



**TEAYS VALLEY LOCAL SCHOOL DISTRICT
PICKAWAY COUNTY**

SINGLE AUDIT

FOR THE YEAR ENDED JUNE 30, 2012



Dave Yost • Auditor of State

**TEAYS VALLEY LOCAL SCHOOL DISTRICT
PICKAWAY COUNTY**

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Dave Yost • Auditor of State

INDEPENDENT ACCOUNTANTS' REPORT

Teays Valley Local School District
Pickaway County
385 Viking Way
Ashville, Ohio 43103

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 the Teays Valley Local School District, Pickaway County, Ohio (the District), as of and for the year ended June 30, 2012, which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the District's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Teays Valley Local School District, Pickaway County, Ohio, as of June 30, 2012, and the respective changes in financial position and where applicable, cash flows, thereof and the budgetary comparison for the General Fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated November 5, 2012, 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.

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

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

November 5, 2012

**TEAYS VALLEY LOCAL SCHOOL DISTRICT
PICKAWAY COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012
UNAUDITED**

The management discussion and analysis of the Teays Valley Local School District's (the "District") financial performance provides an overall review of the District's financial activities for the fiscal year ended June 30, 2012. The intent of this discussion and analysis is to look at the District's financial performance as a whole; readers should also review the basic financial statements and the notes to the basic financial statements to enhance their understanding of the District's financial performance.

Financial Highlights

Key financial highlights for fiscal year 2012 are as follows:

- In total, net assets of governmental activities decreased \$7,055,356 which represents a 9.09% decrease from June 30, 2011.
- General revenues accounted for \$28,795,664 in revenue or 84.72% of all revenues. Program specific revenues in the form of charges for services and sales, grants and contributions accounted for \$5,193,683 or 15.28% for total revenues of \$33,989,347.
- The District had \$41,044,703 in expenses related to governmental activities; \$5,193,683 of these expenses were offset by program specific charges for services, grants or contributions. General revenues supporting governmental activities (primarily taxes and unrestricted grants and entitlements) of \$28,795,664 were not adequate to provide for these programs.
- The District has two major funds which include the general fund and debt service fund. The general fund had \$27,568,791 in revenues and other financing sources and \$30,016,326 in expenditures. The general fund's fund balance decreased \$2,458,182 from \$5,986,653 to \$3,528,471.
- The debt service fund had \$3,065,243 in revenues and other financing sources and \$3,755,831 in expenditures and other financing uses. The debt service fund's fund balance decreased \$690,588 from \$2,981,782 to \$2,291,194.
- The District has \$101,076,694 in capital assets at June 30, 2012. This amount is net of accumulated depreciation in the amount of \$32,604,489. Fiscal year 2012 depreciation expense was \$4,826,950. Total capital assets, net of related debt to acquire or construct the assets, were \$64,479,914 at June 30, 2012.
- The District has \$40,181,542 in long-term liabilities outstanding at June 30, 2012. Of this total, \$1,868,048 is due within one year and \$38,313,494 is due in greater than one year.

Using these Basic Financial Statements

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

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

**TEAYS VALLEY LOCAL SCHOOL DISTRICT
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**MANAGEMENT'S DISCUSSION AND ANALYSIS
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Reporting the District as a Whole

Statement of Net Assets and the Statement of Activities

While this document contains the large number of funds used by the District to provide programs and activities, the view of the District as a whole looks at all financial transactions and asks the question, "How did we do financially during 2012?" The statement of net assets and the statement of activities answer this question. These statements include *all assets, liabilities, revenues and expenses* using the *accrual basis of accounting* similar to the accounting used by most private-sector companies. This basis of accounting will take into account all of the current year's revenues and expenses regardless of when cash is received or paid.

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

In the statement of net assets and the statement of activities, the Governmental Activities include the District's programs and services, including instruction, support services, operation and maintenance of plant, pupil transportation, extracurricular activities, and food service operations.

The District's statement of net assets and statement of activities can be found on pages 17-18 of this report.

Reporting the District's Most Significant Funds

Fund Financial Statements

The analysis of the District's major governmental funds begins on page 11. Fund financial reports provide detailed information about the District's major funds. The District uses many funds to account for a multitude of financial transactions. However, these fund financial statements focus on the District's most significant funds. The District's major governmental funds are the general fund and debt service fund.

Governmental Funds

Most of the District's activities are reported in governmental funds, which focus on how money flows into and out of those funds and the balances left at year-end available for spending in future periods. These funds are reported using an accounting method called *modified accrual* accounting, which measures cash and all other *financial assets* that can readily be converted to cash. The governmental fund financial statements provide a detailed *short-term* view of the District's general government operations and the basic services it provides. Governmental fund information helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance educational programs. The relationship (or differences) between governmental *activities* (reported in the statement of net assets and the statement of activities) and governmental *funds* is reconciled in the basic financial statements. The basic governmental fund financial statements can be found on pages 19-23 of this report.

**TEAYS VALLEY LOCAL SCHOOL DISTRICT
PICKAWAY COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
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Proprietary Funds

The District maintains a proprietary fund. Internal service funds are an accounting device used to accumulate and allocate costs internally among the District's various functions. The District's internal service fund accounts for dental benefits self-insurance. As of July 1, 2011, the District was no longer self-insured for dental. The basic proprietary fund financial statements can be found on pages 24-25 of this report.

Reporting the District's Fiduciary Responsibilities

The District is the trustee, or fiduciary, for some of its scholarship programs. This activity is presented as a private- purpose trust fund. The District also acts in a trustee capacity as an agent for individuals, private organizations, other governmental units and/or other funds. These activities are reported in an agency fund. The District's fiduciary activities are reported in separate statements of fiduciary net assets and changes in fiduciary net assets on pages 26 and 27. These activities are excluded from the District's other financial statements because the assets cannot be utilized by the District to finance its operations.

Notes to the Basic Financial Statements

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. These notes to the basic financial statements can be found on pages 29-62 of this report.

The District as a Whole

The statement of net assets provides the perspective of the District as a whole.

The table below provides a summary of the District's net assets at June 30, 2012 and 2011.

	Governmental Activities <u>2012</u>	Governmental Activities <u>2011</u>	Percentage <u>Change</u>
<u>Assets</u>			
Current and other assets	\$ 24,602,742	\$ 26,573,576	(7.42) %
Capital assets, net	<u>101,076,694</u>	<u>105,198,296</u>	(3.92) %
Total assets	<u>125,679,436</u>	<u>131,771,872</u>	(4.62) %
<u>Liabilities</u>			
Current liabilities	14,948,296	13,623,727	9.72 %
Long-term liabilities	<u>40,181,542</u>	<u>40,543,191</u>	(0.89) %
Total liabilities	<u>55,129,838</u>	<u>54,166,918</u>	1.78 %
<u>Net Assets</u>			
Invested in capital assets, net of related debt	64,479,914	68,026,299	(5.21) %
Restricted	4,023,772	5,545,084	(27.44) %
Unrestricted	<u>2,045,912</u>	<u>4,033,571</u>	(49.28) %
Total net assets	<u>\$ 70,549,598</u>	<u>\$ 77,604,954</u>	(9.09) %

**TEAYS VALLEY LOCAL SCHOOL DISTRICT
PICKAWAY COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012
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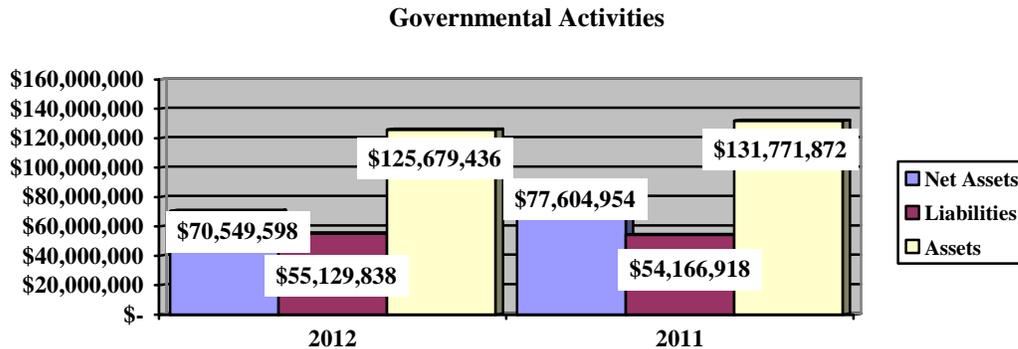
Over time, net assets can serve as a useful indicator of a government's financial position. At June 30, 2012 and June 30, 2011, the District's assets exceeded liabilities by \$70,549,598 and \$77,604,954, respectively. Net assets decreased \$7,055,356 from June 30, 2011.

Assets of the District decreased \$6,092,436 or 4.62%. Current and other assets decreased \$1,970,834 or 7.42%. This decrease is due mainly to a decrease in equity in pooled cash and investments. Capital assets decreased \$4,121,602 or 3.92% which is primarily a result of current year depreciation of \$4,826,950. Total liabilities increased \$962,920 or 1.78%. Current liabilities of the District increased \$1,324,569 or 9.72%. This increase is primarily due to an increase in unearned revenue which increased due to lower taxes available for advance from the County. The decrease of \$361,649 in long term liabilities is due primarily to the District retiring \$1,125,000 in bonds during the year.

At year-end, capital assets represented 80.42% of total assets. Capital assets include land, land improvements, buildings and improvements, furniture and equipment, vehicles and infrastructure. Capital assets, net of related debt to acquire the assets at June 30, 2012 and June 30, 2011, were \$64,479,914 and \$68,026,299, respectively. These capital assets are used to provide services to the students and are not available for future spending. Although the District's investment in capital assets is reported net of related debt, it should be noted that the resources to repay the debt must be provided from other sources, since capital assets may not be used to liquidate these liabilities.

A portion of the District's net assets, \$4,023,772, represents resources that are subject to external restriction on how they may be used. Of the restricted net assets, \$530,838 is restricted for capital projects and \$2,489,235 is restricted for debt service. The remaining balance of unrestricted net assets of \$2,045,912 may be used to meet the District's ongoing obligations to the students and creditors.

The graph below shows the District's assets, liabilities and net assets at June 30, 2012 and June 30, 2011.



**TEAYS VALLEY LOCAL SCHOOL DISTRICT
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**MANAGEMENT'S DISCUSSION AND ANALYSIS
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The table below shows the change in net assets for fiscal years 2012 and 2011.

	Change in Net Assets		
	Governmental Activities <u>2012</u>	Governmental Activities <u>2011</u>	<u>Percentage Change</u>
<u>Revenues</u>			
Program revenues:			
Charges for services and sales	\$ 1,813,043	\$ 1,646,171	10.14 %
Operating grants and contributions	3,380,640	5,758,315	(41.29) %
General revenues:			
Taxes	12,619,366	16,461,750	(23.34) %
Grants and entitlements not restricted	16,052,879	15,275,322	5.09 %
Investment earnings	59,335	85,093	(30.27) %
Other	<u>64,084</u>	<u>143,594</u>	(55.37) %
Total revenues	<u>33,989,347</u>	<u>39,370,245</u>	(13.67) %

(Continued)

**TEAYS VALLEY LOCAL SCHOOL DISTRICT
PICKAWAY COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
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Change in Net Assets (Continued)			
	<u>Governmental Activities 2012</u>	<u>Governmental Activities 2011</u>	<u>Percentage Change</u>
<u>Expenses</u>			
Program expenses:			
Instruction:			
Regular	\$ 19,070,085	\$ 20,414,129	(6.58) %
Special	3,476,513	3,695,629	(5.93) %
Vocational	605,738	720,788	(15.96) %
Other	115,009	353,386	(67.46) %
Support services:			
Pupil	1,268,035	1,373,450	(7.68) %
Instructional staff	1,410,066	1,734,745	(18.72) %
Board of education	198,377	58,731	237.77 %
Administration	3,382,368	3,894,379	(13.15) %
Fiscal	900,694	940,113	(4.19) %
Business	224,506	356,156	(36.96) %
Operations and maintenance	3,757,168	4,168,955	(9.88) %
Pupil transportation	2,267,511	2,373,023	(4.45) %
Central	293,916	208,944	40.67 %
Operations of non-instructional services			
Other non-instructional services	30,807	24,114	27.76 %
Food service operations	1,315,688	1,328,780	(0.99) %
Extracurricular activities	923,349	994,641	(7.17) %
Interest and fiscal charges	<u>1,804,873</u>	<u>1,801,812</u>	0.17 %
Total expenses	<u>41,044,703</u>	<u>44,441,775</u>	(7.64) %
Change in net assets	(7,055,356)	(5,071,530)	39.12 %
Net assets, beginning of year	<u>77,604,954</u>	<u>82,676,484</u>	(6.13) %
Net assets, end of year	<u>\$ 70,549,598</u>	<u>\$ 77,604,954</u>	(9.09) %

Governmental Activities

Net assets of the District's governmental activities decreased \$7,055,356 in fiscal year 2012 and decreased \$5,071,530 in fiscal year 2011. The overall decrease in net assets in fiscal year 2012 can be attributed mainly to increases in costs and depreciation related to the opening of new buildings exceeding revenues. While the District has made attempts to cut cash expenses, depreciation is an accrual expense related to allocating the costs of capital assets over the useful life of the asset. Total governmental expenses of \$41,044,703 were offset by program revenues of \$5,193,683 and general revenues of \$28,795,664 during fiscal year 2012. Program revenues supported 12.65% of the total governmental expenses during fiscal year 2012 and 16.66% during fiscal year 2011. Charges for services increased due to greater open enrollment tuition received during fiscal year 2012. Operating grants and contributions decreased due primarily to elimination of stimulus money from the fiscal stabilization fund. In the general revenues area, investment earnings decreased as the interest rates on the District's investments decreased from 2012 as well as a decrease in investment balances.

**TEAYS VALLEY LOCAL SCHOOL DISTRICT
PICKAWAY COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
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The primary sources of revenue for governmental activities are derived from property taxes, income taxes and grants and entitlements. These revenue sources account for 84.36% of total governmental revenue. Real estate property is reappraised every six years. The latest reappraisal by Pickaway County was in 2006. Property tax and income tax revenue decreased \$3,842,384 or 23.34% during fiscal year 2012. This decrease is the result of a slight increase in income taxes and a large decrease in property tax revenue. Property taxes decreased due to fluctuations in the amount of tax collected and available for advance at fiscal year-end by the Pickaway County Auditor. Tax advances available are recorded as revenue under GAAP. The amount of tax advances available at June 30, 2012, 2011 and 2010 was \$891,973, \$3,799,267 and \$1,120,802, respectively. The amount of tax advance available at year-end can vary depending upon when the county auditors distributes tax bills. In addition, the District experienced an increase in assessed valuation of 9.90% namely in the area of public utility personal property (See Note 6).

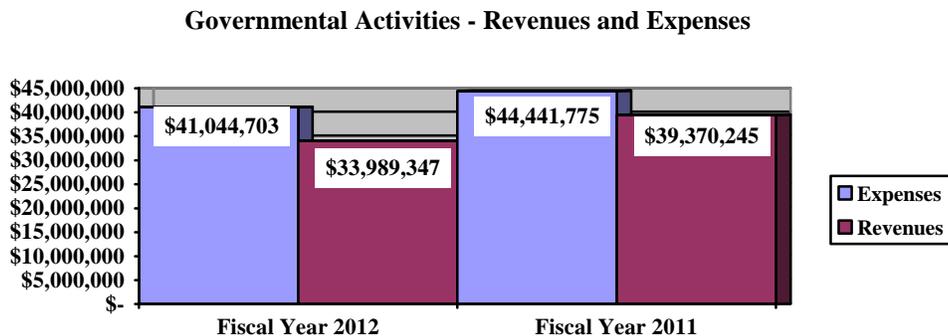
Overall, expenses decreased by 7.64% or \$3,397,072. This decrease is the result of cost cutting measures put in place by the District due to a failed income tax levy. The levy later passed during fiscal year 2012 but these cost cutting measures will extend into future years.

