



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

SINGLE AUDIT

FOR THE YEAR ENDED JUNE 30, 2001



JIM PETRO
AUDITOR OF STATE

STATE OF OHIO

**TWIN VALLEY COMMUNITY LOCAL SCHOOL DISTRICT
PREBLE COUNTY
JUNE 30, 2001**

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REPORT OF INDEPENDENT ACCOUNTANTS

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

To the Board of Education:

We have audited the accompanying general-purpose financial statements of the Twin Valley Community Local School District, Preble County, Ohio (the District), as of and for the year ended June 30, 2001, as listed in the table of contents. These general-purpose financial statements are the responsibility of the District's Management. Our responsibility is to express an opinion on these general-purpose 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 opinion.

In our opinion, the general-purpose financial statements referred to above present fairly, in all material respects, the financial position of the Twin Valley Community Local School District, Preble County, Ohio as of June 30, 2001, and the results of its operations and the cash flows of its nonexpendable trust funds for the year then ended in conformity with accounting principles generally accepted in the United States of America.

As described in Note 3, during the fiscal year ending June 30, 2001, the District adopted Governmental Accounting Standards Board Statements 33 and 36.

In accordance with *Government Auditing Standards*, we have also issued our report dated November 29, 2001 on our consideration of the District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

We performed our audit to form an opinion on the general-purpose financial statements of the District, taken as a whole. The accompanying schedule of federal awards expenditures is presented for additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the general-purpose financial statements. We subjected this information to the auditing procedures applied in the audit of the general-purpose financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the general-purpose financial statements taken as a whole.

Jim Petro
Auditor of State

November 29, 2001

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**TWIN VALLEY COMMUNITY LOCAL SCHOOL DISTRICT
PREBLE COUNTY, OHIO
COMBINED BALANCE SHEET
ALL FUND TYPES AND ACCOUNT GROUPS
JUNE 30, 2001**

	GOVERNMENTAL FUND TYPES			
	GENERAL	SPECIAL REVENUE	DEBT SERVICE	CAPITAL PROJECTS
Assets and Other Debits				
Assets:				
Equity in Pooled Cash and Cash Equivalents	\$397,154	\$292,077	\$194,501	\$358,041
Cash and Cash Equivalents:				
with Fiscal Agents	0	3,140	0	0
with Escrow Agents	0	0	0	3,224
Receivables:				
Property Taxes	2,363,205	30,371	339,971	0
Accounts	3,586	4,986	0	0
Intergovernmental	0	1,145	0	63,500
Due From Other Funds	0	400	0	0
Prepaid Items	22,786	655	0	0
Inventory of Supplies and Materials	37,122	12,728	0	0
Fixed Assets	0	0	0	0
Other Debits:				
Amount Available in Debt Service Fund for Retirement of General Long-Term Obligations	0	0	0	0
Amount to be Provided for Retirement of General Long-Term Obligations	0	0	0	0
Total Assets and Other Debits	\$2,823,853	\$345,502	\$534,472	\$424,765
Liabilities, Fund Equity and Other Credits				
Liabilities:				
Accounts Payable	\$35,186	\$2,577	\$0	\$0
Retainage Payable	0	0	0	3,224
Accrued Wages Payable	539,478	26,368	0	0
Intergovernmental Payable	142,159	11,139	0	0
Due to Students	0	0	0	0
Due to Other Funds	400	0	0	0
Deferred Revenue	2,302,093	34,248	329,630	44,591
Compensated Absences Payable	44,627	0	0	0
General Obligation Bonds Payable	0	0	0	0
Total Liabilities	3,063,943	74,332	329,630	47,815
Fund Equity and Other Credits:				
Investment in General Fixed Assets	0	0	0	0
Fund Balance:				
Reserved for Encumbrances	38,250	8,325	0	14,472
Reserved for Property Taxes	61,826	1,292	10,341	0
Reserved for Inventory of Supplies and Materials	37,122	12,728	0	0
Reserved for Endownments	0	0	0	0
Unreserved, Undesignated (Deficit)	(377,288)	248,825	194,501	362,478
Total Fund Equity (Deficit) and Other Credits	(240,090)	271,170	204,842	376,950
Total Liabilities, Fund Equity and Other Credits	\$2,823,853	\$345,502	\$534,472	\$424,765

See Accompanying Notes to the General Purpose Financial Statements

FIDUCIARY FUND TYPES	ACCOUNT GROUPS		TOTAL (MEMORANDUM ONLY)
	GENERAL FIXED ASSETS	GENERAL LONG-TERM OBLIGATIONS	
\$47,256	\$0	\$0	\$1,289,029
0	0	0	3,140
0	0	0	3,224
0	0	0	2,733,547
502	0	0	9,074
0	0	0	64,645
0	0	0	400
0	0	0	23,441
0	0	0	49,850
0	20,461,223	0	20,461,223
0	0	204,842	204,842
0	0	3,872,442	3,872,442
<u>\$47,758</u>	<u>\$20,461,223</u>	<u>\$4,077,284</u>	<u>\$28,714,857</u>
\$3,003	\$0	\$0	\$40,766
0	0	0	3,224
0	0	0	565,846
0	0	67,793	221,091
30,906	0	0	30,906
0	0	0	400
0	0	0	2,710,562
0	0	229,491	274,118
0	0	3,780,000	3,780,000
<u>33,909</u>	<u>0</u>	<u>4,077,284</u>	<u>7,626,913</u>
0	20,461,223	0	20,461,223
0	0	0	61,047
0	0	0	73,459
0	0	0	49,850
5,000	0	0	5,000
8,849	0	0	437,365
<u>13,849</u>	<u>20,461,223</u>	<u>0</u>	<u>21,087,944</u>
<u>\$47,758</u>	<u>\$20,461,223</u>	<u>\$4,077,284</u>	<u>\$28,714,857</u>

**TWIN VALLEY COMMUNITY LOCAL SCHOOL DISTRICT
PREBLE COUNTY, OHIO
COMBINED STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
ALL GOVERNMENTAL FUND TYPES AND EXPENDABLE TRUST FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2001**

	<u>GOVERNMENTAL FUND TYPES</u>				<u>FIDUCIARY FUND TYPE</u>	<u>TOTAL (MEMORANDUM ONLY)</u>
	<u>GENERAL</u>	<u>SPECIAL REVENUE</u>	<u>DEBT SERVICE</u>	<u>CAPITAL PROJECTS</u>	<u>EXPENDABLE TRUST</u>	
Revenues:						
Property Taxes	\$2,038,230	\$38,365	\$328,555	\$0	\$0	\$2,405,150
Charges for Services	0	274,017	0	0	0	274,017
Intergovernmental	3,833,259	446,261	37,620	76,934	0	4,394,074
Interest	73,404	1,366	0	22,181	265	97,216
Tuition and Fees	8,600	30,767	0	0	0	39,367
Rent	18,988	0	0	0	0	18,988
Extracurricular Activities	0	125,700	0	0	0	125,700
Miscellaneous	60,790	0	0	17,348	0	78,138
Gifts and Donations	0	0	0	0	3,250	3,250
Total Revenues	<u>6,033,271</u>	<u>916,476</u>	<u>366,175</u>	<u>116,463</u>	<u>3,515</u>	<u>7,435,900</u>
Expenditures:						
Current:						
Instruction:						
Regular	2,894,881	91,481	0	0	0	2,986,362
Special	525,812	237,467	0	0	0	763,279
Vocational	219,661	3,781	0	0	0	223,442
Support Services:						
Pupils	191,712	24,984	0	0	3,900	220,596
Instructional Staff	278,175	37,487	0	525	0	316,187
Board of Education	57,321	0	0	0	0	57,321
Administration	722,582	21,796	7,526	0	0	751,904
Fiscal	124,587	9,920	0	0	0	134,507
Operation and Maintenance of Plant	671,691	12,531	0	0	0	684,222
Pupil Transportation	517,129	1,190	0	0	0	518,319
Central	47,102	6,110	0	0	0	53,212
Operation of Non-Instructional						
Services	0	366,181	0	0	0	366,181
Extracurricular Activities	135,723	121,361	0	0	0	257,084
Capital Outlay	2,986	0	0	156,240	0	159,226
Debt Service:						
Principal Retirement	0	0	100,000	0	0	100,000
Interest and Fiscal Charges	0	0	237,590	0	0	237,590
Total Expenditures	<u>6,389,362</u>	<u>934,289</u>	<u>345,116</u>	<u>156,765</u>	<u>3,900</u>	<u>7,829,432</u>
Excess of Revenues Over (Under) Expenditures	(356,091)	(17,813)	21,059	(40,302)	(385)	(393,532)
Fund Balances at Beginning of Year (Restated - See Note 3)	106,248	288,840	183,783	417,252	8,769	1,004,892
Increase in Reserve for Inventory	9,753	143	0	0	0	9,896
Fund Balances (Deficit) at End of Year	<u>(\$240,090)</u>	<u>\$271,170</u>	<u>\$204,842</u>	<u>\$376,950</u>	<u>\$8,384</u>	<u>\$621,256</u>

See Accompanying Notes to the General Purpose Financial Statements

**TWIN VALLEY COMMUNITY LOCAL SCHOOL DISTRICT
PREBLE COUNTY, OHIO
COMBINED STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES - BUDGET (NON-GAAP BASIS) AND ACTUAL
ALL GOVERNMENTAL FUND TYPES AND EXPENDABLE TRUST FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2001**

