



Dave Yost • Auditor of State



**TRI-VALLEY LOCAL SCHOOL DISTRICT  
MUSKINGUM COUNTY**

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# Dave Yost • Auditor of State

## INDEPENDENT ACCOUNTANTS' REPORT

Tri-Valley Local School District  
Muskingum County  
36 E. Muskingum Avenue  
Dresden, Ohio 43821

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 Tri-Valley Local School District, Muskingum County, Ohio (the School District), as of and for the year ended June 30, 2011, which collectively comprise the School District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the School District's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

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 Tri-Valley Local School District, Muskingum County, Ohio, as of June 30, 2011, 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.

As described in Note 20, the School District adopted the provisions of Governmental Accounting Standards Board Statement No. 54, Fund *Balance Reporting and Governmental Fund Type Definitions*."

In accordance with *Government Auditing Standards*, we have also issued our report dated February 24, 2012, on our consideration of the School District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. While we did not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting and compliance and the results of that testing. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*. You should read it in conjunction with this report in assessing the results of our audit.

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

We conducted our audit to opine on the financial statements that collectively comprise the School District's basic financial statements taken as a whole. The Federal Awards Receipts and Expenditures Schedule (the 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

February 24, 2012

**Tri-Valley Local School District**  
*Management's Discussion and Analysis*  
*For the Fiscal Year Ended June 30, 2011*

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The discussion and analysis of the Tri-Valley Local School District's (the "School District") financial performance provides an overall review of the School District's financial activities for the fiscal year ended June 30, 2011. The intent of this discussion and analysis is to look at the School District's performance as a whole; readers should also review the notes to the basic financial statements and financial statements to enhance their understanding of the School District's financial performance.

***Financial Highlights***

Key financial highlights for 2011 are as follows:

- Net assets of governmental activities decreased \$54,368.
- General Revenues accounted for \$26,168,319 in revenue or 82 percent of all revenues. Program specific revenues in the form of charges for services and sales and grants and contributions accounted for \$5,863,873 or 18 percent of total revenues of \$32,032,192.
- Total program expenses were \$32,086,560.

***Using this Annual Report***

This annual report consists of a series of financial statements and notes to those statements. The statements are organized so the reader can understand the Tri-Valley Local School District as a whole 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 School District, presenting both an aggregate view of the School 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 School District's most significant funds with all other nonmajor funds presented in total in one column. In the case of the Tri-Valley Local School District, the general fund is by far the most significant fund.

***Reporting the School District as a Whole***

*Statement of Net Assets and the Statement of Activities*

A question typically asked about the School District's finances "How did we do financially during fiscal year 2011?" The *Statement of Net Assets* and the *Statement of Activities* answer this question. These statements include *all assets* and *liabilities* using the *accrual basis of accounting* similar to the accounting used by most private-sector companies. This basis of accounting takes into account all of the current year's revenues and expenses regardless of when cash is received or paid.

**Tri-Valley Local School District**  
*Management's Discussion and Analysis (Continued)*  
*For the Fiscal Year Ended June 30, 2011*

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These two statements report the School District's *net assets* and *changes in those assets*. This change in net assets is important because it tells the reader that, for the School District as a whole, the *financial position* of the School 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 School District's property tax base, current property tax laws in Ohio which restrict revenue growth, facility conditions, required educational programs, and other factors.

In the *Statement of Net Assets* and the *Statement of Activities*, Governmental Activities include the School District's programs and services, including instruction, support services, extracurricular activities, and non instructional services, i.e., food service operations.

The government-wide financial statements begin on page 11.

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

***Fund Financial Statements***

A fund is a grouping of related accounts that is used to maintain control over resources that have been safeguarded for specific activities or objectives. The School District uses fund accounting to ensure compliance with finance-related legal requirements. The School District uses many funds to account for financial transactions. However, these fund financial statements focus on the School District's most significant funds. The School District's major governmental funds are the general fund, debt service fund and permanent improvement fund.

**Governmental Funds** - Most of the School District's activities are reported in governmental funds, which focus on how money flows into and out of those funds and the balances left at 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 statements provide a detailed short-term view of the School 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 financial statements.

Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures and changes in fund balances for the general fund, debt service fund and permanent improvement fund, which are considered to be major funds. Data from other governmental funds are combined into a single, aggregated presentation.

The School District adopts an annual appropriated budget for its general fund. Budgetary comparison statements have been provided for the general fund to demonstrate compliance with its budget.

The governmental fund financial statements begin on page 13.

**Tri-Valley Local School District**  
*Management's Discussion and Analysis (Continued)*  
*For the Fiscal Year Ended June 30, 2011*

**Proprietary Fund** – The School District maintains one type of proprietary fund. Internal service funds are an accounting device used to accumulate and allocate costs internally among the School District's various functions. The School District uses an internal service fund to account for its health insurance benefits. Because this service predominately benefits governmental functions, it has been included within the governmental activities in the government-wide financial statements. The proprietary fund financial statements begin on page 18.

***Reporting the School District's Fiduciary Responsibilities***

**Fiduciary Funds** – These funds are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are not reflected in the government-wide financial statements because the resources of those funds are not available to support the School District's own programs. The accounting for the fiduciary funds is much like that used for proprietary funds. The fiduciary fund financial statement is on page 21.

**Notes to the 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. The notes to the financial statements begin on page 23.

**The School District as a Whole**

Recall that the Statement of Net Assets provides the perspective of the School District as a whole.

Table 1 provides a summary of the School District's net assets for 2011 compared to 2010:

**(Table 1)**  
**Net Assets**

	Governmental Activities	
	2011	Restated 2010
<b>Assets</b>		
Current and Other Assets	\$ 19,522,350	\$ 17,653,145
Capital Assets	64,162,525	66,595,749
<i>Total Assets</i>	83,684,875	84,248,894
<b>Liabilities</b>		
Long-Term Liabilities	17,356,513	17,650,485
Other Liabilities	11,249,232	11,464,911
<i>Total Liabilities</i>	28,605,745	29,115,396
<b>Net Assets</b>		
Invested in Capital Assets, Net of Related Debt	48,796,798	50,809,388
Restricted	6,936,308	5,779,247
Unrestricted	(653,976)	(1,455,137)
<i>Total Net Assets</i>	\$ 55,079,130	\$ 55,133,498

**Tri-Valley Local School District**  
*Management's Discussion and Analysis (Continued)*  
For the Fiscal Year Ended June 30, 2011

Total assets decreased by \$564,019. A decrease of \$2,433,224 in total capital assets reflects current year depreciation exceeding additional purchases. The increase in current assets is due to increases in cash and intergovernmental receivable. The increase in cash is due to an increase in revenues in the current year. Total liabilities decreased by \$509,651.

Table 2 shows the changes in net assets for fiscal year 2011 and 2010. This will enable the reader to draw further conclusion about the School District's financial status and possibly project future problems.

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

	Governmental Activities	
	2011	Restated 2010 *
<b>Revenues</b>		
<i>Program Revenues:</i>		
Charges for Services	\$ 2,024,051	\$ 895,145
Operating Grants and Contributions	3,814,293	3,224,704
Capital Grants and Contributions	25,529	267,415
<i>General Revenues:</i>		
Property Taxes	7,737,688	7,328,966
Grants and Entitlements not Restricted to Specific Programs	17,024,047	16,397,884
Interest	71,688	119,539
Revenue in Lieu of Taxes	407,388	312,525
Other	927,508	413,176
<b>Total Revenues</b>	<b>32,032,192</b>	<b>28,959,354</b>
<b>Program Expenses</b>		
Instruction		
Regular	14,555,220	13,748,386
Special	3,536,353	3,340,338
Vocational	400,855	446,371
Student Intervention Services	43,754	14,778
Support Services		
Pupils	861,069	862,590
Instructional Staff	1,550,697	1,448,121
Board of Education	1,081,594	1,591,694
Administration	2,650,009	2,539,453
Fiscal	456,577	508,170
Operation and Maintenance of Plant	1,846,086	2,745,701
Pupil Transportation	1,886,384	1,729,964
Central	450,739	360,644
Operation of Non-Instructional Services		
Food Service Operations	1,423,731	1,428,120
Community Services	161,645	60,802
Extracurricular Activities	313,557	340,227
Interest and Fiscal Charges	868,290	867,588
<b>Total Expenses</b>	<b>32,086,560</b>	<b>32,032,947</b>
<b>Increase (Decrease) in Net Assets</b>	<b>\$ (54,368)</b>	<b>\$ (3,073,593)</b>

\* 2010 was not restated for changes in fund structure noted in Note 3. These activities are deemed insignificant and would not impact the entity-wide analysis.

Other revenue increased \$514,332 primarily due to refunds of prior year property taxes to the School District receiving exemption status on their new buildings.

**Tri-Valley Local School District**  
*Management's Discussion and Analysis (Continued)*  
For the Fiscal Year Ended June 30, 2011

**Governmental Activities**

The Statement of Activities shows the cost of program services and the charges for services and grants offsetting those services. Table 3 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 entitlements. All governmental activities had total revenues of \$32,032,192 and expenditures of \$32,086,560.

**(Table 3)**  
**Governmental Activities**  
**Total Cost & Net Cost of Program Services**

	Total Cost of Service		Net Cost of Service	
	2011	2010 *	2011	2010 *
Instruction				
Regular	\$ 14,555,220	\$ 13,748,386	\$ (12,299,544)	\$ (12,527,519)
Special	3,536,353	3,340,338	(2,054,801)	(2,215,878)
Vocational	400,855	446,371	(287,442)	(333,802)
Student Intervention Services	43,754	14,778	(43,754)	(14,778)
Support Services				
Pupil	861,069	862,590	(567,909)	(739,182)
Instructional Staff	1,550,697	1,448,121	(1,511,370)	(1,430,332)
Board of Education	1,081,594	1,591,694	(1,081,594)	(1,591,694)
Administration	2,650,009	2,539,453	(2,650,009)	(2,538,734)
Fiscal	456,577	508,170	(456,577)	(508,170)
Operation and Maintenance of Plant	1,846,086	2,745,701	(1,733,047)	(2,635,151)
Pupil Transportation	1,886,384	1,729,964	(1,816,187)	(1,729,964)
Central	450,739	360,644	(449,368)	(360,644)
Operation of Non-Instructional Services:				
Food Service Operations	1,423,731	1,428,120	(221,205)	(136,448)
Community Services	161,645	60,802	(118,840)	(57,814)
Extracurricular Activities	313,557	340,227	(62,750)	42,015
Interest and Fiscal Charges	868,290	867,588	(868,290)	(867,588)
<i>Total Expenses</i>	<u>\$ 32,086,560</u>	<u>\$ 32,032,947</u>	<u>\$ (26,222,687)</u>	<u>\$ (27,645,683)</u>

\* 2010 was not restated for changes in fund structure noted in Note 3. These activities are deemed insignificant and would not impact the entity-wide analysis.

Instruction and student support services comprise 91 percent of governmental program expenses.

The dependence upon tax revenues and general revenue entitlements from the state for governmental activities is apparent. Program revenues only account for 18 percent of all governmental expenses. Program revenues include charges for services and grants, contributions and interest that are program specific. The community is the second largest area of support for the School District students.

**Governmental Funds**

Information about the School District's major funds starts on page 13. These funds are accounted for using the modified accrual basis of accounting.

All governmental funds had total revenues of \$31,454,005 and expenditures of \$29,094,064 for fiscal year 2011.

**Tri-Valley Local School District**  
*Management's Discussion and Analysis (Continued)*  
For the Fiscal Year Ended June 30, 2011

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**General Fund Budgeting Highlights**

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

During the course of fiscal year 2011, the School District did modify its general fund budget a few times. The School District uses site-based budgeting and budgeting systems are designed to tightly control total site budgets but provide flexibility for site management.

For the general fund, final budget basis revenue was \$23,049,413, representing a \$723,413 increase from the original estimate of \$22,326,000. Most of this difference is due to a refund or prior year real estate taxes. Actual revenues were \$1,172,862 higher than the final budget of \$23,049,413.

Final appropriations of \$23,217,702 were the same as the original estimate. Actual expenditures of \$22,683,185 were \$534,517 less than final appropriations.

**Capital Assets and Debt Administration**

**Capital Assets**

At the end of fiscal year 2011, the School District had \$64,162,525 invested in land, land improvements buildings and improvements, furniture, fixtures and equipment, vehicles and infrastructure. See Note 9 for more detailed information of the School District's capital assets. Table 4 shows fiscal year 2011 balances compared with 2010.

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

	Governmental Activities	
	2011	2010
Land	\$ 4,020,160	\$ 4,020,160
Land Improvements	1,167,070	1,266,893
Buildings and Improvements	55,873,557	58,023,553
Furniture, Fixtures and Equipment	2,050,891	2,394,190
Vehicles	1,032,717	890,953
Infrastructure	18,130	0
<i>Totals</i>	\$ 64,162,525	\$ 66,595,749

The \$2,433,224 decrease in capital assets was attributable to current year depreciation exceeding additional purchases.

Ohio law requires school districts to set aside three percent of certain revenues for capital improvements and an additional three percent for textbooks. For fiscal year 2011, this amounted to \$473,999 for each set aside. The School District has qualifying disbursements or offsets exceeding these requirements for capital improvements and textbooks.

**Tri-Valley Local School District**  
*Management's Discussion and Analysis (Continued)*  
*For the Fiscal Year Ended June 30, 2011*

**Debt**

At June 30, 2011, the School District had \$16,097,126 in bonds and capital leases outstanding.

**Table 5**  
**Outstanding Debt at Year End**

	Governmental Activities	
	2011	2010
2002 School Improvement Serial, Term Bonds	\$ 3,512,247	\$ 3,866,386
2006 Refunding Bonds - Serial, Term and Capital Appreciation Bonds	9,549,597	9,453,060
2007 Refunding Bonds - Serial, Term and Capital Appreciation Bonds	3,031,273	3,056,295
Capital Leases	4,009	25,243
	\$ 16,097,126	\$ 16,400,984

See Note 15 for more detailed information on the School District's debt.

***Economic Factors***

The School District has developed a fiscal practice of spending within the limits of revenues received. Following this practice has forced the School District to consider cost reduction and containment measures for fiscal year 2011. Budgets for materials and supplies have been reduced, as well as decreases in staffing levels via reductions and attrition. Additional reductions in expenses will be considered so long as economic conditions remain weak and operational effectiveness is not compromised. Raising additional revenues by means of an operating levy will be considered only when all viable reductions have been exhausted.