Voters approved a \$22,850,666 bond levy in November 1999. This levy, which generates approximately \$1,787,838 per year for 28 years, is expected to provide revenue for debt service through fiscal year 2027. The bond issue allowed for construction of 3 new elementary schools as well as major renovations and additions at the District's High School and Middle School instructional facilities. During fiscal year 2006, this bond issue was refunded to decrease the District's interest costs for the original bond issue through fiscal year 2027.

In addition, voters approved a \$21,500,000 bond levy in November 2006. The proceeds of this levy, represents the District's local share of a state assisted \$82 million overall construction project. The local levy will generate approximately \$1,819,566 per year for 28 years and is expected to provide revenue for debt service through fiscal year 2034. The bond issue allowed for construction of 1 new elementary school, 2 new middle schools as well as major renovations and additions at the current District's high school / middle school instructional facilities.

The District's financial condition has remained stable in recent years. The District has benefited from the fact that its effective millage rate for local taxation purposes is at the twenty mill floor. As a result, the District has enjoyed growth in local property tax collections related to both new construction and re-appraisal activity. In addition, the District has a .75% school income tax that is rapidly growing in connection with new construction growth and the growth of the adjusted gross incomes of existing residents.

The graph below presents the District's governmental activities revenues and expenses for fiscal years 2012 and 2011.



**TEAYS VALLEY LOCAL SCHOOL DISTRICT
PICKAWAY COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
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The statement of activities shows the cost of program services and the charges for services and grants offsetting those services. The following table shows, for governmental activities, the total cost of services and the net cost of services. That is, it identifies the cost of these services supported by tax revenue and unrestricted state grants and entitlements.

Governmental Activities

	Total Cost of Services <u>2012</u>	Net Cost of Services <u>2012</u>	Total Cost of Services <u>2011</u>	Net Cost of Services <u>2011</u>
Program expenses				
Instruction:				
Regular	\$ 19,070,085	\$ 18,080,522	\$ 20,414,129	\$ 17,777,583
Special	3,476,513	1,653,636	3,695,629	1,921,203
Vocational	605,738	356,937	720,788	478,190
Other	115,009	115,009	353,386	250,510
Support services:				
Pupil	1,268,035	1,172,663	1,373,450	1,282,336
Instructional staff	1,410,066	1,280,424	1,734,745	1,398,985
Board of education	198,377	198,377	58,731	58,731
Administration	3,382,368	3,162,470	3,894,379	3,497,942
Fiscal	900,694	899,116	940,113	937,747
Business	224,506	224,506	356,156	356,156
Operations and maintenance	3,757,168	3,699,493	4,168,955	4,062,976
Pupil transportation	2,267,511	2,214,060	2,373,023	2,328,329
Central	293,916	280,502	208,944	166,667
Operations of non-instructional services:				
Other non-instructional services	30,807	30,807	24,114	24,114
Food service operations	1,315,688	66,739	1,328,780	88,574
Extracurricular activities	923,349	610,886	994,641	605,434
Interest and fiscal charges	1,804,873	1,804,873	1,801,812	1,801,812
Total	<u>\$ 41,044,703</u>	<u>\$ 35,851,020</u>	<u>\$ 44,441,775</u>	<u>\$ 37,037,289</u>

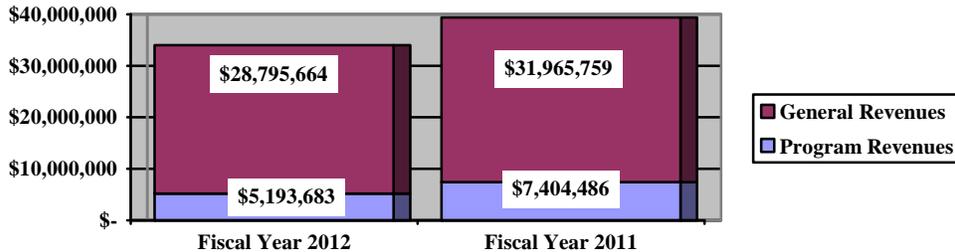
The dependence upon tax and other general revenues for governmental activities is apparent, 86.84% of instruction activities were supported through taxes and other general revenues during fiscal year 2012 and 81.11% in fiscal year 2011. For all governmental activities, general revenue support was 87.35% in fiscal year 2012 and 83.34% in fiscal year 2011. The District's taxpayers and grants and entitlements are by far the primary support for District students.

**TEAYS VALLEY LOCAL SCHOOL DISTRICT
PICKAWAY COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
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The graph below presents the District's governmental activities revenues for fiscal years 2012 and 2011.

Governmental Activities - General and Program Revenues



The District's Funds

The District's governmental funds (as presented on the balance sheet on page 19) reported a combined fund balance of \$8,000,130, which is lower than last year's total of \$10,818,950. The schedule below indicates the fund balance and the total change in fund balance as of June 30, 2012 and 2011.

	Fund Balance <u>June 30, 2012</u>	Fund Balance <u>June 30, 2011</u>	Increase/ <u>(Decrease)</u>	Percentage <u>Change</u>
General	\$ 3,528,471	\$ 5,986,653	\$ (2,458,182)	(41.06) %
Debt Service	2,291,194	2,981,782	(690,588)	(23.16) %
Other Governmental	2,180,465	1,850,515	329,950	17.83 %
Total	<u>\$ 8,000,130</u>	<u>\$ 10,818,950</u>	<u>\$ (2,818,820)</u>	(26.05) %

General Fund

During fiscal year 2012, the District's general fund balance decreased by \$2,458,182. The District has maintained a judicious approach to spending which has helped the District achieve modest reserves. These reserves become critical as continued growth within the District is expected. Tax revenues decreased by \$3,114,060. This decrease can be attributed to a decrease in the amount of tax advance that was available to the District from the county auditors at June 30, 2012 versus June 30, 2011. This variance resulted in less tax revenue being reported in fiscal year 2012. The amount of tax advances available from the county auditors can vary depending upon when tax bills are mailed. Earnings on investments decreased as the District earned lower interest rates on investments and had lower balances to earn interest. Intergovernmental revenues increased \$724,303 or 4.48% due to higher state foundation revenue in the general fund from an increase in student enrollment.

Expenditures of the general fund increased \$606,238 or 2.06%. The most significant increase was in the area of support services which increased \$271,808 or 2.43% and capital outlay which increased 390,160. Of the support services, operations and maintenance, pupil transportation and central showed the largest increases due to increases in costs in these areas.

**TEAYS VALLEY LOCAL SCHOOL DISTRICT
PICKAWAY COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012
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The table that follows assists in illustrating the financial activities and fund balance of the general fund.

	<u>2012 Amount</u>	<u>2011 Amount</u>	<u>Increase/ (Decrease)</u>	<u>Percentage Change</u>
<u>Revenues</u>				
Taxes	\$ 9,101,821	\$ 12,215,881	\$ (3,114,060)	(25.49) %
Tuition	557,536	380,092	177,444	46.68 %
Earnings on investments	60,004	93,229	(33,225)	(35.64) %
Intergovernmental	16,877,021	16,152,718	724,303	4.48 %
Other revenues	<u>372,403</u>	<u>326,502</u>	<u>45,901</u>	14.06 %
Total	<u>\$ 26,968,785</u>	<u>\$ 29,168,422</u>	<u>\$ (2,199,637)</u>	(7.54) %
<u>Expenditures</u>				
Instruction	\$ 17,570,653	\$ 17,664,480	\$ (93,827)	(0.53) %
Support services	11,458,951	11,187,143	271,808	2.43 %
Operation of non-instructional services	30,450	21,715	8,735	40.23 %
Extracurricular activities	498,157	485,764	12,393	2.55 %
Capital outlay	396,229	6,069	390,160	6,428.74 %
Debt service	<u>61,886</u>	<u>44,917</u>	<u>16,969</u>	37.78 %
Total	<u>\$ 30,016,326</u>	<u>\$ 29,410,088</u>	<u>\$ 606,238</u>	2.06 %

Debt Service Fund

During fiscal year 2012, the debt service fund had revenues and other financing sources of \$3,065,243 and expenditures and other financing uses of \$3,755,831. During fiscal year 2012, the debt service fund balance decreased \$690,588 due to scheduled principal and interest payments exceeding revenues during the fiscal year.

General Fund Budgeting Highlights

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

During the course of fiscal year 2012, the District amended its general fund budget several times. For the general fund, final budgeted revenues and other financing sources of \$28,768,574 were \$295,439 higher than the original budgeted revenues and other financing sources estimate of \$28,473,135. Actual revenues and other financing sources were the same as final budgeted revenues.

General fund original appropriations (appropriated expenditures plus other financing uses) were 32,317,000. Final appropriations and actual expenditures and other financing uses were \$29,482,024 which was \$2,834,976 lower than original appropriations.

**TEAYS VALLEY LOCAL SCHOOL DISTRICT
PICKAWAY COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012
UNAUDITED**

Capital Assets and Debt Administration

Capital Assets

At the end of fiscal year 2012, the District had \$101,076,694 invested in land, land improvements, buildings and improvements, furniture and equipment, vehicles and infrastructure. This entire amount is reported in governmental activities. The following table shows June 30, 2012 balances compared to June 30, 2011.

	Capital Assets at June 30 (Net of Depreciation)	
	<u>Governmental Activities</u>	
	<u>2012</u>	<u>2011</u>
Land	\$ 3,020,415	\$ 3,020,415
Land improvements	8,928,139	9,516,025
Buildings and improvements	82,302,057	85,402,276
Furniture and equipment	5,725,228	6,092,282
Vehicles	899,907	955,116
Infrastructure	<u>200,948</u>	<u>212,182</u>
Total	<u>\$101,076,694</u>	<u>\$ 105,198,296</u>

The capital assets decreased \$4,121,602. This is due to depreciation expense of \$4,826,950 and disposals (net of accumulated depreciation) of \$87,561 exceeding current year additions of \$792,909.

See Note 9 to the basic financial statements for detail on the District's capital assets.

Debt Administration

At June 30, 2012 the District had \$37,570,117 in general obligation bonds, bond anticipation notes and capital lease obligations outstanding. The general obligation bond issues are comprised of current issue bonds and capital appreciation bonds. Of this total, \$1,581,000 is due within one year and \$35,989,117 is due in greater than one year.

**TEAYS VALLEY LOCAL SCHOOL DISTRICT
PICKAWAY COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012
UNAUDITED**

The following table summarizes the bonds and capital lease obligations outstanding.

Outstanding Debt, at Year End

	Governmental Activities 2012	Governmental Activities 2011
Current interest refunding bonds - Series 2006	\$ 16,490,000	\$ 17,340,000
Capital appreciation bonds - Series 2006	274,995	274,995
Accreted interest - Series 2006	778,911	591,074
Current interest bonds - Series 2007A	9,730,000	9,755,000
Capital appreciation bonds - Series 2007A	69,996	69,996
Accreted interest - Series 2007A	110,031	80,124
Current interest bonds - Series 2007B	8,880,000	9,130,000
Capital appreciation bonds - Series 2007B	79,997	79,997
Accreted interest - Series 2007B	91,601	67,710
Bond anticipation notes	700,000	-
Capital lease obligations	<u>364,586</u>	<u>103,912</u>
Total	<u>\$ 37,570,117</u>	<u>\$ 37,492,808</u>

During fiscal year 2006, the District refunded a portion of the 2000 series general obligation bonds on July 28, 2006. The annual interest rate ranges from 3.00% to 5.00% and the bonds are scheduled to mature in fiscal year 2028.

On March 22, 2007 and April 24, 2007, the District issued Series 2007 A and Series 2007 B general obligation bonds for a classroom facilities project. The annual interest rates range from 4.00% to 4.30% and the bonds are scheduled to mature in fiscal year 2035.

The District's most recent bond issue maintained a Moody's Investors Service rating and a Fitch IBCA, Inc. rating of Aaa and AAA respectively on the understanding that the Bonds would be insured by Financial Guaranty Insurance Company upon their issuance. The District has received an underlying rating of A1 from Moody's.

See Note 11 to the basic financial statements for detail on the District's debt administration.

Current Financial Related Activities

The State of Ohio faced an \$8 billion budget shortfall entering the current biennium (fiscal year 2012 & fiscal year 2013). In response, nearly all state agency budgets were slashed. Obviously, the state's budgetary difficulties have been well documented, so Teays Valley's prior forecasts had assumed significant reductions to state and federal aid.

**TEAYS VALLEY LOCAL SCHOOL DISTRICT
PICKAWAY COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012
UNAUDITED**

In anticipation of the impending state funding cuts (as well as other documented revenue challenges described herein), the District proactively implemented a \$2 million budget response plan in February 2011, which first impacted fiscal year 2012 of the District's forecast. Elements of that plan are reflected in various line items of the District's 5 year forecast, but mainly included staff reductions, a two year base wage freeze and cutbacks on supply purchases. The Board approved a second budget reduction plan in March 2012 affecting fiscal year 2013 spending. That plan accomplishes staff reductions through attrition and includes an increase in the pay-to-participate fee. Both reduction plans, in combination with passage of a replacement income tax issue, are expected to restore fiscal sustainability.

Some of the primary factors currently influencing the financial outlook of the District are recapped below:

Overall Revenue:

From fiscal year 2008 to fiscal year 2011 revenue grew by an average increase of only 1%. Economic recovery following the 2008 recession has been slow to say the least. The struggling economy has impacted nearly every area of the District's revenue forecast. Enrollment, property valuations, and interest earnings all have remained depressed. Stagnate revenue is expected to continue in the foreseeable future. This is a challenge many districts currently face as they seek ways to maintain programs and opportunities taken years to build.

Replacement Income Tax Issue:

In an effort to preserve programming and educational opportunities, the Board proposed and passed a replacement income tax issue in March 2012. The issue will replace the District's current 0.75% traditional income tax levy with a 1.5% earned income tax levy. This replacement will generate an additional \$2.3 million in revenue which represents an increase of approximately \$3.52 per student per day. Collections will gradually be ramped up beginning in calendar 2013 with full collection not expected until the spring of 2014.

Budget Reductions:

The Board approved its second budget response plan in two years at its April 2012 meeting. The most recent plan includes another \$1.9 million in reductions effective this school year (fiscal year 2013). The plan accomplishes the reductions through attrition and represents a proactive response to the District's multi-faceted revenue challenges. Components of the plan include staff reductions, a two year base wage freeze and an increase in the pay-to-participate fee. The reduction plan, in combination with the replacement income tax issue, is expected to restore fiscal sustainability.

State Budget:

The Governor and Legislature scrapped the Education Based Funding Model, in favor of an interim model. The Bridge formula (as it's known) is designed to distribute funds to schools through this biennial (fiscal year 2012 & fiscal year 2013). The Bridge model supplies funding to schools based upon the amount per-pupil distributed in fiscal year 2011 (less \$130 per-pupil for fiscal year 2013). For Teays Valley, that will translate into a per-pupil amount of \$4,262 for fiscal year 2013. It is interesting to point out, Teays Valley's state funding had been guarantee based from fiscal year 2006 through fiscal year 2011. However, the per-pupil allocation method included in Bridge has actually resulted in the District's funding to be formula driven through this biennial, which has translated into modest funding increases due to the District's growing enrollment. Although not expected to affect Teays Valley, a school district's total fiscal year 2012 state funding is guaranteed not to drop below fiscal year 2011 levels.

Federal Support for Operations:

The Federal Government dedicated \$361 million to Ohio schools to prevent education job losses in fiscal year 2012 (Teays Valley's share equaled \$836,666). Estimates for fiscal year 2013 and beyond do not anticipate any further Federal stimulus dollars to support the District's general fund operations.

