705.36 of the Revised Code or certifications that no amended certificates need to be issued, the adoption of the annual appropriation measure shall be delayed until the amended certificates or certifications are received. Prior to the passage of the annual appropriation measure, the board may pass a temporary appropriation measure for meeting the ordinary expenses of the district until it passes an annual appropriation measure, and appropriations made in the temporary measure shall be chargeable to the appropriations in the annual appropriation measure for that fiscal year when passed. During the fiscal year and after the passage of the annual appropriation measure, a district may pass any supplemental appropriation measures as it finds necessary, based on the revised tax budget or the official certificate of estimated resources or amendments of the certificate. School district appropriation measures shall be in the form as the auditor of state, after consultation with the tax commissioner, prescribes.

**FINDING NUMBER 2008-007  
 (Continued)**

**Ohio Revised Code, § 5705.41(B)**, states that no subdivision or taxing unit is to expend money unless it has been appropriated as provided in such chapter.

The School District did not approve a permanent appropriation measure. Failure to approve appropriations can result in improper and/or illegal expenditures. We recommend the School District approve a permanent appropriation measure by October 1 of each year.

**Officials' Response:**

Annual Appropriation Measure and Certificate of Estimated Resources procedures are currently being followed.

**FINDING NUMBER 2008-008**

**Noncompliance Citation**

**Ohio Revised Code, § 5705.41(B)**, states that no subdivision or taxing unit is to expend money unless it has been appropriated. School District expenditures exceeded appropriations at June 30, 2008 as follows:

<b>Fund</b>	<b>Appropriations</b>	<b>Expenditures</b>	<b>Variance</b>
General (001)	\$8,102,804	\$8,337,754	\$(234,950)
Bond Retirement (002)	350,050	350,281	(231)
Food Service (006)	430,300	435,321	(5,021)
Uniform School Supplies (009)	47,790	54,037	(6,247)
Principal (018)	50,300	56,511	(6,211)
Student Activities (200)	30,830	74,999	(44,169)
Athletics (300)	103,915	115,078	(11,163)
Management Information Systems (432)	5,000	6,465	(1,465)
OneNet Ohio Program Connectivity (451)	0	9,000	(9,000)
eTech Ohio (452)	2,232	2,404	(172)
Ohio Reads (459)	3,177	7,077	(3,900)
Poverty Based Assistance (494)	0	12,078	(12,078)

Failure to limit expenditures by appropriations can result in negative fund balances. We recommend that the School District monitor expenditures and limit them to appropriations.

This item was also reported in the management letter in the audit of the fiscal year 2007 financial statements.

**Officials' Response:**

The School District will monitor appropriations and expenditures.

**FINDING NUMBER 2008-009**

**Noncompliance Citation**

**Ohio Revised Code, § 5705.36(A)(4)**, states that upon a determination by the fiscal officer of a subdivision that the revenue to be collected by the subdivision will be less than the amount included in an official certificate and that the amount of the deficiency will reduce available resources below the level of current appropriations, the fiscal officer shall certify the amount of the deficiency to the commission, and the commission shall certify an amended certificate reflecting the deficiency.

At June 30, 2008 estimated receipts exceeded actual receipts in the Management Information Systems Fund (432), High Schools that Work Fund (461), and Title VIB Special Education Fund (516). Furthermore, appropriations exceeded the available fund balances in these funds.

<b>Fund</b>	<b>Appropriations</b>	<b>Unencumbered Fund Balance Plus Actual Receipts</b>	<b>Variance</b>
Management Information Systems (432)	\$5,000	\$3,000	\$(2,000)
High Schools that Work (461)	12,000	960	(11,040)
Title VIB-Special Education (516)	232,456	139,474	(92,982)

Failure to properly obtain amended certificates when the amount of deficiency will reduce available resources below the current level of appropriations can result in overspending and negative fund balances. We recommend that the School District monitor estimated and actual receipts and obtain amendments when required.

This item was also reported in the management letter in the audit of the fiscal year 2007 financial statements.

**Officials' Response:**

The School District will monitor changes in grant allocations.

**FINDING NUMBER 2008-010**

**Noncompliance Citation**

**Ohio Revised Code, § 5705.10(H)**, provides that money paid into a fund shall be used only for the purposes for which such fund has been established. During our testing we noted that various funds had negative fund balances. A negative fund balance indicates that money from one fund was used to cover the expenses of another fund.

