



Mary Taylor, CPA
Auditor of State

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

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Mary Taylor, CPA

Auditor of State

INDEPENDENT ACCOUNTANTS' REPORT

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

To the Board of Education:

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Tri-Valley Local School District, Muskingum County, Ohio (the School District), as of and for the year ended June 30, 2009, which collectively comprise the School District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the School District's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Tri-Valley Local School District, Muskingum County, Ohio, as of June 30, 2009, and the respective changes in financial position and where applicable, cash flows, thereof and the budgetary comparison for the General Fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated February 18, 2010, on our consideration of the School District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. While we did not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting and compliance and the results of that testing. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*. You should read it in conjunction with this report in assessing the results of our audit.

Management's Discussion and Analysis is not a required part of the basic financial statements but is supplementary information accounting principles generally accepted in the United States of America requires. We have applied certain limited procedures, consisting principally of inquiries of management regarding the methods of measuring and presenting the required supplementary information. However, we did not audit the information and express no opinion on it.

We conducted our audit to opine on the financial statements that collectively comprise the School District's basic financial statements. The Federal Awards Receipts and Expenditures Schedule is required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is also not a required part of the basic financial statements. We subjected the Schedule of Federal Awards Receipts and Expenditures to the auditing procedures applied in the audit of the basic financial statements. In our opinion, this information is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

A handwritten signature in cursive script that reads "Mary Taylor".

Mary Taylor, CPA
Auditor of State

February 18, 2010

Tri-Valley Local School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2009
Unaudited

The discussion and analysis of the Tri-Valley Local School District's (the School District's) financial performance provides an overall review of the School District's financial activities for the fiscal year ended June 30, 2009. The intent of this discussion and analysis is to look at the School District's financial performance as a whole; readers should also review the basic financial statements and the notes to the basic financial statements to enhance their understanding of the School District's financial performance.

Financial Highlights

Key financial highlights for the fiscal year 2009 are as follows:

- Net assets of governmental activities decreased \$3,258,467.
- General revenues accounted for \$24,313,703 in revenue or 83 percent of all revenues. Program specific revenues in the form of charges for services, grants, and contributions accounted for \$4,854,841 or 17 percent of total revenues of \$29,168,544.
- Current assets decreased by \$4,243,629 primarily due to a decrease in cash and cash equivalents and cash and cash equivalents with escrow agents associated with the Ohio School Facilities Project. Capital assets decreased \$361,572 due in large part to the annual depreciation expense in the amount of \$2,986,980. Capital asset additions for fiscal year 2009 were \$2,629,182.
- The School District had \$32,427,011 in expenses related to governmental activities; only \$4,854,841 of these expenses were offset by program specific charges for services, grants, and contributions. General revenues of \$24,313,703 were not adequate to provide for these programs.
- The School District has four major funds, the general fund, debt service fund, permanent improvement capital projects fund, and building fund capital projects fund. The general fund had \$24,608,441 in revenues and \$24,990,788 in expenditures. Including other financing sources, the general fund's balance decreased \$373,244. The debt service fund had \$1,360,697 in revenues and \$1,102,948 in expenditures. The debt service fund's balance increased \$257,749. The permanent improvement fund had \$262,478 in revenues and \$445,810 in expenditures. The permanent improvement fund's balance decreased \$183,332. The building fund had \$562,780 in revenues and \$3,101,703 in expenditures. The building fund's balance decreased \$2,538,923.

Using this Annual Financial Report

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

The Statement of Net Assets and Statement of Activities provide information about the activities of the whole School District, presenting both an aggregate view of the School District's finances and a longer-term view of those finances. Fund financial statements provide the next level of detail. For governmental funds, these statements tell how services were financed in the short-term as well as what remains for future spending. The fund financial statements also look at the School District's most significant funds with all other non-major funds presented in total in one column.

Tri-Valley Local School District
Management's Discussion and Analysis
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Reporting the School District as a Whole

Statement of Net Assets and Statement of Activities

While this document contains information about the large number of funds used by the School District to provide programs and activities for students, the view of the School District as a whole looks at all financial transactions and asks the question, "How did we do financially during fiscal year 2009?" The Statement of Net Assets and the Statement of Activities answer this question. These statements include all assets and liabilities using the accrual basis of accounting similar to the accounting used by most private-sector companies. This basis of accounting takes into account all of the current year's revenues and expenses regardless of when cash is received or paid.

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

In the Statement of Net Assets and the Statement of Activities, the School District's activities are all considered to be Governmental Activities.

Reporting the School District's Most Significant Funds

Fund Financial Statements

The analysis of the School District's major funds begins on page 8. Fund financial reports provide detailed information about the School District's major funds. The School District uses many funds to account for a multiple 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, debt service fund, permanent improvement fund, and building fund.

Governmental Funds Most of the School District's activities are reported in governmental funds, which focus on how money flows into and out of those funds and the balances left at fiscal year end available for spending in future periods. These funds are reported using an accounting method called modified accrual accounting, which measures cash and all other financial assets that can readily be converted to cash. The governmental fund statements provide a detailed short-term view of the School District's general 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. The relationship (or differences) between governmental activities (reported in the Statement of Net Assets and the Statement of Activities) and governmental funds is reconciled in the financial statements.

Tri-Valley Local School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2009
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The School District as a Whole

Recall that the Statement of Net Assets provides the perspective of the School District as a whole. Table 1 provides a summary of the School District's net assets for 2009 compared to 2008.

Table 1
Net Assets

	Governmental Activities		
	2009	2008	Change
Assets			
Current and Other Assets	\$22,343,708	\$26,587,337	(\$4,243,629)
Capital Assets	68,517,771	68,879,343	(361,572)
Total Assets	90,861,479	95,466,680	(4,605,201)
Liabilities			
Long-Term Liabilities	17,936,769	18,392,684	(455,915)
Other Liabilities	11,477,224	12,368,043	(890,819)
Total Liabilities	29,413,993	30,760,727	(1,346,734)
Net Assets			
Invested in Capital Assets, Net of Related Debt	52,455,115	52,482,813	(27,698)
Restricted	9,802,449	12,967,773	(3,165,324)
Unrestricted	(810,078)	(744,633)	(65,445)
Total Net Assets	\$61,447,486	\$64,705,953	(\$3,258,467)

Current assets decreased by \$4,243,629 primarily due to a decrease in cash and cash equivalents and cash and cash equivalents with escrow agents associated with the Ohio School Facilities Project. During fiscal year 2009, the Ohio School Facilities Project was completed and a majority of the outstanding obligations were paid. Capital assets decreased \$361,572 due primarily to the annual depreciation expense in the amount of \$2,986,980. Capital asset additions for fiscal year 2009 were \$2,629,182.

Total liabilities decreased \$1,346,734. The decrease in long-term liabilities was due mainly to the School District making bond payments of \$295,000 and an overall decrease in compensated absences in the amount of \$196,478. Other liabilities decreased due to the payments related to contracts payable in the amount of \$586,815 and a decrease in retainage payable in the amount of \$473,966 which were related to the Ohio School Facilities Project.

Tri-Valley Local School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2009
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Table 2 shows the changes in net assets for the fiscal year 2009 compared to fiscal year 2008.

Table 2
Changes in Net Assets

	Governmental Activities		
	2009	2008	Change
Revenues			
Program Revenues			
Charges for Services	\$1,632,341	\$1,601,985	\$30,356
Operating Grants and Contributions	2,978,809	2,733,479	245,330
Capital Grants and Contributions	243,691	150,457	93,234
Total Program Revenues	4,854,841	4,485,921	368,920
General Revenues			
Property Taxes	7,728,942	5,048,106	2,680,836
Grants and Entitlements not Restricted to Specific Programs	16,191,977	14,823,139	1,368,838
Interest	254,384	939,475	(685,091)
Revenue in Lieu of Taxes	34,847	0	34,847
Others	103,553	109,026	(5,473)
Total General Revenues	24,313,703	20,919,746	3,393,957
Total Revenues	29,168,544	25,405,667	3,762,877
Program Expenses			
Instruction			
Regular	13,341,156	11,939,982	1,401,174
Special	3,313,818	3,642,400	(328,582)
Vocational	510,544	452,971	57,573
Student Intervention Services	9,513	0	9,513
Support Services			
Pupil	764,164	865,995	(101,831)
Instructional Staff	1,316,891	1,261,247	55,644
Board of Education	1,483,490	778,970	704,520
Administration	2,564,010	3,438,940	(874,930)
Fiscal	576,030	485,425	90,605
Operation and Maintenance of Plant	3,676,753	1,849,984	1,826,769
Pupil Transportation	1,970,861	2,172,161	(201,300)
Central	285,647	381,368	(95,721)
Operation of Non-Instructional Services	61,356	32,783	28,573
Food Service Operations	1,444,534	1,226,478	218,056
Extracurricular Activities	255,813	229,871	25,942
Interest and Fiscal Charges	852,431	857,201	(4,770)
Total Expenses	32,427,011	29,615,776	2,811,235
Increase in Net Assets	(3,258,467)	(4,210,109)	951,642
Net Assets Beginning of Year	64,705,953	68,916,062	(4,210,109)
Net Assets End of Year	\$61,447,486	\$64,705,953	(\$3,258,467)

In 2009, 27 percent of the School District's revenues were from property taxes and 56 percent were from unrestricted grants and entitlements. The increase in property tax revenue was due primarily to Muskingum County not sending tax bills until August in 2008 and 2009.

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In prior years they were sent out earlier, therefore, the amount available to finance current year obligations was significantly higher prior to June 30, 2008. The amount available as an advance was approximately \$2.9 million higher as of June 30, 2007 compared to June 30, 2008 which resulted in decreased property tax revenues in fiscal year 2008. The amount available during fiscal year 2008 and 2009 were very comparable (see Note 7). Unrestricted grants and entitlements increased by \$1,368,838 due mainly to the increase in foundation monies. Interest revenues decreased mainly due to the decrease in cash and cash equivalents and cash equivalents with escrow agent related to the Ohio School Facilities Project.

Instructional programs comprise approximately 53 percent of total governmental program expenses. Of the instructional expenses, approximately 78 percent is for regular instruction, 19 percent for special instruction, and 3 percent for vocational instruction. Instructional program expenses increased \$1,139,678 from the prior fiscal year due mainly to the increase in student programs/expenses. Operation and maintenance expense increased \$1,826,769 due primarily to maintenance work.

The Statement of Activities shows the cost of program services and the charges for services, grants, contributions, and interest earnings offsetting those services. Table 3 shows the total cost of services and the net cost of services for fiscal year 2009 compared to fiscal year 2008. In other words, it identifies the cost of those services supported by tax revenue and unrestricted entitlements.

Table 3
Governmental Activities

	<u>Total Cost of Services</u>		<u>Net Cost of Services</u>	
	<u>2009</u>	<u>2008</u>	<u>2009</u>	<u>2008</u>
Instruction				
Regular	\$13,341,156	\$11,939,982	\$12,475,206	\$11,201,533
Special	3,313,818	3,642,400	1,604,381	2,124,236
Vocational	510,544	452,971	398,813	363,414
Student Intervention Services	9,513	0	9,513	0
Support Services				
Pupil	764,164	865,995	521,019	517,671
Instructional Staff	1,316,891	1,261,247	1,289,830	1,247,087
Board of Education	1,483,490	778,970	1,483,490	778,970
Administration	2,564,010	3,438,940	2,564,010	3,435,564
Fiscal	576,030	485,425	576,030	485,425
Operation and Maintenance of Plant	3,676,753	1,849,984	3,655,072	1,848,204
Pupil Transportation	1,970,861	2,172,161	1,878,094	2,083,993
Central	285,647	381,368	285,063	380,061
Operation of Non-Instructional Services	61,356	32,783	61,356	29,310
Food Service Operations	1,444,534	1,226,478	285,624	13,590
Extracurricular Activities	255,813	229,871	(367,762)	(236,404)
Interest and Fiscal Charges	852,431	857,201	852,431	857,201
Total Expenses	<u>\$32,427,011</u>	<u>\$29,615,776</u>	<u>\$27,572,170</u>	<u>\$25,129,855</u>

The dependence upon tax revenues and state subsidies for governmental activities is apparent as 85 percent of expenses are supported through taxes and other general revenues.

