

Tri-Valley Local School District

Muskingum County, Ohio

Audited Financial Statements

For the Fiscal Year Ended
June 30, 2012



Dave Yost • Auditor of State

Board of Education
Tri-Valley Local School District
36 E. Muskingum Ave
Dresden, Ohio 43821

We have reviewed the *Independent Auditor's Report* of the Tri-Valley Local School District, Muskingum County, prepared by Rea & Associates, Inc., for the audit period July 1, 2011 through June 30, 2012. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

Our review was made in reference to the applicable sections of legislative criteria, as reflected by the Ohio Constitution, and the Revised Code, policies, procedures and guidelines of the Auditor of State, regulations and grant requirements. The Tri-Valley Local School District is responsible for compliance with these laws and regulations.

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

Dave Yost
Auditor of State

February 8, 2013

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

JUNE 30, 2012

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

JUNE 30, 2012

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December 20, 2012

The Board of Education
Tri-Valley Local School District
36 E. Muskingum Avenue
Dresden, Ohio 43821

INDEPENDENT AUDITOR'S REPORT

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, 2012, 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 *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about 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 that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the School District, as of June 30, 2012, and the respective changes in financial position and the cash flows, where applicable, and the respective budgetary comparison for the general fund, thereof 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 December 20, 2012 on our consideration of the School District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Accounting principles generally accepted in the United States of America require that the accompanying Management's Discussion and Analysis on pages 3 through 10 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the School District's basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis, as required by the U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Government, and Non-Profit Organizations*, and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the basic financial statements as a whole.

Hea & Associates, Inc.

Tri-Valley Local School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2012

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

Financial Highlights

Key financial highlights for 2012 are as follows:

- Net assets decreased \$48,154, which represents a .09 percent decrease from 2011.
- Capital assets decreased \$1,886,534 during fiscal year 2012.
- During the year, outstanding debt decreased from \$16,093,117 to \$15,800,991 due to principal payments made by the School District

Using this Annual Report

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

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

Reporting the School District as a Whole

Statement of Net Assets and the Statement of Activities

While the basic financial statements contain the large number of funds used by the School District to provide programs and activities, 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 2012?" The *Statement of Net Assets* and the *Statement of Activities* answer this question. These statements include all assets and liabilities using the accrual basis of accounting similar to the accounting used by most private-sector companies. This basis of accounting takes into account all of the current year's revenues and expenses regardless of when cash is received or paid.

Tri-Valley Local School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2012

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

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

Reporting the School District's Most Significant Funds

Fund Financial Statements

The major funds financial statements begin on page 13. Fund financial reports provide detailed information about the School District's major funds. The School District uses many funds to account for a multitude of financial transactions; however, these fund financial statements focus on the School District's most significant funds. The School District's major governmental funds are the general fund and the debt service fund.

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

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

Reporting the School District's Fiduciary Responsibilities

The School District is the trustee, or fiduciary, for some of its scholarship programs. This activity is presented as a private purpose trust fund. The School District also acts in a trustee capacity as an agent for individuals, private organizations, other governmental units and/or other funds. These activities are reported in two agency funds. The School District's fiduciary activities are reported in separate Statements of Fiduciary Net Assets and Changes in Fiduciary Net Assets on pages 21 and 22. These activities are excluded from the School District's other financial statements because the assets cannot be utilized by the School District to finance its operations.

Tri-Valley Local School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2012

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 2012 compared to 2011:

Table 1
Net Assets

	Governmental Activities	
	2012	2011
Assets		
Current and Other Assets	\$ 18,495,539	\$ 19,522,350
Capital Assets	62,275,991	64,162,525
<i>Total Assets</i>	80,771,530	83,684,875
Liabilities		
Other Liabilities	8,541,933	11,249,232
Long-Term Liabilities	17,198,621	17,356,513
<i>Total Liabilities</i>	25,740,554	28,605,745
Net Assets		
Invested in Capital Assets, Net of Debt	47,354,346	48,796,798
Restricted	6,044,815	6,936,308
Unrestricted	1,631,815	(653,976)
<i>Total Net Assets</i>	\$ 55,030,976	\$ 55,079,130

At year end, capital assets represented 77 percent of total assets. Capital assets include, land, land improvements, buildings and improvements, furniture, fixtures and equipment, vehicles and infrastructure. Capital assets, net of related debt were \$47,354,346 at June 30, 2012. These capital assets are used to provide services to students and are not available for future spending. Although the School District's investment in capital assets is reported net of related debt, it should be noted that the resources to repay the debt must be provided from other sources, since capital assets may not be used to liquidate these liabilities.

A portion of the School District's net assets, \$6,044,815 or 11 percent, represents resources that are subject to external restrictions on how they may be used. The balance of government-wide unrestricted net assets of \$1,631,815 may be used to meet the government's ongoing obligations to students and creditors.

Current and other assets decreased \$1,026,811 due to decreases in cash which is a result on expenditures outpacing revenues and decreases in intergovernmental receivable due to the expiration of the American Recovery and Reinvestment Act grants.

Other liabilities decreased \$2,707,299, primarily due to decreased deferred revenue which is a direct result of an increase in the amount of tax revenue available for advance to the School District at year end. The County treasurer dated the tax bills due on June 28, 2012.

Tri-Valley Local School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2012

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

Table 2
Changes in Net Assets

	Governmental Activities	
	2012	2011
Revenues		
<i>Program Revenues:</i>		
Charges for Services	\$ 2,234,558	\$ 2,024,051
Operating Grants	2,271,840	3,814,293
Capital Grants	25,486	25,529
<i>Total Program Revenues</i>	<u>4,531,884</u>	<u>5,863,873</u>
<i>General Revenues:</i>		
Property Taxes	10,180,278	7,737,688
Grants and Entitlements Not Restricted	15,981,763	17,024,047
Payments in Lieu of Taxes	538,039	407,388
Other	428,260	999,196
<i>Total General Revenues</i>	<u>27,128,340</u>	<u>26,168,319</u>
<i>Total Revenues</i>	<u>31,660,224</u>	<u>32,032,192</u>
Program Expenses		
<i>Instruction:</i>		
Regular	14,092,741	14,555,220
Special	4,143,446	3,536,353
Vocational	365,917	400,855
Student Intervention Services	43,279	43,754
<i>Support Services:</i>		
Pupils	771,160	861,069
Instructional Staff	1,099,348	1,550,697
Board of Education	563,364	1,081,594
Administration	2,492,712	2,650,009
Fiscal	443,937	456,577
Operation and Maintenance of Plant	2,433,567	1,846,086
Pupil Transportation	2,045,969	1,886,384
Central	497,915	450,739
<i>Operation of Non-Instructional Services:</i>		
Food Service Operations	1,363,678	1,423,731
Community Services	166,006	161,645
Extracurricular Activities	309,271	313,557
<i>Debt Service:</i>		
Interest and Fiscal Charges	876,068	868,290
<i>Total Expenses</i>	<u>31,708,378</u>	<u>32,086,560</u>
<i>Increase (Decrease) in Net Assets</i>	(48,154)	(54,368)
<i>Net Assets at Beginning of Year</i>	<u>55,079,130</u>	<u>55,133,498</u>
<i>Net Assets at End of Year</i>	<u>\$ 55,030,976</u>	<u>\$ 55,079,130</u>

Tri-Valley Local School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2012

Operating grants decreased \$1,542,453, which significantly support regular and special instruction costs, due to the expiration of the American Recovery and Reinvestment Act grants. The \$2,442,590 increase in property tax revenue is a result of the increase in the amount available for advance at year end. Grants and entitlements not restricted decreased due to the expiration of the SFSF funding.

The Statement of Activities shows the cost of program services and the charges for services and grants offsetting those services. Table 3 shows, for governmental activities, the total cost of services and the net cost of services. That is, it identifies the cost of these services supported by tax revenue and unrestricted State entitlements.

Table 3
Governmental Activities

	Total Cost of Service		Net Cost of Service	
	2012	2011	2012	2011
Instruction:				
Regular	\$ 14,092,741	14,555,220	\$ 12,440,763	\$ 12,299,544
Special	4,143,446	3,536,353	3,171,416	2,054,801
Vocational	365,917	400,855	186,186	287,442
Student Intervention Services	43,279	43,754	43,279	43,754
Support Services:				
Pupils	771,160	861,069	655,767	567,909
Instructional Staff	1,099,348	1,550,697	1,088,904	1,511,370
Board of Education	563,364	1,081,594	563,364	1,081,594
Administration	2,492,712	2,650,009	2,430,826	2,650,009
Fiscal	443,937	456,577	443,937	456,577
Operation and Maintenance of Plant	2,433,567	1,846,086	2,335,973	1,733,047
Pupil Transportation	2,045,969	1,886,384	1,983,914	1,816,187
Central	497,915	450,739	494,874	449,368
Operation of Non-Instructional Services:				
Food Service Operations	1,363,678	1,423,731	199,427	221,205
Community Services	166,006	161,645	119,444	118,840
Extracurricular Activities	309,271	313,557	142,352	62,750
Debt Service:				
Interest and Fiscal Charges	876,068	868,290	876,068	868,290
<i>Total Expenses</i>	<u>\$ 31,708,378</u>	<u>\$ 32,086,560</u>	<u>\$ 27,176,494</u>	<u>\$ 26,222,687</u>

The dependence upon general revenues for governmental activities is apparent. Nearly 86 percent of governmental activities are supported through taxes and other general revenues; such revenues are 86 percent of total governmental revenues. The community, as a whole, is by far the primary support for the School District students.

Tri-Valley Local School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2012

Governmental Funds

Information about the School District's major funds starts on page 13. These funds are accounted for using the modified accrual basis of accounting. All governmental funds had total revenues of \$32,235,417 and expenditures of \$29,368,460 for fiscal year.

