



**Auditor of State  
Betty Montgomery**



**TRI VILLAGE LOCAL SCHOOL DISTRICT  
DARKE COUNTY**

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## Auditor of State Betty Montgomery

### INDEPENDENT ACCOUNTANTS' REPORT

Tri Village Local School District  
Darke County  
P.O. Box 31  
New Madison, Ohio 45346

To the Board of Education:

We have audited the accompanying financial statements of Tri Village Local School District, Darke County, (the District), as of and for the years ended June 30, 2004 and June 30, 2003. These financial statements are the responsibility of the District's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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

As discussed in Note 2, the accompanying financial statements and notes have been prepared on a basis of accounting in accordance with standards established by the Auditor of State for governmental entities that are not required to file annual reports in accordance with generally accepted accounting principles. This basis of accounting is a comprehensive basis of accounting other than generally accepted accounting principles. The accompanying financial statements and notes omit assets, liabilities, fund equities, and disclosures that, while material, cannot be determined at this time.

In our opinion, the financial statements referred to above present fairly, in all material respects, the combined cash, investments, and combined fund cash balances of the District as of June 30, 2004, and June 30, 2003, and its combined cash receipts and disbursements and its combined budgeted and actual receipts and budgeted and actual disbursements and encumbrances, for the years then ended on the basis of accounting described in Note 2.

As discussed in Note 3, during the year-ended June 30, 2003, the District changed its method of accounting for financial reporting which resulted in the restatement of beginning fund balances.

In accordance with *Government Auditing Standards*, we have also issued our report dated October 8, 2004, 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.

Tri Village Local School District  
Darke County  
Independent Accountants' Report  
Page 2

The report is intended solely for the information and use of the audit committee, management, Board of Education, and other officials authorized to receive this report under Section 117.26, Ohio Revised Code, and is not intended to be and should not be used by anyone other than these specified parties.

A handwritten signature in black ink that reads "Betty Montgomery". The signature is written in a cursive, flowing style.

**Betty Montgomery**  
Auditor of State

October 8, 2004

TRI VILLAGE LOCAL SCHOOL DISTRICT  
DARKE COUNTY

**COMBINED STATEMENT OF CASH RECEIPTS, DISBURSEMENTS, AND CHANGES IN FUND CASH BALANCES**  
**ALL GOVERNMENTAL AND SIMILAR FIDUCIARY FUND TYPES**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2004**

	Governmental Fund Types				Fiduciary Fund Type	Total (Memorandum Only)
	General Fund	Special Revenue	Debt Service	Capital Projects	Expendable Trusts	
<b>Cash Receipts:</b>						
From local sources:						
Taxes	\$2,261,502	\$32,142	\$445,433			\$2,739,077
Tuition	346,244					346,244
Transportation Fees	90,622					90,622
Earnings on investments	14,145		1,481	\$26,736		42,362
Extracurricular Activities		190,774				190,774
Classroom Materials and Fees	4,484					4,484
Other local revenues	5,646	10,610		64,494	\$1,000	81,750
Intergovernmental - State	3,124,244	45,479	47,399	109,692		3,326,814
Intergovernmental - Federal		214,940				214,940
<b>Total Cash Receipts</b>	<b>5,846,887</b>	<b>493,945</b>	<b>494,313</b>	<b>200,922</b>	<b>1,000</b>	<b>7,037,067</b>
<b>Cash Disbursements:</b>						
Current:						
Instruction:						
Regular	3,043,516	57,557		15,859		3,116,932
Special	416,969	57,074				474,043
Vocational Education	62,279			590		62,869
Other Instruction	18,768					18,768
Support services:						
Pupil	176,323			1,300		177,623
Instructional staff	296,111	130,527				426,638
Board of Education	10,166					10,166
Administration	531,181	21,108				552,289
Fiscal	172,030	695	9,599			182,324
Operations and maintenance	516,826	43,745		44,903		605,474
Pupil transportation	517,656	5,668				523,324
Central	16,454	5,000				21,454
Operation of Non-Instructional Service	15,265	808		17,057		33,130
Extracurricular activities	160,593	214,363			1,000	375,956
Facilities services	5,925			5,303,306		5,309,231
Debt service:						
Repayment of Debt	128,655		487,103			615,758
<b>Total Cash Disbursements</b>	<b>6,088,717</b>	<b>536,545</b>	<b>496,702</b>	<b>5,383,015</b>	<b>1,000</b>	<b>12,505,979</b>
Excess of Cash Receipts Over (Under) Cash Disbursements	(241,830)	(42,600)	(2,389)	(5,182,093)		(5,468,912)
<b>Other Financing Sources (Uses):</b>						
Sale and Loss of Assets	12,155					12,155
Refund of Prior Year Expenditures	60,724	31		4,700		65,455
Refund of Prior Years Receipts	(7,557)	(2,426)				(9,983)
<b>Total Other Financing Sources (Uses)</b>	<b>65,322</b>	<b>(2,395)</b>		<b>4,700</b>		<b>67,627</b>
Excess of Receipts and Other Financing Sources Over (Under) Disbursements and Other Uses	(176,508)	(44,995)	(2,389)	(5,177,393)		(5,401,285)
Fund Cash Balances, July 1 (restated - see note 18)	870,342	218,199	222,142	5,593,738		6,904,421
<b>Fund Cash Balances, June 30</b>	<b>\$693,834</b>	<b>\$173,204</b>	<b>\$219,753</b>	<b>\$416,345</b>	<b>\$0</b>	<b>\$1,503,136</b>
Reserve for Encumbrances, June 30	\$63,491	\$33,102		\$334,992	\$0	\$431,585