Since completion of the School District's comprehensive building program, the School District operates with four elementary buildings, a middle school and a high school. Prior to the building of the new facilities, the School District operated seven buildings.

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

This financial report is designed to provide our citizens, taxpayers, investors, and creditors with a general overview of the School District's finances and to show the School District's accountability for the money it receives. If you have any questions about this report or need additional financial information, contact Ryan Smith, Treasurer of Tri-Valley Local School District, 36 E. Muskingum Avenue, Dresden, Ohio, 43821 or email at [rdsmith@tvschools.org](mailto:rdsmith@tvschools.org).

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**Tri-Valley Local School District**

*Statement of Net Assets*

*June 30, 2011*

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	<u>Governmental Activities</u>
<b>Assets</b>	
Equity in Pooled Cash and Investments	\$ 9,812,266
Receivables:	
Taxes	7,943,340
Revenue in Lieu of Taxes	353,748
Intergovernmental	1,103,519
Materials and Supplies Inventory	108,376
Deferred Charges	201,101
Nondepreciable Capital Assets	4,020,160
Depreciable Capital Assets (Net)	<u>60,142,365</u>
<i>Total Assets</i>	<u>83,684,875</u>
<b>Liabilities</b>	
Accounts Payable	292,247
Accrued Wages and Benefits	2,558,428
Matured Compensated Absences Payable	90,103
Accrued Interest Payable	65,266
Intergovernmental Payable	680,538
Deferred Revenue	7,219,691
Claims Payable	342,959
Long Term Liabilities:	
Due Within One Year	754,197
Due In More Than One Year	<u>16,602,316</u>
<i>Total Liabilities</i>	<u>28,605,745</u>
<b>Net Assets</b>	
Invested in Capital Assets, Net of Related Debt	48,796,798
Restricted for:	
Debt Service	1,778,248
Capital Outlay	2,978,113
State Programs	8,767
Federal Programs	864,663
Other Purposes	1,306,517
Unrestricted	<u>(653,976)</u>
<i>Total Net Assets</i>	<u>\$ 55,079,130</u>

See accompanying notes to the basic financial statements.

**Tri-Valley Local School District**  
*Statement of Activities*  
For the Fiscal Year Ended June 30, 2011

	Expenses	Program Revenues			Net (Expense)
		Charges for Services and Sales	Operating Grants, Contributions and Interest	Capital Grants, Contributions and Interest	Revenue and Changes in Net Assets
					Governmental Activities
<b>Governmental Activities</b>					
Instruction:					
Regular	\$ 14,555,220	\$ 1,179,378	\$ 1,076,298	\$ 0	\$ (12,299,544)
Special	3,536,353	0	1,481,552	0	(2,054,801)
Vocational	400,855	0	113,413	0	(287,442)
Student Intervention Services	43,754	0	0	0	(43,754)
Support Services:					
Pupils	861,069	11,436	281,724	0	(567,909)
Instructional Staff	1,550,697	0	39,327	0	(1,511,370)
Board of Education	1,081,594	0	0	0	(1,081,594)
Administration	2,650,009	0	0	0	(2,650,009)
Fiscal	456,577	0	0	0	(456,577)
Operation and Maintenance of Plant	1,846,086	0	87,510	25,529	(1,733,047)
Pupil Transportation	1,886,384	0	70,197	0	(1,816,187)
Central	450,739	204	1,167	0	(449,368)
Operation of Non-Instructional Services:					
Food Service Operations	1,423,731	539,421	663,105	0	(221,205)
Community Services	161,645	42,805	0	0	(118,840)
Extracurricular Activities	313,557	250,807	0	0	(62,750)
Interest and Fiscal Charges	868,290	0	0	0	(868,290)
<i>Total Governmental Activities</i>	<u>\$ 32,086,560</u>	<u>\$ 2,024,051</u>	<u>\$ 3,814,293</u>	<u>\$ 25,529</u>	<u>(26,222,687)</u>

**General Revenues**

Property Taxes Levied for:	
General Purposes	6,356,852
Debt Service	1,256,431
Classroom Facilities Maintenance	124,405
Revenue in Lieu of Taxes for:	
General Purposes	132,914
Debt Service	10,663
Classroom Facilities Maintenance	1,333
Capital Projects	262,478
Grants and Entitlements not Restricted to Specific Programs	17,024,047
Investment Earnings	71,688
Miscellaneous	927,508
<i>Total General Revenues</i>	<u>26,168,319</u>
<i>Change in Net Assets</i>	(54,368)
<i>Net Assets Beginning of Year - Restated (See Note 3)</i>	<u>55,133,498</u>
<i>Net Assets End of Year</i>	<u>\$ 55,079,130</u>

See accompanying notes to the basic financial statements.

**Tri-Valley Local School District**

*Balance Sheet*

*Governmental Funds*

*June 30, 2011*

	General	Debt Service	Permanent Improvement	Other Governmental Funds	Total Governmental Funds
<b>Assets</b>					
Equity in Pooled Cash and Investments	\$ 3,147,220	\$ 1,679,963	\$ 1,885,344	\$ 2,320,609	\$ 9,033,136
Receivables:					
Taxes	6,594,752	1,219,059	0	129,529	7,943,340
Revenue in Lieu of Taxes	76,655	12,790	262,477	1,826	353,748
Interfund	135,650	0	0	0	135,650
Intergovernmental	0	0	0	1,103,519	1,103,519
Materials and Supplies Inventory	100,361	0	0	8,015	108,376
<i>Total Assets</i>	<u>\$ 10,054,638</u>	<u>\$ 2,911,812</u>	<u>\$ 2,147,821</u>	<u>\$ 3,563,498</u>	<u>\$ 18,677,769</u>
<b>Liabilities and Fund Balances</b>					
<b>Liabilities</b>					
Accounts Payable	\$ 226,004	\$ 0	\$ 0	\$ 17,421	\$ 243,425
Accrued Wages and Benefits	2,370,129	0	0	188,299	2,558,428
Matured Compensated Absences Payable	83,525	0	0	6,578	90,103
Interfund Payable	0	0	0	135,650	135,650
Intergovernmental Payable	626,162	0	0	54,376	680,538
Deferred Revenue	6,481,728	1,194,317	262,477	744,402	8,682,924
<i>Total Liabilities</i>	<u>9,787,548</u>	<u>1,194,317</u>	<u>262,477</u>	<u>1,146,726</u>	<u>12,391,068</u>
<b>Fund Balances</b>					
Nonspendable	100,361	0	0	8,015	108,376
Restricted	0	1,717,495	1,885,344	2,462,242	6,065,081
Committed	11,000	0	0	8,470	19,470
Assigned	280,192	0	0	0	280,192
Unassigned	(124,463)	0	0	(61,955)	(186,418)
<i>Total Fund Balances</i>	<u>267,090</u>	<u>1,717,495</u>	<u>1,885,344</u>	<u>2,416,772</u>	<u>6,286,701</u>
<i>Total Liabilities and Fund Balances</i>	<u>\$ 10,054,638</u>	<u>\$ 2,911,812</u>	<u>\$ 2,147,821</u>	<u>\$ 3,563,498</u>	<u>\$ 18,677,769</u>

See accompanying notes to the basic financial statements.

**Tri-Valley Local School District**  
*Reconciliation of Total Governmental Fund Balances to  
Net Assets of Governmental Activities  
June 30, 2011*

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**Total Governmental Fund Balances** \$ 6,286,701

*Amounts reported for governmental activities in the  
statement of net assets are different because:*

Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds. 64,162,525

Other long-term assets are not available to pay for current-period expenditures and therefore are deferred in the funds.

Delinquent Property Taxes	\$ 727,397
Revenue in Lieu of Taxes	353,748
Intergovernmental	<u>616,881</u>

Total \* 1,698,026

Unamortized issuance costs represent deferred charges which do not provide current financial resources and, therefore are not reported in the funds. 201,101

An internal service fund is used by management to charge the costs of insurance to individual funds. The assets and liabilities of the internal service fund are included in governmental activities in the statement of net assets. 152,556

In the statement of activities, interest is accrued on outstanding bonds, whereas in the governmental funds, an interest expenditure is not reported. (65,266)

Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds.

General Obligation Bonds - Capital Appreciation Bonds	(187,041)
General Obligation Bonds - Serial/Term	(15,100,000)
Premium	(980,953)
Difference on Refunding	653,769
Discount	51,406
Accretion of Interest - Capital Appreciation Bonds	(530,298)
Compensated Absences	(1,259,387)
Capital Leases	<u>(4,009)</u>

Total (17,356,513)

*Net Assets of Governmental Activities* \$ 55,079,130

\*Excludes \$234,793 reported in the Internal Service Fund.

See accompanying notes to the basic financial statements.

**Tri-Valley Local School District**  
*Statement of Revenues, Expenditures and Changes in Fund Balances*  
*Governmental Funds*  
*For the Fiscal Year Ended June 30, 2011*

	General	Debt Service	Permanent Improvement	Other Governmental Funds	Total Governmental Funds
<b>Revenues</b>					
Property and Other Local Taxes	\$ 6,335,082	\$ 1,253,836	\$ 0	\$ 124,167	\$ 7,713,085
Intergovernmental	15,905,137	81,585	0	4,279,583	20,266,305
Investment Income	71,688	0	0	1,261	72,949
Tuition and Fees	1,184,090	0	0	0	1,184,090
Extracurricular Activities	95,106	0	0	180,979	276,085
Payments in Lieu of Taxes	132,914	10,663	262,478	1,333	407,388
Charges for Services	0	0	0	582,225	582,225
Contributions and Donations	0	0	0	24,370	24,370
Miscellaneous	724,656	0	0	202,852	927,508
<i>Total Revenues</i>	<u>24,448,673</u>	<u>1,346,084</u>	<u>262,478</u>	<u>5,396,770</u>	<u>31,454,005</u>
<b>Expenditures</b>					
Current:					
Instruction:					
Regular	10,503,009	0	333,827	1,729,173	12,566,009
Special	2,302,376	0	0	958,075	3,260,451
Vocational	310,344	0	0	0	310,344
Student Intervention Services	43,754	0	0	0	43,754
Support Services:					
Pupils	501,137	0	0	287,990	789,127
Instructional Staff	1,278,121	0	0	60,356	1,338,477
Board of Education	915,946	27,623	0	135,611	1,079,180
Administration	2,232,382	0	0	86,949	2,319,331
Fiscal	452,442	0	0	0	452,442
Operation and Maintenance of Plant	1,683,190	0	0	194,250	1,877,440
Pupil Transportation	1,856,743	0	0	90,562	1,947,305
Central	405,910	0	0	1,255	407,165
Operation of Non-Instructional Services:					
Food Service Operations	0	0	0	1,192,803	1,192,803
Community Services	0	0	0	97,912	97,912
Extracurricular Activities	17,954	0	0	174,349	192,303
Capital Outlay	17,065	0	4,204	38,969	60,238
Debt Service:					
Principal Retirement	21,234	402,434	0	0	423,668
Interest and Fiscal Charges	1,008	735,107	0	0	736,115
<i>Total Expenditures</i>	<u>22,542,615</u>	<u>1,165,164</u>	<u>338,031</u>	<u>5,048,254</u>	<u>29,094,064</u>
<i>Net Change in Fund Balance</i>	1,906,058	180,920	(75,553)	348,516	2,359,941
<i>Fund Balances Beginning of Year - Restated (See Note 3)</i>	<u>(1,638,968)</u>	<u>1,536,575</u>	<u>1,960,897</u>	<u>2,068,256</u>	<u>3,926,760</u>
<i>Fund Balances End of Year</i>	<u>\$ 267,090</u>	<u>\$ 1,717,495</u>	<u>\$ 1,885,344</u>	<u>\$ 2,416,772</u>	<u>\$ 6,286,701</u>

See accompanying notes to the basic financial statements.

**Tri-Valley Local School District**  
*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, 2011*

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**Net Change in Fund Balances - Total Governmental Funds** \$ 2,359,941

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

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 exceeded capital outlay in the current period.

Capital Asset Additions (net of disposals)	\$ 633,688	
Current Year Depreciation	(3,066,912)	(2,433,224)

Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.

Delinquent Property Taxes	24,603	
Tuition and Fees	(18,349)	
Intergovernmental	571,933	578,187

Repayment of principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets.

General Obligation Bonds	385,000	
Capital Appreciation Bonds	17,434	
Capital Appreciation Bonds Accretion	47,566	
Capital Leases	21,234	471,234

In the statement of activities, interest is accrued on outstanding bonds, whereas in the governmental funds, an interest expenditure is reported when due.

Accrued Interest	634	
Capital Appreciation Bonds Accretion of Interest	(177,341)	(176,707)

Bond premiums are reported as other financing sources in the governmental funds, but are allocated as a reduction of expense over the life of the bonds on the statement of activities. 63,292

The refunding difference is allocated as a reduction of expenses in the statement of activities over the life of the bonds. (50,291)

Issuance costs are reported as an expenditure when paid in governmental funds, but are allocated as an expense over the life of the outstanding debt on the statement of activities. (12,999)

Bond discounts are reported as other financing uses in governmental funds, but are allocated as an expense over the life of the outstanding debt on the statement of activities. (3,036)

The 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 expenditures and related internal service fund revenues are eliminated. The net revenue (expense) of the internal service fund is allocated among the governmental activities. (840,879)

Compensated absences are expenses reported in the statement of activities but do not require the use of current resources and therefore are not reported as expenditures in governmental funds. (9,886)

*Change in Net Assets of Governmental Activities* \$ (54,368)

See accompanying notes to the basic financial statements.