Tri-Valley Local School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2009
Unaudited

The School District Funds

Information about the School District funds start on page 13. These funds are accounted for using the modified accrual basis of accounting. Total Governmental funds had \$29,566,068 in revenues and other financing sources and \$32,402,706 in expenditures. Total Governmental fund's balance decreased \$2,836,638.

General Fund Budgeting Highlights

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

During the course of fiscal year 2009, the School District amended its General Fund appropriations, and the budgetary statement reflects both the original and final appropriated amounts. The School District decreased original appropriations by \$51,551 to the final appropriations. The School District closely monitored their expenditures throughout the fiscal year so that the General's fund balance may increase.

Capital Assets and Debt Administration

Capital Assets

At the end of fiscal year 2009, the School District had \$68,517,771 invested in land, land improvements, buildings and improvements, furniture, fixtures, and equipment and vehicles. See Note 9 for more detailed information of the School District's capital assets.

Debt

At June 30, 2009, the School District had \$16,681,731 in bonds and capital leases outstanding.

Table 4
Outstanding Debt at Year End
Governmental Activities

	<u>2009</u>	<u>2008</u>
2002 School Improvement Serial, Term Bonds	\$4,175,525	\$4,444,664
2006 Refunding Bonds-Serial, Term, and Capital Appreciation Bonds	9,379,309	9,322,696
2007 Refunding Bonds-Serial, Term, and Capital Appreciation Bonds	3,079,987	3,106,692
Capital Leases	46,910	67,116
<i>Total</i>	<u><u>\$16,681,731</u></u>	<u><u>\$16,941,168</u></u>

See Note 16 for more detailed information on the School District's debt.

Tri-Valley Local School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2009
Unaudited

Economic Factors

The School District's budgetary practice of spending less than what revenues it has coming in has forced the administration to continue considering cost containment and cost reduction measures for fiscal year 2009. Materials and supplies budgets have been reduced along with decreases in support staff where possible. Additional support staff reductions will be considered if the economic trends do not improve. Whenever operationally appropriate, the School District will take advantage of staffing reductions via attrition. Raising revenues by the means of an operating levy would be considered only when viable reductions have been exhausted.

Phase II of the School District's comprehensive building program is complete. Phase II of the project allowed the School District to construct four new elementary schools and make major renovations to the high school. The School District will now operate with six educational buildings: four elementary buildings, a middle school, and a high school. Prior to the construction project, the School District operated seven buildings, which included an intermediate building for fifth and sixth grade students in Frazeyburg which is no longer part of operations.

Contacting the School District's Financial Management

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

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Tri-Valley Local School District

Statement of Net Assets

June 30, 2009

	<u>Governmental Activities</u>
Assets	
Equity in Pooled Cash and Cash Equivalents	\$9,816,875
Accrued Interest Receivable	29,473
Prepaid Items	22,888
Materials and Supplies Inventory	111,604
Intergovernmental Receivable	488,389
Property Taxes Receivable	8,093,128
Cash and Cash Equivalents with Escrow Agents	237,061
Revenue in Lieu of Taxes Receivable	3,317,191
Deferred Charges	227,099
Non-Depreciable Capital Assets	4,395,031
Depreciable Capital Assets, Net	<u>64,122,740</u>
<i>Total Assets</i>	<u>90,861,479</u>
Liabilities	
Accounts Payable	332,839
Accrued Wages and Benefits Payable	2,657,053
Matured Retirement Incentive Payable	24,851
Matured Severance Payable	118,319
Intergovernmental Payable	767,990
Accrued Interest Payable	57,576
Claims Payable	278,995
Retainage Payable	29,453
Deferred Revenue	7,210,148
Long-Term Liabilities:	
Due Within One Year	603,743
Due In More Than One Year	<u>17,333,026</u>
<i>Total Liabilities</i>	<u>29,413,993</u>
Net Assets	
Invested in Capital Assets, Net of Related Debt	52,455,115
Restricted for:	
Debt Service	1,346,466
Capital Outlay	7,024,213
State Programs	22,451
Federal Programs	198,133
Other Purposes	1,211,186
Unrestricted (Deficit)	<u>(810,078)</u>
<i>Total Net Assets</i>	<u><u>\$61,447,486</u></u>

See accompanying notes to the basic financial statements

Tri-Valley Local School District
Statement of Activities
For the Fiscal Year Ended June 30, 2009

	Program Revenues			Net (Expense) Revenue and Changes in Net Assets	
	Expenses	Charges for Services and Sales	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities
Governmental Activities					
Instruction:					
Regular	\$13,341,156	\$700,112	\$165,838	\$0	(\$12,475,206)
Special	3,313,818	0	1,709,437	0	(1,604,381)
Vocational	510,544	0	111,731	0	(398,813)
Student Intervention Services	9,513	0	0	0	(9,513)
Support Services:					
Pupil	764,164	0	243,145	0	(521,019)
Instructional Staff	1,316,891	0	27,061	0	(1,289,830)
Board of Education	1,483,490	0	0	0	(1,483,490)
Administration	2,564,010	0	0	0	(2,564,010)
Fiscal	576,030	0	0	0	(576,030)
Operation and Maintenance of Plant	3,676,753	450	2,626	18,605	(3,655,072)
Pupil Transportation	1,970,861	0	61,858	30,909	(1,878,094)
Central	285,647	0	584	0	(285,063)
Operation of Non-Instructional Services	61,356	0	0	0	(61,356)
Food Service Operations	1,444,534	620,088	538,822	0	(285,624)
Extracurricular Activities	255,813	311,691	117,707	194,177	367,762
Interest and Fiscal Charges	852,431	0	0	0	(852,431)
<i>Total Governmental Activities</i>	<u>\$32,427,011</u>	<u>\$1,632,341</u>	<u>\$2,978,809</u>	<u>\$243,691</u>	<u>(27,572,170)</u>

General Revenues

Property Taxes Levied for General Purposes	6,375,326
Property Taxes Levied for Debt Service	1,227,727
Property Taxes Levied for Classroom Facilities Maintenance	125,889
Revenue in Lieu of Taxes for General Purposes	23,288
Revenue in Lieu of Taxes for Debt Service	10,329
Revenue in Lieu of Taxes for Classroom Facilities Maintenance	1,230
Grants and Entitlements not Restricted to Specific Programs	16,191,977
Investment Earnings	254,384
Miscellaneous	103,553
<i>Total General Revenues</i>	<u>24,313,703</u>
Change in Net Assets	(3,258,467)
<i>Net Assets Beginning of Year - Restated Note 3</i>	<u>64,705,953</u>
<i>Net Assets End of Year</i>	<u>\$61,447,486</u>

See accompanying notes to the basic financial statements

Tri-Valley Local School District
Balance Sheet
Governmental Funds
June 30, 2009

	General	Debt Service	Permanent Improvement	Building Fund	Other Governmental Funds	Total Governmental Funds
Assets						
Equity in Pooled Cash and Cash Equivalents	\$1,179,421	\$1,337,196	\$2,689,094	\$936,040	\$1,620,108	\$7,761,859
Cash and Cash Equivalents with Escrow Agents	0	0	0	223,635	0	223,635
Restricted Assets:						
Cash and Cash Equivalents with Escrow Agents	0	0	0	13,426	0	13,426
Receivables:						
Property Taxes	6,661,734	1,298,048	0	0	133,346	8,093,128
Intergovernmental	0	0	0	210,232	278,157	488,389
Revenue in Lieu of Taxes	139,742	24,384	3,149,723	0	3,342	3,317,191
Accrued Interest	29,473	0	0	0	0	29,473
Interfund	6,121	0	0	0	3,840	9,961
Prepaid Items	22,138	0	0	0	0	22,138
Materials and Supplies Inventory	96,258	0	0	0	15,346	111,604
Total Assets	\$8,134,887	\$2,659,628	\$5,838,817	\$1,383,333	\$2,054,139	\$20,070,804
Liabilities and Fund Balances						
Liabilities						
Accounts Payable	\$78,644	\$0	\$154,756	\$13,855	\$85,584	\$332,839
Accrued Wages and Benefits	2,527,561	0	0	0	129,492	2,657,053
Retainage Payable	0	0	16,027	13,426	0	29,453
Interfund Payable	3,840	0	0	0	6,121	9,961
Intergovernmental Payable	721,199	0	0	0	46,791	767,990
Matured Severance Payable	118,319	0	0	0	0	118,319
Matured Retirement Incentive Payable	24,851	0	0	0	0	24,851
Deferred Revenue	6,610,184	1,282,989	3,149,723	199,265	244,301	11,486,462
Total Liabilities	10,084,598	1,282,989	3,320,506	226,546	512,289	15,426,928
Fund Balances (Deficit)						
Reserved for Encumbrances	115,333	0	76,600	75,992	79,131	347,056
Reserved for Property Taxes	191,292	39,443	0	0	3,906	234,641
Unreserved, Undesignated, Reported in:						
General Fund (Deficit)	(2,256,336)	0	0	0	0	(2,256,336)
Special Revenue Funds	0	0	0	0	1,458,686	1,458,686
Debt Service Funds	0	1,337,196	0	0	0	1,337,196
Capital Projects Funds	0	0	2,441,711	1,080,795	127	3,522,633
Total Fund Balances (Deficit)	(1,949,711)	1,376,639	2,518,311	1,156,787	1,541,850	4,643,876
Total Liabilities and Fund Balances	\$8,134,887	\$2,659,628	\$5,838,817	\$1,383,333	\$2,054,139	\$20,070,804

See accompanying notes to the basic financial statements

Tri-Valley Local School District
*Reconciliation of Total Governmental Fund Balances
to Net Assets of Governmental Activities
June 30, 2009*

Total Governmental Fund Balances		\$4,643,876
 <i>Amounts reported for governmental activities in the statement of net assets are different because</i>		
Capital assets used in governmental activities are not financial resources and therefore are deferred in the funds.		68,517,771
Other long-term assets are not available to pay for current-period expenditures and therefore are deferred in the funds:		
Property Taxes	648,339	
Revenue in Lieu of Taxes	3,317,191	
Intergovernmental	310,784	
Total	4,276,314	4,276,314
Unamortized issuance costs represent deferred charges which do not provide current financial resources and, therefore, are not reported in the funds.		227,099
An internal service fund is used by management to charge the costs of insurance to individual funds. The assets and liabilities of the internal service fund are included in governmental activities in the statement of net assets.		1,776,771
Long-term liabilities, are not due and payable in the current period and therefore are not reported in the funds:		
General Obligation Bonds - Capital Appreciation Bonds	(227,662)	
General Obligation Bonds - Serial/Term	(15,820,000)	
Premium	(1,107,537)	
Difference on Refunding	754,351	
Discount	57,478	
Accretion of Interest - Capital Appreciation Bonds	(291,451)	
Compensated Absences	(1,255,038)	
Accrued Interest Payable	(57,576)	
Capital Leases	(46,910)	
Total	(17,994,345)	(17,994,345)
<i>Net Assets of Governmental Activities</i>		\$61,447,486