The general fund's net change in fund balance for fiscal year 2012 was an increase of \$3,276,760. The School District had an increase in property tax revenue due to the increase in the amount of tax revenue available for advance at year end.

The fund balance of the debt service fund increased by \$530,273, which is primarily due to an increase in property tax revenue as a result of the increase in the amount of tax revenue available for advance at year end.

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 2012, the School District did amend its general fund budget a few times. The School District uses site-based budgeting and budgeting systems are designed to tightly control total site budgets but provide flexibility for site management

For the general fund, actual budget basis revenue of \$24,214,889 was higher than the final budget basis revenue by \$1,313,476. Most of this difference is due to an underestimation of tuition and fees revenue.

Final appropriations of \$24,123,848 were \$366,891 higher than the actual expenditures of \$23,756,957, as cost savings were recognized for instruction and student support services throughout the year.

Tri-Valley Local School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2012

Capital Assets and Debt Administration

Capital Assets

At the end of fiscal year 2012, the School District had \$62,275,991 invested in capital assets. Table 4 shows fiscal year 2012 balances compared with 2011.

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

	Governmental Activities	
	2012	2011
Land	\$ 4,020,160	\$ 4,020,160
Land Improvements	1,868,924	1,167,070
Buildings and Improvements	53,504,130	55,873,557
Furniture, Fixtures and Equipment	1,884,490	2,050,891
Vehicles	982,117	1,032,717
Infrastructure	16,170	18,130
<i>Totals</i>	<u>\$ 62,275,991</u>	<u>\$ 64,162,525</u>

The \$1,886,534 decrease in capital assets was attributable to current year depreciation and disposals exceeding additional purchases. See Note 8 for more information about the capital assets of the School District.

Debt

At June 30, 2012, the School District had \$15,800,991 in debt outstanding. See Note 13 for additional details. Table 5 summarizes bonds outstanding.

(Table 5)
Outstanding Debt at Year End

	Governmental Activities	
	2012	2011
2002 School Improvement Serial, Term Bonds	\$ 3,113,108	\$ 3,512,247
2006 Refunding Bonds - Serial, Term and Capital Appreciation Bonds	9,677,090	9,549,597
2007 Refunding Bonds - Serial, Term and Capital Appreciation Bonds	3,010,793	3,031,273
<i>Total</i>	<u>\$ 15,800,991</u>	<u>\$ 16,093,117</u>

Tri-Valley Local School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2012

Current Issues

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

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

Contacting the School District's Financial Management

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

Tri-Valley Local School District
Statement of Net Assets
June 30, 2012

	Governmental Activities
Assets	
Equity in Pooled Cash and Investments	\$ 9,203,760
Materials and Supplies Inventory	107,886
Receivables:	
Intergovernmental	560,112
Property Taxes	8,064,555
Revenue in Lieu of Taxes	371,124
Deferred Charges	188,102
Nondepreciable Capital Assets	4,020,160
Depreciable Capital Assets (Net)	58,255,831
 <i>Total Assets</i>	 80,771,530
Liabilities	
Accounts Payable	260,025
Accrued Wages and Benefits	2,474,943
Intergovernmental Payable	622,899
Accrued Interest Payable	55,103
Claims Payable	219,644
Deferred Revenue	4,909,319
Long Term Liabilities:	
Due Within One Year	729,192
Due In More Than One Year	16,469,429
 <i>Total Liabilities</i>	 25,740,554
Net Assets	
Invested in Capital Assets, Net of Related Debt	47,354,346
Restricted For:	
Capital Outlay	2,261,824
Debt Service	2,297,072
State Programs	8,767
Federal Programs	237,350
Other Purposes	1,239,802
Unrestricted	1,631,815
 <i>Total Net Assets</i>	 \$ 55,030,976

See accompanying notes to the basic financial statements.

Tri-Valley Local School District
Statement of Activities
For the Fiscal Year Ended June 30, 2012

	Program Revenues				Net (Expense) Revenue and Changes in Net Assets
	Expenses	Charges for Services and Sales	Operating Grants, Contributions and Interest	Capital Grants and Contributions	Governmental Activities
Governmental Activities					
Instruction:					
Regular	\$ 14,092,741	\$ 1,420,518	\$ 231,460	\$ 0	\$ (12,440,763)
Special	4,143,446	60,060	911,970	0	(3,171,416)
Vocational	365,917	0	179,731	0	(186,186)
Student Intervention Services	43,279	0	0	0	(43,279)
Support Services:					
Pupils	771,160	0	115,393	0	(655,767)
Instructional Staff	1,099,348	0	10,444	0	(1,088,904)
Board of Education	563,364	0	0	0	(563,364)
Administration	2,492,712	61,886	0	0	(2,430,826)
Fiscal	443,937	0	0	0	(443,937)
Operation and Maintenance of Plant	2,433,567	0	72,108	25,486	(2,335,973)
Pupil Transportation	2,045,969	0	62,055	0	(1,983,914)
Central	497,915	1,118	1,923	0	(494,874)
Operation of Non-Instructional Services:					
Food Service Operations	1,363,678	477,495	686,756	0	(199,427)
Community Services	166,006	46,562	0	0	(119,444)
Extracurricular Activities	309,271	166,919	0	0	(142,352)
Debt Service:					
Interest and Fiscal Charges	876,068	0	0	0	(876,068)
Total	\$ 31,708,378	\$ 2,234,558	\$ 2,271,840	\$ 25,486	(27,176,494)

General Revenues

Property Taxes Levied for:	
General Purposes	8,480,906
Debt Service	1,534,963
Capital Outlay	164,409
Grants and Entitlements Not Restricted to Specific Programs	15,981,763
Payments in Lieu of Taxes	538,039
Investment Earnings	83,861
Miscellaneous	344,399
Total General Revenues	27,128,340
<i>Change in Net Assets</i>	<i>(48,154)</i>
<i>Net Assets Beginning of Year</i>	<i>55,079,130</i>
<i>Net Assets End of Year</i>	\$ 55,030,976

See accompanying notes to the basic financial statements.

Tri-Valley Local School District
Balance Sheet
Governmental Funds
June 30, 2012

	General	Debt Service	Other Governmental Funds	Total Governmental Funds
Assets				
Equity in Pooled Cash and Investments	\$ 3,465,105	\$ 1,830,672	\$ 3,433,763	\$ 8,729,540
Materials and Supplies Inventory	99,300	0	8,586	107,886
Receivables:				
Interfund	511,745	0	0	511,745
Intergovernmental	26,945	0	533,167	560,112
Property Taxes	6,730,021	1,202,186	132,348	8,064,555
Revenue in Lieu of Taxes	96,560	10,729	263,835	371,124
Advances to Other Funds	38,650	0	0	38,650
<i>Total Assets</i>	<u>\$ 10,968,326</u>	<u>\$ 3,043,587</u>	<u>\$ 4,371,699</u>	<u>\$ 18,383,612</u>
Liabilities and Fund Balances				
Liabilities				
Accounts Payable	\$ 141,565	\$ 0	\$ 118,460	\$ 260,025
Accrued Wages and Benefits	2,229,485	0	245,458	2,474,943
Intergovernmental Payable	572,675	0	50,224	622,899
Interfund Payable	0	0	51,230	51,230
Deferred Revenue	4,480,751	795,819	505,637	5,782,207
Advances from Other Funds	0	0	38,650	38,650
<i>Total Liabilities</i>	<u>7,424,476</u>	<u>795,819</u>	<u>1,009,659</u>	<u>9,229,954</u>
Fund Balances				
Nonspendable	137,950	0	8,586	146,536
Restricted	0	2,247,768	3,452,616	5,700,384
Committed	11,000	0	6,975	17,975
Assigned	878,409	0	0	878,409
Unassigned	2,516,491	0	(106,137)	2,410,354
<i>Total Fund Balances</i>	<u>3,543,850</u>	<u>2,247,768</u>	<u>3,362,040</u>	<u>9,153,658</u>
<i>Total Liabilities and Fund Balances</i>	<u>\$ 10,968,326</u>	<u>\$ 3,043,587</u>	<u>\$ 4,371,699</u>	<u>\$ 18,383,612</u>

See accompanying notes to the basic financial statements.

Tri-Valley Local School District
*Reconciliation of Total Governmental Fund Balances to
 Net Assets of Governmental Activities
 June 30, 2012*

Total Governmental Fund Balances		\$ 9,153,658
 <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 not reported in the funds.		62,275,991
Other long-term assets are not available to pay for current-period expenditures and therefore are deferred in the funds.		
Property Taxes	\$ 597,250	
Revenue in Lieu of Taxes	371,124	
Intergovernmental	154,459	
Total *		1,122,833
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.		(455,884)
In the statement of activities, bond issuance costs are amortized over the term of the bonds, whereas in governmental funds a bond issuance expenditure is reported when bonds are issued.		188,102
In the statement of activities, interest is accrued on outstanding bonds, whereas in the governmental funds, an interest expenditure is not reported.		(55,103)
Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds.		
General Obligation Bonds - Serial/Term	(14,670,000)	
Capital Appreciation Bonds	(173,934)	
Bond Premium	(917,661)	
Refunding Loss	603,478	
Discount	48,370	
Accretion of Interest - Capital Appreciation Bonds	(691,244)	
Compensated Absences	(1,397,630)	
Total		(17,198,621)
<i>Net Assets of Governmental Activities</i>		\$ 55,030,976

*Excludes \$249,945 reported in the Internal Service Fund.

See accompanying notes to the basic financial statements.

