



Dave Yost • Auditor of State



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

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DARKE COUNTY**

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# Dave Yost • Auditor of State

## INDEPENDENT ACCOUNTANTS' REPORT

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

To the Members of the Board:

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Tri-Village Local School District, Darke County, (the School District), as of and for the years ended June 30, 2010 and 2009, 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 § 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 cash accounting basis. This is a comprehensive accounting basis other than generally accepted accounting principles. The accompanying financial statements and notes omit assets, liabilities, fund equities, and disclosures that, while material, we cannot determine at this time.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective cash financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Tri-Village Local School District, Darke County, as of June 30, 2010 and 2009, and the respective changes in cash financial position and the budgetary comparison for the General fund thereof for the years 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 January 31, 2011, on our consideration of the Government'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.

Accounting principles generally accepted in the United States of America require this presentation to include Management's discussion and analysis as listed in the table of contents, to supplement the basic financial statements. Although this information is not part of the basic financial statements, the Governmental Accounting Standards Board considers it essential for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any other assurance.

We conducted our audit to opine on the financial statements that collectively comprise the School District's basic financial statements taken as a whole. The schedule of federal awards receipts and disbursements provides additional information required by the U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the basic financial statements. The schedule of federal awards revenue and disbursements is management's responsibility, and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. This schedule was subject to the auditing procedures we applied to the basic financial statements. We also applied certain additional procedures, including comparing and reconciling this information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, in accordance with auditing standards generally accepted in the United States of America. In our opinion, this information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

A handwritten signature in black ink that reads "Dave Yost". The signature is written in a cursive style with a large, looping "D" and "Y".

**Dave Yost**  
Auditor of State

January 31, 2011

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2010  
(UNAUDITED)**

This discussion and analysis of the Tri-Village Local School District's financial performance provides an overall review of the School District's financial activities for the fiscal year ended June 30, 2010, within the limitations of the School District's cash basis accounting. Readers should also review the basic financial statements and notes to enhance their understanding of the School District's financial performance.

**Highlights**

Key highlights for fiscal year 2010 are as follows:

- Net assets of governmental activities increased \$389,135, or 17 percent.
- The School District's general receipts are primarily property and income taxes and grants and entitlements not restricted to specific programs. Typically, these receipts represent respectively 27 and 27 percent of the total cash received for governmental activities during the fiscal year.
- Fund balance of governmental funds increased \$389,135, of which, \$252,468 was due to an increase in the General Fund balance.
- Actual receipts for fiscal year 2010 in the General Fund were \$168,097 lower than in fiscal year 2009. Overall, school income tax collections decreased \$67,060 for fiscal year 2010 after seeing a fall of \$56,912 the previous fiscal year. Property tax revenue increased \$48,230 for fiscal year 2010. Intergovernmental revenue decreased over \$137,000 in fiscal year 2010.
- Cash disbursements in the General Fund for fiscal year 2010 fell \$371,540. Some of the expenses that were previously recorded in the General Fund were recorded in the Fiscal Stabilization Special Revenue fund, which is shown as with Other Governmental Funds for fiscal year 2010.
- During 2010, the School District advance refunded \$2,980,000 of the 2001 School Improvement Bonds. The School District completed the advance refunding to reduce its total debt service payments by \$186,829 and to obtain an economic gain of \$142,093.

**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 cash basis of accounting.

**Report Components**

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

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

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

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2010  
(UNAUDITED)  
(Continued)**

**Basis of Accounting**

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

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

**Reporting the School District as a Whole**

The statement of net assets and the statement of activities reflect how the School District did financially during fiscal year 2010, within the limitations of cash basis accounting. The statement of net assets presents the cash balances and investments of the governmental activities of the School District at fiscal year-end. The statement of activities compares cash disbursements with program receipts for each governmental program. Program receipts include charges paid by the recipient of the program's goods or services and grants and contributions restricted to meeting the operational or capital requirements of a particular program. General receipts are all receipts not classified as program receipts. The comparison of cash disbursements with program receipts identifies how each governmental function draws from the School District's general receipts.

These statements report the School District's cash position and the changes in cash position. Keeping in mind the limitations of the 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, current property tax laws in Ohio restricting revenue growth, facility conditions, required educational programs and other factors.

In the statement of net assets and the statement of activities, the School District reports governmental activities. Governmental activities are where the School District's basic services are reported, including, but not limited to, instruction, support services, operation and maintenance of plant, pupil transportation and extracurricular activities. The School District has no business-type activities.

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

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

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2010  
(UNAUDITED)  
(Continued)**

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

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

**The School District as a Whole**

Table 1 provides a summary of the School District's net assets for fiscal year 2010 compared to fiscal year 2009 on a cash basis:

**(Table 1)  
Net Assets**

	<b>Governmental Activities</b>	
	<b>2009</b>	<b>2010</b>
<b>Assets:</b>		
Equity in Pooled Cash and Cash Equivalents	\$2,290,179	\$2,679,314
<b>Net Assets:</b>		
<b>Restricted for:</b>		
Capital Projects	16,289	16,009
Debt Service	435,588	544,701
Other Purposes	325,435	353,269
Set-Asides	21,013	21,013
Bus Purchases	13,052	12,555
Unrestricted	1,478,802	1,731,767
<b>Total Net Assets</b>	<b>\$2,290,179</b>	<b>\$2,679,314</b>

As mentioned previously, net assets of governmental activities increased \$389,135 or 17 percent during fiscal year 2010.

Net assets for debt service increased as property tax collections for debt service exceeded required debt service disbursements during fiscal year 2010.

Net assets for other purposes increased as the classroom facilities maintenance and lunchroom fund saw an increase in fund balance of more than \$41,000.

The School District's unrestricted net assets increased \$252,965 during fiscal year 2010, a 17% increase from 2009. For fiscal year 2009, unrestricted net assets increased \$126,905 and fiscal year 2008 increased \$338,913.

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2010  
(UNAUDITED)  
(Continued)**

Table 2 reflects the changes in net assets for fiscal years 2010 and 2009:

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

	<b>2009</b>	<b>2010</b>
<b>Receipts:</b>		
<b>Program Receipts:</b>		
Charges for Services and Sales	\$1,210,827	\$1,182,785
Operating Grants and Contributions	596,685	822,020
Capital Grants and Contributions	10,197	
Total Program Receipts	<u>1,817,709</u>	<u>2,004,805</u>
<b>General Receipts:</b>		
Property Taxes	1,990,845	2,054,482
Income Taxes	1,079,522	1,012,462
Grants and Entitlements Not Restricted to Specific Programs	3,001,289	3,004,720
Refunding Bonds Issued (includes premium)		3,174,092
Interest	49,554	33,446
All Other	6,027	23,077
Total General Receipts	<u>6,127,237</u>	<u>9,302,279</u>
Total Receipts	<u>7,944,946</u>	<u>11,307,084</u>
<b>Disbursements:</b>		
Instruction	3,914,761	3,874,936
Support Services:		
Pupils and Instructional Staff	666,782	746,247
Board of Education, Administration and Fiscal	787,310	746,033
Operation and Maintenance of Plant	591,505	578,383
Pupil Transportation	531,075	542,919
Central	27,240	25,484
Operation of Non-Instructional Services	316,793	315,180
Extracurricular Activities	276,737	335,618
Debt Service	604,004	3,753,149
Total Disbursements	<u>7,716,207</u>	<u>10,917,949</u>
Increase in Net Assets	228,739	389,135
Net Assets, Beginning of Year	2,061,440	2,290,179
Net Assets, Ending of Year	<u>\$2,290,179</u>	<u>\$2,679,314</u>

Operating grants and contributions increased in 2010 due to Fiscal Stabilization and ARRA monies. The decrease in capital grants and contributions was the result of no longer receiving bus purchase allowances during fiscal year 2010. Property taxes increased in fiscal year 2010 due to an increase in assessed valuations. Income taxes decreased \$67,060, or 6% for fiscal year 2010. This 6% decrease followed a 5% decrease in fiscal year 2009. Interest received during fiscal year 2010 was down as interest rates were lower during fiscal year 2010. In FY 2010, a Toshiba grant in the amount of \$14,900 was received which accounts for the increase in all other revenue. During fiscal year 2010, the School District refunded bonds in the amount \$2,980,000. This refunding caused the increase in debt service with the \$3,117,654 payment to the bond escrow agent.

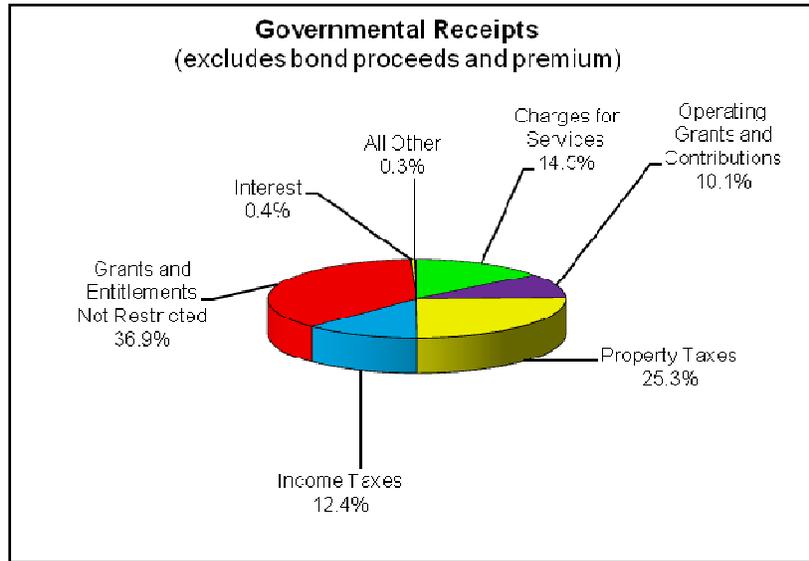
Disbursements increased in fiscal year 2010 as a result of a 1% negotiated salary increase and the payment to the bond escrow agent.

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

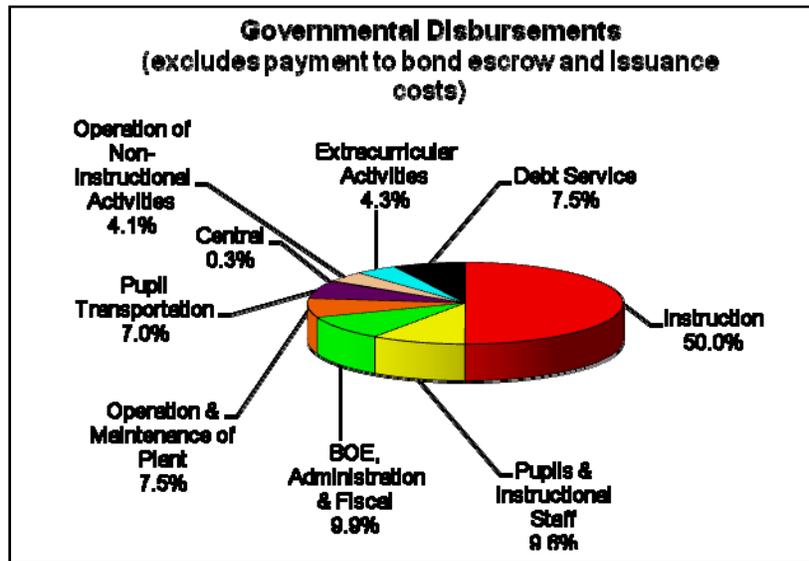
**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2010  
(UNAUDITED)  
(Continued)**

**Governmental Activities**

The unique nature of property taxes in Ohio creates the need to routinely seek voter approval for the School District Operations. The table below shows governmental receipts, excluding the proceeds and premium from the issuance of bonds. Property taxes make up 25.3% of receipts while income taxes add an additional 12.4% of receipts. Grants and entitlements not restricted, the School District's largest source of receipts consists largely of state foundation monies and make up 36.9% of receipts.



The table below shows government disbursements, excluding the payment to the bond escrow agent and bond issuance costs. Instruction comprises 50% of the School District's disbursements. Support services make up 34.3% of disbursements.



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

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2010  
(UNAUDITED)  
(Continued)**

If you look at the Statement of Activities on page 14 you will see that the first column lists the major services provided by the School District. The next column identifies the costs of providing these services. The next two columns of the Statement entitled Program Receipts identify amounts paid by people who are directly charged for the service and grants received by the School District that must be used to provide a specific service. The Net Receipt (Disbursement) column compares the program receipts to the cost of the service. This "net cost" amount represents the cost of the service which ends up being paid from money provided by local taxpayers. These net costs are paid from the general receipts which are presented at the bottom of the statement. A comparison between the total cost of services and the net cost is presented in Table 3.

**(Table 3)  
Governmental Activities**

	<b>Total Cost Of Services 2009</b>	<b>Net Cost Of Services 2009</b>	<b>Total Cost Of Services 2010</b>	<b>Net Cost Of Services 2010</b>
Instruction	\$3,914,761	(\$2,936,390)	\$3,874,936	(\$2,942,772)
<b>Support Services:</b>				
Pupils and Instructional Staff	666,782	(501,796)	746,247	(499,233)
Board of Education, Administration and Fiscal	787,310	(770,591)	746,033	(738,820)
Operation and Maintenance of Plant	591,505	(588,912)	578,383	(399,890)
Pupil Transportation	531,075	(370,565)	542,919	(410,493)
Central	27,240	(16,240)	25,484	(15,911)
Operation of Non-Instructional Services	316,793	8,910	315,180	(5,044)
Extracurricular Activities	276,737	(118,910)	335,618	(147,832)
Debt Service	604,004	(604,004)	3,753,149	(3,753,149)
<b>Total Expenses</b>	<b>\$7,716,207</b>	<b>(\$5,898,498)</b>	<b>\$10,917,949</b>	<b>(\$8,913,144)</b>

The dependence upon property and income tax receipts and State foundation monies is apparent. The School District relies upon these sources in order to meet its operational costs.

**The School District's Funds**

Total governmental funds had receipts of \$8,117,017 and disbursements of \$7,792,160. The greatest change within governmental funds occurred within the General Fund. Despite a reduction in receipts, a corresponding reduction in disbursements enabled fund to increase \$252,468 in the General Fund. The General Fund's fund balance increase for 2009 was \$113,298. For fiscal year 2010, the School District received Fiscal Stabilization monies of \$178,941. These monies are shown with other governmental funds. A portion of disbursements for operation and maintenance of plant normally shown in the General Fund were recorded in the other governmental fund column for fiscal year 2010.