**Tri-Valley Local School District**  
*Statement of Revenues, Expenditures, and Changes in Fund Balance -  
 Budget (Non-GAAP Basis) and Actual*  
 General Fund  
 For the Fiscal Year Ended June 30, 2011

	Budgeted Amounts			Variance with Final Budget Over (Under)
	Original	Final	Actual	
<b>Revenues</b>				
Property Taxes	\$ 6,175,000	\$ 6,255,000	\$ 6,231,008	\$ (23,992)
Intergovernmental	15,915,000	16,028,413	15,905,137	(123,276)
Investment Income	100,000	100,000	89,994	(10,006)
Tuition and Fees	0	0	1,172,685	1,172,685
Extracurricular Activities	10,000	15,000	13,637	(1,363)
Revenue in Lieu of Taxes	0	0	132,914	132,914
Miscellaneous	126,000	651,000	676,900	25,900
<i>Total Revenues</i>	<u>22,326,000</u>	<u>23,049,413</u>	<u>24,222,275</u>	<u>1,172,862</u>
<b>Expenditures</b>				
Current:				
Instruction:				
Regular	10,824,139	10,824,139	10,496,973	327,166
Special	2,254,731	2,254,731	2,398,609	(143,878)
Vocational	382,679	382,679	344,865	37,814
Student Intervention Services	20,000	20,000	46,051	(26,051)
Support Services				
Pupils	514,700	514,700	494,871	19,829
Instructional Staff	1,063,709	1,063,709	1,256,725	(193,016)
Board of Education	1,624,331	1,624,331	941,196	683,135
Administration	1,998,578	1,998,578	2,208,837	(210,259)
Fiscal	500,872	500,872	451,605	49,267
Operation and Maintenance of Plant	1,893,191	1,893,191	1,737,222	155,969
Pupil Transportation	1,839,340	1,839,340	1,914,529	(75,189)
Central	278,776	278,776	369,801	(91,025)
Capital Outlay	22,656	22,656	21,901	755
<i>Total Expenditures</i>	<u>23,217,702</u>	<u>23,217,702</u>	<u>22,683,185</u>	<u>534,517</u>
<i>Excess of Revenues Over (Under) Expenditures</i>	<u>(891,702)</u>	<u>(168,289)</u>	<u>1,539,090</u>	<u>1,707,379</u>
<b>Other Financing Sources</b>				
Advances In	0	0	146,747	146,747
Advances Out	0	0	(282,397)	(282,397)
<i>Total Other Financing Sources (Uses)</i>	<u>0</u>	<u>0</u>	<u>(135,650)</u>	<u>(135,650)</u>
<i>Net Change in Fund Balance</i>	(891,702)	(168,289)	1,403,440	1,571,729
<i>Fund Balance Beginning of Year - Restated (See Note 3)</i>	941,872	941,872	941,872	0
Prior Year Encumbrances Appropriated	192,465	192,465	192,465	0
<i>Fund Balance End of Year</i>	<u>\$ 242,635</u>	<u>\$ 966,048</u>	<u>\$ 2,537,777</u>	<u>\$ 1,571,729</u>

See accompanying notes to the basic financial statements.

**Tri-Valley Local School District**  
*Statement of Fund Net Assets*  
*Proprietary Fund*  
*June 30, 2011*

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	Governmental Activities - Internal Service Fund
	<u>                    </u>
<b>Current Assets</b>	
Equity in Pooled Cash and Investments	\$ 779,130
	<u>                    </u>
<b>Current Liabilities</b>	
Accounts Payable	48,822
Deferred Revenue	234,793
Claims Payable	342,959
	<u>                    </u>
<i>Total Liabilities</i>	<u>626,574</u>
<b>Net Assets</b>	
Unrestricted	\$ 152,556
	<u><u>                    </u></u>

See accompanying notes to the basic financial statements.

**Tri-Valley Local School District**  
*Statement of Revenues, Expenses, and Changes in Fund Net Assets*  
*Proprietary Fund*  
*For the Fiscal Year Ended June 30, 2011*

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	Governmental Activities - Internal Service Fund
<b>Operating Revenue</b>	
Charges for Services	\$ 3,432,223
<b>Operating Expenses</b>	
Purchased Services	589,875
Claims	3,683,227
<i>Total Operating Expenses</i>	4,273,102
<i>Operating Loss</i>	(840,879)
<i>Net Assets Beginning of Year</i>	993,435
<i>Net Assets End of Year</i>	\$ 152,556

See accompanying notes to the basic financial statements.

**Tri-Valley Local School District**  
*Statement of Cash Flows*  
*Proprietary Fund*  
For the Fiscal Year Ended June 30, 2011

	Governmental Activities - Internal Service Fund
<hr style="border-top: 3px double #000;"/>	
<i>Decrease in Cash and Investments</i>	
<b>Cash Flows From Operating Activities</b>	
Cash Received from Customers	\$ 3,440,334
Cash Paid for Goods and Services	(541,053)
Cash Paid for Claims	(3,593,268)
	(693,987)
<i>Net Decrease in Cash and Investments</i>	(693,987)
<i>Cash and Investments Beginning of Year</i>	1,473,117
<i>Cash and Investments End of Year</i>	\$ 779,130
<b>Reconciliation of Operating Loss to Net Cash Used for Operating Activities</b>	
Operating Loss	\$ (840,879)
Adjustments:	
Increase (Decrease) in Liabilities:	
Accounts Payable	48,822
Deferred Revenue	8,111
Claims Payable	89,959
	146,892
<i>Total Adjustments</i>	146,892
<i>Net Cash Used for Operating Activities</i>	\$ (693,987)

See accompanying notes to the basic financial statements.

**Tri-Valley Local School District**  
*Statement of Fiduciary Net Assets*  
*Fiduciary Funds*  
*June 30, 2011*

	Private Purpose Trust	Agency
<b>Assets</b>		
Equity in Pooled Cash and Investments	\$ 70,598	\$ 85,074
<b>Liabilities</b>		
Accounts Payable	0	\$ 1,265
Due to Students	0	83,809
<i>Total Liabilities</i>	0	\$ 85,074
<b>Net Assets</b>		
Held in Trust for Scholarships	\$ 70,598	

See accompanying notes to the basic financial statements.

**Tri-Valley Local School District**  
*Statement of Changes in Fiduciary Net Assets*  
*Private Purpose Trust Funds*  
*For the Fiscal Year Ended June 30, 2011*

	Private Purpose Trust
<b>Additions</b>	
Gifts and Contributions	\$ 3,300
Investment Earnings	2,578
	5,878
 <b>Deductions</b>	
Payments in Accordance with Trust Agreements	2,000
	3,878
 <i>Change in Net Assets</i>	 3,878
 <i>Net Assets Beginning of Year - Restated (See Note 3)</i>	 66,720
 <i>Net Assets End of Year</i>	 \$ 70,598

See accompanying notes to the basic financial statements.

**Tri-Valley Local School District**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2011*

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**Note 1 - Description of the School District and Reporting Entity**

Tri-Valley Local School District (the “School District”) is organized under Article VI, Section 2 and 3 of the Constitution of the State of Ohio. The School District operates under a locally-elected Board form of government consisting of five-members elected at-large for staggered four year terms. The School District provides educational services as authorized by State statute and/or federal guidelines.

The School District was established in 1966. The School District serves an area of approximately 230 square miles. It is located in Muskingum and Coshocton Counties and includes all of Adams, Jefferson, Salem, Jackson, Muskingum and Madison Townships and a portion of Licking, Virginia, and Washington Townships. The School District is the 141<sup>st</sup> largest in the State of Ohio (among 612 school districts) in terms of enrollment. It is staffed by 127 non-certificated employees, 175 certificated full-time teaching personnel, and 38 administrative employees who provide services to 3,218 students and other community members. The School District currently operates 11 instructional/support buildings.

***Reporting Entity***

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

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

The School District participates in the Licking Area Computer Association (LACA), the Mid-East Ohio Career and Technology Center, the Metropolitan Educational Council (MEC), and the Coalition of Rural and Appalachian Schools, which are defined as jointly governed organizations and the Ohio School Boards Association Workers' Compensation Group Rating Plan, and the Ohio School Benefits Cooperative, which are defined as public entity risk pools. Additional information concerning these organizations is presented in Notes 16 and 17.

**Tri-Valley Local School District**  
*Notes to the Basic Financial Statements (Continued)*  
*For the Fiscal Year Ended June 30, 2011*

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**Note 2 - Summary of Significant Accounting Policies**

The financial statements of the School District have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to local governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The School District also applies Financial Accounting Standards Board (FASB) Statements and Interpretations issued on or before November 30, 1989, to its governmental activities and its internal service funds provided they do not conflict with or contradict GASB pronouncements. The FASB has codified its standards and the standards issued prior to November 30, 1989 are included in the codification. Following are the more significant of the School District's accounting policies.

**A. Basis of Presentation**

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

**Government-wide Financial Statements** The Statement of Net Assets and the Statement of Activities display information about the School District as a whole. These statements include the financial activities of the primary government, except for fiduciary funds. The activity of the internal service fund is also eliminated to avoid "doubling up" revenues and expenses.

The statement of Net Assets presents the financial condition of the governmental activities of the School District at fiscal year-end. The Statement of Activities presents a comparison between direct expenses and program revenues for each program or function of the School District's governmental activities. 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 charges paid by the recipient of the goods or services offered by the program, grants and contributions that are restricted to meeting the operational or capital requirements of a particular program, and interest earned on grants that is required to be used to support a particular program. Revenues which are not classified as program revenues are presented as general revenues of the School District with certain limitations. The comparison of direct expenses with program revenues identifies the extent to which each business segment or governmental function is self-financing or draws from the general revenues of the School District.

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

**B. Fund Accounting**

The School District uses funds to maintain its financial records during the year. A fund is defined as a fiscal and accounting entity with a self balancing set of accounts. There are three categories of funds: governmental, proprietary, and fiduciary.

**Tri-Valley Local School District**  
*Notes to the Basic Financial Statements (Continued)*  
*For the Fiscal Year Ended June 30, 2011*

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**Note 2 - Summary of Significant Accounting Policies (Continued)**

**Governmental Funds** Governmental funds are those through which most governmental functions typically are financed. Governmental fund reporting focuses 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 School District's major governmental funds:

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

**Debt Service Fund** The Debt Service fund is used to account for the accumulation of resources for, and the payment of, general long-term principal, interest and related costs.

**Permanent Improvement Fund** The Permanent Improvement Fund is used to account for donations, General Fund transfers and the sales of capital assets which were used to finance various capital projects in the School District.

The other governmental funds of the School District account for grants and other resources to which the School District is bound to observe constraints imposed upon the use of the resources.

**Proprietary Funds** Proprietary funds focus on the determination of changes in net asset, financial position and cash flows and are classified as either enterprise or internal service. The School District's only proprietary fund is an internal service fund.

**Internal Service Fund** The internal service fund accounts for the financing of services provided by one department or agency to other departments or agencies of the School District on a cost reimbursement basis. The School District's only internal service fund accounts for a self-insurance program for employee medical prescription drug and dental claims.

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

**Tri-Valley Local School District**  
*Notes to the Basic Financial Statements (Continued)*  
*For the Fiscal Year Ended June 30, 2011*

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**Note 2 - Summary of Significant Accounting Policies (Continued)**

***C. Measurement Focus***

***Government-wide Financial Statements*** The government-wide financial statements are prepared using the economic resources measurement focus. All assets and all liabilities associated with the operation of the School District are included on the Statement of Net Assets. The Statement of Activities presents increases (i.e., revenues) and decreases (i.e., expenditures) in total net assets.

***Fund Financial Statements*** 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.

The private purpose trust fund is reported using the economic resources measurement focus. Agency funds do not report a measurement focus as they do not report operations.

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 the fund are included on the Statement of Fund Net Assets. The Statement of Revenues, Expenses, and 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 School District finances and meets the cash flow needs of its internal service fund activity.

***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 and the statements for the proprietary and fiduciary funds are prepared using the accrual basis of accounting. Governmental funds use the modified accrual basis of accounting. Differences in the accrual and the modified accrual basis of accounting arise in the recognition of revenue, the recording of deferred revenue, and in the presentation of expenses versus expenditures.

***Revenues - Exchange and Non-Exchange 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 School District, available means expected to be received within sixty days of the fiscal year-end.

**Tri-Valley Local School District**  
*Notes to the Basic Financial Statements (Continued)*  
*For the Fiscal Year Ended June 30, 2011*

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**Note 2 - Summary of Significant Accounting Policies (Continued)**

Nonexchange transactions, in which the School District receives value without directly giving equal value in return, include property 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 7). 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 School District must provide local resources to be used for a specified purpose, and expenditure requirements, in which the resources are provided to the School 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, interest, tuition, grants, student fees, and rentals.

**Deferred Revenue** Deferred revenue arises 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, 2011, but which were levied to finance fiscal year 2012 operations, have been recorded as deferred revenue. Grants and entitlements received before the eligibility requirements are met are also recorded as deferred revenue.

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

**Expenses/Expenditures** On the accrual basis of accounting, expenses are recognized at the time they are incurred. The fair value of donated commodities used during the year is reported in the operating statement as an expense with a like amount 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. Budgetary Data**

All funds, other than agency funds, are legally required to be budgeted and appropriated. The major documents prepared are the tax budget, the appropriation resolution and the certificate of estimated resources, which are prepared on the budgetary basis of accounting. The tax budget demonstrates a need for existing or increased tax rates. The certificate of estimated resources establishes a limit on the amounts that the Board of Education may appropriate. The appropriation resolution is the Board's authorization to spend resources and sets annual limits on expenditures plus encumbrances at a level of control selected by the Board. The legal level of control has been established by the Board of Education at the fund level. Budgetary modifications at this level require a resolution of the Board of Education. The treasurer has been given the authority to allocate fund appropriations within all funds. Advances in/out are not required to be budgeted since they represent a temporary cash flow resource and are intended to be repaid.

**Tri-Valley Local School District**  
*Notes to the Basic Financial Statements (Continued)*  
*For the Fiscal Year Ended June 30, 2011*

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**Note 2 - Summary of Significant Accounting Policies (Continued)**

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

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

***F. Cash and Investments***

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

During fiscal year 2011, investments were limited to certificates of deposit, Federal Home Loan Bank Notes, Federal National Mortgage Association Bonds and Notes, and State Treasury Asset Reserve of Ohio (STAROhio). Investments are reported at fair value, except for non negotiable certificates of deposit which are reported at cost.

STAROhio is an investment pool managed by the State Treasurer's Office, which allows governments within the State to pool their funds for investment purposes. STAROhio is not registered with the SEC as an investment company, but does operate in a manner consistent with Rule 2a7 of the Investment Company Act of 1940. Investments in STAROhio are valued at STAROhio's share price, which is the price the investment could be sold for on June 30, 2011.

Following Ohio statutes, the Board of Education has, by resolution, specified the funds to receive an allocation of interest earnings. Interest revenue credited to the general fund during fiscal year 2011 amounted to \$71,688, which includes \$52,440 assigned from other School District funds.