See accompanying notes to the basic financial statements

Tri-Valley Local School District
Statement of Revenues, Expenditures, and Changes in Fund Balances
Governmental Funds
For the Fiscal Year Ended June 30, 2009

	General	Debt Service	Permanent Improvement	Building Fund	Other Governmental Funds	Total Governmental Funds
Revenues						
Property Taxes	\$6,256,072	\$1,201,423	\$0	\$0	\$123,090	\$7,580,585
Intergovernmental	17,189,020	154,893	0	349,998	1,666,316	19,360,227
Interest	254,384	0	0	18,605	5,904	278,893
Tuition and Fees	700,112	0	0	0	0	700,112
Extracurricular Activities	62,692	0	0	0	248,999	311,691
Rent	450	0	0	0	0	450
Gifts and Donations	25,025	0	0	194,177	90,618	309,820
Revenue in Lieu of Taxes	24,165	4,381	262,478	0	522	291,546
Charges for Services	0	0	0	0	620,088	620,088
Miscellaneous	96,521	0	0	0	7,032	103,553
<i>Total Revenues</i>	<u>24,608,441</u>	<u>1,360,697</u>	<u>262,478</u>	<u>562,780</u>	<u>2,762,569</u>	<u>29,556,965</u>
Expenditures						
Current:						
Instruction:						
Regular	11,643,540	0	140,414	0	208,670	11,992,624
Special	2,582,395	0	0	0	552,365	3,134,760
Vocational	431,599	0	0	0	0	431,599
Student Intervention Services	9,513	0	0	0	0	9,513
Support Services:						
Pupil	484,080	0	0	0	253,734	737,814
Instructional Staff	1,197,114	0	0	0	27,721	1,224,835
Board of Education	1,552,304	27,225	0	0	3,707	1,583,236
Administration	2,273,005	0	0	0	55,321	2,328,326
Fiscal	522,598	0	0	0	0	522,598
Operation and Maintenance of Plant	2,113,842	0	0	339,090	167,639	2,620,571
Pupil Transportation	1,850,213	0	0	0	64,060	1,914,273
Central	219,232	0	0	0	22,709	241,941
Operation of Non-Instructional Services	0	0	0	0	2,140	2,140
Food Service Operations	0	0	0	0	1,228,897	1,228,897
Extracurricular Activities	9,194	0	0	0	174,494	183,688
Capital Outlay	77,895	0	305,396	2,762,613	0	3,145,904
Debt Service:						
Principal Retirement	20,206	325,841	0	0	0	346,047
Interest and Fiscal Charges	4,058	715,723	0	0	0	719,781
Capital Appreciation Bonds Interest	0	34,159	0	0	0	34,159
<i>Total Expenditures</i>	<u>24,990,788</u>	<u>1,102,948</u>	<u>445,810</u>	<u>3,101,703</u>	<u>2,761,457</u>	<u>32,402,706</u>
<i>Excess of Revenues Over (Under) Expenditures</i>	(382,347)	257,749	(183,332)	(2,538,923)	1,112	(2,845,741)
Other Financing Source						
Sale of Capital Assets	9,103	0	0	0	0	9,103
<i>Net Change in Fund Balances</i>	(373,244)	257,749	(183,332)	(2,538,923)	1,112	(2,836,638)
Fund Balances Beginning of Year (Deficit) - Restated Note 3	(1,576,467)	1,118,890	2,701,643	3,695,710	1,540,738	7,480,514
<i>Fund Balances (Deficit) End of Year</i>	<u>(\$1,949,711)</u>	<u>\$1,376,639</u>	<u>\$2,518,311</u>	<u>\$1,156,787</u>	<u>\$1,541,850</u>	<u>\$4,643,876</u>

See accompanying notes to the basic financial statements

Tri-Valley Local School District
*Reconciliation of the Changes in Fund Balances
of Governmental Funds to the Statement of Activities
For the Fiscal Year Ended June 30, 2009*

Net Change in Fund Balances - Total Governmental Funds (\$2,836,638)

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

Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which capital asset additions exceeded depreciation in the current period.

Fixed Assets Addition	2,629,182	
Depreciation	(2,986,980)	
Total		(357,798)

Governmental funds only report the disposal of capital assets to the extent proceeds are received from the sale. In the statement of activities, a gain or loss is reported for each disposal. This is the amount of the proceeds and the gain on the sale of capital assets.

Gain on the Sale of Capital Assets	5,329	
Proceeds from the Sale of Capital Assets	(9,103)	
Total		(3,774)

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

Property Taxes	148,357	
Intergovernmental	(280,079)	
Revenue in Lieu of Taxes	(256,699)	
Total		(388,421)

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

General Obligation Bonds	295,000	
Capital Appreciation Bonds	30,841	
Capital Appreciation Bonds Accretion	34,159	
Capital Leases	20,206	
Total		380,206

Interest is reported as an expenditure when due in the governmental funds, but is accrued on outstanding debt on the statement of activities.

Accrued Interest	1,118	
Capital Appreciation Bonds Accretion of Interest	(130,734)	
Total		(129,616)

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

63,292

The refunding difference is allocated as a reduction of expenses in the statement of activities over the life of the bonds.

(50,291)

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

(12,999)

Bond discounts are reported as other financing uses in governmental funds, but are allocated as an expense over the life of the bonds.

(3,036)

Compensated Absences are expenses reported in the statement of activities but do not require the use of current resources and therefore are not reported as expenditures in governmental funds.

196,478

The internal service fund used by management to charge the costs of health insurance to individual funds is not reported in the statement of activities. Governmental fund expenditures and the related internal service fund revenues are eliminated. The net revenue (expense) of the internal service fund is allocated among governmental activities.

(115,870)

Change in Net Assets of Governmental Activities

(\$3,258,467)

See accompanying notes to the basic financial statements

Tri-Valley Local School District
Statement of Revenues, Expenditures, and Changes
In Fund Balance - Budget (Non-GAAP Basis) and Actual
General Fund
For the Fiscal Year Ended June 30, 2009

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget</u>
Revenues				
Property Taxes	\$6,473,050	\$6,254,492	\$6,254,492	\$0
Intergovernmental	17,294,754	17,203,464	17,203,464	0
Interest	350,000	300,719	302,900	2,181
Tuition and Fees	700,014	699,643	700,112	469
Extracurricular Activities	43,050	62,619	62,692	73
Rent	2,000	450	450	0
Gifts and Donations	25,025	25,025	25,025	0
Revenue in Lieu of Taxes	24,165	24,165	24,165	0
Miscellaneous	22,726	95,863	96,521	658
<i>Total Revenues</i>	<u>24,934,784</u>	<u>24,666,440</u>	<u>24,669,821</u>	<u>3,381</u>
Expenditures				
Current:				
Instruction:				
Regular	13,352,443	11,809,758	11,557,337	252,421
Special	3,662,947	2,575,877	2,576,284	(407)
Vocational	149,475	464,833	464,832	1
Student Intervention	11,235	9,513	9,513	0
Support Services:				
Pupil	197,477	500,467	500,467	0
Instructional Staff	473,671	1,193,396	1,193,398	(2)
Board of Education	1,035,471	1,576,836	1,576,836	0
Administration	2,643,479	2,270,604	2,279,385	(8,781)
Fiscal	353,433	496,626	511,472	(14,846)
Operation and Maintenance of Plant	1,826,418	2,112,702	2,112,701	1
Pupil Transportation	1,391,015	1,874,708	1,874,709	(1)
Central	86,462	214,161	214,159	2
Extracurricular Activities	20,782	10,295	10,296	(1)
Capital Outlay	35,236	78,217	78,051	166
<i>Total Expenditures</i>	<u>25,239,544</u>	<u>25,187,993</u>	<u>24,959,440</u>	<u>228,553</u>
Excess of Revenues Under Expenditures	<u>(304,760)</u>	<u>(521,553)</u>	<u>(289,619)</u>	<u>231,934</u>
Other Financing Sources (Use)				
Proceeds from Sale of Capital Assets	2,103	2,103	2,103	0
Advances In	0	49,604	49,604	0
Advances Out	0	(49,604)	(55,725)	(6,121)
Total Other Financing Sources (Use)	<u>2,103</u>	<u>2,103</u>	<u>(4,018)</u>	<u>(6,121)</u>
<i>Net Change in Fund Balance</i>	<u>(302,657)</u>	<u>(519,450)</u>	<u>(293,637)</u>	<u>225,813</u>
<i>Fund Balance Beginning of Year</i>	<u>906,326</u>	<u>906,326</u>	<u>906,326</u>	<u>0</u>
Prior Year Encumbrances Appropriated	<u>405,088</u>	<u>405,088</u>	<u>405,088</u>	<u>0</u>
<i>Fund Balance End of Year</i>	<u>\$1,008,757</u>	<u>\$791,964</u>	<u>\$1,017,777</u>	<u>\$225,813</u>

See accompanying notes to the basic financial statements

Tri-Valley Local School District
Statement of Fund Net Assets
Proprietary Fund
June 30, 2009

	Governmental Activity
	Internal Service Fund
Current Assets	
Equity in Pooled Cash and Cash Equivalents	\$2,055,016
Prepaid Items	750
<i>Total Current Assets</i>	<i>2,055,766</i>
Current Liabilities	
Claims Payable	278,995
Net Assets	
Unrestricted	\$1,776,771

See accompanying notes to the basic financial statements

Tri-Valley Local School District
Statement of Revenues, Expenses, and Changes in Fund Net Assets
Proprietary Fund
For the Fiscal Year Ended June 30, 2009

	<u>Governmental Activity</u> <u>Internal Service Fund</u>
Operating Revenues	
Charges for Services	<u>\$3,340,187</u>
 Operating Expenses	
Purchased Services	473,676
Claims	<u>2,982,381</u>
<i>Total Operating Expenses</i>	<u>3,456,057</u>
 <i>Operating Loss</i>	 (115,870)
 <i>Net Assets Beginning of Year</i>	 <u>1,892,641</u>
 <i>Net Assets End of Year</i>	 <u><u>\$1,776,771</u></u>

See accompanying notes to the basic financial statements

Tri-Valley Local School District
Statement of Cash Flows
Proprietary Fund
For the Fiscal Year Ended June 30, 2009

	Governmental Activity
	Internal Service Fund
Increase (Decrease) in Cash and Cash Equivalents	
Cash Flows from Operating Activities:	
Cash Received from Interfund Services Provided	\$3,340,187
Cash Payments for Services	(474,426)
Cash Payments for Claims	(3,129,737)
	(263,976)
<i>Net Cash Used for Operating Activities</i>	(263,976)
<i>Net Increase in Cash and Cash Equivalents</i>	(263,976)
<i>Cash and Cash Equivalents Beginning of Year</i>	2,318,992
<i>Cash and Cash Equivalents End of Year</i>	\$2,055,016
Reconciliation of Operating Loss to Net Cash Used for Operating Activities:	
Operating Loss	(\$115,870)
Adjustments to Reconcile Operating Loss to Net Cash Used for Operating Activities:	
Increase in Prepays	(750)
Decrease in Claims Payable	(147,356)
	(148,106)
<i>Net Cash Used for Operating Activities</i>	(\$263,976)

See accompanying notes to the basic financial statements

Tri-Valley Local School District
Statement of Fiduciary Net Assets
Fiduciary Fund
June 30, 2009

	<u>Agency</u>
Assets	
Equity in Pooled Cash and Cash Equivalents	<u>\$87,990</u>
<i>Total Assets</i>	<u><u>\$87,990</u></u>
Liabilities	
Due to Students	<u>\$87,990</u>
<i>Total Liabilities</i>	<u><u>\$87,990</u></u>

See accompanying notes to the basic financial statements

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Tri-Valley Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2009

NOTE 1 - DESCRIPTION OF THE SCHOOL DISTRICT AND REPORTING ENTITY

Tri-Valley 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 board form of government consisting of five members elected at-large for staggered four year terms. The School District provides educational services as authorized by State statute and federal guidelines.