**TEAYS VALLEY LOCAL SCHOOL DISTRICT
PICKAWAY COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012
UNAUDITED**

Income Tax Collections:

As mentioned previously, income tax collections will gradually ramp-up over the forecast period due to passage of the 1.5% replacement earned income tax issue. Collections on the District's existing .75% traditional income tax continued to reflect modest improvement in fiscal year 2012. In fact, collections in fiscal year 2012 ended above the District's previous high collection period recorded in fiscal year 2008. Guidance provided by the Ohio Department of Taxation anticipates continued slow recovery. The ongoing challenge for Teays Valley is the fact that residential housing growth has slowed which in the past has helped fuel strong income tax collections increases.

Student Enrollment:

Another residual impact of subdued residential housing growth is its impact on student enrollment. Prior to the beginning of the 2011-12 school year the District's enrollment appeared poised for a slight drop. However, enrollment actually grew by approximately 50 students. As mentioned, the increase in students translated into slightly more state funding in fiscal year 2012. After fiscal year 2012, enrollment is expected to continue growth, albeit at a much slower rate than realized in the recent past.

Staffing & Negotiated Increases:

The Board and TVCTA ratified an agreement to freeze base wages in fiscal year 2012 and fiscal year 2013 (base administrative salaries were reduced by 2%). Additionally, experience increases were also frozen in fiscal year 2012. In fiscal year 2013, staff members will resume their appropriate experience levels. Both the Board and TVCTA recognized the need to implement austerity measures in an effort to mitigate job losses and help preserve education quality. Additional reductions and spending cutbacks have already been implemented for fiscal year 2013. Fortunately, the severity of those measures was lessened thanks to the passage of the District's replacement Income Tax request.

Health Insurance:

Fiscal year 2012 claims significantly exceeded premiums and therefore rates for fiscal year 2013 had to be increased 20%. Additional strategies continue to be explored as these type increases are certainly not sustainable. Plan design changes and high deductible HSA options are two possible alternatives. Until these items are approved or more fully implemented, the forecast assumes health insurance premiums increases in fiscal year 2014 and beyond will continue to track industry trend or about 8 to 10% per year.

Contacting the District's Financial Management

This financial report is designed to provide our citizens, taxpayers, investors and creditors with a general overview of the District's finances and to show the District's accountability for the money it receives. If you have questions about this report or need additional financial information contact Mr. Stacy Overly, Treasurer, Teays Valley Local School District, 385 Viking Way, Ashville, OH 43103-9417.

**TEAYS VALLEY LOCAL SCHOOL DISTRICT
PICKAWAY COUNTY**

**STATEMENT OF NET ASSETS
JUNE 30, 2012**

	Governmental Activities
Assets:	
Equity in pooled cash and investments	\$ 9,989,285
Cash in segregated accounts	10,341
Receivables:	
Property taxes	12,493,887
Income taxes.	1,429,327
Payment in lieu of taxes	11,278
Accounts.	20,143
Accrued interest	11,385
Intergovernmental	87,407
Prepayments	8,258
Materials and supplies inventory.	147,632
Unamortized bond issuance costs	389,811
Loans receivable	3,988
Capital assets:	
Land	3,020,415
Depreciable capital assets, net.	98,056,279
Capital assets, net	101,076,694
Total assets.	125,679,436
Liabilities:	
Accounts payable.	126,286
Retainage payable	10,341
Accrued wages and benefits	2,943,065
Pension obligation payable.	645,640
Intergovernmental payable	258,955
Unearned revenue	10,745,050
Accrued interest payable	121,539
Claims and judgements payable	97,420
Long-term liabilities:	
Due within one year.	1,868,048
Due in more than one year.	38,313,494
Total liabilities	55,129,838
Net Assets:	
Invested in capital assets, net of related debt.	64,479,914
Restricted for:	
Capital projects	530,838
Classroom facilities maintenance	493,689
Debt service.	2,489,235
Locally funded programs	2,157
Federally funded programs	26,501
Student activities	81,690
Other purposes	399,662
Unrestricted	2,045,912
Total net assets	\$ 70,549,598

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**TEAYS VALLEY LOCAL SCHOOL DISTRICT
PICKAWAY COUNTY**

**STATEMENT OF ACTIVITIES
FOR THE FISCAL YEAR ENDED JUNE 30, 2012**

		Program Revenues		Net (Expense) Revenue and Changes in Net Assets
	Expenses	Charges for Services and Sales	Operating Grants and Contributions	Governmental Activities
Governmental activities:				
Instruction:				
Regular	\$ 19,070,085	\$ 787,715	\$ 201,848	\$ (18,080,522)
Special	3,476,513	10,822	1,812,055	(1,653,636)
Vocational	605,738	-	248,801	(356,937)
Other	115,009	-	-	(115,009)
Support services:				
Pupil.	1,268,035	26,679	68,693	(1,172,663)
Instructional staff	1,410,066	12,935	116,707	(1,280,424)
Board of education	198,377	-	-	(198,377)
Administration.	3,382,368	739	219,159	(3,162,470)
Fiscal.	900,694	-	1,578	(899,116)
Business.	224,506	-	-	(224,506)
Operations and maintenance	3,757,168	31,427	26,248	(3,699,493)
Pupil transportation.	2,267,511	1,162	52,289	(2,214,060)
Central	293,916	814	12,600	(280,502)
Operation of non-instructional services:				
Other non-instructional services	30,807	-	-	(30,807)
Food service operations	1,315,688	660,555	588,394	(66,739)
Extracurricular activities.	923,349	280,195	32,268	(610,886)
Interest and fiscal charges	1,804,873	-	-	(1,804,873)
Total governmental activities	\$ 41,044,703	\$ 1,813,043	\$ 3,380,640	(35,851,020)

General Revenues:

Property taxes levied for:	
General purposes	6,268,948
Debt service.	2,086,067
Capital projects.	708,696
Income taxes levied for:	
General purposes	3,387,300
Classroom facilities maintenance	168,355
Grants and entitlements not restricted to specific programs	
Investment earnings	16,052,879
Payment in lieu of taxes	59,335
Miscellaneous	6,801
	57,283
Total general revenues	28,795,664
Change in net assets	(7,055,356)
Net assets at beginning of year.	77,604,954
Net assets at end of year	\$ 70,549,598

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**TEAYS VALLEY LOCAL SCHOOL DISTRICT
PICKAWAY COUNTY**

**BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2012**

	<u>General</u>	<u>Debt Service</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
Assets:				
Equity in pooled cash and investments	\$ 5,677,369	\$ 2,083,397	\$ 2,228,519	\$ 9,989,285
Cash in segregated accounts	-	-	10,341	10,341
Receivables:				
Property taxes	8,635,148	2,850,121	1,008,618	12,493,887
Income taxes	1,429,327	-	-	1,429,327
Payment in lieu of taxes	11,278	-	-	11,278
Accounts	19,968	-	175	20,143
Accrued interest	11,197	-	188	11,385
Interfund loans	6,000	-	-	6,000
Intergovernmental	81,407	-	6,000	87,407
Prepayments	8,258	-	-	8,258
Materials and supplies inventory	94,726	-	52,906	147,632
Loans receivable	3,988	-	-	3,988
Total assets	\$ 15,978,666	\$ 4,933,518	\$ 3,306,747	\$ 24,218,931
Liabilities:				
Accounts payable	\$ 107,276	\$ -	\$ 19,010	\$ 126,286
Retainage payable	-	-	10,341	10,341
Accrued wages and benefits	2,854,695	-	88,370	2,943,065
Compensated absences payable	73,645	-	-	73,645
Interfund loans payable	-	-	6,000	6,000
Pension obligation payable	586,330	-	59,310	645,640
Intergovernmental payable	254,212	-	4,743	258,955
Claims and judgements payable	97,420	-	-	97,420
Unearned revenue	7,432,531	2,444,283	868,236	10,745,050
Deferred revenue	1,044,086	198,041	70,272	1,312,399
Total liabilities	12,450,195	2,642,324	1,126,282	16,218,801
Fund Balances:				
Nonspendable				
Materials and supplies inventory	94,726	-	52,906	147,632
Prepays	8,258	-	-	8,258
Unclaimed monies	4,861	-	-	4,861
Restricted:				
Debt service	-	2,291,194	-	2,291,194
Capital improvements	-	-	530,838	530,838
Classroom facilities maintenance	-	-	493,689	493,689
Food service operations	-	-	271,754	271,754
Special education	-	-	1,903	1,903
Targeted academic assistance	-	-	24,598	24,598
Other purposes	-	-	76,971	76,971
Extracurricular activities	-	-	81,690	81,690
Committed				
Capital improvements	-	-	648,142	648,142
Underground storage tank	11,000	-	-	11,000
Assigned:				
Student instruction	48,599	-	-	48,599
Student and staff support	150,258	-	-	150,258
Extracurricular activities	1,243	-	-	1,243
Subsequent year appropriations	995,105	-	-	995,105
Unassigned (deficit)	2,214,421	-	(2,026)	2,212,395
Total fund balances	3,528,471	2,291,194	2,180,465	8,000,130
Total liabilities and fund balances	\$ 15,978,666	\$ 4,933,518	\$ 3,306,747	\$ 24,218,931

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**TEAYS VALLEY LOCAL SCHOOL DISTRICT
PICKAWAY COUNTY**

**RECONCILIATION OF TOTAL GOVERNMENTAL FUND BALANCES TO
NET ASSETS OF GOVERNMENTAL ACTIVITIES
JUNE 30, 2012**

Total governmental fund balances		\$ 8,000,130
<i>Amounts reported for governmental activities on the statement of net assets are different because:</i>		
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.		101,076,694
Other long-term assets are not available to pay for current-period expenditures and therefore are deferred in the funds.		
Property taxes receivable	\$ 868,142	
Income taxes receivable	357,064	
Accrued interest receivable	10,721	
Intergovernmental receivable	76,472	
Total	1,312,399	1,312,399
Unamortized bond issuance costs are not recognized in the funds.		389,811
Unamortized premiums on bond issuances are not recognized in the funds.		(1,394,162)
Unamortized deferred charges on refundings are not recognized in the funds.		997,145
On the statement of net assets, interest is accrued on outstanding bonds whereas in governmental funds, interest is reported when due.		(121,539)
Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds.		
General obligation bonds	(36,505,531)	
Bond anticipation notes	(700,000)	
Capital lease obligations	(364,586)	
Compensated absences	(2,140,763)	
Total	(39,710,880)	(39,710,880)
Net assets of governmental activities		\$ 70,549,598

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**TEAYS VALLEY LOCAL SCHOOL DISTRICT
PICKAWAY COUNTY**

**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012**

	<u>General</u>	<u>Debt Service</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
Revenues:				
From local sources:				
Property taxes	\$ 6,071,585	\$ 2,020,662	\$ 683,475	\$ 8,775,722
Income taxes	3,030,236	-	168,355	3,198,591
Payment in lieu of taxes	11,278	-	-	11,278
Tuition	557,536	-	-	557,536
Earnings on investments	60,004	-	751	60,755
Charges for services	-	-	712,035	712,035
Extracurricular	104,293	-	277,521	381,814
Classroom materials and fees	159,888	-	-	159,888
Rental income	1,769	-	-	1,769
Contributions and donations	33,505	-	99,741	133,246
Other local revenues	61,670	-	4,619	66,289
Intergovernmental - intermediate	73,688	24,440	11,767	109,895
Intergovernmental - state	16,738,199	320,141	292,503	17,350,843
Intergovernmental - federal	65,134	-	2,617,558	2,682,692
Total revenues	<u>26,968,785</u>	<u>2,365,243</u>	<u>4,868,325</u>	<u>34,202,353</u>
Expenditures:				
Current:				
Instruction:				
Regular	14,088,157	-	999,252	15,087,409
Special	2,821,280	-	639,847	3,461,127
Vocational	547,539	-	14,125	561,664
Other	113,677	-	-	113,677
Support services:				
Pupil	1,150,156	-	87,550	1,237,706
Instructional staff	1,151,061	-	142,125	1,293,186
Board of education	193,675	-	-	193,675
Administration	3,009,052	-	325,539	3,334,591
Fiscal	809,599	69,482	22,464	901,545
Business	178,162	-	23,521	201,683
Operations and maintenance	2,885,921	-	797,880	3,683,801
Pupil transportation	1,803,905	-	387,886	2,191,791
Central	277,420	-	12,810	290,230
Operation of non-instructional services:				
Operation of non-instructional	30,450	-	-	30,450
Food service operations	-	-	1,211,099	1,211,099
Extracurricular activities	498,157	-	304,599	802,756
Facilities acquisition and construction	-	-	591,811	591,811
Capital outlay	396,229	-	-	396,229
Debt service:				
Principal retirement	50,782	1,125,000	-	1,175,782
Interest and fiscal charges	11,104	1,545,892	9,809	1,566,805
Total expenditures	<u>30,016,326</u>	<u>2,740,374</u>	<u>5,570,317</u>	<u>38,327,017</u>
Excess of expenditures over revenues	(3,047,541)	(375,131)	(701,992)	(4,124,664)
Other financing sources (uses):				
Sale of capital assets	3,471	-	21,362	24,833
Sale of notes	-	700,000	-	700,000
Transfers in	200,306	-	1,015,457	1,215,763
Transfers (out)	-	(1,015,457)	-	(1,015,457)
Capital lease transaction	396,229	-	-	396,229
Total other financing sources (uses)	<u>600,006</u>	<u>(315,457)</u>	<u>1,036,819</u>	<u>1,321,368</u>
Net change in fund balances	(2,447,535)	(690,588)	334,827	(2,803,296)
Fund balances at beginning of year	5,986,653	2,981,782	1,850,515	10,818,950
Decrease in reserve for inventory	(10,647)	-	(4,877)	(15,524)
Fund balances at end of year	<u>\$ 3,528,471</u>	<u>\$ 2,291,194</u>	<u>\$ 2,180,465</u>	<u>\$ 8,000,130</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

TEAYS VALLEY LOCAL SCHOOL DISTRICT
PICKAWAY COUNTY

**RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES
FOR THE FISCAL YEAR ENDED JUNE 30, 2012**

Net change in fund balances - total governmental funds		\$ (2,803,296)
<i>Amounts reported for governmental activities in the statement of activities are different because:</i>		
Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which depreciation expense exceeded capital outlays in the current period.		
Capital asset additions	\$ 792,909	
Current year depreciation	<u>(4,826,950)</u>	
Total		(4,034,041)
The net effect of various miscellaneous transactions involving capital assets (i.e., sales, disposals, trade-ins, and donations) is to decrease net assets.		
		(87,561)
Governmental funds report expenditures for inventory when purchased. However, in the statement of activities, they are reported as an expense when consumed.		
		(15,524)
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.		
Property taxes	287,989	
Income taxes	357,064	
Payment in lieu of taxes	(4,477)	
Earnings on investments	(993)	
Intergovernmental	<u>(852,589)</u>	
Total		(213,006)
Repayment of bond and capital lease principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities on the statement of net assets. Principal payments during the year were:		
Bonds	1,125,000	
Capital leases	<u>50,782</u>	
Total		1,175,782
Capital lease obligation payable balance forgiven as part of the lease trade-in agreement. This reduces the long-term obligations on the statement of net assets.		
		84,773
Issuances bond anticipation notes and capital leases are recorded as other financing sources in the funds; however, in the statement of activities, they are not reported as other financing sources as they increase liabilities on the statement of net assets.		
Bond anticipation notes	(700,000)	
Capital leases	<u>(396,229)</u>	
Total		(1,096,229)
In the statement of activities, interest is accrued on outstanding bonds, whereas in governmental funds, an interest expenditure is reported when due. The following items resulted in additional interest being reported in the statement of activities:		
Decrease in accrued interest payable	3,246	
Accreted interest on capital appreciation bonds	(241,635)	
Amortization of bond issuance costs	(20,759)	
Amortization of bond premiums	85,760	
Amortization of deferred charges	<u>(64,680)</u>	
Total		(238,068)
Some expenses reported in the statement of activities, such as compensated absences, do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds.		
		376,926
An internal service fund used by management to charge the costs of insurance to individual funds is not reported in the district-wide statement of activities. Governmental fund expenditures and the related internal service fund revenues are eliminated. The net revenue (expense) of the internal service fund is allocated among the governmental activities.		
		<u>(205,112)</u>
Change in net assets of governmental activities		\$ (7,055,356)