	GENERAL FUND			SPECIAL REVENUE FUNDS		
	REVISED BUDGET	ACTUAL	VARIANCE FAVORBLE (UNFAVORABLE)	REVISED BUDGET	ACTUAL	VARIANCE FAVORABLE (UNFAVORABLE)
Revenues:						
Property Taxes	\$2,027,510	\$2,027,510	\$0	\$38,122	\$38,122	\$0
Charges for Services	0	0	0	273,298	273,298	0
Intergovernmental	3,815,850	3,815,850	0	512,401	482,401	(30,000)
Interest	77,059	77,059	0	1,366	1,366	0
Tuition and Fees	10,801	10,801	0	30,782	30,782	0
Rent	17,124	17,124	0	0	0	0
Extracurricular Activities	0	0	0	125,877	125,877	0
Miscellaneous	82,324	82,324	0	0	0	0
Gifts and Donations	0	0	0	0	0	0
Total Revenues	6,030,668	6,030,668	0	981,846	951,846	(30,000)
Expenditures:						
Current:						
Instruction:						
Regular	2,861,745	2,861,745	0	112,997	89,787	23,210
Special	538,285	538,285	0	317,992	236,203	81,789
Vocational	226,571	226,571	0	3,781	3,781	0
Other	10,216	10,216	0	0	0	0
Support Services:						
Pupils	199,426	199,426	0	27,496	25,270	2,226
Instructional Staff	278,918	278,918	0	41,864	39,089	2,775
Board of Education	63,425	63,425	0	0	0	0
Administration	750,430	750,430	0	22,796	21,796	1,000
Fiscal	123,877	123,877	0	9,920	9,920	0
Operation and Maintenance of Plant	694,903	694,903	0	10,794	10,794	0
Pupil Transportation	513,779	513,779	0	1,190	1,190	0
Central	46,885	46,885	0	6,189	6,189	0
Operation of Non-Instructional Services	0	0	0	369,867	369,867	0
Extracurricular Activities	136,323	136,323	0	128,039	128,039	0
Capital Outlay	2,209	2,209	0	0	0	0
Debt Service:						
Principal Retirement	0	0	0	0	0	0
Interest and Fiscal Charges	0	0	0	0	0	0
Total Expenditures	6,446,992	6,446,992	0	1,052,925	941,925	111,000
Excess of Revenues Over (Under) Expenditures	(416,324)	(416,324)	0	(71,079)	9,921	81,000
Other Financing Sources:						
Refund of Prior Year Expenditures	17,962	17,962	0	0	0	0
Total Other Financing Sources	17,962	17,962	0	0	0	0
Excess of Revenues and Other Financing Sources Over (Under) Expenditures	(398,362)	(398,362)	0	(71,079)	9,921	81,000
Fund Balances at Beginning of Year	639,634	639,634	0	254,612	254,612	0
Prior Year Encumbrances Appropriated	86,563	86,563	0	16,414	16,414	0
Fund Balances at End of Year	\$327,835	\$327,835	\$0	\$199,947	\$280,947	\$81,000

(Continued)

See Accompanying Notes to the General Purpose Financial Statements

**TWIN VALLEY COMMUNITY LOCAL SCHOOL DISTRICT
PREBLE COUNTY, OHIO
COMBINED STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES - BUDGET (NON-GAAP BASIS) AND ACTUAL
ALL GOVERNMENTAL FUND TYPES AND EXPENDABLE TRUST FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2001
(Continued)**

	<u>DEBT SERVICE FUND</u>			<u>CAPITAL PROJECTS FUNDS</u>		
	<u>REVISED BUDGET</u>	<u>ACTUAL</u>	<u>VARIANCE FAVORABLE (UNFAVORABLE)</u>	<u>REVISED BUDGET</u>	<u>ACTUAL</u>	<u>VARIANCE FAVORABLE (UNFAVORABLE)</u>
Revenues:						
Property Taxes	327,868	\$327,868	\$0	\$0	\$0	\$0
Charges for Services	0	0	0	0	0	0
Intergovernmental	37,620	37,620	0	116,525	58,025	(58,500)
Interest	0	0	0	23,534	23,534	0
Tuition and Fees	0	0	0	0	0	0
Rent	0	0	0	0	0	0
Extracurricular Activities	0	0	0	0	0	0
Miscellaneous	0	0	0	17,348	17,348	0
Gifts and Donations	0	0	0	0	0	0
Total Revenues	<u>365,488</u>	<u>365,488</u>	<u>0</u>	<u>157,407</u>	<u>98,907</u>	<u>(58,500)</u>
Expenditures:						
Current:						
Instruction:						
Regular	0	0	0	73,500	0	73,500
Special	0	0	0	0	0	0
Vocational	0	0	0	0	0	0
Other	0	0	0	0	0	0
Support Services:						
Pupils	0	0	0	0	0	0
Instructional Staff	0	0	0	54,569	8,165	46,404
Board of Education	0	0	0	0	0	0
Administration	7,526	7,526	0	0	0	0
Fiscal	0	0	0	0	0	0
Operation and Maintenance of Plant	0	0	0	0	0	0
Pupil Transportation	0	0	0	0	0	0
Central	0	0	0	0	0	0
Operation of Non-Instructional Services	0	0	0	0	0	0
Extracurricular Activities	0	0	0	0	0	0
Capital Outlay	0	0	0	201,901	201,901	0
Debt Service:						
Principal Retirement	100,000	100,000	0	0	0	0
Interest and Fiscal Charges	237,590	237,590	0	0	0	0
Total Expenditures	<u>345,116</u>	<u>345,116</u>	<u>0</u>	<u>329,970</u>	<u>210,066</u>	<u>119,904</u>
Excess of Revenues Over (Under) Expenditures	<u>20,372</u>	<u>20,372</u>	<u>0</u>	<u>(172,563)</u>	<u>(111,159)</u>	<u>61,404</u>
Other Financing Sources:						
Refund of Prior Year Expenditures	0	0	0	0	0	0
Total Other Financing Sources	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Excess of Revenues and Other Financing Sources Over (Under) Expenditures	20,372	20,372	0	(172,563)	(111,159)	61,404
Fund Balances at Beginning of Year	174,129	174,129	0	436,860	436,860	0
Prior Year Encumbrances Appropriated	0	0	0	19,949	19,949	0
Fund Balances at End of Year	<u>\$194,501</u>	<u>\$194,501</u>	<u>\$0</u>	<u>\$284,246</u>	<u>\$345,650</u>	<u>\$61,404</u>

EXPENDABLE TRUST FUNDS		
REVISED BUDGET	ACTUAL	VARIANCE FAVORABLE (UNFAVORABLE)
\$0	\$0	\$0
0	0	0
0	0	0
261	261	0
0	0	0
0	0	0
0	0	0
0	0	0
3,250	3,250	0
<u>3,511</u>	<u>3,511</u>	<u>0</u>
0	0	0
0	0	0
0	0	0
0	0	0
2,050	2,050	0
0	0	0
0	0	0
0	0	0
0	0	0
0	0	0
0	0	0
0	0	0
0	0	0
0	0	0
<u>0</u>	<u>0</u>	<u>0</u>
<u>2,050</u>	<u>2,050</u>	<u>0</u>
<u>1,461</u>	<u>1,461</u>	<u>0</u>
<u>0</u>	<u>0</u>	<u>0</u>
<u>0</u>	<u>0</u>	<u>0</u>
1,461	1,461	0
9,595	9,595	0
<u>0</u>	<u>0</u>	<u>0</u>
<u>\$11,056</u>	<u>\$11,056</u>	<u>\$0</u>

**TWIN VALLEY COMMUNITY LOCAL SCHOOL DISTRICT
PREBLE COUNTY, OHIO
COMBINED STATEMENT OF REVENUES, EXPENSES AND
CHANGES IN FUND BALANCES
NONEXPENDABLE TRUST FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2001**

Operating Revenues:

Interest	\$280
Total Operating Revenues	<u>280</u>

Operating Expenses:

Other	150
Total Operating Expenses	<u>150</u>

Net Income 130

Fund Balances at Beginning of Year 5,335

Fund Balances at End of Year \$5,465

See Accompanying Notes to the General Purpose Financial Statements

**TWIN VALLEY COMMUNITY LOCAL SCHOOL DISTRICT
PREBLE COUNTY, OHIO
COMBINED STATEMENT OF REVENUES, EXPENSES AND
CHANGES IN FUND EQUITY - BUDGET (NON-GAAP BASIS) AND ACTUAL
NONEXPENDABLE TRUST FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2001**

	<u>REVISED BUDGET</u>	<u>ACTUAL</u>	<u>VARIANCE FAVORABLE (UNFAVORABLE)</u>
Revenues:			
Interest	<u>\$280</u>	<u>\$280</u>	<u>\$0</u>
Total Revenues	<u>280</u>	<u>280</u>	<u>0</u>
Expenses:			
Other	<u>150</u>	<u>150</u>	<u>0</u>
Total Expenses	<u>150</u>	<u>150</u>	<u>0</u>
Excess of Revenues Over Expenses	130	130	0
Fund Equity at Beginning of Year	<u>5,335</u>	<u>5,335</u>	<u>0</u>
Fund Equity at End of Year	<u>\$5,465</u>	<u>\$5,465</u>	<u>\$0</u>

See Accompanying Notes to the General Purpose Financial Statements

**TWIN VALLEY COMMUNITY LOCAL SCHOOL DISTRICT
PREBLE COUNTY, OHIO
COMBINED STATEMENT OF CASH FLOWS
NONEXPENDABLE TRUST FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2001**