The following funds had negative fund balances during the year:

**FINDING NUMBER 2008-010  
 (Continued)**

<b>Date</b>	<b>Fund</b>	<b>Negative Unencumbered Fund Balance</b>
September 30, 2007	Principal Fund (018)	\$(8,329)
September 30, 2007 March 31, 2008	Ohio Reads Fund (459)	(21)
December 31, 2007	Food Service Fund (006)	(37,400)
December 31, 2007 March 31, 2008	OneNet Ohio Program Connectivity Fund (451)	(3,985)
December 31, 2007	Ohio Reads Fund (459)	(21)
March 31, 2008	Title I Fund (572)	(7,900)

We recommend the School District monitor fund balances and take corrective action such as advancing funds, if possible.

**Officials' Response:**

The School District will monitor fund balances and expenditures throughout the year.

**FINDING NUMBER 2008-011**

**Noncompliance Citation**

**Ohio Revised Code, § 5705.10(B)**, requires that all revenue derived from general or special levies for debt charges which is levied for the debt charges on serial bonds, notes, or certificates of indebtedness having a life less than five years, shall be paid into the bond retirement fund. All such revenue which is levied for the debt charges on all other bonds, notes, or certificates of indebtedness shall be paid into the sinking fund. The School District did not post levy revenue of \$192,270 properly into the Bond Retirement Fund. Failure to properly post revenues can result in the misappropriation of assets. We recommend the School District take due care to properly post all levy revenue. The School District made adjustments to the accompanying financial statements for the above mispostings.

**Officials' Response:**

Procedures for entering receipts have been reviewed and are in place.

**FINDING NUMBER 2008-012**

**Noncompliance Citation**

**Ohio Revised Code § 5705.1(C)** requires that all revenue derived from a special levy shall be credited to a special fund for the purpose for which the levy was made. The School District did not post levy revenue of \$22,364 properly into the Classroom Facilities Maintenance Fund. Failure to properly post revenues can result in the misappropriation of assets. We recommend the School District take due care to properly post all levy revenue. The School District made adjustments to the accompanying financial statements for the above mispostings.

**Officials' Response:**

Procedures for entering receipts have been reviewed and are in place.

**FINDING NUMBER 2008-013**

**Material Weakness/Noncompliance Citation**

**Ohio Administrative Code, § 117-2-02(C)(1)**, states that all local public offices should integrate the budgetary accounts, at the legal level of control or lower, into the financial accounting system. This means designing an accounting system to provide ongoing and timely information on unrealized budgetary receipts and remaining uncommitted balances of appropriations.

The School District did not properly monitor budgetary activity during the audit period.

The School District did not properly post estimated receipts to the revenue ledger (the amounts did not match).

<b>Fund</b>	<b>Estimated Receipts per Revenue Ledger</b>	<b>Estimated Receipts per Certificate of Estimated Resources</b>	<b>Variance</b>
General (001)	\$8,013,500	\$7,945,500	\$68,000
Food Service (006)	449,450	409,450	40,000
Scholarship (007)	4,835	3,320	1,515
Principal (018)	71,300	50,300	21,000
Student Activities (200)	78,100	31,350	46,750
Athletics (300)	97,100	92,050	5,050
Management Information Systems (432)	6,465	5,000	1,465
OneNet Ohio Program Connectivity (451)	9,000	0	9,000
eTech Ohio (452)	2,430	0	2,430
Ohio Reads (459)	3,900	0	3,900
Poverty Based Assistance (494)	12,078	0	12,078
High Schools that Work (499)	20,214	5,569	14,645
Title I (572)	162,330	150,514	11,816

The School District did not properly post appropriations to the appropriations ledger (the amounts did not match).

