



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

**SINGLE AUDIT**

**FOR THE YEAR ENDED JUNE 30, 2012**



**Dave Yost • Auditor of State**



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

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# Dave Yost • Auditor of State

## INDEPENDENT ACCOUNTANTS' REPORT

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

To the Board of Education:

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Twin Valley Community Local School District, Preble County, Ohio (the District), as of and for the year ended June 30, 2012, which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the District's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective modified cash financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Twin Valley Community Local School District, Preble County, Ohio, as of June 30, 2012, and the respective changes in modified cash financial position, thereof and the budgetary comparison for the General Fund thereof for the year then ended in conformity with the accounting basis Note 1 describes.

In accordance with *Government Auditing Standards*, we have also issued our report dated February 21, 2013, on our consideration of the District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. While we did not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting and compliance, and the results of that testing. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*. You should read it in conjunction with this report in assessing the results of our audit.

We conducted our audit to opine on the District's financial statements taken as a whole. Management's Discussion & Analysis includes tables of net assets, changes in net assets, governmental activities and long-term debt. The federal awards receipts and expenditures schedule (the Schedule) is required by the U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. These tables and the Schedule provide additional information, but are not part of the basic financial statements. However these tables and the Schedule are management's responsibility, and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. These tables and the schedule were 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. Other than the aforementioned procedures applied to the tables, we applied no procedures to any other information in Management's Discussion & Analysis, and we express no opinion or any other assurance on it.

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 21, 2013

**Twin Valley Community Local School District**  
*Management's Discussion and Analysis*  
*For the Fiscal Year Ended June 30, 2012*  
*Unaudited*

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The discussion and analysis of Twin Valley Community Local School District's financial performance provides an overall review of the School District's financial activities for the fiscal year ended June 30, 2012, within the limitations of the School District's modified cash basis of accounting. Readers should also review the basic financial statements and the notes to the basic financial statements to enhance their understanding of the School District's financial performance.

### **Financial Highlights**

Key financial highlights for fiscal year 2012 are as follows:

In total, net assets decreased \$595,705, or 6 percent. Receipts and disbursements remained similar to the prior year, however disbursements exceeded receipts causing the School District to spend carryover balances.

General revenues were \$7,821,798, or 81 percent of total revenues, and reflect the School District's substantial dependence on property taxes and unrestricted State entitlements.

### **Using The Basic Financial Statements**

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

#### *Report Components*

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

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

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

#### *Basis of Accounting*

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

**Twin Valley Community Local School District**  
*Management's Discussion and Analysis*  
*For the Fiscal Year Ended June 30, 2012*  
*Unaudited*

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

**Reporting the School District as a Whole**

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

The Statement of Net Assets and the Statement of Activities reflect how the School District did financially during fiscal year 2012, within the limitations of modified cash basis accounting. The Statement of Net Assets presents the cash balances and investments of the governmental activities of the School District at fiscal year-end. The Statement of Activities compares cash disbursements with program receipts for each governmental program. Program receipts include charges paid by the recipient of the program's goods or services, and grants and contributions restricted to meeting the operational or capital requirements of a particular program. General receipts are all receipts not classified as program receipts. The comparison of cash disbursements with program receipts identifies how each governmental program draws from the School District's general receipts.

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

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

*Fund Financial Statements*

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

**Twin Valley Community Local School District**  
*Management's Discussion and Analysis*  
*For the Fiscal Year Ended June 30, 2012*  
*Unaudited*

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*Governmental Funds*

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

*Fiduciary Funds*

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

**The School District as a Whole**

Table 1 provides a summary of the School District's net assets for fiscal year 2012 compared to fiscal year 2011:

Table 1 Net Assets			
	2012	2011	Change
<b>Assets:</b>			
Current Assets	\$1,588,763	\$2,050,138	(\$461,375)
Capital Assets, Net	10,456,838	10,876,168	(419,330)
<i>Total Assets</i>	12,045,601	12,926,306	(880,705)
<b>Liabilities:</b>			
Due Within One Year	300,000	285,000	15,000
Due In More Than One Year	1,435,000	1,735,000	(300,000)
<i>Total Liabilities</i>	1,735,000	2,020,000	(285,000)
<b>Net Assets:</b>			
Invested in Capital Assets, Net of Related Debt	8,721,838	8,856,168	(134,330)
Restricted	677,516	1,050,040	(372,524)
Unrestricted	911,247	1,000,098	(88,851)
<i>Total Net Assets</i>	\$10,310,601	\$10,906,306	(\$595,705)

**Twin Valley Community Local School District**  
*Management's Discussion and Analysis*  
*For the Fiscal Year Ended June 30, 2012*  
*Unaudited*

Current assets decreased mainly due to cash and cash equivalents decreasing due to disbursements that were higher than receipts received for the fiscal year, which resulted in the School District spending a portion of carryover balances. Capital assets decreased by \$419,330 primarily due to annual depreciation expense.

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

Restricted net assets of governmental activities decreased primarily due to the elimination of the set aside requirement for textbooks and instructional materials.

Table 2 shows the changes in net assets for fiscal years 2012 and 2011.

Table 2  
Change in Net Assets

	2012	2011	Change
<b>Receipts:</b>			
<b>Program Cash Receipts:</b>			
Charges for Services	\$683,677	\$641,624	\$42,053
Operating Grants and Contributions	1,102,186	852,717	249,469
<i>Total Program Cash Receipts</i>	<u>\$1,785,863</u>	<u>\$1,494,341</u>	<u>291,522</u>
<b>General Receipts:</b>			
Property Taxes Levied for:			
General Purposes	2,353,130	2,326,614	26,516
Debt Service	356,908	357,301	(393)
Other Purposes	38,702	37,998	704
Income Tax	757,581	718,893	38,688
Grants and Entitlements not Restricted to Specific Programs	4,234,336	4,581,841	(347,505)
Interest	2,910	10,236	(7,326)
Miscellaneous	78,231	66,827	11,404
<i>Total General Receipts</i>	<u>7,821,798</u>	<u>8,099,710</u>	<u>(277,912)</u>
<i>Total Receipts</i>	<u>\$9,607,661</u>	<u>\$9,594,051</u>	<u>\$13,610</u>

(continued)

**Twin Valley Community Local School District**  
*Management's Discussion and Analysis*  
*For the Fiscal Year Ended June 30, 2012*  
*Unaudited*

Table 2  
Change in Net Assets

	<u>2012</u>	<u>2011</u>	<u>Change</u>
<b>Cash Disbursements:</b>			
Instruction:			
Regular	\$4,369,094	\$4,388,685	(\$19,591)
Special	857,560	1,002,212	(144,652)
Vocational	219,233	200,945	18,288
Support Services:			
Pupils	544,409	600,804	(56,395)
Instructional Staff	358,905	358,342	563
Board of Education	116,748	56,065	60,683
Administration	951,280	956,740	(5,460)
Fiscal	216,088	197,632	18,456
Operation and Maintenance of Plant	1,034,354	944,633	89,721
Pupil Transportation	595,424	550,272	45,152
Central	91,546	99,752	(8,206)
Operation of Non-Instructional Services	440,944	459,863	(18,919)
Extracurricular Activities	321,222	334,936	(13,714)
Debt Service:			
Interest and Fiscal Charges	86,559	105,770	(19,211)
<i>Total Cash Disbursements</i>	<u>10,203,366</u>	<u>10,256,651</u>	<u>(53,285)</u>
<i>Increase (Decrease) in Net Assets</i>	(595,705)	(662,600)	
<i>Net Assets at Beginning of Year</i>	<u>10,906,306</u>	<u>11,568,906</u>	
<i>Net Assets at End of Year</i>	<u>\$10,310,601</u>	<u>\$10,906,306</u>	

### Governmental Activities

The unique nature of taxes in Ohio creates the need to routinely seek voter approval for the School District's operations. Property taxes and income taxes made up 36 percent of receipts for governmental activities for the School District for fiscal year 2012. Without this tax support, disbursements would have drastically outpaced receipts and the School District could not maintain the same operations as it does currently.