Tri-Valley Local School District
Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
For the Fiscal Year Ended June 30, 2012

	General	Debt Service	Other Governmental Funds	Total Governmental Funds
Revenues				
Property and Other Local Taxes	\$ 8,589,210	\$ 1,554,514	\$ 166,701	\$ 10,310,425
Intergovernmental	15,987,544	157,934	2,537,209	18,682,687
Investment Income	83,861	0	1,845	85,706
Tuition and Fees	1,362,930	0	0	1,362,930
Extracurricular Activities	212,898	0	166,919	379,817
Charges for Services	0	0	524,057	524,057
Contributions and Donations	0	0	24,731	24,731
Revenue in Lieu of Taxes	114,827	10,774	395,063	520,664
Miscellaneous	323,974	0	20,426	344,400
<i>Total Revenues</i>	<u>26,675,244</u>	<u>1,723,222</u>	<u>3,836,951</u>	<u>32,235,417</u>
Expenditures				
Current:				
Instruction:				
Regular	11,431,310	0	804,121	12,235,431
Special	2,655,357	0	1,195,403	3,850,760
Vocational	288,382	0	0	288,382
Student Intervention Services	43,279	0	0	43,279
Support Services:				
Pupils	570,173	0	138,116	708,289
Instructional Staff	881,288	0	29,063	910,351
Board of Education	530,402	27,626	2,967	560,995
Administration	2,226,517	0	17,134	2,243,651
Fiscal	434,854	0	0	434,854
Operation and Maintenance of Plant	1,960,808	0	255,233	2,216,041
Pupil Transportation	1,808,585	0	74,275	1,882,860
Central	507,227	0	1,960	509,187
Extracurricular Activities	12,796	0	197,186	209,982
Operation of Non-Instructional Services:				
Food Service Operations	0	0	1,142,439	1,142,439
Community Services	0	0	106,008	106,008
Capital Outlay	43,462	0	813,122	856,584
Debt Service:				
Principal Retirement	4,009	443,107	0	447,116
Interest and Fiscal Charges	35	722,216	0	722,251
<i>Total Expenditures</i>	<u>23,398,484</u>	<u>1,192,949</u>	<u>4,777,027</u>	<u>29,368,460</u>
<i>Net Change in Fund Balance</i>	3,276,760	530,273	(940,076)	2,866,957
<i>Fund Balances Beginning of Year</i>	<u>267,090</u>	<u>1,717,495</u>	<u>4,302,116</u>	<u>6,286,701</u>
<i>Fund Balances End of Year</i>	<u>\$ 3,543,850</u>	<u>\$ 2,247,768</u>	<u>\$ 3,362,040</u>	<u>\$ 9,153,658</u>

See accompanying notes to the basic financial statements.

Tri-Valley Local School District
*Reconciliation of the Statement of Revenues, Expenditures and Changes
in Fund Balances of Governmental Funds to the Statement of Activities
For the Fiscal Year Ended June 30, 2012*

Net Change in Fund Balances - Total Governmental Funds \$ 2,866,957

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

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

Capital Asset Additions	\$ 1,204,183	
Current Year Depreciation	(3,049,385)	(1,845,202)

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. (41,332)

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

Property Taxes	(130,147)	
Revenue in Lieu of Taxes	17,376	
Intergovernmental	(462,422)	(575,193)

Repayment of principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets. 447,116

Matured accretion on capital appreciation bonds is an expenditure in the governmental funds, however is amortized as an expense over the life of the bonds in the entity-wide statements. 51,893

In the statement of activities, interest is accrued on outstanding bonds, and bond premium and bond issuance costs and the gain/loss on refunding are amortized over the term of the bonds, whereas in governmental funds, an interest expenditure is reported when bonds are issued.

Accrued Interest Payable	10,163	
Amortization of Issuance Costs	(12,999)	
Amortization of Premium on Bonds	63,292	
Amortization of Discount on Bonds	(3,036)	
Amortization of Accretion of Interest	(212,839)	
Amortization of Refunding Loss	(50,291)	(205,710)

The internal service fund used by management to charge the costs of insurance to individual funds is not reported in the district-wide statement of activities. Governmental expenditures and related internal service fund revenues are eliminated. The net revenue (expense) of the internal service fund is allocated among the governmental activities. (608,440)

Compensated absences reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds. (138,243)

Change in Net Assets of Governmental Activities \$ (48,154)

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, 2012*

	Budgeted Amounts			Variance with Final Budget Over (Under)
	Original	Final	Actual	
Revenues				
Property and Other Local Taxes	\$ 6,050,600	\$ 6,433,116	\$ 6,433,059	\$ (57)
Intergovernmental	15,942,249	15,942,249	16,006,617	64,368
Investment Income	90,000	75,000	78,988	3,988
Tuition and Fees	0	106,280	1,330,683	1,224,403
Extracurricular Activities	10,000	10,000	7,382	(2,618)
Revenue in Lieu of Taxes	0	0	114,827	114,827
Miscellaneous	214,768	334,768	243,333	(91,435)
<i>Total Revenues</i>	<u>22,307,617</u>	<u>22,901,413</u>	<u>24,214,889</u>	<u>1,313,476</u>
Expenditures				
Current:				
Instruction:				
Regular	12,080,958	12,680,960	11,409,657	1,271,303
Special	1,979,145	1,979,144	2,796,021	(816,877)
Vocational	325,740	325,740	323,571	2,169
Student Intervention Services	44,600	44,600	45,635	(1,035)
Support Services:				
Pupils	427,375	427,375	559,882	(132,507)
Instructional Staff	889,171	889,171	987,621	(98,450)
Board of Education	900,899	900,899	547,786	353,113
Administration	2,256,367	2,256,369	2,186,419	69,950
Fiscal	406,995	406,996	441,839	(34,843)
Operation and Maintenance of Plant	2,093,604	2,093,604	2,128,397	(34,793)
Pupil Transportation	1,756,581	1,756,582	1,851,135	(94,553)
Central	342,572	342,572	432,287	(89,715)
Capital Outlay	19,836	19,836	46,707	(26,871)
<i>Total Expenditures</i>	<u>23,523,843</u>	<u>24,123,848</u>	<u>23,756,957</u>	<u>366,891</u>
<i>Excess of Revenues Over (Under) Expenditures</i>	<u>(1,216,226)</u>	<u>(1,222,435)</u>	<u>457,932</u>	<u>1,680,367</u>
Other Financing Sources (Uses)				
Advances In	0	0	685,606	685,606
Advances Out	0	0	(1,100,351)	(1,100,351)
<i>Total Other Financing Sources (Uses)</i>	<u>0</u>	<u>0</u>	<u>(414,745)</u>	<u>(414,745)</u>
<i>Net Change in Fund Balance</i>	(1,216,226)	(1,222,435)	43,187	1,265,622
<i>Fund Balance Beginning of Year</i>	2,537,777	2,537,777	2,537,777	0
Prior Year Encumbrances Appropriated	359,001	359,001	359,001	0
<i>Fund Balance End of Year</i>	<u>\$ 1,680,552</u>	<u>\$ 1,674,343</u>	<u>\$ 2,939,965</u>	<u>\$ 1,265,622</u>

See accompanying notes to the basic financial statements.

Tri-Valley Local School District
Statement of Fund Net Assets
Proprietary Fund
June 30, 2012

	Governmental Activities - Internal Service Fund
Assets	
<i>Current Assets</i>	
Equity in Pooled Cash and Investments	\$ 474,220
Liabilities	
<i>Current Liabilities</i>	
Interfund Payable	460,515
Claims Payable	219,644
Deferred Revenue	249,945
<i>Total Liabilities</i>	930,104
Net Assets	
Unrestricted	\$ (455,884)

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, 2012

	<u>Governmental Activities - Internal Service Fund</u>
Operating Revenue	
Charges for Services	<u>\$ 3,400,573</u>
Operating Expenses	
Purchased Services	540,980
Claims	<u>3,468,033</u>
<i>Total Operating Expenses</i>	<u>4,009,013</u>
<i>Change in Net Assets</i>	(608,440)
<i>Net Assets Beginning of Year</i>	<u>152,556</u>
<i>Net Assets End of Year</i>	<u><u>\$ (455,884)</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, 2012

	Governmental Activities - Internal Service Fund
Cash Flows From Operating Activities	
Cash Received from Customers	\$ 3,415,725
Cash Paid for Goods and Services	(589,802)
Cash Paid for Claims	(3,591,348)
	(765,425)
Cash Flows From Non-Capital Financing Activities	
Advances from Other Funds	460,515
	(304,910)
<i>Cash and Investments Beginning of Year</i>	779,130
	\$ 474,220
Reconciliation of Operating Loss to Net Cash Used For Operating Activities	
Operating Loss	\$ (608,440)
Increase (Decrease) in Liabilities:	
Accounts Payable	(48,822)
Claims Payable	(123,315)
Deferred Revenue	15,152
	(156,985)
<i>Total Adjustments</i>	(156,985)
<i>Net Cash Used For Operating Activities</i>	\$ (765,425)

See accompanying notes to the basic financial statements.

Tri-Valley Local School District
Statement of Fiduciary Net Assets
Fiduciary Funds
June 30, 2012

	Private Purpose Trust	Agency
Assets		
Equity in Pooled Cash and Investments	\$ 73,765	\$ 82,417
Liabilities		
Accounts Payable	0	\$ 122
Due to Students	0	82,295
<i>Total Liabilities</i>	0	\$ 82,417
Net Assets		
Held in Trust for Scholarships	\$ 73,765	

See accompanying notes to the basic financial statements.

Tri-Valley Local School District
Statement of Changes in Fiduciary Net Assets
Private Purpose Trust Fund
For the Fiscal Year Ended June 30, 2012

	<u>Private Purpose Trust</u>
Additions	
Investment Earnings	<u>\$ 5,167</u>
Deductions	
Payments in Accordance with Trust Agreements	<u>2,000</u>
<i>Change in Net Assets</i>	3,167
<i>Net Assets Beginning of Year</i>	<u>70,598</u>
<i>Net Assets End of Year</i>	<u><u>\$ 73,765</u></u>

See accompanying notes to the basic financial statements.