<u>Increase (Decrease) in Cash and Cash Equivalents:</u>	
Cash Flows from Operating Activities:	
Other Operating Expenses	(\$150)
Net Cash Used In Operating Activities	<u>(150)</u>
 Cash Flows from Investing Activities:	
Interest	280
Net Cash Provided By Investing Activities	<u>280</u>
 Net Increase in Cash and Cash Equivalents	 130
 Cash and Cash Equivalents Beginning of Year	 <u>5,335</u>
 Cash and Cash Equivalents End of Year	 <u><u>\$5,465</u></u>
 Reconciliation of Operating Income to Net Cash Used In Operating Activities:	
Operating Income	\$130
 Adjustments to Reconcile Operating Income to Net Cash Used In Operating Activities:	
Interest in Nonexpendable Trust Funds	(280)
Net Cash Used In Operating Activities	<u><u>(\$150)</u></u>
 Reconciliation of Cash and Cash Equivalents of Nonexpendable Trust Funds to Balance Sheet:	
Cash and Cash Equivalents-All Fiduciary Funds	\$47,256
Cash and Cash Equivalents-Expendable Trust and Agency Funds	<u>(41,791)</u>
Cash and Cash Equivalents-Nonexpendable Trust Funds	<u><u>\$5,465</u></u>

See Accompanying Notes to the General Purpose Financial Statements

Twin Valley Community Local School District
Preble County, Ohio
Notes to the General Purpose Financial Statements
For the Fiscal Year Ended June 30, 2001

NOTE 1 - DESCRIPTION OF THE SCHOOL DISTRICT AND REPORTING ENTITY

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

Twin Valley Community Local School District (the "School District") is a body politic and corporate established for the purpose of exercising the rights and privileges conveyed to it by the constitution of the State of Ohio. The School District operates under a locally-elected five-member Board form of government and provides educational services as mandated by State and/or federal agencies. This Board of Education controls the School District's one instructional and administrative facility.

Reporting Entity:

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

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

The School District is associated with three jointly governed organizations, one insurance purchasing pool and one shared risk pool. These organizations include the Southwest Ohio Computer Association (SWOCA), the Southwestern Ohio Educational Purchasing Council (SOEPC), the Southwestern Ohio Instructional Technology Association (SOITA), the Southwestern Ohio Educational Purchasing Council Workers' Compensation Group Rating Plan (GRP), and the Preble County Consortium (the Consortium), respectively. These organizations are presented in Notes 15, 16, and 17 to the general purpose financial statements.

Twin Valley Community Local School District
Preble County, Ohio
Notes to the General Purpose Financial Statements
For the Fiscal Year Ended June 30, 2001

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the Twin Valley Community Local School District have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The more significant of the School District's accounting policies are described below.

A. Basis Of Presentation - Fund Accounting

The School District uses funds and account groups to report on its financial position and the results of its operations. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain School District functions or activities.

A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts recording cash and other financial resources, together with all related liabilities and residual equities or balances, and changes therein, which are segregated for the purpose of carrying on specific activities or attaining certain objectives in accordance with special restrictions or limitations. An account group is a financial reporting device designed to provide accountability for certain assets and liabilities not recorded in the funds because they do not directly affect net expendable available financial resources.

For financial statement presentation purposes, the various funds of the School District are grouped into the following generic fund types under the broad fund categories governmental and fiduciary.

Governmental Fund Types:

Governmental funds are those through which most governmental functions of the School District are financed. The acquisition, use and balances of the School District's expendable financial resources and the related current liabilities (except those accounted for in trust funds) are accounted for through governmental funds. The following are the School District's governmental fund types:

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

Special Revenue Funds - The special revenue funds are used to account for the proceeds of specific revenue sources (other than expendable trusts or major capital projects) that are legally restricted to expenditure for specified purposes.

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

Twin Valley Community Local School District
Preble County, Ohio
Notes to the General Purpose Financial Statements
For the Fiscal Year Ended June 30, 2001

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Capital Projects Funds - The capital projects funds are used to account for financial resources to be used for the acquisition or construction of major capital facilities (other than those financed by trust funds).

Fiduciary Fund Types:

Fiduciary funds are used to account for assets held by the School District in a trustee capacity or as an agent for individuals, private organizations, other governmental units, and/or other funds. The School District's fiduciary funds include expendable trust funds, nonexpendable trust funds, and an agency fund. Expendable trust funds are accounted for in essentially the same manner as governmental funds. Nonexpendable trust funds are accounted for in essentially the same manner as proprietary funds. The School District's agency fund is custodial in nature (assets equal liabilities) and does not involve measurement of results of operations.

Account Groups:

To make a clear distinction between fixed assets related to specific funds and those of general government, and between long-term obligations related to specific funds and those of a general nature, the following account groups are used:

General Fixed Assets Account Group - This account group is established to account for all fixed assets of the School District, other than those accounted for in the nonexpendable trust funds.

General Long-Term Obligations Account Group - This account group is established to account for all long-term obligations of the School District except those accounted for in the nonexpendable trust funds.

B. Measurement Focus and Basis of Accounting

The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. All governmental fund types and the expendable trust funds are accounted for using a flow of current financial resources measurement focus. With this measurement focus, only current assets and current liabilities are generally included on the balance sheet. Operating statements of these funds present increases (i.e., revenues and other financing sources) and decreases (i.e., expenditures and other financing uses) in net current assets.

All nonexpendable trust funds are accounted for on a flow of economic resources measurement focus. With this measurement focus, all assets and all liabilities associated with the operation of these funds are included on the balance sheet. The nonexpendable trust funds' operating statement presents increases (i.e., revenues) and decreases (i.e., expenses) in net total assets.

Twin Valley Community Local School District
Preble County, Ohio
Notes to the General Purpose Financial Statements
For the Fiscal Year Ended June 30, 2001

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Basis of accounting refers to when revenues and expenditures or expenses are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurements made.

The modified accrual basis of accounting is followed for the governmental, expendable trust and agency funds. The full accrual basis of accounting is followed for the nonexpendable trust funds.

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 year-end.

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

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

Deferred revenue 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, 2001, but which were levied to finance fiscal year 2002 operations, have been recorded as deferred revenue. Grants and entitlements received before eligibility requirements are met are also recorded as deferred revenue. On a modified accrual basis, receivables that will not be collected within the available period have also been reported as deferred revenue.

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

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.

Twin Valley Community Local School District
Preble County, Ohio
Notes to the General Purpose Financial Statements
For the Fiscal Year Ended June 30, 2001

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

C. Budgetary Process

The budgetary process is prescribed by provisions of the Ohio Revised Code and entails the preparation of budgetary documents within an established timetable. The major documents prepared are the tax budget, the certificate of estimated resources, and the appropriation resolution, all of which are prepared on the budgetary basis of accounting. The certificate of estimated resources and the appropriations resolution are subject to amendment throughout the year with the legal restriction that appropriations cannot exceed estimated resources, as certified.

All funds, other than the agency fund, are legally required to be budgeted and appropriated. The Eisenhower grant, title VI grant and drug free schools special revenue funds' grant activity that is administered by the fiscal agent is not budgeted by the School District. The legal level of budgetary control is at the function level within each fund.

Tax Budget:

Prior to January 15, the Superintendent and Treasurer submit to the Board of Education a proposed operating budget for the fiscal year commencing the following July 1. The budget includes proposed expenditures and the means of financing for all funds. Public hearings are publicized and conducted to obtain taxpayers' comments. The express purpose of this budget document is to reflect the need for existing (or increased) tax rates. By no later than January 20, the Board-adopted budget is filed with the Preble County Budget Commission for rate determination.

Estimated Resources:

By April 1, the Board of Education accepts, by formal resolution, the tax rates as determined by the County Budget Commission and receives the Commission's certificate of estimated resources which states the projected revenue of each fund. Prior to June 30, the School District must revise its budget so that total contemplated expenditures from any fund during the ensuing year will not exceed the amount stated in the certificate of estimated resources. The revised budget then serves as the basis for the appropriation measure. On or about July 1, the certificate is amended to include any unencumbered cash balances from the preceding year.

The certificate may be further amended during the year if projected increases or decreases in revenue are identified by the School District Treasurer. Prior to year-end, the School District requested an amended certificate of estimated resources that reflected actual revenue for the fiscal year for all fund types except special revenue and capital projects funds. The amounts reported in the budgetary statements reflect the amounts in the final amended certificate issued during fiscal year 2001.

Twin Valley Community Local School District
Preble County, Ohio
Notes to the General Purpose Financial Statements
For the Fiscal Year Ended June 30, 2001

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Appropriations:

Upon receipt from the County Auditor of an amended certificate of estimated resources based on final assessed values and tax rates or a certificate saying no new certificate is necessary, the annual appropriation resolution is legally enacted by the Board of Education at the fund and function level of expenditures, which is the legal level of control. Prior to the passage of the annual appropriation measure, the Board may pass a temporary appropriation measure to meet the ordinary expenses of the School District. The appropriation resolution, by fund, must be within the estimated resources as certified by the County Budget Commission and the total of expenditures and encumbrances may not exceed the appropriation totals at any level of control. Any revisions that alter the total of any fund appropriations, or alter total function appropriations within a fund, must be approved by the Board of Education.

