



Dave Yost • Auditor of State

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

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INDEPENDENT ACCOUNTANTS' REPORT

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

To the Board of Education:

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Twin Valley Community Local School District, Preble County, Ohio (the District), as of and for the year ended June 30, 2010, which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the District's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

Ohio Administrative Code § 117-2-03 (B) requires the District to prepare its annual financial report in accordance with accounting principles generally accepted in the United States of America. However, as discussed in Note 1, the accompanying financial statements and notes follow the modified cash accounting basis. This is a comprehensive accounting basis other than generally accepted accounting principles. The accompanying financial statements and notes omit assets, liabilities, fund equities, and disclosures that, while material, we cannot determine at this time.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective modified cash financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Twin Valley Community Local School District, Preble County, Ohio, as of June 30, 2010, and the respective changes in modified cash financial position and the respective budgetary comparison for the General Fund thereof for the year then ended in conformity with the basis of accounting Note 1 describes.

In accordance with *Government Auditing Standards*, we have also issued our report dated February 23, 2011, on our consideration of the District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. While we did not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting and compliance, and the results of that testing. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*. You should read it in conjunction with this report in assessing the results of our audit.

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

We conducted our audit to opine on the financial statements that collectively comprise the District's basic financial statements taken as a whole. The federal awards expenditure schedule 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 federal awards expenditure schedule 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.



Dave Yost
Auditor of State

February 23, 2011

Twin Valley Community Local School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2010
Unaudited

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

Financial Highlights

Key financial highlights for fiscal year 2010 are as follows:

- The School District had increases to salaries through a base pay increase during the fiscal year and an increase in staffing.
- During 2010, income tax receipts for the School District declined due to the downturn in the economy.
- Open enrollment to the School District decreased.
- During 2010, the School District received both fiscal stabilization monies and ARRA grants.

Using The Basic Financial Statements

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

Report Components

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

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

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

Twin Valley Community Local School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2010
Unaudited

Basis of Accounting

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

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

Reporting the School District as a Whole

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

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

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

Twin Valley Community Local School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2010
Unaudited

Reporting the School District's Most Significant Funds

Fund Financial Statements

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

Governmental Funds

The School District's activities are reported in governmental funds, which focus on how money flows into and out of those funds and the balances left at fiscal year-end available for spending in future periods. These funds are reported on a modified cash basis. The governmental fund statements provide a detailed short-term view of the School District's general governmental operations and the basic services it provides. Governmental fund information helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance educational programs.

Fiduciary Funds

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

Twin Valley Community Local School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2010
Unaudited

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:

	Table 1 Net Assets		
	2010	2009	Change
Assets:			
Current Assets	\$2,577,062	\$2,060,448	\$516,614
Capital Assets, Net	10,834,968	10,359,970	474,998
<i>Total Assets</i>	13,412,030	12,420,418	991,612
Liabilities:			
Due Within One Year	260,000	240,000	20,000
Due In More Than One Year	2,020,000	2,280,000	(260,000)
<i>Total Liabilities</i>	2,280,000	2,520,000	(240,000)
Net Assets:			
Invested in Capital Assets, Net of Related Debt	8,554,968	7,839,970	714,998
Restricted	1,038,115	773,243	264,872
Unrestricted	1,538,947	1,287,205	251,742
<i>Total Net Assets</i>	\$11,132,030	\$9,900,418	\$1,231,612

Current assets increased mainly due to cash and cash equivalents increasing from disbursements staying below receipts received for the fiscal year. Capital assets decreased \$344,516 caused by current fiscal year depreciation being significantly higher than additions.

Liabilities consist of the debt of the School District. The decrease is due to the School District making the required principal payments and not issuing new debt during the fiscal year.

Restricted net assets increased due to the addition of grants from ARRA funding by the federal government. This also helped to increase the unrestricted net assets because expenditures that were in the General Fund were allowed to be moved to restricted funds from the new fundings.

Twin Valley Community Local School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2010
Unaudited

Table 2 shows the changes in net assets for fiscal years 2010 and 2009.

Table 2
Change in Net Assets

	<u>2010</u>	<u>2009</u>	<u>Change</u>
Receipts:			
Program Cash Receipts:			
Charges for Services	\$601,190	\$687,933	(\$86,743)
Operating Grants, Interest and Contributions	1,041,233	878,592	162,641
Capital Grants and Contributions	0	8,583	(8,583)
<i>Total Program Cash Receipts</i>	<u>1,642,423</u>	<u>1,575,108</u>	<u>67,315</u>
General Receipts:			
Property Taxes Levied for:			
General Purposes	2,280,100	2,236,770	43,330
Debt Service	350,414	341,138	9,276
Other Purposes	37,201	37,325	(124)
Income Tax	701,765	789,332	(87,567)
Grants and Entitlements not Restricted to			
Specific Programs	4,595,430	4,563,455	31,975
Interest	21,493	28,982	(7,489)
Miscellaneous	35,030	45,618	(10,588)
<i>Total General Receipts</i>	<u>8,021,433</u>	<u>8,042,620</u>	<u>(21,187)</u>
<i>Total Receipts</i>	<u>\$9,663,856</u>	<u>\$9,617,728</u>	<u>\$46,128</u>

(continued)

Twin Valley Community Local School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2010
Unaudited

Table 2
Change in Net Assets (continued)

	2010	2009	Change
Cash Disbursements:			
Instruction:			
Regular	\$4,081,035	\$3,810,791	\$270,244
Special	712,917	801,679	(88,762)
Vocational	155,905	156,027	(122)
Student Intervention Services	0	14,180	(14,180)
Support Services:			
Pupils	212,214	214,285	(2,071)
Instructional Staff	321,006	297,660	23,346
Board of Education	125,230	117,217	8,013
Administration	1,036,190	1,066,889	(30,699)
Fiscal	196,904	228,394	(31,490)
Operation and Maintenance of Plant	939,116	996,121	(57,005)
Pupil Transportation	509,385	402,387	106,998
Central	94,195	84,830	9,365
Operation of Non-Instructional Services	435,148	531,293	(96,145)
Extracurricular Activities	309,117	318,124	(9,007)
Debt Service:			
Interest and Fiscal Charges	123,396	139,434	(16,038)
<i>Total Cash Disbursements</i>	<u>9,251,758</u>	<u>9,179,311</u>	<u>\$72,447</u>
<i>Increase in Net Assets</i>	412,098	438,417	
<i>Net Assets at Beginning of Year</i>	<u>10,719,932</u>	<u>10,281,515</u>	
<i>Net Assets at End of Year</i>	<u>\$11,132,030</u>	<u>\$10,719,932</u>	

Governmental Activities

The unique nature of taxes in Ohio creates the need to routinely seek voter approval for the School District's operations. Property taxes and income taxes made up 35 percent of receipts for governmental activities for the School District for fiscal year 2010. Without this tax support, disbursements would have drastically outpaced receipts and the School District could not maintain the same operations as it does currently.

Disbursements increased \$72,447, or less than one percent from the previous fiscal year. The largest increase was in regular instruction. The School District not only gave a 1.6 percent base salary increase but also hired additional staff for the new grant funding.

Twin Valley Community Local School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2010
Unaudited

Again, it should be noted that the School District uses the modified cash basis of accounting which does not take into account any accruals and only includes what is disbursed during the fiscal year being reported.

The School District's Funds

Information about the School District's major funds starts on page 12. These funds are accounted for using the modified cash basis of accounting. All governmental funds had total receipts of \$9,663,856 and disbursements of \$9,147,242.

The net change in fund balance for the General Fund and the Bond Retirement Debt Service Fund was \$315,908 and \$33,153, respectively. The increase in the General Fund was primarily due to the decrease in disbursements from moving staff to grant funds during fiscal year 2010. The Bond Retirement Debt Service Fund increased slightly from reduced interest payments for debt during the fiscal year.