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**TEAYS VALLEY LOCAL SCHOOL DISTRICT
PICKAWAY COUNTY**

**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCE - BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)
GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2012**

	<u>Budgeted Amounts</u>			Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
Revenues:				
From local sources				
Property taxes	\$ 8,133,174	\$ 8,059,446	\$ 8,059,446	\$ -
Income taxes	2,940,410	2,982,673	2,982,673	-
Payment in lieu of taxes	11,278	11,278	11,278	-
Tuition	618,373	557,536	557,536	-
Earnings on investments	83,351	60,999	60,999	-
Classroom materials and fees	144,057	153,123	153,123	-
Rental income	-	1,369	1,369	-
Other local revenues	28,811	58,353	58,353	-
Intergovernmental - intermediate	84,760	73,688	73,688	-
Intergovernmental - state	16,338,949	16,738,199	16,738,199	-
Intergovernmental - federal	75,819	65,210	65,210	-
Total revenues	<u>28,458,982</u>	<u>28,761,874</u>	<u>28,761,874</u>	<u>-</u>
Expenditures:				
Current:				
Instruction:				
Regular	15,344,447	14,006,840	14,006,840	-
Special	3,105,376	2,778,444	2,778,444	-
Vocational	672,329	560,113	560,113	-
Other	106,120	117,999	117,999	-
Support services				
Pupil	1,327,122	1,175,826	1,175,826	-
Instructional staff	1,119,119	1,143,969	1,143,969	-
Board of education	173,228	101,505	101,505	-
Administration	3,411,683	3,040,778	3,040,778	-
Fiscal	777,952	760,495	760,495	-
Business	445,765	242,128	242,128	-
Operations and maintenance	3,292,398	2,962,775	2,962,775	-
Pupil transportation	1,926,651	1,836,297	1,836,297	-
Central	180,733	222,120	222,120	-
Operation of non-instructional services	11,785	26,471	26,471	-
Extracurricular activities	422,292	500,264	500,264	-
Total expenditures	<u>32,317,000</u>	<u>29,476,024</u>	<u>29,476,024</u>	<u>-</u>
Excess of expenditures over revenues	<u>(3,858,018)</u>	<u>(714,150)</u>	<u>(714,150)</u>	<u>-</u>
Other financing sources (uses):				
Refund of prior year's expenditures	4,044	3,229	3,229	-
Advances (out)	-	(6,000)	(6,000)	-
Sale of capital assets	10,109	3,471	3,471	-
Total other financing sources (uses)	<u>14,153</u>	<u>700</u>	<u>700</u>	<u>-</u>
Net change in fund balance	<u>(3,843,865)</u>	<u>(713,450)</u>	<u>(713,450)</u>	<u>-</u>
Fund balance at beginning of year	3,438,383	3,438,383	3,438,383	-
Prior year encumbrances appropriated	405,482	405,482	405,482	-
Fund balance at end of year	\$ -	\$ 3,130,415	\$ 3,130,415	\$ -

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**TEAYS VALLEY LOCAL SCHOOL DISTRICT
PICKAWAY COUNTY**

**STATEMENT OF REVENUES, EXPENSES AND
CHANGES IN NET ASSETS
PROPRIETARY FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2012**

	Governmental Activities - Internal Service Fund
Operating expenses:	
Claims and administrative services	\$ 4,806
Total operating expenses.	<u>4,806</u>
Operating loss before transfers.	<u>(4,806)</u>
Transfer out	<u>(200,306)</u>
Change in net assets.	(205,112)
Net assets at beginning of year	<u>205,112</u>
Net assets at end of year.	<u><u>\$ -</u></u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**TEAYS VALLEY LOCAL SCHOOL DISTRICT
PICKAWAY COUNTY**

**STATEMENT OF CASH FLOWS
PROPRIETARY FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2012**

	<u>Governmental Activities - Internal Service Fund</u>
Cash flows from operating activities:	
Cash payments for claims and administration services.	\$ (42,609)
Net cash used in operating activities	<u>(42,609)</u>
Cash flows from noncapital financing activities:	
Cash used in repayment of interfund loans.	<u>(200,306)</u>
Net cash used in noncapital financing activities.	<u>(200,306)</u>
Net decrease in cash and cash equivalents	(242,915)
Cash and cash equivalents at beginning of year	<u>242,915</u>
Cash and cash equivalents at end of year	<u><u>\$ -</u></u>
Reconciliation of operating loss to net cash used in operating activities:	
Operating loss.	\$ (4,806)
Changes in assets and liabilities: (Decrease) in claims payable	<u>(37,803)</u>
Net cash used in operating activities.	<u><u>\$ (42,609)</u></u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**TEAYS VALLEY LOCAL SCHOOL DISTRICT
PICKAWAY COUNTY**

**STATEMENT OF FIDUCIARY NET ASSETS
FIDUCIARY FUNDS
JUNE 30, 2012**

	Private-Purpose Trust	
	Scholarship	Agency
Assets:		
Equity in pooled cash and investments	\$ 16,300	\$ 77,478
Receivables:		
Accrued interest.	66	-
Total assets.	16,366	\$ 77,478
Liabilities:		
Accounts payable.	-	\$ 827
Loans payable	-	3,988
Due to students.	-	72,663
Total liabilities	-	\$ 77,478
Net assets:		
Held in trust for scholarships	16,366	
Total net assets	\$ 16,366	

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**TEAYS VALLEY LOCAL SCHOOL DISTRICT
PICKAWAY COUNTY**

**STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS
FIDUCIARY FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2012**

	Private-Purpose Trust
	Scholarship
Additions:	
Interest	\$ 160
Total additions	160
Deductions:	
Scholarships awarded	150
Change in net assets	10
Net assets at beginning of year	16,356
Net assets at end of year	\$ 16,366

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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**TEAYS VALLEY LOCAL SCHOOL DISTRICT
PICKAWAY COUNTY, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012**

NOTE 1 - DESCRIPTION OF THE SCHOOL DISTRICT

The Teays Valley Local School District (the "District") is a body politic and corporate established for the purpose of exercising the rights and privileges conveyed to it by the constitution and laws of the State of Ohio. The District is a local school district as defined by Section 3311.03 of the Ohio Revised Code. The District operates under an elected Board of Education (five members) and is responsible for the provision of public education to residents of the District.

The District ranks as the 117th largest by total enrollment among the 918 public school districts and community schools in the State. The District employed 233 certified employees and 108 non-certified employees who provided services to 3,805 students. The District is supervised by the Pickaway County Educational Service Center, a separate entity.

The District provides regular, vocational, special and adult/continuing instruction. The District also provides support services for the pupils, instructional staff, general and school administration, business and fiscal services, facilities acquisition and construction services, operation and maintenance of plant, student transportation, food services, extracurricular activities and non-programmed services.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The basic financial statements of the District have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The District also applies Financial Accounting Standards Board (FASB) guidance issued on or before November 30, 1989, to its governmental type activity and to its proprietary fund provided it does not conflict with or contradict GASB pronouncements. The District's significant accounting policies are described below.

A. Reporting Entity

The reporting entity has been defined in accordance with GASB Statement No. 14, "The Financial Reporting Entity" as amended by GASB Statement No. 39, "Determining Whether Certain Organizations Are Component Units". The reporting entity is composed of the primary government and component units. The primary government consists of all funds, departments, boards and agencies that are not legally separate from the District. For the District, this includes general operations, food service and student related activities of the District.

Component units are legally separate organizations for which the District is financially accountable. The District is financially accountable for an organization if the District appoints a voting majority of the organization's Governing Board and (1) the District is able to significantly influence the programs or services performed or provided by the organization; or (2) the District is legally entitled to or can otherwise access the organization's resources; or (3) the District is legally obligated or has otherwise assumed the responsibility to finance the deficits of, or provide financial support to, the organization; or (4) the District is obligated for the debt of the organization. Component units may also include organizations that are fiscally dependent on the District in that the District approves the budget, the issuance of debt or the levying of taxes. Certain organizations are also included as component units if the nature and significance of the relationship between the primary government and the organization is such that exclusion by the primary government would render the primary governments financial statements incomplete or misleading. Based upon the application of these criteria, the District has no component units. The basic financial statements of the reporting entity include only those of the District (the primary government).

**TEAYS VALLEY LOCAL SCHOOL DISTRICT
PICKAWAY COUNTY, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012
(Continued)**

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

A. Reporting Entity (Continued)

The following organizations are described due to their relationship to the District:

JOINTLY GOVERNED ORGANIZATION

Metropolitan Education Council (MEC)

The Metropolitan Education Council is a not for profit educational council whose primary purpose and objective is to contribute to the educational services available to school districts in Franklin County and surrounding areas by cooperative action membership. The governing board consists of a representative from each of the Franklin County districts. Districts outside of Franklin County are associate members and each county selects a single district to represent them on the Governing Board. MEC is its own fiscal agent. The District paid \$557,197 to MEC for services provided during fiscal year 2012.

Central Ohio Special Education Regional Resource Center

The Central Ohio Special Education Regional Resource Center (COSERRC) is a jointly governed organization operated by a Governing Board that is composed of superintendents of member school districts in central Ohio which comprise sixty percent of the Board, two parents of children with disabilities, one representative of a chartered nonpublic school, one representative of a county board of Development Disabilities, representatives of universities and students and persons with disabilities representations. COSERRC assists the District in complying with mandates of Public Law 99-456 for educating children with disabilities. There is no financial commitment made by the districts involved in COSERRC. COSERRC is not dependent upon the continued participation of the District and the District does not maintain an equity interest in or financial responsibility for the Council.

PUBLIC ENTITY RISK POOLS

Ohio School Boards Association Workers' Compensation Group Rating Program

The District participates in a group rating plan for workers' compensation as established in Section 4123.29 of the Ohio Revised Code. The Ohio School Boards Association Workers' Compensation Group Rating Program (GRP) was established as an insurance purchasing pool and is governed by a three-member Board of Directors. The Executive Director of the Ohio School Boards Association, or his/her designee, serves as coordinator of the program. Each year, the participating districts pay an enrollment fee to the GRP to cover the costs of administering the program. Refer to Note 14.B. for further information on this group rating plan.

Pickaway County Public Employer Benefits Program (PCPEBP)

During fiscal year 2010, the District joined together with Circleville City School District, Logan Elm Local School District and Westfall Local School District to form the PCPEBP, a new insurance consortium. The PCPEBP is a public entity shared risk pool organized to provide health care and dental insurance benefits to its member organizations. The Board of Directors exercises control over the operation of the PCPEBP. Each member school district is represented on the Board of Directors by their superintendent or superintendent designee.

Logan Elm Local School District serves as fiscal agent for the PCPEBP. To obtain financial information, write Nicholas Roberts, Treasurer, Logan Elm Local School District, 9579 Tarlton Road, Circleville, Ohio 43113-9448.

TEAYS VALLEY LOCAL SCHOOL DISTRICT
PICKAWAY COUNTY, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012
(Continued)

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

B. Fund Accounting

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

GOVERNMENTAL FUNDS

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

The following are the District's major governmental funds:

General fund -The general fund is used to account for and report all financial resources not accounted for and reported in another fund. The general fund balance is available for any purpose provided it is expended or transferred according to the general laws of Ohio.

Debt service fund - The debt service fund is used to account for and report the accumulation of resources that are restricted for payment of general obligation bond and principal and interest payable from governmental resources when the government is obligated in some manner for payment.

Other governmental funds of the District are used to account for (a) financial resources that are restricted, committed, or assigned to expenditures for capital outlays including the acquisition or construction of capital facilities and other capital assets and (b) specific revenue sources that are restricted or committed to an expenditure for specified purposes other than debt service or capital projects.

PROPRIETARY FUND

Proprietary funds are used to account for the District's ongoing activities which are similar to those often found in the private sector. The District has no enterprise funds. The following is a description of the District's internal service fund:

Internal service fund - The internal service fund is used to account for the financing of goods or services provided by one department or agency to other departments or agencies of the district, or to other governments, on a cost-reimbursement basis. The internal service fund accounts for the District's self-insurance program which provides dental benefits to employees. During fiscal year 2012, the District moved its dental insurance activity to the PCPEBP and was no longer self-insured.

**TEAYS VALLEY LOCAL SCHOOL DISTRICT
PICKAWAY COUNTY, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012
(Continued)**

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

B. Fund Accounting (Continued)

FIDUCIARY FUNDS

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

C. Basis of Presentation and Measurement Focus

Government-Wide Financial Statements - The statement of net assets and the statement of activities display information about the District as a whole. These statements include the financial activities of the primary government, except for fiduciary funds. Internal service fund operating activity is eliminated to avoid overstatement of revenues and expenses.

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

The government-wide financial statements are prepared using the full accrual economic resources measurement focus. All assets and all liabilities associated with the operation of the District are included on the statement of net assets.

Fund Financial Statements - Fund financial statements report detailed information about the District. The focus of governmental fund financial statements is on major funds rather than reporting funds by type. Each major fund is presented in a separate column, and all nonmajor funds are aggregated into one column. The internal service fund is presented in a single column on the face of the proprietary fund statements. Fiduciary funds are reported by fund type.

All governmental funds are accounted for using a flow of current financial resources measurement focus. With this measurement focus, only current assets and current liabilities generally are included on the balance sheet. The statement of revenues, expenditures and changes in fund balances reports on the sources (i.e., revenues and other financing sources) and uses (i.e., expenditures and other financing uses) of current financial resources. This approach differs from the manner in which the governmental activities of the government-wide financial statements are prepared. Governmental fund financial statements therefore include a reconciliation with brief explanations to better identify the relationship between the government-wide statements and the statements for governmental funds.

**TEAYS VALLEY LOCAL SCHOOL DISTRICT
PICKAWAY COUNTY, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012
(Continued)**

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

C. Basis of Presentation and Measurement Focus (Continued)

Like the government-wide statements, the internal service fund is accounted for on a flow of economic resources measurement focus. All assets and all liabilities associated with the operation of this fund are included on the statement of fund net assets. The statement of changes in fund net assets presents increases (i.e., revenues) and decreases (i.e., expenses) in net total assets. The statement of cash flows provides information about how the District finances and meets the cash flow needs of its proprietary activity.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operation. The principal operating revenue of the District's internal service fund is charges for services. Operating expenses for the internal service fund include the cost of service and administrative expenses. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

The private-purpose trust fund is reported using the economic resources measurement focus. The agency fund does not report a measurement focus as it does not report operations.

D. Basis of Accounting

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

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

Nonexchange transactions, in which the District receives value without directly giving equal value in return, include property taxes, income taxes, grants, entitlements and donations. On an accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied (See Note 6). Revenue from grants, entitlements and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the fiscal year when use is first permitted, matching requirements, in which the District must provide local resources to be used for a specified purpose, and expenditure requirements, in which the resources are provided to the District on a reimbursement basis. On a modified accrual basis, revenue from nonexchange transactions must also be available before it can be recognized.

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

**TEAYS VALLEY LOCAL SCHOOL DISTRICT
PICKAWAY COUNTY, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012
(Continued)**

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

D. Basis of Accounting (Continued)

Unearned Revenue and Deferred Revenue - Unearned revenue and deferred revenue arise when assets are recognized before revenue recognition criteria have been satisfied.