The School District was established in 1966. The School District serves an area of approximately 230 square miles. It is located in Muskingum and Coshocton Counties and includes all of Adams, Jefferson, Salem, Jackson, Muskingum, and Madison Townships and a portion of Licking, Virginia, and Washington Townships. The School District is the 140th largest in the State of Ohio (among 612 school districts) in terms of enrollment. It is staffed by 154 non-certificated employees, 211 certificated full-time teaching personnel, and 17 administrative employees who provide services to 3,164 students and other community members. The School District currently includes 11 instructional/support buildings.

Reporting Entity:

A reporting entity is comprised of the primary government, component units, and other organizations that are included to ensure that the financial statements are not misleading. The primary government of the School District consists of all funds, departments, boards, and agencies that are not legally separate from the School District. For the 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 does not include any entities that are considered component units within the reporting entity.

The School District participates in the Licking Area Computer Association (LACA), the Mid-East Ohio Career and Technology Center, the Metropolitan Educational Council (MEC), and the Coalition of Rural and Appalachian Schools, which are defined as jointly governed organizations and the Ohio School Boards Association Workers’ Compensation Group Rating Plan, and the Ohio School Benefits Cooperative, which are defined as public entity risk pools. Additional information concerning these organizations is presented in Notes 17 and 18.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the School District have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The School District also applies Financial Accounting Standards Board (FASB) statements and interpretations issued on or before November 30, 1989, to its governmental activities and proprietary fund provided they do not conflict with or contradict GASB pronouncements. The more significant of the School District’s accounting policies are described below.

Tri-Valley Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2009

A. Basis of Presentation

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

Government-wide Financial Statements The statement of net assets and the statement of activities display information about the School District as a whole. These statements include the financial activities of the primary government, except for fiduciary funds. The activity of the internal service fund is eliminated to avoid "doubling up" revenues and expenses. The statements usually distinguish between those activities of the School District that are governmental (primarily supported by taxes and intergovernmental revenues) and those that are considered business-type activities (primarily supported by fees and charges). The School District, however, has no business type activities.

The statement of net assets presents the financial condition of the governmental activities of the School District at year-end. The statement of activities presents a comparison between direct expenses and program revenues for each program or function of the School District's governmental activities. Direct expenses are those that are specifically associated with a service, program or department and therefore clearly identifiable to a particular function. Program revenues include charges paid by the recipient of the goods or services offered by the program, grants and contributions that are restricted to meeting the operational or capital requirements of a particular program and interest earned on grants that is required to be used to support a particular program. Revenues which are not classified as program revenues are presented as general revenues of the School District. The comparison of direct expenses with program revenues identifies the extent to which each governmental function is self-financing or draws from the general revenues of the School District.

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

B. Fund Accounting

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

Governmental Funds Governmental funds are those through which most governmental functions typically are financed. Governmental fund reporting focuses on the sources, uses and balances of current financial resources. Expendable assets are assigned to the various governmental funds according to the purposes for which they may or must be used. Current liabilities are assigned to the fund from which they will be paid. The difference between governmental fund assets and liabilities is reported as fund balance. The following are the School District's major governmental funds:

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

Tri-Valley Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2009

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

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

Building Fund - The Building Fund is used to account for the receipts and expenditures related to the construction and renovations of facilities of the School District being financed through the Ohio School Facilities Commission and locally funded initiatives.

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

Proprietary Fund Type Proprietary fund reporting focuses on the determination of operating income, changes in net assets, financial position and cash flows. Proprietary funds are classified as enterprise or internal service. The School District has no enterprise funds.

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

Fiduciary Fund Type Fiduciary fund reporting focuses on net assets and changes in net assets. The fiduciary fund category is split into four classifications: pension trust funds, investment trust funds, private-purpose trust funds and agency funds. Trust funds are used to account for assets held by the School District under a trust agreement for individuals, private organizations, or other governments and are therefore not available to support the School District's own programs. The School District has no trust funds. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. The School District's agency funds account for student activities and assets held by the School District as an agent for outside activities.

C. Measurement Focus

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

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

Tri-Valley Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2009

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

D. Basis of Accounting

Basis of accounting determines when transactions are recorded in the financial records and reported on the financial statements. Government-wide financial statements are prepared using the accrual basis of accounting. Proprietary and fiduciary funds also use the accrual basis of accounting. Governmental funds use the modified accrual basis of accounting. Differences in the accrual and the modified accrual basis of accounting arise in the recognition of revenue, the recording of deferred revenue, and in the presentation of expenses versus expenditures.

Revenues - Exchange and Non-Exchange Transactions Revenue resulting from exchange transactions, in which each party gives and receives essentially equal value, is recorded on the accrual basis when the exchange takes place. On a modified accrual basis, revenue is recorded in the fiscal year in which the resources are measurable and become available. Available means that the resources will be collected within the current fiscal year or are expected to be collected soon enough thereafter to be used to pay liabilities of the current fiscal year. For the School District, available means expected to be received within 60 days of fiscal year-end.

Non-exchange transactions, in which the School District receives value without directly giving equal value in return, include property taxes, grants, entitlements and donations. On the accrual basis, revenue from property taxes is recognized in the fiscal year for which taxes are levied (See Note 7). Revenue from grants is recognized in the fiscal year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the fiscal year when use is first permitted, matching requirements, in which the School District must provide local resources to be used for a specified purpose, and expenditure requirements, in which the resources are provided to the School District on a reimbursement basis. On a modified accrual basis, revenue from nonexchange transactions must also be available before it can be recognized.

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

Deferred Revenue Deferred revenue arises when assets are recognized before revenue recognition criteria have been satisfied.

Property taxes for which there is an enforceable legal claim as of June 30, 2009, but which were levied to finance fiscal year 2010 operations, have been recorded as deferred revenue. Grants and entitlements received before the eligibility requirements are met are also recorded as deferred revenue.

On governmental fund financial statements, receivables, including Revenue In Lieu of Taxes Receivable, that will not be collected within the available period have also been reported as deferred revenue.

Expenses/Expenditures On the accrual basis of accounting, expenses are recognized at the time they are incurred.

Tri-Valley Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2009

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

E. Cash and Cash Equivalents

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

During fiscal year 2009, investments were limited to certificates of deposit, Federal Farm Credit Bank Notes, Federal Home Loan Mortgage Corporation Notes and Bonds, Federal National Mortgage Association Bonds, and State Treasury Asset Reserve of Ohio (STAROhio). Investments are reported at fair value, except for non negotiable certificates of deposit which are reported at cost.

STAROhio is an investment pool managed by the State Treasurer's Office which allows governments within the State to pool their funds for investment purposes. STAROhio is not registered with the SEC as an investment company, but does operate in a manner consistent with rule 2a7 of the Investment Company Act of 1940. Investments in STAROhio are valued at STAROhio's share price which is the price the investment could be sold for at June 30, 2009.

Following Ohio statues, 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 2009 amounted to \$254,384, which includes \$202,667 assigned from other School District funds.

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

F. Restricted Assets

Assets are reported as restricted assets when limitations on their use change the normal understanding of the availability of the asset. Such constraints are either externally imposed by creditors, contributors, grantors, or laws of other governments or are imposed by law through constitutional provisions or enabling legislation. Restricted assets in the building fund include amounts withheld on construction contracts until the successful completion of the contract.

G. Prepaid Items

Payments made to vendors for services that will benefit periods beyond June 30, 2009, are recorded as prepaid items using the consumption method. A current asset for the prepaid amount is recorded at the time of the purchase and an expenditure/expense is reported in the year in which services are consumed.

H. Inventory

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

Tri-Valley Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2009

I. Capital Assets

The only capital assets of the School District are general capital assets. These assets generally result from expenditures in the governmental funds. These assets are reported in the governmental activities column of the government-wide statement of net assets but are not reported in the fund financial statements.

All capital assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the year. The School District was able to estimate the historical cost for the initial reporting of assets by backtrending (i.e., estimating current replacement cost of the asset to be capitalized and using an appropriate price-level index to deflate the cost to the acquisition year or estimated acquisition year). Donated fixed assets are recorded at their fair market values as of the date received. The School District maintains a capitalization threshold of five thousand dollars. Improvements are capitalized; the costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not.

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

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

J. Compensated Absences

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

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

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

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

K. Accrued Liabilities and Long-Term Obligations

All payables, accrued liabilities and long-term obligations are reported in the government-wide financial statements.

Tri-Valley Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2009

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

L. Bond Discounts, Premiums, and Issuance Costs

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

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

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

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

M. Internal Activity

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

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

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

N. Fund Balance Reserves

The School District reserves those portions of fund balance which are legally segregated for a specific future use or which do not represent available expendable resources and therefore are not available for appropriation or expenditure. Unreserved fund balance indicates that portion of fund equity which is available for appropriation in future periods. Fund equity reserves have been established for encumbrances and property taxes. The reserve for property taxes represents taxes recognized as revenue under generally accepted accounting principles but not available for appropriation under State statute.

O. 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.

Tri-Valley Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2009

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 amounts from local sources, including tax levy proceeds for the maintenance of classroom facilities, that are restricted for specified purposes. Of the restricted net assets none has resulted from enabling legislation.

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

P. Operating Revenues and Expenses

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

Q. Extraordinary and Special Items

Extraordinary items are transactions or events that are both unusual in nature and infrequent in occurrence. Special items are transactions or events that are within the control of the Board of Education and that are either unusual in nature or infrequent in occurrence. No such items were reported for fiscal year 2009.

R. Estimates

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

S. Budgetary Data

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

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

Tri-Valley Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2009

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

NOTE 3 – CHANGES IN ACCOUNTING PRINCIPLES AND RESTATEMENT OF PRIOR YEAR FUND BALANCE AND NET ASSETS

Change in Accounting Principles - For fiscal year 2009, the School District has implemented Governmental Accounting Standards Board (GASB) Statement No. 49, “Accounting and Financial Reporting for Pollution Remediation Obligations,” Statement No. 52, “Land and Other Real Estate Held as Investments by Endowments”, Statement No. 55, “The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments,” and Statement No. 56, “Codification of Accounting and Financial Reporting Guidance Contained in the AICPA Statements on Auditing Standards.”

GASB Statement No. 49 addresses accounting and financial reporting standards for pollution (including contamination) remediation obligations, which are obligations to address the current or potential detrimental effect of existing pollution by participating in pollution remediation activities such as site assessments and cleanup. The implementation of this statement did not result in any change to the School District’s financial statements.

GASB Statement No. 52 establishes consistent standards for the reporting of land and other real estate held as investments by essentially similar entities. It requires endowments to report their land and other real estate investments at fair value. Governments are also required to report the changes in fair value as investment income and to disclose the methods and significant assumptions employed to determine fair value. The implementation of this statement did not result in any change in the School District’s financial statements.