General Fund Budgeting Highlights

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

For the General Fund, the final budget basis receipts estimate were lower than the original budget basis receipts by \$434,352, or five percent. Actual receipts were equal to final budget basis receipt estimates.

Final appropriations were lower than the original appropriations by \$1,294,922. Final appropriations were equal to actual expenditures before an audit adjustment for a federal questioned cost. The School District uses site-based budgeting and the budgeting systems are designed to tightly control total site budgets, but provide flexibility for site management.

Capital Assets

At the end of fiscal year 2010, the School District had \$10,834,968 invested in land, land improvements, buildings and improvements, furniture, fixtures, and equipment, and vehicles.

Table 3 shows fiscal year 2010 balances compared to fiscal year 2009.

Twin Valley Community Local School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2010
Unaudited

Table 3
 Capital Assets (Net of Depreciation) at June 30,

	2010	2009
Land	\$336,998	\$336,998
Land Improvements	145,901	163,005
Buildings and Improvements	10,095,960	10,440,816
Furniture, Fixtures, and Equipment	139,294	173,208
Vehicles	116,815	65,457
<i>Totals</i>	\$10,834,968	\$11,179,484

Overall, capital assets decreased \$344,516 from fiscal year 2009 to fiscal year 2010. This was due to depreciation during the fiscal year exceeding additions. For more information on capital assets, see Note 7 of the basic financial statements.

Debt Administration

At June 30, 2010, the School District had \$2,280,000 in general obligation bonds outstanding, of which \$260,000 is due within one year. Table 4 summarizes the bonds outstanding:

Table 4
 Outstanding Debt, at Fiscal Year-End
 Governmental Activities

	2010	2009
1994 School Improvement Bonds	\$545,000	\$785,000
2007 School Improvement Refunding Bonds	1,735,000	1,735,000
<i>Totals</i>	\$2,280,000	\$2,520,000

The School District's overall legal debt margin was \$7,899,811, with an unvoted debt margin of \$109,427 at June 30, 2010. For more information on the School District's debt, see Note 11 of the basic financial statements.

Contacting the School District's Financial Management

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

Twin Valley Community Local School District
Statement of Net Assets - Modified Cash Basis
June 30, 2010

	Governmental Activities
Assets:	
Equity in Pooled Cash and Cash Equivalents	\$2,577,062
Nondepreciable Capital Assets	336,998
Depreciable Capital Assets, Net	10,497,970
<i>Total Assets</i>	13,412,030
Liabilities:	
Long-Term Liabilities:	
Due Within One Year	260,000
Due in More Than One Year	2,020,000
<i>Total Liabilities</i>	2,280,000
Net Assets:	
Invested in Capital Assets, Net of Related Debt	8,554,968
Restricted for:	
Debt Service	331,393
Capital Projects	1,680
Classroom Facilities Maintenance	153,297
Other Purposes	250,785
Set-Asides	300,960
Unrestricted	1,538,947
<i>Total Net Assets</i>	\$11,132,030

See Accompanying Notes to the Basic Financial Statements

Twin Valley Community Local School District

Statement of Activities - Modified Cash Basis

For the Fiscal Year Ended June 30, 2010

	Program Cash Receipts			Net (Disbursements) Receipts and Changes in Net Assets
	Cash Disbursements	Charges for Services	Operating Grants, Interest and Contributions	Total Governmental Activities
Governmental Activities:				
Instruction:				
Regular	\$4,081,035	\$125,025	\$47,146	(\$3,908,864)
Special	712,917	30,000	777,520	94,603
Vocational	155,905	982	14,046	(140,877)
Support Services:				
Pupils	212,214	0	8,329	(203,885)
Instructional Staff	321,006	0	23,575	(297,431)
Board of Education	125,230	0	0	(125,230)
Administration	1,036,190	0	0	(1,036,190)
Fiscal	196,904	0	0	(196,904)
Operation and Maintenance of Plant	939,116	0	0	(939,116)
Pupil Transportation	509,385	0	0	(509,385)
Central	94,195	0	5,000	(89,195)
Operation of Non-Instructional				
Services	435,148	288,194	165,592	18,638
Extracurricular Activities	309,117	156,989	25	(152,103)
Debt Service:				
Interest and Fiscal Charges	123,396	0	0	(123,396)
<i>Total Governmental Activities</i>	<u>\$9,251,758</u>	<u>\$601,190</u>	<u>\$1,041,233</u>	<u>(7,609,335)</u>
 General Receipts:				
Property Taxes Levied for:				
General Purposes				2,280,100
Debt Service				350,414
Other Purposes				37,201
Income Tax				701,765
Grants and Entitlements not Restricted				
to Specific Programs				4,595,430
Interest				21,493
Miscellaneous				35,030
<i>Total General Receipts</i>				<u>8,021,433</u>
<i>Change in Net Assets</i>				412,098
<i>Net Assets at Beginning of Year - restated (See Note 18)</i>				<u>10,719,932</u>
<i>Net Assets at End of Year</i>				<u><u>\$11,132,030</u></u>

See Accompanying Notes to the Basic Financial Statements

Twin Valley Community Local School District
Statement of Assets and Fund Balances - Modified Cash Basis
Governmental Funds
June 30, 2010

	General	Bond Retirement	Other Governmental Funds	Total Governmental Funds
Assets:				
Equity in Pooled Cash and Cash Equivalents	\$1,522,261	\$331,393	\$422,448	\$2,276,102
Restricted Assets:				
Equity in Pooled Cash and Cash Equivalents	300,960	0	0	300,960
<i>Total Assets</i>	<u>\$1,823,221</u>	<u>\$331,393</u>	<u>\$422,448</u>	<u>\$2,577,062</u>
Fund Balances:				
Reserved for Encumbrances	\$47,016	\$0	\$35,802	\$82,818
Reserved for Textbooks and Instructional Materials	300,960	0	0	300,960
Unreserved, Undesignated, Reported in:				
General Fund	1,475,245	0	0	1,475,245
Special Revenue Funds	0	0	384,966	384,966
Debt Service Fund	0	331,393	0	331,393
Capital Projects Funds	0	0	1,680	1,680
<i>Total Fund Balances</i>	<u>\$1,823,221</u>	<u>\$331,393</u>	<u>\$422,448</u>	<u>\$2,577,062</u>

See Accompanying Notes to the Basic Financial Statements

Twin Valley Community Local School District
*Reconciliation of Total Governmental Fund Balances to
 Net Assets of Governmental Activities - Modified Cash Basis
 June 30, 2010*

Total Governmental Fund Balances \$2,577,062

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

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

Land	336,998	
Land Improvements	384,567	
Buildings and Improvements	15,644,209	
Furniture, Fixtures, and Equipment	1,388,722	
Vehicles	542,832	
Accumulated Depreciation	(7,462,360)	
		10,834,968

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

General Obligation Bonds Payable		(2,280,000)
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Net Assets of Governmental Activities \$11,132,030

See Accompanying Notes to the Basic Financial Statements

Twin Valley Community Local School District
Statement of Receipts, Disbursements and Changes in Fund Balances - Modified Cash Basis
Governmental Funds
For the Fiscal Year Ended June 30, 2010