Property taxes for which there is an enforceable legal claim as of June 30, 2012, but which were levied to finance fiscal year 2013 operations, and other revenues received in advance of the fiscal year for which they are intended to finance, have been recorded as unearned revenue. Grants and entitlements received before the eligibility requirements are met and delinquent property taxes at June 30, 2012 are recorded as deferred revenue.

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

Expenses/Expenditures - On the accrual basis of accounting, expenses are recognized at the time they are incurred. The entitlement value of donated commodities used during the year is reported in the statement of revenues, expenditures and changes in fund balances as an expenditure with a like amount reported as intergovernmental revenue. Unused donated commodities are reported as intergovernmental revenue.

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

E. Budgets

The District is required by State statute to adopt an annual appropriated cash basis budget for all funds (except agency funds). The specific timetable for fiscal year 2012 is as follows.

1. Prior to January 15, the Superintendent and Treasurer submit to the Board of Education a proposed operating budget for the fiscal year commencing the following July 1. The budget includes proposed expenditures and the means of financing for all funds. Public hearings are publicized and conducted to obtain taxpayers' comments. The purpose of this budget document is to reflect the need for existing (or increased) tax rates.
2. By no later than January 20, the Board-adopted budget is filed with the Pickaway County Budget Commission for tax rate determination.
3. Prior to April 1, the Board of Education accepts, by formal resolution, the tax rates as determined by the Budget Commission and receives the Commission's certificate of estimated resources which states the projected revenue of each fund. Prior to July 1, the District must revise its budget so that total contemplated expenditures from any fund during the ensuing year will not exceed the amount stated in the certificate of estimated resources. The revised budget then serves as a basis for the appropriation measure. On or about July 1, the certificate is amended to include any unencumbered balances from the preceding year as reported by the District Treasurer. The certificate may be further amended during the year if projected increases or decreases in revenue are identified by the District Treasurer. The amounts reported as the original and final budgeted revenues in the budgetary statement reflect the amounts set forth in the original and final certificates of estimated resources issued for fiscal year 2012.

**TEAYS VALLEY LOCAL SCHOOL DISTRICT
PICKAWAY COUNTY, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012
(Continued)**

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

E. Budgets (Continued)

4. By July 1, the annual appropriation resolution is legally enacted by the Board of Education at the fund level for all funds, which is the legal level of budgetary control. (State statute permits a temporary appropriation to be effective until no later than October 1 of each year). Although the legal level of budgetary control was established at the fund level of expenditures, the District has elected to present budgetary statement comparisons at the fund and function level of expenditures.

Resolution appropriations by fund must be within the estimated resources as certified by the County Budget Commission and the total of expenditures and encumbrances may not exceed appropriations totals.

5. Any revisions that alter the total of any fund appropriation at the legal level of control must be approved by the Board of Education.
6. Formal budgetary integration is employed as a management control device during the year for all funds consistent with statutory provisions.
7. Appropriation amounts are as originally adopted, or as amended by the Board of Education throughout the year by supplemental appropriations, which either reallocated or increased the original appropriated amounts. The original and final budget figures, which appear in the statement of budgetary comparisons, represent the permanent appropriation (original budget) amounts plus all supplemental appropriations legally enacted during the year (final budget amounts).
8. At the close of each year, the unencumbered balance of each appropriation reverts to the respective fund from which it was appropriated and becomes subject to future appropriations. The encumbered appropriation balance is carried forward to the succeeding fiscal year and need not be reappropriated.

F. Cash and Investments

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

During fiscal year 2012, investments were limited to nonnegotiable certificates of deposits and investments in the State Treasury Asset Reserve of Ohio (STAR Ohio). Except for nonparticipating investment contracts, investments are reported at fair value, which is based on quoted market prices. Nonparticipating investment contracts, such as nonnegotiable certificates of deposit, are reported at cost.

The District has invested funds in STAR Ohio during fiscal year 2012. STAR Ohio is an investment pool managed by the State Treasurer's Office, which allows governments within the State to pool their funds for investment purposes. STAR Ohio is not registered with the SEC as an investment company, but does operate in a manner consistent with Rule 2a7 of the Investment Company Act of 1940. Investments in STAR Ohio are valued at STAR Ohio's shares price, which is the price the investment could be sold for on June 30, 2012.

**TEAYS VALLEY LOCAL SCHOOL DISTRICT
PICKAWAY COUNTY, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012
(Continued)**

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

F. Cash and Investments (Continued)

Following Ohio statutes, the Board of Education has, by resolution, specified the funds to receive an allocation of interest earnings. Interest revenues credited to the general fund during fiscal year 2012 amounted to \$60,004 which includes \$38,144 assigned from other District funds.

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

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

G. Inventory

On government-wide and fund financial statements, inventories are presented at the lower of cost or market on a first-in, first-out basis and are expensed when used. Donated commodities are presented at their entitlement value. Inventories are accounted for using the purchase method on the fund financial statements and using the consumption method on the government-wide statements.

On the fund financial statements, reported material and supplies inventory is equally offset by a nonspendable fund balance in the governmental funds which indicates that it does not constitute available spendable resources even though it is a component of net current assets.

Inventory consists of expendable supplies held for consumption, donated food and purchased food.

H. Capital Assets

General capital assets are those assets not specifically related to activities reported in the proprietary funds. These assets generally result from expenditures in the governmental funds. These assets are reported in the governmental activities column of the government-wide statement of net assets, but are not reported in the fund financial statements.

All capital assets are capitalized at cost (or estimated historical cost) and updated for additions and disposals during the year. Donated capital assets are recorded at their fair market values as of the date received. The District maintains a capitalization threshold of \$1,000. 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 life are not. Interest incurred during the construction of capital assets is also capitalized.

All reported capital assets except land are depreciated. Improvements are depreciated over the remaining useful lives of the related capital assets.

**TEAYS VALLEY LOCAL SCHOOL DISTRICT
PICKAWAY COUNTY, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012
(Continued)**

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

H. Capital Assets (Continued)

Depreciation is computed using the straight-line method over the following useful lives:

<u>Description</u>	<u>Governmental Activities Estimated Lives</u>
Land improvements	20 years
Buildings and improvements	20 - 50 years
Furniture and equipment	5 - 20 years
Vehicles	8 - 10 years
Infrastructure	20 years

I. Interfund Balances

On fund financial statements, receivables and payables resulting from short-term interfund loans are classified as "interfund loans receivables/payables". These amounts are eliminated in the governmental type activities columns of the statement of net assets. Receivables and payables resulting from interfund loans between governmental activities and agency funds are classified as "loans receivable/payable".

J. Compensated Absences

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

In accordance with the provisions of GASB Statement No. 16, "Accounting for Compensated Absences", a liability for vacation leave is accrued if a) the employees' rights to payment are attributable to services already rendered; and b) it is probable that the employer will compensate the employees for the benefits through paid time off or other means, such as cash payment at termination or retirement. An accrual for earned sick leave is made to the extent that it is probable that the benefits will result in termination (severance) payments. A liability for severance is accrued using the vesting method; i.e., the liability is based on the sick leave accumulated at June 30, 2012, by those employees who are currently eligible to receive termination (severance) payments, as well as those employees expected to become eligible in the future. For purposes of establishing a liability for sick leave on employees expected to become eligible to retire in the future, all employees with at least ten years of service were considered expected to become eligible to retire in accordance with GASB Statement No. 16.

The total liability for vacation and sick leave payments has been calculated using pay rates in effect at June 30, 2012 and reduced to the maximum payment allowed by labor contract and/or statute, plus any applicable additional salary related payments.

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

**TEAYS VALLEY LOCAL SCHOOL DISTRICT
PICKAWAY COUNTY, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012
(Continued)**

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

J. Compensated Absences (Continued)

For governmental fund financial statements, compensated absences are recognized as liabilities and expenditures as payments come due each period upon the occurrence of employee resignations and retirements.

K. Unamortized Issuance Costs/Bond Premium and Discount/Accounting Gain or Loss

On government-wide financial statements, bond issuance costs are deferred and amortized over the term of the bonds using the straight-line method, which approximates the effective interest method. Unamortized bond issuance costs are recorded as a separate line item on the statement of net assets.

Bond premiums are deferred and amortized over the term of the bonds using the straight-line method, which approximates the effective interest method. Bond premiums are presented as an addition to the face amount of the bonds.

For bond refunds resulting in the defeasance of the debt reported in the government-wide financial statements, the difference between the reacquisition price and the net carrying amount of the old debt is deferred and amortized as a component of interest expense. This accounting gain or loss is amortized over the remaining life of the old debt or the life of the new debt, whichever is shorter and is presented as an addition to or reduction of the face amount of the new debt.

On the governmental fund financial statements, bond issuance costs and bond premiums are recognized in the current period. A reconciliation between the bonds face value and the amount reported on the statement of net assets is presented in Note 11.A.

L. Prepayments

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

M. Accrued Liabilities and Long-Term Obligations

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

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

**TEAYS VALLEY LOCAL SCHOOL DISTRICT
PICKAWAY COUNTY, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012
(Continued)**

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

N. Fund Balance

Fund balance is divided into five classifications based primarily on the extent to which the District is bound to observe constraints imposed upon the use of the resources in the governmental funds. The classifications are as follows:

Nonspendable - The nonspendable fund balance classification includes amounts that cannot be spent because they are not in spendable form or legally required to be maintained intact. The "not in spendable form" criterion includes items that are not expected to be converted to cash. It also includes the long-term amount of loans receivable.

Restricted - Fund balance is reported as restricted when constraints are placed on the use of resources that are either externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments, or imposed by law through constitutional provisions or enabling legislation.

Committed - The committed fund balance classification includes amounts that can be used only for the specific purposes imposed by a formal action (resolution) of the District Board of Education (the highest level of decision making authority). Those committed amounts cannot be used for any other purpose unless the District Board of Education removes or changes the specified use by taking the same type of action (resolution) it employed to previously commit those amounts. Committed fund balance also incorporates contractual obligations to the extent that existing resources in the fund have been specifically committed for use in satisfying those contractual requirements.

Assigned - Amounts in the assigned fund balance classification are intended to be used by the District for specific purposes but do not meet the criteria to be classified as restricted nor committed. In governmental funds other than the general fund, assigned fund balance represents the remaining amount that is not restricted or committed. In the general fund, assigned amounts represent intended uses established by policies of the District Board of Education, which includes giving the Treasurer the authority to constrain monies for intended purposes.

Unassigned - Unassigned fund balance is the residual classification for the general fund and includes all spendable amounts not contained in the other classifications. In other governmental funds, the unassigned classification is only used to report a deficit fund balance resulting from overspending for specific purposes for which amounts had been restricted, committed, or assigned.

The District applies restricted resources first when expenditures are incurred for purposes for which restricted and unrestricted (committed, assigned, and unassigned) fund balance is available. Similarly, within unrestricted fund balance, committed amounts are reduced first followed by assigned, and then unassigned amounts when expenditures are incurred for purposes for which amounts in any of the unrestricted fund balance classifications could be used.

**TEAYS VALLEY LOCAL SCHOOL DISTRICT
PICKAWAY COUNTY, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012
(Continued)**

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

O. Estimates

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

P. 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 or through external restrictions imposed by creditors, grantors or laws or regulations of other governments. Net assets restricted for other purposes include amounts restricted for the following nonmajor governmental funds: the food service fund and the special trust fund.

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

Q. Interfund Activity

Exchange transactions between funds are reported as revenues in the seller funds and as expenditures/expenses in the purchaser funds. Flows of cash or goods from one fund to another without a requirement for repayment are reported as interfund transfers. Interfund transfers are reported as other financing sources/uses in governmental funds and after nonoperating revenues/expenses in proprietary funds. Repayments from funds responsible for particular expenditures/expenses to the funds that initially paid for them are not presented on the financial statements.

NOTE 3 - ACCOUNTABILITY AND COMPLIANCE

A. Change in Accounting Principles

For fiscal year 2012, the District has implemented GASB Statement No. 57, "OPEB Measurements by Agent Employers and Agent Multiple-Employer Plans", and GASB Statement No. 64, "Derivative Instruments: Application of Hedge Accounting Termination Provisions - an Amendment of GASB Statement No. 53".

GASB Statement No. 57 addresses issues related to the use of the alternative measurement method and the frequency and timing of measurements by employers that participate in agent multiple-employer other postemployment benefit (OPEB) plans. The implementation of GASB Statement No. 57 did not have an effect on the financial statements of the District.

GASB Statement No. 64 clarifies the circumstances in which a hedge accounting should continue when a swap counterparty, or a swap counterparty's credit support provider, is replaced. The implementation of GASB Statement No. 64 did not have an effect on the financial statements of the District.

**TEAYS VALLEY LOCAL SCHOOL DISTRICT
PICKAWAY COUNTY, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012
(Continued)**

NOTE 3 - ACCOUNTABILITY AND COMPLIANCE - (Continued)

B. Deficit Fund Balances

Fund balances at June 30, 2012 included the following individual fund deficits:

<u>Nonmajor fund</u>	<u>Deficit</u>
IDEA Part-B	\$ 2,026

The general fund is liable for any deficits in this fund and provides transfers when cash is required, not when accruals occur. The deficit fund balance resulted from adjustments for accrued liabilities.

NOTE 4 - EQUITY IN POOLED CASH AND INVESTMENTS

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

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

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

Interim deposits are deposits of interim monies. Interim monies are those monies which are not needed for immediate use, but which will be needed before the end of the current period of designation of depositories.

Interim deposits must be evidenced by time certificates of deposit maturing not more than one year from the date of deposit or by savings or deposit accounts including passbook accounts.

Interim monies 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 provided that the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least two percent and be marked to market daily, and that the term of the agreement must not exceed thirty days;

**TEAYS VALLEY LOCAL SCHOOL DISTRICT
PICKAWAY COUNTY, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012
(Continued)**

NOTE 4 - EQUITY IN POOLED CASH AND INVESTMENTS - (Continued)

4. Bonds and other obligations of the State of Ohio;
5. No-load money market mutual funds consisting exclusively of obligations described in items (1) and (2) above and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions;
6. The State Treasurer's investment pool (STAR Ohio);
7. Certain banker's acceptance and commercial paper notes for a period not to exceed one hundred eighty days from the purchase date in an amount not to exceed twenty-five percent of the interim monies available for investment at any one time; and,
8. Under limited circumstances, corporate debt interests rated in either of the two highest classifications by at least two nationally recognized rating agencies.

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

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

A. Cash on Hand

At fiscal year end, the District had \$12,500 in undeposited cash on hand which is included on the financial statements of the District as part of "equity in pooled cash and investments."

B. Cash in Segregated Accounts

At fiscal year end, \$10,341 was on deposit with an escrow agent for retainage held as part of the District's construction contracts. This amount is included in the total amount of deposits reported below and is reported on the financial statements as "cash in segregated accounts".

C. Deposits with Financial Institutions

At June 30, 2012, the carrying amount of all District deposits was \$8,904,677. Based on the criteria described in GASB Statement No. 40, "Deposits and Investment Risk Disclosures", as of June 30, 2012, \$7,959,747 of the District's bank balance of \$8,986,709 was exposed to custodial risk as discussed below, while \$1,026,962 was covered by the FDIC.

**TEAYS VALLEY LOCAL SCHOOL DISTRICT
PICKAWAY COUNTY, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012
(Continued)**

NOTE 4 - EQUITY IN POOLED CASH AND INVESTMENTS - (Continued)

C. Deposits with Financial Institutions (Continued)

Custodial credit risk is the risk that, in the event of bank failure, the District's deposits may not be returned. All deposits are collateralized with eligible securities in amounts equal to at least 105% of the carrying value of the deposits. Such collateral, as permitted by the Ohio Revised Code, is held in single financial institution collateral pools at Federal Reserve Banks, or at member banks of the federal reserve system, in the name of the respective depository bank and pledged as a pool of collateral against all of the public deposits it holds or as specific collateral held at the Federal Reserve Bank in the name of the District. The District has no deposit policy for custodial credit risk beyond the requirements of State statute. Although the securities were held by the pledging institutions' trust department and all statutory requirements for the deposit of money had been followed, noncompliance with federal requirements could potentially subject the District to a successful claim by the FDIC.