Both receipts and disbursements decreased less than one percent from the previous fiscal year, which is an insignificant change.

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

### The School District's Funds

Information about the School District's major funds starts on page 11. These funds are accounted for using the modified cash basis of accounting. All governmental funds had total receipts of \$9,607,661 and disbursements of \$10,069,036.

**Twin Valley Community Local School District**  
*Management's Discussion and Analysis*  
*For the Fiscal Year Ended June 30, 2012*  
*Unaudited*

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The net change in fund balance for the General Fund and the Bond Retirement Debt Service Fund was (\$409,083) and \$30,039, respectively. Receipts and disbursements in the General Fund were comparable to the prior year, however disbursements exceeded receipts causing the School District to spend carryover balances. The Bond Retirement Debt Service Fund increased slightly from reduced interest payments for debt during the fiscal year.

**General Fund Budgeting Highlights**

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

For the General Fund, the final budget basis receipts estimate were slightly lower than the original budget basis receipts by \$14,341, or less than one percent. Actual receipts were equal to final budget basis receipt estimates.

Final appropriations were higher than the original appropriations by \$56,379. Final appropriations were slightly above actual disbursements by \$44, primarily from regular instruction being less than expected. The School District uses site-based budgeting and the budgeting systems are designed to tightly control total site budgets, but provide flexibility for site management.

**Capital Assets**

At the end of fiscal year 2012, the School District had \$10,456,838 invested in land, land improvements, buildings and improvements, furniture, fixtures, and equipment, and vehicles.

Table 3 shows fiscal year 2012 balances compared to fiscal year 2011.

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

	2012	2011
Land	\$336,998	\$336,998
Land Improvements	142,685	159,932
Buildings and Improvements	9,751,104	10,095,960
Furniture, Fixtures, and Equipment	117,170	142,792
Vehicles	108,881	140,486
<i>Totals</i>	\$10,456,838	\$10,876,168

Overall, capital assets decreased \$419,330 from fiscal year 2011 to fiscal year 2012. This was due primarily to current fiscal year depreciation. For more information on capital assets, see Note 8 to the basic financial statements.

**Twin Valley Community Local School District**  
*Management's Discussion and Analysis*  
*For the Fiscal Year Ended June 30, 2012*  
*Unaudited*

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**Debt Administration**

At June 30, 2012, the School District had \$1,735,000 in general obligation bonds outstanding, of which \$300,000 is due within one year. Table 4 summarizes the bonds outstanding:

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

	2012	2011
1994 School Improvement Bonds	\$0	\$285,000
2007 School Improvement Refunding Bonds	1,735,000	1,735,000
<i>Totals</i>	\$1,735,000	\$2,020,000

The School District's overall legal debt margin was \$8,371,433, with an unvoted debt margin of \$107,864 at June 30, 2012. For more information on the School District's debt, see Note 13 to the basic financial statements.

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

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

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**Twin Valley Community Local School District**  
*Statement of Net Assets - Modified Cash Basis*  
*June 30, 2012*

	Governmental Activities
<b>Assets:</b>	
Equity in Pooled Cash and Cash Equivalents	\$1,588,763
Nondepreciable Capital Assets	336,998
Depreciable Capital Assets, Net	10,119,840
<i>Total Assets</i>	12,045,601
<b>Liabilities:</b>	
Long-Term Liabilities:	
Due Within One Year	300,000
Due in More Than One Year	1,435,000
<i>Total Liabilities</i>	1,735,000
<b>Net Assets:</b>	
Invested in Capital Assets, Net of Related Debt	8,721,838
Restricted for:	
Debt Service	398,659
Capital Projects	1,680
Classroom Facilities Maintenance	133,873
Other Purposes	46,341
Set-Asides	96,963
Unrestricted	911,247
<i>Total Net Assets</i>	\$10,310,601

See Accompanying Notes to the Basic Financial Statements

**Twin Valley Community Local School District**

*Statement of Activities - Modified Cash Basis*

*For the Fiscal Year Ended June 30, 2012*

	Program Cash Receipts			Net (Disbursements) Receipts and Changes in Net Assets
	Cash Disbursements	Charges for Services	Operating Grants, Interest and Contributions	Total Governmental Activities
<b>Governmental Activities:</b>				
Instruction:				
Regular	\$4,369,094	\$279,074	\$41,073	(\$4,048,947)
Special	857,560	30,000	655,434	(172,126)
Vocational	219,233		14,151	(205,082)
Support Services:				
Pupils	544,409	0	116,392	(428,017)
Instructional Staff	358,905	0	15,392	(343,513)
Board of Education	116,748	0	0	(116,748)
Administration	951,280	0	41,482	(909,798)
Fiscal	216,088	0	0	(216,088)
Operation and Maintenance of Plant	1,034,354	0	0	(1,034,354)
Pupil Transportation	595,424	0	0	(595,424)
Central	91,546	0	0	(91,546)
Operation of Non-Instructional Services	440,944	215,197	218,262	(7,485)
Extracurricular Activities	321,222	159,406	0	(161,816)
Debt Service:				
Interest and Fiscal Charges	86,559	0	0	(86,559)
<b>Total Governmental Activities</b>	<b>\$10,203,366</b>	<b>\$683,677</b>	<b>\$1,102,186</b>	<b>(8,417,503)</b>
<b>General Receipts:</b>				
Property Taxes Levied for:				
General Purposes				2,353,130
Debt Service				356,908
Other Purposes				38,702
Income Tax				757,581
Grants and Entitlements not Restricted to Specific Programs				4,234,336
Interest				2,910
Miscellaneous				78,231
<b>Total General Receipts</b>				<b>7,821,798</b>
<i>Change in Net Assets</i>				<i>(595,705)</i>
<i>Net Assets at Beginning of Year</i>				<i>10,906,306</i>
<i>Net Assets at End of Year</i>				<i>\$10,310,601</i>

See Accompanying Notes to the Basic Financial Statements

**Twin Valley Community Local School District**  
*Statement of Assets and Fund Balances - Modified Cash Basis*  
 Governmental Funds  
 June 30, 2012