**General Fund Budgeting Highlights**

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

During fiscal year 2010 the School District amended its General Fund budget several times to reflect changing circumstances. Final budgeted receipts stayed the same as original budgeted receipts.

Final disbursements were budgeted at \$6,210,289 while actual disbursements were \$5,977,647. The School District monitored spending closely during the fiscal year. The result was an increase budgetary fund balance \$237,771 for fiscal year 2010.

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2010  
(UNAUDITED)  
(Continued)**

**Capital Assets and Debt Administration**

**Capital Assets**

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

**Debt**

At June 30, 2010, the School District's outstanding debt included \$4,250,000 in general obligation bonds issued for improvements to buildings and structures, and \$1,593,000 in capital leases for facilities.

During 2010, the School District advance refunded \$2,980,000 of the 2001 School Improvement Bonds. The School District completed the advance refunding to reduce its total debt service payments by \$186,829 and to obtain an economic gain of \$142,093.

For further information regarding the School District's debt and leases, refer to Notes 9 and 10 to the basic financial statements.

**Current Issues**

The challenge for all school districts is to provide quality services to the public while staying within the restrictions imposed by limited, and in some cases shrinking, funding. The School District relies heavily on local taxes and state funding. From a State funding perspective, the State of Ohio was found by the Ohio Supreme Court to be operating an unconditional educational system, one that was neither "adequate" nor "equitable".

The passage of HB 1 instituted the evidenced based model formula for payment of school foundation. It guaranteed that each district in FY 2010 would receive 99% of its previous year's base and in FY 2011, 98% of its previous year's base. However, a gain cap was set at  $\frac{3}{4}$  of 1% more than the previous year's base if there was growth of 2% or more from the previous year. Tri-Village did not meet a 2% growth rate for FY 2010 so the District was funded at 99% of the previous years' collections. If the District does not meet the gain cap, there will be another 1% decrease in school foundation funding for FY 2011.

As a result of the reliance on State funding, the School District will keep watch as the new governor, who takes office effective January 10, 2011, searches for solutions to resolve budget deficit issues at the State level. The School District continues to monitor the State of Ohio's budget, the State's school funding methods, as well as their own revenues in order to maintain a quality education with the resources the School District receives.

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

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

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

**STATEMENT OF NET ASSETS - CASH BASIS  
JUNE 30, 2010**

	<u><b>Governmental Activities</b></u>
<b>Assets:</b>	
Equity in Pooled Cash and Cash Equivalents	<u><u>\$2,679,314</u></u>
<b>Net Assets:</b>	
<b>Restricted for:</b>	
Capital Projects	\$16,009
Debt Service	544,701
Other Purposes	353,269
Set Asides	21,013
Bus Purchases	12,555
Unrestricted	<u>1,731,767</u>
Total Net Assets	<u><u>\$2,679,314</u></u>

*See accompanying notes to the basic financial statements.*

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

**STATEMENT OF ACTIVITIES - CASH BASIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2010**

	Program Cash Receipts			Net (Disbursements) Receipts and Changes in Net Assets
	Cash Disbursements	Charges for Services and Sales	Operating Grants and Contributions	Total Governmental Activities
<b>Governmental Activities:</b>				
<b>Instruction:</b>				
Regular	\$3,213,637	\$610,687	\$78,170	(\$2,524,780)
Special	640,284	123,528	119,779	(396,977)
Student Intervention Services	21,015			(21,015)
<b>Support Services:</b>				
Pupil	478,264		174,002	(304,262)
Instructional Staff	267,983	22,425	50,587	(194,971)
Board of Education	16,283			(16,283)
Administration	489,045		7,213	(481,832)
Fiscal	240,705			(240,705)
Operation and Maintenance of Plant	578,383	1,765	176,728	(399,890)
Pupil Transportation	542,919	88,339	44,087	(410,493)
Central	25,484		9,573	(15,911)
Operation of Non-Instructional Services	315,180	162,292	147,844	(5,044)
Extracurricular Activities	335,618	173,749	14,037	(147,832)
Principal Retirement	290,000			(290,000)
Interest and Fiscal Charges	289,057			(289,057)
Issuance Costs	56,438			(56,438)
Payment to Refunded Bond Escrow Agent	3,117,654			(3,117,654)
<b>Total Governmental Activities</b>	<b>\$10,917,949</b>	<b>\$1,182,785</b>	<b>\$822,020</b>	<b>(8,913,144)</b>

**General Receipts:**

**Property Taxes Levied for:**

General Purposes	1,526,718
Capital Maintenance	31,628
Debt Service	496,136
Income Taxes Levied for General Purposes	1,012,462
Grants and Entitlements not Restricted to Specific Programs	3,004,720
Gifts and Donations not Restricted to Specific Programs	15,350
Refunding Bonds Issued	2,980,000
Premium on Refunding Bonds Issued	194,092
Interest	33,446
Miscellaneous	7,727
<b>Total General Receipts</b>	<b>9,302,279</b>

Change in Net Assets	389,135
Net Assets Beginning of Year	2,290,179
<b>Net Assets End of Year</b>	<b>\$2,679,314</b>

See accompanying notes to the basic financial statements.

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

**STATEMENT OF ASSETS AND FUND BALANCES - CASH BASIS  
GOVERNMENTAL FUNDS  
JUNE 30, 2010**

	<u>General</u>	<u>Bond Retirement</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
<b>Assets:</b>				
Equity in Pooled Cash and Cash Equivalents	\$1,731,767	\$544,701	\$369,278	\$2,645,746
<b>Restricted Assets:</b>				
Equity in Pooled Cash and Cash Equivalents	33,568			33,568
Total Assets	<u>1,765,335</u>	<u>544,701</u>	<u>369,278</u>	<u>2,679,314</u>
<b>Fund Balances:</b>				
Reserved for Encumbrances	42,707		14,022	56,729
Reserved for Bus Purchases	12,555			12,555
Reserved for Budget Stabilization	21,013			21,013
Designated for Budget Stabilization	14,662			14,662
<b>Unreserved, Undesignated, Reported in:</b>				
General Fund	1,674,398			1,674,398
Special Revenue Funds			344,977	344,977
Debt Service Fund		544,701		544,701
Capital Projects Funds			10,279	10,279
Total Fund Balances	<u>\$1,765,335</u>	<u>\$544,701</u>	<u>\$369,278</u>	<u>\$2,679,314</u>

*See accompanying notes to the basic financial statements.*

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

**STATEMENT OF CASH RECEIPTS, DISBURSEMENTS AND CHANGES IN FUND BALANCES - CASH BASIS  
GOVERNMENTAL FUNDS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2010**

	<b>General</b>	<b>Bond Retirement</b>	<b>Other Governmental Funds</b>	<b>Total Governmental Funds</b>
<b>Receipts:</b>				
Property Taxes	\$1,526,718	\$496,136	\$31,628	\$2,054,482
Income Taxes	1,012,462			1,012,462
Intergovernmental	2,918,153	71,239	822,182	3,811,574
Interest	29,729	3,707	302	33,738
Tuition and Fees	704,643		120,884	825,527
Rent	240			240
Extracurricular Activities			174,093	174,093
Contributions and Donations	15,350		14,037	29,387
Charges for Services	3,274		162,292	165,566
Miscellaneous	6,204	1,862	1,882	9,948
<b>Total Receipts</b>	<b>6,216,773</b>	<b>572,944</b>	<b>1,327,300</b>	<b>8,117,017</b>
<b>Disbursements:</b>				
<b>Current:</b>				
<b>Instruction:</b>				
Regular	3,029,450		176,052	3,205,502
Special	509,293		130,991	640,284
Student Intervention Services	21,015			21,015
<b>Support Services:</b>				
Pupil	286,776		191,488	478,264
Instructional Staff	196,188		71,795	267,983
Board of Education	16,283			16,283
Administration	481,589		7,456	489,045
Fiscal	226,688	13,183	834	240,705
Operation and Maintenance of Plant	394,198		184,185	578,383
Pupil Transportation	478,376		64,543	542,919
Central	15,111		10,373	25,484
Operation of Non-Instructional Services			315,180	315,180
Extracurricular Activities	151,564		184,054	335,618
<b>Debt Service:</b>				
Principal Retirement	40,000	250,000		290,000
Interest and Fiscal Charges	88,409	200,648		289,057
Issuance Costs		56,438		56,438
<b>Total Disbursements</b>	<b>5,934,940</b>	<b>520,269</b>	<b>1,336,951</b>	<b>7,792,160</b>
Excess of Receipts Over (Under) Disbursements	281,833	52,675	(9,651)	324,857
<b>Other Financing Sources (Uses):</b>				
Refunding Bonds Issued		2,980,000		2,980,000
Premium on Refunding Bonds Issued		194,092		194,092
Payment to Bond Escrow Agent		(3,117,654)		(3,117,654)
Transfers In			94	94
Transfers Out			(94)	(94)
Refund of Prior Year Expenditures	15,975			15,975
Advance In			37,213	37,213
Advance Out	(37,213)			(37,213)
Refund of Prior Year Receipts	(8,127)		(8)	(8,135)
<b>Total Other Financing Sources (Uses)</b>	<b>(29,365)</b>	<b>56,438</b>	<b>37,205</b>	<b>64,278</b>
Net Change in Fund Balances	252,468	109,113	27,554	389,135
Fund Balances Beginning of Year	1,512,867	435,588	341,724	2,290,179
Fund Balances End of Year	<b>\$1,765,335</b>	<b>\$544,701</b>	<b>\$369,278</b>	<b>\$2,679,314</b>

See accompanying notes to the basic financial statements.

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

**STATEMENT OF RECEIPTS, DISBURSEMENTS AND CHANGES  
IN FUND BALANCE - BUDGET AND ACTUAL - BUDGET BASIS  
GENERAL FUND  
FOR THE FISCAL YEAR ENDED JUNE 30, 2010**

	<u>Budgeted Amounts</u>			Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
<b>Receipts:</b>				
Property Taxes	\$1,469,300	\$1,469,300	\$1,526,718	\$57,418
Income Taxes	975,000	975,000	1,012,462	37,462
Intergovernmental	2,883,659	2,883,659	2,918,153	34,494
Interest	20,000	20,000	29,729	9,729
Tuition and Fees	575,000	575,000	704,643	129,643
Rent	500	500	240	(260)
Contributions and Donations	1,000	1,000	15,350	14,350
Charges for Services	250	250	3,274	3,024
Miscellaneous	1,000	1,000	6,204	5,204
<b>Total Receipts</b>	<u>5,925,709</u>	<u>5,925,709</u>	<u>6,216,773</u>	<u>291,064</u>
<b>Disbursements</b>				
<b>Current:</b>				
<b>Instruction:</b>				
Regular	3,097,098	3,110,199	3,049,552	60,647
Special	485,880	524,040	515,593	8,447
Other	23,590	25,640	21,390	4,250
<b>Support Services:</b>				
Pupil	286,228	307,743	289,037	18,706
Instructional Staff	210,649	214,349	196,188	18,161
Board of Education	20,550	20,800	16,283	4,517
Administration	505,434	510,808	486,769	24,039
Fiscal	222,906	234,016	227,604	6,412
Operation and Maintenance of Plant	524,215	440,449	396,155	44,294
Pupil Transportation	528,643	523,648	483,992	39,656
Central	18,250	18,250	15,111	3,139
Extracurricular Activities	151,538	151,938	151,564	374
<b>Debt Service:</b>				
Principal Retirement	40,000	40,000	40,000	
Interest and Fiscal Charges	88,409	88,409	88,409	
<b>Total Disbursements</b>	<u>6,203,390</u>	<u>6,210,289</u>	<u>5,977,647</u>	<u>232,642</u>
Excess of Receipts Over (Under) Disbursements	<u>(277,681)</u>	<u>(284,580)</u>	<u>239,126</u>	<u>523,706</u>
<b>Other Financing Sources (Uses):</b>				
Refund of Prior Year Expenditures	30,000	30,000	15,975	(14,025)
Proceeds from Sale of Capital Assets	1,000	1,000		(1,000)
Advances Out		(37,213)	(37,213)	
Refund of Prior Year Receipts	(15,000)	(15,000)	(8,127)	6,873
<b>Total Other Financing Sources (Uses)</b>	<u>16,000</u>	<u>(21,213)</u>	<u>(29,365)</u>	<u>(8,152)</u>
Net Change in Fund Balance	(261,681)	(305,793)	209,761	515,554
Fund Balance Beginning of Year	1,484,856	1,484,856	1,484,856	
Prior Year Encumbrances Appropriated	<u>28,010</u>	<u>28,010</u>	<u>28,010</u>	
<b>Fund Balance End of Year</b>	<u>\$1,251,185</u>	<u>\$1,207,073</u>	<u>\$1,722,627</u>	<u>\$515,554</u>

See accompanying notes to the basic financial statements.

TRI-VILLAGE LOCAL SCHOOL DISTRICT  
DARKE COUNTY

STATEMENT OF FIDUCIARY NET ASSETS - CASH BASIS  
FIDUCIARY FUNDS  
JUNE 30, 2010

	<u>Agency</u>
<b>Assets:</b>	
Equity in Pooled Cash and Cash Equivalents	<u>\$37,573</u>
<b>Liabilities:</b>	
Due to Students	<u>\$37,573</u>

*See accompanying notes to the basic financial statements.*

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2010**

**1. DESCRIPTION OF THE SCHOOL DISTRICT AND REPORTING ENTITY**

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

The School District was established in 1972 through the consolidation of existing land areas and school districts. The School District serves an area of approximately 82 square miles. It is located in Darke County, and includes the Village of New Madison and portions of Butler, Harrison, Liberty, Neave and Washington Townships. The Board of Education controls the School District's instructional building and administrative building which are staffed by 32 classified employees and 59 certificated full-time personnel who provide services to 781 students.

**A. Primary Government**

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

**B. Component Units**

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

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

Jointly Governed Organizations:

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

Related Organization:

- New Madison Public Library

Insurance Purchasing Pools:

- Southwestern Ohio Educational Purchasing Council Workers' Compensation Group Rating Plan
- Southwestern Ohio Educational Purchasing Council Medical Benefits Plan
- SOEPC Property, Fleet and Liability Insurance Program

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2010  
(Continued)**

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

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

**A. Basis of Presentation**

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

**1. Government-wide Financial Statement:**

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

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

**2. Fund Financial Statements:**

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

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2010  
(Continued)**

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**B. Fund Accounting**

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

**1. Governmental**

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

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

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

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

**2. Fiduciary Funds**

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

**C. Basis of Accounting**

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

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

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2010  
(Continued)**

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**D. Cash, Cash Equivalents and Investments**

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

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

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

The School District invested funds in certificates of deposit and STAR Ohio during fiscal year 2010.