Investments of the cash management pool and investments with an original maturity of three months or less at the time they are purchased by the School District are presented on the financial statements as cash equivalents. Investments with an initial maturity of more than three months not purchased from the pool are reported as investments.

***G. Interfund Balances***

On fund financial statements, receivables and payables resulting from short-term interfund loans are classified as "interfund receivables/payables." These amounts are eliminated in the governmental activities column of the statement of net assets.

**Tri-Valley Local School District**  
*Notes to the Basic Financial Statements (Continued)*  
*For the Fiscal Year Ended June 30, 2011*

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**Note 2 - Summary of Significant Accounting Policies (Continued)**

***H. Inventory***

Inventories are presented at cost on a first-in, first-out basis and are expended/expensed when used. Inventory consists of expendable supplies held for consumption and purchased and donated food held for resale.

***I. Capital Assets***

All capital assets of the School District are classified as general capital assets. 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 retirements during the year. The School District was able to estimate the historical cost for the initial reporting of assets by backtrending (i.e., estimating current replacement cost of the asset to be capitalized and using an appropriate price-level index to deflate the cost to the acquisition year or estimated acquisition year). Donated capital assets are recorded at their fair market values as of the date received. The School District maintains a capitalization threshold of \$5,000. 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's life are not.

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

<u>Description</u>	<u>Estimated Lives</u>
Land Improvements	30 Years
Buildings and Improvements	10 - 50 Years
Furniture, Fixtures and Equipment	5 - 10 Years
Vehicles	5 - 9 Years
Infrastructure	10 Years

***J. Compensated Absences***

Vacation benefits are accrued as a liability as the benefits are earned if the employees' rights to receive compensation are attributable to services already rendered and it is probable that the School District will compensate the employees for the benefits through paid time off or some other means. The School District records a liability for vacation time when earned.

Sick leave benefits are accrued as a liability using the vesting method. The liability includes the employees who are currently eligible to receive termination benefits and those the School District has identified as probable of receiving payment in the future. The amount is based on accumulated sick leave and employee's wage rates at fiscal year end, taking into consideration any limits specified in the School District's termination policy. The School District records a liability for accumulated unused sick leave for classified and certified employees after 14 years of current service with the School District.

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

**Tri-Valley Local School District**  
*Notes to the Basic Financial Statements (Continued)*  
*For the Fiscal Year Ended June 30, 2011*

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**Note 2 - Summary of Significant Accounting Policies (Continued)**

On the governmental fund financial statements, compensated absences are recognized as liabilities and expenditures to the extent payments come due each period upon the occurrence of employee resignations and retirements. These amounts are recorded in the account "matured compensated absences payable" in the funds from which these payments will be made.

***K. Accrued Liabilities and Long-Term Obligations***

All payables, accrued liabilities, and long-term obligations are reported in the government-wide 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 fiscal year. Bonds and capital leases are recognized as a liability on the fund financial statements when due.

***L. Bond Discounts, Premiums and Issuance Costs***

In the government-wide financial statements, bond premiums and discounts are deferred and amortized over the term of the bonds using the straight-line method, which approximates the effective interest method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are recorded as deferred charges and amortized over the term of the related debt.

Interest on the capital appreciation bonds is deferred and accreted over the term of the bonds.

Any gain/loss on refunding is allocated over the life of the old debt or the new debt whichever is shorter.

On the governmental fund financial statements, issuance costs, bond premiums and bond discounts are recognized in the period in which debt is issued. The face amount of the debt issue is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources, while discounts are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds are reported as debt service expenditures.

***M. Net Assets***

Net assets represent the difference between assets and liabilities. Net assets invested in capital assets, net of related debt consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction, or improvement of those assets. Net assets are reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the School District or through external restrictions imposed by creditors, grantors, or laws or regulations of other governments. At June 30, 2011, none of the School District's net assets were restricted by enabling legislation. Net assets restricted for other purposes include instructional activities and grants.

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

**Tri-Valley Local School District**  
*Notes to the Basic Financial Statements (Continued)*  
*For the Fiscal Year Ended June 30, 2011*

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**Note 2 - Summary of Significant Accounting Policies (Continued)**

***N. Fund Balance***

In accordance with Governmental Accounting Standards Board Statement No. 54, “*Fund Balance Reporting and Governmental Fund Type Definitions*”, the School District classifies its fund balance based on the purpose for which the resources were received and the level of constraint placed on the resources. The classifications are as follows:

*Nonspendable* – The nonspendable fund balance category includes amounts that cannot be spent because they are not in spendable form, or legally or contractually 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, as well as property acquired for resale, unless the use of the proceeds from the collection of those receivables or from the sale of those properties is restricted, committed or assigned.

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

*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 School District Board of Education. Those committed amounts cannot be used for any other purpose unless the School 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 School District for specific purposes but do not meet the criteria to be classified as restricted or 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 School District Board of Education.

*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 used only to report a deficit balance resulting from overspending for specific purposes for which amounts had been restricted, committed or assigned.

The School District applies restricted resources first when expenditures are incurred for purposes for which either restricted or unrestricted (committed, assigned and unassigned) amounts are 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.

**Tri-Valley Local School District**  
*Notes to the Basic Financial Statements (Continued)*  
*For the Fiscal Year Ended June 30, 2011*

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**Note 2 - Summary of Significant Accounting Policies (Continued)**

***O. Interfund Activity***

Transfers within governmental activities are eliminated on the government wide financial statements.

Internal allocations of overhead expenses from one function to another or within the same function are eliminated on the Statement of Activities. Payments for interfund services provided and used are not eliminated.

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. Repayments from funds responsible for particular expenditures/expenses to the funds that initially paid for them are not presented on the financial statements.

***P. Operating Revenues and Expenses***

Operating revenues are those revenues that are generated directly from the primary activity of the proprietary fund. For the School District, these revenues are charges for services for self-insurance programs. Operating expenses are necessary costs incurred to provide the goods or service that is the primary activity of the fund. All revenues and expenses not meeting these definitions are reported as non-operating.

***Q. Extraordinary and Special Items***

Extraordinary items are transactions or events that are both unusual in nature and infrequent in occurrence. Special items are transactions or events that are within the control of the Board of Education and that are either unusual in nature or infrequent in occurrence. Neither type of transaction occurred during fiscal year 2011.

***R. Estimates***

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

***S. Changes in Accounting Principles***

For the year ended June 30, 2011, the School District has implemented Governmental Accounting Standards Board (GASB) Statement No. 54, "*Fund Balance Reporting and Governmental Fund Type Definitions*" and GASB Statement No. 59, "*Financial Instruments Omnibus*."

GASB Statement No. 54 enhances the usefulness of fund balance information by providing clearer fund balance classifications that can be more consistently applied and by clarifying the existing governmental fund type definitions. This statement establishes fund balance classifications that comprise a hierarchy based primarily on the extent to which a government is bound to observe constraints imposed upon the use of the resources reported in governmental funds. The requirements of this statement classify fund balance as nonspendable, restricted, committed, assigned and/or unassigned.

**Tri-Valley Local School District**  
*Notes to the Basic Financial Statements (Continued)*  
For the Fiscal Year Ended June 30, 2011

**Note 2 - Summary of Significant Accounting Policies (Continued)**

GASB Statement No. 59 updated and improved existing standards regarding financial reporting and disclosure requirements of certain financial instruments and external investment pools for which significant issues have been identified in practice. Implementation of this GASB statement did not affect the presentation of the financial statements of the School District.

**Note 3 – Restatement of Fund Balances and Net Assets**

Fund reclassifications are required in order to report funds in accordance with GASB Statement No. 54 “*Fund Balance Reporting and Governmental Fund Type Definitions.*” Also, it was determined during the current fiscal year, the prior year balance of revenue in lieu of taxes receivable and revenue was overstated on the entity-wide statements. The School District also received a payment for revenue in lieu of taxes during fiscal year 2010 which was not due until fiscal year 2011, which should have been recorded as deferred revenue. These fund reclassifications and restatements had the following effect on the School District’s governmental fund balances as previously reported:

	<u>General</u>	<u>Debt Service</u>	<u>Permanent Improvement</u>	<u>Nonmajor Governmental</u>	<u>Total Governmental</u>
Fund Balance Previously Reported at June 30, 2010	\$ (1,841,137)	\$ 1,536,575	\$ 2,092,136	\$ 2,337,145	\$ 4,124,719
Fund Reclassification:					
Public School Support Fund	101,220	0	0	(101,220)	0
Underground Storage	11,000	0	0	(11,000)	0
Flower Fund	89,949	0	0	(89,949)	0
Private Purpose Trust Fund	0	0	0	(66,720)	(66,720)
Restatement of Deferred Revenue	0	0	(131,239)	0	(131,239)
Restated Fund Balance at July 1, 2010	<u>\$ (1,638,968)</u>	<u>\$ 1,536,575</u>	<u>\$ 1,960,897</u>	<u>\$ 2,068,256</u>	<u>\$ 3,926,760</u>

The fund reclassifications and restatement of receivable had the following effect on net assets previously reported:

	<u>Governmental Activities</u>	<u>Private Purpose Trust Fund</u>
Net Assets Previously Reported at June 30, 2010	\$ 60,267,203	\$ 0
Fund Reclassification:		
Private Purpose Trust Fund	(66,720)	66,720
Restatement of Revenue in Lieu of Taxes Receivable	(5,066,985)	0
Restated Net Assets at July 1, 2010	<u>\$ 55,133,498</u>	<u>\$ 66,720</u>

**Tri-Valley Local School District**  
*Notes to the Basic Financial Statements (Continued)*  
For the Fiscal Year Ended June 30, 2011

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**Note 3 – Restatement of Fund Balances and Net Assets (Continued)**

In prior years certain funds that are legally budgeted in separate special revenue funds were considered part of the general fund on a budgetary basis. Pursuant to GASB Statement No. 54, only the legally budgeted general fund should be reported in the budgetary statement; therefore, a restatement to the beginning budgetary balance is required. The restatement of the general fund’s budgetary basis fund balance at June 30, 2010 is as follows:

	General Fund
Balance at June 30, 2010	\$ 963,182
Funds Budgeted Elsewhere	(21,310)
Restated Fund Balance at July 1, 2010	\$ 941,872

**Note 4 – Accountability**

Fund balances at June 30, 2011 included the following individual fund deficits:

*Non-Major Special Revenue Funds:*

Fitness Center	\$ 40,044
Race to the Top	8,519
Title I	13,392

The special revenue deficit balances resulted from adjustments for accrued liabilities. The general fund is liable for any deficit in these funds and will provide transfers when cash is required, not when accruals occur.

**Note 5 - Budgetary Basis of Accounting**

While the School District is 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, disbursements, and encumbrances. The Statement of Revenues, Expenditures and Changes in Fund Balance - Budget (Non-GAAP Basis) and Actual, is presented on the budgetary basis for the general fund. The major differences between the budget basis and GAAP basis are:

1. Revenues are recorded when received in cash (budget) as opposed to when susceptible to accrual (GAAP).
2. Expenditures/expenses are recorded when paid in cash (budget) as opposed to when the liability is incurred (GAAP).
3. Encumbrances are treated as expenditures (budget) rather than as a reservation of fund balance (GAAP).
4. Advances in and advances out are operating transactions (budget) as opposed to balance sheet transactions (GAAP).
5. Some funds are included in the general fund (GAAP), but have separate legally adopted budgets.

**Tri-Valley Local School District**  
*Notes to the Basic Financial Statements (Continued)*  
*For the Fiscal Year Ended June 30, 2011*

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**Note 5 - Budgetary Basis of Accounting (Continued)**

The following table summarizes the adjustments necessary to reconcile the GAAP basis statement to the budgetary basis statement on a fund type basis for the general fund:

	<u>General</u>
GAAP Basis	\$ 1,906,058
Net Adjustment for Revenue Accruals	(62,998)
Advances In	146,747
Net Adjustment for Expenditure Accruals	72,143
Advances Out	(282,397)
Funds Budgeted Elsewhere **	(17,112)
Adjustment for Encumbrances	<u>(359,001)</u>
Budget Basis	<u>\$ 1,403,440</u>

\*\* As part of Governmental Accounting Standards Board Statement No. 54, "Fund Balance Reporting," certain funds that are legally budgeted in separate special revenue funds are considered part of the general fund on a GAAP basis. This includes flower, uniform school supplies, summer basketball camp and public school support funds.

**Note 6 - Deposits and Investments**

State statute classifies monies held by the School District into three categories.

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

Inactive monies are public deposits that the School District's 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;

**Tri-Valley Local School District**  
*Notes to the Basic Financial Statements (Continued)*  
*For the Fiscal Year Ended June 30, 2011*

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**Note 6 - Deposits and Investments (Continued)**

2. Bonds, notes, debentures, or any other obligations or securities issued by any federal government agency or instrumentality, including but not limited to, the Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, Government National Mortgage Association, and Student Loan Marketing Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
3. Written repurchase agreements in the securities listed above provided that the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least two percent and be marked to market daily, and that the term of the agreement must not exceed thirty days;
4. Bonds and other obligations of the State of Ohio;
5. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2) of this section 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 (STAROhio);
7. Certain bankers' acceptances and commercial paper notes for a period not to exceed one hundred and eighty days in an amount not to exceed 25 percent of the interim moneys available for investment at any on time; and,
8. Under limited circumstances, corporate debt interests rated in either of the two highest rating classifications by at least two nationally recognized rating agencies.

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

Investments may only be made through specified dealers and institutions. Payment for investments may be made only upon delivery of the securities representing the investments to the Treasurer or qualified trustee or, if the securities are not represented by a certificate, upon receipt of confirmation of transfer from the custodian.

According to State law, public depositories must give security for all public funds on deposit. These institutions may either specifically collateralize individual accounts in lieu of amounts insured by FDIC, or may pledge a pool of government securities valued at least 105 percent of the total value of uninsured public monies on deposit at the institution. Repurchase agreements must be secured by the specific government securities upon which the repurchase agreements are based. These securities must be obligations of or guaranteed by the United States and mature or be redeemable within 5 years of the date of the related repurchase agreement. State law does not require security for public deposits and investments to be maintained in the School District's name. During 2011, the School District and public depositories complied with the provisions of these statutes.