**FINDING NUMBER 2008-013  
 (Continued)**

<b>Fund</b>	<b>Appropriations per Appropriation Ledger</b>	<b>Appropriations per Appropriation Resolution</b>	<b>Variance</b>
General (001)	\$8,364,495	\$8,043,776	\$320,719
Food Service (006)	436,300	430,300	6,000
Uniform School Supply (009)	60,600	47,600	13,000
Principal (018)	63,413	45,413	18,000
Student Activities (200)	85,130	30,830	54,300
Athletics (300)	106,172	93,672	12,500
Management Information Systems (432)	6,465	5,000	1,465
OneNet Ohio Program Connectivity (451)	9,000	0	9,000
eTech Ohio (452)	2,430	2,232	198
Ohio Reads (459)	3,900	0	3,900
Poverty Based Assistance (494)	12,078	0	12,078
High Schools that Work (499)	40,766	30,266	10,500
Title I (572)	170,729	158,913	11,816

The School District lacked management oversight to ensure proper posting of budgetary activity. Failure to properly post estimated receipts to the revenue ledger and appropriations to the appropriation ledger may interfere with the School District's ability to monitor revenues and expenditures, and to limit their spending within the limits of their expected revenue. We recommend the School District properly post estimated resources and appropriations to their ledgers and monitor budgetary activity.

**Officials' Response:**

The District is in the process of reviewing and posting estimated receipts to the revenue ledger and appropriations to the appropriation ledger.

**FINDING NUMBER 2008-014**

**Noncompliance Citation**

**Ohio Revised Code, § 135.18**, provides that the treasurer, before making the initial deposit in a public depository pursuant to an award made under sections 135.01 to 135.21 of the Revised Code, except as provided in section 135.144 of the Revised Code, shall require the institution designated as a public depository to pledge to and deposit with the treasurer, as security for the repayment of all public moneys to be deposited in the public depository during the period of designation pursuant to the award, eligible securities of aggregate market value equal to the excess of the amount of public moneys to be at the time so deposited, over and above the portion or amount of such moneys as is at that time insured by the federal deposit insurance corporation or by any other agency or instrumentality of the federal government. In the case of any deposit other than the initial deposit made during the period of designation, the amount of the aggregate market value of securities required to be pledged and deposited shall be equal to the difference between the amount of public moneys on deposit in such public depository plus the amount to be so deposited, minus the portion or amount of the aggregate as is at the time insured as provided in this section. The treasurer may require additional eligible securities to be deposited to provide for any depreciation which may occur in the market value of any of the securities so deposited. Such security may consist of federal deposit insurance, surety company bonds, or pledged securities among others.

The School District's deposits were not adequately covered by collateral at all times during the audit period for Eaton National Bank. During the audit period deposits exceeded legal security (FDIC and pledged collateral) by up to \$421,297. Failure to adequately collateralize deposits can result in a loss of funds. The School District should implement procedures to verify that depository balances are adequately secured by eligible collateral at all times.

This item was also reported in the management letter in the audit of the fiscal year 2007 financial statements.

**Officials' Response:**

The District will monitor and review collateralization of funds.

**3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS**

**FINDING NUMBER 2008-015**

**Noncompliance Citation**

**OMB Circular A-133 Subpart C § .320**, states that the audit shall be completed and the data collection form described in paragraph (b) of this section and reporting package described in paragraph (c) of this section shall be submitted within the earlier of 30 days after receipt of the auditor's report(s), or nine months after the end of the audit period, unless a longer period is agreed to in advance by the cognizant or oversight agency for audit. Unless restricted by law or regulation, the auditee shall make copies available for public inspection. The School District did not submit their data collection form for the fiscal year 2007 audit. Failure to submit the data collection form will result in the School District not being classified as a low risk auditee and will increase the amount of federal testing that has to be performed for the School District. We recommend the School District timely submit their data collection form upon completion of their audit.

**Officials' Response:**

The District will submit their data collection form for the current and future audits.

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

**SCHEDULE OF PRIOR AUDIT FINDINGS  
OMB CIRCULAR A -133 § .315 (b)  
JUNE 30, 2008**

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>
2007-001	Ohio Admin. Code § 117-2-03(B), failure to report in accordance with generally accepted accounting principles.	No	Not corrected – Re-issued as Finding 2008-001
2007-002	Lack of oversight in the posting of receipts and debt activity.	No	Not corrected – Re-issued as Finding 2008-002
2007-003	Ohio Admin. Code § 3301-61-16(B)(2), failure to spend weighted career technical revenue on eligible costs other than salaries and benefits.	The Auditor of State does not test this requirement any longer. Compliance is monitored by the Ohio Department of Education.	Finding No Longer Valid





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**  
**MARCH 10, 2009**