Except for nonparticipating investment contracts, investments are reported at fair value, which is based upon quoted market prices. Nonparticipating investment contracts, such as certificates of deposit are reported at cost. STAR Ohio is an investment pool, managed by the State Treasurer's Office, which allows governments within the State to pool their funds for investment purposes. STAR Ohio is not registered with the SEC as an investment company, but does operate in a manner consistent with Rule 2a7 of the Investment Company Act of 1940. Investments in STAR Ohio are valued at STAR Ohio's share price, which is the price the investment could be sold for on June 30, 2010.

Following Ohio statutes, the Board of Education specified the funds to receive an allocation of interest earnings. Interest revenue credited to the general fund during fiscal year 2010 was \$29,729, including \$9,254 assigned from other School District funds.

**E. Restricted Assets**

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

**F. Inventory and Prepaid Items**

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

**G. Capital Assets**

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

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2010  
(Continued)**

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**H. Interfund Receivables/Payables**

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

**I. Accumulated Leave**

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

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

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

**K. Long-term Obligations**

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

**L. Fund Balance Reserves and Designations**

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

**M. Net Assets**

Net assets are reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the School District or through external restrictions imposed by creditors, grantors or laws or regulations of other governments. Net assets restricted for other purposes include resources for food service operations, music and athletic programs, and federal and state grants restricted to cash disbursement for specified purposes. The School District first applies restricted resources when a cash disbursement is incurred for purposes for which both restricted and unrestricted net assets are available. The School District did not have any assets restricted by enabling legislation at June 30, 2010.

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2010  
(Continued)**

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**N. Interfund Transactions**

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

**O. Budgetary Data**

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

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

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

**3. DEPOSITS AND INVESTMENTS**

**Investment Policies**

State statutes require the classification of the monies held by the School District into three categories:

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

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

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2010  
(Continued)**

**3. DEPOSITS AND INVESTMENTS (Continued)**

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

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

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

Investments in stripped principal or interest obligations, reverse repurchase agreements and derivatives are prohibited. The issuance of taxable notes for the purpose of arbitrage, the use of leverage and short selling are also prohibited. An investment must mature within five years from the date of purchase, unless matched to a specific obligation or debt of the School District, and must be purchased with the expectation that it will be held to maturity. Investments may only be made through specified dealers and institutions.

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2010  
(Continued)**

**3. DEPOSITS AND INVESTMENTS (Continued)**

**A. Deposits**

Custodial credit risk for deposits is the risk that in the event of bank failure, the School District will not be able to recover deposits or collateral securities that are in possession of an outside party. The School District has no deposit policy for custodial risk beyond the requirements of State statute. Ohio law requires that deposits be either insured or be protected by eligible securities pledged to and deposited with either the School District or a qualified trustee by the financial institution as security for repayment, or by a collateral pool of eligible securities deposited with a qualified trustee and pledged to secure the repayment of all public monies deposited in the financial institution whose market value at all times shall be at least 105 percent of deposits being secured.

At fiscal year-end, the carrying amount of the School District's deposits was \$2,619,173 and the bank balance was \$2,697,874. \$448,923 of the School District's deposits was insured by federal depository insurance. Based on the criteria described in GASB Statement No. 40, "Deposits and Investment Risk Disclosures", as of June 30, 2010, \$2,248,951 of the School District's bank balance was exposed to custodial risk and was uninsured and uncollateralized.

**B. Investments**

The School District investment in STAR Ohio, an investment pool operated by the Ohio State Treasurer, had a fair value of \$97,714 at June 30, 2010.

**Interest Rate Risk** – Interest rate risk arises because the potential purchasers of debt securities will not agree to pay face value for those securities if interest rates subsequently increase. The Ohio Revised Code generally limits security purchases to those that mature within five years of the settlement date. The School District's investment policy does not further limit its investment choices. The average days to maturity of the STAR Ohio portfolio at June 30, 2010, was 56 days.

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

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

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

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2010  
(Continued)**

**4. 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 distributions are received by the School District in the second half of the fiscal year. Second-half tax distributions are received in the first half of the following fiscal year.

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

Real property tax receipts received in calendar year 2010 represent the collection of calendar year 2009 taxes. Real property taxes received in calendar year 2010 were levied after April 1, 2009, on the assessed values as of January 1, 2009, the lien date. Assessed values for real property taxes are established by State statute at 35 percent of appraised market value. Real property taxes are payable annually or semiannually. If paid annually, payment is due December 31; if paid semiannually, 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.

Taxes collected from tangible personal property (other than public utility) in one calendar year are levied against local inter-change telephone companies in the prior calendar year on assessed values as of December 31, of that calendar year, at tax rates determined in the preceding year. Tangible personal property tax on business inventory, manufacturing machinery and equipment, and furniture and fixtures is no longer levied and collected. The percentages for telecommunications are 5 percent for 2010 and zero percent for 2011.

Amounts paid by multi-county taxpayers are due September 20. Single county taxpayers may pay annually or semiannually. If paid annually, payment is due April 30; if paid semiannually, the first payment is due April 30, with the remainder payable by September 20.

Public utility real and tangible personal property taxes collected in one calendar year are levied in the preceding calendar year on assessed values determined as of December 31 of the second year proceeding the tax collection year, the lien date. Public utility property taxes are payable on the same date as real property taxes described previously.

The School District receives property taxes from Darke County. The County Auditor periodically advances to the School District its portion of the taxes collected. Second-half real property tax payments collected by the County by June 30, 2010, are available to finance fiscal year 2010 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 2010 taxes were collected are:

	<b>2009 Second- Half Collections</b>		<b>2010 First- Half Collections</b>	
	<b>Amount</b>	<b>Percent</b>	<b>Amount</b>	<b>Percent</b>
Agricultural/ Residential and Other Real Estate	\$67,883,500	83.9%	\$68,508,950	83.1%
Public Utility Personal	12,996,380	16.1	13,902,900	16.9
<b>Total</b>	<b>\$80,879,880</b>	<b>100.0%</b>	<b>\$82,411,850</b>	<b>100.0%</b>
Tax rate per \$1,000 of assessed valuation	\$35.05		\$34.95	

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2010  
(Continued)**

**5. INCOME TAX**

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

**6. RISK MANAGEMENT**

**A. Property and Liability**

The School District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees and natural disasters. During fiscal year 2010, the School District participated in the Southwestern Ohio EPC Liability, Fleet and Property Insurance program administered by Arthur J. Gallagher Risk Management Services, Inc.

Coverage provided is as follows:

Building and Contents – replacement cost (\$1,000 deductible)	\$33,226,022
Crime (\$1,000 deductible)	500,000
Automobile Liability (per occurrence, \$1,000 deductible)	1,000,000
Education General Liability:	
Occurrence	1,000,000
Aggregate	3,000,000
Medical Payments Occurrence/Aggregate	5,000
Employee Benefit Liability	
Occurrence	1,000,000
Aggregate	3,000,000
Fire	1,000,000
School Board Legal Liability (\$5,000 deductible)	1,000,000
Umbrella Policy/Excess Liability	5,000,000

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

**B. Workers' Compensation**

For fiscal year 2010, the School District participated in the Southwestern Ohio Educational Purchasing Council Workers' Compensation Group Rating Program (GRP), an insurance purchasing pool (Note 12). The intent of the GRP is to achieve the benefit of a reduced premium for the School District by virtue of its grouping and representation with other participants in the GRP. The workers' compensation experience of the participating school districts is calculated as one experience and a common premium rate is applied to all school districts in the GRP. Each participant pays its workers' compensation premium to the State based on the rate for the GRP rather than its individual rate. Total savings are then calculated and each participant's individual performance is compared to the overall savings percentage of the GRP. A participant will then either receive money from or be required to contribute to the "equity pooling fund." This "equity pooling" arrangement insures that each participant shares equally in the overall performance of the GRP. Participation in the GRP is limited to school districts that can meet the GRP's selection criteria. The firm of Hunter Consulting provides administrative, cost control and actuarial services to the GRP through August 31, 2010.

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2010  
(Continued)**

**6. RISK MANAGEMENT (Continued)**

**C. Employee Medical Benefits**

For fiscal year 2010, the School District participated in the Southwestern Ohio Educational Purchasing Council Medical Benefits Plan (MBP), an insurance purchasing pool (Note 12). The intent of the MBP is to achieve the benefit of reduced health insurance premiums for the School District by virtue of its grouping and representation with other participants in the MBP. The health insurance experience of the participating school districts is calculated and a premium rate is applied to all school districts in the MBP. Each participant pays its health insurance premiums to Southwestern Ohio Educational Purchasing Council Medical Benefits Plan. Participation in the MBP is limited to school districts that can meet the MBP's selection criteria.

**7. DEFINED BENEFIT PENSION PLANS**

**A. School Employees Retirement System**

**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 or by calling toll free (800) 878-5853. It is also posted on SERS' website at [www.ohsers.org](http://www.ohsers.org) under Employers/Audit Resources.

**Funding Policy** - Plan members are required to contribute 10 percent of their annual covered salary and the School District is required to contribute 14 percent of annual covered payroll. The contribution requirements of plan members and employers are established and may be amended, up to statutory maximum amounts, by the SERS' Retirement Board. The Retirement Board acting with the advice of the actuary, allocates the employer contribution rating among four of the funds (Pension Trust Fund, Death Benefit Fund, Medicare B Fund and Health Care Fund) of the System. For fiscal year 2010, the allocation to pension and death benefits is 12.78 percent of annual covered salary. The remaining 1.22 percent of the 14 percent employer contribution rate is allocated to the Health Care and Medicare B Funds. The School District's required contributions for pension obligations to SERS for the fiscal years ended June 30, 2010, 2009 and 2008 were \$148,960, \$84,938, and \$87,045 respectively; 50.12 percent has been contributed for fiscal year 2010 and 100 percent for fiscal years 2009 and 2008.

**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 St., Columbus, OH 43215-3771, by calling (888) 227-7877, or by visiting the STRS Ohio Web site at [www.strsoh.org](http://www.strsoh.org).

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
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(Continued)**

**7. DEFINED BENEFIT PENSION PLANS (Continued)**

New members have a choice of three retirement plans, a Defined Benefit (DB) Plan, a Defined Contribution (DC) Plan and a Combined Plan. The DB plan offers an annual retirement allowance based on final average salary times a percentage that varies based on years of service, or an allowance based on 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.

A DB or Combined Plan member with five or more years credited service who becomes disabled may qualify for a disability benefit. Eligible spouses and dependents of these active members who die before retirement may qualify for survivor benefits. Members in the DC Plan who become disabled are entitled only to their account balance. If a member 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, 2010, plan members were required to contribute 10 percent of their annual covered salaries. The School District was required to contribute 14 percent; 13 percent was the portion used to fund pension obligations. Contribution rates are established by the State Teachers Retirement Board, upon recommendations of its consulting actuary, not to exceed statutory maximum rates of 10 percent for members and 14 percent for employers. Chapter 3307 of the Ohio Revised Code provides statutory authority for member and employer contributions.

The School District's required contributions for pension obligations to STRS Ohio for the fiscal years ended June 30, 2010, 2009, and 2008 were \$371,781, \$361,097, and \$388,362, respectively; 84.34 percent has been contributed for fiscal year 2010 and 100 percent for fiscal years 2009 and 2008. Contributions to the DC and Combined Plans for fiscal year 2010 were \$5,276 made by the School District and \$3,768 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 State Teachers Retirement System of Ohio have an option to choose social security or the School Employees Retirement System. As of June 30, 2010, two members of the Board of Education have elected Social Security. The Board's liability is 6.2 percent of wages paid.

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2010  
(Continued)**

**8. POSTEMPLOYMENT BENEFITS**

**A. School Employees Retirement System**

**Plan Description** – The School District participates in two cost-sharing multiple employer defined benefit OPEB (other post-employment benefits) plans administered by the School Employees Retirement System for non-certificated retirees and their beneficiaries, a Health Care Plan and a Medicare Part B Plan.

Medicare Part B Plan – The Medicare B plan reimburses Medicare Part B premiums paid by eligible retirees and beneficiaries as set forth in Ohio Revised Code (ORC) 3309.69. Qualified benefit recipients who pay Medicare Part B premiums may apply for and receive a monthly reimbursement from SERS. The reimbursement amount is limited by statute to the lesser of the January 1, 1999, Medicare Part B premium or the current premium. The Medicare Part B premium for calendar year 2010 was \$96.40 for most participants but could be as high as \$353.60 per month depending upon their income. SERS' reimbursement to retirees was \$45.50.

The Retirement Board, acting with advice of the actuary, allocates a portion of the employer contribution to the Medicare B Fund. For fiscal year 2010, this actuarially required allocation was 0.76 percent of covered payroll. The School District's contributions for Medicare Part B for the fiscal years ended June 30, 2010, 2009, and 2008 were \$8,858, \$7,008, and \$5,379, respectively; 50.12 percent has been contributed for fiscal year 2010 and 100 percent for fiscal years 2009 and 2008.

**Health Care Plan** – ORC 3309.375 and 2209.69 permit SERS to offer health care benefits to eligible retirees and beneficiaries. SERS' Retirement Board reserves the right to change or discontinue any health plan or program. SERS offers several types of health plans from various vendors, including HMOs, PPOs, Medicare Advantage and traditional indemnity plans. A prescription drug program is also available to those who elect health coverage. SERS employs two third-party administrators and a pharmacy benefit manager to manage the self-insurance and prescription drug plans, respectively.

The ORC provides the statutory authority to fund SERS' postemployment benefits through employer contributions. Active members do not make contributions to the postemployment benefit plans.

The Health Care Fund was established under, and is administered in accordance with Internal Revenue Code 105(e). Each year after the allocation for statutorily required benefits, the Retirement Board allocates the remainder of the employer 14 percent contribution to the Health Care Fund. For the year ended June 30, 2010, the health care allocation is .46 percent. An additional health care surcharge on employers is collected for employees earning less than an actuarially determined minimum compensation amount, pro-rated according to service credit earned. Statutes provide that no employer shall pay a health care surcharge greater than 2 percent of that employer's SERS covered payroll; nor may SERS collect in aggregate more than 1.5 percent of the total statewide SERS covered payroll for health care surcharge. For fiscal year 2010, the minimum compensation level as established at \$35,800. The surcharge, added to the unallocated portion of the 14% employer contribution rate is the total amount assigned to the Health Care Fund.