Tri-Valley Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2012

Note 1 - Description of the School District and Reporting Entity

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

The School District was established in 1966. The School District serves an area of approximately 230 square miles. It is located in Muskingum and Coshocton Counties and includes all of Adams, Jefferson, Salem, Jackson, Muskingum and Madison Townships and a portion of Licking, Virginia, and Washington Townships. The School District is the 141st largest in the State of Ohio (among 612 school districts) in terms of enrollment. The School District currently operates 11 instructional/support buildings.

Reporting Entity

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

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

The School District participates in the Licking Area Computer Association (LACA), the Mid-East Ohio Career and Technology Center, the Metropolitan Educational Council (MEC), and the Coalition of Rural and Appalachian Schools, which are defined as jointly governed organizations and the Ohio School Boards Association Workers’ Compensation Group Rating Plan and the Ohio School Benefits Cooperative, which are defined as public entity risk pools. Additional information concerning these organizations is presented in Notes 14 and 15.

Tri-Valley Local School District
Notes to the Basic Financial Statements (Continued)
For the Fiscal Year Ended June 30, 2012

Note 2 - Summary of Significant Accounting Policies

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

A. Basis of Presentation

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

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

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

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

B. Fund Accounting

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

Tri-Valley Local School District
Notes to the Basic Financial Statements (Continued)
For the Fiscal Year Ended June 30, 2012

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

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

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

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

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

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

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

C. Measurement Focus

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

Tri-Valley Local School District
Notes to the Basic Financial Statements (Continued)
For the Fiscal Year Ended June 30, 2012

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

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

Like the government-wide statements, the internal service fund is accounted for on a flow of economic resources measurement focus. All assets and all liabilities associated with the operation of the fund are included on the Statement of Fund Net Assets. The Statement of Revenues, Expenses, and Changes in Fund Net Assets presents increases (i.e., revenues) and decreases (i.e., expenses) in net total assets. The Statement of Cash Flows provides information about how the School District finances and meets the cash flow needs of its internal service fund activity.

D. Basis of Accounting

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

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

Nonexchange transactions, in which the School District receives value without directly giving equal value in return, include property taxes, grants, entitlements, and donations. On an accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied (See Note 6). Revenue from grants, entitlements, and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the fiscal year when use is first permitted, matching requirements, in which the 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.

Tri-Valley Local School District
Notes to the Basic Financial Statements (Continued)
For the Fiscal Year Ended June 30, 2012

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, 2012, but which were levied to finance fiscal year 2013 operations, have been recorded as deferred revenue. Grants and entitlements received before the eligibility requirements are met are also recorded as deferred revenue.

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

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

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

E. Budgetary Data

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

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

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

Tri-Valley Local School District
Notes to the Basic Financial Statements (Continued)
For the Fiscal Year Ended June 30, 2012

F. Cash and Investments

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

During fiscal year 2012, investments were limited to certificates of deposit, Federal National Mortgage Association Bonds and Notes, and State Treasury Asset Reserve of Ohio (STAROhio). Investments are reported at fair value, except for non negotiable certificates of deposit which are reported at cost.

STAROhio is an investment pool managed by the State Treasurer's Office, which allows governments within the State to pool their funds for investment purposes. STAROhio is not registered with the SEC as an investment company, but does operate in a manner consistent with Rule2a7 of the Investment Company Act of 1940. Investments in STAROhio are valued at STAROhio's share price, which is the price the investment could be sold for on June 30, 2012.

Following Ohio statutes, the Board of Education has, by resolution, specified the funds to receive an allocation of interest earnings. Interest revenue credited to the general fund during fiscal year 2012 amounted to \$83,861, which includes \$51,228 assigned from other School District funds.

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

G. Interfund Balances

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

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

H. Inventory

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

I. Capital Assets

All capital assets of the School District are classified as general capital assets. These assets generally result from expenditures in the governmental funds. These assets are reported in the governmental activities column of the government-wide Statement of Net Assets but are not reported in the fund financial statements.

Tri-Valley Local School District
Notes to the Basic Financial Statements (Continued)
For the Fiscal Year Ended June 30, 2012

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

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

Description	Estimated Lives
Land Improvements	10 - 30 Years
Buildings and Improvements	10 - 50 Years
Furniture, Fixtures and Equipment	5 - 10 Years
Vehicles	5 - 10 Years
Infrastructure	10 Years

J. Compensated Absences

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

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

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

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.

Tri-Valley Local School District
Notes to the Basic Financial Statements (Continued)
For the Fiscal Year Ended June 30, 2012

K. Accrued Liabilities and Long-Term Obligations

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

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

L. Bond Discounts, Premiums and Issuance Costs

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

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

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

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

M. Net Assets

Net assets represent the difference between assets and liabilities. Net assets invested in capital assets, net of related debt consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction, or improvement of those assets. Net assets are reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the School District or through external restrictions imposed by creditors, grantors, or laws or regulations of other governments. At June 30, 2012, none of the School District's net assets were restricted by enabling legislation. Net assets restricted for other purposes include instructional activities and grants.

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

Tri-Valley Local School District
Notes to the Basic Financial Statements (Continued)
For the Fiscal Year Ended June 30, 2012

N. Fund Balance

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

Nonspendable – The nonspendable fund balance category includes amounts that cannot be spent because they are not in spendable form, or legally or contractually required to be maintained intact. The “not in spendable form” criterion includes items that are not expected to be converted to cash. It also includes the long-term amount of loans receivable, as well as property acquired for resale, unless the use of the proceeds from the collection of those receivables or from the sale of those properties is restricted, committed or assigned.

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

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

Assigned – Amounts in the assigned fund balance classification are intended to be used by the School District for specific purposes but do not meet the criteria to be classified as restricted or committed. In governmental funds other than the general fund, assigned fund balance represents the remaining amount that is not restricted or committed. In the general fund, assigned amounts represent intended uses established by policies of the School District Board of Education. The Board of Education has by resolution authorized the treasurer to assign fund balance. The Board of Education may also assign fund balance as it does when appropriating fund balance to cover a gap between estimated revenue and appropriations in the subsequent year’s appropriated budget.

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

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

Tri-Valley Local School District
Notes to the Basic Financial Statements (Continued)
For the Fiscal Year Ended June 30, 2012

O. Interfund Activity

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

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

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

P. Operating Revenues and Expenses

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

Q. Extraordinary and Special Items

Extraordinary items are transactions or events that are both unusual in nature and infrequent in occurrence. Special items are transactions or events that are within the control of the Board of Education and that are either unusual in nature or infrequent in occurrence. Neither type of transaction occurred during fiscal year 2012.

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.

Note 3 – Accountability

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

<i>Non-Major Special Revenue Funds:</i>		
Fitness Center	\$	88,492
Title VI-B		16,359
Title II-A		1,286

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

Tri-Valley Local School District
Notes to the Basic Financial Statements (Continued)
For the Fiscal Year Ended June 30, 2012

Note 4 - Budgetary Basis of Accounting

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

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

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

Net Change in Fund Balance

	General
GAAP Basis	\$ 3,276,760
Net Adjustment for Revenue Accruals	(2,161,024)
Advances In	685,606
Net Adjustment for Expenditure Accruals	(975,730)
Advances Out	(1,100,351)
Funds Budgeted Elsewhere **	25,324
Adjustment for Encumbrances	292,602
Budget Basis	\$ 43,187

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

Tri-Valley Local School District
Notes to the Basic Financial Statements (Continued)
For the Fiscal Year Ended June 30, 2012

Note 5 - Deposits and Investments

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

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

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

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

Interim monies may be deposited or invested in the following securities:

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

Tri-Valley Local School District
Notes to the Basic Financial Statements (Continued)
For the Fiscal Year Ended June 30, 2012

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

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

According to State law, public depositories must give security for all public funds on deposit. These institutions may either specifically collateralize individual accounts in lieu of amounts insured by FDIC, or may pledge a pool of government securities valued at least 105 percent of the total value of uninsured public monies on deposit at the institution. Repurchase agreements must be secured by the specific government securities upon which the repurchase agreements are based. These securities must be obligations of or guaranteed by the United States and mature or be redeemable within 5 years of the date of the related repurchase agreement. State law does not require security for public deposits and investments to be maintained in the School District's name. During 2012, the School District and public depositories complied with the provisions of these statutes.

Deposits with Financial Institutions

Custodial credit risk is the risk that, in the event of a bank failure, the School District will not be able to recover deposits or collateral securities that are in the possession of an outside party. At fiscal year end, the carrying amount of the School District's deposits was \$6,224,896. At year end, \$5,166,094 of the School District's bank balance of \$6,354,191 was exposed to custodial credit risk because it was uninsured and uncollateralized. Although all statutory requirements for the deposit of money had been followed, non-compliance with federal requirements could potentially subject the School District to a successful claim by FDIC.

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

Investments

As of June 30, 2012, the School District had the following investments which are in an internal investment pool:

Investment Type	Fair Value	Investment Maturities		
		6 Months or Less	1 to 3 Years	Over 3 Years
Federal National Mortgage Association Notes	\$ 1,578,550	\$ 0	\$ 1,076,610	\$ 501,940
Federal National Mortgage Association Bonds	1,504,585	0	0	1,504,585
STAROhio	51,911	51,911	0	0
Total	\$ 3,135,046	\$ 51,911	\$ 1,076,610	\$ 2,006,525

Tri-Valley Local School District
Notes to the Basic Financial Statements (Continued)
For the Fiscal Year Ended June 30, 2012

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. STAROhio is an investment pool operated by the Ohio State Treasurer. It is unclassified since it is not evidenced by securities that exist in physical or book entry form. Ohio law requires STAROhio to maintain the highest rating provided by at least one nationally recognized standard rating service. The weighted average of maturity of the portfolio held by STAROhio as of June 30, 2012, is 53 days and carries a rating of AAAM by Standard and Poor’s. The School District has no investment policy that would further limit its investment choices.