GASB Statement No. 55 incorporates the hierarchy of generally accepted accounting principles (GAAP) for state and local governments into the GASB authoritative literature. The GAAP hierarchy consists of the sources of accounting principles used in the preparation of financial statements of state and local governmental entities that are presented in conformity with GAAP, and the framework for selecting those principles. The implementation of this statement did not result in any change in the School District financial statements.

GASB Statement No. 56 incorporates accounting and financial reporting guidance previously only contained in the American Institute of Certified Public Accountants’ and auditing literature into the GASB’s accounting and financial reporting literature for state and local governments. The statement’s guidance addresses related party transactions, going concern considerations, and subsequent events from the AICPA literature. The implementation of this statement did not result in any change in the School District’s financial statements.

During fiscal year 2009, the School District changed from the termination method to the vesting method. This change in accounting principle did not result in any change in the School District’s financial statements.

Restatement of Net Assets and Fund Balance – The School District restated net assets and fund balance due to the overstatement of retainage payable for \$448,635. The restatement has the following effect on the net assets and fund balance of the governmental activities. The School District also had a restatement of fund balance between the General Fund and the Building Capital Projects Fund for \$57,224 due to the misposting of accrued interest receivable and a GASB 31 adjustment.

Tri-Valley Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2009

	Governmental Activities		
Governmental Net Assets, June 30, 2008	\$64,257,318		
Overstatement of Retainage Payable	448,635		
Restated Governmental Net Assets, June 30, 2008	\$64,705,953		
	General Fund	Building Fund	Total
Fund Balance, June 30, 2008	(\$1,633,691)	\$3,304,299	\$1,670,608
GASB 31 Adjustment	5,635	(5,635)	0
Accrued Interest Receivable	51,589	(51,589)	0
Overstatement of Retainage Payable	0	448,635	448,635
Restated Fund Balance, June 30, 2008	(1,576,467)	3,695,710	2,119,243

NOTE 4 – FUND DEFICIT

The General Fund’s deficit balance of \$1,949,711 was created primarily by the application of generally accepted accounting principles. The School District will monitor future spending.

NOTE 5 - BUDGETARY BASIS OF ACCOUNTING

While the School District is reporting financial position, results of operations, and changes in fund balance on the basis of generally accepted accounting principles (GAAP), the budgetary basis as provided by law is based upon accounting for certain transactions on a basis of cash receipts, disbursements, and encumbrances. The Statement of Revenues, Expenditures and Changes in Fund Balances - Budget (Non GAAP Basis) and Actual - General Fund is presented on the budgetary basis to provide a meaningful comparison of actual results with the budget. The major differences between the budget basis and GAAP basis are that:

1. Revenues are recorded when received in cash (budget basis) as opposed to when susceptible to accrual (GAAP basis).
2. Expenditures are recorded when paid in cash (budget basis) as opposed to when the liability is incurred (GAAP basis).
3. Encumbrances are treated as expenditures (budget basis) rather than as a reservation of fund balance (GAAP basis).
4. Adjustments to record investments at market value are reported on the balance (GAAP basis), but not on the budgetary basis.
5. Prepaid items are reported on the balance sheet (GAAP basis), but not on the budgetary basis.

Tri-Valley Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2009

The following tables summarize the adjustments necessary to reconcile the GAAP and budgetary basis statements for the General Fund.

Net Change in Fund Balance	
GAAP Basis	(\$373,244)
Net Adjustment for Revenue Accruals	42,799
Net Adjustment for Expenditure Accruals	200,037
Beginning:	
Gasb 31 Adjustment	(246)
Prepaid Items	26,914
Ending:	
Gasb 31 Adjustment	11,827
Prepaid Items	(22,138)
Advances In	49,604
Advances Out	(55,725)
Adjustment for Encumbrances	<u>(173,465)</u>
Budget Basis	<u><u>(\$293,637)</u></u>

NOTE 6– 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 deposits must be evidenced by time certificates of deposit maturing not more than one year from the date of deposit or by savings or deposit accounts, including passbook accounts.

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

1. United States Treasury bills, bonds, notes, 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 obligation or security 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;

Tri-Valley Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2009

3. Written repurchase agreements in the securities listed above;
4. Bonds and other obligations of the State of Ohio;
5. Time certificates of deposit or savings or deposit accounts including, but not limited to, passbook accounts;
6. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2) above;
7. The State Treasurer's investment pool (STAROhio); and
8. Commercial paper and bankers acceptances if training requirements have been met.

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

Deposits

Custodial credit risk for deposits is the risk that in the event of bank failure, the School District will not be able to recover deposits or collateral securities that are in the possession of an outside party. At year end, \$3,742,248 of the School District's bank balance of \$4,826,945 was exposed to custodial credit risk because it was uninsured and uncollateralized. Although all statutory requirements for the deposit of money had been followed, non-compliance with federal requirements could potentially subject the School District to a successful claim by FDIC.

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

Investments

As of June 30, 2009, the School District had the following investments which are in an internal investment pool:

	Fair Value	Maturity	Percent of Total Investments
Negotiable Certificate of Deposit	\$98,392	1/28/2011	
Negotiable Certificate of Deposit	99,022	7/29/2011	
Negotiable Certificate of Deposit	96,409	1/21/2014	5.45%
Federal Farm Credit Bank Note	398,752	1/30/2014	7.40%
Federal National Mortgage Association Bond	491,875	5/28/2014	9.12%
Federal Home Loan Mortgage Corporation Bond	500,900	2/26/2014	
Federal Home Loan Mortgage Corporation Bond	502,100	9/25/2013	18.61%
Federal Home Loan Mortgage Corporation Note	401,260	2/12/2014	
Federal Home Loan Mortgage Corporation Note	544,825	1/29/2014	
Federal Home Loan Mortgage Corporation Note	1,274,248	11/28/2011	41.18%
STAROhio	983,169	average 58.1 days	18.24%
Totals	<u>\$5,390,952</u>		<u>100.00%</u>

Tri-Valley Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2009

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

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

Concentration of Credit Risk. The School District places no limit on the amount it may invest in any one issuer. The percentage of total investments is listed in the table above.

NOTE 7- PROPERTY TAXES

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

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

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

Tangible personal property tax revenue received during calendar 2009 (other than public utility property) represents the collection of calendar year 2009 taxes levied against local and inter-exchange telephone companies. Tangible personal property tax on business inventory, manufacturing machinery and equipment, and furniture and fixtures is no longer levied and collected. The October 2008 tangible personal property tax settlement was the last property tax settlement for general personal property taxes. Tangible personal property taxes received from telephone companies in calendar year 2009 were levied after October 1, 2008, on the value as of December 31, 2008. Amounts paid by multi-county taxpayers are due September 20. Single county taxpayers may pay annually or semi-annually. If paid annually, payment is due April 30; if paid semi-annually, the first payment is due April 30, with the remainder payable by September 20. Tangible personal property taxes paid by April 30 are usually received by the School District prior to June 30. This year, however, this settlement was not made until July 2009.

Tri-Valley Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2009

The School District receives property taxes from Muskingum and Coshocton 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 County by June 30, 2009, are available to finance fiscal year 2009 operations. The amount available to be advanced can vary based on the date the tax bills are sent.

Accrued property taxes receivable represents the late personal property tax settlement, real property, public utility property, and tangible personal property taxes which were measurable as of June 30, 2009, and for which there was an enforceable legal claim. Although total property tax collections for the next fiscal year are measurable, only the amount of real property taxes available as an advance at June 30 and the late settlement were levied to finance current fiscal year operations and are reflected as revenue at fiscal year end. The portion of the receivable not levied to finance current fiscal year operations is offset by a credit to deferred revenue.

The amount available as an advance at June 30, 2009 was \$191,292 in the General Fund, \$39,443 in the Debt Service Fund, and \$3,906 in the Miscellaneous Local Fund. The amount available as an advance at June 30, 2008, was \$189,712 in the General Fund, \$38,837 in the Debt Service Fund, and \$3,953 in the Miscellaneous Local Fund.

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

The assessed values upon which the fiscal year 2009 taxes were collected are:

	2008 Second Half Collections		2009 First Half Collections	
	Amount	Percent	Amount	Percent
Real Estate	\$291,581,430	90.29%	\$298,768,320	91.13%
Public Utility Personal	21,729,120	6.73%	22,339,330	6.81%
General Business Property	9,613,219	2.98%	6,749,400	2.06%
	<u>\$322,923,769</u>	<u>100.00%</u>	<u>\$327,857,050</u>	<u>100.00%</u>
Tax Rate per \$1,000 of assessed valuation		\$40.25		\$40.25

NOTE 8- RECEIVABLES

Receivables at June 30, 2009, consisted of interest, property taxes, revenue in lieu of taxes, intergovernmental, and grants. All receivables are considered collectible in full due to the ability to foreclose for the nonpayment of taxes, the stable condition of State programs, and the current year guarantee of federal funds. All receivables are expected to be collected within one year, with the exception of delinquent property taxes deemed collectible by the County Auditor and recorded as a receivable in the amount of \$648,339, the Ohio School Facilities Commission receivable, which is a multiple year project, and revenue in lieu of taxes receivable that are addressed below. A summary of the principal items of intergovernmental receivables follows:

Tri-Valley Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2009

	Amounts
Governmental Activities	
Ohio School Facilities Grant	\$210,232
Title II-D	759
Title I	128,330
Titel II-A	19,833
Title IV-A	1,310
Part B - IDEA	127,925
Total	\$488,389

In prior years, tax abatement agreements were entered into between Muskingum County, various townships, and local businesses and were accepted by the School District, to encourage economic growth in the County. In return for the abatements, the businesses agreed to make payments in lieu of taxes to the School District. Each agreement states a specified percentage that the businesses will pay based on the amount of real property taxes the School District would have received. The receivables have been recorded in the funds pursuant to the agreements. The receivables and revenues are recorded at the full amount upon entering into the agreement. These payments will continue for 12 years. During fiscal year 2009, the School District entered into a tax abatement with the Bilco Company.

In August, 2005, the School District was awarded an Ohio School Facilities Grant. As of June 30, 2009, the remaining amount of the Grant, \$210,232 is recorded as a receivable.