The Board may pass supplemental fund appropriations so long as the total appropriations by fund do not exceed the amounts set forth in the most recent certificate of estimated resources. During the year, several supplemental appropriations were legally enacted; however, these amendments were not significant.

Prior to year-end, the School District passed a resolution so that appropriations equaled expenditures in all fund types except special revenue and capital projects funds. The budget figures which appear in the statements of budgetary comparisons represent the final appropriation amounts, including all supplemental appropriations. Formal budgetary integration is employed as a management control device during the year for all funds other than the agency fund and the Eisenhower grant, the title VI grant, and drug free schools special revenue funds, consistent with statutory provisions.

Encumbrances:

As part of formal budgetary control, purchase orders, contracts, and other commitments for the expenditure of monies are recorded as the equivalent of expenditures on the non-GAAP budgetary basis in order to reserve that portion of the applicable appropriation and to determine and maintain legal compliance. On the GAAP basis, encumbrances outstanding at fiscal year end are reported as a reservation of fund balance for subsequent-year expenditures for governmental funds.

Lapsing of Appropriations:

At the close of each fiscal year, the unencumbered balance of each appropriation reverts to the respective fund from which it was appropriated and becomes subject to future appropriation. Encumbered appropriations are carried forward to the succeeding fiscal year and are not reappropriated.

Twin Valley Community Local School District
Preble County, Ohio
Notes to the General Purpose Financial Statements
For the Fiscal Year Ended June 30, 2001

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

D. Cash and Cash Equivalents

To improve cash management, cash received by the School District is pooled. Monies for all funds are maintained in this pool. Individual fund integrity is maintained through the School District's records. Each fund's interest in the pool is presented as "equity in pooled cash and cash equivalents" on the combined balance sheet. The balance of the Eisenhower grant, title VI grant and drug free schools special revenue funds' activity administered by the fiscal agent is presented on the combined balance sheet as "cash and cash equivalents with fiscal agent." This represents deposits held at the Preble County Educational Service Center.

Cash and cash equivalents that are held separately in escrow accounts at a financial institution for retainage and not held with the Treasurer are recorded in the balance sheet as "cash and cash equivalents with escrow agents" and represent deposits.

During fiscal year 2001, the School District's investments were limited to funds invested in the State Treasury Asset Reserve of Ohio (STAR Ohio). STAR Ohio is an investment pool managed by the State Treasurer's Office which allows governments within the State to pool their funds for investment purposes. STAR Ohio is not registered with the SEC as an investment company, but does operate in a manner consistent with Rule 2a7 of the Investment Company Act of 1940. Investments in STAR Ohio are valued at STAR Ohio's share price which is the price the investment could be sold for on June 30, 2001.

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 2001 amounted to \$73,404, which includes \$10,293 assigned from other funds.

For purposes of the combined statement of cash flows and for presentation on the combined balance sheet, investments of the cash management pool and investments with original maturities of three months or less at the time they are purchased by the School District are considered to be cash equivalents.

E. Inventory

Inventories of governmental funds are stated at cost. For all funds, cost is determined on a first-in, first-out basis. Inventory in governmental funds consists of expendable supplies held for consumption. The cost of inventory items are recorded as an expenditure in the governmental fund types when purchased. Reported material and supplies inventory is equally offset by a fund balance reserve in the governmental funds which indicates that it does not constitute available expendable resources even though it is a component of net current assets.

Twin Valley Community Local School District
Preble County, Ohio
Notes to the General Purpose Financial Statements
For the Fiscal Year Ended June 30, 2001

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

F. Prepaid Items

Payments made to vendors for services that will benefit periods beyond June 30, 2001, are recorded as prepaid items using the consumption method. A current asset for the prepaid amount is recorded at the time of purchase and an expenditure is reported in the year in which services are consumed.

G. Fixed Assets and Depreciation

General fixed assets are not capitalized in the funds used to acquire or construct them. Instead, capital acquisition and construction costs are reflected as expenditures in governmental funds, and the related assets are reported in the general fixed assets account group. Assets acquired before December of 1995 are valued at estimated historical cost based on an appraisal performed in December of 1995 and updated for additions and retirements during the year. Donated fixed assets are recorded at their fair market values as of the date received. The School District maintains a capitalization threshold of five hundred dollars or any asset the Treasurer and Superintendent decide to maintain control of as a fixed asset. The School District does not possess any infrastructure.

Improvements are capitalized. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not capitalized. Interest incurred during the construction of the general fixed assets is also not capitalized.

Assets in the general fixed assets account group are not depreciated.

H. 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 accumulated unused vacation time when earned for all employees with more than one year of service.

Sick leave benefits are accrued as a liability using the termination payment method. An accrual for earned sick leave is made to the extent it is probable that the benefits will result in termination payments. The liability is an estimate based on the School District's past experience of making termination payments.

For governmental funds, the current portion of unpaid compensated absences is the amount expected to be paid using available expendable resources. These amounts are recorded in the account "compensated absences payable" in the fund from which the employees who have accumulated unpaid leave are paid. The remainder is reported in the general long-term obligations account group.

Twin Valley Community Local School District
Preble County, Ohio
Notes to the General Purpose Financial Statements
For the Fiscal Year Ended June 30, 2001

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

I. Interfund Assets/Liabilities

Receivables and payables resulting from transactions between funds for services provided or goods received are classified as “due from other funds” or “due to other funds” on the balance sheet.

J. Accrued Liabilities and Long-Term Obligations

In general, governmental fund payables and accrued liabilities are reported as obligations of the funds regardless of whether they will be liquidated with current resources. However, compensated absences and contractually required pension contributions that will be paid from governmental funds are reported as a liability in the general long-term obligations account group to the extent that they will not be paid with current available expendable financial resources. Amounts paid more than sixty days after year end are considered not to have been paid with current available financial resources. General obligation bonds are reported as a liability of the general long-term obligations account group until due.

K. Interfund Transactions

Quasi-external transactions are accounted for as revenues and expenditures. Transactions that constitute reimbursements to a fund for expenditures initially made from it that are properly applicable to another fund are recorded as expenditures in the reimbursing fund and as reductions of expenditures in the fund that is reimbursed. Nonrecurring or nonroutine permanent transfers of equity are reported as residual equity transfers. All other interfund transfers are reported as operating transfers.

L. Fund Balance Reserves

The School District reserves those portions of fund equity are legally segregated for a specific future use or which do not represent available expendable resources and therefore are not available for appropriation or expenditure. Unreserved fund balance indicates that portion of fund equity which is available for appropriation in future periods. Fund equity reserves have been established for encumbrances, property taxes, inventory of supplies and materials, and endowments.

The reserve for property taxes represents taxes recognized as revenue under generally accepted accounting principles but not available for appropriations under State statute. The reserve for endowments signifies the legal restrictions on the use of principal in the nonexpendable trust funds.

M. Estimates

The preparation of the 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.

Twin Valley Community Local School District
 Preble County, Ohio
 Notes to the General Purpose Financial Statements
 For the Fiscal Year Ended June 30, 2001

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

N. Total Columns on General Purpose Financial Statements

Total columns on the general purpose financial statements are captioned “Total (Memorandum Only)” to indicate that they are presented only to facilitate financial analysis. Data in these columns do not present financial position or results of operations in conformity with generally accepted accounting principles. Neither is such data comparable to a consolidation. Interfund eliminations have not been made in the aggregation of this data.

NOTE 3 - CHANGES IN ACCOUNTING PRINCIPLES AND RESTATEMENT OF FUND BALANCE

For fiscal year 2001, the Educational Service Center has implemented GASB Statement No. 33, “Accounting and Financial Reporting for Nonexchange Transactions,” and GASB Statement No. 36, “Recipient Reporting for Certain Shared Nonexchange Revenues.” The effect of this change on the excess of revenues and other financing sources over expenditures and the effect on opening fund balances follows:

	Governmental Fund Type
	Special Revenue
Excess as previously reported	\$47,627
Restatement:	
Intergovernmental Receivables	30,000
Restated Amounts for the Year Ended June 30, 2000	\$77,627

	Governmental Fund Type
	Special Revenue
Fund Balance at June 30, 2000	\$258,840
Restatement:	
Intergovernmental Receivables	30,000
Restated Amounts at June 30, 2000	\$288,840

Twin Valley Community Local School District
Preble County, Ohio
Notes to the General Purpose Financial Statements
For the Fiscal Year Ended June 30, 2001

NOTE 4 - ACCOUNTABILITY

At June 30, 2001, the general fund had a deficit fund balance of \$240,090. The title VI-R special revenue fund had deficit fund balance of \$119, and the Twin Valley Track expendable trust fund had a deficit fund balance of \$200. The general fund is liable for any deficit in these funds and provides operating transfers when cash is needed, rather than when accruals occur. The District is monitoring the general fund deficit and will take appropriate action if deemed necessary.

NOTE 5 - BUDGETARY BASIS OF ACCOUNTING

While the School District is reporting financial position, results of operations and changes in fund balances 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 Combined Statement of Revenues, Expenditures and Changes in Fund Balances - Budget (Non-GAAP Basis) and Actual - All Governmental Fund Types and Expendable Trust Funds and the Combined Statement of Revenues, Expenses and Changes in Fund Equity - Budget (Non-GAAP Basis) and Actual - Nonexpendable Trust Funds are presented on the budgetary basis to provide a meaningful comparison of actual results with the budget. The major differences between the budget basis and GAAP basis are that:

1. Revenues are recorded when received in cash (budget basis) as opposed to when susceptible to accrual (GAAP basis).
2. Expenditures/expenses are recorded when paid in cash (budget basis) as opposed to when the liability is incurred (GAAP basis).
3. Encumbrances are treated as expenditures/expenses for all funds (budget basis) rather than as a reservation of fund balance for governmental fund types (GAAP basis).
4. The School District does not budget for the activities of the Eisenhower grant, title VI, and drug free schools special revenue funds administered by the fiscal agent who collects and holds the assets (budget basis). However, the activities of the fiscal agent that pertain to the School District are included in the special revenue funds for GAAP reporting purposes (GAAP basis).