	General	Bond Retirement	Other Governmental Funds	Total Governmental Funds
<b>Assets:</b>				
Equity in Pooled Cash and Cash Equivalents	\$911,247	\$398,659	\$181,894	\$1,491,800
Restricted Assets:				
Equity in Pooled Cash and Cash Equivalents	96,963	0	0	96,963
<i>Total Assets</i>	<u>\$1,008,210</u>	<u>\$398,659</u>	<u>\$181,894</u>	<u>\$1,588,763</u>
<b>Fund Balances:</b>				
Restricted	96,963	398,659	181,894	677,516
Assigned	44,163	0	0	44,163
Unassigned	867,084	0	0	867,084
<i>Total Fund Balances</i>	<u>\$1,008,210</u>	<u>\$398,659</u>	<u>\$181,894</u>	<u>\$1,588,763</u>

See Accompanying Notes to the Basic Financial Statements

**Twin Valley Community Local School District**  
*Reconciliation of Total Governmental Fund Balances to  
 Net Assets of Governmental Activities - Modified Cash Basis  
 June 30, 2012*

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**Total Governmental Fund Balances** \$1,588,763

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

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

Land	336,998	
Land Improvements	398,702	
Buildings and Improvements	15,644,209	
Furniture, Fixtures, and Equipment	1,407,794	
Vehicles	483,652	
Accumulated Depreciation	(7,814,517)	
		10,456,838

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

General Obligation Bonds Payable		(1,735,000)
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*Net Assets of Governmental Activities* \$10,310,601

See Accompanying Notes to the Basic Financial Statements

**Twin Valley Community Local School District**  
*Statement of Cash Receipts, Disbursements and Changes in Fund Balances - Modified Cash Basis*  
*Governmental Funds*  
*For the Fiscal Year Ended June 30, 2012*

	General	Bond Retirement	Other Governmental Funds	Total Governmental Funds
<b>Receipts:</b>				
Property Taxes	\$2,353,130	\$356,908	\$38,702	\$2,748,740
Income Tax	757,581	0	0	757,581
Tuition and Fees	269,750	0	0	269,750
Extracurricular Activities	66,028	0	93,378	159,406
Interest	2,910	0	0	2,910
Intergovernmental	4,367,079	55,669	913,774	5,336,522
Charges for Services	0	0	215,197	215,197
Rent	39,324	0	0	39,324
Miscellaneous	78,231	0	0	78,231
<i>Total Receipts</i>	<u>7,934,033</u>	<u>412,577</u>	<u>1,261,051</u>	<u>9,607,661</u>
<b>Disbursements:</b>				
Current:				
Instruction:				
Regular	3,932,847	0	42,907	3,975,754
Special	355,021	0	502,539	857,560
Vocational	217,585	0	0	217,585
Support Services:				
Pupils	424,563	0	119,846	544,409
Instructional Staff	342,080	0	16,051	358,131
Board of Education	116,748	0	0	116,748
Administration	895,124	10,979	45,177	951,280
Fiscal	216,088	0	0	216,088
Operation and Maintenance of Plant	949,992	0	91,518	1,041,510
Pupil Transportation	563,367	0	0	563,367
Central	90,749	0	0	90,749
Operation of Non-Instructional Services	0	0	439,783	439,783
Extracurricular Activities	225,924	0	90,761	316,685
Capital Outlay	7,828	0	0	7,828
Debt Service:				
Principal Retirement	0	285,000	0	285,000
Interest and Fiscal Charges	0	86,559	0	86,559
<i>Total Disbursements</i>	<u>8,337,916</u>	<u>382,538</u>	<u>1,348,582</u>	<u>10,069,036</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>(403,883)</u>	<u>30,039</u>	<u>(87,531)</u>	<u>(461,375)</u>
<b>Other Financing Sources (Uses):</b>				
Advances In	10,000	0	15,200	25,200
Advances Out	(15,200)	0	(10,000)	(25,200)
<i>Total Other Financing Sources (Uses)</i>	<u>(5,200)</u>	<u>0</u>	<u>5,200</u>	<u>0</u>
<i>Net Change in Fund Balances</i>	(409,083)	30,039	(82,331)	(461,375)
<i>Fund Balances at Beginning of Year</i>	<u>1,417,293</u>	<u>368,620</u>	<u>264,225</u>	<u>2,050,138</u>
<i>Fund Balances at End of Year</i>	<u>\$1,008,210</u>	<u>\$398,659</u>	<u>\$181,894</u>	<u>\$1,588,763</u>

See Accompanying Notes to the Basic Financial Statements

**Twin Valley Community Local School District**  
*Reconciliation of the Statement of Cash Receipts, Disbursements and Changes in Fund Balances  
of Governmental Funds to the Statement of Activities - Modified Cash Basis  
For the Fiscal Year Ended June 30, 2012*

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**Net Change in Fund Balances - Total Governmental Funds** (\$461,375)

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

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

In the current period, these amounts are:

Capital Outlay	15,112	
Current Fiscal Year Depreciation Disbursement	(434,442)	
Excess of Depreciation Disbursement over Capital Outlay		(419,330)

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

General Obligation Bond Payments	285,000	
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*Change in Net Assets of Governmental Activities* (\$595,705)

See Accompanying Notes to the Basic Financial Statements

**Twin Valley Community Local School District**  
*Statement of Receipts, Disbursements and Changes*  
*In Fund Balance - Budget and Actual (Budget Basis)*  
*General Fund*  
*For the Fiscal Year Ended June 30, 2012*

	<u>Budgeted Amounts</u>			Variance With Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
<b>Receipts:</b>				
Property Taxes	\$2,300,000	\$2,353,130	\$2,353,130	\$0
Income Tax	720,000	757,581	757,581	0
Tuition and Fees	189,200	269,750	269,750	0
Extracurricular Activities	49,854	66,028	66,028	0
Interest	1,500	3,384	3,384	0
Intergovernmental	4,574,349	4,367,079	4,367,079	0
Rent	30,000	39,324	39,324	0
Miscellaneous	28,558	22,844	22,844	0
<i>Total Receipts</i>	<u>7,893,461</u>	<u>7,879,120</u>	<u>7,879,120</u>	<u>0</u>
<b>Disbursements:</b>				
Current:				
Instruction:				
Regular	3,703,030	3,758,039	3,757,992	47
Special	339,521	355,021	355,021	0
Vocational	216,914	217,585	217,585	0
Other	170,135	175,528	175,528	0
Support Services:				
Pupils	418,068	425,197	425,198	(1)
Instructional Staff	314,976	342,580	342,580	0
Board of Education	55,711	116,748	116,748	0
Administration	923,430	900,358	900,358	0
Fiscal	220,384	219,601	219,603	(2)
Operation and Maintenance of Plant	1,102,535	971,443	971,443	0
Pupil Transportation	540,780	573,613	573,613	0
Central	99,652	90,749	90,749	0
Extracurricular Activities	215,934	227,659	227,659	0
Capital Outlay	4,500	7,828	7,828	0
<i>Total Disbursements</i>	<u>8,325,570</u>	<u>8,381,949</u>	<u>8,381,905</u>	<u>44</u>
<i>Excess of Receipts Under Disbursements</i>	<u>(432,109)</u>	<u>(502,829)</u>	<u>(502,785)</u>	<u>44</u>
<b>Other Financing Sources (Uses):</b>				
Advances In	10,000	0	10,000	10,000
Refund of Prior Year Disbursements	45,000	56,860	56,860	0
Advances Out	(20,000)	(5,200)	(15,200)	(10,000)
Refund of Prior Year Receipts	(350)	(175)	(175)	0
<i>Total Other Financing Sources (Uses)</i>	<u>34,650</u>	<u>51,485</u>	<u>51,485</u>	<u>0</u>
<i>Net Change in Fund Balance</i>	(397,459)	(451,344)	(451,300)	44
<i>Fund Balance at Beginning of Year</i>	1,365,255	1,365,255	1,365,255	0
<i>Prior Year Encumbrances Appropriated</i>	49,969	49,969	49,969	0
<i>Fund Balance at End of Year</i>	<u>\$1,017,765</u>	<u>\$963,880</u>	<u>\$963,924</u>	<u>\$44</u>