D. Investments

As of June 30, 2012, the District had the following investments and maturities:

<u>Investment type</u>	<u>Fair Value</u>	<u>6 months or less</u>
STAR Ohio	<u>\$ 1,176,227</u>	<u>\$ 1,176,227</u>

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

Credit Risk: Standard & Poor's has assigned STAR Ohio an AAAM money market rating.

Custodial Credit Risk: For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the District will not be able to recover the value of its investment or collateral securities that are in the possession of an outside party. The District's investment policy does not specifically address custodial credit risk beyond the adherence to all relevant sections of the Ohio Revised Code.

Concentration of Credit Risk: The District places no limit on the amount that may be invested in any one issuer. The following table includes the percentage of each investment type held by the District at June 30, 2012:

<u>Investment type</u>	<u>Fair Value</u>	<u>% of Total</u>
STAR Ohio	<u>\$ 1,176,227</u>	<u>100.00</u>

**TEAYS VALLEY LOCAL SCHOOL DISTRICT
PICKAWAY COUNTY, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012
(Continued)**

NOTE 4 - EQUITY IN POOLED CASH AND INVESTMENTS - (Continued)

E. Reconciliation of Cash and Investments to the Statement of Net Assets

The following is a reconciliation of cash and investments as reported in the note above to cash and investments as reported on the statement of net assets as of June 30, 2012:

<u>Cash and investments per note</u>	
Carrying amount of deposits	\$ 8,904,677
Investments	1,176,227
Cash on hand	<u>12,500</u>
Total	<u>\$ 10,093,404</u>
 <u>Cash and investments per statement of net assets</u>	
Governmental activities	\$ 9,999,626
Private-purpose trust funds	16,300
Agency funds	<u>77,478</u>
Total	<u>\$ 10,093,404</u>

NOTE 5 - INTERFUND TRANSACTIONS

A. Interfund transfers for the year ended June 30, 2012, consisted of the following, as reported on the fund financial statements:

<u>Transfers to general fund from:</u>	
Internal service fund	\$ 200,306
 <u>Transfers to nonmajor governmental funds from:</u>	
Debt service fund	<u>1,015,457</u>
Total	<u>\$ 1,215,763</u>

Transfers are used to move revenues from the fund that statute or budget required to collect them to the fund that statute or budget requires to expend them and to use unrestricted revenues collected in the general fund to finance various programs accounted for in other funds in accordance with budgetary authorizations. The transfer from the debt service fund to the building fund (a nonmajor governmental fund) is to move the principal, interest payments and note proceeds associated with bond anticipation notes to the fund that recorded the liability. See Note 12 for information regarding the bond anticipation notes. The \$200,306 transfer from the internal service fund to the general fund was a residual equity transfer. Effective July 1, 2011, the District joined the PCPEBP and was no longer self-insured for dental coverage.

Interfund transfers between governmental funds are eliminated for reporting purposes in the statement of activities.

All transfers were made in compliance with Ohio Revised Code Sections 5705.14, 5705.15 and 5705.16.

**TEAYS VALLEY LOCAL SCHOOL DISTRICT
PICKAWAY COUNTY, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012
(Continued)**

NOTE 5 - INTERFUND TRANSACTIONS - (Continued)

B. Interfund loans receivable/payable consisted of the following at June 30, 2012, as reported on the fund statements:

<u>Receivable fund</u>	<u>Payable fund</u>	<u>Amount</u>
General fund	Nonmajor governmental fund	\$ 6,000
General fund	Agency fund	<u>3,988</u>
Total		<u>\$ 9,988</u>

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

Interfund balances between governmental funds are eliminated on the government-wide financial statements. Interfund loans between governmental funds and agency funds appear as "loans receivable/payable" on the statement of net assets, the balance sheet and the statement of fiduciary net assets.

NOTE 6 - PROPERTY TAXES

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

Property taxes include amounts levied against all real property and public utility property. Real property tax revenues received in calendar year 2012 represent the collection of calendar year 2011 taxes. Real property taxes received in calendar year 2012 were levied after April 1, 2011, on the assessed values as of January 1, 2011, the lien date. Assessed values for real property taxes are established by State statute at 35 percent of appraised market value. Real property taxes are payable annually or semiannually. If paid annually, payment is due December 31; if paid semiannually, the first payment is due December 31, with the remainder payable by June 20. Under certain circumstances, State statute permits alternate payment dates to be established. Public utility property tax revenues received in calendar year 2012 represent the collection of calendar year 2011 taxes. Public utility real and personal property taxes received in calendar year 2012 became a lien on December 31, 2010, were levied after April 1, 2011, and are collected with real property taxes. Public utility real property is assessed at 35 percent of true value; public utility tangible personal property is currently assessed at varying percentages of true value.

The District receives property taxes from Pickaway, Fairfield and Franklin Counties. The County Auditors periodically advance to the District its portion of the taxes collected. Second-half real property tax payments collected by the County by June 30, 2012, are available to finance fiscal year 2012 operations. The amount available as an advance at June 30, 2012 was \$613,878 in the general fund, \$207,797 in the debt service fund and \$70,298 in the permanent improvement fund (a nonmajor governmental fund). This amount is recorded as revenue. The amount available for advance at June 30, 2011 was \$2,601,739 in the general fund, \$873,473 in the debt service fund and \$295,439 in the permanent improvement fund (a nonmajor governmental fund). The amount of second-half real property taxes available for advance at fiscal year-end can vary based on the date the tax bills are sent.

**TEAYS VALLEY LOCAL SCHOOL DISTRICT
PICKAWAY COUNTY, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012
(Continued)**

NOTE 6 - PROPERTY TAXES - (Continued)

Accrued property taxes receivable includes real property, public utility property and delinquent tangible personal property taxes which are measurable as of June 30, 2012 and for which there is an enforceable legal claim. Although total property tax collections for the next fiscal year are measurable, only the amount of real property taxes available as an advance at June 30 was levied to finance current fiscal year operations and is reported as revenue at fiscal year end. The portion of the receivable not levied to finance current fiscal year operations is offset by a credit to unearned revenue.

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

The assessed values upon which the fiscal year 2012 taxes were collected are:

	2011 Second Half Collections		2012 First Half Collections	
	<u>Amount</u>	<u>Percent</u>	<u>Amount</u>	<u>Percent</u>
Agricultural/residential and other real estate	\$ 386,969,490	88.62	\$ 384,338,570	84.59
Public utility personal	49,363,815	11.30	70,041,320	15.41
Tangible personal property	<u>337,850</u>	<u>0.08</u>	<u>-</u>	<u>-</u>
Total	<u>\$ 436,671,155</u>	<u>100.00</u>	<u>\$ 454,379,890</u>	<u>100.00</u>
Tax rate per \$1,000 of assessed valuation for:				
General	\$22.70		\$22.70	
Bond	6.80		6.80	
Permanent improvement	2.30		2.30	

NOTE 7 - RECEIVABLES

Receivables at June 30, 2012 consisted of property taxes, income taxes, payment in lieu of taxes (PILOTs), accounts (billings for user charged services and student fees), accrued interest and intergovernmental grants and entitlements. All receivables are considered collectible in full due to the ability to foreclose for the nonpayment of taxes, the stable condition of State programs and the current year guarantee of federal funds. A summary of the principal items of receivables reported on the statement of net assets follows:

Governmental activities:	
Property taxes	\$ 12,493,887
Income taxes	1,429,327
PILOTs receivable	11,278
Accounts	20,143
Intergovernmental	87,407
Accrued interest	<u>11,385</u>
Total	<u>\$ 14,053,427</u>

Receivables have been disaggregated on the face of the financial statements. All receivables are expected to be collected within one year.

**TEAYS VALLEY LOCAL SCHOOL DISTRICT
PICKAWAY COUNTY, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012
(Continued)**

NOTE 8 - INCOME TAX

The District levies a voted tax of .75 percent for general operations on the income of residents and of estates. The tax was effective on January 1, 1992 and is a continuing tax. In March 2012, the District voters passed a 1.50 percent earned income tax levy. Collections will gradually be ramped up beginning in calendar year 2013 with full collection not expected until 2014. 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 District after withholding amounts for administrative fees and estimated refunds. Income tax revenue is credited to the general fund and the classroom facilities fund (a nonmajor governmental fund). Total income tax revenue on a modified accrual basis during fiscal year 2012 was \$3,198,591.

NOTE 9 - CAPITAL ASSETS

Capital asset activity for the fiscal year ended June 30, 2012, was as follows:

	Balance <u>June 30, 2011</u>	<u>Additions</u>	<u>Disposals</u>	Balance <u>June 30, 2012</u>
Governmental activities:				
<i>Capital assets, not being depreciated:</i>				
Land	\$ 3,020,415	\$ -	\$ -	\$ 3,020,415
Total capital assets, not being depreciated	<u>3,020,415</u>	<u>-</u>	<u>-</u>	<u>3,020,415</u>
<i>Capital assets, being depreciated:</i>				
Land improvements	12,419,265	-	-	12,419,265
Buildings and improvements	105,299,843	186,528	-	105,486,371
Furniture and equipment	10,348,575	444,100	(882,441)	9,910,234
Vehicles	2,576,543	162,281	(130,810)	2,608,014
Infrastructure	236,884	-	-	236,884
Total capital assets, being depreciated	<u>130,881,110</u>	<u>792,909</u>	<u>(1,013,251)</u>	<u>130,660,768</u>
<i>Less: accumulated depreciation:</i>				
Land improvements	(2,903,240)	(587,886)	-	(3,491,126)
Buildings and improvements	(19,897,567)	(3,286,747)	-	(23,184,314)
Furniture and equipment	(4,256,293)	(723,593)	794,880	(4,185,006)
Vehicles	(1,621,427)	(217,490)	130,810	(1,708,107)
Infrastructure	(24,702)	(11,234)	-	(35,936)
Total accumulated depreciation	<u>(28,703,229)</u>	<u>(4,826,950)</u>	<u>925,690</u>	<u>(32,604,489)</u>
Governmental activities capital assets, net	<u>\$ 105,198,296</u>	<u>\$ (4,034,041)</u>	<u>\$ (87,561)</u>	<u>\$ 101,076,694</u>

**TEAYS VALLEY LOCAL SCHOOL DISTRICT
PICKAWAY COUNTY, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012
(Continued)**

NOTE 9 - CAPITAL ASSETS - (Continued)

Depreciation expense was charged to governmental functions as follows:

<u>Instruction:</u>	
Regular	\$ 4,137,425
Special	4,157
Vocational	36,667
<u>Support services:</u>	
Pupil	10,899
Instructional staff	105,267
Board of education	2,433
Administration	20,841
Fiscal	2,555
Business	56,054
Operations and maintenance	30,437
Pupil transportation	220,991
Central	279
Extracurricular activities	112,881
Food service operations	<u>86,064</u>
Total depreciation expense	<u>\$ 4,826,950</u>

NOTE 10 - CAPITALIZED LEASE - LESSEE DISCLOSURE

In the current fiscal year, the District entered into a capitalized lease for copier equipment. In prior fiscal years, the District entered into capitalized leases for copier equipment and a postage meter. These lease agreements meet the criteria of capital lease as defined by FASB Statement No. 13, "Accounting for Leases", which defines a capital lease generally as one which transfers benefits and risks of ownership to the lessee. Capital lease payments have been reclassified and are reflected as debt service expenditures in the financial statements for the governmental funds. These expenditures are reported as function expenditures on the budgetary statements.

Capital assets consisting of equipment have been capitalized in the amount of \$402,298 on the statement of net assets. This amount represents the present value of the minimum lease payments at the time of acquisition. Accumulated depreciation as of June 30, 2012 was \$362,068 leaving a current book value of \$40,230. A corresponding liability is recorded in the government-wide financial statements. Principal payments in fiscal year 2012 totaled \$50,782 paid by the general fund. In addition to the amount of principal retired, the District also traded in a lease with a principal balance of \$84,773.

**TEAYS VALLEY LOCAL SCHOOL DISTRICT
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**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012
(Continued)**

NOTE 10 - CAPITALIZED LEASE - LESSEE DISCLOSURE - (Continued)

The following is a schedule of the future long-term minimum lease payments required under the capital lease and the present value of the future minimum lease payments as of June 30, 2012:

<u>Fiscal Year Ending June 30,</u>	<u>Amount</u>
2013	\$ 88,404
2014	88,404
2015	88,404
2016	88,057
2017	<u>43,507</u>
Total minimum lease payments	396,776
Less: amount representing interest	<u>(32,190)</u>
Total	<u>\$ 364,586</u>

NOTE 11 - LONG-TERM OBLIGATIONS

A. During the fiscal year 2012, the following changes occurred in governmental activities long-term obligations:

	<u>Balance</u>	<u>Increase</u>	<u>Decrease</u>	<u>Balance</u>	<u>Amounts</u>
	<u>June 30, 2011</u>			<u>June 30, 2012</u>	<u>Due in</u>
					<u>One Year</u>
General obligation bonds	\$ 37,388,896	\$ 241,635	\$ (1,125,000)	\$ 36,505,531	\$ 1,160,000
Bond anticipation notes	-	700,000	-	700,000	345,000
Capital lease obligation	103,912	396,229	(135,555)	364,586	76,000
Compensated absences	<u>2,632,286</u>	<u>221,382</u>	<u>(639,260)</u>	<u>2,214,408</u>	<u>287,048</u>
Total	<u>\$ 40,125,094</u>	<u>\$ 1,559,246</u>	<u>\$ (1,899,815)</u>	39,784,525	<u>\$ 1,868,048</u>
Less: Unamortized deferred charge on refunding				(997,145)	
Add: Unamortized premium on refunding				<u>1,394,162</u>	
Total on statement of net assets				<u>\$ 40,181,542</u>	

General Obligation Bonds: See Note 11.B. through Note 11.E. for details.

Bond Anticipation Notes: See Note 11.F. for details.

Capital Lease Obligation: The capital lease obligation will be paid from the general fund. See Note 10 for details.

Compensated Absences: Compensated absences will be paid from the fund from which the employee's salaries are paid which, for the District is the general fund, food service fund (a nonmajor governmental fund), poverty based assistance fund (a nonmajor governmental fund) and the Title VI-B fund (a nonmajor governmental fund).

**TEAYS VALLEY LOCAL SCHOOL DISTRICT
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**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012
(Continued)**

NOTE 11 - LONG-TERM OBLIGATIONS - (Continued)

B. General Obligation Bonds - Series 2006 Refunding Bonds: On July 28, 2005, the District issued general obligation bonds (Series 2006 Refunding Bonds) to advance refund a portion of the Series 2000 current interest general obligation bonds (principal \$20,360,000). The issuance proceeds of \$18,444,995 were used to purchase securities which were placed in an irrevocable trust to provide resources for all future debt service payments on the refunded debt. This refunded debt is considered defeased (in-substance) and accordingly, has been removed from the statement of net assets.

The refunding issue is comprised of both current interest bonds, par value \$17,760,000, and capital appreciation bonds, par value \$274,995. The interest rates on the current interest bonds range from 4.30% to 5.50%. The capital appreciation bonds mature December 1, 2014 (effective interest rate 19.79%) and December 1, 2015 (stated interest rate 19.791%) at a redemption price equal to 100% of the principal, plus accrued interest to the redemption date. The accreted value at maturity for the capital appreciation bonds is \$1,890,000. Total accreted interest of \$778,911 has been included in the statement of net assets at June 30, 2012.