Twin Valley Community Local School District
 Preble County, Ohio
 Notes to the General Purpose Financial Statements
 For the Fiscal Year Ended June 30, 2001

NOTE 5 - BUDGETARY BASIS OF ACCOUNTING (continued)

The following tables summarize the adjustments necessary to reconcile the GAAP and budgetary basis statements by fund type.

Excess of Revenues
 Over (Under) Expenditures
 All Governmental Fund Types and Expendable Trust Funds

	<u>General</u>	<u>Special Revenue</u>	<u>Debt Service</u>	<u>Capital Projects</u>	<u>Expendable Trust</u>
GAAP Basis	(\$356,091)	(\$17,813)	\$21,059	(\$40,302)	(\$385)
Revenue Accruals	11,973	35,370	(687)	(18,687)	(4)
Expenditure Accruals	5,065	3,494	0	(38,819)	1,850
Unrecorded Cash	3,386	0	0	1,131	0
Prepays	3,184	0	0	0	0
Encumbrances	<u>(65,880)</u>	<u>(11,130)</u>	<u>0</u>	<u>(14,482)</u>	<u>0</u>
Budget Basis	<u><u>(\$398,363)</u></u>	<u><u>\$9,921</u></u>	<u><u>\$20,372</u></u>	<u><u>(\$111,159)</u></u>	<u><u>\$1,461</u></u>

NOTE 6 - DEPOSITS AND INVESTMENTS

State statutes classify 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 deposits are public deposits that the Board of Education has identified as not required for use within the current two 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.

Twin Valley Community Local School District
Preble County, Ohio
Notes to the General Purpose Financial Statements
For the Fiscal Year Ended June 30, 2001

NOTE 6 - DEPOSITS AND INVESTMENTS (continued)

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

State Statute permits interim monies to 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 security issued by any federal government agency or instrumentality, including but not limited to, the Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, Government National Mortgage Association, and Student Loan Marketing Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
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 (STAR Ohio); and
7. Certain bankers' acceptances and commercial paper notes for a period not to exceed one hundred eighty days in an amount not to exceed twenty-five percent of the interim monies available for investment at any one time.

Twin Valley Community Local School District
Preble County, Ohio
Notes to the General Purpose Financial Statements
For the Fiscal Year Ended June 30, 2001

NOTE 6 - DEPOSITS AND INVESTMENTS (continued)

Investments in stripped principal or interest obligation, 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 transfer from the custodian.

The following information classifies deposits and investments by categories of risk as defined in GASB Statement 3 "Deposits with Financial Institutions, Investments, and Reverse Repurchase Agreements."

At June 30, 2001, the School District had "cash and cash equivalents with fiscal agents" in the special revenue funds of \$3,140. The money is held by the Preble County Educational Service Center which is the fiscal agent of several other school districts and therefore cannot be classified by risk under GASB Statement 3. The classification of cash and cash equivalents for the Preble County Educational Service Center as a whole can be obtained by writing to Teresa Freeman at the Preble County Educational Service Center, 101 E. Main Street, Eaton, Ohio 45320.

Deposits: At year end, the carrying amount of the School District's deposits was \$1,002,092 and the bank balance was \$1,131,525. Of the bank balance:

1. \$215,648 was covered by federal depository insurance; and
2. \$915,877 was uninsured and uncollateralized as defined by GASB Statement 3. Although all state statutory requirements for the deposit of money had been followed, non-compliance with federal requirements by the bank, could potentially subject the School District held to a successful claim by the FDIC.

Investments: The Government Accounting Standards Board has established categories to give an indication of the level of risk assumed by the School District at fiscal year end. Category 1 includes investments that are insured or registered or for which the securities are held by the School District or its agent in the School District's name. Category 2 includes uninsured and unregistered investments which are held by the counterparty's trust department or agent in the School District's name. Category 3 includes uninsured and unregistered investments for which the securities are held by the counterparty, or by its trust department or agent but not in the School District's name. The District's only investment at the fiscal year end was STAR Ohio. This investment had a fair value of \$290,161. However, the investment in STAR Ohio was not classified by risk category because it was not evidenced by securities that exist in physical or book entry form.

The classification of cash and cash equivalents and investments on the combined financial statements is based on criteria set forth in GASB Statement No. 9, "Reporting Cash Flows of Proprietary and Nonexpendable Trust Funds and Governmental Entities That Use Proprietary Fund Accounting."

Twin Valley Community Local School District
 Preble County, Ohio
 Notes to the General Purpose Financial Statements
 For the Fiscal Year Ended June 30, 2001

NOTE 6 - DEPOSITS AND INVESTMENTS (continued)

A reconciliation between the classifications of cash and investments on the combined financial statements and the classifications of deposits and investments presented above per GASB Statement No. 3 is as follows:

	Cash and Cash Equivalents/ Deposits	Investments
GASB Statement 9	\$1,295,393	\$0
Cash Held with the Preble County Educational Service Center	(3,140)	0
STAR Ohio	(290,161)	290,161
GASB Statement 3	\$1,002,092	\$290,161

NOTE 7 - PROPERTY TAXES

Property taxes are levied and assessed on a calendar year basis while the School District fiscal year runs from July through June. First half tax collections are received by the School District in the second half of the fiscal year. Second half tax distributions occur in the first half of the following fiscal year. Property taxes include amounts levied against all real, public utility and tangible personal property located in the School District. Property tax revenue received during calendar 2001 for real and public utility property taxes represents collections of calendar 2000 taxes. Property tax payments received during calendar 2001 for tangible personal property (other than public utility property) is for calendar 2001 taxes.

2001 real property taxes are levied after April 1, 2001, on the assessed value as of January 1, 2001, the lien date. Assessed values are established by State law at thirty-five percent of appraised market value.

Public utility tangible personal property currently is assessed at varying percentages of true value; public utility real property is assessed at thirty-five percent of true value. 2001 public utility property taxes became a lien December 31, 2000, are levied after April 1, 2001, and are collected in 2002 with real property taxes.

2001 tangible personal property taxes are levied after April 1, 2000, on the value as of December 31, 2000. Collections are made in 2001. Tangible personal property assessments are twenty-five percent of true value.

Twin Valley Community Local School District
Preble County, Ohio
Notes to the General Purpose Financial Statements
For the Fiscal Year Ended June 30, 2001

NOTE 7 - PROPERTY TAXES (continued)

The assessed values upon which fiscal year 2001 taxes were collected are:

	2000 Second- Half Collections		2001 First- Half Collections	
	Amount	Percent	Amount	Percent
Agricultural/Residential and Other Real Estate	\$71,111,050	82.94%	\$71,997,470	83.89%
Public Utility	8,950,720	10.44	8,232,190	9.59
Tangible Personal Property	5,673,930	6.62	5,591,270	6.52
Total Assessed Value	<u>\$85,735,700</u>	<u>100.00%</u>	<u>\$85,820,930</u>	<u>100.00%</u>
Tax rate per \$1,000 of assessed valuation	\$45.08		\$45.08	

Real property taxes are payable annually or semiannually. If paid annually, payment is due December 31; if paid semiannually, the first payment is due December 31 with the remainder payable by June 20. Under certain circumstances, State statute permits later payment dates to be established.

Tangible personal property taxes paid by multi-county taxpayers are due September 20. Single county taxpayers may pay annually or semiannually. If paid annually, payment is due April 30; if paid semiannually, the first payment is due April 30, with the remainder payable by September 20.

The School District receives property taxes from Preble County. 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, 2001, are available to finance fiscal year 2001 operations. The amount available to be advanced can vary based on the date the tax bills are sent.

Accrued property taxes receivable represents delinquent taxes outstanding and real property, tangible personal property, and public utility taxes which became measurable as of June 30, 2001, and for which there is an enforceable legal claim. Although total property tax collections for the next fiscal year are measurable, only the amount available as an advance at June 30 were levied to finance current fiscal year operations. The receivable is therefore offset by a credit to deferred revenue for that portion not levied to finance current year operations. The total amount available as an advance at June 30, 2001, was \$73,459 and is recognized as revenue. \$61,826 was available to the general fund, \$1,292 was available to the classroom facilities maintenance special revenue fund, and \$10,341 was available to the bond retirement debt service fund.