See Accompanying Notes to the Basic Financial Statements

**Twin Valley Community Local School District**  
*Statement of Fiduciary Net Assets - Modified Cash Basis*  
*Fiduciary Funds*  
*June 30, 2012*

	Private Purpose Trust	Agency
<b>Assets:</b>		
Equity in Pooled Cash and Cash Equivalents	\$70,055	\$61,650
<b>Liabilities:</b>		
Undistributed Monies	0	\$370
Due to Students	0	61,280
Total Liabilities	0	\$61,650
<b>Net Assets:</b>		
Held in Trust for Scholarships	\$70,055	

See Accompanying Notes to the Basic Financial Statements

**Twin Valley Community Local School District**  
*Statement of Changes in Fiduciary Net Assets - Modified Cash Basis*  
*Fiduciary Funds*  
*For the Fiscal Year Ended June 30, 2012*

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	Private Purpose Trust
<b>Additions:</b>	
Interest	\$782
Contributions	1,400
<i>Total Additions</i>	2,182
 <b>Deductions:</b>	
Payments in Accordance with Trust Agreements	4,650
<i>Change in Net Assets</i>	(2,468)
 <i>Net Assets at Beginning of Year</i>	 72,523
<i>Net Assets at End of Year</i>	\$70,055

See Accompanying Notes to the Basic Financial Statements

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## **Twin Valley Community Local School District**

*Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2012*

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### **NOTE 1 - DESCRIPTION OF THE SCHOOL DISTRICT AND REPORTING ENTITY**

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

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

#### *Reporting Entity*

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

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

The School District participates in four jointly governed organizations and one shared risk pool. These organizations include the Southwest Ohio Computer Association, the Southwestern Ohio Educational Purchasing Council, the Southwestern Ohio Instructional Technology Association the Preble County Professional Development Consortium, and the Preble County Schools Regional Council of Governments, respectively. These organizations are presented in Notes 14 and 15 to the basic financial statements.

## **Twin Valley Community Local School District**

*Notes to the Basic Financial Statements*

*For the Fiscal Year Ended June 30, 2012*

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### **NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

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

#### **A. Basis Of Presentation**

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

##### *Government-wide Financial Statements*

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

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

**Twin Valley Community Local School District**

*Notes to the Basic Financial Statements*

*For the Fiscal Year Ended June 30, 2012*

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

*Fund Financial Statements*

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

**B. Fund Accounting**

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

*Governmental Funds*

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

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

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

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

**Twin Valley Community Local School District**

*Notes to the Basic Financial Statements*

*For the Fiscal Year Ended June 30, 2012*

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

*Fiduciary Funds*

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

**C. Basis of Accounting**

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

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

**D. Cash and Cash Equivalents**

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

During fiscal year 2012, the School District's investments were limited to the State Treasury Asset Reserve of Ohio (STAROhio). STAROhio is an investment pool managed by the State Treasurer's Office which allows governments within the State to pool their funds for investment purposes. STAROhio is not registered with the SEC as an investment company, but does operate in a manner consistent with Rule 2a7 of the Investment Company Act of 1940. Investments in STAROhio are valued at STAROhio's net asset value per share, which is the price the investment could be sold for on June 30, 2012.

**Twin Valley Community Local School District**

*Notes to the Basic Financial Statements*

*For the Fiscal Year Ended June 30, 2012*

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

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 2012 amounted to \$2,910, which includes \$972 assigned from other School District funds.

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

**E. Capital Assets and Depreciation**

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

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

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

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

**F. Restricted Assets**

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

**Twin Valley Community Local School District**

*Notes to the Basic Financial Statements*

*For the Fiscal Year Ended June 30, 2012*

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

**G. Long-Term Obligations**

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

**H. Net Assets**

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

**I. Compensated Absences**

Employees are entitled to cash payments for unused vacation and sick leave in certain circumstances, such as upon leaving employment. Unpaid vacation and sick leave are not reflected as liabilities under the cash basis of accounting used by the School District.

**J. Fund Balance**

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

*Nonspendable*

The nonspendable fund balance 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

*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.

**Twin Valley Community Local School District**

*Notes to the Basic Financial Statements*

*For the Fiscal Year Ended June 30, 2012*

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

*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 Board of Education. Those committed amounts cannot be used for any other purpose unless the 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 the 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 disbursements 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 disbursements are incurred for purposes for which amounts in any of the unrestricted fund balance classifications could be used.

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

The School District recognizes the disbursement for employer contributions to cost-sharing pension plans when they are paid. As described in Notes 10 and 11, the employer contributions include portions for pension benefits and for postemployment health care benefits.

**L. Estimates**

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

**Twin Valley Community Local School District**

*Notes to the Basic Financial Statements*

*For the Fiscal Year Ended June 30, 2012*

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

**M. Budgetary Process**

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

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

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

**NOTE 3 – FUND BALANCES**

Fund balance is classified as restricted, assigned and/or unassigned based primarily on the extent to which the School District is bound to observe constraints imposed upon the use of the resources in the government funds. The constraints placed on fund balance for the major governmental funds and other governmental funds are presented below:

**Twin Valley Community Local School District**

*Notes to the Basic Financial Statements*

*For the Fiscal Year Ended June 30, 2012*

**NOTE 3 – FUND BALANCES** (continued)

Fund Balances	General	Bond Retirement	Other Governmental	Total
<i>Restricted for</i>				
Debt Service Payments	\$0	\$398,659	\$0	\$398,659
Classroom Facilities Maintenance	0	0	133,873	133,873
Athletic Services	0	0	28,642	28,642
Lunchroom Fund	0	0	7,646	7,646
Miscellaneous State Grants	0	0	8,528	8,528
Education Jobs	0	0	1,525	1,525
Capital Improvements	96,963	0	1,680	98,643
<i>Total Restricted</i>	<u>96,963</u>	<u>398,659</u>	<u>181,894</u>	<u>677,516</u>
<i>Assigned to</i>				
Purchases on Order	44,163	0	0	44,163
<i>Unassigned</i>	<u>867,084</u>	<u>0</u>	<u>0</u>	<u>867,084</u>
<i>Total Fund Balances</i>	<u>\$1,008,210</u>	<u>\$398,659</u>	<u>\$181,894</u>	<u>\$1,588,763</u>

**NOTE 4 - BUDGETARY BASIS OF ACCOUNTING**

The budgetary basis as provided by law is based upon accounting for certain transactions on the basis of cash receipts, disbursements, and encumbrances. The Statement of Receipts, Disbursements and Changes in Fund Balance – Budget and Actual (Budget Basis) presented for the General Fund is prepared on the budgetary basis to provide a meaningful comparison of actual results with the budget. The differences between the budgetary basis and the modified cash basis are outstanding year-end encumbrances, which are treated as cash disbursements (budgetary basis) rather than restricted, committed or assigned fund balance (cash basis).