**Tri-Valley Local School District**  
*Notes to the Basic Financial Statements (Continued)*  
For the Fiscal Year Ended June 30, 2011

**Note 6 - Deposits and Investments (Continued)**

***Deposits with Financial Institutions***

Custodial credit risk is the risk that, in the event of a bank failure, the School District will not be able to recover deposits or collateral securities that are in the possession of an outside party. At fiscal year end, the carrying amount of the School District's deposits was \$6,266,430. At year end, \$5,054,971 of the School District's bank balance of \$6,384,113 was exposed to custodial credit risk because it was uninsured and uncollateralized. Although all statutory requirements for the deposit of money had been followed, non-compliance with federal requirements could potentially subject the School District to a successful claim by FDIC.

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

***Investments***

As of June 30, 2011, the School District had the following investments which are in an internal investment pool:

<u>Investment Type</u>	<u>Fair Value</u>	<u>Investment Maturities</u>	
		<u>6 Months or Less</u>	<u>Over 3 Years</u>
Federal National Mortgage Association Notes	\$ 1,000,425	\$ 0	\$ 1,000,425
Federal National Mortgage Association Bonds	1,072,819	0	1,072,819
Federal Home Loan Bank Note	1,576,376	0	1,576,376
STAROhio	51,888	51,888	0
Total	<u>\$ 3,701,508</u>	<u>\$ 51,888</u>	<u>\$ 3,649,620</u>

***Interest Rate Risk.*** The School District's investment policy addresses interest rate risk to the extent that it allows the Treasurer to invest funds to a maximum maturity of five years, and allows for the withdrawal of funds from approved public depositories or sale of negotiable instruments prior to maturity. State statute requires that an investment mature within five years from the date of purchase unless matched to a specific obligation or debt of the School District, and that an investment must be purchased with the expectation that it will be held to maturity.

***Credit Risk*** All of the investments listed above excluding STAROhio carry a rating of AAA by Moody's, STAROhio carries a rating of AAAM by Standard and Poor's. Ohio Law requires that STAROhio maintain the highest rating provided by at least one nationally recognized standard rating service. The School District has no investment policy that would further limit its investment choices.

**Tri-Valley Local School District**  
*Notes to the Basic Financial Statements (Continued)*  
For the Fiscal Year Ended June 30, 2011

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**Note 6 - Deposits and Investments (Continued)**

**Concentration of Credit Risk.** The School District places no limit on the amount that may be invested in any one issuer. The following table includes the percentage to total of each investment type held by the School District at June 30, 2011:

Investment Type	Fair Value	Percent of Total
Federal National Mortgage Association Notes	\$ 1,000,425	27.03%
Federal National Mortgage Association Bonds	1,072,819	28.98%
Federal Home Loan Bank Note	1,576,376	42.59%
STAROhio	51,888	1.40%
Total	<u>\$ 3,701,508</u>	<u>100.00%</u>

**Note 7 - Property Taxes**

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

Property taxes include amounts levied against all real, public utility, and tangible personal property (used in business) located in the School District. Real property tax revenue received in calendar 2011 represents collections of calendar 2010 taxes. Real property taxes received in calendar year 2011 were levied after April 1, 2010, on the assessed value listed as of January 1, 2010, the lien date. Assessed values for real property taxes are established by State Law at 35 percent of appraised market value. Real property taxes are payable annually or semi-annually. If paid annually, payment is due December 31; if paid semi-annually, the first payment is due December 31 with the remainder payable by June 20. Under certain circumstances, State statute permits alternate payment dates to be established.

Public utility property tax revenue received in calendar 2011 represents collections of calendar year 2010 taxes. Public utility real and tangible taxes received in calendar year 2011 became a lien December 31, 2009, were levied after April 1, 2010 and are collected in 2011 with real property taxes. Public utility real property is assessed at 35 percent of true value; public utility tangible personal property currently is assessed at varying percentages of true value.

Tangible personal property tax revenues received in calendar year 2011 (other than public utility property) represent the collection of calendar year 2011 taxes levied against local and inter-exchange telephone companies. Tangible personal property tax on business inventory, manufacturing machinery and equipment, and furniture and fixtures is no longer levied and collected. The October 2008 tangible personal property tax settlement was the last property tax settlement for general personal property taxes. Tangible personal property taxes received from telephone companies in calendar year 2011 were levied after October 1, 2010, on the value as of December 31, 2010. Amounts paid by multi-county taxpayers are due September 20. Single county taxpayers may pay annually or semiannually. If paid annually, payment is due April 30; if paid semiannually, the first payment is due April 30, with the remainder payable by September 20. Tangible personal property taxes paid by April 30 are usually received by the District prior to June 30.

**Tri-Valley Local School District**  
*Notes to the Basic Financial Statements (Continued)*  
For the Fiscal Year Ended June 30, 2011

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**Note 7 - Property Taxes (Continued)**

House Bill No. 66 was signed into law on June 30, 2005. House Bill No. 66 phases out the tax on tangible personal property of general businesses, telephone and telecommunications companies, and railroads. The tax on general business and railroad property was eliminated by calendar year 2009, and the tax on telephone and telecommunications property was eliminated by calendar year 2011. The tax is phased out by reducing the assessment rate on the property each year. The bill replaced the revenue lost by the School District due to the phasing out of the tax. In calendar years 2006-2010, the School District was fully reimbursed for the lost revenue. In calendar years 2011-2017, the reimbursements will be phased out.

The School District receives property taxes from Muskingum and Coshocton Counties. The County Auditor periodically advances to the School District its portion of the taxes collected. Second-half real property tax payments collected by the County by June 30, 2011, are available to finance fiscal year 2011 operations. The amount available to be advanced can vary based on the date the tax bills are sent.

Accrued property taxes receivable includes real property, public utility property and tangible personal property taxes which are measurable as of June 30, 2011 and for which there is an enforceable legal claim. Although total property tax collections for the next fiscal year are measurable, only the delayed personal property tax and 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 deferred revenue.

The amount available as an advance at June 30, 2011 was \$189,679 in the General Fund, \$37,532 in the Debt Service Fund, and \$3,834 in the Classroom Facilities Fund. The amount available as an advance at June 30, 2010, was \$85,605 in the general fund, \$16,444 in the Debt Service Fund, and \$1,828 in the Classroom Facilities Fund.

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

The assessed values upon which the fiscal year 2011 taxes were collected are:

	2010 Second- Half Collections		2011 First- Half Collections	
	Amount	Percent	Amount	Percent
Agricultural/Residential and Other Real Estate	\$ 302,999,430	92.24%	\$ 302,433,600	92.33%
Public Utility Personal	24,183,730	7.36%	24,231,660	7.40%
Tangible Personal Property	1,317,180	0.40%	892,650	0.27%
Total Assessed Values	<u>\$ 328,500,340</u>	<u>100.00%</u>	<u>\$ 327,557,910</u>	<u>100.00%</u>
Tax rate per \$1,000 of assessed valuation	<u>\$ 40.05</u>		<u>\$ 40.05</u>	

**Tri-Valley Local School District**  
*Notes to the Basic Financial Statements (Continued)*  
For the Fiscal Year Ended June 30, 2011

**Note 8 - Receivables**

Receivables at June 30, 2011, consisted of taxes, interfund, revenue in lieu of taxes and intergovernmental grants. 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 fiscal year guarantee of Federal Funds. All receivables are expected to be collected within one year, with the exception of delinquent property taxes deemed collectible by the County Auditor and recorded as a receivable in the amount of \$727,397 and revenue in lieu of taxes receivable that are addressed below.

In prior years, tax abatement agreements were entered into between Muskingum County, various townships and local businesses and were accepted by the School District to encourage economic growth in the County. In return for the abatements, the businesses agreed to make payments in lieu of taxes to the School District. Each agreement states a specified percentage that the businesses will pay based on the amount of real property taxes the School District would have received. The receivables have been recorded in the funds pursuant to the agreements. The receivables and revenues are recorded at the full amount upon entering into the agreement. These payments will continue for 12 years.

**Note 9 - Capital Assets**

Capital asset activity for the fiscal year ended June 30, 2011 was as follows:

	Balance 06/30/2010	Additions	Deletions	Balance 06/30/2011
<b>Governmental Activities</b>				
<i>Capital Assets not being depreciated</i>				
Land	\$ 4,020,160	\$ 0	\$ 0	\$ 4,020,160
<i>Capital Assets being depreciated</i>				
Land Improvements	1,560,564	0	0	1,560,564
Buildings and Improvements	69,903,410	263,509	0	70,166,919
Furniture, Fixtures and Equipment	3,492,837	25,263	0	3,518,100
Vehicles	2,439,468	325,316	(204,476)	2,560,308
Infrastructure	0	19,600	0	19,600
<i>Total Capital Assets Being Depreciated</i>	<u>77,396,279</u>	<u>633,688</u>	<u>(204,476)</u>	<u>77,825,491</u>
<i>Less Accumulated Depreciation:</i>				
Land Improvements	(293,671)	(99,823)	0	(393,494)
Buildings and Improvements	(11,879,857)	(2,413,505)	0	(14,293,362)
Furniture, Fixtures and Equipment	(1,098,647)	(368,562)	0	(1,467,209)
Vehicles	(1,548,515)	(183,552)	204,476	(1,527,591)
Infrastructure	0	(1,470)	0	(1,470)
<i>Total Accumulated Depreciation</i>	<u>(14,820,690)</u>	<u>(3,066,912) *</u>	<u>204,476</u>	<u>(17,683,126)</u>
<i>Total Capital Assets Being Depreciated, Net</i>	<u>62,575,589</u>	<u>(2,433,224)</u>	<u>0</u>	<u>60,142,365</u>
<i>Governmental Activities Capital Assets, Net</i>	<u>\$ 66,595,749</u>	<u>\$ (2,433,224)</u>	<u>\$ 0</u>	<u>\$ 64,162,525</u>

**Tri-Valley Local School District**  
*Notes to the Basic Financial Statements (Continued)*  
For the Fiscal Year Ended June 30, 2011

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**Note 9 - Capital Assets (Continued)**

\* Depreciation expense was charged to governmental functions as follows:

Instruction:	
Regular	\$ 1,615,797
Special	202,357
Vocational	81,867
Support Services:	
Pupils	45,857
Instructional Staff	149,637
Board of Education	2,414
Administration	225,129
Fiscal	2,414
Operation and Maintenance of Plant	109,597
Pupil Transportation	191,125
Central	44,143
Operation of Non-Instructional Services:	
Food Service Operations	202,288
Community Services	60,338
Extracurricular Activities	133,949
	<hr/>
<i>Total Depreciation</i>	<u><u>\$ 3,066,912</u></u>

**Note 10 - Risk Management**

**A. Property and Liability**

The School District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees and natural disasters. The School District contracts with Ohio Casualty Insurance Company for property and fleet insurance. Coverage provided by Ohio Casualty Insurance Company follows:

Building and Contents (\$2,500 deductible)	\$ 97,096,181
Automotive Liability (\$100 comprehensive, \$500 collision)	1,000,000
General Liability:	
Each Occurrence	1,000,000
General Aggregate Limit	3,000,000
Products/Completed Operations Aggregate Limit	3,000,000
Professional Liability	
Each Occurrence	1,000,000
General Aggregate Limit	3,000,000

Settlements have not exceeded coverage in any of the last three fiscal years. There has not been a significant reduction in coverage from the prior year.

**Tri-Valley Local School District**  
*Notes to the Basic Financial Statements (Continued)*  
*For the Fiscal Year Ended June 30, 2011*

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**Note 10 - Risk Management (Continued)**

***B. Employee Medical Benefits***

Medical, surgical and dental insurance is offered to all employees through a self insurance internal service fund. The School District participates with the Ohio School Benefits Cooperative with Medical Mutual serving as the third-party administrator for the plan. Stop-loss coverage is purchased for individual claims above \$100,000 and in aggregate \$3,168,725. With the stop loss coverage, the School District's total maximum liability for the 2011 plan year is \$3,711,698. The School District pays 80 percent of family premiums and 100 percent of single premiums for the medical/surgical and prescription drug coverage which are \$1,148.70 for family coverage or \$453.60 for individual coverage per month. The premium is paid to the internal service fund by the fund that pays the salary for the covered employee.

The School District also pays 80 percent of family premiums and 100 percent of single premiums for the dental premiums which are \$81.90 for family coverage or \$31.50 for individual coverage.

The claims liability of \$342,959 reported in the Internal Service fund at June 30, 2011 is based on an estimate provided by the third party administrator and the requirements of Governmental Accounting Standards Board Statement No. 30 which requires that a liability for unpaid claim costs, including estimates of costs relating to incurred but not reported claims, be reported. The estimate was not affected by incremental claim adjustment expenses and does not include other allocated or unallocated claim adjustment expenses.

Changes in fund's claims liability for the fiscal years 2011 and 2010 are as follows:

		<u>Balance</u> <u>Beginning of Year</u>		<u>Current</u> <u>Year Claims</u>		<u>Claims</u> <u>Payments</u>		<u>Balance</u> <u>End of Year</u>
2010	\$	278,995	\$	3,363,188	\$	3,389,183	\$	253,000
2011	\$	253,000	\$	3,683,227	\$	3,593,268	\$	342,959

***C. Workers' Compensation***

For fiscal year 2011, the School District participated in the Ohio School Boards Association Workers' Compensation Group Rating Program (GRP), an insurance purchasing pool (Note 17). The intent of the GRP is to achieve the benefit of a reduced premium for the School District by virtue of its grouping and representation with other participants in the GRP. The workers' compensation experience of the participating school districts is calculated as one experience and a common premium rate is applied to all school districts in the GRP.

Each participant pays its workers' compensation premium to the State based on the rate for the GRP rather than its individual rate. Participation in the GRP is limited to school districts that can meet the GRP's selection criteria. The firm of Gates McDonald & Co. provides administrative, cost control and actuarial services to the GRP.

**Tri-Valley Local School District**  
*Notes to the Basic Financial Statements (Continued)*  
*For the Fiscal Year Ended June 30, 2011*

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**Note 11 - Defined Benefit Pension Plans**

***A. School Employees Retirement System***

Plan Description - The School District contributes to the School Employees Retirement System of Ohio (“SERS”), a cost-sharing multiple-employer defined benefit pension plan. SERS provides retirement, disability and survivor benefits; annual cost-of-living adjustments; and death benefits to plan members and beneficiaries. Authority to establish and amend benefits is provided by state statute per 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 can be obtained by contacting SERS, 300 East Broad Street, Suite 100, Columbus, Ohio 43215-3746 or by calling toll free (800) 878-5853. It is also posted on SERS’ website at [www.ohsers.org](http://www.ohsers.org) under Employers/Audit Resources.