The notes to the financial statements are an integral part of this statement.

**TRI VILLAGE LOCAL SCHOOL DISTRICT  
DARKE COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, DISBURSEMENTS,  
AND CHANGES IN FUND CASH BALANCES  
PROPRIETARY AND SIMILAR FIDUCIARY FUND TYPES  
FOR THE FISCAL YEAR ENDED JUNE 30, 2004**

	<u>Proprietary Fund Type</u>	<u>Fiduciary Fund Type</u>	<u>Total (Memorandum Only)</u>
	<u>Enterprise Funds</u>	<u>Agency</u>	
<b>Operating Cash Receipts:</b>			
Tuition and fees	\$53,011		\$53,011
Sales/charges for services	192,971		192,971
Extracurricular Activities		46,062	46,062
<b>Total Operating Cash Receipts</b>	<b>245,982</b>	<b>46,062</b>	<b>292,044</b>
<b>Operating Cash Disbursements:</b>			
Personal services	120,780		120,780
Contract services	2,905		2,905
Materials and supplies	154,110		154,110
Capital Outlay	373		373
Other Expenses		35,682	35,682
<b>Total Operating Cash Disbursements</b>	<b>278,168</b>	<b>35,682</b>	<b>313,850</b>
Operating Receipts Over/(Under)			
Operating Disbursements	(32,186)	10,380	(21,806)
<b>Nonoperating Cash Receipts:</b>			
Federal and State Subsidies	60,115		60,115
Interest revenue	120		120
Miscellaneous		3,912	3,912
Refund of Prior Years Expenditures		36	36
<b>Total Nonoperating Cash Receipts</b>	<b>60,235</b>	<b>3,948</b>	<b>64,183</b>
Operating and Nonoperating Receipts Over/(Under)			
Operating Cash Disbursements	28,049	14,328	42,377
Fund Cash Balances at July 1	18,507	23,573	42,080
<b>Fund Cash Balances at June 30</b>	<b>\$46,556</b>	<b>\$37,901</b>	<b>\$84,457</b>
Reserve for Encumbrances, June 30	\$17,248	\$15,408	\$32,656