The School District's contributions for health care for the fiscal years ended June 30, 2010, 2009, and 2008 were \$19,475, \$52,832, and \$51,545, respectively; 13.8 percent has been contributed for fiscal year 2010 and 100 percent for fiscal years 2009 and 2008.

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
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(Continued)**

**8. POSTEMPLOYMENT BENEFITS (Continued)**

The SERS Retirement Board establishes the rules for the premiums paid by the retirees for health care coverage for themselves and their dependents or for their surviving beneficiaries. Premiums vary depending on the plan selected, qualified years of service, Medicare eligibility, and retirement status.

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 St., Suite 100, Columbus, Ohio 43215-3746 or by calling toll free (800) 878-5853. It is also posted on the SERS' at [www.ohsers.org](http://www.ohsers.org) under employers/audit resources.

**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 post-employment health care may be deducted from employer contributions. For 2010, STRS Ohio allocated employer contributions equal to 1 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, 2010, 2009, and 2008 were \$28,599, \$27,777, and \$29,874, respectively; 84.34 percent has been contributed for fiscal year 2010 and 100 percent for fiscal years 2009 and 2008.

**9. LEASES**

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

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

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

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2010  
(Continued)**

**9. LEASES (Continued)**

The lease payments have been classified as debt service expenditures in the financial statements in the General Fund. These expenditures amounted to \$128,409. The following is a schedule of the future minimum lease payments required under the lease and the present value of the minimum lease payments as of June 30, 2010:

Year ending June 30:	Amount
2011	\$ 127,192
2012	126,976
2013	127,371
2014	126,882
2015	126,198
2016-2020	627,711
2021-2025	617,282
2026-2030	604,616
2031-2032	238,576
Total	2,722,084
Less: Amount Representing Interest	(1,129,804)
Present Value of Minimum Lease Payments	\$1,593,000

**10. LONG-TERM LIABILITIES**

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

	Amount Outstanding 6/30/2009	Additions	Deletions	Amount Outstanding 6/30/2010	Amount Due in One Year
<b>Governmental Activities:</b>					
1988 School Improvement Bonds	\$ 90,000		(\$ 45,000)	\$ 45,000	\$45,000
2001 School Improvement Bonds	4,410,000		(3,185,000)	1,225,000	215,000
2010 School Facilities Refunding Bonds		\$2,980,000		2,980,000	35,000
Total Governmental Activities Long-Term Liabilities	\$4,500,000	\$2,980,000	(\$3,230,000)	\$4,250,000	\$295,000

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

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

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2010  
(Continued)**

**10. LONG-TERM LIABILITIES (Continued)**

On December 1, 2009, the School District issued \$2,980,000 in School Facilities Construction and Improvement Refunding Bonds. Of the \$2,980,000 bonds issued, \$2,800,000 is serial bonds with interest rates ranging from 1% to 4% and a final maturity December 1, 2023, \$135,000 is term bonds with an interest rate of 2.75% maturing December 1, 2015, and \$50,000 are capital appreciation bonds with a maturity value of \$325,000 on December 1, 2016. The refunding bonds were used to refund \$2,980,000 of the 2001 School Improvement Bonds. The net proceeds of \$3,117,654 (after payment of \$56,438 in underwriting fees, insurance and other issuance costs) were used to purchase U.S. government securities. Those securities were deposited in an irrevocable trust with an escrow agent to provide for all future debt service payments on the 2001 Series bonds. As a result, a portion of the 2001 Series bonds is considered defeased and have been removed from the above schedule. The School District completed the advance refunding to reduce its total debt service payments by \$186,829 and to obtain an economic gain (difference between the present value of the old and new debt service payments) of \$142,093.

At June 30, 2010, the School District's overall legal debt margin was \$3,711,768 with an un-voted debt margin of \$82,412. Principal and interest requirements to retire long-term liabilities outstanding at June 30, 2010, are as follows:

<b>Fiscal Year Ending June 30,</b>	<b>Principal</b>	<b>Interest</b>	<b>Total</b>
2011	\$ 295,000	\$ 162,869	\$ 457,869
2012	255,000	153,608	408,608
2013	260,000	144,090	404,090
2014	280,000	129,536	409,536
2015	295,000	113,994	408,994
2016-2020	1,360,000	687,568	2,047,568
2021-2023	1,505,000	119,104	1,624,104
Total	<u>\$4,250,000</u>	<u>\$1,510,769</u>	<u>\$5,760,769</u>

**11. SET-ASIDE CALCULATIONS**

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

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

	<b>Budget Stabilization</b>	<b>Textbooks &amp; Instructional Materials</b>	<b>Capital Improvements</b>
Set-aside Reserve Balance as of June 30, 2009	\$21,013	(\$59,694)	(\$7,159,656)
Current Year Set-aside Requirement		122,030	122,030
Current Year Offsets			(49,353)
Qualifying Disbursements		(95,989)	(26,366)
Total	<u>\$21,013</u>	<u>(\$33,653)</u>	<u>(\$7,113,345)</u>
Total Set-aside Carried Forward to Future Years	<u>\$21,013</u>	<u>(\$33,653)</u>	<u>(\$7,113,345)</u>

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2010  
(Continued)**

**11. SET-ASIDE CALCULATIONS (Continued)**

Although the School District had qualifying disbursements during the fiscal year that reduced the set-aside amount below zero for the capital improvement set-aside, the negative amount can only be carried forward to the extent of proceeds from capital lease, Classroom Facilities Special Revenue Fund receipts, and Capital Improvement Fund property tax receipts.

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

**A. Jointly Governed Organizations**

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

The governing board of MDECA consists of seven Superintendents of member school districts, with six of the Superintendents elected by majority vote of all member school districts except Montgomery County Educational Service Center. The seventh Superintendent is from the Montgomery County Educational Service Center. The School District paid MDECA \$30,466 for services provided during the fiscal year. Financial information can be obtained from Jerry Woodyard, who serves as Executive Director, at 225 Linwood Street, Dayton, Ohio 45405.

**Southwestern Ohio Education Purchasing Council** - The Southwestern Ohio Educational Purchasing Council (SOEPC) is a purchasing cooperative made up of 126 school districts in 18 counties. The purpose of the cooperative is to obtain prices for quality merchandise and services commonly used by schools. All member districts are obligated to pay all fees, charges, or other assessments as established by the SOEPC. Each member district has one voting representative. Title to any and all equipment, furniture and supplies purchased by the SOEPC is held in trust for the member districts. Any district withdrawing from the SOEPC shall forfeit its claim to any and all SOEPC assets. One year prior notice is necessary for withdrawal from the group.

During this time, the withdrawing member is liable for all member obligations. Payments to SOEPC are made from the general fund. During fiscal year 2010, the School District paid \$72,241 to SOEPC. To obtain financial information, write to the Southwestern Ohio Educational Purchasing Council, Ken Swink, who serves as Director, at 303 Corporate Center Drive, Suite 208, Vandalia, OH 45377.

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

**TRI-VILLAGE LOCAL SCHOOL DISTRICT  
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**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2010  
(Continued)**

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

One at-large non-public representative is elected by the non-public school SOITA members in the State-assigned SOITA service area representative. One at-large higher education representative is elected by higher education SOITA members from within the State-assigned SOITA service area.

All member districts are obligated to pay all fees, charges, or other assessments as established by the SOITA. Upon dissolution, the net assets shall be distributed to the federal government, or to a state or local government, for a public purpose. Payments to SOITA are made from the general fund. During fiscal year 2010, the School District paid \$641 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.

**B. Related Organization**

**New Madison Public Library** – The New Madison Public Library is a distinct political subdivision of the State of Ohio created under Chapter 3375 of the Ohio Revised Code. The Library is governed by a Board of Trustees appointed by the Tri-Village Local School District Board of Education. The Board of Trustees possesses its own contracting and budgeting authority, hires and fires personnel and does not depend on the School District for operational subsidies. Although the School District does serve as the taxing authority and may issue tax related debt on behalf of the Library, its role is limited to a ministerial function. The determination to request approval of a tax, the rate, and the purpose are discretionary decisions made solely by the Board of Trustees. The School District did not make any contributions to the New Madison Public Library during fiscal year 2010. Financial information can be obtained from the New Madison Public Library, Kim Chowning, Clerk/Treasurer, at 142 South Main, New Madison, Ohio 45346.

**C. Insurance Purchasing Pools**

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

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

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2010  
(Continued)**

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

**Southwestern Ohio Educational Council Property, Fleet and Liability Insurance Program** – The School District participates in the Southwestern Ohio Educational Council Property, Fleet and Liability Insurance Program (PFL). The PFL’s business affairs are conducted by a six member committee consisting of various PFL representatives that are elected by the general assembly. The purpose of the program is to jointly provide or obtain casualty, property, employer liability, general liability, risk management, professional liability, group coverage and other protections for participating school districts. During fiscal year 2010, the School District paid \$22,785 for insurance coverage. Financial information can be obtained from Ken Swink, Director, at 303 Corporate Center Drive, Suite 208, Vandalia, OH 45377.

**13. CONTINGENCIES**

**A. Grants**

The School District receives financial assistance from federal and State agencies in the form of grants. Disbursing grant funds generally requires compliance with terms and conditions specified in the grant agreements and are subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the general fund or other applicable funds. However, in the opinion of management, any such disallowed claims will not have a material adverse effect on the overall financial position of the School District at June 30, 2010.

**B. Litigation**

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

**14. BUDGETARY BASIS OF ACCOUNTING**

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

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

<b>Net Change in Fund Balance</b>	
Cash Basis	\$252,468
Adjustment for Encumbrances	<u>(42,707)</u>
Budget Basis	<u>\$209,761</u>

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2010  
(Continued)**

**15. INTERFUND BALANCES**

During fiscal year 2010, the General fund advanced the IDEA Part B, a non-major special revenue fund, \$37,213. The interfund transaction is due to the timing of the receipt of grants.

During fiscal year 2010, the Miscellaneous Federal Grants transferred \$94 to the Title II-Tech fund, both non-major special revenue funds. The transfer was to transfer the remaining balance on fiscal year 2009 grant as a separate fund was established for this grant during fiscal year 2010.

**16. COMPLIANCE**

**Ohio Administrative Code, Section 117-2-03 (B)**, requires the School District to prepare its annual financial report in accordance with generally accepted accounting principles. However, the School District prepared its financial statements on a 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.

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2009  
(UNAUDITED)**

This discussion and analysis of the Tri-Village Local School District's financial performance provides an overall review of the School District's financial activities for the fiscal year ended June 30, 2009, within the limitations of the School District's cash basis accounting. Readers should also review the basic financial statements and notes to enhance their understanding of the School District's financial performance.

**Highlights**

Key highlights for fiscal year 2009 are as follows:

- Net assets of governmental activities increased \$228,739, or 11 percent.
- The School District's general receipts are primarily property and income taxes and grants and entitlements not restricted to specific programs. These receipts represent respectively 38.7 and 37.8 percent of the total cash received for governmental activities during the fiscal year.
- Fund balance of governmental funds increased \$228,739, of which, \$113,298 was due to an increase in the General Fund balance.
- Actual receipts for fiscal year 2009 in the General Fund were \$10,291 lower than in fiscal year 2008. Overall, school income tax collections decreased \$56,912 from the previous fiscal year. In addition, interest receipts for 2009 decreased \$39,581. During 2008, back payments on income taxes were received. Fortunately, increases in property taxes and tuition and fees were almost able to offset these decreases.

**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 cash basis of accounting.

**Report Components**

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

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

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

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2009  
(UNAUDITED)  
(Continued)**

**Basis of Accounting**

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

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

**Reporting the School District as a Whole**

The statement of net assets and the statement of activities reflect how the School District did financially during fiscal year 2009, within the limitations of cash basis accounting. The statement of net assets presents the cash balances and investments of the governmental activities of the School District at fiscal year-end. The statement of activities compares cash disbursements with program receipts for each governmental program. Program receipts include charges paid by the recipient of the program's goods or services and grants and contributions restricted to meeting the operational or capital requirements of a particular program. General receipts are all receipts not classified as program receipts. The comparison of cash disbursements with program receipts identifies how each governmental function draws from the School District's general receipts.

These statements report the School District's cash position and the changes in cash position. Keeping in mind the limitations of the 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, current property tax laws in Ohio restricting revenue growth, facility conditions, required educational programs and other factors.

In the statement of net assets and the statement of activities, the School District reports governmental activities. Governmental activities are where the School District's basic services are reported, including, but not limited to, instruction, support services, operation and maintenance of plant, pupil transportation and extracurricular activities. The School District has no business-type activities.

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

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

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2009  
(UNAUDITED)  
(Continued)**

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

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

**The School District as a Whole**

Table 1 provides a summary of the School District's net assets for fiscal year 2009 compared to fiscal year 2008 on a cash basis:

**(Table 1)  
Net Assets**

	<b>Governmental Activities</b>	
	<b>2009</b>	<b>2008</b>
<b>Assets</b>		
Equity in Pooled Cash and Cash Equivalents	<u>\$2,290,179</u>	<u>\$2,061,440</u>
<b>Net Assets</b>		
Restricted for:		
Capital Projects	16,289	17,144
Debt Service	435,588	371,384
Other Purposes	325,435	273,343
Set-Asides	21,013	43,523
Bus Purchases	13,052	4,149
Unrestricted	<u>1,478,802</u>	<u>1,351,897</u>
Total Net Assets	<u>\$2,290,179</u>	<u>\$2,061,440</u>

As mentioned previously, net assets of governmental activities increased \$228,739 or 11 percent during fiscal year 2009.

Net assets for debt service increased as property tax collections for debt service exceeded required debt service disbursements during fiscal year 2009.

Net assets for other purposes increased as the lunchroom, athletic department, and classroom facilities maintenance funds all saw an increase in fund balance of more than \$10,000.

Net assets restricted for set-asides decreased for fiscal year 2009 as no requirement existed for textbooks and instructional material as required for 2008.

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2009  
(UNAUDITED)  
(Continued)**

At June 30, 2009, the School District had \$13,052 in unexpended receipts received for bus purchases. Although the School District purchased a new bus during fiscal year 2009, these restricted monies were not used.

The School District's unrestricted net assets increased \$126,905 during fiscal year 2009, a 9% increase from 2008. For fiscal year 2008, unrestricted net assets increased \$338,913.