Twin Valley Community Local School District
 Preble County, Ohio
 Notes to the General Purpose Financial Statements
 For the Fiscal Year Ended June 30, 2001

NOTE 8 - RECEIVABLES

Receivables at June 30, 2001, consisted of property taxes, accounts (tuition, rent, and student fees) and intergovernmental grants. All receivables are considered collectible in full. A summary of the principal items of intergovernmental receivables follows:

Intergovernmental Receivables	Amounts
Special Revenue Fund:	
Student Activities	\$1,145
Capital Projects Funds:	
OneNet Grant	5,000
IVDL Grant	58,500
Total Capital Projects Funds	63,500
Total Intergovernmental Receivables	\$64,645

NOTE 9 - FIXED ASSETS

A summary of the changes in general fixed assets during fiscal year 2001 follows:

Asset Category	Balance at 06/30/00	Additions	Deletions	Balance at 06/30/01
Land and Improvements	\$568,778	\$200,000	\$0	\$768,778
Buildings and Improvements	15,638,019	0	0	15,638,019
Furniture, Fixtures and Equipment	3,377,052	47,299	0	3,424,351
Vehicles	575,150	54,925	0	630,075
Total General Fixed Assets	\$20,158,999	\$302,224	\$0	\$20,461,223

Twin Valley Community Local School District
Preble County, Ohio
Notes to the General Purpose Financial Statements
For the Fiscal Year Ended June 30, 2001

NOTE 10 - RISK MANAGEMENT

A. Property and Liability

The School District is exposed to various risks of loss related to torts; theft of damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During fiscal year 2001, the School District contracted with Nationwide Insurance for liability insurance, Erie Insurance Group for fleet insurance, and Westfield Companies for school building and contents.

Coverage provided by Nationwide Insurance is as follows:

General Liability	
Per occurrence	\$2,000,000
Total per year	5,000,000

Coverage provided by Erie Insurance Group is as follows:

School Bus Fleet insurance	
Per accident	1,000,000
Per individual	1,000,000

Coverage provided by Westfield Companies is as follows:

School building and contents (\$1,000 deductible)	21,107,132
---	------------

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

B. Workers' Compensation

For fiscal year 2001, the School District participated in the Southwestern Ohio Educational Purchasing Council Workers' Compensation Group Rating Plan (GRP), an insurance purchasing pool (Note 16). 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. Total savings are then calculated and each participant's individual performance is compared to the overall savings percentage of the GRP. A participant will then either receive money from or be required to contribute to the "Equity Pooling Fund." This "equity pooling" arrangement insures that each participant shares equally in the overall performance of the GRP. Participation in the GRP is limited to school districts that can meet the GRP's selection criteria. The firm of Intergrated Comp, Inc. provides administrative, cost control and actuarial services to the GRP.

Twin Valley Community Local School District
Preble County, Ohio
Notes to the General Purpose Financial Statements
For the Fiscal Year Ended June 30, 2001

NOTE 10 - RISK MANAGEMENT (continued)

C. Employee Medical Benefits

For fiscal year 2001, the School District also participated in the Preble County Consortium (the Consortium), a shared risk pool consisting of five local school districts and an educational service center (See Note 17). The School District pays monthly premiums to the Consortium for employee medical benefits. The Consortium is responsible for the management and operations of the program. Upon withdrawal from the Consortium, a participant is responsible for the payment of all the Consortium liabilities to its employees, dependents, and designated beneficiaries accruing as a result of withdrawal.

NOTE 11 - DEFINED BENEFIT PENSION PLANS

A. School Employees Retirement System

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 and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Authority to establish and amend benefits is provided by Chapter 3309 of the Ohio Revised Code. SERS issues a publicly available, stand-alone financial report that includes financial statements and required supplementary information. That report may be obtained by writing to the School Employees Retirement System, 45 N. Fourth Street, Columbus, Ohio 43215-3634.

Plan members are required to contribute 9 percent of their annual covered salary and the School District is required to contribute at an actuarially determined rate. The current School District rate is 14 percent of annual covered payroll. A portion of the School District's contribution is used to fund pension obligations with the remainder being used to fund health care benefits; for fiscal year 2001, 4.2 percent of annual covered salary was the portion used to fund pension obligations. For fiscal year 2000, 5.5 percent was used to fund pension obligations. The contribution requirements of plan members and employers are established and may be amended, up to a statutory maximum amount, by the SERS' Retirement Board. The School District's required contributions for pension obligations to SERS for the fiscal years ended June 30, 2001, 2000, and 1999 were \$33,348, \$40,210 and \$59,191, respectively; 33.20 percent has been contributed for fiscal year 2001 and 100 percent for fiscal years 2000 and 1999. \$22,277 representing the unpaid contribution for fiscal year 2001, is recorded as a liability within the respective funds and the general long-term obligations account group.

Twin Valley Community Local School District
Preble County, Ohio
Notes to the General Purpose Financial Statements
For the Fiscal Year Ended June 30, 2001

NOTE 11 - DEFINED BENEFIT PENSION PLANS (continued)

B. State Teachers Retirement System

The School District contributes to the State Teachers Retirement System of Ohio (STRS), a cost-sharing multiple employer public employee retirement system. STRS provides retirement and disability benefits, annual cost-of-living adjustments, and death and survivor benefits to members and beneficiaries. Benefits are established by Chapter 3307 of the Ohio Revised Code. STRS issues a publicly available, stand-alone financial report that includes financial statements and required supplementary information for STRS. That report may be obtained by writing to the State Teachers Retirement System, 275 East Broad Street, Columbus, Ohio 43215-3371.

For the fiscal year ended June 30, 2001, plan members were required to contribute 9.3 percent of their annual covered salaries. The School District was required to contribute 14 percent; 9.5 percent was the portion used to fund pension obligations. For fiscal year 2000, the portion used to fund pension obligations was 6.0. Contribution rates are established by STRS, upon recommendations of its consulting actuary, not to exceed statutory maximum rates of 10 percent for members and 14 percent for employers. The School District's required contributions for pension obligations to STRS for the fiscal years ended June 30, 2001, 2000, and 1999 were \$333,486, \$193,834 and \$154,372, respectively; 83.55 percent has been contributed for fiscal year 2001 and 100 percent for fiscal years 2000 and 1999. \$54,842 represents the unpaid contribution for fiscal year 2001 and is recorded as a liability within the respective funds.

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, 2001, four members of the Board of Education have elected Social Security. The Board's liability is 6.2 percent of wages paid. The remaining member of the Board is with SERS.

NOTE 12 - POSTEMPLOYMENT BENEFITS

The School District provides comprehensive health care benefits to retired teachers and their dependents through the State Teachers Retirement System (STRS), and to retired non-certified employees and their dependents through the School Employees Retirement System (SERS). Benefits include hospitalization, physicians' fees, prescription drugs and reimbursement of monthly Medicare premiums. Benefit provisions and the obligations to contribute are established by the Systems based on authority granted by State statute. Both systems are on a pay-as-you-go basis.

Twin Valley Community Local School District
Preble County, Ohio
Notes to the General Purpose Financial Statements
For the Fiscal Year Ended June 30, 2001

NOTE 12 - POSTEMPLOYMENT BENEFITS (continued)

All STRS benefit recipients and sponsored dependents are eligible for health care coverage. The STRS Board has statutory authority over how much, if any, of the health care costs will be absorbed by STRS. Most benefit recipients pay a portion of the health care cost in the form of a monthly premium. By law, the cost of coverage paid from STRS funds is included in the employer contribution rate, currently 14 percent of covered payroll. For the fiscal year ended June 30, 2001, the STRS Board allocated employer contributions equal to 4.5 percent of covered payroll to the Health Care Reserve Fund. For the School District, this amount equaled \$157,967 for fiscal year 2001.

STRS pays health care benefits from the Health Care Reserve Fund. At June 30, 2000, (the latest information available) the balance in the Fund was \$3.419 billion. For the year ended June 30, 2000, net health care costs paid by STRS were \$283,137,000 and STRS had 99,011 eligible benefit recipients.

For SERS, coverage is made available to service retirees with ten or more fiscal years of qualifying service credit, and to disability and survivor benefit recipients. Members retiring on or after August 1, 1989, with less than twenty-five years of service credit must pay a portion of their premium for health care. The portion is based on years of service up to a maximum of 75 percent of the premium.

After the allocation for basic benefits, the remainder of the employer's 14 percent contribution is allocated to providing health care benefits. For the fiscal year ended June 30, 2001, employer contributions to fund health care benefits were 9.8 percent of covered payroll, an increase of 1.3 percent from fiscal year 2000. In addition, SERS levies a surcharge to fund health care benefits equal to 14 percent of the difference between a minimum pay and the member's pay, pro-rated for partial service credit. For fiscal year 2001, the minimum pay was established at \$12,400. For the School District, the amount contributed to fund health care benefits, including the surcharge, during the 2001 fiscal year equaled \$93,148.

The surcharge, added to the unallocated portion of the 14 percent employer contribution rate, provides for maintenance of the asset target level for the health care fund. The target level for the health care reserve is 150 percent of the annual health care expenses. Expenses for health care for the fiscal year ended June 30, 2000 (the latest information available), were \$140,696,340 and the target level was \$211 million. At June 30, 2000, SERS had net assets available for payment of health care benefits of \$252.3 million. SERS has approximately 50,000 participants currently receiving health care benefits.

Twin Valley Community Local School District
 Preble County, Ohio
 Notes to the General Purpose Financial Statements
 For the Fiscal Year Ended June 30, 2001

NOTE 13 - OTHER EMPLOYEE BENEFITS

A. Compensated Absences

The criteria for determining vacation and sick leave components are derived from negotiated agreements and State laws. Certain classified employees earn ten to twenty days of vacation per fiscal year. Only teachers employed on twelve-month contracts are given twenty days of vacation each year; all other teachers do not earn vacation time. Accumulated, unused vacation time is paid to classified employees and administrators upon termination of employment. 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 185 days for classified employees and 195 days for certified employees. Upon retirement, payment is made for one-fourth of accrued, but unused sick leave credit to a maximum of 45 days for classified employees and 48 days for certified employees.