*The notes to the financial statements are an integral part of this statement.*



**TRI VILLAGE LOCAL SCHOOL DISTRICT  
DARKE COUNTY**

**COMBINED STATEMENT OF RECEIPTS-BUDGET AND ACTUAL  
FOR THE FISCAL YEAR ENDED JUNE 30, 2004**

Fund Types/Fund	<u>Budget</u>	<u>Actual</u>	<u>Variance Favorable/ (Unfavorable)</u>
<b>Governmental:</b>			
General Fund	\$5,984,058	\$5,919,766	(\$64,292)
Special Revenue Funds	534,417	493,976	(40,441)
Debt Service Funds	493,920	494,313	393
Capital Project Funds	494,186	205,622	(288,564)
<b>Proprietary:</b>			
Enterprise Funds	321,300	306,217	(15,083)
<b>Fiduciary:</b>			
Expendable Trust Funds	1,000	1,000	
Agency Funds	59,280	50,010	(9,270)
Total (Memorandum Only)	<u>\$7,888,161</u>	<u>\$7,470,904</u>	<u>(\$417,257)</u>

*The notes to the financial statements are an integral part of this statement.*

**TRI VILLAGE LOCAL SCHOOL DISTRICT  
DARKE COUNTY**

**COMBINED STATEMENT OF DISBURSEMENTS AND  
ENCUMBRANCES COMPARED WITH EXPENDITURE AUTHORITY  
FOR THE FISCAL YEAR ENDED JUNE 30, 2004**

<b>Fund Types/Fund</b>	<b>Prior Year Carryover Appropriations</b>	<b>2004 Appropriations</b>	<b>Total</b>
<b>Governmental:</b>			
General Fund	\$73,542	\$6,255,638	\$6,329,180
Special Revenue Funds	29,255	629,077	658,332
Debt Service Funds		496,948	496,948
Capital Project Funds	4,476,666	1,322,264	5,798,930
<b>Proprietary:</b>			
Enterprise Funds	3,234	312,590	315,824
<b>Fiduciary:</b>			
Expendable Trust Funds	0	1,000	1,000
Agency Funds	2,075	69,376	71,451
Total (Memorandum Only)	<u>\$4,584,772</u>	<u>\$9,086,893</u>	<u>\$13,671,665</u>

*The notes to the financial statements are an integral part of this statement.*

<u>Actual 2004 Disbursements</u>	<u>Encumbrances Outstanding At June 30, 2004</u>	<u>Total</u>	<u>Variance Favorable/ (Unfavorable)</u>
\$6,096,274	\$63,491	\$6,159,765	\$169,415
538,971	33,102	572,073	86,259
496,702		496,702	246
5,383,015	334,992	5,718,007	80,923
278,168	17,248	295,416	20,408
1,000		1,000	
35,682	15,408	51,090	20,361
<u>\$12,829,812</u>	<u>\$464,241</u>	<u>\$13,294,053</u>	<u>\$377,612</u>

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**TRI VILLAGE LOCAL SCHOOL DISTRICT  
DARKE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2004**

**1. DESCRIPTION OF THE SCHOOL DISTRICT**

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

The School District was established in 1972 through the consolidation of existing land areas and school districts. The School District serves an area of approximately 82 square miles. It is located in Darke County, and includes all of the Village of New Madison and portions of Butler, Harrison, Liberty, Neave and Washington Townships. The School District is staffed by 39 non-certificated employees, 63 certificated full-time teaching personnel and 3 administrative employees who provide services to 781 students and other community members. The School District currently operates one instructional building and one administrative building.

**A. Reporting Entity:**

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

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

The District is associated with three jointly governed organizations, one related organization, and three insurance purchasing pools. These organizations include the Metropolitan Dayton Education Cooperative Association, the Southwestern Ohio Educational Purchasing Council, Southwestern Ohio Instructional Technology Association, New Madison Public Library, Southwestern Ohio Educational Purchasing Council Workers' Compensation Group Rating Plan, Southwestern Ohio Educational Purchasing Council Medical Benefits Plan, and the Ohio School Plan. These organizations are presented in Notes 11, 12, and 13 to the financial statements.

**TRI VILLAGE LOCAL SCHOOL DISTRICT  
DARKE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2004  
(Continued)**

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**A. Basis of Accounting**

The Ohio Administrative Code Section 117-2-03(B), requires the District to prepare and file its financial statements and notes in accordance with generally accepted accounting principles for 2004. However, the District chose to prepare its financial statement and notes in accordance with standards established by the Auditor of State for governmental entities that are not required to prepare annual financial reports in accordance with generally accepted accounting principals. This basis of accounting is similar to the cash receipts and disbursements basis of accounting. Receipts are recognized when received in cash rather than when earned, and disbursements are recognized when paid rather than when a liability is incurred. Budgetary presentations report budgetary expenditures when a commitment is made (i.e., when an encumbrance is approved).