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

<u>Net Change in Fund Balance</u>	
Modified Cash Basis	(\$409,083)
Unrecorded Cash - Fiscal Year 2012	(122)
Unrecorded Cash - Fiscal Year 2011	2,069
Adjustment for Encumbrances	<u>(44,164)</u>
Budget Basis	<u><u>(\$451,300)</u></u>

**Twin Valley Community Local School District**

*Notes to the Basic Financial Statements*

*For the Fiscal Year Ended June 30, 2012*

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**NOTE 5 - DEPOSITS AND INVESTMENTS**

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

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

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

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

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

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

**Twin Valley Community Local School District**

*Notes to the Basic Financial Statements*

*For the Fiscal Year Ended June 30, 2012*

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**NOTE 5 - DEPOSITS AND INVESTMENTS** (continued)

8. Commercial paper and bankers acceptances if training requirements have been met.

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

**Investments**

As of June 30, 2012, the School District's only investment was in STAROhio.

	<u>Fair Value</u>	<u>Maturity</u>
STAROhio	<u>\$225,225</u>	Average 52.5 Days

*Interest Rate Risk*

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

*Credit Risk*

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

**NOTE 6 - PROPERTY TAXES**

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

Property taxes include amounts levied against all real and public utility personal property located in the School District. Real property tax revenue received in calendar year 2012 represents collections of calendar year 2011 taxes. Real property taxes received in calendar year 2012 were levied after April 1, 2011, on the assessed value listed as of January 1, 2011, 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.

**Twin Valley Community Local School District**

*Notes to the Basic Financial Statements*

*For the Fiscal Year Ended June 30, 2012*

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**NOTE 6 - PROPERTY TAXES** (continued)

Public utility property tax revenue received in calendar year 2012 represents collections of calendar year 2011 taxes. Public utility real and tangible personal property taxes received in calendar year 2012 became a lien December 31, 2010, were levied after April 1, 2011 and are collected in calendar year 2012 with real property taxes. Public utility real property is assessed at 35 percent of true value; public utility tangible personal property currently is assessed at varying percentages of true value.

The School District receives property taxes from Preble Counties. The County Auditors periodically advance to the School District its portion of the taxes collected. Second-half real property tax payments collected by the counties by June 30, 2012, are available to finance fiscal year 2012 operations. The amount available to be advanced can vary based on the date the tax bills are sent.

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

	2011 Second-Half Collections		2012 First-Half Collections	
	Amount	Percent	Amount	Percent
Real Estate	\$102,734,630	92.96%	\$99,762,760	92.49%
Public Utility Personal	8,267,450	7.04%	8,101,400	7.51%
Total Assessed Value	<u>\$111,002,080</u>	<u>100.00%</u>	<u>\$107,864,160</u>	<u>100.00%</u>
Tax rate per \$1,000 of assessed valuation	\$44.28		\$44.28	

**NOTE 7 - INCOME TAX**

The School District levies a voted tax of 0.75 percent for general operations on the income of residents and of estates. The tax was effective on January 1, 2003, and was renewed in May, 2009 for five years. Employers of residents are required to withhold income tax on compensation and remit the tax to the State. Taxpayers are required to file an annual return. The State makes quarterly distributions to the School District after withholding amounts for administrative fees and estimated refunds. Income tax receipts are credited to the General Fund.

**Twin Valley Community Local School District**

*Notes to the Basic Financial Statements*

*For the Fiscal Year Ended June 30, 2012*

**NOTE 8 - CAPITAL ASSETS**

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

	<u>Balance</u> <u>6/30/11</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance</u> <u>6/30/12</u>
<b>Governmental Activities</b>				
Capital Assets, not Being Depreciated:				
Land	\$336,998	\$0	\$0	\$336,998
Capital Assets, Being Depreciated:				
Land Improvements	398,702	0	0	398,702
Buildings and Improvements	15,644,209	0	0	15,644,209
Furniture, Fixtures, and Equipment	1,392,682	15,112	0	1,407,794
Vehicles	531,652	0	(48,000)	483,652
Total Capital Assets, Being Depreciated	<u>\$17,967,245</u>	<u>\$15,112</u>	<u>(\$48,000)</u>	<u>\$17,934,357</u>
Less Accumulated Depreciation:				
Land Improvements	(238,770)	(17,247)	0	(256,017)
Buildings and Improvements	(5,548,249)	(344,856)	0	(5,893,105)
Furniture, Fixtures, and Equipment	(1,249,890)	(40,734)	0	(1,290,624)
Vehicles	(391,166)	(31,605)	48,000	(374,771)
Total Accumulated Depreciation	<u>(7,428,075)</u>	<u>(434,442) *</u>	<u>48,000</u>	<u>(7,814,517)</u>
Capital Assets, Being Depreciated, Net	<u>10,539,170</u>	<u>(419,330)</u>	<u>0</u>	<u>10,119,840</u>
Governmental Activities Capital Assets, Net	<u>\$10,876,168</u>	<u>(\$419,330)</u>	<u>\$0</u>	<u>\$10,456,838</u>

\* Depreciation was charged to governmental functions as follows:

Instruction:	
Regular	\$385,512
Vocational	1,648
Support Services:	
Instructional Staff	774
Operation and Maintenance of Plant	4,956
Pupil Transportation	32,057
Central	797
Operation of Non-Instructional Services	1,161
Extracurricular Activities	7,537
Total Depreciation Disbursement	<u>\$434,442</u>

**Twin Valley Community Local School District**

*Notes to the Basic Financial Statements*

*For the Fiscal Year Ended June 30, 2012*

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**NOTE 9 - RISK MANAGEMENT**

**A. Property and Liability**

The School District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During fiscal year 2012, the School District contracted with Ohio Casualty Group for fleet insurance, school building and contents.

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

**B. Workers' Compensation**

For fiscal year 2012, the School District pays the State Worker's Compensation System a premium for employee injury coverage. The premium is based on a rate per \$100 of salaries. This rate is calculated based on accident history and administrative costs. Comp Management, Inc. provides various services to the School District for workers' compensation.

**C. Employee Medical Benefits**

For fiscal year 2012, the School District participated in the Preble County Schools Regional Council of Governments (the "Council"), a shared risk pool consisting of five local school districts and an educational service center (See Note 14). The School District pays monthly premiums to the Council for employee medical benefits. The Council is responsible for the management and operations of the program. Upon withdrawal from the Council, a participant is responsible for the payment of all of the Council's liabilities to its employees, dependents, and designated beneficiaries accruing as a result of withdrawal.

**NOTE 10 - DEFINED BENEFIT PENSION PLANS**

**A. School Employees Retirement System**

Plan Description – The School District participates in the School Employees Retirement System (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 Ohio Revised Code Chapter 3309. SERS issues a publicly available, stand-alone financial report that includes financial statements and required supplementary information. That report can be obtained by visiting the SERS website at [www.ohsers.org](http://www.ohsers.org) under Employers/Audit Resources.