Funding Policy - Plan members are required to contribute 10 percent of their annual covered salary and the School District is required to contribute at an actuarially determined rate. The current rate is 14 percent of annual covered payroll. A portion of the School District’s contribution is used to fund pension obligations with the remainder being used to fund health care benefits for fiscal year 2011, 11.81 percent of annual covered salary was the portion used to fund pension obligations. The remaining 2.19 percent of the 14 percent employer contribution rate is allocated to the health care and Medicare B funds. The contribution requirements of plan members and employers are established and may be amended, up to statutory maximum amounts, by the SERS’ Retirement Board. Chapter 3309 of the Ohio Revised Code provides statutory authority for member and employer contributions. The School District’s contributions for pension obligations to SERS for the years ended June 30, 2011, 2010 and 2009 were \$471,520, \$509,530 and \$318,953, respectively; 48 percent has been contributed for fiscal year 2011 and 100 percent for the fiscal years 2010 and 2009.

***B. State Teachers Retirement System***

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

New members have a choice of three retirement plans, a Defined Benefit (DB) Plan, a Defined Contribution (DC) Plan and a Combined Plan. The DB Plan offers an annual retirement allowance based on final average salary times a percentage that varies based on years of service, or an allowance based on member contributions and earned interest matched by STRS Ohio funds divided by an actuarially determined annuity factor. The DC Plan allows members to allocate their member contributions and employer contributions equal to 10.5 percent of earned compensation among various investment accounts. Investment decisions are made by the member. A member is eligible to receive a retirement benefit at age 50 and termination of employment. The Combined Plan offers features of both the DC Plan and the DB Plan. In the Combined Plan, member contributions are invested by the member, and employer contributions are used to fund the defined benefit payment at a reduced level from the regular DB Plan. 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.

**Tri-Valley Local School District**  
*Notes to the Basic Financial Statements (Continued)*  
*For the Fiscal Year Ended June 30, 2011*

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**Note 11 - Defined Benefit Pension Plans (Continued)**

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

Funding Policy - For the fiscal year ended June 30, 2011, plan members were required to contribute 10 percent of their annual covered salaries. The School District was required to contribute 14 percent; 13 percent was the portion used to fund pension obligations. For fiscal year 2011, the portion used to fund pension obligations was also 13 percent. Contribution rates are established by the State Teachers Retirement Board, upon recommendations of its consulting actuary, not to exceed statutory maximum rates of 10 percent for members and 14 percent for employer contributions. Chapter 3307 of the Ohio Revised Code provides statutory authority for member and employer contributions.

The School District's required contributions for pension obligations to STRS Ohio for the fiscal years ended June 30, 2011, 2010 and 2009 were \$1,498,373, \$1,518,058 and \$1,540,124, respectively; 83 percent has been contributed for fiscal year 2011 and 100 percent for the fiscal years 2010 and 2009. Contributions to the DC and Combined Plans for fiscal year 2011 were \$54,727 made by the School District and \$39,091 made by the plan members.

Effective July 1, 1991, all employees not otherwise covered by the School Employees Retirement System or the State Teachers Retirement System of Ohio have an option to choose Social Security or the School Retirement System. As of June 30, 2011, two members of the Board of Education have elected Social Security. The Board's liability is 6.2 percent of wages.

**Note 12 - Postemployment Benefits**

**A. School Employees Retirement System**

Plan Description – The School District participates in two cost-sharing multiple employer defined benefit OPEB plans administered by the School Employees Retirement System for non-certificated retirees and their beneficiaries, a Health Care Plan and a Medicare Part B Plan. The Health Care Plan includes hospitalization and physicians' fees through several types of plans including HMO's, PPO's and traditional indemnity plans as well as a prescription drug program. The Medicare Part B Plan reimburses Medicare Part B premiums paid by eligible retirees and beneficiaries up to a statutory limit. Benefit provisions and the obligations to contribute are established by 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.

Funding Policy - State statute permits SERS to fund the health care benefits through employer contributions. Each year, after the allocation for statutorily required benefits, the Retirement Board allocates the remainder of the employer contribution of 14 percent of covered payroll to the Health Care Fund. The Health Care Fund was established and is administered in accordance with Internal Revenue Code Section 401h. For 2011, .46 percent of covered payroll was allocated to health care. In addition, employers pay a surcharge for employees earning less than an actuarially determined amount; for 2011, this amount was \$35,800.

**Tri-Valley Local School District**  
*Notes to the Basic Financial Statements (Continued)*  
*For the Fiscal Year Ended June 30, 2011*

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**Note 12 - Postemployment Benefits (Continued)**

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

The School District's contributions for health care for the fiscal years ended June 30, 2011, 2010 and 2009 were \$57,093, \$18,340 and \$198,878, respectively; 48 percent has been contributed for fiscal year 2011 and 100 percent for fiscal years 2010 and 2009.

The Retirement Board, acting with advice of the actuary, allocates a portion of the employer contribution to the Medicare B Fund. For 2011, this actuarially required allocation was 0.75 percent of covered payroll. The School District's contributions for Medicare Part B for the fiscal years ended June 30, 2011, 2010, and 2009 were \$30,343 \$30,301 and \$26,316, respectively; 48 percent has been contributed for fiscal year 2011 and 100 percent for fiscal years 2010 and 2009.

***B. State Teachers Retirement System***

Plan Description - The School District contributes to the cost sharing multiple employer defined benefit Health Plan administered by the State Teachers Retirement System of Ohio (STRS Ohio) for eligible retirees who participated in the defined benefit or combined pension plans offered by STRS Ohio. Benefits include hospitalization, physicians' fees, prescription drugs and reimbursement of monthly Medicare Part B premiums. Benefit provisions and the obligations to contribute are established by STRS Ohio based on authority granted by State Statute. The Plan is included in the financial report of STRS. Interested parties can view the most recent Comprehensive Annual Financial Report by visiting [www.strsoh.org](http://www.strsoh.org) or by requesting a copy by calling toll-free (888) 227-7877.

Funding Policy - Ohio law authorizes STRS Ohio to offer the Health 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 Health Plan. All benefit recipients pay a monthly premium. Under Ohio law, funding for post-employment health care may be deducted from employer contributions. For 2010, STRS Ohio allocated employer contributions equal to 1 percent of covered payroll to the Health Care Stabilization Fund. The School District's contributions for health care for the fiscal years ended June 30, 2011, 2010, and 2009 were \$115,259, \$116,774 and \$120,408, respectively; 83 percent has been contributed for fiscal year 2011 and 100 percent for fiscal years 2010 and 2009.

**Note 13 - Other Employee Benefits**

***A. Compensated Absences***

The criteria for determining vacation, personal and sick leave benefits are derived from negotiated agreements and State laws. Classified employees earn ten to twenty days of vacation per year, depending upon length of service. Accumulated unused vacation time is paid to classified employees and administrators upon termination of employment. Teachers and administrators who work less than 260 days do not earn vacation time. Teachers, administrators and classified employees earn sick leave at the rate of one and one-fourth days per month. Sick leave may be accumulated up to a maximum of 15 days per year, with a total maximum accumulation of 260 days. Upon retirement, certified employees are eligible for payment of 25 percent of unused sick leave. Classified employees, upon retirement, are eligible for payment of 25 percent of unused sick leave.

**Tri-Valley Local School District**  
*Notes to the Basic Financial Statements (Continued)*  
*For the Fiscal Year Ended June 30, 2011*

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**Note 13 - Other Employee Benefits (Continued)**

***B. Other Insurance Benefits***

The School District provides life insurance and accidental death and dismemberment insurance to its employees. Term life insurance coverage is \$50,000 with an additional \$20,000 of accidental death and dismemberment coverage for certified and non-certified staff. For administrators, coverage is calculated at \$1,000 for every \$1,000 earned with a maximum of \$50,000. Coverage is provided by Assurant Employee Benefits. The rate is \$8.25 per month for all employees.

An additional employee benefit which is offered through the School District is vision insurance through Vision Service Plan, Inc. The monthly rate is \$5.52 for single and \$12.48 for family for all employees.

***C. Retirement Incentive***

Certified employees with 30 years or more of retirement credit shall be eligible for a \$15,000 retirement incentive providing the employee retires by July 1, of the school year in which they first become eligible for retirement. Also, if the employee gives the School District notice of retirement prior to March 1 within the fiscal year of their retirement, then the employee is entitled to five days of additional pay. As of June 30, 2011, there was a total liability of \$15,000 shown as due within one year on the Statement of Net Assets, included in compensated absences.

**Note 14 – Capital Leases**

In prior years, the School District entered into a capitalized lease for new copying equipment. The lease meets the criteria of a capital lease as it transfers benefits and risks of ownership to the lessee.

Capital lease payments have been reclassified from functional expenditures and are reflected as General Fund service expenditures in the financial statements. They are presented as current expenditures in the budgetary statements. Capital assets for equipment acquired by governmental activities through capitalized leases were recorded in the amount of \$102,115, which is equal to the present value of the minimum lease payments at the time of acquisition. Accumulated depreciation on the asset is \$58,351, leaving a book value of \$43,764. Principal payments in fiscal year 2011 totaled \$21,234 in the governmental funds.

Future lease payments are as follows:

	<u>Amount</u>
Fiscal Year Ended June 30, 2012	\$ 4,044
Less: Amount representing interest	<u>35</u>
Present Value of Net Minimum Lease Payments	<u>\$ 4,009</u>

**Tri-Valley Local School District**  
*Notes to the Basic Financial Statements (Continued)*  
For the Fiscal Year Ended June 30, 2011

**Note 15 - Long-Term Obligations**

Changes in long-term obligations of the School District during fiscal year 2011 were as follows:

	Outstanding 6/30/2010	Additions	Deductions	Outstanding 6/30/2011	Due In One Year
<b>General Obligation Bonds:</b>					
2002 School Improvement Bonds, \$18,500,000					
Serial Bonds - 2.00-4.5%, \$3,880,000	\$ 735,000	\$ 0	\$ 345,000	\$ 390,000	\$ 390,000
Term Bonds - 5.25-5.75%, \$14,620,000	3,040,000	0	0	3,040,000	0
Serial Bond Premium, \$228,153	91,386	0	9,139	82,247	0
Total 2002 School Improvement Bonds	<u>3,866,386</u>	<u>0</u>	<u>354,139</u>	<u>3,512,247</u>	<u>390,000</u>
2006 Advance Refunding Bonds, \$9,254,993					
Serial Bonds - 4.1-4.4%, \$7,130,000	7,130,000	0	0	7,130,000	0
Term Bonds - 4.25%, \$1,695,000	1,695,000	0	0	1,695,000	0
Capital Appreciation Bonds - 30.656% \$429,993	154,480	0	17,434	137,046	13,107
CAB Accretion - \$1,070,007	356,517	156,842	47,566	465,793	51,893
CAB Premium - \$778,859	649,050	0	32,452	616,598	0
Serial/Term Bond Discount - \$43,312 & \$4,408	(39,768)	0	(1,988)	(37,780)	0
Refunding Difference - \$632,855	(492,219)	0	(35,159)	(457,060)	0
Total 2006 Advance Refunding Bonds	<u>9,453,060</u>	<u>156,842</u>	<u>60,305</u>	<u>9,549,597</u>	<u>65,000</u>
2007 Advance Refunding Bonds, \$3,084,995					
Serial Bonds - 4.0%, \$1,135,000	985,000	0	40,000	945,000	40,000
Term Bonds - 4.0%, \$1,900,000	1,900,000	0	0	1,900,000	0
Capital Appreciation Bonds - 20.747%, \$49,995	49,995	0	0	49,995	0
CAB Accretion - \$685,000	44,006	20,499	0	64,505	0
Serial/CAB Premium - \$4,345 & \$364,567	303,809	0	21,701	282,108	0
Serial/Term Bond Discount - \$6,817 & \$11,001	(14,674)	0	(1,048)	(13,626)	0
Refunding Difference - \$257,237	(211,841)	0	(15,132)	(196,709)	0
Total 2007 Advance Refunding Bonds	<u>3,056,295</u>	<u>20,499</u>	<u>45,521</u>	<u>3,031,273</u>	<u>40,000</u>
Total General Obligation Bonds	<u>16,375,741</u>	<u>177,341</u>	<u>459,965</u>	<u>16,093,117</u>	<u>495,000</u>
Capital Leases	25,243	0	21,234	4,009	4,009
Compensated Absences	<u>1,249,501</u>	<u>193,121</u>	<u>183,235</u>	<u>1,259,387</u>	<u>255,188</u>
<i>Total Long-Term Liabilities</i>	<u>\$ 17,650,485</u>	<u>\$ 370,462</u>	<u>\$ 664,434</u>	<u>\$ 17,356,513</u>	<u>\$ 754,197</u>

**2002 General Obligation Bonds** – On March 28, 2002, the School District issued \$18,500,000 in voted general obligation bonds to pay the local share of the school construction under the state of Ohio Classroom Facilities Assistance Program, as part of the Expedited Local Partnership Program. The bond issue included serial and term bonds in the amount of \$3,880,000 and \$14,620,000 respectively. During fiscal year 2006, the School District advance refunded \$760,000 of the serial bonds, and \$8,495,000 of the term bonds. During fiscal year 2007, the School District advance refunded an additional \$3,085,000 of the term bonds. The advance refunded portion of the bonds, as well as the unamortized premium and discount of these advance refunded bonds were removed from the financial statements of the School District. The remaining outstanding bonds are being retired from the Debt Service Fund.

**Tri-Valley Local School District**  
*Notes to the Basic Financial Statements (Continued)*  
*For the Fiscal Year Ended June 30, 2011*

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**Note 15 - Long-Term Obligations (Continued)**

The serial and a portion of the term bonds were originally sold at a premium of \$228,153, of which \$118,803 remained outstanding after the refunding issues. The remaining premium will be amortized over the remaining life of the bonds.

Issuance costs associated with the original bond issue were \$91,545 and were deferred, of which \$18,334 remained outstanding after the refunding issues that will be amortized over the remaining life of the bond issue. The amortization of issuance costs for fiscal year 2011 was \$1,410. The original bonds were issued for a 28-year period with a final maturity at December 1, 2029. After the advance refunding issues, the bonds that remained outstanding have a final maturity at December 1, 2019.