Table 2 reflects the changes in net assets for fiscal years 2009 and 2008:

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

	<b>2009</b>	<b>2008</b>
<b>Receipts:</b>		
<b>Program Receipts:</b>		
Charges for Services and Sales	\$1,210,827	\$1,231,560
Operating Grants and Contributions	596,685	509,197
Capital Grants and Contributions	10,197	5,094
<b>Total Program Receipts</b>	<b>1,817,709</b>	<b>1,745,851</b>
<b>General Receipts:</b>		
Property Taxes	1,990,845	1,912,905
Income Taxes	1,079,522	1,136,434
Grants and Entitlements Not Restricted to Specific Programs	3,001,289	3,139,898
Interest	49,554	98,321
All Other	6,027	18,239
<b>Total General Receipts</b>	<b>6,127,237</b>	<b>6,305,797</b>
<b>Total Receipts</b>	<b>7,944,946</b>	<b>8,051,648</b>
<b>Disbursements:</b>		
Instruction	3,914,761	3,759,912
<b>Support Services:</b>		
Pupils and Instructional Staff	666,782	692,712
Board of Education, Administration and Fiscal	787,310	754,911
Operation and Maintenance of Plant	591,505	514,444
Pupil Transportation	531,075	559,262
Central	27,240	28,344
Operation of Non-Instructional Services	316,793	295,910
Extracurricular Activities	276,737	395,181
Debt Service	604,004	611,025
<b>Total Disbursements</b>	<b>7,716,207</b>	<b>7,611,701</b>
Increase in Net Assets	228,739	439,947
Net Assets, Beginning of Year	2,061,440	1,621,493
<b>Net Assets, Ending of Year</b>	<b>\$2,290,179</b>	<b>\$2,061,440</b>

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

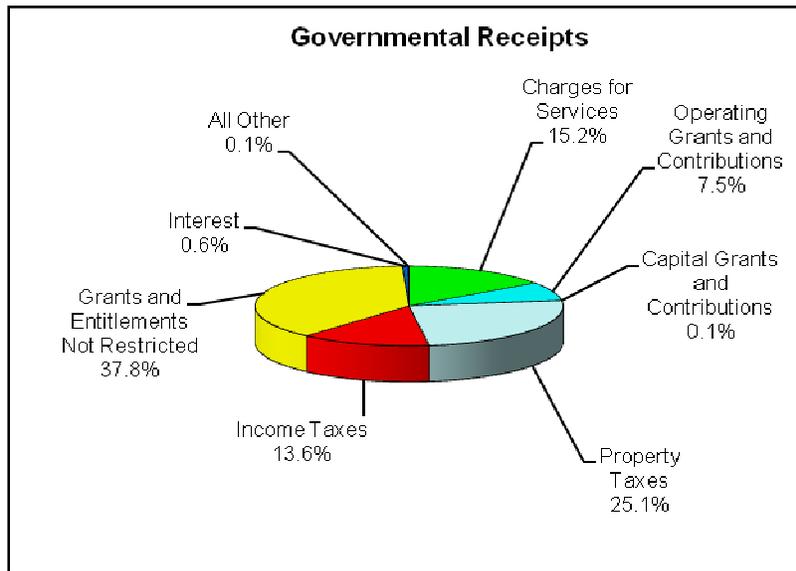
**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2009  
(UNAUDITED)  
(Continued)**

Operating grants and contributions increased in 2009 because weighted aid money coming through the State Foundation payments were shown as program revenues for fiscal year 2009. During 2008, these monies were considered not restricted. The increase in capital grants and contributions was the result of receiving higher bus purchase allowances during fiscal year 2009. Property taxes increased in fiscal year 2009 due to an increase in assessed valuations. Income taxes decreased \$56,912, or 5%. During 2008, payments of assessments from back periods were received. Also during 2008, taxpayers filed their returns earlier than normal to ensure receiving their federal rebates in regards to the economic stimulus package. Interest received during fiscal year 2009 was down as interest rates were lower during fiscal year 2009.

Disbursements increased in fiscal year 2009 as a result of a 2% negotiated salary increase. Also, purchased services and capital outlay increased as compared to the previous fiscal year.

**Governmental Activities**

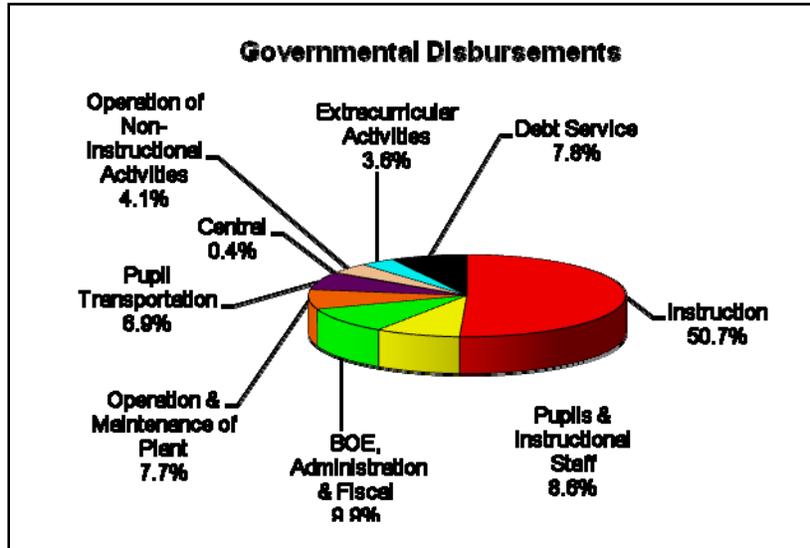
The unique nature of property taxes in Ohio creates the need to routinely seek voter approval for the School District Operations. Property taxes make up 25.1% of receipts while income taxes add an additional 13.6% of receipts. Grants and entitlements not restricted, the School District's largest source of receipts consists largely of state foundation monies and make up 37.8% of receipts.



Instruction comprises 50.7% of the School District's disbursements. Support services make up 33.7% of disbursements.

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2009  
(UNAUDITED)  
(Continued)**



If you look at the Statement of Activities on page 50 you will see that the first column lists the major services provided by the School District. The next column identifies the costs of providing these services. The next three columns of the Statement entitled Program Receipts identify amounts paid by people who are directly charged for the service and grants received by the School District that must be used to provide a specific service. The Net Receipt (Disbursement) column compares the program receipts to the cost of the service. This "net cost" amount represents the cost of the service which ends up being paid from money provided by local taxpayers. These net costs are paid from the general receipts which are presented at the bottom of the statement. A comparison between the total cost of services and the net cost is presented in Table 3.

**(Table 3)  
Governmental Activities**

	<b>Total Cost Of Services 2009</b>	<b>Net Cost Of Services 2009</b>	<b>Total Cost Of Services 2008</b>	<b>Net Cost Of Services 2008</b>
Instruction	\$3,914,761	(\$2,936,390)	\$3,759,912	(\$2,958,715)
<b>Support Services:</b>				
Pupils and Instructional Staff	666,782	(501,796)	692,712	(457,188)
Board of Education, Administration and Fiscal	787,310	(770,591)	754,911	(742,508)
Operation and Maintenance of Plant	591,505	(588,912)	514,444	(512,745)
Pupil Transportation	531,075	(370,565)	559,262	(424,282)
Central	27,240	(16,240)	28,344	(17,344)
Operation of Non-Instructional Services	316,793	8,910	295,910	11,436
Extracurricular Activities	276,737	(118,910)	395,181	(153,479)
Debt Service	604,004	(604,004)	611,025	(611,025)
<b>Total Expenses</b>	<b>\$7,716,207</b>	<b>(\$5,898,498)</b>	<b>\$7,611,701</b>	<b>(\$5,865,850)</b>

The dependence upon property and income tax receipts is apparent as over 76 percent of governmental activities are supported through these general receipts. Operations of Non-Instructional Services disbursements, which consist of the food service program, were covered by program revenues.

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2009  
(UNAUDITED)  
(Continued)**

**The School District's Funds**

Total governmental funds had receipts of \$7,914,684 and disbursements of \$7,710,683. The greatest change within governmental funds occurred within the General Fund. Despite relatively stable receipts during 2009 and disbursements increases, fund balance was still able to increase \$113,298 in the General Fund. The General Fund's fund balance increase for 2008 was \$351,927.

**General Fund Budgeting Highlights**

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

During fiscal year 2009, the School District amended its General Fund budget several times to reflect changing circumstances. Final budgeted receipts stayed the same as original budgeted receipts.

Final disbursements were budgeted at \$6,637,950 while actual disbursements were \$6,334,491. The School District monitored spending closely during the fiscal year. The result was an increase budgetary fund balance \$173,710 for fiscal year 2009.

**Capital Assets and Debt Administration**

**Capital Assets**

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

**Debt**

At June 30, 2009, the School District's outstanding debt included \$4,500,000 in general obligation bonds issued for improvements to buildings and structures, and \$1,633,000 in capital leases for facilities. For further information regarding the School District's debt and leases, refer to Notes 9 and 10 to the basic financial statements.

**Current Issues**

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

In fiscal year 2009, the School District was able to maintain receipts over disbursements by \$113,298 in the General Fund. The School District continues to monitor the State of Ohio's budget as well as their own as revenues deteriorate while still striving to maintain a quality education with the resources the School District receives.

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

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

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

**STATEMENT OF NET ASSETS - CASH BASIS  
JUNE 30, 2009**

	<u><b>Governmental Activities</b></u>
<b>Assets:</b>	
Equity in Pooled Cash and Cash Equivalents	<u><u>\$2,290,179</u></u>
<b>Net Assets:</b>	
<b>Restricted for:</b>	
Capital Projects	\$16,289
Debt Service	435,588
Other Purposes	325,435
Set Asides	21,013
Bus Purchases	13,052
Unrestricted	<u>1,478,802</u>
Total Net Assets	<u><u>\$2,290,179</u></u>

*See accompanying notes to the basic financial statements.*

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

**STATEMENT OF ACTIVITIES - CASH BASIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2009**

	<u>Program Cash Receipts</u>			<u>Net (Disbursements) Receipts and Changes in Net Assets</u>	
	<u>Cash Disbursements</u>	<u>Charges for Services and Sales</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>	<u>Total Governmental Activities</u>
<b>Governmental Activities:</b>					
<b>Instruction:</b>					
Regular	\$3,289,449	\$552,484	\$67,911		(\$2,669,054)
Special	607,530	143,026	214,950		(249,554)
Student Intervention Services	17,782				(17,782)
<b>Support Services:</b>					
Pupil	356,522	8,103	110,214		(238,205)
Instructional Staff	310,260	18,762	27,907		(263,591)
Board of Education	17,320				(17,320)
Administration	533,840		16,719		(517,121)
Fiscal	236,150				(236,150)
Operation and Maintenance of Plant	591,505	2,593			(588,912)
Pupil Transportation	531,075	148,683	1,630	\$10,197	(370,565)
Central	27,240		11,000		(16,240)
Operation of Non-Instructional Services	316,793	193,469	132,234		8,910
Extracurricular Activities	276,737	143,707	14,120		(118,910)
Principal Retirement	277,000				(277,000)
Interest and Fiscal Charges	327,004				(327,004)
Total Governmental Activities	<u>\$7,716,207</u>	<u>\$1,210,827</u>	<u>\$596,685</u>	<u>\$10,197</u>	<u>(5,898,498)</u>
<b>General Receipts:</b>					
<b>Property Taxes Levied for:</b>					
General Purposes					1,478,488
Capital Maintenance					31,614
Debt Service					480,743
Income Taxes Levied for General Purposes					1,079,522
Grants and Entitlements not Restricted to Specific Programs					3,001,289
Gifts and Donations not Restricted to Specific Programs					1,900
Interest					49,554
Miscellaneous					4,127
Total General Receipts					<u>6,127,237</u>
Change in Net Assets					228,739
Net Assets Beginning of Year					<u>2,061,440</u>
Net Assets End of Year					<u><u>\$2,290,179</u></u>

See accompanying notes to the basic financial statements.

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

**STATEMENT OF ASSETS AND FUND BALANCES - CASH BASIS  
GOVERNMENTAL FUNDS  
JUNE 30, 2009**

	<u>General</u>	<u>Bond Retirement</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
<b>Assets:</b>				
Equity in Pooled Cash and Cash Equivalents	\$1,478,802	\$435,588	\$341,724	\$2,256,114
<b>Restricted Assets:</b>				
Equity in Pooled Cash and Cash Equivalents	34,065			34,065
Total Assets	<u>1,512,867</u>	<u>435,588</u>	<u>341,724</u>	<u>2,290,179</u>
<b>Fund Balances:</b>				
Reserved for Encumbrances	28,011		11,284	39,295
Reserved for Bus Purchases	13,052			13,052
Reserved for Budget Stabilization	21,013			21,013
Designated for Budget Stabilization	14,662			14,662
<b>Unreserved, Undesignated, Reported in:</b>				
General Fund	1,436,129			1,436,129
Special Revenue Funds			314,151	314,151
Debt Service Fund		435,588		435,588
Capital Projects Funds			16,289	16,289
Total Fund Balances	<u>\$1,512,867</u>	<u>\$435,588</u>	<u>\$341,724</u>	<u>\$2,290,179</u>

*See accompanying notes to the basic financial statements.*

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

**STATEMENT OF CASH RECEIPTS, DISBURSEMENTS AND CHANGES IN FUND BALANCES - CASH BASIS  
GOVERNMENTAL FUNDS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2009**

	<u>General</u>	<u>Bond Retirement</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
<b>Receipts:</b>				
Property Taxes	\$1,478,488	\$480,743	\$31,614	\$1,990,845
Income Taxes	1,079,522			1,079,522
Intergovernmental	3,055,731	66,846	472,454	3,595,031
Interest	43,392	5,909	253	49,554
Tuition and Fees	717,487		110,962	828,449
Rent	543			543
Extracurricular Activities			154,609	154,609
Contributions and Donations	1,900		11,610	13,510
Charges for Services	229		193,469	193,698
Miscellaneous	7,578		1,345	8,923
<b>Total Receipts</b>	<u>6,384,870</u>	<u>553,498</u>	<u>976,316</u>	<u>7,914,684</u>
<b>Disbursements:</b>				
<b>Current:</b>				
<b>Instruction:</b>				
Regular	3,128,508		155,417	3,283,925
Special	516,616		90,914	607,530
Student Intervention Services	17,782			17,782
<b>Support Services:</b>				
Pupil	246,309		110,213	356,522
Instructional Staff	256,654		53,606	310,260
Board of Education	17,320			17,320
Administration	533,840			533,840
Fiscal	222,599	12,714	837	236,150
Operation and Maintenance of Plant	558,955		32,550	591,505
Pupil Transportation	520,215		10,860	531,075
Central	17,240		10,000	27,240
Operation of Non-Instructional Services			316,793	316,793
Extracurricular Activities	143,018		133,719	276,737
<b>Debt Service:</b>				
Principal Retirement	37,000	240,000		277,000
Interest and Fiscal Charges	90,424	236,580		327,004
<b>Total Disbursements</b>	<u>6,306,480</u>	<u>489,294</u>	<u>914,909</u>	<u>7,710,683</u>
<b>Excess of Receipts Over Disbursements</b>	<u>78,390</u>	<u>64,204</u>	<u>61,407</u>	<u>204,001</u>
<b>Other Financing Sources (Uses):</b>				
Proceeds from Sale of Capital Assets	5,794			5,794
Refund of Prior Year Expenditures	24,468			24,468
Advance In	9,602			9,602
Advance Out			(9,602)	(9,602)
Refund of Prior Year Receipts	(4,956)		(568)	(5,524)
<b>Total Other Financing Sources (Uses)</b>	<u>34,908</u>		<u>(10,170)</u>	<u>24,738</u>
<b>Net Change in Fund Balances</b>	113,298	64,204	51,237	228,739
<b>Fund Balances Beginning of Year</b>	<u>1,399,569</u>	<u>371,384</u>	<u>290,487</u>	<u>2,061,440</u>
<b>Fund Balances End of Year</b>	<u>\$1,512,867</u>	<u>\$435,588</u>	<u>\$341,724</u>	<u>\$2,290,179</u>

See accompanying notes to the basic financial statements.