	General	Bond Retirement	Other Governmental Funds	Total Governmental Funds
Receipts:				
Property Taxes	\$2,280,100	\$350,414	\$37,201	\$2,667,715
Income Tax	701,765	0	0	701,765
Tuition and Fees	67,488	0	55,294	122,782
Extracurricular Activities	30,012	0	126,977	156,989
Interest	21,493	0	119	21,612
Intergovernmental	4,455,098	56,014	1,125,432	5,636,544
Charges for Services	0	0	288,194	288,194
Rent	33,225	0	0	33,225
Miscellaneous	34,311	0	719	35,030
<i>Total Receipts</i>	<u>7,623,492</u>	<u>406,428</u>	<u>1,633,936</u>	<u>9,663,856</u>
Disbursements:				
Current:				
Instruction:				
Regular	3,566,765	0	126,951	3,693,716
Special	273,988	0	438,929	712,917
Vocational	152,833	0	1,424	154,257
Support Services:				
Pupils	75,945	0	136,269	212,214
Instructional Staff	293,933	0	26,299	320,232
Board of Education	134,192	0	0	134,192
Administration	1,025,202	9,879	1,109	1,036,190
Fiscal	196,904	0	0	196,904
Operation and Maintenance of Plant	769,218	0	168,619	937,837
Pupil Transportation	560,290	0	0	560,290
Central	88,398	0	5,000	93,398
Operation of Non-Instructional Services	0	0	430,321	430,321
Extracurricular Activities	169,916	0	131,462	301,378
Debt Service:				
Principal Retirement	0	240,000	0	240,000
Interest and Fiscal Charges	0	123,396	0	123,396
<i>Total Disbursements</i>	<u>7,307,584</u>	<u>373,275</u>	<u>1,466,383</u>	<u>9,147,242</u>
<i>Net Change in Fund Balances</i>	315,908	33,153	167,553	516,614
<i>Fund Balances at Beginning of Year</i>	<u>1,507,313</u>	<u>298,240</u>	<u>254,895</u>	<u>2,060,448</u>
<i>Fund Balances at End of Year</i>	<u><u>\$1,823,221</u></u>	<u><u>\$331,393</u></u>	<u><u>\$422,448</u></u>	<u><u>\$2,577,062</u></u>

See Accompanying Notes to the Basic Financial Statements

Twin Valley Community Local School District
*Reconciliation of the Statement of Receipts, Disbursements and Changes in Fund Balances
of Governmental Funds to the Statement of Activities - Modified Cash Basis
For the Fiscal Year Ended June 30, 2010*

Net Change in Fund Balances - Total Governmental Funds \$516,614

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

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

In the current period, these amounts are:

Capital Outlay	92,360	
Current Fiscal Year Depreciation Disbursement	<u>(436,876)</u>	
Excess of Depreciation Disbursement over Capital Outlay		(344,516)

Repayment of long-term obligations bonds is a disbursement in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Assets. In the current fiscal year, these amounts consist of:

General Obligation Bond Payments	<u>240,000</u>	
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<i>Change in Net Assets of Governmental Activities</i>	<u><u>\$412,098</u></u>	
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See Accompanying Notes to the Basic Financial Statements

Twin Valley Community Local School District
Statement of Receipts, Disbursements and Changes
In Fund Balance - Budget and Actual (Budget Basis)
General Fund
For the Fiscal Year Ended June 30, 2010

	<u>Budgeted Amounts</u>			Variance With Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
Receipts:				
Property Taxes	\$2,254,882	\$2,280,100	\$2,280,100	\$0
Income Tax	694,612	701,765	701,765	0
Tuition and Fees	100,263	67,488	67,488	0
Extracurricular Activities	26,000	30,012	30,012	0
Interest	32,000	22,685	22,685	0
Intergovernmental	4,744,739	4,455,098	4,455,098	0
Rent	28,750	33,225	33,225	0
Miscellaneous	163,050	19,571	19,571	0
<i>Total Receipts</i>	<u>8,044,296</u>	<u>7,609,944</u>	<u>7,609,944</u>	<u>0</u>
Disbursements:				
Current:				
Instruction:				
Regular	3,827,984	3,563,140	3,563,140	0
Special	687,666	274,227	274,227	0
Vocational	167,176	153,340	153,340	0
Other	10,000	11,055	11,055	0
Support Services:				
Pupils	212,838	77,707	77,707	0
Instructional Staff	387,288	294,107	294,107	0
Board of Education	115,615	134,192	134,192	0
Administration	1,105,150	1,028,577	1,028,577	0
Fiscal	207,009	197,269	197,269	0
Operation and Maintenance of Plant	978,506	786,782	786,782	0
Pupil Transportation	567,939	488,209	571,607	(83,398)
Central	104,458	88,484	88,484	0
Extracurricular Activities	190,741	169,916	169,916	0
Capital Outlay	4,000	4,443	4,443	0
<i>Total Disbursements</i>	<u>8,566,370</u>	<u>7,271,448</u>	<u>7,354,846</u>	<u>(83,398)</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	(522,074)	338,496	255,098	(83,398)
Other Financing Sources:				
Refund of Prior Year Disbursements	12,250	12,113	12,113	0
<i>Net Change in Fund Balance</i>	(509,824)	350,609	267,211	(83,398)
<i>Fund Balance at Beginning of Year</i>	1,486,971	1,486,971	1,486,971	0
<i>Prior Year Encumbrances Appropriated</i>	18,670	18,670	18,670	0
<i>Fund Balance at End of Year</i>	<u>\$995,817</u>	<u>\$1,856,250</u>	<u>\$1,772,852</u>	<u>(\$83,398)</u>

See Accompanying Notes to the Basic Financial Statements

Twin Valley Community Local School District
Statement of Fiduciary Net Assets - Modified Cash Basis
Fiduciary Funds
June 30, 2010

	Private Purpose Trust	Agency
Assets:		
Equity in Pooled Cash and Cash Equivalents	\$76,280	\$46,160
Liabilities:		
Undistributed Monies	0	\$370
Due to Students	0	45,790
Total Liabilities	0	\$46,160
Net Assets:		
Held in Trust for Scholarships	\$76,280	

See Accompanying Notes to the Basic Financial Statements

Twin Valley Community Local School District
Statement of Changes in Fiduciary Net Assets - Modified Cash Basis
Fiduciary Funds
For the Fiscal Year Ended June 30, 2010

	Private Purpose Trust
Additions:	
Interest	\$4,048
Contributions	3,650
<i>Total Additions</i>	7,698
 Deductions:	
Payments in Accordance with Trust Agreements	5,350
 <i>Change in Net Assets</i>	 2,348
 <i>Net Assets at Beginning of Year</i>	 73,932
 <i>Net Assets at End of Year</i>	 \$76,280

See Accompanying Notes to the Basic Financial Statements

Twin Valley Community Local School District

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2010

NOTE 1 - DESCRIPTION OF THE SCHOOL DISTRICT AND REPORTING ENTITY

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

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

Reporting Entity

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

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

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

Twin Valley Community Local School District

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2010

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

A. Basis Of Presentation

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

Government-wide Financial Statements

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

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

Twin Valley Community Local School District

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2010

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Fund Financial Statements

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

B. Fund Accounting

The School District uses funds to maintain its financial records during the fiscal year. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts. The School District divides its funds into two categories: governmental and fiduciary.

Governmental Funds

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

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

Bond Retirement Debt Service Fund – The Bond Retirement Debt Service Fund accounts for property tax receipts and State grants intended to offset tax exemptions to be used for the payment of general obligation bonded debt.

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

Twin Valley Community Local School District

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2010

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Fiduciary Funds

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

C. Basis of Accounting

The School District's financial statements are prepared using the modified cash basis of accounting except for modifications described in note 2 E and note 2 G. Receipts are recorded in the School District's financial records and reported in the financial statements when cash is received rather than when earned and disbursements are recorded when cash is paid rather than when a liability is incurred. Any such modifications made by the School District are described in the appropriate section in this note.

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

D. Cash and Cash Equivalents

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

Twin Valley Community Local School District

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2010

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

During fiscal year 2010, the School District's investments were limited to the State Treasury Asset Reserve of Ohio (STAROhio). STAROhio is an investment pool managed by the State Treasurer's Office which allows governments within the State to pool their funds for investment purposes. STAROhio is not registered with the SEC as an investment company, but does operate in a manner consistent with Rule 2a7 of the Investment Company Act of 1940. Investments in STAROhio are valued at STAROhio's share price which is the price the investment could be sold for on June 30, 2010.

Following Ohio Statutes, the Board of Education has, by resolution, specified the funds to receive an allocation of interest earnings. Interest revenue credited to the General Fund during fiscal year 2010 amounted to \$21,493, which includes \$6,619 assigned from other School District funds.