In connection with the passage of the bond issue, the School District also passed a half-mill levy for the maintenance of the new building. The School District must maintain a maintenance plan and submit it to the Ohio School Facilities Commission every 5 years for the term of the bonds.

The term bonds maturing on December 1, 2016, are subject to mandatory sinking fund redemption, in part by lot, pursuant to the terms of the mandatory sinking fund redemption requirements of the School District. The mandatory redemption is to occur on December 1 in each of the years 2014 through 2015 (with the balance of \$470,000 to be paid at stated maturity on December 1, 2016) at a redemption price equal to 100 percent of the principal amount redeemed plus accrued interest to the redemption date, according to the following schedule:

<u>Date</u>	<u>Principal Amount to be Redeemed</u>
2014	\$365,000
2015	420,000

The term bonds maturing on December 1, 2019, are subject to mandatory sinking fund redemption, in part by lot, pursuant to the terms of the mandatory sinking fund redemption requirements of the School District. The mandatory redemption is to occur on December 1 in each of the years 2017 through 2018 (with the balance of \$660,000 to be paid at stated maturity on December 1, 2009) at a redemption price equal to 100 percent of the principal amount redeemed plus accrued interest to the redemption date, according to the following schedule:

<u>Date</u>	<u>Principal Amount to be Redeemed</u>
2017	\$530,000
2018	595,000

**Tri-Valley Local School District**  
*Notes to the Basic Financial Statements (Continued)*  
For the Fiscal Year Ended June 30, 2011

**Note 15 - Long-Term Obligations (Continued)**

Principal and interest requirements to retire general obligation bonds for the outstanding 2002 School Improvement Bonds outstanding at June 30, 2011 are as follows:

Fiscal Year Ending June 30	Serial/Term Bonds		
	Principal	Interest	Total
2012	\$ 390,000	\$ 175,488	\$ 565,488
2013	0	167,200	167,200
2014	0	167,200	167,200
2015	365,000	157,162	522,162
2016	420,000	135,575	555,575
2017-2020	2,255,000	265,511	2,520,511
Total	<u>\$ 3,430,000</u>	<u>\$ 1,068,136</u>	<u>\$ 4,498,136</u>

*2006 Advance Refunding General Obligation Bonds* – The School District has previously issued 2002 school improvement general obligation bonds for school improvements that were partially refunded through the 2006 school improvement refunding general obligation bonds. At the date of refunding, \$9,835,130 (including premium, and after discount, underwriting fees, and other issuance costs) was deposited in an irrevocable trust to provide for all future debt service payments on the refunded 2002 School Improvement Bonds. As all of the legal steps had been taken to refund the debt, the balance of the outstanding bonds refunded was removed from the School District’s financial statements. See the Defeased Debt portion of the note for further specifics.

On April 20, 2006, the School District issued \$9,254,993 of general obligation bonds that were issued to partially refund the 2002 school improvement general obligation bonds. The bonds were issued for a 23 year period with final maturity at December 1, 2029. The bond issue included serial, term and capital appreciation bonds in the amounts of \$7,130,000, \$1,695,000 and \$429,993, respectively. These refunding bonds were issued with a discount of \$47,720 which is reported as a decrease to bonds payable and a premium of \$368,912 which is reported as an increase to bonds payable. The issuance costs of \$151,001 are reported as deferred charges and are being amortized over the life of the bonds using the straight-line method. The amortization of the issuance costs for fiscal year 2011 was \$6,292. The refunding resulted in a difference between the net carrying amount of the debt and the acquisition price of \$632,855. This difference, reported in the accompanying financial statements as a decrease to bonds payable is being amortized to interest expense over the life of the bonds using the straight-line method.

**Tri-Valley Local School District**  
*Notes to the Basic Financial Statements (Continued)*  
*For the Fiscal Year Ended June 30, 2011*

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**Note 15 - Long-Term Obligations (Continued)**

The 2006 bond issue consists of serial, term and capital appreciation bonds. The current interest term bonds maturing on December 1, 2024 are subject to mandatory sinking fund redemption at a redemption price of 100 percent of the principal amount to be redeemed, plus accrued interest to the date of redemption, on December 1 in the years and the respective principal amounts as follows:

<u>Date</u>	<u>Principal Amount to be Redeemed</u>
2018	\$ 35,000
2019	35,000
2020	35,000
2021	40,000
2022	40,000
2023	390,000
	<u>\$ 575,000</u>

The remaining principal amount of such current interest bonds, \$1,120,000, will be paid at stated maturity on December 1, 2024.

The current interest bonds maturing on or after December 1, 2016 are subject to redemption at the option of the School District, either in whole or in part, in such order as the School District shall determine, on any interest payment date on or after June 1, 2016, at a redemption price equal to 100 percent of the principal amount redeemed plus, in each case, accrued interest to the date fixed for redemption.

The capital appreciation bonds for the 2006 issue mature December 1, 2006 through December 1, 2016. At maturity all compounded interest is paid and the bond holder receives the face value of the bond. As the value of the bond increases, accretion is reflected as a liability. The maturity amount of the bonds is \$1,500,000. For fiscal year 2011, \$156,842 was accreted and \$47,566 of the accretion was paid, leaving a total bond liability of \$465,793.

**Tri-Valley Local School District**  
*Notes to the Basic Financial Statements (Continued)*  
For the Fiscal Year Ended June 30, 2011

**Note 15 - Long-Term Obligations (Continued)**

Principal and interest requirements to retire general obligation bonds for the 2006 School Improvement Refunding Bonds outstanding at June 30, 2011 are as follows:

Fiscal Year	Serial/Term Bonds		Capital Appreciation Bonds		Total	
	Principal	Interest	Principal	Accretion	Principal	Accretion/ Interest
2012	\$ 0	\$ 381,835	\$ 13,107	\$ 51,893	\$ 13,107	\$ 433,728
2013	0	381,835	75,805	424,195	75,805	806,030
2014	0	381,835	42,176	327,824	42,176	709,659
2015	0	381,835	2,571	27,429	2,571	409,264
2016	0	381,835	1,933	28,067	1,933	409,902
2017-2021	135,000	1,898,175	1,454	28,546	136,454	1,926,721
2022-2026	2,800,000	1,728,561	0	0	2,800,000	1,728,561
2027-2030	5,890,000	540,803	0	0	5,890,000	540,803
<i>Totals</i>	<u>\$ 8,825,000</u>	<u>\$ 6,076,714</u>	<u>\$ 137,046</u>	<u>\$ 887,954</u>	<u>\$ 8,962,046</u>	<u>\$ 6,964,668</u>

Advance Refunding General Obligation Bonds – The School District had previously issued 2002 school improvement general obligation bonds for school improvements that were partially refunded through the 2006 school improvement refunding general obligation bonds and 2007 general obligation advance refunding bonds. At the date of the 2007 refunding, \$3,346,035 (including premium, and after discount, underwriting fees, and other issuance costs) was deposited in an irrevocable trust to provide for all future debt service payments on the refunded 2002 School Improvement Bonds. As all of the legal steps had been taken to refund the debt, the balance of the outstanding bonds refunded was removed from the School District’s financial statements. See the Defeased Debt portion of the note for further specifics.

On April 19, 2007, the School District issued \$3,084,995 of general obligation bonds that were issued to partially refund the 2002 school improvement general obligation bonds. The bonds were issued for a 17 year period with final maturity at December 1, 2023. The serial and term refunding bonds were issued with a discount of \$17,818 which is reported as a decrease to bonds payable. The serial and capital appreciation refunding bonds were issued with a premium of \$368,912 which is reported as an increase to bonds payable. The issuance costs of \$90,054 are reported as deferred charges and are being amortized over the life of the bonds using the straight-line method. The amortization of the issuance costs for fiscal year 2011 was \$5,297. The refunding resulted in a difference between the net carrying amount of the debt and the acquisition price of \$257,237. This difference, reported in the accompanying financial statements as a decrease to bonds payable is being amortized to interest expense over the life of the bonds using the straight-line method.

**Tri-Valley Local School District**  
*Notes to the Basic Financial Statements (Continued)*  
For the Fiscal Year Ended June 30, 2011

**Note 15 - Long-Term Obligations (Continued)**

The 2007 bond issue consists of serial, term and capital appreciation bonds. The current interest term bonds maturing on December 1, 2022 are subject to mandatory sinking fund redemption at a redemption price of 100 percent of the principal amount to be redeemed, plus accrued interest to the date of redemption, on December 1 in the years and in the respective principal amounts as follows:

<u>Date</u>	<u>Principal Amount to be Redeemed</u>
2018	\$ 55,000
2019	55,000
2020	55,000
2021	830,000
	<u>\$ 995,000</u>

The remaining principal amount of such current interest bonds, \$905,000, will be paid at stated maturity on December 1, 2022.

The current interest bonds maturing on or after December 1, 2017 are subject to redemption at the option of the School District, either in whole or in part, in such order as the School District shall determine, on any date on or after June 1, 2017, at a redemption price equal to 100 percent of the principal amount redeemed plus, in each case, accrued interest to the date fixed for redemption.

The capital appreciation bonds for the 2007 issue mature December 1, 2020. At maturity all compounded interest is paid and the bond holder receives the face value of the bond. As the value of the bond increases, the accretion is reflected as a liability. The maturity amount of the bonds is \$735,000. For fiscal year 2011, \$20,499 was accreted, for a total bond liability of \$64,505.

Principal and interest requirements to retire general obligation bonds for the 2007 School Improvement Refunding Bonds outstanding at June 30, 2011 are as follows:

<u>Fiscal Year</u>	<u>Serial/Term Bonds</u>		<u>Capital Appreciation Bonds</u>		<u>Total</u>	
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Accretion</u>	<u>Principal</u>	<u>Accretion/ Interest</u>
2012	\$ 40,000	\$ 113,000	\$ 0	\$ 0	\$ 40,000	\$ 113,000
2013	40,000	111,400	0	0	40,000	111,400
2014	45,000	109,700	0	0	45,000	109,700
2015	45,000	107,900	0	0	45,000	107,900
2016	45,000	106,100	0	0	45,000	106,100
2017-2021	265,000	500,100	49,995	685,005	314,995	1,185,105
2022-2025	2,365,000	133,900	0	0	2,365,000	133,900
<i>Totals</i>	<u>\$ 2,845,000</u>	<u>\$ 1,182,100</u>	<u>\$ 49,995</u>	<u>\$ 685,005</u>	<u>\$ 2,894,995</u>	<u>\$ 1,867,105</u>

**Tri-Valley Local School District**  
*Notes to the Basic Financial Statements (Continued)*  
*For the Fiscal Year Ended June 30, 2011*

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**Note 15 - Long-Term Obligations (Continued)**

Capital leases will be paid from the General Fund.

Compensated absences will be paid from the General Fund and the Food Service Special Revenue Fund.

**Defeased Debt:**

As of June 30, 2011, the portion of the 2002 bonds that had been refunded with the 2006 issue that remained outstanding was \$9,255,000. These outstanding bonds are scheduled to be fully called and repaid in fiscal year 2012. The balance of the irrevocable trust account was \$9,327,961.

As of June 30, 2011, the portion of the 2002 bonds that had been refunded with the 2007 issue that remained outstanding was \$3,085,000. These outstanding bonds are scheduled to be fully called and repaid in fiscal year 2012. The balance of the irrevocable trust account was \$3,127,074.

**Note 16 - Jointly Governed Organization**

*Licking Area Computer Association* – Licking Area Computer Association (LACA) is a jointly governed organization of a two county consortium of school districts. LACA is an association which serves 14 entities within the boundaries of Licking and Muskingum Counties. These entities consist of public school districts, private schools and education service centers. The organization was formed for the purpose of applying modern technology with the aid of computers and other electronic equipment to administrative and instructional functions among member districts. The continued existence of LACA is not dependent on the School District's continued participation and no equity interest exists. The LACA constitution states that any school district withdrawing from the Association prior to dissolution forfeits their claim to the Association's capital assets. The School District's total payments to LACA for fiscal years 2011 were \$161,564. Financial statements for LACA can be obtained from their fiscal agent the Career and Technology Education Center of Licking County, 150 Price Road, Newark, OH 43055.

*Mid-East Ohio Career and Technology Center* – The Mid East Ohio Career and Technology Center is a distinct political subdivision of the State of Ohio operated under the direction of a Board consisting of one representative from each of the 13 participating school district's elected boards. The Board possesses its own budgeting and taxing authority. The Board controls the financial activity of the Career and Technology Center. The School District did not make any payments to the Mid-East Ohio Career and Technology Center for fiscal year 2011. To obtain financial information, write to the Mid-East Ohio Career and Technology Center, Rick White, Treasurer, at 400 Richards Road, Zanesville, Ohio 43701.

*Metropolitan Educational Council (MEC)* – The Metropolitan Education Council is a consortium of school districts and related agencies in Ohio. The organization is comprised of 135 members. The governing board is comprised of either the superintendent or his designated representative from each participating school district in Franklin County and one representative from each county outside Franklin County. Each year the participating school districts pay a membership fee to MEC to cover the costs of administering the program. The School District's membership payment to MEC for fiscal year 2011 was \$1,257. Financial information may be obtained from the Metropolitan Educational Council, Denise Music, who serves as fiscal officer, at 6100 Channingway Blvd., Suite 604, Columbus, Ohio 43232.

**Tri-Valley Local School District**  
*Notes to the Basic Financial Statements (Continued)*  
*For the Fiscal Year Ended June 30, 2011*

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**Note 16 - Jointly Governed Organization (Continued)**

*Coalition of Rural and Appalachian Schools* – The Coalition of Rural and Appalachian Schools is a jointly governed organization composed of over 130 school districts and other educational institutions in the 29-county region of Ohio designated as Appalachia. The Coalition is operated by a Board which is composed of seventeen members. One elected and one appointed from each of the seven regions into which the 29 Appalachian counties are divided; and three from Ohio University College of Education. The Council provides various in-service training programs for school district administrative personnel; gathers data regarding the level of education provided to children in the region; cooperates with other professional groups to assess the development programs designed to meet the needs of member districts; and provides staff development programs for school district personnel. The Council is not dependent on the continued participation of the School District and the School District does not maintain an equity interest in or financial responsibility for the Council. During fiscal year 2011, the School District paid \$345 in membership fees to the Coalition of Rural and Appalachian Schools. To obtain financial information write to the Coalition of Rural and Appalachian Schools, Executive Director, at McCracken Hall, Ohio University, Athens, Ohio 45701.