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

**STATEMENT OF RECEIPTS, DISBURSEMENTS AND CHANGES  
IN FUND BALANCE - BUDGET AND ACTUAL - BUDGET BASIS  
GENERAL FUND  
FOR THE FISCAL YEAR ENDED JUNE 30, 2009**

	<u>Budgeted Amounts</u>			Variance with Final Budget
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	Positive (Negative)
<b>Receipts:</b>				
Property Taxes	\$1,442,085	\$1,442,085	\$1,478,488	\$36,403
Income Taxes	975,000	975,000	1,079,522	104,522
Intergovernmental	2,984,948	2,984,948	3,055,731	70,783
Interest	50,000	50,000	43,392	(6,608)
Tuition and Fees	554,000	554,000	717,487	163,487
Rent			543	543
Contributions and Donations			1,900	1,900
Charges for Services			229	229
Miscellaneous	1,000	1,000	7,578	6,578
<b>Total Receipts</b>	<u>6,007,033</u>	<u>6,007,033</u>	<u>6,384,870</u>	<u>377,837</u>
<b>Disbursements:</b>				
<b>Current:</b>				
<b>Instruction:</b>				
Regular	3,210,726	3,204,896	3,130,076	74,820
Special	518,335	535,035	520,116	14,919
Other	18,094	23,294	17,782	5,512
<b>Support Services:</b>				
Pupil	239,848	262,009	246,591	15,418
Instructional Staff	274,523	274,523	256,739	17,784
Board of Education	19,493	19,790	17,320	2,470
Administration	543,679	548,160	536,131	12,029
Fiscal	231,906	232,406	223,717	8,689
Operation and Maintenance of Plant	631,809	623,309	573,498	49,811
Pupil Transportation	582,060	622,051	524,839	97,212
Central	20,000	20,000	17,240	2,760
Extracurricular Activities	145,023	145,053	143,018	2,035
<b>Debt Service:</b>				
Principal Retirement	37,000	37,000	37,000	
Interest and Fiscal Charges	90,424	90,424	90,424	
<b>Total Disbursements</b>	<u>6,562,920</u>	<u>6,637,950</u>	<u>6,334,491</u>	<u>303,459</u>
Excess of Receipts Over (Under) Disbursements	<u>(555,887)</u>	<u>(630,917)</u>	<u>50,379</u>	<u>681,296</u>
<b>Other Financing Sources (Uses):</b>				
Refund of Prior Year Expenditures	30,000	30,000	24,468	(5,532)
Proceeds from Sale of Capital Assets			5,794	5,794
Advances In	9,602	9,602	9,602	
Refund of Prior Year Receipts	(7,500)	(7,500)	(4,956)	2,544
<b>Total Other Financing Sources (Uses)</b>	<u>32,102</u>	<u>32,102</u>	<u>34,908</u>	<u>2,806</u>
Net Change in Fund Balance	(523,785)	(598,815)	85,287	684,102
Fund Balance Beginning of Year	1,311,146	1,311,146	1,311,146	
Prior Year Encumbrances Appropriated	<u>88,423</u>	<u>88,423</u>	<u>88,423</u>	
Fund Balance End of Year	<u>\$875,784</u>	<u>\$800,754</u>	<u>\$1,484,856</u>	<u>\$684,102</u>

See accompanying notes to the basic financial statements.

TRI-VILLAGE LOCAL SCHOOL DISTRICT  
DARKE COUNTY

STATEMENT OF FIDUCIARY NET ASSETS - CASH BASIS  
FIDUCIARY FUNDS  
JUNE 30, 2009

	<u>Agency</u>
<b>Assets:</b>	
Equity in Pooled Cash and Cash Equivalents	<u>\$32,918</u>
<b>Liabilities:</b>	
Due to Students	<u>\$32,918</u>

*See accompanying notes to the basic financial statements.*

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2009**

**1. DESCRIPTION OF THE SCHOOL DISTRICT AND REPORTING ENTITY**

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

The School District was established in 1972 through the consolidation of existing land areas and school districts. The School District serves an area of approximately 82 square miles. It is located in Darke County, and includes the Village of New Madison and portions of Butler, Harrison, Liberty, Neave and Washington Townships. The Board of Education controls the School District's instructional building and administrative building which are staffed by 35 classified employees and 60 certificated full-time personnel who provide services to 757 students.

**A. Primary Government**

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

**B. Component Units**

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

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

Jointly Governed Organizations:

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

Related Organization:

- New Madison Public Library

Insurance Purchasing Pools:

- Southwestern Ohio Educational Purchasing Council Workers' Compensation Group Rating Plan
- Southwestern Ohio Educational Purchasing Council Medical Benefits Plan
- Schools of Ohio Risk Sharing Authority

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2009  
(Continued)**

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

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

**A. Basis of Presentation**

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

**1. Government-wide Financial Statement**

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

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

**2. Fund Financial Statements**

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

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2009  
(Continued)**

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**B. Fund Accounting**

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

**1. Governmental**

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

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

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

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

**2. Fiduciary Funds**

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

**C. Basis of Accounting**

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

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

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2009  
(Continued)**

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**D. Cash, Cash Equivalents and Investments**

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

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

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

The School District invested funds in certificates of deposit and STAR Ohio during fiscal year 2009.

Except for nonparticipating investment contracts, investments are reported at fair value, which is based upon quoted market prices. Nonparticipating investment contracts, such as certificates of deposit are reported at cost. STAR Ohio is an investment pool, managed by the State Treasurer's Office, which allows governments within the State to pool their funds for investment purposes. STAR Ohio is not registered with the SEC as an investment company, but does operate in a manner consistent with Rule 2a7 of the Investment Company Act of 1940. Investments in STAR Ohio are valued at STAR Ohio's share price, which is the price the investment could be sold for on June 30, 2009.

Following Ohio statutes, the Board of Education specified the funds to receive an allocation of interest earnings. Interest revenue credited to the general fund during fiscal year 2009 was \$43,392, including \$7,510 assigned from other School District funds.

**E. Restricted Assets**

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

**F. Inventory and Prepaid Items**

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

**G. Capital Assets**

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

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2009  
(Continued)**

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**H. Interfund Receivables/Payables**

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

**I. Accumulated Leave**

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

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

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

**K. Long-term Obligations**

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

**L. Fund Balance Reserves and Designations**

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

**M. Net Assets**

Net assets are reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the School District or through external restrictions imposed by creditors, grantors or laws or regulations of other governments. Net assets restricted for other purposes include resources for food service operations, music and athletic programs, and federal and state grants restricted to cash disbursement for specified purposes. The School District first applies restricted resources when a cash disbursement is incurred for purposes for which both restricted and unrestricted net assets are available. The School District did not have any assets restricted by enabling legislation at June 30, 2009.

**N. Interfund Transactions**

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

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2009  
(Continued)**

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**O. Budgetary Data**

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

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

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

**3. DEPOSITS AND INVESTMENTS**

**Investment Policies**

State statutes require the classification of the monies held by the School District into three categories:

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

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

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

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2009  
(Continued)**

**3. DEPOSITS AND INVESTMENTS (Continued)**

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

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

Investments in stripped principal or interest obligations, reverse repurchase agreements and derivatives are prohibited. The issuance of taxable notes for the purpose of arbitrage, the use of leverage and short selling are also prohibited. An investment must mature within five years from the date of purchase, unless matched to a specific obligation or debt of the School District, and must be purchased with the expectation that it will be held to maturity. Investments may only be made through specified dealers and institutions.

**A. Deposits**

Custodial credit risk for deposits is the risk that in the event of bank failure, the School District will not be able to recover deposits or collateral securities that are in possession of an outside party. The School District has no deposit policy for custodial risk beyond the requirements of State statute. Ohio law requires that deposits be either insured or be protected by eligible securities pledged to and deposited with either the School District or a qualified trustee by the financial institution as security for repayment, or by a collateral pool of eligible securities deposited with a qualified trustee and pledged to secure the repayment of all public monies deposited in the financial institution whose market value at all times shall be at least 105 percent of deposits being secured.

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2009  
(Continued)**

**3. DEPOSITS AND INVESTMENTS (Continued)**

At fiscal year-end, the carrying amount of the School District's deposits was \$434,304 and the bank balance was \$493,312. \$492,967 of the School District's deposits was insured by federal depository insurance. Based on the criteria described in GASB Statement No. 40, "Deposits and Investment Risk Disclosures", as of June 30, 2009, \$345 of the School District's bank balance was exposed to custodial risk and was uninsured and uncollateralized.

**B. Investments**

The School District investment in STAR Ohio, an investment pool operated by the Ohio State Treasurer, had a fair value of \$1,888,793 at June 30, 2009.

**Interest Rate Risk** – Interest rate risk arises because the potential purchasers of debt securities will not agree to pay face value for those securities if interest rates subsequently increase. The Ohio Revised Code generally limits security purchases to those that mature within five years of the settlement date. The School District's investment policy does not further limit its investment choices. The average days to maturity of the STAR Ohio portfolio at June 30, 2009, was 58.1 days.

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

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

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

**4. PROPERTY TAXES**

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

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2009  
(Continued)**

**4. PROPERTY TAXES (Continued)**

Property taxes include amounts levied against all real property, public utility property, and tangible personal (used in business) property located in the School District. Real property tax receipts received in calendar year 2009 represent the collection of calendar year 2008 taxes. Real property taxes received in calendar year 2009 were levied after April 1, 2008, on the assessed values as of January 1, 2008, the lien date. Assessed values for real property taxes are established by State statute at 35 percent of appraised market value. Real property taxes are payable annually or semiannually. If paid annually, payment is due December 31; if paid semiannually, the first payment is due December 31, with the remainder payable by June 20. Under certain circumstances, State statute permits alternate payment dates to be established.

Public utility property tax receipts received in calendar year 2009 represent the collection of calendar year 2008 taxes. Public utility real and tangible personal property taxes received in calendar year 2009 became a lien on December 31, 2007, were levied after April 1, 2008, and are collected with real property taxes. Public utility real property is assessed at 35 percent of true value; public utility tangible personal property is currently assessed at varying percentages of true value.

Tangible personal property tax receipts received in calendar year 2009 (other than public utility property) represent the collection of calendar year 2009 taxes levied against local and inter-exchange telephone companies. Tangible personal property tax on business inventory, manufacturing machinery and equipment and furniture and fixtures is no longer levied and collected. The October 2008 tangible personal property tax settlement was the last property tax settlement for general personal property taxes. Tangible personal property taxes received from telephone companies in calendar year 2009 were levied on October 1, 2008, on the value as of December 31, 2008. Amounts paid by multi-county taxpayers are due September 20. Single county taxpayers may pay annually or semiannually. If paid annually, payment is due April 30; if paid semiannually, the first payment is due April 30, with the remainder payable by September 20. Tangible personal property taxes paid by April 30 are usually received by the School District prior to June 30.

The School District receives property taxes from Darke County. The County Auditor periodically advances to the School District its portion of the taxes collected. Second-half real property tax payments collected by the County by June 30, 2009, are available to finance fiscal year 2009 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 2009 taxes were collected are:

	<b>2008 Second- Half Collections</b>		<b>2009 First- Half Collections</b>	
	<b>Amount</b>	<b>Percent</b>	<b>Amount</b>	<b>Percent</b>
Agricultural/ Residential and Other Real Estate	\$60,525,370	80.0%	\$67,883,500	83.9%
Public Utility Personal	14,108,860	18.6	12,996,380	16.1
Tangible Personal Property	1,052,580	1.4		0.0
<b>Total</b>	<b>\$75,686,810</b>	<b>100.0%</b>	<b>\$80,879,880</b>	<b>100.0%</b>
Tax rate per \$1,000 of assessed valuation	\$35.05		\$35.05	

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2009  
(Continued)**

**5. INCOME TAX**

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

**6. RISK MANAGEMENT**

**A. Property and Liability**

The School District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees and natural disasters. During fiscal year 2009, the School District participated in the Schools of Ohio Risk Sharing Authority for property, fleet coverage, and liability insurance.