B. Insurance Benefits

Dental insurance is provided by the School District to most employees through Advanced Benefit. The School District provides life insurance and accidental death and dismemberment insurance to most employees through Community Mutual Life.

NOTE 14 - LONG-TERM OBLIGATIONS

Changes in long-term obligations of the School District during fiscal year 2001 were as follows:

	Amount Outstanding 6/30/00	Additions	Deductions	Amount Outstanding 6/30/01
School Improvement Bond 1994 6.30%	\$3,880,000	\$0	\$100,000	\$3,780,000
Intergovernmental Payable	84,241	67,793	84,241	67,793
Compensated Absences	<u>225,716</u>	<u>3,775</u>	<u>0</u>	<u>229,491</u>
Total General Long-Term Obligations	<u>\$4,189,957</u>	<u>\$71,568</u>	<u>\$184,241</u>	<u>\$4,077,284</u>

Twin Valley Community Schools School Improvement General Obligation Bonds

On July 1, 1994, Twin Valley Community Local School District issued \$4,285,000 in voted general obligation bonds for the purpose of the acquisition, construction, reconstruction and other improvements to the school building. The bonds were issued for a twenty-three year period with final maturity at June 1, 2017. The debt will be retired from the debt service fund.

Compensated absences will be paid from the fund from which the person is paid. The intergovernmental payable represents contractually required pension contributions paid outside the available period and will be paid from the fund from which the person is paid.

Twin Valley Community Local School District
 Preble County, Ohio
 Notes to the General Purpose Financial Statements
 For the Fiscal Year Ended June 30, 2001

NOTE 14 - LONG-TERM OBLIGATIONS (continued)

The School District's overall legal debt margin was \$4,148,726 with an unvoted debt margin of \$85,821 at June 30, 2001. Principal and interest requirements to retire general obligation debt outstanding at June 30, 2001, are as follows:

Fiscal year Ending June 30,	Principal	Interest	Total
2002	\$110,000	\$232,258	\$342,258
2003	120,000	226,245	346,245
2004	135,000	219,420	354,420
2005	145,000	211,788	356,788
2006	155,000	203,460	358,460
2007-2017	<u>3,115,000</u>	<u>1,243,042</u>	<u>4,358,042</u>
Total	<u><u>\$3,780,000</u></u>	<u><u>\$2,336,213</u></u>	<u><u>\$6,116,213</u></u>

NOTE 15 - JOINTLY GOVERNED ORGANIZATIONS

Southwest Ohio Computer Association - The School District is a participant in the Southwest Ohio Computer Association (SWOCA) which is a computer consortium. SWOCA is an association of public school districts within the boundaries of Butler, Warren, and Preble Counties. The organization was formed for the purpose of applying modern technology with the aid of computers and other electronic equipment to administrative and instructional functions among member school districts. The governing board of SWOCA consists of one representative from each district plus one representative from the fiscal agent. The School District paid SWOCA \$11,883 for services provided during the year. Financial information can be obtained from K. Michael Crumley, Executive Director of SWOCA at 3603 Hamilton-Middletown Road, Hamilton, Ohio 45011.

Southwestern Ohio Educational Purchasing Council - The School District participates in the Southwestern Ohio Educational Purchasing Council (SOEPC). The purpose of the council is to obtain prices for quality merchandise and services commonly used by schools. All member districts are obligated to pay all fees, charges or other assessments as established by the SOEPC. Each member has one voting representative. Any district withdrawing from the SOEPC forfeit its claim to any and all SOEPC assets. One year prior notice is necessary for withdrawal from the group. During this time, the withdrawing member is liable for all member obligations during this one year period. Payments to SOEPC are made from the general fund. For fiscal year 2001, the School District paid \$5,296 to SOEPC. To obtain financial information, write to the Southwestern Ohio Educational Purchasing Cooperative, Robert Brown, who serves as Director, at 1831 Harshman Road, Dayton 45424.

Twin Valley Community Local School District
Preble County, Ohio
Notes to the General Purpose Financial Statements
For the Fiscal Year Ended June 30, 2001

NOTE 15 - JOINTLY GOVERNED ORGANIZATIONS (continued)

Southwestern Ohio Instructional Technology Association - The Southwestern Ohio Instructional Technology Association (SOITA) is a not-for-profit corporation formed under section 1702.01 of the Ohio Revised Code. The purpose of the corporation is to serve the educational needs of the area through television programming for the advancement of educational programs. The Board of Trustees is comprised of twenty-one representatives of SOITA member schools or institutions. Nineteen representatives are elected from within the counties by the qualified members within the counties, i.e., Auglaize, Butler, Champaign, Clark, Clinton, Darke, Fayette, Greene, Hamilton, Logan, Mercer, Miami, Montgomery, Preble, Shelby, and Warren. Montgomery, Greene and Butler Counties elect two representatives per area. All others elect one representative per area. One at-large non-public representative is elected by the non-public school SOITA members in the State-assigned SOITA service area representative. One at-large higher education representative is elected by higher education SOITA members from within the State-assigned SOITA service area.

All member districts are obligated to pay all fees, charges, or other assessments as established by the SOITA. Upon dissolution, the net assets shall be distributed to the federal government, or to a state or local government, for a public purpose. Payments to SOITA are made from the general fund. During fiscal year 2001, the School District paid \$978 to SOITA. To obtain financial information, write to the Southwestern Ohio Instructional Technology Association, Steve Strouse, who serves as Director, at 150 East Sixth Street, Franklin, Ohio 45005.

NOTE 16 - INSURANCE PURCHASING POOL

Southwestern Ohio Educational Purchasing Council Workers' Compensation Group Rating Plan - The School District participates in the Southwestern Ohio Educational Purchasing Council Workers' Compensation Group Rating Plan (GRP). The GRP's business and affairs are conducted by a fourteen member committee consisting of various GRP representatives that are elected by the general assembly. Either the superintendent or treasurer from each participating school district serves on the general assembly. Each year, the participating school districts pay an enrollment fee to the GRP to cover the costs of administering the program.

NOTE 17 - PUBLIC ENTITY RISK POOL

Preble County Consortium - The Preble County Consortium (the Consortium), a shared risk pool, was formed by five local school districts and the Preble County Educational Service Center. The Consortium is governed by an advisory committee consisting of each member's superintendent or designee from each participating school district. Premiums are paid on a monthly basis to the Consortium and their designated insurance company. The Consortium is responsible for the operation and maintenance of the program. If the premiums are insufficient to pay the program costs for the fiscal year, the Consortium may assess additional charges to all participants. The Preble County Educational Service Center serves as coordinator of the Consortium. Financial information can be obtained from Teresa Freeman, who serves as treasurer, at 101 E. Main Street, Eaton, Ohio 45320.

Twin Valley Community Local School District
 Preble County, Ohio
 Notes to the General Purpose Financial Statements
 For the Fiscal Year Ended June 30, 2001

NOTE 18 - INTERFUND ACTIVITY

The general fund had a due to other funds in the amount of \$400 and the athletic special revenue fund had a due from other funds of \$400.

NOTE 19 - SET-ASIDE CALCULATIONS

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

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

	<u>Budget Stabilization</u>	<u>Textbooks/ Instructional Materials</u>	<u>Capital Improvements</u>
Set-aside Reserve Balance as of June 30, 2000	\$64,322	(\$1,593)	\$0
Current Year Set-aside Requirement	0	134,192	134,192
Reduction in Requirement Based on Revised Legislation	(42,375)	0	0
Current Year Offsets	0	0	(38,122)
Qualifying Disbursements	(21,947)	(156,196)	(305,794)
Set-aside Reserve Balance as of June 30, 2001	<u>\$0</u>	<u>(\$23,597)</u>	<u>(\$209,724)</u>
Set-aside Balance Carried Forward to Future Fiscal Years	<u>\$0</u>	<u>\$23,597</u>	<u>\$0</u>

Twin Valley Community Local School District
Preble County, Ohio
Notes to the General Purpose Financial Statements
For the Fiscal Year Ended June 30, 2001

NOTE 20 - CONTINGENCIES

A. Grants

The School District received financial assistance from federal and state agencies in the form of grants. The disbursement of funds received under these programs generally required 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. However, in the opinion of management, any such disallowed claims will not have a material adverse effect on the overall financial position of the School District at June 30, 2001.

B. Litigation

The School District does not have any pending litigation.

NOTE 21 - SUBSEQUENT EVENTS

A. School Funding

On September 6, 2001, the Ohio Supreme Court issued its latest opinion regarding the State's school funding plan. The decision identified aspects of the current plan that require modification if the plan is to be considered constitutional, including:

- ▶ A change in the school districts that are used as the basis for determining the base cost support amount. Any change in the amount of funds distributed to school districts as a result of this change must be retroactive to July 1, 2001, although a time line for distribution is not specified.
- ▶ Fully funding parity aid no later than the beginning of fiscal year 2004 rather than fiscal year 2006.

The Supreme Court relinquished jurisdiction over the case based on anticipated compliance with its order.

In general, the decision may result in an increase in State funding for most Ohio school districts. However, as of November 21, 2001, the Ohio General Assembly is still analyzing the impact this Supreme Court decision will have on funding for individual school districts. Further, the State of Ohio, in a motion filed September 17, 2001, asked the Court to reconsider and clarify the parts of the decision changing the school districts that are used as the basis for determining the base cost support amount and the requirement that changes be made retroactive to July 1, 2001.

On November 2, 2001, the court granted this motion for reconsideration. The court may re-examine and redetermine any issue upon such reconsideration.