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

E. Capital Assets and Depreciation

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

Capital assets are capitalized at cost (or estimated historical cost, which is determined by indexing the current replacement cost back to the year of acquisition) and updated for additions and retirements during the fiscal year. Donated capital assets are recorded at their fair market values as of the date received. The School District maintains a capitalization threshold of \$2,000. The School District does not possess any infrastructure. Improvements are capitalized; the costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not capitalized.

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

Twin Valley Community Local School District

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2010

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

<u>Description</u>	<u>Estimated Lives</u>
Land Improvements	20 years
Buildings and Improvements	50 years
Furniture, Fixtures, and Equipment	5-20 years
Vehicles	6-10 years

F. Restricted Assets

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

G. Long-Term Obligations

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

H. Net Assets

Net assets represent the difference between assets and liabilities. Net assets invested in capital assets, net of related debt consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction or improvement of those assets. Net assets are reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the School District or through external restrictions imposed by creditors, grantors, or laws or regulations of other governments. Net assets restricted for other purposes include resources restricted for food service operations, music and athletic programs, and federal and State grants whose use is restricted to cash disbursement for specified purposes. The School District's policy is to first apply restricted resources when a cash disbursement is incurred for purposes for which both restricted and unrestricted net assets are available.

I. Fund Balance Reserves

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

Twin Valley Community Local School District

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2010

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

J. Employer Contributions to Cost-Sharing Pension Plans

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

K. Estimates

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

L. Budgetary Process

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

The certificate of estimated resources may be amended during the fiscal year if projected increases or decreases in receipts are identified by the School District Treasurer. The amounts reported as the original budgeted amounts in the budgetary statements reflect the amounts in the certificate when the original appropriations were adopted. The amounts reported in the final budgeted amounts column in the budgetary statements reflect the amounts in the certificate in effect at the time final appropriations were passed by the Board. Prior to fiscal year-end, the School District requested and received an amended certificate that matched final budgeted revenues to actual revenues for the fiscal year in the General Fund.

Twin Valley Community Local School District

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2010

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

NOTE 3 - BUDGETARY BASIS OF ACCOUNTING

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

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

<u>Net Change in Fund Balance</u>	
Modified Cash Basis	\$399,306
Unrecorded Cash - Fiscal Year 2010	(3,353)
Unrecorded Cash - Fiscal Year 2009	1,672
Adjustment for Encumbrances	(47,016)
Budget Basis	<u><u>\$350,609</u></u>

NOTE 4 - DEPOSITS AND INVESTMENTS

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

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

Twin Valley Community Local School District

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2010

NOTE 4 - DEPOSITS AND INVESTMENTS (continued)

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

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

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

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

Investments in stripped principal or interest obligations, reverse repurchase agreements and derivatives are prohibited. The issuance of taxable notes for the purpose of arbitrage, the use of leverage and short selling are also prohibited. Investments may only be made through specified dealers and institutions.

Twin Valley Community Local School District

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2010

NOTE 4 - DEPOSITS AND INVESTMENTS (continued)

A. Deposits

Custodial credit risk for deposits is the risk that in the event of bank failure, the School District will not be able to recover deposits or collateral securities that are in the possession of an outside party. At fiscal year-end, \$537,709 of the School District's bank balance of \$879,491 was exposed to custodial credit risk because it was uninsured and collateralized with securities held by the pledging financial institution.

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

B. Investments

As of June 30, 2010, the School District's only investment was in STAROhio.

	<u>Fair Value</u>	<u>Maturity</u>
STAROhio	<u>\$224,884</u>	Average 56 Days

Interest Rate Risk

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

Credit Risk

STAROhio carries a rating of AAAM by Standard and Poor's. Ohio law requires that STAROhio maintain the highest rating provided by at least one nationally recognized standard rating service. The School District's investment policy limits investments to those authorized by State statute.

NOTE 5 - PROPERTY TAXES

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

Twin Valley Community Local School District

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2010

NOTE 5 - PROPERTY TAXES (continued)

Property taxes include amounts levied against all real property and public utility property located in the School District. Tangible personal property tax on business inventory, manufacturing and equipment, furniture and fixtures is no longer levied and collected. Real property tax revenue received in calendar year 2010 represents collections of calendar year 2009 taxes. Real property taxes received in calendar year 2010 were levied after April 1, 2009, on the assessed value listed as of January 1, 2009, the lien date. Assessed values for real property taxes are established by State law at 35 percent of appraised market value. Real property taxes are payable annually or semi-annually. If paid annually, payment is due December 31; if paid semi-annually, the first payment is due December 31 with the remainder payable by June 20. Under certain circumstances, State statute permits alternate payment dates to be established.

Public utility property tax revenue received in calendar year 2010 represents collections of calendar year 2009 taxes. Public utility real and tangible personal property taxes received in calendar year 2010 became a lien December 31, 2008, were levied after April 1, 2009, and are collected in calendar year 2010 with real property taxes. Public utility real property is assessed at 35 percent of true value; public utility tangible personal property currently is assessed at varying percentages of true value.

The School District receives property taxes from Preble County. The County Auditor periodically advances to the School District its portion of the taxes collected. Second-half real property tax payments collected by the County by June 30, 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:

	2009 Second-Half Collections		2010 First-Half Collections	
	Amount	Percent	Amount	Percent
Real Estate	\$101,155,960	93.24%	\$101,801,920	92.96%
Public Utility Personal	7,329,000	6.76%	7,713,130	7.04%
Total Assessed Value	<u>\$108,484,960</u>	<u>100.00%</u>	<u>\$109,515,050</u>	<u>100.00%</u>
Tax rate per \$1,000 of assessed valuation	\$44.28		\$44.28	

NOTE 6 - INCOME TAX

The School District levies a voted tax of 0.75 percent for general operations on the income of residents and of estates. The tax was effective on January 1, 2003, and was renewed in May, 2008 for five years. Employers of residents are required to withhold income tax on compensation and remit the tax to the State. Taxpayers are required to file an annual return. The State makes quarterly distributions to the School District after withholding amounts for administrative fees and estimated refunds. Income tax receipts are credited to the General Fund.

Twin Valley Community Local School District

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2010

NOTE 7 - CAPITAL ASSETS

Capital assets activity for the fiscal year ended June 30, 2010, was as follows:

	Restated Balance 6/30/09	Additions	Deductions	Balance 6/30/10
Governmental Activities				
Capital Assets, not Being Depreciated:				
Land	\$336,998	\$0	\$0	\$336,998
Capital Assets, Being Depreciated:				
Land Improvements	384,567	0	0	384,567
Buildings and Improvements	15,644,209	0	0	15,644,209
Furniture, Fixtures, and Equipment	1,379,760	8,962	0	1,388,722
Vehicles	459,434	83,398	0	542,832
Total Capital Assets, Being Depreciated	<u>\$17,867,970</u>	<u>\$92,360</u>	<u>\$0</u>	<u>\$17,960,330</u>
Less Accumulated Depreciation:				
Land Improvements	(\$221,562)	(\$17,104)	\$0	(\$238,666)
Buildings and Improvements	(5,203,393)	(344,856)	0	(5,548,249)
Furniture, Fixtures, and Equipment	(1,206,552)	(42,876)	0	(1,249,428)
Vehicles	(393,977)	(32,040)	0	(426,017)
Total Accumulated Depreciation	<u>(7,025,484)</u>	<u>(436,876) *</u>	<u>0</u>	<u>(7,462,360)</u>
Capital Assets, Being Depreciated, Net	<u>10,842,486</u>	<u>(344,516)</u>	<u>0</u>	<u>10,497,970</u>
Governmental Activities Capital Assets, Net	<u>\$11,179,484</u>	<u>(\$344,516)</u>	<u>\$0</u>	<u>\$10,834,968</u>

* Depreciation was charged to governmental functions as follows:

Instruction:	
Regular	\$387,319
Vocational	1,648
Support Services:	
Instructional Staff	774
Operation and Maintenance of Plant	1,279
Pupil Transportation	32,493
Central	797
Operation of Non-Instructional Services	4,827
Extracurricular Activities	7,739
Total Depreciation Disbursement	<u>\$436,876</u>

Twin Valley Community Local School District

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2010

NOTE 8 - RISK MANAGEMENT

A. Property and Liability

The School District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During fiscal year 2010, the School District contracted with Ohio Casualty Group for fleet insurance, school building and contents.