Custodial Credit Risk. For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the School District will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The School District has no investment policy dealing with investment custodial risk beyond the requirement in State statute that prohibits payment for investments prior to the delivery of the securities representing such investments to the treasurer or qualified trustee.

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

Investment Type	Fair Value	Percent of Total
Federal National Mortgage Association Notes	\$ 1,578,550	50.35%
Federal National Mortgage Association Bonds	1,504,585	47.99%
STAROhio	51,911	1.66%
Total	<u>\$ 3,135,046</u>	<u>100.00%</u>

Note 6 - 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 and public utility property located in the School District. Real property tax revenue received in calendar year 2012 represents collections of calendar year 2011 taxes. Real property taxes received in calendar year 2012 were levied after April 1, 2011, on the assessed value listed as of January 1, 2011, the lien date. Assessed values for real property taxes are established by State law at thirty-five percent of appraised market value. Real property taxes are payable annually or semi-annually. 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.

Tri-Valley Local School District
Notes to the Basic Financial Statements (Continued)
For the Fiscal Year Ended June 30, 2012

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

House Bill No. 66 was signed into law on June 30, 2005. House Bill No. 66 phased out the tax on tangible personal property of general businesses, telephone and telecommunications companies, and railroads. The tax on general business and railroad property was eliminated in calendar year 2009, and the tax on telephone and telecommunications property was eliminated in calendar year 2010. The tax was phased out by reducing the assessment rate on the property each year. The bill replaced the revenue lost by the School District due to the phasing out of the tax. In calendar years 2006-2010, the School District was fully reimbursed for the lost revenue. In calendar years 2011-2017, the reimbursements are being phased out. On June 30, 2011, House Bill No. 153 was signed into law, which further reduced the amounts of these reimbursements.

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

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

The amount available as an advance at June 30, 2012 was \$2,345,830 in the General Fund, \$417,096 in the Debt Service Fund, and \$45,005 in the Classroom Facilities Fund. The amount available as an advance at June 30, 2011, was \$189,679 in the General Fund, \$37,532 in the Debt Service Fund, and \$3,834 in the Classroom Facilities Fund.

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

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

	2011 Second- Half Collections		2012 First- Half Collections	
	Amount	Percent	Amount	Percent
Real Estate	\$ 302,433,600	92.33%	\$ 304,024,550	92.40%
Public Utility Personal Property	25,124,310	7.67%	25,013,274	7.60%
Total Assessed Values	<u>\$ 327,557,910</u>	<u>100.00%</u>	<u>\$ 329,037,824</u>	<u>100.00%</u>
Tax rate per \$1,000 of assessed valuation	<u>\$ 40.05</u>		<u>\$ 40.00</u>	

Tri-Valley Local School District
Notes to the Basic Financial Statements (Continued)
For the Fiscal Year Ended June 30, 2012

Note 7 - Receivables

Receivables at June 30, 2012, consisted of taxes, interfund, revenue in lieu of taxes and intergovernmental grants. All receivables are considered collectible in full due to the ability to foreclose for the nonpayment of taxes, the stable condition of State programs and the current fiscal year guarantee of Federal Funds. All receivables are expected to be collected within one year, with the exception of delinquent property taxes deemed collectible by the County Auditor and recorded as a receivable in the amount of \$597,250 and revenue in lieu of taxes receivable that are addressed below.

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

Note 8 - Capital Assets

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

	Balance 06/30/2011	Additions	Deletions	Balance 06/30/2012
Governmental Activities				
<i>Capital Assets not being depreciated</i>				
Land	\$ 4,020,160	\$ 0	\$ 0	\$ 4,020,160
<i>Capital Assets being depreciated</i>				
Land Improvements	1,560,564	810,185	0	2,370,749
Buildings and Improvements	70,166,919	0	0	70,166,919
Furniture, Fixtures and Equipment	3,518,100	259,245	(102,115)	3,675,230
Vehicles	2,560,308	134,753	(11,950)	2,683,111
Infrastructure	19,600	0	0	19,600
<i>Total Capital Assets Being Depreciated</i>	<u>77,825,491</u>	<u>1,204,183</u>	<u>(114,065)</u>	<u>78,915,609</u>
<i>Less Accumulated Depreciation:</i>				
Land Improvements	(393,494)	(108,331)	0	(501,825)
Buildings and Improvements	(14,293,362)	(2,369,427)	0	(16,662,789)
Furniture, Fixtures and Equipment	(1,467,209)	(384,314)	60,783	(1,790,740)
Vehicles	(1,527,591)	(185,353)	11,950	(1,700,994)
Infrastructure	(1,470)	(1,960)	0	(3,430)
<i>Total Accumulated Depreciation</i>	<u>(17,683,126)</u>	<u>(3,049,385) *</u>	<u>72,733</u>	<u>(20,659,778)</u>
<i>Total Capital Assets Being Depreciated, Net</i>	<u>60,142,365</u>	<u>(1,845,202)</u>	<u>(41,332)</u>	<u>58,255,831</u>
<i>Governmental Activities Capital Assets, Net</i>	<u>\$ 64,162,525</u>	<u>\$ (1,845,202)</u>	<u>\$ (41,332)</u>	<u>\$ 62,275,991</u>

Tri-Valley Local School District
Notes to the Basic Financial Statements (Continued)
For the Fiscal Year Ended June 30, 2012

* Depreciation expense was charged to governmental functions as follows:

Instruction:	
Regular	\$ 1,605,977
Special	199,349
Vocational	81,982
Support Services:	
Pupils	45,019
Instructional Staff	146,904
Board of Education	2,369
Administration	221,318
Fiscal	2,369
Operation and Maintenance of Plant	107,976
Pupil Transportation	189,056
Central	46,988
Operation of Non-Instructional Services:	
Food Service Operations	202,153
Community Services	59,236
Extracurricular Activities	138,689
<i>Total Depreciation</i>	<u>\$ 3,049,385</u>

Note 9 - Risk Management

A. Property and Liability

The School District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees and natural disasters. 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)	\$ 99,709,329
Automotive Liability (\$100 comprehensive, \$500 collision)	1,000,000
General Liability:	
Each Occurrence	1,000,000
General Aggregate Limit	3,000,000
Products/Completed Operations Aggregate Limit	3,000,000
Professional Liability	
Each Occurrence	1,000,000
General Aggregate Limit	3,000,000

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

Tri-Valley Local School District
Notes to the Basic Financial Statements (Continued)
For the Fiscal Year Ended June 30, 2012

B. Employee Medical Benefits

Medical, surgical and dental insurance is offered to all employees through a self insurance internal service fund. The School District participates with the Ohio School Benefits Cooperative with Medical Mutual serving as the third-party administrator for the plan. Stop-loss coverage is purchased for individual claims above \$100,000 and in aggregate \$4,443,430. With the stop loss coverage, the School District's total maximum liability for the 2012 plan year is \$5,011,373. 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 \$1,266.48 for family coverage or \$500.10 for individual coverage per month. The premium is paid to the internal service fund by the fund that pays the salary for the covered employee.

The School District also pays 80 percent of family premiums and 100 percent of single premiums for the dental premiums which are \$90.30 for family coverage or \$34.74 for individual coverage.

The claims liability of \$219,644 reported in the Internal Service fund at June 30, 2012 is based on an estimate provided by the third party administrator and the requirements of Governmental Accounting Standards Board Statement No. 30 which requires that a liability for unpaid claim costs, including estimates of costs relating to incurred but not reported claims, be reported. The estimate was not affected by incremental claim adjustment expenses and does not include other allocated or unallocated claim adjustment expenses.

Changes in fund's claims liability for the fiscal years 2012 and 2011 are as follows:

		<u>Balance</u>		<u>Current</u>		<u>Claims</u>		<u>Balance</u>
		<u>Beginning of Year</u>		<u>Year Claims</u>		<u>Payments</u>		<u>End of Year</u>
2011	\$	253,000	\$	3,683,227	\$	3,593,268	\$	342,959
2012	\$	342,959	\$	3,468,033	\$	3,591,348	\$	219,644

C. Workers' Compensation

For fiscal year 2012, the School District participated in the Ohio School Boards Association Workers' Compensation Group Rating Program (GRP), an insurance purchasing pool (Note 15). The intent of the GRP is to achieve the benefit of a reduced premium for the School District by virtue of its grouping and representation with other participants in the GRP. The workers' compensation experience of the participating school districts is calculated as one experience and a common premium rate is applied to all school districts in the GRP.

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

Tri-Valley Local School District
Notes to the Basic Financial Statements (Continued)
For the Fiscal Year Ended June 30, 2012

Note 10 - Pension Plans

A. School Employees Retirement System

Plan Description - The School District contributes to the School Employees Retirement System of Ohio (“SERS”), a cost-sharing multiple-employer defined benefit pension plan. SERS provides retirement, disability and survivor benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Authority to establish and amend benefits is provided by state statute per Chapter 3309 of the Ohio Revised Code. SERS issues a publicly available, stand-alone financial report that includes financial statements and required supplementary information. That report can be obtained by contacting SERS, 300 East Broad Street, Suite 100, Columbus, Ohio 43215-3746 or by calling toll free (800) 878-5853. It is also posted on SERS’ website at www.ohsers.org under Employers/Audit Resources.