NOTE 9- CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2009, was as follows:

	Balance June 30, 2008	Additions	Deletions	Balance June 30, 2009
<u>Government Activities:</u>				
Non Depreciable Assets:				
Land and Land Improvements	\$4,012,697	\$7,463	\$0	\$4,020,160
Construction in Progress	0	374,871	0	374,871
Total Non Depreciable Assets	4,012,697	382,334	0	4,395,031
Depreciable Assets:				
Land Improvements	886,353	192,971	0	1,079,324
Buildings and Improvements	67,803,807	1,372,596	0	69,176,403
Furniture, Fixtures, and Equipment	3,090,597	517,841	(67,640)	3,540,798
Vehicles	2,328,192	163,440	(122,101)	2,369,531
Total Depreciable Capital Assets	74,108,949	2,246,848	(189,741)	76,166,056
Less Accumulated Depreciation:				
Land Improvements	(146,927)	(51,831)	0	(198,758)
Buildings and Improvements	(7,132,908)	(2,368,651)	0	(9,501,559)
Furniture, Fixtures, and Equipment	(512,772)	(371,513)	67,640	(816,645)
Vehicles	(1,449,696)	(194,985)	118,327	(1,526,354)
Total	(9,242,303)	(2,986,980)	185,967	(12,043,316)
Depreciable Capital Assets, Net	64,866,646	(740,132)	(3,774)	64,122,740
Governmental Activities Capital Assets, Net	\$68,879,343	(\$357,798)	(\$3,774)	\$68,517,771

Tri-Valley Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2009

Depreciation expense was charged to governmental activities as follows:

Instruction:	
Regular	\$1,582,066
Special	199,969
Vocational	80,386
Support Services:	
Pupil	45,004
Instructional Staff	146,856
Board of Education	2,369
Administration	235,994
Fiscal	2,369
Maintenance	106,658
Transportation	199,879
Central	42,636
Food Service Operations	200,851
Operation of Non-Instructional Services	59,216
Extracurricular	82,727
Total	<u><u>\$2,986,980</u></u>

NOTE 10 - RISK MANAGEMENT

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

Building and Contents (\$2,500 deductible)	\$85,182,931
Automotive Liability (\$100 comprehensive, \$500 collision)	1,000,000
General Liability:	
Each Occurrence	1,000,000
General Aggregate Limit	3,000,000
Products/Completed Operations Aggregate Limit	3,000,000
Professional Liability	
Each Occurrence (\$1,000 deductible)	1,000,000
General Aggregate Limit	3,000,000

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

Medical/surgical, prescription drug and dental insurance is offered to employees through a self-insurance internal service fund. The School District participates with the Ohio School Benefits Cooperative with Medical Mutual serving as the third-party administrator for the plan. Stop-loss coverage is purchased for individual claims above \$75,000 and in aggregate \$3,117,769. With the stop loss coverage, the School District's total maximum liability for the 2009 plan year is \$3,595,422. The School District pays 80 percent of family premiums and 100 percent of single premiums for the medical/surgical and prescription drug coverage which are \$1,094 for family coverage or \$432 for individual coverage per month. The premium is paid to the internal service fund by the fund that pays the salary for the covered employee.

Tri-Valley Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2009

The School District also pays 80 percent of family premiums and 100 percent of single premiums for the dental premiums which are \$78 for family coverage or \$30 for individual coverage.

The claims liability of \$278,995 reported in the Internal Service fund at June 30, 2009 is based on an estimate provided by the third party administrator and the requirements of Governmental Accounting Standards Board Statement No. 30 which requires that a liability for unpaid claim costs, including estimates of costs relating to incurred but not reported claims, be reported. The estimate was not affected by incremental claim adjustment expenses and does not include other allocated or unallocated claim adjustment expenses.

Changes in claims activity for the past two fiscal years are as follows:

	<u>Balance at Beginning of Year</u>	<u>Current Year Claims</u>	<u>Claim Payments</u>	<u>Balance at End of Year</u>
2008	\$196,275	\$2,518,159	\$2,288,083	\$426,351
2009	426,351	2,982,381	3,129,737	278,995

For fiscal year 2009, the School District participated in the Ohio School Boards Association Workers' Compensation Group Rating Program (GRP), an insurance purchasing pool (Note 18). The intent of the GRP is to achieve the benefit of a reduced premium for the School District by virtue of its grouping and representation with other participants in the GRP. The workers' compensation experience of the participating school districts is calculated as one experience and a common premium rate is applied to all school districts in the GRP.

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

NOTE 11 - DEFINED BENEFIT PENSION PLANS

A. School Employee Retirement System

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

Funding Policy - Plan members are required to contribute 10 percent of their annual covered salary and the School District is required to contribute at an actuarially determined rate. The current School District rate is 14 percent of annual covered payroll. A portion of the School District's contribution is used to fund pension obligations with the remainder being used to fund health care benefits; for fiscal year 2009, 9.09 percent of annual covered salary was the portion used to fund pension obligations. The contribution requirements of plan members and employers are established and may be amended by the SERS' Retirement Board up to a statutory maximum amount of 10 percent for plan members and 14 percent for employers. Chapter 3309 of the Ohio Revised Code provides statutory authority for member and employer contributions.

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The School District's required contributions for pension obligations to SERS for the fiscal years ended June 30, 2009, 2008 and 2007 were \$318,953, \$278,658, and \$258,256 respectively; 50 percent has been contributed for fiscal year 2009 and 100 percent for fiscal years 2008 and 2007.

B. State Teachers Retirement System

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

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

The DB portion of the Combined Plan payment is payable to a member on or after age 60; the DC portion of the account may be taken as a lump sum or converted to a lifetime monthly annuity at age 50. Benefits are established by Chapter 3307 of the Ohio Revised Code.

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

Funding Policy - For the fiscal year ended June 30, 2009, plan members were required to contribute 10 percent of their annual covered salaries. The School District was required to contribute 14 percent; 13 percent was the portion used to fund pension obligations. For fiscal year 2008, the portion used to fund pension obligations was also 13 percent. Contribution rates are established by the State Teachers Retirement Board, upon recommendations of its consulting actuary, not to exceed statutory maximum rates of 10 percent for members and 14 percent for employers. Chapter 3307 of the Ohio Revised Code provides statutory authority for member and employer contributions.

The School District's required contributions for pension obligations to STRS Ohio for the fiscal years ended June 30, 2009, 2008, and 2007 were \$1,540,124, \$1,542,291, and \$1,487,704 respectively; 82.91 percent has been contributed for fiscal year 2009 and 100 percent for fiscal years 2008 and 2007. Contributions to the DC and Combined Plans for fiscal year 2009 were \$10,488 made by the School District and \$25,180 made by the plan members.

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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 Retirement System. As of June 30, 2009, two members of the Board of Education have elected Social Security. The Board's liability is 6.2 percent of wages.

NOTE 12 - POSTEMPLOYMENT BENEFITS

A. School Employee Retirement System

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

Funding Policy – State statute permits SERS to fund the health care benefits through employer contributions. Each year, after the allocation for statutorily required benefits, the Retirement Board allocates the remainder of the employer contribution of 14 percent of covered payroll to the Health Care Fund. The Health Care Fund was established and is administered in accordance with Internal Revenue Code Section 401h. For 2009, 4.16 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 2009, this amount was \$35,800.

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

The School District's contributions for health care for the fiscal years ended June 30, 2009, 2008, and 2007 were \$198,878, \$127,161, and \$85,741 respectively; 63.30 percent has been contributed for fiscal year 2009 and 100 percent for fiscal years 2008 and 2007.

The Retirement Board, acting with advice of the actuary, allocates a portion of the employer contribution to the Medicare B Fund. For 2009, this actuarially required allocation was 0.75 percent of covered payroll. The School District's contributions for Medicare Part B for the fiscal years ended June 30, 2009, 2008, and 2007 were \$26,316, \$20,078, and \$17,561 respectively; 50 percent has been contributed for fiscal year 2009 and 100 percent for fiscal years 2008 and 2007.

B. State Teachers Retirement System

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

Tri-Valley Local School District
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Funding Policy – Ohio law authorizes STRS Ohio to offer the Plan and gives the Retirement Board authority over how much, if any, of the health care costs will be absorbed by STRS Ohio. Active employee members do not contribute to the Plan. All benefit recipients pay a monthly premium. Under Ohio law, funding for post-employment health care may be deducted from employer contributions. For 2009, STRS Ohio allocated employer contributions equal to 1 percent of covered payroll to the Health Care Stabilization Fund. The School District's contributions for health care for the fiscal years ended June 30, 2009, 2008, and 2007 were \$120,408, \$119,304, and \$114,519 respectively; 82.91 percent has been contributed for fiscal year 2009 and 100 percent for fiscal years 2008 and 2007.

NOTE 13- OTHER EMPLOYEE BENEFITS

A. Compensated Absences

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

B. Other Insurance Benefits

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

An additional employee benefit which is offered through the School District is vision insurance through Vision Service Plan, Inc. The monthly rate is \$5.28 for single and \$11.95 for family for all employees.

C. Retirement Incentive

Certified employees with 30 years or more of retirement credit shall be eligible for a \$15,000 retirement incentive providing the employee retires by July 1, of the school year in which they first become eligible for retirement. Also, if the employee gives the School District notice of retirement prior to March 1 within the fiscal year of their retirement, then the employee is entitled to five days of additional pay. As of June 30, 2009, there was a total liability \$24,851 shown as matured on the Balance Sheet.

NOTE 14 – CONTRACTUAL COMMITMENTS

As of June 30, 2009, the School District had contractual purchase commitments as follows:

Tri-Valley Local School District
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Contractor	Fund	Purchased Commitments	Amounts Paid as of June 30, 2009	Amounts Remaining on Contracts
Lepi Enterprises, Inc. - Architect Fees for the Fitness Center	Permanent Improvement	\$362,877	\$284,206	\$78,671
Motz Group, Inc. - Architect Fees for the Football Stadium	Permanent Improvement	209,358	151,033	58,325
Grand Total		<u>\$572,235</u>	<u>\$435,239</u>	<u>\$136,996</u>

NOTE 15 - CAPITAL LEASES - LESSEE DISCLOSURE

In prior fiscal years, the School District entered into a capitalized lease for new copying equipment. The leases meet the criteria of a capital lease as defined by Statement of Financial Accounting Standards No. 13, "Accounting for Leases," which defines a capital lease generally as one which transfers benefits and risks of ownership to the lessee.

Capital lease payments have been reclassified from functional expenditures and are reflected as General Fund debt service expenditures in the financial statements. They are presented as current expenditures in the budgetary statements. Capital assets for equipment acquired by governmental activities through capitalized leases were recorded in the amount of \$102,115, which is equal to the present value of the minimum lease payments at the time of acquisition. Accumulated depreciation on the asset is \$29,176, leaving a book value of \$72,939. Principal payments in fiscal year 2009 totaled \$20,206 in the governmental funds.

Future minimum lease payments are as follows:

Fiscal Year Ending June 30	Principal	Interest	Total
2010	\$21,667	\$2,597	\$24,264
2011	23,233	1,031	24,264
2012	2,010	12	2,022
Totals	<u>\$46,910</u>	<u>\$3,640</u>	<u>\$50,550</u>

NOTE 16 - LONG - TERM OBLIGATIONS

The changes in the School District's long-term obligations during fiscal year 2009 were as follows:

Tri-Valley Local School District
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	Principal Outstanding			Principal Outstanding		Amounts Due In
	6/30/08	Additions	Deductions	6/30/09	One Year	
General Obligation Bonds:						
2002 School Improvement Bonds, \$18,500,000						
Serial Bonds - 2.00-4.5%, \$3,880,000	\$1,295,000	\$0	\$260,000	\$1,035,000	\$300,000	
Term Bonds - 5.25-5.75% \$14,620,000	3,040,000	0	0	3,040,000	0	
Serial Bond Premium, \$228,153	109,664	0	9,139	100,525	0	
Total 2002 School Improvement Bonds	4,444,664	0	269,139	4,175,525	300,000	
2006 Advance Refunding Bonds, \$9,254,993						
Serial Bonds - 4.1-4.4%, \$7,130,000	7,130,000	0	0	7,130,000	0	
Term Bonds - 4.25%, \$1,695,000	1,695,000	0	0	1,695,000	0	
Capital Appreciation Bonds - 30.656% \$429,993	208,508	0	30,841	177,667	23,187	
CAB Accretion - \$1,070,007	181,515	116,918	34,159	264,274	41,813	
CAB Premium - \$778,859	713,954	0	32,452	681,502	0	
Serial/Term Bond Discount - \$43,312 & \$4,408	(43,744)	0	(1,988)	(41,756)	0	
Refunding Difference - \$632,855	(562,537)	0	(35,159)	(527,378)	0	
Total 2006 Advance Refunding Bonds	9,322,696	116,918	60,305	9,379,309	65,000	
2007 Advance Refunding Bonds, \$3,084,995						
Serial Bonds - 4.0%, \$1,135,000	1,055,000	0	35,000	1,020,000	35,000	
Term Bonds - 4.0%, \$1,900,000	1,900,000	0	0	1,900,000	0	
Capital Appreciation Bonds - 20.747%, \$49,995	49,995	0	0	49,995	0	
CAB Accretion - \$685,000	13,361	13,816	0	27,177	0	
Serial/CAB Premium - \$4,345 & \$364,567	347,211	0	21,701	325,510	0	
Serial/Term Bond Discount - \$6,817 & \$11,001	(16,770)	0	(1,048)	(15,722)	0	
Refunding Difference - \$257,237	(242,105)	0	(15,132)	(226,973)	0	
Total 2007 Advance Refunding Bonds	3,106,692	13,816	40,521	3,079,987	35,000	
Total General Obligation Bonds	16,874,052	130,734	369,965	16,634,821	400,000	
Capital Lease - Copiers	67,116	0	20,206	46,910	21,667	
Compensated Absences	1,451,516	65,976	262,454	1,255,038	182,076	
Total Long-Term Liabilities	\$18,392,684	\$196,710	\$652,625	\$17,936,769	\$603,743	

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

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

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Issuance costs associated with the original bond issue were \$91,545 and were deferred, of which \$18,334 remained outstanding after the refunding issues that will be amortized over the remaining life of the bond issue. The amortization of issuance costs for fiscal year 2009 was \$1,410. The original bonds were issued for a 28-year period with a final maturity at December 1, 2029. After the advance refunding issues, the bonds that remained outstanding have a final maturity at December 1, 2019.