## **Twin Valley Community Local School District**

*Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2012*

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### **NOTE 10 - DEFINED BENEFIT PENSION PLANS** (continued)

Funding Policy – Plan members are required to contribute 10 percent of their annual covered salary and the School District is required to contribute 14 percent of annual covered payroll. The contribution requirements of plan members and employers are established and may be amended by the SERS' Retirement Board up to statutory maximum amounts of 10 percent for plan members and 14 percent for employers. The Retirement Board, acting with the advice of the actuary, allocates the employer contribution rate among four of the System's funds (Pension Trust Fund, Death Benefit Fund, Medicare B Fund, and Health Care Fund). For the fiscal year ended June 30, 2012, the allocation to pension and death benefits was 12.70 percent. The remaining 1.30 percent of the 14 percent employer contribution rate is allocated to the Medicare B and Health Care funds. The School District's required contributions for pension obligations to SERS for the fiscal years ended June 30, 2012, 2011, and 2010 were \$125,756, \$125,077, and \$134,476, respectively; 100 percent has been contributed for all three fiscal years.

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

Plan Description – The School District participates in the State Teachers Retirement System of Ohio (STRS Ohio), a cost-sharing multiple-employer public employee retirement system. 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 can be obtained by writing to STRS Ohio, 275 E. Broad St., Columbus, OH 43215-3771, by calling (888) 227-7877, or by visiting the STRS Ohio Web site at [www.strsoh.org](http://www.strsoh.org).

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 multiplied by a percentage that varies based on years of service, or an allowance based on a member's lifetime contributions and earned interest matched by STRS Ohio funds divided by an actuarially determined annuity factor. The DC Plan allows members to place all their member contributions and employer contributions equal to 10.5 percent of earned compensation into an investment account. Investment decisions are made by the member. A member is eligible to receive a retirement benefit at age 50 and termination of employment. The member may elect to receive a lifetime monthly annuity or a lump sum withdrawal. The Combined Plan offers features of both the DB Plan and the DC 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 payment or converted to a lifetime monthly annuity at age 50. Benefits are established by Ohio Revised Code Chapter 3307.

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.

**Twin Valley Community Local School District**

*Notes to the Basic Financial Statements*

*For the Fiscal Year Ended June 30, 2012*

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**NOTE 10 - DEFINED BENEFIT PENSION PLANS** (continued)

Funding Policy - Chapter 3307 of the Ohio Revised Code provides statutory authority for member and employer contributions. Contribution rates are established by the State Teachers Retirement Board, upon the recommendation of its consulting actuary, not to exceed statutory maximum rates of 10 percent for members and 14 percent for employers. For the fiscal year ended June 30, 2012, plan members were required to contribute 10 percent of their annual covered salary. The School District was required to contribute 14 percent; 13 percent was the portion used to fund pension obligations.

The School District's required contributions for pension obligations to STRS Ohio for the fiscal years ended June 30, 2012, 2011, and 2010 were \$504,597, \$526,638, and \$498,871, respectively; 100 percent has been contributed for all three fiscal years.

Contributions made to STRS Ohio for the DC Plan and for fiscal year 2012, were \$656 made by the School District and \$919 made by the plan members. In addition, member contributions of \$16,046 were made for fiscal year 2012 for the defined contribution portion of the Combined Plan.

**C. Social Security System**

Effective July 1, 1991, all employees not otherwise covered by the School Employees Retirement System or the State Teachers Retirement System of Ohio have an option to choose Social Security or the School Employees Retirement System. As of June 30, 2012, two members of the Board of Education have elected Social Security. The Board's liability is 6.2 percent of wages paid.

**NOTE 11 - POSTEMPLOYMENT BENEFITS**

**A. School Employees Retirement System**

Plan Description – The School District participates in two cost-sharing multiple-employer defined benefit other postemployment 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, Medicare Advantage, 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 obligation to contribute are established by SERS based on authority granted by State statute. The financial reports of both Plans are included in the SERS Comprehensive Annual Financial Report which can be obtained on SERS' website at [www.ohsers.org](http://www.ohsers.org) under Employers/Audit Resources.

**Twin Valley Community Local School District**

*Notes to the Basic Financial Statements*

*For the Fiscal Year Ended June 30, 2012*

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**NOTE 11 - POSTEMPLOYMENT BENEFITS** (continued)

Funding Policy - State statute permits SERS to fund the health care benefits through employer contributions. Each year, after the allocation for statutorily required benefits, the Retirement Board allocates the remainder of the employer contribution of 14 percent of covered payroll to the Health Care Fund. The Health Care Fund was established and is administered in accordance with Internal Revenue Code Section 105(e). For fiscal year 2012, 0.55 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 fiscal year 2012, this amount was \$35,800. During fiscal year 2012, the School District paid \$21,017 in surcharge.

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, 2012, 2011, and 2010 were \$26,463, \$35,879, and \$20,730, respectively; 100 percent has been contributed for all three fiscal years.

The Retirement Board, acting with advice of the actuary, allocates a portion of the employer contribution to the Medicare B Fund. For fiscal year 2012, 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, 2012, 2011, and 2010, were \$7,427, \$8,049, and \$7,997, respectively; 100 percent has been contributed for all three fiscal years.

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

Plan Description – The School District participates in the 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. Ohio law authorizes STRS to offer this plan. Benefits include hospitalization, physicians' fees, prescription drugs and reimbursement of monthly Medicare Part B premiums. The Plan is included in the report of STRS Ohio which can be obtained by visiting [www.strsoh.org](http://www.strsoh.org) or by calling (888) 227-7877.

Funding Policy – Ohio Revised Code Chapter 3307 authorizes STRS Ohio to offer the Plan and gives the Retirement Board authority over how much, if any, of the health care costs will be absorbed by STRS Ohio. Active employee members do not contribute to the Health Care Plan. All benefit recipients, for the most recent year, pay a monthly premium. Under Ohio law, funding for post-employment health care may be deducted from employer contributions. For fiscal year 2012, STRS Ohio allocated employer contributions equal to one percent of covered payroll to post-employment health care. The School District's contributions for health care for the fiscal years ended June 30, 2012, 2011, and 2010 were \$38,815, \$40,511, and \$38,375, respectively; 100 percent has been contributed for all three fiscal years.

**Twin Valley Community Local School District**

*Notes to the Basic Financial Statements*

*For the Fiscal Year Ended June 30, 2012*

**NOTE 12 – OTHER EMPLOYEE BENEFITS**

The criteria for determining vacation and sick leave benefits are derived from negotiated agreements and State laws. Classified employees earn ten to twenty-five days of vacation per fiscal year, depending upon length of service. Unused vacation cannot be carried forward to the succeeding fiscal year. Teachers do not earn vacation time. Teachers, administrators, and classified employees earn sick leave at a rate of one and one-fourth days per month. Sick leave may be accumulated up to a maximum of two hundred five days for classified employees and certified employees. Upon retirement, payment is made for one-fourth of accrued but unused sick leave credit to a maximum of fifty-one and a fourth days for classified employees. For certified employees, they are entitled to the amount of unused sick days multiplied by their daily rate then by .25. Certified employees retiring at the completion of the school year when first eligible for retirement and who notify the Superintendent by March 15 of their plan to retire will receive an additional amount of \$6,000 and unused sick days shall be multiplied by their daily rate then by .35.