These bonds are general obligations of the District for which the full faith and credit of the District is pledged for repayment. Accordingly, such unmatured obligations of the District are accounted for in the statement of net assets. Payments of principal and interest relating to this bond are recorded as an expenditure in the debt service fund (a nonmajor governmental fund).

Interest payments on the current interest bonds are due on June 1 and December 1 of each year. The final maturity stated in the issues is December 1, 2027.

The following is a schedule of activity for fiscal year 2012 on the series 2006 refunding bonds:

	<u>Balance</u> <u>June 30, 2011</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance</u> <u>June 30, 2012</u>
Current interest bonds -				
2006 refunding series	\$ 17,340,000	\$ -	\$ (850,000)	\$ 16,490,000
Capital appreciation bonds -				
2006 refunding series	274,995	-	-	274,995
Capital appreciation bonds -				
Accreted interest	<u>591,074</u>	<u>187,837</u>	<u>-</u>	<u>778,911</u>
Total	<u>\$ 18,206,069</u>	<u>\$ 187,837</u>	<u>\$ (850,000)</u>	<u>\$ 17,543,906</u>

**TEAYS VALLEY LOCAL SCHOOL DISTRICT
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**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012
(Continued)**

NOTE 11 - LONG-TERM OBLIGATIONS - (Continued)

The following is a summary of the future debt service requirements to maturity for the series 2006 refunding bonds:

Fiscal Year Ending June 30,	Current Interest Bonds			Capital Appreciation Bonds		
	Principal	Interest	Total	Principal	Interest	Total
2013	\$ 875,000	\$ 745,470	\$ 1,620,470	\$ -	\$ -	\$ -
2014	910,000	709,770	1,619,770	-	-	-
2015	-	691,570	691,570	150,954	794,046	945,000
2016	-	691,570	691,570	124,041	820,959	945,000
2017	945,000	667,945	1,612,945	-	-	-
2018 - 2022	5,395,000	2,647,970	8,042,970	-	-	-
2023 - 2027	6,810,000	1,208,285	8,018,285	-	-	-
2028	1,555,000	38,875	1,593,875	-	-	-
Total	\$ 16,490,000	\$ 7,401,455	\$ 23,891,455	\$ 274,995	\$ 1,615,005	\$ 1,890,000

- C. General Obligation Bonds - Series 2007A: On March 22, 2007, the District issued general obligation bonds to finance building construction and improvements. This issue is comprised of both current interest bonds, par value \$9,830,000, and capital appreciation bonds, par value \$69,996. The interest rates on the current interest bonds range from 4.00% to 4.20%. The capital appreciation bonds mature on December 1, 2015 (stated interest rate 19.04%) at a redemption price equal to 100% of the principal, plus accrued interest to the redemption date. The accreted value at maturity for the capital appreciation bonds is \$340,000. Total accreted interest of \$110,031 has been included in the statement of net assets at June 30, 2012.

These bonds are general obligations of the District for which the full faith and credit of the District is pledged for repayment. Accordingly, such unmatured obligations of the District are accounted for in the statement of net assets. Payments of principal and interest relating to this bond are recorded as an expenditure in the debt service fund (a nonmajor governmental fund).

Interest payments on the current interest bonds are due on June 1 and December 1 of each year. The final maturity stated in the issues is December 1, 2034.

The following is a schedule of activity for the series 2007A general obligation bonds:

	Balance June 30, 2011	Additions	Reductions	Balance June 30, 2012
Current interest bonds - 2007 A series	\$ 9,755,000	\$ -	\$ (25,000)	\$ 9,730,000
Capital appreciation bonds - 2007 A series	69,996	-	-	69,996
Capital appreciation bonds - Accreted interest	80,124	29,907	-	110,031
Total	\$ 9,905,120	\$ 29,907	\$ (25,000)	\$ 9,910,027

**TEAYS VALLEY LOCAL SCHOOL DISTRICT
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**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012
(Continued)**

NOTE 11 - LONG-TERM OBLIGATIONS - (Continued)

The following is a summary of the future debt service requirements to maturity for the 2007A series bonds:

Fiscal Year Ending June 30.	Current Interest Bonds			Capital Appreciation Bonds		
	Principal	Interest	Total	Principal	Interest	Total
2013	\$ 25,000	\$ 395,060	\$ 420,060	\$ -	\$ -	\$ -
2014	25,000	394,060	419,060	-	-	-
2015	325,000	387,060	712,060	-	-	-
2016	-	380,560	380,560	69,996	270,004	340,000
2017	340,000	373,760	713,760	-	-	-
2018 - 2022	1,900,000	1,650,800	3,550,800	-	-	-
2023 - 2027	2,315,000	1,230,300	3,545,300	-	-	-
2028 - 2032	2,815,000	716,935	3,531,935	-	-	-
2033 - 2035	1,985,000	127,365	2,112,365	-	-	-
Total	\$ 9,730,000	\$ 5,655,900	\$ 15,385,900	\$ 69,996	\$ 270,004	\$ 340,000

- D. General Obligation Bonds - Series 2007B:** On April 24, 2007, the District issued general obligation bonds to finance building construction and improvements. This issue is comprised of both current interest bonds, par value \$9,820,000, and capital appreciation bonds, par value \$79,997. The interest rates on the current interest bonds range from 4.00% to 4.30%. The capital appreciation bonds mature on December 1, 2015 (stated interest rate 15.55%) at a redemption price equal to 100% of the principal, plus accrued interest to the redemption date. The accreted value at maturity for the capital appreciation bonds is \$290,000. Total accreted interest of \$91,601 has been included in the statement of net assets at June 30, 2012.

These bonds are general obligations of the District for which the full faith and credit of the District is pledged for repayment. Accordingly, such unmatured obligations of the District are accounted for in the statement of net assets. Payments of principal and interest relating to this bond are recorded as an expenditure in the debt service fund (a nonmajor governmental fund).

Interest payments on the current interest bonds are due on June 1 and December 1 of each year. The final maturity stated in the issues is December 1, 2034.

The following is a schedule of activity for the series 2007B general obligation bonds:

	Balance June 30, 2011	Additions	Reductions	Balance June 30, 2012
Current interest bonds - 2007 B series	\$ 9,130,000	\$ -	\$ (250,000)	\$ 8,880,000
Capital appreciation bonds - 2007 B series	79,997	-	-	79,997
Capital appreciation bonds - Accreted interest	67,710	23,891	-	91,601
Total	\$ 9,277,707	\$ 23,891	\$ (250,000)	\$ 9,051,598

**TEAYS VALLEY LOCAL SCHOOL DISTRICT
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**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012
(Continued)**

NOTE 11 - LONG-TERM OBLIGATIONS - (Continued)

The following is a summary of the future debt service requirements to maturity for the 2007 B series bonds:

Fiscal Year Ended June 30,	Current Interest Bonds			Capital Appreciation Bonds		
	Principal	Interest	Total	Principal	Interest	Total
2013	\$ 260,000	\$ 361,788	\$ 621,788	\$ -	\$ -	\$ -
2014	270,000	351,187	621,187	-	-	-
2015	280,000	340,188	620,188	-	-	-
2016	-	334,587	334,587	79,997	210,003	290,000
2017	290,000	328,787	618,787	-	-	-
2018 - 2022	1,635,000	1,456,837	3,091,837	-	-	-
2023 - 2027	1,985,000	1,093,756	3,078,756	-	-	-
2028 - 2032	2,435,000	637,167	3,072,167	-	-	-
2033 - 2035	1,725,000	113,413	1,838,413	-	-	-
Total	\$ 8,880,000	\$ 5,017,710	\$ 13,897,710	\$ 79,997	\$ 210,003	\$ 290,000

- E. Series 2012 Bond Anticipation Notes:** On February 1, 2012, the District issued \$700,000 in bond anticipation notes for the purpose of improving facilities. The notes bear an interest rate of 1.50% and mature on February 1, 2013 and 2014.

The following is a summary of the future debt service requirements to maturity for the Series 2012 bond anticipation notes:

Fiscal Year Ending June 30,	Bond Anticipation Notes		
	Principal	Interest	Total
2013	\$ 345,000	\$ 10,500	\$ 355,500
2014	355,000	5,325	360,325
Total	\$ 700,000	\$ 15,825	\$ 715,825

F. Legal Debt Margin

The Ohio Revised Code provides that voted net general obligation debt of the District shall never exceed 9% of the total assessed valuation of the District. The code further provides that unvoted indebtedness shall not exceed 1/10 of 1% of the property valuation of the District. The code additionally states that unvoted indebtedness related to energy conservation debt shall not exceed 9/10 of 1% of the property valuation of the District. The assessed valuation used in determining the District's legal debt margin has been modified by House Bill 530 which became effective March 30, 2006. In accordance with House Bill 530, the assessed valuation used in the District's legal debt margin calculation excluded tangible personal property used in business, telephone or telegraph property, interexchange telecommunications company property and personal property owned or leased by a railroad company and used in railroad operations. The effects of these debt limitations at June 30, 2012, are a voted debt margin of \$6,960,396 (including available funds of \$2,291,194) and an unvoted debt margin of \$454,380.

**TEAYS VALLEY LOCAL SCHOOL DISTRICT
PICKAWAY COUNTY, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012
(Continued)**

NOTE 12 - SHORT-TERM NOTES PAYABLE

A summary of the governmental activities short-term notes payable transactions for fiscal year 2011 follows:

	<u>Issue Date</u>	<u>Maturity Date</u>	<u>Interest Rate (%)</u>	<u>Balance June 30, 2011</u>	<u>Increase</u>	<u>Decrease</u>	<u>Balance June 30, 2012</u>
Bond Anticipation Notes:							
Notes Series 2011	2/17/11	2/16/12	1.55	\$ 1,000,000	-	\$ (1,000,000)	-

The District issued \$1,000,000 in notes in anticipation of the issuance of bonds for the purpose of improving facilities. The notes bore an interest rate of 1.55% and matured on February 16, 2012.

NOTE 13 - COMPENSATED ABSENCES

The criteria for determining vested vacation and sick leave components are derived from negotiated agreements and State laws. Only administrative and support personnel who are under a full year contract (11 and 12 month) are eligible for vacation time. The administrators are generally granted twenty days of vacation per year.

Classified employees earn ten to twenty days of vacation per year, depending upon length of service. Upon termination, employees are limited to payment of 2 years plus current year accumulation based on the Ohio Revised Code. Accumulated, unused vacation time is paid to classified employees and administrators upon termination of employment.

The classified personnel accumulate vacation based on the following schedule:

<u>Years Service</u>	<u>Vacation Days</u>
0 - 9	10
10 - 19	15
20 - beyond	20

Each employee earns sick leave at the rate of one and one-fourth days per month. Sick leave shall accumulate during active employment on a continuous year-to-year basis. Maximum sick leave accumulation for all employees, except administrators and 260 day and classified employees is 220 days; 260 day administrators and classified employees may accumulate 295 days of sick leave. 205 day administrators may accumulate 232 days per year, based on 113 percent of teacher's accumulation of 220 days of sick leave for 185 days of service.

For all employees, retirement severance is paid to each employee retiring from the District at a per diem rate of the annual salary at the time of retirement. Any certified employee receiving retirement severance pay shall be entitled to a dollar amount equivalent to one-fourth of all accumulated sick leave credited to that employee up to a maximum of 55 days. Additionally, the teachers of the District receive an additional retirement severance of \$10,000 if retirement is taken the first year of eligibility. Longevity pay of \$1,000 is granted to certified employees with twenty five or more years of service. Administrators receiving retirement severance pay shall be entitled to a dollar amount equivalent to 30% of all accumulated sick leave credited to that employee up to a maximum of 75 days. The superintendent is entitled to one half of all accumulated sick leave.

**TEAYS VALLEY LOCAL SCHOOL DISTRICT
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**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012
(Continued)**

NOTE 14 - RISK MANAGEMENT

A. General Risk

The District is exposed to various risks of loss related to torts, theft of, damage to, and destruction of assets, errors and omissions, injuries to employees and natural disasters. The District has addressed these various types of risk by purchasing a comprehensive insurance policy through commercial carriers.

General liability insurance is maintained in the amount of \$1,000,000 for each occurrence and \$2,000,000 in the aggregate, plus \$3,000,000 umbrella.

The District maintains fleet insurance in the amount of \$1,000,000 for any one accident or loss, plus \$3,000,000 umbrella.

The District maintains replacement cost insurance on buildings and contents in the amount of \$116,560,925. Settled claims have not exceeded this commercial coverage in any of the past three years. There have been no significant reductions of coverage from the prior years.

B. Workers' Compensation - Public Entity Risk Pool

Beginning January 1, 2012, the District began to participate in the Ohio Association of School Business Officials and the Ohio School Boards Association Workers' Compensation Group Retrospective Rating Program (the "Program"). The Program's third party administrator is CompManagement. Each year, the participating school districts pay an enrollment fee to the Program to cover the costs of administering the Program.

The intent of the Program is to achieve the benefit of a reduced premium for the District by reducing the District's individual rate based on prior claims. The District pays its workers' compensation premium to the State based on the individual rate and may also pay additional workers' compensation assessments. The District may also be available to receive a refund for overpayment of premiums.

C. Dental Insurance

Dental insurance was offered to employees through a self-insurance internal service fund. Professional Risk Management, Inc. was the third party administrator for dental insurance. Dental premiums are determined by the District Board of Education, which then pays all incurred claims. During fiscal year 2012, the District moved its dental insurance activity to the PCPEBP and was no longer self-insured.

Meritain Health (formerly Professional Risk Management, Inc.), a third part administrator, services all dental claims submitted by employees.

Changes in claim activity for the last two fiscal years are as follows:

	<u>June 30, 2012</u>	<u>June 30, 2011</u>
Claims liabilities at beginning of fiscal year	\$ 37,803	\$ 27,514
Incurred claims	4,806	279,007
Claims paid	<u>(42,609)</u>	<u>(268,718)</u>
Claims liabilities at end of fiscal year	<u>\$ -</u>	<u>\$ 37,803</u>

**TEAYS VALLEY LOCAL SCHOOL DISTRICT
PICKAWAY COUNTY, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012
(Continued)**

NOTE 14 - RISK MANAGEMENT (Continued)

D. Health Care and Dental Insurance Benefits

Effective July 1, 2009, the District began offering health care benefits to employees through the PCPEBP, a public entity shared risk pool, currently operating as a common risk management and insurance program for 4 member school districts. Effective July 1, 2011, the District began offering dental benefits to employees through the PCPEBP. The PCPEBP was organized to provide health care benefits and dental insurance benefits to its members.

The District pays 75% for family coverage and 95% for single coverage of the health care insurance premiums for all full-time employees. This percentage is pro-rated for part-time employees. Non-certified and administrative employees are given the option of a high deductible/health savings account option. The health care coverage is administered by United Healthcare, a third part administrator. The stop-loss coverage is \$150,000 per covered person and an aggregate of \$2,000,000.

NOTE 15 - PENSION PLANS

A. School Employees Retirement System

Plan Description - The District contributes to the School Employees Retirement System (SERS), a cost-sharing, multiple-employer defined benefit pension plan. SERS provides retirement, disability, survivor 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. It is also posted on the SERS' Ohio website, www.ohsers.org, under "Employers/Audit Resources".

Funding Policy - Plan members are required to contribute 10 percent of their annual covered salary and the District is required to contribute at an actuarially determined rate. The current District rate is 14 percent of annual covered payroll. A portion of the District's contribution is used to fund pension obligations with the remainder being used to fund health care benefits. For fiscal year 2012, 12.65 percent and 0.05 percent of annual covered salary was the portion used to fund pension obligations and death benefits, respectively. 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 District's required contributions for pension obligations and death benefits to SERS for the fiscal years ended June 30, 2012, 2011 and 2010 were \$545,588, \$530,724 and \$549,834, respectively; 67.88 percent has been contributed for fiscal year 2012 and 100 percent for fiscal years 2011 and 2010.