Coverage provided by Ohio Casualty Group includes the following:

School Bus Fleet insurance:	
Per Accident	\$1,000,000
Per Individual	1,000,000
School building and contents (\$1,000 deductible)	\$25,196,900
General Liability:	
Per Occurrence	\$1,000,000
Aggregate Limit	2,000,000
Products - Completed Operations Aggregate Limit	2,000,000
Fire Legal Liability	500,000
Medical Expense - Per Person/Accident	10,000
Employers Liability:	
Per Accident	1,000,000
Per Disease - Each Employee	1,000,000
Per Disease - Policy Limit	1,000,000
Employee Benefits Liability:	
Per Claim	1,000,000
Aggregate Limit	3,000,000
Educators' Legal Liability:	
Per Claim (\$2,500 deductible)	1,000,000
Annual Aggregate	1,000,000
Excess Liability:	
Limit of Liability	2,000,000
Annual Aggregate	2,000,000

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

Twin Valley Community Local School District

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2010

NOTE 8 - RISK MANAGEMENT (continued)

B. Workers' Compensation

For fiscal year 2010, the School District participated in the Southwestern Ohio Educational Purchasing Council Workers' Compensation Group Rating Plan (GRP), an insurance purchasing pool (Note 13). The intent of the GRP is to achieve the benefit of a reduced premium for the School District by virtue of its grouping and representation with other participants in the GRP. The workers' compensation experience of the participants is calculated as one experience and a common premium rate is applied to all participants in the GRP tier. Each participant pays its workers' compensation premium to the State based on the rate for the GRP rather than its individual rate. Participation in the GRP is limited to participants that can meet the GRP's selection criteria. The firm of Corvel Corporation provides administrative, cost control, and actuarial services to the GRP.

C. Employee Medical Benefits

For fiscal year 2010, the School District participated in the Preble County Schools Regional Council of Governments (the "Council"), a shared risk pool consisting of five local school districts and an educational service center (See Note 14). The School District pays monthly premiums to the Council for employee medical benefits. The Council is responsible for the management and operations of the program. Upon withdrawal from the Council, a participant is responsible for the payment of all of the Council's liabilities to its employees, dependents, and designated beneficiaries accruing as a result of withdrawal.

NOTE 9 - DEFINED BENEFIT PENSION PLANS

A. School Employees Retirement System

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

Twin Valley Community Local School District

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2010

NOTE 9 - DEFINED BENEFIT PENSION PLANS (continued)

Funding Policy – Plan members are required to contribute 10 percent of their annual covered salary and the School District is required to contribute at an actuarially determined rate. The current School District rate is 14 percent of annual covered payroll. A portion of the School District's contribution is used to fund pension and death benefit obligations with the remainder being used to fund health care benefits; for fiscal year 2010, 12.78 percent of annual covered salary was the portion used to fund pension and death benefit obligations. The contribution requirements of plan members and employers are established and may be amended by the SERS' Retirement Board up to a statutory maximum amount of 10 percent for plan members and 14 percent for employers. Chapter 3309 of the Ohio Revised Code provides statutory authority for member and employer contributions. The School District's required contributions for pension obligations to SERS for the fiscal years ended June 30, 2010, 2009, and 2008 were \$134,476, \$90,607, and \$83,778, respectively; 100 percent has been contributed for all three fiscal years.

B. State Teachers Retirement System of Ohio

Plan Description – The School District participates in the State Teachers Retirement System of Ohio (STRS Ohio), a cost-sharing, multiple-employer public employee retirement plan. STRS Ohio provides retirement and disability benefits to members and death and survivor benefits to beneficiaries. STRS Ohio issues a stand-alone financial report that may be obtained by writing to STRS Ohio, 275 E. Broad Street, Columbus, OH 43215-3771, by calling (888) 227-7877, or by visiting the STRS Ohio website at www.strsoh.org.

New members have a choice of three retirement plans, a Defined Benefit (DB) Plan, a Defined Contribution (DC) Plan and a Combined Plan. The DB plan offers an annual retirement allowance based on final average salary times a percentage that varies based on years of service, or an allowance based on a member's lifetime contributions and earned interest matched by STRS Ohio funds divided by an actuarially determined annuity factor. The DC Plan allows members to place all their member contributions and employer contributions equal to 10.5 percent of earned compensation into an investment account. Investment decisions are made by the member. A member is eligible to receive a retirement benefit at age 50 and termination of employment. The member may elect to receive a lifetime monthly annuity or a lump sum withdrawal.

The Combined Plan offers features of both the DC Plan and the DB Plan. In the Combined Plan, member contributions are invested by the member, and employer contributions are used to fund the defined benefit payment at a reduced level from the regular DB Plan. The DB portion of the Combined Plan payment is payable to a member on or after age 60; the DC portion of the account may be taken as a lump sum or converted to a lifetime monthly annuity at age 50. Benefits are established by Chapter 3307 of the Ohio Revised Code.

Twin Valley Community Local School District

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2010

NOTE 9 - DEFINED BENEFIT PENSION PLANS (continued)

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

Funding Policy – For the fiscal year ended June 30, 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 \$498,871, \$477,190, and \$495,568, respectively; 100 percent has been contributed for all three fiscal years. Contributions to the DC and Combined Plans for fiscal year 2010 were \$27,314 made by the School District and \$19,510 made by the plan members.

C. Social Security System

Effective July 1, 1991, all employees not otherwise covered by the School Employees Retirement System or the State Teachers Retirement System of Ohio have an option to choose Social Security or the School Employees Retirement System. As of June 30, 2010, three members of the Board of Education have elected Social Security. The Board's liability is 6.2 percent of wages paid.

NOTE 10 - POSTEMPLOYMENT BENEFITS

A. School Employees Retirement System

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

Twin Valley Community Local School District

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2010

NOTE 10 - POSTEMPLOYMENT BENEFITS (continued)

Funding Policy – State statute permits SERS to fund the health care benefits through employer contributions. Each year, after the allocation for statutorily required benefits, the Retirement Board allocates the remainder of the employer contribution of 14 percent of covered payroll to the Health Care Fund. The Health Care Fund was established and is administered in accordance with Internal Revenue Code Section 401h. For 2010, 0.46 percent of covered payroll was allocated to health care. In addition, employers pay a surcharge for employees earning less than an actuarially determined amount; for 2010, this amount was \$35,800.

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

The School District's contributions for health care for the fiscal years ended June 30, 2010, 2009, and 2008 were \$20,730, \$56,530, and \$58,578, respectively; 100 percent has been contributed for all three fiscal years.

The Retirement Board, acting with advice of the actuary, allocates a portion of the employer contribution to the Medicare Part B Fund. For 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 \$7,997, \$7,476, and \$6,036, respectively; 100 percent has been contributed for all three fiscal years.

B. State Teachers Retirement System of Ohio

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

Funding Policy – Ohio law authorizes STRS Ohio to offer the Plan and gives the Retirement Board authority over how much, if any, of the health care costs will be absorbed by STRS Ohio. Active employee members do not contribute to the Plan. All benefit recipients pay a monthly premium. Under Ohio law, funding for postemployment health care may be deducted from employer contributions. For 2010, STRS Ohio allocated employer contributions equal to one percent of covered payroll to the Health Care Stabilization Fund. The School District's contributions for health care for the fiscal years ended June 30, 2010, 2009, and 2008 were \$38,375, \$36,707, and \$38,121, respectively; 100 percent has been contributed for all three fiscal years.