**NOTE 13 - LONG-TERM OBLIGATIONS**

The changes in the School District’s long-term obligations during fiscal year 2012 were as follows:

	Principal Outstanding 6/30/11	Additions	Deductions	Principal Outstanding 6/30/12	Amounts Due in One Year
<u>Governmental Activities</u>					
School Improvement General Obligation Bonds 1994 - 6.30%	\$285,000	\$0	\$285,000	\$0	\$0
School Improvement General Obligation Refunding Bonds 2007 - 4.25 - 4.50%	1,735,000	0	0	1,735,000	300,000
<b>Total Long-Term Liabilities</b>	<b>\$2,020,000</b>	<b>\$0</b>	<b>\$285,000</b>	<b>\$1,735,000</b>	<b>\$300,000</b>

*Twin Valley Community Schools School Improvement General Obligation Bonds*

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

**Twin Valley Community Local School District**

*Notes to the Basic Financial Statements*

*For the Fiscal Year Ended June 30, 2012*

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**NOTE 13 - LONG-TERM OBLIGATIONS** (continued)

*Twin Valley Community Schools School Improvement General Obligation Refunding Bonds*

The 2007 Refunding Bonds were issued September 25, 2006, for the purpose of advance refunding \$1,940,000 of the \$3,115,000 outstanding school improvement general obligation bonds. The bonds will reach final maturity on December 1, 2016 and are being paid from the Bond Retirement Debt Service Fund. As a result, \$1,940,000 of the 1994 bonds are considered defeased and the liability for the refunded portion of these bonds has been removed from the financial statements. As of June 30, 2012, \$1,035,000 of the defeased School Improvement Bonds were unmatured and unpaid.

The School District's overall legal debt margin was \$8,371,433 with an unvoted debt margin of \$107,864 at June 30, 2012.

Principal and interest requirements to retire long-term obligations outstanding at June 30, 2012, are as follows:

<u>Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>
2013	\$300,000	\$70,137
2014	325,000	56,856
2015	345,000	42,188
2016	375,000	25,988
2017	390,000	8,775
<u>Total</u>	<u>\$1,735,000</u>	<u>\$203,944</u>

**NOTE 14 - JOINTLY GOVERNED ORGANIZATIONS**

**A. Southwest Ohio Computer Association**

The School District is a participant in the Southwest Ohio Computer Association (SWOCA) which is a computer consortium. SWOCA is an association of public school districts within the boundaries of Butler, Warren, and Preble Counties. The organization was formed for the purpose of applying modern technology with the aid of computers and other electronic equipment to administrative and instructional functions among member school districts. The governing board of SWOCA consists of one representative from each district plus one representative from the fiscal agent. The School District paid SWOCA \$43,822 for services provided during the fiscal year. Financial information can be obtained from K. Michael Crumley, Executive Director of SWOCA, at 3607 Hamilton-Middletown Road, Hamilton, Ohio 45011.

**Twin Valley Community Local School District**

*Notes to the Basic Financial Statements*

*For the Fiscal Year Ended June 30, 2012*

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**NOTE 14 - JOINTLY GOVERNED ORGANIZATIONS** (continued)

**B. Southwestern Ohio Educational Purchasing Council**

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

Payments to SOEPC are made from the General Fund. During fiscal year 2012, the School District paid \$1,337 to SOEPC. To obtain financial information, write to the Southwestern Ohio Educational Purchasing Council, Ken Swink, who serves as Director, at 303 Corporate Center Drive, Suite 208, Vandalia, Ohio 45377.

**C. Southwestern Ohio Instructional Technology Association**

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

All member districts are obligated to pay all fees, charges, or other assessments as established by SOITA. Upon dissolution, the net assets shall be distributed to the federal government, or to a state or local government, for a public purpose. Payments to SOITA are made from the General Fund. During fiscal year 2012, the School District paid \$845 to SOITA. To obtain financial information, write to the Southwestern Ohio Instructional Technology Association, Larry Pogue, who serves as Executive Director, at 150 East Sixth Street, Franklin, Ohio 45005.

**Twin Valley Community Local School District**

*Notes to the Basic Financial Statements*

*For the Fiscal Year Ended June 30, 2012*

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**NOTE 14 - JOINTLY GOVERNED ORGANIZATIONS** (continued)

**D. Preble County Professional Development Consortium**

The School District is a participant in the Preble County Professional Development Consortium (PCPDC). PCPDC is an association of public school districts within the boundaries of Preble County. The organization was formed to improve staff development and instructional functions by making optimum use of public funds through cooperation of member public school districts. The governing board of PCPDC consists of one representative from each district plus one representative from the fiscal agent. The School District paid PCPDC \$2,171 for services provided during the fiscal year. Financial information can be obtained from Kerry Borger, Treasurer, Preble County Educational Service Center, 597 Hillcrest Drive, Eaton, Ohio 45320 or email at pbbo\_tf@swoca.net.

**NOTE 15 - SHARED RISK POOL**

**Preble County Schools Regional Council of Governments**

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

**NOTE 16 - SET-ASIDE CALCULATIONS**

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

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

**Twin Valley Community Local School District**

*Notes to the Basic Financial Statements*

*For the Fiscal Year Ended June 30, 2012*

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**NOTE 16 - SET-ASIDE CALCULATIONS** (continued)

	<u>Capital Improvements</u>
Set-aside Restricted Balance as of June 30, 2011	\$42,710
Current Fiscal Year Set-aside Requirement	162,504
Qualifying Disbursements	(69,549)
Current Fiscal Year Offsets	<u>(38,702)</u>
Totals	<u>\$96,963</u>
Set-aside Balance Carried Forward to Future Fiscal Years	<u>\$96,963</u>
Set-aside Restricted Balance as of June 30, 2012	<u>\$96,963</u>

**NOTE 17 - CONTINGENCIES**

**A. Grants**

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

The School District received financial assistance from federal and State agencies in the form of grants. The expenditure of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and is subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the General Fund or other applicable funds. This also encompasses the Auditor of State's ongoing review of student attendance data. However, the effect of any such disallowed claims on the overall financial position of the School District at June 30, 2012, if applicable, cannot be determined at this time.