Funding Policy - Plan members are required to contribute 10 percent of their annual covered salary and the School District is required to contribute at an actuarially determined rate. The current rate is 14 percent of annual covered payroll. A portion of the School District’s contribution is used to fund pension obligations with the remainder being used to fund health care benefits. For fiscal year 2012, 12.65 percent and .05 percent of annual covered salary was the portion used to fund pension obligations and death benefits, respectively. The contribution requirements of plan members and employers are established and may be amended by the SERS’ Retirement Board up to statutory maximum amount of 10 percent for plan members and 14 percent for employers. Chapter 3309 of the Ohio Revised Code provides statutory authority for member and employer contributions. The School District’s required contributions for pension obligations and death benefits to SERS for the fiscal years ended June 30, 2012, 2011 and 2010 were \$566,701, \$471,520 and \$509,530, respectively; 55 percent has been contributed for fiscal year 2012 and 100 percent for the fiscal years 2011 and 2010.

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 publicly-available, stand-alone financial report that may be obtained by writing to STRS Ohio, 275 East Broad Street, Columbus, Ohio 43215-3371, by calling (888) 227-7877, or by visiting the STRS Ohio website at www.strsoh.org.

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.

Tri-Valley Local School District
Notes to the Basic Financial Statements (Continued)
For the Fiscal Year Ended June 30, 2012

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

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

The School District's required contributions for pension obligations to STRS Ohio for the fiscal years ended June 30, 2012, 2011 and 2010 were \$1,377,450, \$1,498,373 and \$1,518,058, respectively; 84 percent has been contributed for fiscal year 2012 and 100 percent for the fiscal years 2011 and 2010. Contributions to the DC and Combined Plans for fiscal year 2012 were \$51,162 made by the School District and \$36,544 made by the plan members.

C. Social Security System

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

Note 11 - Postemployment Benefits

A. School Employees Retirement System

Plan Description – The School District participates in two cost-sharing, multiple employer defined benefit OPEB plans administered by the School Employees Retirement System for non-certificated retirees and their beneficiaries, a Health Care Plan and a Medicare Part B Plan. The Health Care Plan includes hospitalization and physicians' fees through several types of plans including HMO's, PPO's, Medicare Advantage and traditional indemnity plans. A prescription drug plan is also available to those who elect health coverage. SERS employs two third-party administrators and a pharmacy benefit manager to manage the self-insurance and prescription drug plans, respectively. The Medicare Part B Plan reimburses Medicare Part B premiums paid by eligible retirees and beneficiaries as set forth in Ohio Revised Code Section 3309.69. Qualified benefit recipients who pay Medicare Part B premiums may apply for and receive a monthly reimbursement from SERS. The reimbursement amount is limited by statute to the lesser of the January 1, 1999 Medicare Part B premium or the current premium. The Medicare Part B monthly premium for calendar year 2012 was \$99.90 for most participants, but could be as high as \$319.70 per month depending on their income. SERS' reimbursement to retirees was \$45.50. Benefit provisions and the obligations to contribute are established by the System based on authority granted by State statute. The financial reports of both Plans are included in the SERS Comprehensive Annual Financial Report which is available by contacting SERS at 300 East Broad St., Suite 100, Columbus, Ohio 43215-3746. It is also posted on SERS' website at www.ohsers.org under Employers/Audit Resources.

Tri-Valley Local School District
Notes to the Basic Financial Statements (Continued)
For the Fiscal Year Ended June 30, 2012

Funding Policy - State statute permits SERS to fund the health care benefits through employer contributions. Each year, after the allocation for statutorily required benefits, the Retirement Board allocates the remainder of the employer contribution of 14 percent of covered payroll to the Health Care Fund. The Health Care Fund was established and is administered in accordance with Internal Revenue Code Section 105(e). For 2012, .55 percent of covered payroll was allocated to health care. An additional health care surcharge on employers is collected for employees earning less than an actuarially determined minimum compensation amount, pro-rated according to service credit earned. Statutes provide that no employer shall pay a health care surcharge greater than 2.0 percent of that employer's SERS-covered payroll; nor may SERS collect in aggregate more than 1.5 percent of the statewide SERS-covered payroll for the health care surcharge. For fiscal year 2012, the actuarially determined amount was \$35,800.

Active members do not contribute to the postemployment benefit plans. The SERS Retirement Board establishes the rules for the premiums paid by the retirees for health care coverage for themselves and their dependents or for their surviving beneficiaries. 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 (including surcharge) for the fiscal years ended June 30, 2012, 2011, and 2010 were \$24,542, \$57,093, and \$18,340, respectively; 55 percent has been contributed for fiscal year 2012 and 100 percent for fiscal years 2011 and 2010.

The Retirement Board, acting with advice of the actuary, allocates a portion of the current employer contribution to the Medicare B Fund. For fiscal year 2012, the actuarially required allocation was 0.75 percent of covered payroll. The School District's contributions for Medicare Part B for the fiscal years ended June 30, 2012, 2011, and 2010 were \$33,467, \$30,343, and \$30,301, respectively; 55 percent has been contributed for fiscal year 2012 and 100 percent for fiscal years 2011 and 2010.

B. State Teachers Retirement System

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

Funding Policy - Ohio law authorizes STRS Ohio to offer the Plan and gives the Retirement Board authority over how much, if any, of the health care costs will be absorbed by STRS Ohio. Active employee members do not contribute to the Plan. All benefit recipients pay a monthly premium. Under Ohio law, funding for post-employment health care may be deducted from employer contributions. For 2012, STRS Ohio allocated employer contributions equal to 1 percent of covered payroll to the Health Care Stabilization Fund. The School District's contributions for health care for the fiscal years ended June 30, 2012, 2011, and 2010 were \$105,958, \$115,259, and \$116,774, respectively; 84 percent has been contributed for fiscal year 2012 and 100 percent for fiscal years 2011 and 2010.

Tri-Valley Local School District
Notes to the Basic Financial Statements (Continued)
For the Fiscal Year Ended June 30, 2012

Note 12 - Other Employee Benefits

A. Compensated Absences

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

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 \$50,000 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 \$6.50 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 \$5.74 for single and \$12.98 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.

Tri-Valley Local School District
Notes to the Basic Financial Statements (Continued)
For the Fiscal Year Ended June 30, 2012

Note 13 - Long-Term Obligations

Changes in long-term obligations of the School District during fiscal year 2012 were as follows:

	Outstanding 6/30/2011	Additions	Deductions	Outstanding 6/30/2012	Due In One Year
General Obligation Bonds:					
2002 School Improvement Bonds, \$18,500,000					
Serial Bonds - 2.00-4.5%, \$3,880,000	\$ 390,000	\$ 0	\$ 390,000	\$ 0	\$ 0
Term Bonds - 4.25%, \$14,620,000	3,040,000	0	0	3,040,000	0
Serial Bond Premium, \$228,153	82,247	0	9,139	73,108	0
Total 2002 School Improvement Bonds	3,512,247	0	399,139	3,113,108	0
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	137,046	0	13,107	123,939	75,805
CAB Accretion - \$1,070,007	465,793	187,798	51,893	601,698	368,077
CAB Premium - \$778,859	616,598	0	32,452	584,146	0
Serial/Term Bond Discount - \$43,312 & \$4,408	(37,780)	0	(1,988)	(35,792)	0
Refunding Difference - \$632,855	(457,060)	0	(35,159)	(421,901)	0
Total 2006 Advance Refunding Bonds	9,549,597	187,798	60,305	9,677,090	443,882
2007 Advance Refunding Bonds, \$3,084,995					
Serial Bonds - 4.0%, \$1,135,000	945,000	0	40,000	905,000	40,000
Term Bonds - 4.0%, \$1,900,000	1,900,000	0	0	1,900,000	0
Capital Appreciation Bonds - 20.747%, \$49,995	49,995	0	0	49,995	0
CAB Accretion - \$685,005	64,505	25,041	0	89,546	0
Serial/CAB Premium - \$4,345 & \$364,567	282,108	0	21,701	260,407	0
Serial/Term Bond Discount - \$6,817 & \$11,001	(13,626)	0	(1,048)	(12,578)	0
Refunding Difference - \$257,237	(196,709)	0	(15,132)	(181,577)	0
Total 2007 Advance Refunding Bonds	3,031,273	25,041	45,521	3,010,793	40,000
Total General Obligation Bonds	16,093,117	212,839	504,965	15,800,991	483,882
Capital Leases	4,009	0	4,009	0	0
Compensated Absences	1,259,387	338,563	200,320	1,397,630	245,310
Total Long-Term Liabilities	\$17,356,513	\$ 551,402	\$ 709,294	\$17,198,621	\$729,192

Tri-Valley Local School District
Notes to the Basic Financial Statements (Continued)
For the Fiscal Year Ended June 30, 2012

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.

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 2012 was \$1,410. The original bonds were issued for a 28-year period with a final maturity at December 1, 2029. After the advance refunding issues, the bonds that remained outstanding have a final maturity at December 1, 2019.

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

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

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

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

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

Tri-Valley Local School District
Notes to the Basic Financial Statements (Continued)
For the Fiscal Year Ended June 30, 2012

Principal and interest requirements to retire general obligation bonds for the outstanding 2002 School Improvement Bonds outstanding at June 30, 2012 are as follows:

Fiscal Year Ending June 30	Serial/Term Bonds		
	Principal	Interest	Total
2013	\$ 0	\$ 167,200	\$ 167,200
2014	0	167,200	167,200
2015	365,000	157,162	522,162
2016	420,000	135,575	555,575
2017	470,000	111,100	581,100
2018-2020	1,785,000	154,411	1,939,411
Total	<u>\$ 3,040,000</u>	<u>\$ 892,648</u>	<u>\$ 3,932,648</u>

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

On April 20, 2006, the School District issued \$9,254,993 of general obligation bonds that were issued to partially refund the 2002 school improvement general obligation bonds. The bonds were issued for a 23 year period with final maturity at December 1, 2029. The bond issue included serial, term and capital appreciation bonds in the amounts of \$7,130,000, \$1,695,000 and \$429,993, respectively. These refunding bonds were issued with a discount of \$47,720 which is reported as a decrease to bonds payable and a premium of \$368,912 which is reported as an increase to bonds payable. The issuance costs of \$151,001 are reported as deferred charges and are being amortized over the life of the bonds using the straight-line method. The amortization of the issuance costs for fiscal year 2012 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 remaining outstanding bonds are being retired from the Debt Service Fund.