Twin Valley Community Local School District

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2010

NOTE 11 - LONG-TERM OBLIGATIONS

The changes in the School District's long-term obligations during fiscal year 2010 were as follows:

	Principal Outstanding 6/30/09	Additions	Deductions	Principal Outstanding 6/30/10	Amounts Due in One Year
<u>Governmental Activities</u>					
School Improvement General Obligation Bonds 1994 - 6.30%	\$785,000	\$0	\$240,000	\$545,000	\$260,000
School Improvement General Obligation Refunding Bonds 2007 - 4.25 - 4.50%	1,735,000	0	0	1,735,000	0
Total Long-Term Liabilities	<u>\$2,520,000</u>	<u>\$0</u>	<u>\$240,000</u>	<u>\$2,280,000</u>	<u>\$260,000</u>

Twin Valley Community Schools School Improvement General Obligation Bonds

On July 1, 1994, Twin Valley Community Local School District issued \$4,285,000 in voted general obligation bonds for the purpose of the acquisition, construction, reconstruction and other improvements to the school building. The bonds were issued for a 23 year period with final maturity on June 1, 2017. \$1,940,000 of the bonds were advance refunded during fiscal year 2007, and the new final maturity is June 1, 2012. The debt will be retired from the Bond Retirement Debt Service Fund.

Twin Valley Community Schools School Improvement General Obligation Refunding Bonds

The 2007 Refunding Bonds were issued September 25, 2006, for the purpose of advance refunding \$1,940,000 of the \$3,115,000 outstanding school improvement general obligation bonds. The bonds will reach final maturity on December 1, 2016 and are being paid from the Bond Retirement Debt Service Fund. As a result, \$1,940,000 of the 1994 bonds are considered defeased and the liability for the refunded portion of these bonds has been removed from the financial statements. As of June 30, 2010, \$1,750,000 of the defeased School Improvement Bonds were unmatured and unpaid.

The School District's overall legal debt margin was \$7,899,811, with an unvoted debt margin of \$109,427 at June 30, 2010.

Twin Valley Community Local School District

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2010

NOTE 11 - LONG-TERM OBLIGATIONS (continued)

Principal and interest requirements to retire long-term obligations outstanding at June 30, 2010, are as follows:

Fiscal Year Ending June 30,	1994 School Improvement Bond		
	Principal	Interest	Total
2011	\$260,000	\$29,258	\$289,258
2012	285,000	10,046	295,046
Total	\$545,000	\$39,304	\$584,304

Fiscal Year Ending June 30,	2007 School Improvement Refunding Bonds		
	Principal	Interest	Total
2011	\$0	\$76,512	\$76,512
2012	300,000	70,138	370,138
2013	325,000	56,856	381,856
2014	345,000	42,188	387,188
2015	375,000	25,987	400,987
2016-2017	390,000	8,775	398,775
Total	\$1,735,000	\$280,456	\$2,015,456

NOTE 12 - JOINTLY GOVERNED ORGANIZATIONS

A. Southwest Ohio Computer Association

The School District is a participant in the Southwest Ohio Computer Association (SWOCA) which is a computer consortium. SWOCA is an association of public school districts within the boundaries of Butler, Warren, and Preble Counties. The organization was formed for the purpose of applying modern technology with the aid of computers and other electronic equipment to administrative and instructional functions among member school districts. The governing board of SWOCA consists of one representative from each district plus one representative from the fiscal agent. The School District paid SWOCA \$26,607 for services provided during the fiscal year. Financial information can be obtained from K. Michael Crumley, Executive Director of SWOCA, at 3607 Hamilton-Middletown Road, Hamilton, Ohio 45011.

Twin Valley Community Local School District

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2010

NOTE 12 - JOINTLY GOVERNED ORGANIZATIONS (continued)

B. Southwestern Ohio Educational Purchasing Council

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

Payments to SOEPC are made from the General Fund. During fiscal year 2010, the School District paid \$2,117 to SOEPC. To obtain financial information, write to the Southwestern Ohio Educational Purchasing Council, Ken Swink, who serves as Director, at 303 Corporate Center Drive, Suite 208, Vandalia, Ohio 45377.

C. Southwestern Ohio Instructional Technology Association

The Southwestern Ohio Instructional Technology Association (SOITA) is a not-for-profit corporation formed under chapter 1702 of the Ohio Revised Code. The purpose of SOITA 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 21 representatives of SOITA member schools or institutions. Nineteen representatives are elected from within the counties by the qualified members within the counties, i.e., Auglaize, Butler, Champaign, Clark, Clinton, Darke, Fayette, Greene, Hamilton, Logan, Mercer, Miami, Montgomery, Preble, Shelby, and Warren. Montgomery, Greene and Butler Counties elect two representatives per area. All others elect one representative per area. One at-large non-public representative is elected by the non-public school SOITA members in the State-assigned SOITA service area. One at-large higher education representative is elected by higher education SOITA members from within the State-assigned SOITA service area.

All member districts are obligated to pay all fees, charges, or other assessments as established by 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 \$7,045 to SOITA. To obtain financial information, write to the Southwestern Ohio Instructional Technology Association, Larry Pogue, who serves as Executive Director, at 150 East Sixth Street, Franklin, Ohio 45005.

Twin Valley Community Local School District

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2010

NOTE 13 - INSURANCE PURCHASING POOL

Southwestern Ohio Educational Purchasing Council Workers' Compensation Group Rating Plan

The School District participates in the Southwestern Ohio Educational Purchasing Council Workers' Compensation Group Rating Plan (GRP), an insurance purchasing pool. The GRP's business and affairs are conducted by an 11 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 other participating members. The Chief Administrator of the GRP serves as the coordinator of the program. Each fiscal year, the participating members pay an enrollment fee to the GRP to cover the costs of administering the program.

NOTE 14 - SHARED RISK POOL

Preble County Schools Regional Council of Governments

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

NOTE 15 - SET-ASIDE CALCULATIONS

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

Twin Valley Community Local School District

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2010

NOTE 15 - SET-ASIDE CALCULATIONS (continued)

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

	Textbooks and Instructional Materials	Capital Improvements
Set-aside Reserve Balance as of June 30, 2009	\$245,234	\$0
Current Fiscal Year Set-aside Requirement	158,974	158,974
Qualifying Disbursements	(103,248)	(148,472)
Current Fiscal Year Offsets	0	(37,201)
Totals	<u>\$300,960</u>	<u>(\$26,699)</u>
Set-aside Balance Carried Forward to Future Fiscal Years	<u>\$300,960</u>	<u>\$0</u>
Set-aside Reserve Balance as of June 30, 2010	<u>\$300,960</u>	<u>\$0</u>

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

NOTE 16 - CONTINGENCIES

A. Grants

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

B. Litigation

The School District is a party in legal proceedings. The School District is of the opinion that the ultimate disposition of claims and legal proceedings will not have a material effect, if any, on the financial condition of the School District.