B. State Teachers Retirement System of Ohio

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

**TEAYS VALLEY LOCAL SCHOOL DISTRICT
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**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012
(Continued)**

NOTE 15 - PENSION PLANS (Continued)

B. State Teachers Retirement System of Ohio (Continued)

New members have a choice of three retirement plans, a Defined Benefit (DB) Plan, a Defined Contribution (DC) Plan and a Combined Plan. The DB plan offers an annual retirement allowance based on final average salary times a percentage that varies based on years of service, or an allowance based on a member's lifetime contributions and earned interest matched by STRS Ohio funds divided by an actuarially determined annuity factor. The DC Plan allows members to place all their member contributions and employer contributions equal to 10.5 percent of earned compensation into an investment account. Investment decisions are made by the member. A member is eligible to receive a retirement benefit at age 50 and termination of employment. The member may elect to receive a lifetime monthly annuity or a lump sum withdrawal. The Combined Plan offers features of both the DC Plan and the DB Plan. In the Combined Plan, member contributions are invested by the member, and employer contributions are used to fund the defined benefit payment at a reduced level from the regular DB Plan. The DB portion of the Combined Plan payment is payable to a member on or after age 60; the DC portion of the account may be taken as a lump sum or converted to a lifetime monthly annuity at age 50. Benefits are established by Chapter 3307 of the Ohio Revised Code.

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

Funding Policy - For fiscal year 2012, plan members were required to contribute 10 percent of their annual covered salaries. The District was required to contribute 14 percent; 13 percent was the portion used to fund pension obligations. Contribution rates are established by the State Teachers Retirement Board, upon 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 District's required contributions for pension obligations to STRS Ohio for the fiscal years ended June 30, 2012, 2011 and 2010 were \$2,071,259, \$2,134,349 and \$2,045,682, respectively; 84.07 percent has been contributed for fiscal year 2012 and 100 percent for fiscal years 2011 and 2010. Contributions to the DC and Combined Plans for fiscal year 2012 were \$58,224 made by the District and \$41,589 made by the plan members.

C. Social Security System

Effective July 1, 1991, all employees not otherwise covered by the SERS/STRS Ohio have an option to choose Social Security or the SERS/STRS Ohio. As of June 30, 2012, certain members of the Board of Education have elected Social Security. The District's liability is 6.2 percent of wages paid.

**TEAYS VALLEY LOCAL SCHOOL DISTRICT
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**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012
(Continued)**

NOTE 16 - POSTEMPLOYMENT BENEFITS

A. School Employees Retirement System

Plan Description - The District participates in two cost-sharing, multiple employer postemployment benefit 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, Medicare Advantage, and traditional indemnity plans. A prescription drug program is also available to those who elect health coverage. SERS employs two third-party administrators and a pharmacy benefit manager to manage the self-insurance and prescription drug plans, respectively. The Medicare Part B Plan reimburses Medicare Part B premiums paid by eligible retirees and beneficiaries as set forth in Section 3309.69 of the Ohio Revised Code. Qualified benefit recipients who pay Medicare Part B premiums may apply for and receive a monthly reimbursement from SERS. The reimbursement amount is limited by statute to the lesser of the January 1, 1999 Medicare Part B premium or the current premium. The Medicare Part B premium for calendar year 2011 (latest information available) was \$96.40 for most participants, but could be as high as \$369.10 per month depending on their income and the SERS' reimbursement to retirees was \$45.50. Benefit provisions and the obligations to contribute are established by the System 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 St., Suite 100, Columbus, Ohio 43215-3746. It is also posted on the SERS' Ohio website, www.ohsers.org, under "Employers/Audit Resources".

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 105(e). For 2012, 0.55 percent of covered payroll was allocated to health care. An additional health care surcharge on employers is collected for employees earning less than an actuarially determined minimum compensation amount, pro-rated according to service credit earned. Statutes provide that no employer shall pay a health care surcharge greater than 2.0 percent of that employer's SERS-covered payroll; nor may SERS collect in aggregate more than 1.5 percent of the statewide SERS-covered payroll for the health care surcharge. For fiscal year 2012, the actuarially determined amount was \$35,800.

Active members do not contribute to the postemployment benefit plans. The Retirement Board establishes the rules for the premiums paid by the retirees for health care coverage for themselves and their dependents or for their surviving beneficiaries. Premiums vary depending on the plan selected, qualified years of service, Medicare eligibility and retirement status.

The District's contributions for health care (including surcharge) for the fiscal years ended June 30, 2012, 2011 and 2010 were \$87,578, \$128,195 and \$80,439, respectively; 67.88 percent has been contributed for fiscal year 2012 and 100 percent for fiscal years 2011 and 2010.

**TEAYS VALLEY LOCAL SCHOOL DISTRICT
PICKAWAY COUNTY, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012
(Continued)**

NOTE 16 - POSTEMPLOYMENT BENEFITS (Continued)

A. School Employees Retirement System (Continued)

The Retirement Board, acting with advice of the actuary, allocates a portion of the employer contribution to the Medicare B Fund. For fiscal year 2012, this actuarially required allocation was 0.75 percent of covered payroll. The District's contributions for Medicare Part B for the fiscal years ended June 30, 2012, 2011, and 2010 were \$32,220, \$34,153 and \$32,698, respectively; 67.88 percent has been contributed for fiscal year 2012 and 100 percent for fiscal years 2011 and 2010.

B. State Teachers Retirement System of Ohio

Plan Description - The District contributes to the cost sharing, multiple employer defined benefit Health Plan (the "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, under "Publications" or by calling (888) 227-7877.

Funding Policy - Ohio law authorizes STRS Ohio to offer the Plan and gives the Retirement Board authority over how much, if any, of the health care costs will be absorbed by STRS Ohio. Active employee members do not contribute to the Plan. All benefit recipients pay a monthly premium. Under Ohio law, funding for post-employment health care may be deducted from employer contributions. For 2012, STRS Ohio allocated employer contributions equal to 1 percent of covered payroll to the Health Care Stabilization Fund. The District's contributions for health care for the fiscal years ended June 30, 2012, 2011 and 2010 were \$159,328, \$164,181 and \$157,360 respectively; 84.07 percent has been contributed for fiscal year 2012 and 100 percent for fiscal years 2011 and 2010.

NOTE 17 - BUDGETARY BASIS OF ACCOUNTING

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

The statement of revenue, expenditures and changes in fund balance - budget and actual (non-GAAP budgetary basis) presented for the general fund is presented on the budgetary basis to provide a meaningful comparison of actual results with the budget. The major differences between the budget basis and the GAAP basis are that:

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

**TEAYS VALLEY LOCAL SCHOOL DISTRICT
PICKAWAY COUNTY, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012
(Continued)**

NOTE 17 - BUDGETARY BASIS OF ACCOUNTING - (Continued)

- (d) Advances-in and advances-out are operating transactions (budget basis) as opposed to balance sheet transactions (GAAP basis); and,
- (e) Some funds are included in the general fund (GAAP basis), but have separate legally adopted budgets (budget basis).

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

Net Change in Fund Balance

	<u>General fund</u>
Budget basis	\$ (713,450)
Net adjustment for revenue accruals	(1,942,176)
Net adjustment for expenditure accruals	(465,025)
Net adjustment for other sources/uses	399,000
Funds budgeted elsewhere	94,268
Adjustment for encumbrances	179,848
GAAP basis	\$ (2,447,535)

Certain funds that are legally budgeted in separate special revenue funds are considered part of the general fund on a GAAP basis. This includes the public school support fund, the District agency fund, the internal service fund and the underground storage tank fund.

NOTE 18 - CONTINGENCIES

A. Grants and ADM

The Auditor of State is currently performing a statewide review of supporting documentation for student attendance data reported to the Ohio Department of Education. The results of this review are still pending and will be reported separately to the Ohio Department of Education at a later date.

The District received financial assistance from federal and State agencies in the form of grants. The expenditure 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. This also encompasses the Auditor of State's ongoing review of student attendance data. However, the effect of any such disallowed claims on the overall financial position of the District at June 30, 2012, if applicable, cannot be determined at this time.

**TEAYS VALLEY LOCAL SCHOOL DISTRICT
PICKAWAY COUNTY, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012
(Continued)**

NOTE 18 - CONTINGENCIES - (Continued)

B. Litigation

The District is party to legal proceedings seeking damages or injunctive relief generally incidental to its operations and spending projects. The District's management anticipates a liability of \$97,420 as a result of the pending litigation. This amount is recorded as claims and judgments payable on the basic financial statements.

NOTE 19 - SET-ASIDES

The District is required by State law to annually set-aside certain general fund revenue amounts, as defined by statutory formula, for the acquisition and construction of capital improvements. Amounts not spent by the end of the fiscal year or offset by similarly restricted resources received during the year must be held in cash at fiscal year-end. This amount must be carried forward to be used for the same purpose in future years. Expenditures exceeding the set-aside requirement may not be carried forward to the next fiscal year.

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

	<u>Capital Improvements</u>
Set-aside balance June 30, 2011	\$ -
Current year set-aside requirement	625,126
Contributions in excess of the current fiscal year set-aside requirement	-
Current year qualifying expenditures	-
Excess qualified expenditures from prior years	-
Current year offsets	(1,016,899)
Waiver granted by ODE	-
Prior year offset from bond proceeds	-
Total	<u>\$ (391,773)</u>
Balance carried forward to fiscal year 2013	<u>\$ -</u>
Set-aside balance June 30, 2012	<u><u>\$ -</u></u>

TEAYS VALLEY LOCAL SCHOOL DISTRICT
PICKAWAY COUNTY, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012
(Continued)

NOTE 20 - OTHER COMMITMENTS

The District utilizes encumbrance accounting as part of its budgetary controls. Encumbrances outstanding at year end may be reported as part of restricted, committed, or assigned classifications of fund balance. At year end, the District's commitments for encumbrances in the governmental funds were as follows:

<u>Fund</u>	<u>Year-End Encumbrances</u>
General fund	\$ 68,415
Debt service fund	2,200
Other governmental	<u>208,999</u>
Total	<u>\$ 279,614</u>

TEAYS VALLEY LOCAL SCHOOL DISTRICT
PICKAWAY COUNTY

FEDERAL AWARDS RECEIPTS AND EXPENDITURES SCHEDULE
FOR THE YEAR ENDED JUNE 30, 2012

Federal Grantor/ Pass Through Grantor Program Title	Grant Year	Federal CFDA Number	Receipts	Expenditures
<u>U.S. DEPARTMENT OF AGRICULTURE</u>				
<i>Passed Through Ohio Department of Education:</i>				
Child Nutrition Cluster:				
Non-Cash Assistance (Food Distribution):				
School Breakfast Program	2012	10.553	\$ 13,835	\$ 13,835
National School Lunch Program	2012	10.555	108,903	108,903
Cash Assistance:				
School Breakfast Program	2012	10.553	56,279	56,279
National School Lunch Program	2012	10.555	442,963	442,963
<i>Total Child Nutrition Cluster</i>			<u>621,980</u>	<u>621,980</u>
TOTAL U.S. DEPARTMENT OF AGRICULTURE			<u>621,980</u>	<u>621,980</u>
<u>U.S. DEPARTMENT OF EDUCATION</u>				
<i>Passed Through Ohio Department of Education:</i>				
Title I Grants to Local Educational Agencies	2012	84.010	388,718	371,009
<u>Special Education Cluster:</u>				
Special Education Grants to States	2012	84.027	581,208	587,469
Special Education - Preschool Grants	2012	84.173	16,146	13,277
<i>Total Special Education Cluster</i>			<u>597,354</u>	<u>600,746</u>
ARRA - Race to the Top Incentive Grants	2012	84.395	1,050	1,050
Education Technology State Grants	2012	84.318	2,778	2,778
Improving Teacher Quality State Grants	2012	84.367	114,204	114,204
Education Jobs Fund	2012	84.410	891,474	891,474
TOTAL U.S. DEPARTMENT OF EDUCATION			<u>1,995,578</u>	<u>1,981,261</u>
TOTALS			<u>\$ 2,617,558</u>	<u>\$ 2,603,241</u>

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

**TEAYS VALLEY LOCAL SCHOOL DISTRICT
PICKAWAY COUNTY**

**NOTES TO THE FEDERAL AWARDS RECEIPTS AND EXPENDITURES SCHEDULE
FISCAL YEAR ENDED JUNE 30, 2012**

NOTE A - SIGNIFICANT ACCOUNTING POLICIES

The accompanying Federal Awards Receipts and Expenditures Schedule (the Schedule) reports the Teays Valley Local School District, Pickaway County, Ohio (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

The District reports commodities consumed on the Schedule at fair value. The District allocated donated food commodities to the respective program that benefitted from the use of those donated food commodities.



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

Teays Valley Local School District
Pickaway County
385 Viking Way
Ashville, Ohio 43103

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 the Teays Valley Local School District, Pickaway County, Ohio (the District) as of and for the year ended June 30, 2012, which collectively comprise the District's basic financial statements and have issued our report thereon dated November 5, 2012. 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 opinions 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 no instances of noncompliance or other matters we must report under *Government Auditing Standards*.

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

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

Dave Yost
Auditor of State

November 5, 2012



Dave Yost • Auditor of State

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

Teays Valley Local School District
Pickaway County
385 Viking Way
Ashville, Ohio 43103

To the Board of Education:

Compliance

We have audited the compliance of the Teays Valley Local School District, Pickaway 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 the District's major federal program for the year ended June 30, 2012. The *summary of auditor's results* section of the accompanying schedule of findings identifies the District's major federal program. The District's management is responsible for complying with the requirements of laws, regulations, contracts, and grants applicable to the major federal program. Our responsibility is to opine on the District's compliance based on our audit.

Our compliance audit followed 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*. These 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 these 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 these requirements.

In our opinion, the Teays Valley Local School District complied, in all material respects, with the requirements referred to above that could directly and materially affect its major federal program for the year ended June 30, 2012.

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 requirements that could directly and materially affect a major federal program, to determine our auditing procedures for the purpose of opining 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.

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

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

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

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

Dave Yost
Auditor of State

November 5, 2012

**TEAYS VALLEY LOCAL SCHOOL DISTRICT
PICKAWAY COUNTY**

**SCHEDULE OF FINDINGS
OMB CIRCULAR A -133 § .505
JUNE 30, 2012**

1. SUMMARY OF AUDITOR'S RESULTS

<i>(d)(1)(i)</i>	Type of Financial Statement Opinion	Unqualified
<i>(d)(1)(ii)</i>	Were there any material control weaknesses reported at the financial statement level (GAGAS)?	No
<i>(d)(1)(ii)</i>	Were there any significant deficiencies in internal control reported at the financial statement level (GAGAS)?	No
<i>(d)(1)(iii)</i>	Was there any reported material noncompliance at the financial statement level (GAGAS)?	No
<i>(d)(1)(iv)</i>	Were there any material internal control weaknesses reported for major federal programs?	No
<i>(d)(1)(iv)</i>	Were there any significant deficiencies in internal control reported for major federal programs?	No
<i>(d)(1)(v)</i>	Type of Major Programs' Compliance Opinion	Unqualified
<i>(d)(1)(vi)</i>	Are there any reportable findings under § .510(a)?	No
<i>(d)(1)(vii)</i>	Major Programs (list):	CFDA #84.410 Education Jobs Fund
<i>(d)(1)(viii)</i>	Dollar Threshold: Type A/B Programs	Type A: > \$ 300,000 Type B: all others
<i>(d)(1)(ix)</i>	Low Risk Auditee?	Yes

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

None

3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS

None

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Dave Yost • Auditor of State

TEAYS VALLEY LOCAL SCHOOL DISTRICT

PICKAWAY 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
DECEMBER 11, 2012