Tri-Valley Local School District
Notes to the Basic Financial Statements (Continued)
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The 2006 bond issue consists of serial, term and capital appreciation bonds. The current interest term bonds maturing on December 1, 2024 are subject to mandatory sinking fund redemption at a redemption price of 100 percent of the principal amount to be redeemed, plus accrued interest to the date of redemption, on December 1 in the years and the respective principal amounts as follows:

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

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

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

The capital appreciation bonds for the 2006 issue mature December 1, 2006 through December 1, 2016. At maturity all compounded interest is paid and the bond holder receives the face value of the bond. As the value of the bond increases, accretion is reflected as a liability. The maturity amount of the bonds is \$1,500,000. For fiscal year 2012, \$187,798 was accreted and \$51,893 of the accretion was paid, leaving a total bond liability of \$725,637.

Tri-Valley Local School District
Notes to the Basic Financial Statements (Continued)
For the Fiscal Year Ended June 30, 2012

Principal and interest requirements to retire general obligation bonds for the 2006 School Improvement Refunding Bonds outstanding at June 30, 2012 are as follows:

Fiscal Year	Serial/Term Bonds		Capital Appreciation Bonds		Total	
	Principal	Interest	Principal	Accretion	Principal	Accretion/ Interest
2013	\$ 0	\$ 381,835	\$ 75,805	\$ 424,195	\$ 75,805	\$ 806,030
2014	0	381,835	42,176	327,824	42,176	709,659
2015	0	381,835	2,571	27,429	2,571	409,264
2016	0	381,835	1,933	28,067	1,933	409,902
2017	0	381,835	1,454	28,546	1,454	410,381
2018-2022	175,000	1,891,632	0	0	175,000	1,891,632
2023-2027	4,070,000	1,582,246	0	0	4,070,000	1,582,246
2028-2030	4,580,000	311,826	0	0	4,580,000	311,826
<i>Totals</i>	<u>\$ 8,825,000</u>	<u>\$ 5,694,879</u>	<u>\$ 123,939</u>	<u>\$ 836,061</u>	<u>\$ 8,948,939</u>	<u>\$ 6,530,940</u>

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

On April 19, 2007, the School District issued \$3,084,995 of general obligation bonds that were issued to partially refund the 2002 school improvement general obligation bonds. The bonds were issued for a 17 year period with final maturity at December 1, 2023. The serial and term refunding bonds were issued with a discount of \$17,818 which is reported as a decrease to bonds payable. The serial and capital appreciation refunding bonds were issued with a premium of \$368,912 which is reported as an increase to bonds payable. The issuance costs of \$90,054 are reported as deferred charges and are being amortized over the life of the bonds using the straight-line method. The amortization of the issuance costs for fiscal year 2012 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 remaining outstanding bonds are being retired from the Debt Service Fund.

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Notes to the Basic Financial Statements (Continued)
For the Fiscal Year Ended June 30, 2012

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:

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

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 2012, \$25,041 was accreted, for a total bond liability of \$139,541.

Principal and interest requirements to retire general obligation bonds for the 2007 School Improvement Refunding Bonds outstanding at June 30, 2012 are as follows:

Fiscal Year	Serial/Term Bonds		Capital Appreciation Bonds		Total	
	Principal	Interest	Principal	Accretion	Principal	Accretion/ Interest
2013	\$ 40,000	\$ 111,400	\$ 0	\$ 0	\$ 40,000	\$ 111,400
2014	45,000	109,700	0	0	45,000	109,700
2015	45,000	107,900	0	0	45,000	107,900
2016	45,000	106,100	0	0	45,000	106,100
2017	50,000	104,200	0	0	50,000	104,200
2018-2022	1,045,000	473,922	49,995	685,005	1,094,995	1,158,927
2023-2025	1,535,000	90,600	0	0	1,535,000	90,600
<i>Totals</i>	\$ 2,805,000	\$ 1,103,822	\$ 49,995	\$ 685,005	\$ 2,854,995	\$ 1,788,827

Tri-Valley Local School District
Notes to the Basic Financial Statements (Continued)
For the Fiscal Year Ended June 30, 2012

Capital leases will be paid from the General Fund.

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

Defeased Debt:

As of June 30, 2012, the portion of the 2002 bonds that had been refunded with the 2006 issue that remained outstanding was \$9,255,000. These outstanding bonds were fully called and repaid in fiscal year 2012.

As of June 30, 2012, the portion of the 2002 bonds that had been refunded with the 2007 issue that remained outstanding was \$3,085,000. These outstanding bonds were fully called and repaid in fiscal year 2012.

Note 14 - Jointly Governed Organization

Licking Area Computer Association – Licking Area Computer Association (LACA) is a jointly governed organization of a two county consortium of school districts. LACA is an association which serves 14 entities within the boundaries of Licking and Muskingum Counties. These entities consist of public school districts, private schools and education service centers. The organization was formed for the purpose of applying modern technology with the aid of computers and other electronic equipment to administrative and instructional functions among member districts. The continued existence of LACA is not dependent on the School District's continued participation and no equity interest exists. The LACA constitution states that any school district withdrawing from the Association prior to dissolution forfeits their claim to the Association's capital assets. The School District's total payments to LACA for fiscal year 2012 were \$143,362. Financial statements for LACA can be obtained from their fiscal agent the Career and Technology Education Center of Licking County, 150 Price Road, Newark, OH 43055.

Mid-East Ohio Career and Technology Center – The Mid East Ohio Career and Technology Center is a distinct political subdivision of the State of Ohio operated under the direction of a Board consisting of one representative from each of the 13 participating school district's elected boards. The Board possesses its own budgeting and taxing authority. The Board controls the financial activity of the Career and Technology Center. The School District did not make any payments to the Mid-East Ohio Career and Technology Center for fiscal year 2012. 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 193 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 2012 was \$1,247. Financial information may be obtained from the Metropolitan Educational Council, Sue Ward, who serves as fiscal officer, at 2100 City Gate Dr., Suite 604, Columbus, Ohio 43219.

Tri-Valley Local School District
Notes to the Basic Financial Statements (Continued)
For the Fiscal Year Ended June 30, 2012

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 35-county region of Ohio designated as Appalachia. The Coalition is operated by a Board which is composed of nineteen members. One elected and one appointed from each of the eight regions into which the 35 Appalachian counties are divided; and three from Ohio University College of Education. The Council provides various in-service training programs for school district administrative personnel; gathers data regarding the level of education provided to children in the region; cooperates with other professional groups to assess the development programs designed to meet the needs of member districts; and provides staff development programs for school district personnel. The Council is not dependent on the continued participation of the School District and the School District does not maintain an equity interest in or financial responsibility for the Council. During fiscal year 2012, the School District paid \$345 in membership fees to the Coalition of Rural and Appalachian Schools. To obtain financial information write to the Coalition of Rural and Appalachian Schools, Executive Director, at McCracken Hall, Ohio University, Athens, Ohio 45701.

Note 15 – 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, like and/or other types of group insurance coverage for their employees, and the eligible dependents and designated beneficiaries of such employees, and propose to have certain other eligible school districts or groups join them for the same purposes. The OSBC's business and affairs are conducted by a nine member Board of Directors consisting of school district superintendents elected by the members of the OSBC. Medical Mutual/Antares is the Administrator of the OSBC.

Note 16 - Set-Asides

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

Tri-Valley Local School District
Notes to the Basic Financial Statements (Continued)
For the Fiscal Year Ended June 30, 2012

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

	Capital Improvements
Set-aside Reserved Balance as of June 30, 2011	\$ 0
Current Year Set-aside Requirement	545,223
Current Year Qualifying Disbursements	(628,579)
Totals	\$ (83,356)
Balance Carried Forward to Fiscal Year 2013	\$ 0
Set-aside Restricted Balance as of June 30, 2011	\$ 0

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

Note 17 – Interfund Balances

As of June 30, 2012, receivables and payables that resulted from cash advances from the general fund to other funds were as follows:

	Interfund Receivable	Interfund Payable	Advances to Other Funds	Advances from Other Funds
General	\$ 511,745	\$ 0	\$ 38,650	\$ 0
Other Governmental:				
Fitness Center	0	44,957	0	38,650
Title VI-B	0	6,273	0	0
Internal Service	0	460,515	0	0
	\$ 511,745	\$ 511,745	\$ 38,650	\$ 38,650

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

Interfund balances between governmental funds are eliminated on the government-wide financial statements; therefore, no internal balances at June 30, 2012 are reported on the Statement of Net Assets.