Twin Valley Community Local School District

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2010

NOTE 17 - COMPLIANCE

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

NOTE 18 – RESTATEMENT OF PRIOR YEAR NET ASSETS

Capital assets at June 30, 2009 were restated due to a reappraisal that occurred during fiscal year 2010. This restatement had the following effect on net assets at June 30, 2009, as previously reported:

	Governmental Activities
Net Assets, June 30, 2009, as previously reported	\$9,907,168
Depreciable Capital Assets, Net	812,764
Net Assets, June 30, 2009, as restated	<u>\$10,719,932</u>

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

**FEDERAL AWARDS RECEIPTS AND EXPENDITURES SCHEDULE
FOR FISCAL YEAR ENDED JUNE 30, 2010**

Federal Grantor/ Pass Through Grantor Program Title	Pass Through Entity Number	Federal CFDA Number	Receipts	Non-Cash Receipts	Disbursements	Non-Cash Disbursements
<u>U.S. DEPARTMENT OF AGRICULTURE</u>						
<i>Passed Through Ohio Department of Education:</i>						
Child Nutrition Cluster:						
Non-Cash Assistance (Food Distribution):						
National School Lunch Program	2010	10.555		\$ 23,361		\$ 23,361
Cash Assistance						
National School Breakfast Program	2010	10.553	\$ 40,026		\$ 40,026	
National School Lunch Program	2010	10.555	131,019		131,019	
Total Nutrition Cluster			171,045	23,361	171,045	23,361
Total U.S. Department of Agriculture			171,045	23,361	171,045	23,361
<u>U.S. DEPARTMENT OF EDUCATION</u>						
<i>Passed Through Ohio Department of Education:</i>						
Title I Grants to Local Educational Agencies	2010 2009	84.010	160,826		148,762 7,487	
ARRA - Title I Grants to Local Educational Agencies	2010	84.389	75,957		44,482	
Total Title I Grants to Local Educational Agencies			236,783		200,731	
Special Education Cluster:						
Special Education - Grants to States	2010	84.027	190,003		190,003	
ARRA-Special Education - Grants to States	2010	84.391	176,025		131,593	
Total Special Education Grants to States			366,028		321,596	
Special Education - Preschool Grants	2010	84.173	1,160		1,160	
ARRA-Special Education - Preschool Grants	2010	84.392	4,143		4,143	
Total Special Education - Preschool Grants			5,303		5,303	
Total Special Education Cluster			371,331		326,899	
Safe and Drug Free Schools and Communities	2008	84.186	3,009		3,009	
Education Technology State Grants	2010 2009 2008	84.318	2,422		2,422 1,060 26	
Total Education Technology State Grants			2,422		3,508	
ARRA - State Fiscal Stabilization Fund (SFSF) - Education	2010	84.394	276,691		276,691	
Improving Teacher Quality State Grants	2010	84.367	53,456		53,456	
Total U.S. Department of Education			943,692		864,294	
<u>U.S. DEPARTMENT OF FEDERAL EMERGENCY MANAGEMENT ASSISTANCE</u>						
<i>Passed Through Ohio Department of Public Safety:</i>						
Public Assistance Grant Program	2010	97.036	769		769	
Total U.S. Department of Federal Emergency Management Assistance			769		769	
Total			\$ 1,115,506	\$ 23,361	\$ 1,036,108	\$ 23,361

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

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

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

NOTE A - SIGNIFICANT ACCOUNTING POLICIES

The accompanying Federal Awards Receipts and Expenditures Schedule (the Schedule) reports the Twin Valley Community Local School District (the 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 District commingles cash receipts from the U.S. Department of Agriculture with similar State grants. When reporting expenditures on this Schedule, the District assumes it expends federal monies first.

NOTE C – FOOD DONATION PROGRAM

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

NOTE D - MATCHING REQUIREMENTS

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



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*

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

To the Board of Education:

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Twin Valley Community Local School District, Preble County, Ohio, (the District) as of and for the year ended June 30, 2010, which collectively comprise the District's basic financial statements and have issued our report thereon dated February 23, 2011, wherein we noted the 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 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 District's internal control over financial reporting. Accordingly, we have not opined on the effectiveness of the 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 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 District's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and accordingly, we do not express an opinion. The results of our tests disclosed an instance of noncompliance or other matter we must report under *Government Auditing Standards* which is described in the accompanying schedule of findings and questioned costs as item 2010-001.

We also noted certain matters not requiring inclusion in this report that we reported to the District's management in a separate letter dated February 23, 2011.

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

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



Dave Yost
Auditor of State

February 23, 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

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

To the Board of Education:

Compliance

We have audited the compliance of Twin Valley Community Local School District, Preble County, Ohio, (the 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 Twin Valley Community Local 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 and questioned costs identifies the District's major federal programs. The District's management is responsible for complying with the requirements of laws, regulations, contracts, and grants applicable to each major federal program. Our responsibility is to express an opinion on the District's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits 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 District's compliance with those requirements and performing other procedures we considered necessary in the circumstances. We believe our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the District's compliance with those requirements.

As described in findings 2010-002 and 2010-003 in the accompanying schedule of findings and questioned costs, the District did not comply with requirements regarding Activities Allowed or Unallowed, Allowable Costs / Cost Principles, and Cash Management requirements applicable to its Special Education Cluster major federal program. Compliance with these requirements is necessary, in our opinion, for the District to comply with requirements applicable to this program.

In our opinion, except for the noncompliance described in the preceding paragraph, the Twin Valley Community 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 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 District's internal control over compliance with the requirements that could directly and materially affect a major federal program, to determine our auditing procedures for the purpose of expressing our opinion on compliance, and to test and report on internal control over compliance in accordance with OMB Circular A-133, 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 District's internal control over compliance.

Our consideration of internal control over compliance was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over compliance that might be significant deficiencies or material weaknesses and therefore, we cannot assure we have identified all deficiencies, significant deficiencies, or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control over compliance that we consider to be material weaknesses.

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. We consider the deficiencies in internal control over compliance described in the accompanying schedule of findings and questioned costs as items 2010-002 and 2010-003 to be material weaknesses.

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

We intend this report solely for the information and use of the audit committee, management, the 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

February 23, 2011

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

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

1. SUMMARY OF AUDITOR'S RESULTS

(d)(1)(i)	Type of Financial Statement Opinion	Unqualified – Modified Cash Basis
(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?	Yes
(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	Qualified – Special Education Cluster (IDEA) Unqualified – State Fiscal Stabilization Fund
(d)(1)(vi)	Are there any reportable findings under § .510(a)?	Yes
(d)(1)(vii)	Major Programs (list):	Special Education Cluster (IDEA): CFDA #84.027, #84.173, #84.391, & #84.392 State Fiscal Stabilization Fund: CFDA # 84.394
(d)(1)(viii)	Dollar Threshold: Type A/B Programs	Type A: > \$ 300,000 Type B: all others
(d)(1)(ix)	Low Risk Auditee?	No

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

FINDING NUMBER 2010-001

Noncompliance Citation

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

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

Officials' Response:

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

3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS

FINDING NUMBER 2010-002

Noncompliance Citation / Questioned Cost / Material Weakness – Activities Allowed or Unallowed and Allowable Costs / Cost Principles

Finding Number	2010-002
CFDA Title and Number	Special Education Cluster (IDEA) CFDA #84.027, #84.173, #84.391, & #84.392
Federal Award Number / Year	2010
Federal Agency	US Department of Education
Pass-Through Agency	Ohio Department of Education

2 C.F.R. Part 225 (formerly known as OMB Circular A-87), Appendix A, Section (C)(1)(j) provides that for a cost to be allowable, the expenditure must be adequately documented.

Under 2 CFR Part 225 Appendix B, Section 15 (b), the following rules of allowability shall apply to equipment and other capital expenditures:

- (1) Capital expenditures for general purpose equipment, buildings, and land are unallowable as direct charges, except where approved in advance by the awarding agency.
- (2) Capital expenditures for special purpose equipment are allowable as direct costs, provided that items with a unit cost of \$5000 or more have the prior approval of the awarding agency.

2 CFR Part 225, Appendix B, Section 15 (a) defines equipment as follows:

- (1) "Equipment" means an article of nonexpendable, tangible personal property having a useful life of more than one year and an acquisition cost which equals or exceeds the lesser of the capitalization level established by the governmental unit for financial statement purposes, or \$5000.
- (2) "Special purpose equipment" means equipment which is used only for research, medical, scientific, or other technical activities. Examples of special purpose equipment include microscopes, x-ray machines, surgical instruments, and spectrometers.
- (3) "General purpose equipment" means equipment, which is not limited to research, medical, scientific or other technical activities. Examples include office equipment and furnishings, modular offices, telephone networks, information technology equipment and systems, air conditioning equipment, reproduction and printing equipment, and motor vehicles.