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

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

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

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

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

Principal and interest requirements to retire general obligation bonds for the outstanding 2002 School Improvement Bonds outstanding at June 30, 2009 are as follows:

Fiscal Year Ending June 30	<u>Serial/Term Bonds</u>		
	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2010	\$300,000	\$204,813	\$504,813
2011	345,000	191,107	536,107
2012	390,000	175,488	565,488
2013	0	167,200	167,200
2014	0	167,200	167,200
2015-2019	2,380,000	540,098	2,920,098
2020-2024	660,000	18,150	678,150
Total	<u>\$4,075,000</u>	<u>\$1,464,056</u>	<u>\$5,539,056</u>

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

On April 20, 2006, the School District issued \$9,254,993 of general obligation bonds that were issued to partially refund the 2002 school improvement general obligation bonds. The bonds were issued for a 23 year period with final maturity at December 1, 2029. The bond issue included serial, term and capital appreciation bonds in the amounts of \$7,130,000, \$1,695,000, and \$429,993, respectively. These refunding bonds were issued with a discount of \$47,720 which is reported as a decrease to bonds payable and a premium of \$368,912 which is reported as an increase to bonds payable. The issuance costs of \$151,001 are reported as deferred charges and are being amortized over the life of the bonds using the straight-line method. The amortization of the issuance costs for fiscal year 2009 was \$6,292. The refunding resulted in a difference between the net carrying amount of the debt and the acquisition price of \$632,855. This difference, reported in the accompanying financial statements as a decrease to bonds payable is being amortized to interest expense over the life of the bonds using the straight-line method.

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

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

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

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

The capital appreciation bonds for the 2006 issue mature December 1, 2006 through December 1, 2016. At maturity all compounded interest is paid and the bond holder receives the face value of the bond. As the value of the bond increases, the accretion is reflected as a liability. The maturity amount of the bonds is \$1,500,000. For fiscal year 2009, \$116,918 was accreted and \$34,159 of accretion was paid, leaving a total bond liability of \$441,941.

Principal and interest requirements to retire general obligation bonds for the 2006 School Improvement Refunding Bonds outstanding at June 30, 2009 are as follows:

Tri-Valley Local School District
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Fiscal Year	Serial/Term Bonds		Capital Appreciation Bonds		Total	
	Principal	Interest	Principal	Accretion	Principal	Accretion/ Interest
2010	\$0	\$381,835	\$23,187	\$41,813	\$23,187	\$423,648
2011	0	381,835	17,434	47,566	17,434	429,401
2012	0	381,835	13,107	51,893	13,107	433,728
2013	0	381,835	75,805	424,195	75,805	806,030
2014	0	381,835	42,176	327,824	42,176	709,659
2015-2019	65,000	1,906,586	5,958	84,042	70,958	1,990,628
2020-2024	540,000	1,868,598	0	0	540,000	1,868,598
2025-2029	6,580,000	1,119,945	0	0	6,580,000	1,119,945
2030	1,640,000	36,080	0	0	1,640,000	36,080
Totals	\$8,825,000	\$6,840,384	\$177,667	\$977,333	\$9,002,667	\$7,817,717

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

On April 19, 2007, the School District issued \$3,084,995 of general obligation bonds that were issued to partially refund the 2002 school improvement general obligation bonds. The bonds were issued for a 17 year period with final maturity at December 1, 2023. The serial and term refunding bonds were issued with a discount of \$17,818 which is reported as a decrease to bonds payable. The serial and capital appreciation refunding bonds were issued with a premium of \$368,912 which is reported as an increase to bonds payable. The issuance costs of \$90,054 are reported as deferred charges and are being amortized over the life of the bonds using the straight-line method. The amortization of the issuance costs for fiscal year 2009 was \$5,297. The refunding resulted in a difference between the net carrying amount of the debt and the acquisition price of \$257,237. This difference, reported in the accompanying financial statements as a decrease to bonds payable is being amortized to interest expense over the life of the bonds using the straight-line method.

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

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

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

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

The capital appreciation bonds for the 2007 issue mature December 1, 2020. At maturity all compounded interest is paid and the bond holder receives the face value of the bond. As the value of the bond increases, the accretion is reflected as a liability. The maturity amount of the bonds is \$735,000. For fiscal year 2009, \$13,816 was accreted, for a total bond liability of \$77,172.

Principal and interest requirements to retire general obligation bonds for the 2007 School Improvement Refunding Bonds outstanding at June 30, 2009 are as follows:

Fiscal Year	Serial/Term Bonds		Capital Appreciation Bonds		Total	
	Principal	Interest	Principal	Accretion	Principal	Accretion/ Interest
2010	\$35,000	\$116,100	\$0	\$0	\$35,000	\$116,100
2011	40,000	114,600	0	0	40,000	114,600
2012	40,000	113,000	0	0	40,000	113,000
2013	40,000	111,400	0	0	40,000	111,400
2014	45,000	109,700	0	0	45,000	109,700
2015-2019	245,000	520,500	0	0	245,000	520,500
2020-2024	2,475,000	327,500	49,995	685,005	2,524,995	1,012,505
Totals	\$2,920,000	\$1,412,800	\$49,995	\$685,005	\$2,969,995	\$2,097,805

Capital leases will be paid from the General Fund.

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

At June 30, 2009, the School District's overall legal debt margin was \$14,120,493, with an unvoted debt margin of \$319,906.

Defeased Debt:

As of June 30, 2009, the portion of the 2002 bonds that had been refunded with the 2006 issue that remained outstanding was \$9,033,508. These outstanding bonds are scheduled to be fully called and repaid in fiscal year 2013. The balance of the irrevocable trust account was \$9,463,917.

As of June 30, 2009, the portion of the 2002 bonds that had been refunded with the 2007 issue, that remained outstanding was \$3,005,000. These outstanding bonds are scheduled to be fully called and repaid in fiscal year 2013. The balance of the irrevocable trust account was \$3,205,780.

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NOTE 17 - JOINTLY GOVERNED ORGANIZATIONS

Licking Area Computer Association – Licking Area Computer Association (LACA) is a jointly governed organization of a two county consortium of school districts. LACA is an association which services 14 entities within the boundaries of Licking and Muskingum Counties. These entities consist of public school districts, private schools, and education service centers. The organization was formed for the purpose of applying modern technology with the aid of computers and others electronic equipment to administrative and instructional functions among member districts. The governing board of LACA consists of the superintendents from all participating districts. The continued existence of LACA is not dependent on the School District's continued participation and no equity interest exists. The LACA constitution states that any school district withdrawing from the Association prior to dissolution forfeits their claim to the Association's capital assets. The School District's total payments to LACA for fiscal year 2009 were \$173,049. Financial statements for LACA can be obtained from their fiscal agent the Career and Technology Education Center of Licking County, 150 Price Road, Newark, OH 43055.

Mid-East Ohio Career and Technology Center - The Mid East Ohio Career and Technology Center is a distinct political subdivision of the State of Ohio operated under the direction of a Board consisting of one representative from each of the 13 participating school districts' elected boards. The Board possesses its own budgeting and taxing authority. The Board controls the financial activity of the Career and Technology Center. The School District's total payments to the Mid-East Ohio Career and Technology Center for fiscal year 2009 were \$157. To obtain financial information, write to the Mid-East Ohio Career and Technology Center, Rick White, Treasurer, at 400 Richards Road, Zanesville, Ohio 43701.

Metropolitan Educational Council (MEC) – The Metropolitan Education Council is a consortium of school districts and related agencies in Ohio. The organization is comprised of 135 members. The governing board is comprised of either the superintendent or his designated representative from each participating school district in Franklin County and one representative from each county outside Franklin County. Each year the participating school districts pay a membership fee to MEC to cover the costs of administering the program. The School District's membership payment to MEC for fiscal year 2009 was \$1,218. Financial information may be obtained from the Metropolitan Educational Council, Denise Music, who serves as fiscal officer, at 6100 Channingway Blvd., Suite 604, Columbus, OH 43232.

Coalition of Rural and Appalachian Schools - The Coalition of Rural and Appalachian Schools is a jointly governed organization composed of over 130 school districts and other educational institutions in the 29-county region of Ohio designated as Appalachia. The Coalition is operated by a Board which is composed of seventeen members. One elected and one appointed from each of the seven regions into which the 29 Appalachian counties are divided; and three from Ohio University College of Education. The Council provides various in-service training programs for school district administrative personnel; gathers data regarding the level of education provided to children in the region; cooperates with other professional groups to assess and develop programs designed to meet the needs of member districts; and provides staff development programs for school district personnel. The Council is not dependent on the continued participation of the School District and the School District does not maintain an equity interest in or financial responsibility for the Council. During fiscal year 2009, the School District paid \$300 in membership fees to the Coalition of Rural and Appalachian Schools. To obtain financial information write to the Coalition of Rural and Appalachian Schools, Dick Fisher, Executive Director, at McCracken Hall, Ohio University, Athens, Ohio 45701.

Tri-Valley Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2009

NOTE 18 – PUBLIC ENTITY POOLS

A. Insurance Purchasing Pool

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

B. Claims Servicing Pool

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

NOTE 19 - SET-ASIDE CALCULATIONS AND FUND RESERVES

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

Effective April 10, 2001, through Amended Substitute Senate Bill 345, the requirement for school districts to establish and appropriate money for the budget stabilization was deleted from law. A school district may still establish reserve balance accounts consistent with Section 5705.13, Revised Code, if it so chooses; however, the requirement is no longer mandatory. In addition, any money on hand in a school district's budget reserve set-aside as of April 10, 2001, may at the discretion of the board be returned to the School District's general fund or may be left in the account and used by the board to offset any budget deficit the School District may experience in future years. The bill placed special conditions on any Bureau of Workers' Compensation monies remaining in the budget reserve. During fiscal year 2009, the School District spent the remaining portion of the workers' compensation refunds on textbooks.