**B. Litigation**

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

**Twin Valley Community Local School District**

*Notes to the Basic Financial Statements*

*For the Fiscal Year Ended June 30, 2012*

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**NOTE 18 - COMPLIANCE**

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

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

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

Federal Grantor/ Pass Through Grantor Program Title	Grant Year	Federal CFDA Number	Receipts	Non-Cash Receipts	Disbursements	Non-Cash Disbursements
<b>U.S. DEPARTMENT OF AGRICULTURE</b>						
<i>Passed Through Ohio Department of Education:</i>						
Child Nutrition Cluster:						
Non-Cash Assistance (Food Distribution):						
National School Lunch Program	2012	10.555		\$22,639		\$22,639
Cash Assistance:						
National School Breakfast Program	2012	10.553	\$63,118		\$63,118	
National School Lunch Program	2012	10.555	150,583		150,583	
Total Child Nutrition Cluster			213,701	22,639	213,701	22,639
Total U.S. Department of Agriculture			213,701	22,639	213,701	22,639
<b>U.S. DEPARTMENT OF EDUCATION</b>						
<i>Passed Through Ohio Department of Education:</i>						
Special Education Cluster:						
Special Education - Grants to States	2012	84.027	203,436		203,436	
	2011	84.027	(10,437)			
ARRA - Special Education - Grants to State	2011	84.391	25,789		28,637	
Total Special Education Grants to States			218,788		232,073	
Special Education - Preschool Grants	2012	84.173	1,199		1,199	
Total Special Education Preschool Grants			1,199		1,199	
Total Special Education Cluster			219,987		233,272	
Title I Grants to Local Educational Agencies	2012	84.010	190,374		190,374	
	2011	84.010	-		16,956	
ARRA - Title I Grants to Local Educational Agenc	2011	84.389	4,773		11,480	
Total Title I Grants to Local Educational Agencies			195,147		218,810	
Education Technology State Grants	2012	84.318	1,567		1,567	
Improving Teacher Quality State Grants	2012	84.367	46,698		46,698	
	2011		-		905	
Total Improving Teacher Quality State Grants			46,698		47,603	
Education Jobs	2012	84.410	215,718		214,193	
Total U.S. Department of Education			679,117	-	715,445	-
<b>TOTAL FEDERAL ASSISTANCE</b>			<b>\$892,818</b>	<b>\$22,639</b>	<b>\$929,146</b>	<b>\$22,639</b>

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

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

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

**NOTE A - SIGNIFICANT ACCOUNTING POLICIES**

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

**NOTE B - CHILD NUTRITION CLUSTER**

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

**NOTE C – FOOD DONATION PROGRAM**

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

**NOTE D - MATCHING REQUIREMENTS**

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

**NOTE E - 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 District transferred the following amount from a 2011 to a 2012 program:

<u>Program Title</u>	<u>CFDA Number</u>	<u>Amount Transferred from 2011 to 2012</u>
Special Education – Grants to States	84.027	\$10,437



# Dave Yost • Auditor of State

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

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

To the Board of Education:

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Twin Valley Community Local School District, Preble County, Ohio (the District), as of and for the year ended June 30, 2012, which collectively comprise the District's basic financial statements and have issued our report thereon dated February 21, 2013, wherein we noted the District uses a comprehensive accounting basis other than generally accepted accounting principles. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*.

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

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

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

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

### **Compliance and Other Matters**

As part of reasonably assuring whether the District's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and accordingly, we do not express an opinion. The results of our tests disclosed an instance of noncompliance or other matters we must report under *Government Auditing Standards* which is described in the accompanying schedule of findings as item 2012-01.

We also noted certain matters not requiring inclusion in this report that we reported to the District's management in a separate letter dated February 21, 2013.

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

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



**Dave Yost**  
Auditor of State

February 21, 2013



# Dave Yost • Auditor of State

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

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

To the Board of Education:

### Compliance

We have audited the compliance of Twin Valley Community Local School District, Preble County, Ohio (the District), with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133, Compliance Supplement* that could directly and materially affect each of the Twin Valley Community Local School District's major federal programs for the year ended June 30, 2012. The *summary of auditor's results* section of the accompanying schedule of findings identifies the District's major federal programs. The District's management is responsible for complying with the requirements of laws, regulations, contracts, and grants applicable to each major federal program. Our responsibility is to opine on the District's compliance based on our audit.

Our compliance audit followed auditing standards generally accepted in the United States of America; the standards applicable to financial audits included in the Comptroller General of the United States' *Government Auditing Standards*; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. These standards and OMB Circular A-133 require that we plan and perform the audit to reasonably assure whether noncompliance occurred with the compliance requirements referred to above that could directly and materially affect a major federal program. An audit includes examining, on a test basis, evidence about the District's compliance with these requirements and performing other procedures we considered necessary in the circumstances. We believe our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the District's compliance with these requirements.

In our opinion, Twin Valley Local Community 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, 2012.

### Internal Control Over Compliance

The District's management is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the District's internal control over compliance with requirements that could directly and materially affect a major federal program, to determine our auditing procedures for the purpose of opining on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of opining on the effectiveness of internal control over compliance. Accordingly, we have not opined on the effectiveness of the District's internal control over compliance.

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

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

We also noted matters involving federal compliance or internal control over federal compliance not requiring inclusion in this report, that we reported to the District's management in a separate letter dated February 21, 2013.

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 21, 2013

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

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

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

<b>(d)(1)(i)</b>	<b>Type of Financial Statement Opinion</b>	Unqualified
<b>(d)(1)(ii)</b>	<b>Were there any material control weaknesses reported at the financial statement level (GAGAS)?</b>	No
<b>(d)(1)(ii)</b>	<b>Were there any significant deficiencies in internal control reported at the financial statement level (GAGAS)?</b>	No
<b>(d)(1)(iii)</b>	<b>Was there any reported material noncompliance at the financial statement level (GAGAS)?</b>	Yes
<b>(d)(1)(iv)</b>	<b>Were there any material internal control weaknesses reported for major federal programs?</b>	No
<b>(d)(1)(iv)</b>	<b>Were there any significant deficiencies in internal control reported for major federal programs?</b>	No
<b>(d)(1)(v)</b>	<b>Type of Major Programs' Compliance Opinion</b>	Unqualified
<b>(d)(1)(vi)</b>	<b>Are there any reportable findings under § .510(a)?</b>	No
<b>(d)(1)(vii)</b>	<b>Major Programs (list):</b>	Improving Teacher Quality, CFDA #84.367 Special Education Cluster: Special Education-Grants to States, CFDA # 84.027, 84.391; Special Education-Preschool Grant, CFDA # 84.173 Nutrition Cluster: School Breakfast Program, CFDA # 10.553 National School Lunch, CFDA # 10.555
<b>(d)(1)(viii)</b>	<b>Dollar Threshold: Type A/B Programs</b>	Type A: > \$ 300,000 Type B: all others
<b>(d)(1)(ix)</b>	<b>Low Risk Auditee?</b>	No

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

**FINDING NUMBER 2012-01**

**Noncompliance Citation**

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

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

**Officials' Response:**

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

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

None.

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

**SCHEDULE OF PRIOR AUDIT FINDINGS  
JUNE 30, 2012**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <b><i>Explain</i></b>
2011-01	Finding for Recovery against Michael Dixon	No	Not corrected – not repaid as of February 21, 2013.
2011-02	Ohio Revised Code, Section 117.38; Ohio Admin. Code Section 117-2-03(B), failure to report in accordance with generally accepted accounting principles.	No	Not Corrected – Reissued as Finding 2012-01.
2011-03	2 C.F.R Part 215.28, failure to expend funds within the period of availability	Yes	

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# Dave Yost • Auditor of State

TWIN VALLEY COMMUNITY LOCAL SCHOOL DISTRICT

PREBLE COUNTY

## CLERK'S CERTIFICATION

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

*Susan Babbitt*

CLERK OF THE BUREAU

CERTIFIED  
MARCH 12, 2013