Twin Valley Community Local School District
Preble County, Ohio
Notes to the General Purpose Financial Statements
For the Fiscal Year Ended June 30, 2001

NOTE 21 - SUBSEQUENT EVENTS (continued)

As of the date of these financial statements, the School District is unable to determine what effect, if any, this decision and reconsideration will have on its future State funding and on its financial operations.

B. Income Tax Levy

The School District had a 1% income tax levy on the November 7, 2001 ballot to fund general fund operations. The levy did not pass. The School District management is reviewing other options to address future general fund needs.

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

**SCHEDULE OF FEDERAL AWARDS EXPENDITURES
FOR THE YEAR ENDED JUNE 30, 2001**

Federal Grantor/ Pass Through Grantor Program Title	Pass Through Entity Number	Federal CFDA Number	Receipts	Non-Cash Receipts	Disbursements	Non-Cash Disbursements
<u>U.S. DEPARTMENT OF AGRICULTURE</u>						
<i>Passed Through Ohio Department of Education:</i>						
Nutrition Cluster:						
Food Distribution Program		10.550	\$0	\$23,395	\$0	\$23,353
National School Breakfast Program	05-PU-2001	10.553	8,068	-	8,068	-
	05-PU-2000		1,379	-	1,379	-
Total National School Breakfast Program			9,447	-	9,447	-
National School Lunch Program	LL-P1-2001	10.555	44,451	-	44,451	-
	LL-P4-2001		16,943	-	16,943	-
	LL-P1-2000		7,078	-	7,078	-
	LL-P4-2000		2,601	-	2,601	-
Total National School Lunch Program			71,073	-	71,073	-
Total U.S. Department of Agriculture - Nutrition Cluster			80,520	23,395	80,520	23,353
<u>U.S. DEPARTMENT OF EDUCATION</u>						
<i>Passed Through Ohio Department of Education:</i>						
Grants to Local Educational Agencies (ESEA Title I)						
	C1-S1-2001	84.010	175,845	-	91,641	-
	C1-S1-2000		0	-	114,802	-
Total ESEA Title I			175,845	-	206,443	-
Special Education Cluster:						
Special Education: Grants to States (IDEA Part B)	6B-SF-2001	84.027	64,844	-	64,844	-
Special Education: Preschool Grant	PG-S1-2001	84.173	1,278	-	1,278	-
Total Special Education Cluster			66,122	-	66,122	-
Safe and Drug Free Schools and Communities	DR-S1-2001	84.186	4,566	-	4,566	-
Goals 2000	G2-S2-2001	84.276	13,000	-	0	-
	G2-S2-2000		14,000	-	13,865	-
Total Goals 2000			27,000	-	13,865	-
Eisenhower Professional Development State Grant	MS-S1-2001	84.281	5,011	-	5,011	-
Innovative Education Program Strategy	C2-S1-2001	84.298	5,449	-	5,449	-
Class Size Reduction	CR-S1-2001	84.340	26,603	-	26,603	-
Total Department of Education			310,596	-	328,059	-
Totals			\$391,116	\$23,395	\$408,579	\$23,353

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

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

**NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2001**

NOTE A - SIGNIFICANT ACCOUNTING POLICIES

The accompanying schedule of federal awards expenditures is a summary of the activity of the District's federal award programs. The schedule has been prepared on a cash basis of accounting.

NOTE B - FOOD DISTRIBUTION

Nonmonetary assistance is reported in the schedule at the fair market value of the commodities received and disbursed. Monies are commingled with State grants. It is assumed federal monies are expended first. At June 30, 2001, the District had no significant food commodities in inventory.



STATE OF OHIO
OFFICE OF THE AUDITOR

JIM PETRO, AUDITOR OF STATE

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www.auditor.state.oh.us

**REPORT OF INDEPENDENT ACCOUNTANTS ON COMPLIANCE AND ON
INTERNAL CONTROL REQUIRED BY GOVERNMENT AUDITING STANDARDS**

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

To the Board of Education:

We have audited the financial statements of the Twin Valley Community Local School District, Preble County, Ohio (the District), as of and for the year ended June 30, 2001, and have issued our report thereon dated November 29, 2001 wherein we noted that the District adopted Governmental Accounting Standards Board Statements 33 and 36. 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.

Compliance

As part of obtaining reasonable assurance about whether the District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, 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 that are required to be reported under *Government Auditing Standards*. However, we noted certain immaterial instances of noncompliance that we have reported to Management of the District in a separate letter dated November 29, 2001.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the District's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. However, we noted a certain matter involving the internal control over financial reporting and its operation that we consider to be a reportable condition. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect the District's ability to record, process, summarize and report financial data consistent with the assertions of Management in the financial statements. The reportable condition is described in the accompanying schedule of findings as item 2001-10368-001.

A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, we believe the reportable condition described above is not a material weakness.

Twin Valley Community Local School District
Preble County
Report of Independent Accountants on Compliance and on
Internal Control Required by *Government Auditing Standards*
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We also noted another matter involving the internal control over financial reporting that does not require inclusion in this report, that we have reported to Management of the District in a separate letter dated November 29, 2001.

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

Jim Petro
Auditor of State

November 29, 2001



STATE OF OHIO
OFFICE OF THE AUDITOR

JIM PETRO, AUDITOR OF STATE

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**REPORT OF INDEPENDENT ACCOUNTANTS ON COMPLIANCE WITH REQUIREMENTS
APPLICABLE TO MAJOR FEDERAL PROGRAMS AND INTERNAL CONTROL OVER
COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133**

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

To the Board of Education:

We have audited the compliance of the Twin Valley Community Local School District, Preble County, Ohio (the District), with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133, Compliance Supplement* that are applicable to its major federal program for the year ended June 30, 2001. The District's major federal program is identified in the summary of auditor's results section of the accompanying schedule of findings. Compliance with the requirements of laws, regulations, contracts and grants applicable to its major federal program is the responsibility of the District's Management. Our responsibility is to express an opinion on the 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 occurred with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program. An audit includes examining, on a test basis, evidence about the 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 District's compliance with those requirements.

In our opinion, the District complied, in all material respects, with the requirements referred to above that are applicable to its major federal program for the year ended June 30, 2001.

Internal Control Over Compliance

The Management of the 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 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.

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts and grants that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over compliance and its operation that we consider to be material weaknesses.

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

Jim Petro
Auditor of State

November 29, 2001

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

**SCHEDULE OF FINDINGS
OMB CIRCULAR A -133 § .505
JUNE 30, 2001**

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 reportable control weakness conditions reported at the financial statement level (GAGAS)?	Yes
(d)(1)(iii)	Was there any reported material noncompliance at the financial statement level (GAGAS)?	No
(d)(1)(iv)	Were there any material internal control weakness conditions reported for major federal programs?	No
(d)(1)(iv)	Were there any other reportable internal control weakness conditions 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 § .510?	No
(d)(1)(vii)	Major Programs (list):	Title 1, CFDA #84.010
(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**

FINDING NUMBER 2001-10368-001

Reportable Condition - Student Activity Receipts

Inadequate or incomplete documentation was maintained for 22% of student activity receipts. These activities include concession sales, school dances, school performances, newspaper sales, and prom reservations. In addition, two fund raising activities did not complete a Sales Potential Form and three activities did not complete an activity budget.

Lack of sufficient internal control procedures could result in misappropriation of goods or funds. Also, failure to complete and submit Sales Potential Forms and activity budget forms to the Superintendent and the Treasurer's office could result in extracurricular activities and fund raisers commencing without approval.

To improve accountability of financial reporting, all revenue received from students for fund raisers should correspond to a duplicate receipt. Every activity advisor who is responsible for collecting funds should be issued a duplicate receipt book. The receipt book should have consecutively numbered receipts and the advisor should record receipts from students in sequential order by date received.

When funds are received by advisors from students, receipts should be issued and deposited daily with the Treasurer or his representative. When receipts are deposited with the Treasurer, another duplicate receipt should be issued to the advisor which should reflect the amount deposited daily and reconciles to the total of daily receipts issued by the advisor.

We recommend the District document their internal control procedures that are performed throughout the year for all activities, including those activities where issuing individual receipts are not feasible. These procedures would include, but are not limited to:

- for concession sales, documenting supervisory review of reasonableness of sales, based upon factors such as type of game, number of games, time of day, weather, comparison of prior year sales and any other pertinent information;
- for school dances and performances, documenting the number of attendees, such as with the use of tickets and the cost of admission;
- for newspaper sales, documenting the number of items printed, the number of items left after the sale, and the sale price;
- for prom reservations, documenting the number of reservations made, who made reservations and the cost of reservations;
- implementing procedures to maintain completed copies of all the purpose/function forms and corresponding sales potential forms (when applicable) for every student activity.

3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS
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None.

TWIN VALLEY COMMUNITY LOCAL SCHOOL DISTRICT
PREBLE COUNTY

SCHEDULE OF PRIOR AUDIT FINDINGS
OMB CIRCULAR A -133 § .315 (b)
JUNE 30, 2001

<u>Finding Number</u>	<u>Finding Summary</u>	<u>Fully Corrected?</u>	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain:</i>
2000-10368-001	Lack of supporting documentation for student activity receipts	No	Not corrected, reissued as finding 2001-10368-001.



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TWIN VALLEY COMMUNITY LOCAL SCHOOL DISTRICT

PREBLE COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
JANUARY 8, 2002**