Coverage provided is as follows:

Building and Contents – replacement cost (\$500 deductible)	\$27,367,494
Crime (\$500 deductible)	100,000
Automobile Liability (per occurrence)	3,000,000
Uninsured/Underinsured Motorists	2,000,000
Education General Liability:	
Bodily Injury and Property Damage	3,000,000
Personal Injury and Advertising Liability	3,000,000
Products/Completed Operations	3,000,000
Employee Benefits Liability	3,000,000
General Aggregate Limit	5,000,000
Fire Legal Liability	500,000
Medical Payments Occurrence/Aggregate	5,000/25,000
Educator’s Legal Liability (\$4,000 deductible)	3,000,000

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

**B. Workers’ Compensation**

For fiscal year 2009, the School District participated in the Southwestern Ohio Educational Purchasing Council Workers’ Compensation Group Rating Program (GRP), an insurance purchasing pool (Note 12). The intent of the GRP is to achieve the benefit of a reduced premium for the School District by virtue of its grouping and representation with other participants in the GRP. The workers’ compensation experience of the participating school districts is calculated as one experience and a common premium rate is applied to all school districts in the GRP. Each participant pays its workers’ compensation premium to the State based on the rate for the GRP rather than its individual rate. Total savings are then calculated and each participant’s individual performance is compared to the overall savings percentage of the GRP. A participant will then either receive money from or be required to contribute to the “equity pooling fund.” This “equity pooling” arrangement insures that each participant shares equally in the overall performance of the GRP. Participation in the GRP is limited to school

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
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**6. RISK MANAGEMENT (Continued)**

districts that can meet the GRP's selection criteria. The firm of Gates/McDonald provides administrative, cost control and actuarial services to the GRP through August 31, 2009. Effective August 31, 2009, Comp Management, Inc. provides the administrative, cost control and actuarial services to the GRP.

**C. Employee Medical Benefits**

For fiscal year 2009, the School District participated in the Southwestern Ohio Educational Purchasing Council Medical Benefits Plan (MBP), an insurance purchasing pool (Note 12). The intent of the MBP is to achieve the benefit of reduced health insurance premiums for the School District by virtue of its grouping and representation with other participants in the MBP. The health insurance experience of the participating school districts is calculated and a premium rate is applied to all school districts in the MBP. Each participant pays its health insurance premiums to Southwestern Ohio Educational Purchasing Council Medical Benefits Plan. Participation in the MBP is limited to school districts that can meet the MBP's selection criteria.

**7. DEFINED BENEFIT PENSION PLANS**

**A. School Employees Retirement System**

**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 or by calling toll free (800) 878-5853. It is also posted on SERS' website at [www.ohsers.org](http://www.ohsers.org) under Employers/Audit Resources.

**Funding Policy** - Plan members are required to contribute 10 percent of their annual covered salary and the School District is required to contribute 14 percent of annual covered payroll. The contribution requirements of plan members and employers are established and may be amended, up to statutory maximum amounts, by the SERS' Retirement Board. The Retirement Board acting with the advice of the actuary, allocates the employer contribution rating among four of the funds (Pension Trust Fund, Death Benefit Fund, Medicare B Fund and Health Care Fund) of the System. For fiscal year 2009, the allocation to pension and death benefits is 9.09 percent of annual covered salary. The remaining 4.91% of the 14% employer contribution rate is allocated to the Health Care and Medicare B Funds. The School District's required contributions for pension obligations to SERS for the fiscal years ended June 30, 2009, 2008 and 2007 were \$84,938, \$87,045, and \$91,351 respectively; 47.28 percent has been contributed for fiscal year 2009 and 100 percent for fiscal years 2008 and 2007.

**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 St., Columbus, OH 43215-3771, by calling (888) 227-7877, or by visiting the STRS Ohio Web site at [www.strsoh.org](http://www.strsoh.org).

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
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(Continued)**

**7. DEFINED BENEFIT PENSION PLANS (Continued)**

New members have a choice of three retirement plans, a Defined Benefit (DB) Plan, a Defined Contribution (DC) Plan and a Combined Plan. The DB plan offers an annual retirement allowance based on final average salary times a percentage that varies based on years of service, or an allowance based on 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.

A DB or Combined Plan member with five or more years credited service who becomes disabled may qualify for a disability benefit. Eligible spouses and dependents of these active members who die before retirement may qualify for survivor benefits. Members in the DC Plan who become disabled are entitled only to their account balance. If a member 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, 2009, plan members were required to contribute 10 percent of their annual covered salaries. The School District was required to contribute 14 percent; 13 percent was the portion used to fund pension obligations. Contribution rates are established by the State Teachers Retirement Board, upon recommendations of its consulting actuary, not to exceed statutory maximum rates of 10 percent for members and 14 percent for employers. Chapter 3307 of the Ohio Revised Code provides statutory authority for member and employer contributions.

The School District's required contributions for pension obligations to STRS Ohio for the fiscal years ended June 30, 2009, 2008, and 2007 were \$361,097, \$388,362, and \$377,000, respectively; 81.76 percent has been contributed for fiscal year 2009 and 100 percent for fiscal years 2008 and 2007. Contributions to the DC and Combined Plans for fiscal year 2009 were \$1,630 made by the School District and \$4,674 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 State Teachers Retirement System of Ohio have an option to choose social security or the School Employees Retirement System. As of June 30, 2009, two members of the Board of Education have elected Social Security. The Board's liability is 6.2 percent of wages paid.

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2009  
(Continued)**

**8. 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 for non-certificated retirees and their beneficiaries, a Health Care Plan and a Medicare Part B Plan.

**Medicare Part B Plan** – The Medicare B plan reimburses Medicare Part B premiums paid by eligible retirees and beneficiaries as set forth in Ohio Revised Code (ORC) 3309.69. Qualified benefit recipients who pay Medicare Part B premiums may apply for and receive a monthly reimbursement from SERS. The reimbursement amount is limited by statute to the lesser of the January 1, 1999, Medicare Part B premium or the current premium. The Medicare Part B premium for calendar year 2009 was \$96.40, SERS' reimbursement to retirees was \$45.50.

The Retirement Board, acting with advice of the actuary, allocates a portion of the employer contribution to the Medicare B Fund. For fiscal year 2009, this actuarially required allocation was 0.75 percent of covered payroll. The School District's contributions for Medicare Part B for the fiscal years ended June 30, 2009, 2008, and 2007 were \$7,008, \$5,379, and \$5,816 respectively; 47.28 percent has been contributed for fiscal year 2009 and 100 percent for fiscal years 2008 and 2007.

**Health Care Plan** – ORC 3309.375 and 2209.69 permit SERS to offer health care benefits to eligible retirees and beneficiaries. SERS' Retirement Board reserves the right to change or discontinue any health plan or program. SERS offers several types of health plans from various vendors, including HMOs, PPOs, Medicare Advantage and traditional indemnity plans. A prescription drug program is also available to those who elect health coverage. SERS employs two third-party administrators and a pharmacy benefit manager to manage the self-insurance and prescription drug plans, respectively.

The ORC provides the statutory authority to fund SERS' postemployment benefits through employer contributions. Active members do not make contributions to the postemployment benefit plans.

The Health Care Fund was established under, and is administered in accordance with Internal Revenue Code 105(e). Each year after the allocation for statutorily required benefits, the Retirement Board allocates the remainder of the employer 14 percent contribution to the Health Care Fund. For the year ended June 30, 2009, the health care allocation is 4.16 percent. An additional health care surcharge on employers is collected for employees earning less than an actuarially determined minimum compensation amount, pro-rated according to service credit earned. Statutes provide that no employer shall pay a health care surcharge greater than 2 percent of that employer's SERS covered payroll; nor may SERS collect in aggregate more than 1.5 percent of the total statewide SERS covered payroll for health care surcharge. The surcharge, added to the unallocated portion of the 14% employer contribution rate is the total amount assigned to the Health Care Fund.

The School District's contributions for health care for the fiscal years ended June 30, 2009, 2008, and 2007 were \$52,832, \$51,545, and \$41,715 respectively; 34.79 percent has been contributed for fiscal year 2009 and 100 percent for fiscal years 2008 and 2007.

The SERS Retirement Board establishes the rules for the premiums paid by the retirees for health care coverage for themselves and their dependents or for their surviving beneficiaries. Premiums vary depending on the plan selected, qualified years of service, Medicare eligibility, and retirement status.

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2009  
(Continued)**

**8. POSTEMPLOYMENT BENEFITS (Continued)**

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 St., Suite 100, Columbus, Ohio 43215-3746 or by calling toll free (800) 878-5853. It is also posted on the SERS' at [www.ohsers.org](http://www.ohsers.org) under employers/audit resources.

**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 post-employment health care may be deducted from employer contributions. For 2009, STRS Ohio allocated employer contributions equal to 1 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, 2009, 2008, and 2007 were \$27,777, \$29,874, and \$29,000, respectively; 81.76 percent has been contributed for fiscal year 2009 and 100 percent for fiscal years 2008 and 2007.

**9. LEASES**

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

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

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

The lease payments have been classified as debt service expenditures in the financial statements in the General Fund. These expenditures amounted to \$127,424. The following is a schedule of the future minimum lease payments required under the lease and the present value of the minimum lease payments as of June 30, 2009:

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2009  
(Continued)**

**9. LEASES (Continued)**

Year ending June 30:	Amount
2010	\$ 128,409
2011	127,192
2012	126,976
2013	127,371
2014	126,882
2015-2019	629,258
2020-2024	619,265
2025-2029	608,040
2030-2032	357,820
Total	2,851,213
Less: Amount Representing Interest	(1,218,213)
Present Value of Minimum Lease Payments	\$1,633,000

**10. LONG-TERM LIABILITIES**

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

	Principal Outstanding 6/30/08	Additions	Reductions	Principal Outstanding 6/30/09	Amounts Due in One Year
<b>Governmental Activities:</b>					
<b>General Obligation Bonds:</b>					
1988 School Improvement Bonds	\$ 135,000		\$45,000	\$ 90,000	\$45,000
2001 School Improvement Bonds	4,605,000		195,000	4,410,000	205,000
Total Governmental Activities					
Long-Term Liabilities	\$4,740,000	\$0	\$240,000	\$4,500,000	\$250,000

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

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

At June 30, 2009, the School District's overall legal debt margin was \$3,214,777 with an un-voted debt margin of \$80,880. Principal and interest requirements to retire long-term liabilities outstanding at June 30, 2009, are as follows:

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2009  
(Continued)**

**10. LONG-TERM LIABILITIES (Continued)**

<b>Fiscal Year Ending June 30</b>	<b>General Obligation Bonds</b>		<b>Total</b>
	<b>Principal</b>	<b>Interest</b>	
2010	\$ 250,000	\$ 224,045	\$ 474,045
2011	260,000	211,594	471,594
2012	220,000	200,393	420,393
2013	230,000	188,998	418,998
2014	245,000	175,338	420,338
2015 - 2019	1,450,000	653,918	2,103,918
2020 - 2024	1,845,000	243,170	2,088,170
Total	<u>\$4,500,000</u>	<u>\$1,897,456</u>	<u>\$6,397,456</u>

**11. SET-ASIDE CALCULATIONS**

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

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

	<b>Budget Stabilization</b>	<b>Textbooks &amp; Instructional Materials</b>	<b>Capital Improvements</b>
Set-aside Reserve Balance as of June 30, 2008	\$21,013	\$22,510	(\$7,194,566)
Current Year Set-aside Requirement		115,219	115,219
Current Year Offsets			(49,119)
Qualifying Disbursements		(197,423)	(31,190)
Total	<u>\$21,013</u>	<u>(\$59,694)</u>	<u>(\$7,159,656)</u>
Total Set-aside Carried Forward to Future Years	<u>\$21,013</u>	<u>(\$59,694)</u>	<u>(\$7,159,656)</u>

Although the School District had qualifying disbursements during the fiscal year that reduced the set-aside amount below zero for the capital improvement set-aside, the negative amount can only be carried forward to the extent of proceeds from capital lease, Classroom Facilities Special Revenue Fund receipts, and Capital Improvement Fund property tax receipts.

**TRI-VILLAGE LOCAL SCHOOL DISTRICT  
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**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2009  
(Continued)**

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

**A. Jointly Governed Organizations**

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

The governing board of MDECA consists of seven Superintendents of member school districts, with six of the Superintendents elected by majority vote of all member school districts except Montgomery County Educational Service Center. The seventh Superintendent is from the Montgomery County Educational Service Center. The School District paid MDECA \$29,925 for services provided during the fiscal year. Financial information can be obtained from Jerry Woodyard, who serves as Executive Director, at 225 Linwood Street, Dayton, Ohio 45405.

**Southwestern Ohio Education Purchasing Council** - The Southwestern Ohio Educational Purchasing Council (SOEPC) is a purchasing cooperative made up of 126 school districts in 18 counties. The purpose of the cooperative is to obtain prices for quality merchandise and services commonly used by schools. All member districts are obligated to pay all fees, charges, or other assessments as established by the SOEPC. Each member district has one voting representative. Title to any and all equipment, furniture and supplies purchased by the SOEPC is held in trust for the member districts. Any district withdrawing from the SOEPC shall forfeit its claim to any and all SOEPC assets. One year prior notice is necessary for withdrawal from the group.

During this time, the withdrawing member is liable for all member obligations. Payments to SOEPC are made from the general fund. During fiscal year 2009, the School District paid \$87,942 to SOEPC. To obtain financial information, write to the Southwestern Ohio Educational Purchasing Council, Ken Swink, who serves as Director, at 303 Corporate Center Drive, Suite 208, Vandalia, OH 45377.

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

One at-large non-public representative is elected by the non-public school SOITA members in the State-assigned SOITA service area representative. One at-large higher education representative is elected by higher education SOITA members from within the State-assigned SOITA service area.

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2009  
(Continued)**

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

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 2009, the School District paid \$2,483 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.

**B. Related Organization**

**New Madison Public Library** – The New Madison Public Library is a distinct political subdivision of the State of Ohio created under Chapter 3375 of the Ohio Revised Code. The Library is governed by a Board of Trustees appointed by the Tri-Village Local School District Board of Education. The Board of Trustees possesses its own contracting and budgeting authority, hires and fires personnel and does not depend on the School District for operational subsidies. Although the School District does serve as the taxing authority and may issue tax related debt on behalf of the Library, its role is limited to a ministerial function. The determination to request approval of a tax, the rate, and the purpose are discretionary decisions made solely by the Board of Trustees. The School District did not make any contributions to the New Madison Public Library during fiscal year 2009. Financial information can be obtained from the New Madison Public Library, Kim Chowning, Clerk/Treasurer, at 142 South Main, New Madison, Ohio 45346.