Purchases of motor vehicles such as buses qualify as general purpose equipment. However, improvements made to make a bus handicap accessible, etc. may qualify as special purpose equipment, so long as the improvements otherwise meet the definition of "equipment" above.

2 C.F.R. Part 225 Appendix C, Section (A)(1) also provides, in part, that all costs and other data used to distribute the costs included in the plan should be supported by formal accounting and other records that will support the propriety of the costs assigned to Federal awards.

FINDING NUMBER 2010-002
(Continued)

ODE uses the following criteria to determine allowability of school bus purchases allocated to the Special Education Cluster (IDEA):

1. A district must have students with a valid IEP or 504 plan that requires transportation.
2. There must be special education student(s) transported on the bus and the district must be able to produce documentation to validate the need for that transportation.
3. The bus may not be used for any other purpose, including during or after school, for substitute bus routes, or team events that are not specifically related to special education programming.
4. Vehicles are general purpose equipment, and require ODE's preapproval in the CCIP.
5. A district allocating 100% of the bus purchase price to the Special Education Cluster (IDEA) attests that it meets conditions 1 – 3 above.
6. A district allocating less than 100% of the bus purchase price to the Special Education Cluster (IDEA), in combination with some other funding source, must maintain cost allocation information which clearly, rationally and unambiguously details the cost allocation for the vehicles (i.e., must follow 2 CFR 225, Appendix A, Section C). One method by which this cost allocation may be derived is to determine the ratio of IEP students with transportation requirements on a particular bus route.
7. Ancillary benefit to non-disabled students is allowed; however, the majority of the benefit must to be students with disabilities. For depreciation and use purposes, ODE expects this cost allocation would be maintained throughout the vehicle's service life in the district. A district cannot allocate the bus purchase price to the Special Education Cluster (IDEA) when it is purchasing a bus to meet the transportation requirements of only one or two IEP students that are on the same bus route as two or more general education students. A bus route in this example would be classified as a general education route since students with disabilities are not receiving the majority of the transportation benefit. The district would also not able to pursue reimbursement of transportation costs through ODE Form T2.
8. School districts using IDEA Part B funds for the purchase of school transportation vehicles must comply with items 1 – 7 above for the life of the vehicle, which is typically at least 10 years.

OMB Circular No. A-133, Section .300 further states that the auditee shall:

- a) Maintain internal control over Federal programs that provides reasonable assurance that the auditee is managing Federal awards in compliance with laws, regulations, and the provisions of contracts or grant agreements that could have a material effect on each of its Federal programs.
- b) Comply with laws, regulations, and the provisions of contracts or grant agreements related to each of its Federal programs.

The District purchased a bus totaling \$83,398 from Cardinal Bus Sales and allocated the entire cost of the vehicle to Special Education—Grants to States (Idea, Part B), Recovery Act funding. However, the District failed to document cost allocation information which clearly, rationally and unambiguously details the purpose and use of the vehicle. Additionally, the District did not maintain documentation supporting that students with disabilities, meeting the criteria above, received a majority of the transportation benefit from the purchased bus. Therefore, we are questioning the entire cost of the school bus purchase, totaling \$83,398.

**FINDING NUMBER 2010-002
(Continued)**

Further, **34 C.F.R. Section 80.43(a)** states, "If a grantee or subgrantee materially fails to comply with any term of an award, whether stated in a Federal statute or regulation, an assurance, in a State plan or application, a notice of award, or elsewhere, the awarding agency may take one or more of the following actions, as appropriate in the circumstances:

- (1) Temporarily withhold cash payments pending correction of the deficiency by the grantee or subgrantee or more severe enforcement action by the awarding agency,
- (2) Disallow (that is, deny both use of funds and matching credit for) all or part of the cost of the activity or action not in compliance,
- (3) Wholly or partly suspend or terminate the current award for the grantee's or subgrantee's program,
- (4) Withhold further awards for the program, or
- (5) Take other remedies that may be legally available.

Failure to provide adequate documentation, establish controls, and comply with grant requirements, resulted in questioned costs and potential loss of federal financial assistance.

We recommend the District develop and maintain effective controls and documentation over all grant requirements.

Officials' Response:

The District received guidance from the Ohio Department of Education indicating the purchase of the handicap bus with ARRA IDEA Special Ed funds was an acceptable grant expenditure. After another department questioned the purchase of the bus, Ohio Department of Education developed specific criteria to determine the allowability of school bus purchases with ARRA IDEA Special Education funds. Under this criteria, the District's purchase of the handicap bus was not an eligible expenditure for the grant money. The District has since reimbursed the grant fund from the general fund for the bus purchase and the reimbursed amount has been carried forward to Fiscal Year 2011.

FINDING NUMBER 2010-003

Material Weakness / Noncompliance Citation – Cash Management

Finding Number	2010-003
CFDA Title and Number	Special Education Cluster (IDEA) CFDA #84.027, #84.173, #84.391, & #84.392
Federal Award Number / Year	2010
Federal Agency	US Department of Education
Pass-Through Agency	Ohio Department of Education

34 C.F.R Part 80.21, the Cash Management Improvement Act, requires local educational entities to minimize the time lapsed between the receipt and disbursement of fund. Funds must be expended within the period of time for which cash is requested.

ODE Project Cash Request (PCR) Form Instructions requires districts to report the following Fiscal Summary information on monthly PCR forms:

- Final Allocation – These are funds allocated to a district or agency to develop the program.
- Amount Approved – This is the amount approved by ODE to operate the program. (Must equal amount on the district's budget).
- Fiscal Information As Of – Use date of this project cash request:
 - Cash Received – This is the amount of cash that has been received for the project as of the date of this request, 2C(1).
 - Total Expenditures – This is the total amount of project cash expended as of the date of this request, 2C(2).
 - Cash Balance on Hand – This is the unexpended project cash on hand, 2C(1) minus 2C(2).
 - Can Operate with Cash Balance on Hand Until – This is the approximate date to which the district/agency can operate with the cash balance on hand, 2C(3).
- Project Cash Available – This is cash for this project that has not been requested from ODE, 2B minus 2C(1).

The District did not accurately report the actual amount of expenditures per the District's ledgers on the project cash requests for the Special Education – Grants to States (Idea, Part B), Recovery Act and Special Education – Preschool Grants (Idea Preschool), Recovery Act during fiscal year 2010. Expenditures were reported to match revenue received fiscal year to date on each request. The district was saving resources to purchase a school bus. Rather than requesting the entire amount needed to cover the cost of the bus, the District only requested up to the maximum 10% of the grant award allocation each month until they accumulated the amount needed to cover the cost of the school bus. For example, the project cash request for Special Education – Grants to States (Idea, Part B), Recovery Act dated May 5, 2010 reported cumulative expenditures of \$173,852. However, actual expenditures for the program as of this date were only \$38,546, resulting in a difference of \$135,306. It was not cost beneficial to impute interest earnings on excess cash balances held by the district throughout the year due to the low economic interest rates in effect during this time. Failure to accurately document and report Federal assistance may result in the loss of Federal funding.

FINDING NUMBER 2010-003
(Continued)

We recommend that the District report the actual amount of expenditures incurred on the District's ledgers when requesting federal assistance funds on the project cash request forms.

Officials' Response:

The District is in the process of changing the procedure of requesting funds.

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

**SCHEDULE OF PRIOR AUDIT FINDINGS
OMB CIRCULAR A -133 § .315 (b)
JUNE 30, 2010**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain</i>
2009-001	Ohio Rev. Code § 117.38, Ohio Admin. Code § 117-2-03(B), failure to report in accordance with generally accepted accounting principles.	No	Not corrected – Re-issued as Finding 2010-001.
2009-002	Ohio Rev. Code § 5705.39, appropriations exceed estimated revenue.	Yes	Corrected.

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Dave Yost • Auditor of State

TWIN VALLEY COMMUNITY LOCAL SCHOOL DISTRICT

PREBLE COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

CERTIFIED
MARCH 10, 2011