**Note 17 – Public Entity Pools**

**A. Insurance Purchasing Pool**

*Ohio School Board Association Workers' Compensation Group Rating Plan* – The School District participates in the Ohio School Boards Association Workers' Compensation Group Rating Plan (GRP), a group insurance purchasing pool. The GRP's business and affairs are conducted by a three-member Board of Directors consisting of the President, the President-Elect, and the Immediate Past President of the OSBA. The Executive Director of the OSBA, or his designee, serves as coordinator of the program. Each year the participating school districts pay an enrollment fee to the GRP to cover the costs of administering the program.

**B. Claims Servicing Pool**

*The Ohio School Benefits Cooperative* – The School District participates in the Ohio School Benefits Cooperative, a claims servicing and a group purchasing pool comprised of fifteen members. The Ohio School Benefits Cooperative (OSBC) is created and organized pursuant to and as authorized by Section 9.833 of the Ohio Revised Code. The OSBC is an unincorporated, non-profit association of its members and an instrumentality for each member for the purpose of enabling members of the Plan to maximize benefits and/or reduce costs of medical, prescription drug, vision, dental, life and/or other types of group insurance coverage for their employees, and the eligible dependents and designated beneficiaries of such employees, and propose to have certain other eligible school districts or groups join them for the same purposes. The OSBC's business and affairs are conducted by a nine member Board of Directors consisting of school district superintendents elected by the members of the OSBC. Medical Mutual/Antares is the Administrator of the OSBC.

**Note 18 - Set-Asides**

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

**Tri-Valley Local School District**  
*Notes to the Basic Financial Statements (Continued)*  
For the Fiscal Year Ended June 30, 2011

**Note 18 - Set-Asides (Continued)**

The following cash basis information describes the change in the set aside amounts for textbooks and capital acquisition. Disclosure of this information is required by State statute.

	Textbooks	Capital Improvements
Set-aside Reserved Balance as of June 30, 2010	\$ 0	\$ 0
Current Year Set-aside Requirement	473,999	473,999
Contribution in Excess of the Current Fiscal Year Set-Aside Requirement	0	0
Current Year Qualifying Disbursements	(544,125)	(554,664)
Excess Qualified Expenditures from Prior Years	(682,345)	0
Current Year Offsets	0	0
Waiver Granted by Department of Education	0	0
Prior Year Offsets from Bond Proceeds	0	0
Totals	\$ (752,471)	\$ (80,665)
Balance Carried Forward to Fiscal Year 2012	\$ 0	\$ 0

The School District had qualifying disbursements in the current and prior fiscal year that reduced the textbook set-aside amount below zero. Effective July 1, 2011, textbook set-aside laws have been repealed. Therefore, the negative amount is not presented as being carried forward to future years.

The School District had qualifying disbursements during the fiscal year that reduced the set-aside amount to below zero for the capital acquisition set-aside. This extra amount may not be carried forward. The School District had prior year capital expenditures from bond proceeds in connection with a school facilities project that may be carried forward to offset future set-aside requirements.

**Note 19 – Interfund Balances**

As of June 30, 2011, receivables and payables that resulted from cash advances from the general fund to other funds were as follows:

	Receivable	Payable
General	\$ 135,650	\$ 0
Other Governmental:		
Fitness Center	0	38,650
Race to the Top	0	8,600
Title VI-B	0	84,000
Title I	0	4,400
	\$ 135,650	\$ 135,650

**Tri-Valley Local School District**  
*Notes to the Basic Financial Statements (Continued)*  
For the Fiscal Year Ended June 30, 2011

**Note 19 – Interfund Balances (Continued)**

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. All interfund balances are expected to be repaid within one year.

Interfund balances between governmental funds are eliminated on the government-wide financial statements; therefore, no internal balances at June 30, 2011 are reported on the Statement of Net Assets.

**Note 20 – Fund Balance**

Fund balance can be classified as nonspendable, restricted, committed, assigned and/or unassigned based primarily on the extent to which the District is bound to observe constraints imposed upon the use of the resources in governmental funds.

The constraints placed on fund balance for the major governmental funds and all other funds are presented as follows:

	General	Debt Service	Permanent Improvement	Other Governmental Funds	Total
Nonspendable for:					
Materials and Supplies Inventory	\$ 100,361	\$ 0	\$ 0	\$ 8,015	\$ 108,376
Restricted for:					
Debt Service	0	1,717,495	0	0	1,717,495
Capital Outlay	0	0	1,885,344	821,822	2,707,166
Special Education	0	0	0	11,571	11,571
Food Service	0	0	0	344,693	344,693
Maintenance of Facilities	0	0	0	941,723	941,723
Federal Grants	0	0	0	258,122	258,122
Other Purposes	0	0	0	84,311	84,311
<b>Total Restricted</b>	<b>0</b>	<b>1,717,495</b>	<b>1,885,344</b>	<b>2,462,242</b>	<b>6,065,081</b>
Committed for:					
Underground Storage Tank	11,000	0	0	0	11,000
Capital Outlay	0	0	0	8,470	8,470
<b>Total Committed</b>	<b>11,000</b>	<b>0</b>	<b>0</b>	<b>8,470</b>	<b>19,470</b>
Assigned for:					
Encumbrances	137,695	0	0	0	137,695
Other Purposes	142,497	0	0	0	142,497
<b>Total Assigned</b>	<b>280,192</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>280,192</b>
Unassigned	(124,463)	0	0	(61,955)	(186,418)
<b>Total Fund Balance (Deficit)</b>	<b>\$ 267,090</b>	<b>\$ 1,717,495</b>	<b>\$ 1,885,344</b>	<b>\$ 2,416,772</b>	<b>\$ 6,286,701</b>

**Tri-Valley Local School District**  
*Notes to the Basic Financial Statements (Continued)*  
*For the Fiscal Year Ended June 30, 2011*

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**Note 21 - Contingencies**

***A. Grants***

The School District received financial assistance from federal and state agencies in the form of grants. The expenditures of funds received under these programs generally require compliance with terms and conditions specified in the grant agreements and are subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the general fund or other applicable funds. However, in the opinion of management, any such disallowed claims will not have a material adverse effect on the overall financial position of the School District at June 30, 2011.

***B. Litigation***

The School District is not party to any claims or lawsuits that would have a material effect on the basic financial statements.

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**TRI-VALLEY LOCAL SCHOOL DISTRICT  
MUSKINGUM COUNTY**

**FEDERAL AWARDS RECEIPTS AND EXPENDITURES SCHEDULE  
FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

<b>FEDERAL GRANTOR/ Pass Through Grantor Program Title</b>	Grant Year	Federal CFDA Number	Receipts	Disbursements
<b><u>U.S. DEPARTMENT OF AGRICULTURE</u></b>				
<i>Passed Through Ohio Department of Education:</i>				
Child Nutrition Cluster:				
Non-Cash Assistance (Food Distribution):				
School Breakfast Program	2010/2011	10.553	\$ 5,943	\$ 5,943
National School Lunch Program	2009/2010	10.555	137,611	137,611
Non-Cash Assistance Subtotal			143,554	143,554
Cash Assistance:				
School Breakfast Program	2010/2011	10.553	84,281	84,281
National School Lunch Program	2010/2011	10.555	488,819	488,819
Cash Assistance Subtotal			573,100	573,100
Total Child Nutrition Cluster			716,654	716,654
Total U.S. Department of Agriculture			716,654	716,654
<b><u>U.S. DEPARTMENT OF EDUCATION</u></b>				
<i>Passed Through Ohio Department of Education:</i>				
Title I, Part A Cluster:				
Title I Grants to Local Educational Agencies	2010	84.010	42,291	31,449
	2011		266,252	269,066
Title I Grants to Local Educational Agencies, Subtotal			308,543	300,515
ARRA - Title I Grants to Local Educational Agencies, Recovery Act	2010	84.389	17,683	22,159
	2011		129,672	131,039
ARRA - Title I Grants to Local Educational Agencies, Recovery Act Subtotal			147,355	153,198
Total Title I, Part A Cluster			455,898	453,713
Special Education Grants to States	2010	84.027	167,578	169,034
	2011		333,740	417,698
Special Education Grants to States Subtotal			501,318	586,732
ARRA - Special Education Grants to States, Recovery Act	2010	84.391	20,321	15,119
	2011		333,053	333,053
ARRA - Special Education Grants to States, Recovery Act Subtotal			353,374	348,172
Total Special Education Cluster			854,692	934,904
Safe and Drug-Free Schools and Communities State Grants	2010	84.186	1,550	1,671
Improving Teacher Quality State Grants	2010	84.367	13,094	20,272
	2011		103,264	102,091
Total Improving Teacher Quality State Grants			116,358	122,363
ARRA - Educational Technology State Grants, Recovery Act	2010	84.386	(315)	0
	2011		2,775	2,706
Total ARRA - Educational Technology State Grants, Recovery Act			2,460	2,706
ARRA - State Fiscal Stabilization Fund (SFSF) - Education State Grants, Recovery Act	2010	84.394	1,001	36,692
			1,216,648	1,209,665
Total ARRA - State Fiscal Stabilization Fund (SFSF) - Education State Grants, Recovery Act			1,217,649	1,246,357
ARRA - State Fiscal Stabilization Fund (SFSF) - Race-to-the-Top Incentive Grants, Recovery Act	2011	84.395	24,103	32,623
Education Jobs Fund	2011	84.410	625,136	624,677
Total U.S. Department of Education			3,297,846	3,419,014
<b>Total Federal Awards Receipts and Expenditures</b>			<b>\$ 4,014,500</b>	<b>\$ 4,135,668</b>

*The Notes to the Federal Awards Receipts and Expenditures Schedule is an integral part of the Schedule.*

**TRI-VALLEY LOCAL SCHOOL DISTRICT  
MUSKINGUM COUNTY**

**NOTES TO THE FEDERAL AWARDS RECEIPTS AND EXPENDITURES SCHEDULE  
FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

**NOTE A – SIGNIFICANT ACCOUNTING POLICIES**

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

**NOTE B – CHILD NUTRITION CLUSTER**

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

**NOTE C – FOOD DONATION PROGRAM**

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

**NOTE D - TRANSFERS BETWEEN PROGRAM YEARS**

Federal regulations require schools to obligate certain federal awards by June 30. However, with ODE's consent, schools can transfer unobligated amounts to the subsequent fiscal year's program. These transfers resulted in the Schedule reporting negative receipts. The School District transferred the following amounts from 2010 to 2011 programs:

<u>Program Title</u>	<u>CFDA Number</u>	<u>Amount Transferred from 2010 to 2011</u>
ARRA - Educational Technology State Grants, Recovery Act	84.386	\$315



# Dave Yost • Auditor of State

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

Tri-Valley Local School District  
Muskingum County  
36 E. Muskingum Avenue  
Dresden, Ohio 43821

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 Tri-Valley Local School District, Muskingum County, Ohio (the School District), as of and for the year ended June 30, 2011, which collectively comprise the School District's basic financial statements and have issued our report thereon dated February 24, 2012, wherein we noted the School District has adopted Governmental Accounting Standards Board Statement No. 54. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*.

### **Internal Control Over Financial Reporting**

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

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

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

### **Compliance and Other Matters**

As part of reasonably assuring whether the School District's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express an opinion. The results of our tests disclosed no instances of noncompliance or other matters we must report under *Government Auditing Standards*.

We did note certain matters not requiring inclusion in this report that we reported to the School District's management in a separate letter dated February 24, 2012.

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 School District. We intend it for no one other than these specified parties.

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

**Dave Yost**  
Auditor of State

February 24, 2012



# Dave Yost • Auditor of State

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

Tri-Valley Local School District  
Muskingum County  
36 E. Muskingum Avenue  
Dresden, Ohio 43821

To the Board of Education:

### Compliance

We have audited the compliance of Tri-Valley Local School District, Muskingum County, Ohio (the School District) with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133, Compliance Supplement* that could directly and materially affect each of the School District's major federal programs for the year ended June 30, 2011. The *Summary of Auditor's Results* section of the accompanying Schedule of Findings identifies the School District's major federal programs. The School District's management is responsible for complying with the requirements of laws, regulations, contracts, and grants applicable to each major federal program. Our responsibility is to opine on the School 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 School 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 School District's compliance with these requirements.

In our opinion, the School District complied, in all material respects, with the requirements referred to above that could directly and materially affect each of its major federal programs for the year ended June 30, 2011.

### Internal Control Over Compliance

The School District's management is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the School District's internal control over compliance with requirements that could directly and materially affect a major federal program, 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 School District's internal control over compliance.

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

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

We noted a matter involving federal compliance or internal control over federal compliance not requiring inclusion in this report, that we reported to the School District's management in a separate letter dated February 24, 2012.

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



**Dave Yost**  
Auditor of State

February 24, 2012

**TRI-VALLEY LOCAL SCHOOL DISTRICT  
MUSKINGUM COUNTY**

**SCHEDULE OF FINDINGS  
OMB CIRCULAR A-133 § .505  
FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

**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):	Child Nutrition Cluster - CFDA Nos. 10.553 and 10.555; Title I, Part A Cluster - CFDA Nos. 84.010 and 84.389; Special Education Cluster (IDEA) - CFDA Nos. 84.027 & 84.391; ARRA – State Fiscal Stabilization Fund, CFDA No. 84.394; and Education Jobs Fund - CFDA No. 84.410
<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?	No

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

None.

**3. FINDINGS FOR FEDERAL AWARDS**

None.

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# Dave Yost • Auditor of State

## INDEPENDENT ACCOUNTANTS' REPORT ON APPLYING AGREED-UPON PROCEDURE

Tri-Valley Local School District  
Muskingum County  
36 East Muskingum Avenue  
Dresden, Ohio 43821

To the Board of Education:

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

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

1. We noted the Board amended its anti-harassment policy at its meeting on May 12, 2011 to include violence within a dating relationship within its definition of harassment, intimidation or bullying.

Ohio Rev. Code Section 3313.666 required the Board to amend its definition by September 28, 2010.

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

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

A handwritten signature in black ink that reads "Dave Yost".

**Dave Yost**  
Auditor of State

February 24, 2012

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# Dave Yost • Auditor of State

TRI VALLEY LOCAL SCHOOL DISTRICT  
MUSKINGUM COUNTY

## CLERK'S CERTIFICATION

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

*Susan Babbitt*

CLERK OF THE BUREAU

CERTIFIED  
MARCH 8, 2012