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

Tri-Valley Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2009

	<u>Textbooks</u>	<u>Capital Improvements</u>	<u>Budget Stabilization</u>
Set-aside Reserve Balance as of June 30, 2008	\$0	\$0	\$76,359
Current Year Set-aside Requirement	514,318	514,318	0
Prior Year Offset	0	0	
Current Year Offsets	0	(402,538)	0
Allowable Carry Forward for Fiscal Year 2009	(803,301)	0	0
Qualifying Disbursements	<u>(402,088)</u>	<u>(597,511)</u>	<u>(76,359)</u>
Totals	<u>(\$691,071)</u>	<u>(\$485,731)</u>	<u>\$0</u>
Set-aside Balance Carried Forward to Future Fiscal Years	<u>(\$691,071)</u>	<u>(\$17,930,803)</u>	<u>\$0</u>

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

NOTE 20 – INTERFUND BALANCES AND ACTIVITY

Interfund balances at June 30, 2009 consist of the following individual interfund receivables and payables:

	<u>Interfund Receivable</u>	<u>Interfund Payable</u>
Major Fund:		
General	<u>\$6,121</u>	<u>\$3,840</u>
Other Governmental Funds:		
Food Service	3,840	0
IDEA, Part B	<u>0</u>	<u>6,121</u>
Total Other Governmental Funds	<u>3,840</u>	<u>6,121</u>
Total All Funds	<u>\$9,961</u>	<u>\$9,961</u>

The General Fund made an advance to the IDEA, Part B Special Revenue Fund in the amount of \$6,121 as a result of a negative cash balance. At June 30, 2009, interest earnings in the amount of \$3,840 were owed to the Food Service Special Revenue Fund from the General Fund. The interfund payables are anticipated to be repaid within one year.

NOTE 21 – CONTINGENCIES

A. Grants

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 are subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the General Fund or other applicable funds. However, in the opinion of management, any such disallowed claims will not have a material adverse effect on the overall financial position of the School District at June 30, 2009.

Tri-Valley Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2009

The School District has been approved for \$1,366,182 of Federal Stimulus dollars as part of The American Recovery and Reinvestment Act of 2009. These allocations are primarily to fund special education and early childhood programs. The allocations will be available to fund fiscal year 2010 programs.

B. Litigation

The School District is currently not party to any litigation.

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

**FEDERAL AWARDS RECEIPTS AND EXPENDITURES SCHEDULE
FOR THE FISCAL YEAR ENDED JUNE 30, 2009**

FEDERAL GRANTOR/ Pass Through Grantor Program Title	Grant Year	Federal CFDA Number	Receipts	Disbursements
<u>U.S. DEPARTMENT OF AGRICULTURE</u>				
<i>Passed Through Ohio Department of Education:</i>				
Child Nutrition Cluster:				
Non-Cash Assistance (Food Distribution):				
School Breakfast Program	2008/2009	10.553	\$ 3,818	\$ 3,818
National School Lunch Program	2008/2009	10.555	133,421	133,421
Non-Cash Assistance Subtotal			<u>137,239</u>	<u>137,239</u>
Cash Assistance:				
School Breakfast Program	2008/2009	10.553	56,721	56,721
National School Lunch Program	2008/2009	10.555	340,104	340,104
Cash Assistance Subtotal			<u>396,825</u>	<u>396,825</u>
Total Child Nutrition Cluster			<u>534,064</u>	<u>534,064</u>
Total U.S. Department of Agriculture			534,064	534,064
<u>U.S. DEPARTMENT OF EDUCATION</u>				
<i>Passed Through Ohio Department of Education:</i>				
Title I Grants to Local Educational Agencies	2008	84.010	62,208	62,982
	2009		<u>275,824</u>	<u>271,371</u>
Total Title I Grants to Local Educational Agencies			338,032	334,353
Special Education Grants to States	2008	84.027	(53,377)	61,202
	2009		<u>461,207</u>	<u>447,035</u>
Total Special Education Grants to States			407,830	508,237
Safe and Drug-Free Schools and Communities State Grants	2008	84.186	675	1,433
	2009		<u>6,114</u>	<u>5,996</u>
Total Safe and Drug-Free Schools and Communities State Grants			6,789	7,429
State Grants for Innovative Programs	2008	84.298	3,247	3,248
	2009		<u>2,379</u>	<u>2,379</u>
Total State Grants for Innovative Programs			5,626	5,627
Education Technology State Grants	2008	84.318	2,384	2,616
	2009		<u>2,868</u>	<u>1,083</u>
Total Education Technology State Grants			5,252	3,699
Improving Teacher Quality State Grants	2008	84.367	17,147	23,574
	2009		<u>104,370</u>	<u>104,329</u>
Total Improving Teacher Quality State Grants			<u>121,517</u>	<u>127,903</u>
Total U.S. Department of Education			<u>885,046</u>	<u>987,248</u>
Total Federal Awards Receipts and Expenditures			<u>\$ 1,419,110</u>	<u>\$ 1,521,312</u>

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

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

**NOTES TO THE FEDERAL AWARDS RECEIPTS AND EXPENDITURES SCHEDULE
FOR THE FISCAL YEAR ENDED JUNE 30, 2009**

NOTE A – SIGNIFICANT ACCOUNTING POLICIES

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

NOTE B – CHILD NUTRITION CLUSTER

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

NOTE C – FOOD DONATION PROGRAM

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

NOTE D - 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 amounts from 2008 to 2009 programs:

<u>Program Title</u>	<u>CFDA Number</u>	<u>Amount Transferred from 2008 to 2009</u>
Special Education Grants to States	84.027	\$53,377



Mary Taylor, CPA

Auditor of State

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

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

To the Board of Education:

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Tri-Valley Local School District, Muskingum County, Ohio (the School District), as of and for the year ended June 30, 2009, which collectively comprise the School District's basic financial statements and have issued our report thereon dated February 18, 2010. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*.

Internal Control Over Financial Reporting

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

A control deficiency exists when the design or operation of a control does not allow management or employees, in performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the School District's ability to initiate, authorize, record, process, or report financial data reliably in accordance with its applicable accounting basis, such that there is more than a remote likelihood that the School District's internal control will not prevent or detect a more-than-inconsequential financial statement misstatement.

A material weakness is a significant deficiency, or combination of significant deficiencies resulting in more than a remote likelihood that the School District's internal control will not prevent or detect a material financial statement misstatement.

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

Compliance and Other Matters

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

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

A handwritten signature in cursive script that reads "Mary Taylor".

Mary Taylor, CPA
Auditor of State

February 18, 2010



Mary Taylor, CPA

Auditor of State

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

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

To the Board of Education:

Compliance

We have audited the compliance of Tri-Valley Local School District, Muskingum County, Ohio (the School District), with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133, Compliance Supplement* that apply to each of its major federal programs for the year ended June 30, 2009. The Summary of Auditor's Results section of the accompanying Schedule of Findings identifies the School District's major federal programs. The School District's management is responsible for complying with the requirements of laws, regulations, contracts, and grants applicable to each major federal program. Our responsibility is to express an opinion on the School District's compliance based on our audit.

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

In our opinion, the School District complied, in all material respects, with the requirements referred to above that apply to each of its major federal programs for the year ended June 30, 2009. In a separate letter to the School District's management dated February 18, 2010, we reported an other matter related to federal noncompliance not requiring inclusion in this report.

Internal Control Over Compliance

The School District's management is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the School District's internal control over compliance with requirements that could directly and materially affect a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the School District's internal control over compliance.

A *control deficiency* in internal control over compliance exists when the design or operation of a control does not allow management or employees, when performing their assigned functions, to prevent or detect noncompliance with a federal program compliance requirement on a timely basis. A *significant deficiency* is a control deficiency, or combination of control deficiencies, that adversely affects the School District's ability to administer a federal program such that there is more than a remote likelihood that the School District's internal control will not prevent or detect more-than-inconsequential noncompliance with a federal program compliance requirement.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that the School District's internal control will not prevent or detect material noncompliance with a federal program's compliance requirements.

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 that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

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



Mary Taylor, CPA
Auditor of State

February 18, 2010

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

**SCHEDULE OF FINDINGS
OMB CIRCULAR A-133 § .505
FOR THE FISCAL YEAR ENDED JUNE 30, 2009**

1. SUMMARY OF AUDITOR'S RESULTS

<i>(d)(1)(i)</i>	Type of Financial Statement Opinion	Unqualified
<i>(d)(1)(ii)</i>	Were there any material control weakness conditions reported at the financial statement level (GAGAS)?	No
<i>(d)(1)(ii)</i>	Were there any other significant deficiencies in internal control reported at the financial statement level (GAGAS)?	No
<i>(d)(1)(iii)</i>	Was there any reported material noncompliance at the financial statement level (GAGAS)?	No
<i>(d)(1)(iv)</i>	Were there any material internal control weaknesses reported for major federal programs?	No
<i>(d)(1)(iv)</i>	Were there any other significant deficiencies in internal control reported for major federal programs?	No
<i>(d)(1)(v)</i>	Type of Major Programs' Compliance Opinion	Unqualified
<i>(d)(1)(vi)</i>	Are there any reportable findings under §.510?	No
<i>(d)(1)(vii)</i>	Major Programs (list):	Title I Grants to Local Educational Agencies – CFDA# 84.010 and Special Education Grants to States - CFDA # 84.027
<i>(d)(1)(viii)</i>	Dollar Threshold: Type A/B Programs	Type A: > \$300,000 Type B: all others
<i>(d)(1)(ix)</i>	Low Risk Auditee?	Yes

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

None.

3. FINDINGS FOR FEDERAL AWARDS

None.

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Mary Taylor, CPA

Auditor of State

INDEPENDENT ACCOUNTANT'S REPORT ON APPLYING AGREED-UPON PROCEDURES

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

To the Board of Education:

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

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

1. We noted the Board adopted an anti-harassment policy at its meeting on December 13, 2007.
2. We read the policy, noting it included the following requirements from Ohio Rev. Code Section 3313.666(B):
 - (1) A statement prohibiting harassment, intimidation, or bullying of any student on school property or at school-sponsored events;
 - (2) A definition of harassment, intimidation, or bullying that includes the definition in division (A) of Ohio Rev. Code Section 3313.666;
 - (3) A procedure for reporting prohibited incidents;
 - (4) A requirement that school personnel report prohibited incidents of which they are aware to the school principal or other administrator designated by the principal;
 - (5) A requirement that parents or guardians of any student involved in a prohibited incident be notified and, to the extent permitted by section 3319.321 of the Revised Code and the "Family Educational Rights and Privacy Act of 1974," 88 Stat. 571, 20 U.S.C. 1232q, as amended, have access to any written reports pertaining to the prohibited incident;

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www.auditor.state.oh.us

- (6) A procedure for documenting any prohibited incident that is reported;
- (7) A procedure for responding to and investigating any reported incident;
- (8) A strategy for protecting a victim from additional harassment, intimidation, or bullying, and from retaliation following a report;
- (9) A disciplinary procedure for any student guilty of harassment, intimidation, or bullying, which shall not infringe on any student's rights under the first amendment to the Constitution of the United States; and
- (10) A requirement that the district administration semiannually provide the president of the district board a written summary of all reported incidents and post the summary on its web site, if the district has a web site, to the extent permitted by section 3319.21 of the Revised Code and the "Family Educational Rights and Privacy Act of 1974," 88 Stat. 571, 20 U.S.C. 1232q, as amended.

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

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



Mary Taylor, CPA
Auditor of State

February 18, 2010



Mary Taylor, CPA
Auditor of State

TRI-VALLEY LOCAL SCHOOL DISTRICT

MUSKINGUM COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
APRIL 13, 2010**