**C. Insurance Purchasing Pools**

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

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

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2009  
(Continued)**

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

**Schools of Ohio Risk Sharing Authority**– The School District participates in the Schools of Ohio Risk Sharing Authority, an insurance purchasing pool. The Schools of Ohio Risk Sharing Authority (SORSA) is created and organized pursuant to and as authorized by Section 2744.081 of the Ohio Revised Code. SORSA is an incorporated, non-profit association of its members and an instrumentality for each member for the purpose of enabling members of SORSA to provide for a formalized, joint insurance purchasing program to maintain adequate insurance protection, risk management programs and other administrative services. The SORSA's business and affairs are conducted by a nine member Board of Directors consisting of school district superintendents, treasurers, and business managers. Willis Pooling is contracted to provide reinsurance, brokerage, underwriting, rating, billing and consulting services. The Verhoff Group provides bookkeeping, payroll, consulting, and accounting services to SORSA. The Frank Gates Service Company provides insurance claims settlement and adjustment services to SORSA. Financial information can be obtained from Patrick Shaver, the Executive Director at 8050 N. High Street Suite 160, Columbus, Ohio 43215-6483.

**13. CONTINGENCIES**

**A. Grants**

The School District receives financial assistance from federal and State agencies in the form of grants. Disbursing grant funds generally requires compliance with terms and conditions specified in the grant agreements and are subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the general fund or other applicable funds. However, in the opinion of management, any such disallowed claims will not have a material adverse effect on the overall financial position of the School District at June 30, 2009.

**B. Litigation**

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

**14. BUDGETARY BASIS OF ACCOUNTING**

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

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

<b>Net Change in Fund Balance</b>	
Cash Basis	\$113,298
Adjustment for Encumbrances	<u>(28,011)</u>
Budget Basis	<u><u>\$ 85,287</u></u>

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2009  
(Continued)**

**15. INTERFUND BALANCES**

During fiscal year 2009, the E-Tech E-Portfolios, a non-major special revenue fund, returned an advance of \$9,602 to the General Fund. The interfund transaction is due to the timing of the receipt of grants.

**16. COMPLIANCE**

Ohio Administrative Code, Section 117-2-03 (B), requires the School District to prepare its annual financial report in accordance with generally accepted accounting principles. However, the School District prepared its financial statements on a 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.

**17. SUBSEQUENT EVENT**

On August 31, 2009, the Board of Education approved a resolution to provide for the issuance of not to exceed \$2,980,000 school facilities construction and improvement and refunding bonds. These bonds will be issued in the beginning of December 2009.

TRI VILLAGE LOCAL SCHOOL DISTRICT  
DARKE COUNTY

SCHEDULE OF FEDERAL AWARDS RECEIPTS AND DISBURSEMENTS  
FOR THE YEAR ENDED JUNE 30, 2010

Federal Grantor/ Pass Through Grantor Program Title		Federal CFDA Number	Receipts	Non-Cash Receipts	Disbursements	Non-Cash Disbursements
<b>U.S. DEPARTMENT OF AGRICULTURE</b>						
<i>(Passed through the Ohio Department of Education)</i>						
<b>Nutrition Cluster:</b>						
Non Cash Assistance (Food Distribution) National School Lunch Program		10.555		\$41,720		\$41,720
Cash Assistance:						
School Breakfast Program	2010	10.553	\$14,032		\$14,032	
National School Lunch Program	2010	10.555	130,435		130,435	
<b>Total Nutrition Cluster</b>			<u>144,467</u>	<u>41,720</u>	<u>144,467</u>	<u>41,720</u>
Total U.S. Department of Agriculture			144,467	41,720	144,467	41,720
<b>U.S. DEPARTMENT OF EDUCATION</b>						
<i>(Passed through the Ohio Department of Education)</i>						
State Fiscal Stabilization Funds - Recovery Act	2010	84.394	178,941		178,941	
<b>Title I, Part A Cluster:</b>						
Title I Grants to Local Educational Agencies	2009	84.010	8,000		11,598	
	2010	84.010	67,773		67,559	
Total Title I Grants to Local Educational Agencies			<u>75,773</u>		<u>79,157</u>	
Title I Grants to Local Educational Agencies - Recovery Act	2010	84.389	21,403		21,272	
<b>Total Title I, Part A Cluster</b>			<u>97,176</u>		<u>100,429</u>	
<b>Education Technology State Grants Cluster:</b>						
Education Technology State Grants	2009	84.318			94	
Education Technology State Grants, Recovery Act	2010	84.386	652		652	
<b>Total Education Technology State Grants Cluster</b>			<u>652</u>		<u>746</u>	
Safe & Drug Free Schools and Communities - State Grants	2010	84.186	1,949		1,949	
Improving Teacher Quality State Grants	2009	84.367	5,499		6,706	
	2010	84.367	43,440		43,029	
Total Improving Teacher Quality State Grants			<u>48,939</u>		<u>49,735</u>	
Total U.S. Department of Education			<u>327,657</u>		<u>331,800</u>	
<b>CORPORATION FOR NATIONAL AND COMMUNITY SERVICE</b>						
<i>(Passed through the Ohio Department of Education)</i>						
Learn and Serve America Schools and Communities Based Programs	2010	94.004	30,000		29,977	
<b>U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES</b>						
<i>(Passed through the Montgomery County Educational Service Center)</i>						
Medical Assistance Program	N/A	93.778	1,578			
Total Federal Assistance			<u>\$503,702</u>	<u>\$41,720</u>	<u>\$506,244</u>	<u>\$41,720</u>

See Accompanying Notes to the Schedule of Federal Awards Receipts and Expenditures.

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

**NOTES TO THE SCHEDULE OF FEDERAL AWARDS RECEIPTS AND DISBURSEMENTS  
FISCAL YEAR ENDED JUNE 30, 2010**

**NOTE A - SIGNIFICANT ACCOUNTING POLICIES**

The accompanying Schedule of Federal Awards Receipts and Disbursements (the Schedule) reports the Tri-Village Local School District (the School District's) federal award programs' receipts and disbursements. The Schedule has been prepared on the cash basis of accounting.

**NOTE B - CHILD NUTRITION CLUSTER**

The School District commingles cash receipts from the U.S. Department of Agriculture with similar State grants. When reporting expenditures on this Schedule, the School District assumes it expends federal monies first.

**NOTE C – FOOD DONATION PROGRAM**

Program regulations do not require the School District to maintain separate inventory records for purchased food versus food commodities it receives from the U.S. Department of Agriculture. The School District reports commodities consumed on the Schedule at the fair value.

**NOTE D - MATCHING REQUIREMENTS**

Certain Federal programs require the School District to contribute non-Federal funds (matching funds) to support the Federally-funded programs. The School District has met its matching requirements. The Schedule does not include the expenditure of non-Federal matching funds.

**NOTE E – COMMUNITY ALTERNATIVE FUNDING SYSTEM (CAFS)**

The Medical Assistance Program did not have program expenditures in fiscal year 2010 since the receipts were reimbursement for CAFS expenditures incurred in prior periods.



# Dave Yost • Auditor of State

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

Tri-Village Local School District  
Darke County  
PO Box 31  
New Madison, Ohio 45346

To the Members of the Board:

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Tri-Village Local School District, Darke County, (the School District) as of and for the years ended June 30, 2010 and 2009, which collectively comprise the School District's basic financial statements and have issued our report thereon dated January 31, 2011, wherein we noted the School District uses a comprehensive accounting basis other than generally accepted accounting principles. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*.

### Internal Control Over Financial Reporting

In planning and performing our audit, we considered the School District's internal control over financial reporting as a basis for designing our audit procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of opining 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.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, when performing their assigned functions, to prevent, or detect and timely correct misstatements. A *material weakness* is a deficiency, or combination of internal control deficiencies resulting in more than a reasonable possibility that a material misstatement of the School District's financial statements will not be prevented, or detected and timely corrected.

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

### **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 an instance of noncompliance or other matters we must report under *Government Auditing Standards* which is described in the accompanying schedule of findings as item 2010-001.

The School District's response to the finding identified in our audit 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 audit committee, management, Board of Education, and federal awarding agencies and pass-through entities, and others within the School District. We intend it for no one other than these specified parties.

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

**Dave Yost**  
Auditor of State

January 31, 2011



# Dave Yost • Auditor of State

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

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

To the Members of the Board:

### Compliance

We have audited the compliance of Tri-Village Local School District, Darke County, (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 could directly and materially affect each of Tri-Village Local School District's major federal programs for the year ended June 30, 2010. 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 included in the Comptroller General of the United States' *Government Auditing Standards*; 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 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 Tri-Village Local School District complied, in all material respects, with the requirements referred to above that could directly and materially affect each of its major federal programs for the year ended June 30, 2010.

### 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 opining on compliance in accordance with OMB Circular A-133, but not for the purpose of opining on the effectiveness of internal control over compliance. Accordingly, we have not opined on the effectiveness of the School District's internal control over compliance.

*A deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, when performing their assigned functions, to prevent, or to timely detect and correct, noncompliance with a federal program compliance requirement. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a federal program compliance requirement will not be prevented, or timely detected and corrected.

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 over compliance that might be deficiencies, 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.

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



**Dave Yost**  
Auditor of State

January 31, 2011

**TRI-VILLAGE SCHOOL DISTRICT  
DARKE COUNTY**

**SCHEDULE OF FINDINGS  
OMB CIRCULAR A -133 § .505  
JUNE 30, 2010**

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

(d)(1)(i)	Type of Financial Statement Opinion	Unqualified
(d)(1)(ii)	Were there any material control weaknesses reported at the financial statement level (GAGAS)?	No
(d)(1)(ii)	Were there any significant deficiencies in internal control reported at the financial statement level (GAGAS)?	No
(d)(1)(iii)	Was there any reported material noncompliance at the financial statement level (GAGAS)?	Yes
(d)(1)(iv)	Were there any material internal control weaknesses reported for major federal programs?	No
(d)(1)(iv)	Were there any significant deficiencies in internal control reported for major federal programs?	No
(d)(1)(v)	Type of Major Programs' Compliance Opinion	Unqualified
(d)(1)(vi)	Are there any reportable findings under § .510(a)?	No
(d)(1)(vii)	Major Programs (list):	<b>Title I Part A Cluster:</b> CFDA #84.010: Title I Grants to Local Educational Agencies CFDA #84.389: Title I Grants to Local Educational Agencies, Recovery Act <b>CFDA #84.394: State Fiscal Stabilization Funds</b>
(d)(1)(viii)	Dollar Threshold: Type A\B Programs	Type A: > \$ 300,000 Type B: all others
(d)(1)(ix)	Low Risk Auditee?	No

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

**SCHEDULE OF FINDINGS  
OMB CIRCULAR A -133 § .505  
JUNE 30, 2010**

<b>2. FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS</b>
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**FINDING NUMBER 2010-001**

**Material Non-compliance**

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

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

Tri-Village Local School District should prepare its financial statements in accordance with generally accepted accounting principles to include all assets, liabilities, and disclosures to provide a more complete presentation of its financial status.

**Officials Response**

The Tri-Village Board of Education supports preparing financial statements on the OCBOA basis rather than GAAP due to the costs associated with the state auditor's reviewing the GAAP report. Due to tight budget restraints and the economy's downward trend into a recession, it is my belief, that in future years as well, the Board of Education will continue to support the idea of preparing OCBOA financial statements rather than GAAP.

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

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

**SCHEDULE OF PRIOR AUDIT FINDING  
FOR THE FISCAL YEARS ENDED JUNE 30, 2010 AND 2009**

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>
2008-001	ORC Section 117.38/ OAC Section 117-2-03 (B) – preparation of financial statements in accordance with generally accepted accounting principles.	No	Not Corrected; Repeated as Finding Number 2010-001.

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# Dave Yost • Auditor of State

## Independent Accountants' Report on Applying Agreed-Upon Procedures

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

To the Board of Education:

Ohio Rev. Code Section 117.53 states "the auditor of state shall identify whether the school district or community school has adopted an anti-harassment policy in accordance with Section 3313.666 of the Revised Code. This determination shall be recorded in the audit report. The auditor of state shall not prescribe the content or operation of any anti-harassment policy adopted by a school district or community school."

Accordingly, we have performed the procedures enumerated below, which were agreed to by the Board, solely to assist the Board in evaluating whether Tri-Village Local School District, Darke County, (the School District) has adopted an anti-harassment policy in accordance with Ohio Rev. Code Section 3313.666. Management is responsible for complying with this requirement. This agreed-upon procedures engagement was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants. The sufficiency of these procedures is solely the responsibility of the Board. Consequently; we make no representation regarding the sufficiency of the procedures described below either for the purpose for which this report has been requested or for any other purpose.

1. We noted the Board adopted an anti-harassment policy at its meeting on September 1, 2007.
2. We read the policy, noting it included the following requirements from Ohio Rev. Code Section 3313.666(B):
  - (1) A statement prohibiting harassment, intimidation, or bullying of any student on school property or at school-sponsored events;
  - (2) A definition of harassment, intimidation, or bullying that includes the definition in division (A) of Ohio Rev. Code Section 3313.666;
  - (3) A procedure for reporting prohibited incidents;
  - (4) A requirement that school personnel report prohibited incidents of which they are aware to the school principal or other administrator designated by the principal;
  - (5) A requirement that parents or guardians of any student involved in a prohibited incident be notified and, to the extent permitted by section 3319.321 of the Revised Code and the "Family Educational Rights and Privacy Act of 1974," 88 Stat. 571, 20 U.S.C. 1232q, as amended, have access to any written reports pertaining to the prohibited incident;

- (6) A procedure for documenting any prohibited incident that is reported;
- (7) A procedure for responding to and investigating any reported incident;
- (8) A strategy for protecting a victim from additional harassment, intimidation, or bullying, and from retaliation following a report;
- (9) A disciplinary procedure for any student guilty of harassment, intimidation, or bullying, which shall not infringe on any student's rights under the first amendment to the Constitution of the United States;
- (10) A requirement that the district administration semiannually provide the president of the district board a written summary of all reported incidents and post the summary on its web site, if the district has a web site, to the extent permitted by section 3319.321 of the Revised Code and the "Family Educational Rights and Privacy Act of 1974," 88 Stat. 571, 20 U.S.C. 1232q, as amended.

We were not engaged to and did not conduct an examination, the objective of which would be the expression of an opinion on compliance with the anti-harassment policy. Accordingly, we do not express such an opinion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

This report is intended solely for the information and use of the Board and is not intended to be and should not be used by anyone other than these specified parties.



**Dave Yost**  
Auditor of State

January 31, 2011



# Dave Yost • Auditor of State

TRI-VALLEY LOCAL SCHOOL DISTRICT

DARKE COUNTY

## CLERK'S CERTIFICATION

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

*Susan Babbitt*

CLERK OF THE BUREAU

CERTIFIED  
MARCH 15, 2011