Tri-Valley Local School District
Notes to the Basic Financial Statements (Continued)
For the Fiscal Year Ended June 30, 2012

Note 18 – Fund Balance

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

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

	General	Debt Service	Other Governmental Funds	Total
Nonspendable for:				
Materials and Supplies Inventory	\$ 99,300	\$ 0	\$ 8,586	\$ 107,886
Advances to Other Funds	38,650	0	0	38,650
Total Nonspendable	<u>137,950</u>	<u>0</u>	<u>8,586</u>	<u>146,536</u>
Restricted for:				
Debt Service	0	2,247,768	0	2,247,768
Capital Outlay	0	0	1,992,372	1,992,372
Food Service	0	0	366,484	366,484
Maintenance of Facilities	0	0	939,238	939,238
Federal Grants	0	0	100,536	100,536
Other Purposes	0	0	53,986	53,986
Total Restricted	<u>0</u>	<u>2,247,768</u>	<u>3,452,616</u>	<u>5,700,384</u>
Committed for:				
Underground Storage Tank	11,000	0	0	11,000
Capital Outlay	0	0	6,975	6,975
Total Committed	<u>11,000</u>	<u>0</u>	<u>6,975</u>	<u>17,975</u>
Assigned for:				
Instruction	19,746	0	0	19,746
Support Services	36,715	0	0	36,715
Operation and Maintenance	105,225	0	0	105,225
Capital Outlay	3,245	0	0	3,245
Subsequent Year Appropriations	567,152	0	0	567,152
Other Purposes	146,326	0	0	146,326
Total Assigned	<u>878,409</u>	<u>0</u>	<u>0</u>	<u>878,409</u>
Unassigned	<u>2,516,491</u>	<u>0</u>	<u>(106,137)</u>	<u>2,410,354</u>
<i>Total Fund Balance (Deficit)</i>	<u>\$ 3,543,850</u>	<u>\$ 2,247,768</u>	<u>\$ 3,362,040</u>	<u>\$ 9,153,658</u>

Tri-Valley Local School District
Notes to the Basic Financial Statements (Continued)
For the Fiscal Year Ended June 30, 2012

Note 19 - Contingencies

A. Review of Statewide Attendance Data

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

B. 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 is subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the General Fund or other applicable funds. This also encompasses the Auditor of State's ongoing review of student attendance data. However, the effect of any such disallowed claims on the overall financial position of the School District at June 30, 2012, if applicable, cannot be determined at this time.

C. Litigation

The School District is not party to any claims or lawsuits that would, in the School District's opinion, have a material effect of the basic financial statements.

Note 20 – Subsequent Event

On October 10, 2012, the Board of Education accepted the donation of the Halliburton Athletic Facility with an estimated value of \$430,000 from the Tri-Valley 12th Man Club.

December 20, 2012

To the Board of Education
Tri-Valley Local School District
36 E. Muskingum Avenue
Dresden, Ohio 43821

INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

We have audited the governmental activities, each major fund and the aggregate remaining fund information of the Tri-Valley Local School District, Muskingum County, Ohio (the School District), as of and for the year ended June 30, 2012, and have issued our report thereon dated December 20, 2012. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control over Financial Reporting

Management of the School District is responsible for establishing and maintaining effective 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 auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the School District's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the School District's internal control over financial reporting.

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

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

Tri-Valley Local School District
Report on Internal Control over Financial Reporting
And on Compliance and Other Matters Based on an Audit of
Financial Statements Performed in Accordance With
Government Auditing Standards
Page 2 of 2

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the School District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on 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 such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

We noted certain matters that we reported to management of the School District in a separate letter dated December 20, 2012.

This report is intended solely for the information and use of management, the Board of Education, federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than those specified parties.

Rea & Associates, Inc.

December 20, 2012

To the Board of Education
Tri-Valley Local School District
36 E. Muskingum Avenue
Dresden, Ohio 43821

**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH REQUIREMENTS THAT
COULD HAVE A DIRECT AND MATERIAL EFFECT
ON EACH MAJOR PROGRAM AND INTERNAL CONTROL OVER
COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133**

Compliance

We have audited the compliance of Tri-Valley Local School District, Muskingum County, Ohio (the School District) with the types of compliance requirements described in the U. S. Office of Management and Budget (OMB) Circular A-133, *Compliance Supplement* that could have a direct and material effect on its major federal programs for the year ended June 30, 2012. The School District's major federal program is identified in the summary of auditor's results section of the accompanying *Schedule of Findings and Questioned Costs*. Compliance with the requirements of laws, regulations, contracts, and grants applicable to its major federal program is the responsibility of the School District's management. 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 obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the School District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that 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 compliance requirements referred to above that could have a direct and material effect on its major federal program for the year ended June 30, 2012.

Tri-Valley Local School District
Report on Compliance with Requirements That Could Have a
Direct and Material Effect on Each Major Program and Internal
Control over Compliance in Accordance with OMB Circular A-133
Page 2

Internal Control over Compliance

Management of the School District 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 have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB circular A-133, but not for the purpose of 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 deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis.

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

This report is intended solely for the information and use of management, the Board of Education, federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than those specified parties.

Rea & Associates, Inc.

**TRI-VALLEY LOCAL SCHOOL DISTRICT
MUSKINGUM COUNTY, OHIO
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012**

Federal Grantor/ Pass Through Grantor/ Program Title	CFDA Number	Grant Number	Federal Receipts	Federal Disbursements
U. S. Department of Education (Passed Through Ohio Department of Education):				
Title I	84.010	2011	\$ 79,369	\$ 76,556
Title I	84.010	2012	652,827	652,320
Title I - ARRA	84.389	2011	4,723	3,356
Total Title I Cluster			736,919	732,232
IDEA-B	84.027	2011	148,765	56,251
IDEA-B	84.027	2012	509,162	523,991
Total IDEA-B			657,927	580,242
Title II-D	84.318	2012	2,189	2,620
Total Title II-D			2,189	2,620
Title II-A	84.367	2011	19,794	19,428
Title II-A	84.367	2012	76,993	75,413
Total Title II-A			96,787	94,841
State Fiscal Stabilization Fund - ARRA	84.394	2011	0	6,982
Total State Fiscal Stabilization Fund			0	6,982
Race to the Top Incentive Grants - ARRA	84.395	2011	8,519	0
Race to the Top Incentive Grants - ARRA	84.395	2012	88,124	87,424
Total Race to the Top Incentive Grants			96,643	87,424
Education Jobs Fund	84.410	2011	251,357	251,816
Education Jobs Fund	84.410	2012	23,526	23,526
Total Education Jobs Fund			274,883	275,342
Total U.S. Department of Education			1,865,348	1,779,683
U. S. Department of Agriculture (Passed Through Ohio Department of Education):				
<i>Nutrition Cluster</i>				
School Breakfast Program	(B) 10.553		103,875	103,875
Total School Breakfast Program			103,875	103,875
Non-Cash Assistance:				
National School Lunch Program	(C) 10.555		76,863	76,863
Cash Assistance:				
National School Lunch Program	(B) 10.555		486,774	486,774
Total National School Lunch Program			563,637	563,637
<i>Total Nutrition Cluster</i>			667,512	667,512
Total U.S. Department of Agriculture			667,512	667,512
Total Federal Assistance			\$ 2,532,860	\$ 2,447,195

See accompanying notes to the schedule of expenditures of federal awards

**TRI-VALLEY LOCAL SCHOOL DISTRICT
MUSKINGUM COUNTY, OHIO
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012**

Note A – Significant Accounting Policies

The accompanying Schedule of Expenditures of Federal Awards (the Schedule) reports the federal award programs' receipts and disbursements. The schedule has been prepared on the cash basis of accounting. Consequently, certain revenues are recognized when received rather than when earned and certain expenditures are recognized when paid rather than when the obligation is incurred.

Note B - Child Nutrition Cluster

Federal money commingled with state subsidy reimbursements. It is assumed federal moneys are expended first.

Note C – Food Donation Program

Program regulations do not require the School District to maintain separate inventory records for purchased food and food received from the U.S. Department of Agriculture. This non-monetary assistance and related expenditures are reported in this schedule at the value of the commodities received as assessed by the U.S. Department of Agriculture (entitlement value).

Note D – Transfers

The School District generally must spend Federal assistance within 15 months of receipt (funds must be obligated by June 30 and spent by September 30). However, with Ohio Department of Education's (ODE) approval, a School District can transfer unspent Federal assistance to the succeeding year, thus allowing the School District a total of 27 months to spend the assistance. During fiscal year 2012, the ODE authorized the following transfers:

<u>CFDA Number</u>	<u>Program Title</u>	<u>Program Year</u>	<u>Transfer Out</u>	<u>Transfer In</u>
84.027	IDEA-B	2011	\$ 8,556	
84.027	IDEA-B	2012		\$ 8,556
84.318	Title II-D	2011	431	
84.318	Title II-D	2012		431
84.367	Title II-A	2011	1,539	
84.367	Title II-A	2012		1,539

**TRI-VALLEY LOCAL SCHOOL DISTRICT
MUSKINGUM COUNTY, OHIO
SCHEDULE OF FINDINGS & QUESTIONED COSTS
OMB CIRCULAR A-133, SECTION .505
JUNE 30, 2012**

1. SUMMARY OF AUDITOR'S RESULTS

(d) (1) (i)	Type of Financial Statement Opinion	Unqualified
(d) (1) (ii)	Were there any material control weakness conditions reported at the financial statement level (GAGAS)?	No
(d) (1) (ii)	Were there any other significant deficiency conditions reported at the financial statement level (GAGAS)?	No
(d) (1) (iii)	Was there any reported material non-compliance at the financial statement level (GAGAS)?	No
(d) (1) (iv)	Was there any material internal control weakness conditions reported for major federal programs?	No
(d) (1) (iv)	Were there any other significant deficiencies reported for major federal programs?	No
(d) (1) (v)	Type of Major Programs' Compliance Opinion	Unqualified
(d) (1) (vi)	Are there any reportable findings under Section .510?	No
(d) (1) (vii)	Major Programs (list): Title I Cluster	CFDA #84.010 and 84.389 (ARRA)
(d) (1) (viii)	Dollar Threshold: Type A/B Programs	Type A: > \$300,000 Type B: All others
(d) (1) (ix)	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



Dave Yost • Auditor of State

TRI-VALLEY LOCAL SCHOOL DISTRICT

MUSKINGUM COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
FEBRUARY 21, 2013**