These statements include adequate disclosure of material matters, in accordance with the basis of accounting described in the preceding paragraph.

**B. Fund Accounting**

The District uses funds 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 District functions or activities.

A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts recording receipts and disbursements in accordance with special restrictions or limitations. For financial statement presentation purposes, the various funds of the District are grouped into the following generic fund types under the broad fund categories governmental, proprietary and fiduciary.

**1. Governmental Fund Types:**

Governmental funds are those through which most governmental functions of the District are financed. The following are the District's governmental fund types:

**General Fund** - The General Fund is the operating fund of the 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 District for any purpose provided it is expended or transferred according to the general laws of Ohio.

**Special Revenue Funds** - 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.

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

**TRI VILLAGE LOCAL SCHOOL DISTRICT  
DARKE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2004  
(Continued)**

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**2. Proprietary Fund Type:**

Proprietary funds are used to account for the District's ongoing activities which are similar to those found in the private sector. The following is the District's proprietary fund type:

**Enterprise Funds** - Enterprise funds are used to account for operations that are financed and operated in a manner similar to private business enterprises where the intent is that the costs of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges.

**3. Fiduciary Fund Types:**

Fiduciary funds are used to account for assets held by the District in a trustee capacity or as an agent for individuals, private organizations, other governmental units and/or other funds. The District's fiduciary funds include expendable trust and agency funds. Expendable trust funds are accounted for in essentially the same manner as governmental funds. Agency funds are custodial in nature and do not involve measurement of results of operations.

**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 agency funds, are legally required to be budgeted and appropriated. The primary level of budgetary control is at the object level within each fund and function. Any budgetary modifications at this level may only be made by resolution of the Board of Education.

**1. Tax Budget:**

Prior to January 15, the Superintendent and Treasurer submit to the Board of Education a proposed operating budget for the ensuing fiscal year starting July 1. The budget includes proposed expenditures and the means of financing for all funds. Public hearings are 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 Darke County Budget Commission for rate determination.

**TRI VILLAGE LOCAL SCHOOL DISTRICT  
DARKE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2004  
(Continued)**

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**2. Estimated Resources:**

Prior to 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 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 District Treasurer. The amounts reported in the budgetary statements reflect the amounts in the final amended certificate issued during fiscal year 2004.

**3. 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 must be legally enacted by the Board of Education at the fund, function, and object level of expenditures, which are the legal levels of budgetary 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 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, function, object appropriation in all funds, 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, nine supplemental appropriations were legally enacted; however, none of these amendments were significant.

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 agency funds, consistent with statutory provisions.

**4. 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 in order to reserve that portion of the applicable appropriation and to determine and maintain legal compliance. Expenditures plus encumbrances may not legally exceed appropriations.



**TRI VILLAGE LOCAL SCHOOL DISTRICT  
DARKE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2004  
(Continued)**

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**5. 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.

**D. Cash and Investments**

To improve cash management, all cash received by the District is pooled. Monies for all funds, including enterprise funds and proprietary funds, are maintained in this account or temporarily used to purchase short term investments. Individual fund integrity is maintained through District records.

Investments are stated at cost which approximates market value. Investment earnings are allocated as authorized by State statute based upon District policy.

**E. Property, Plant and Equipment**

Fixed assets acquired or constructed for general governmental service are recorded as expenditures. Depreciation is not recorded for these fixed assets.

**F. Unpaid Vacation and Sick Leave**

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

**G. Interfund Transactions**

Quasi-external transactions are accounted for as revenues and expenditures or expenses. Transactions that constitute reimbursements to a fund for expenditures/expenses initially made from it that are properly applicable to another fund are recorded as expenditures/expenses in the reimbursing fund and as reductions of expenditures/expenses in the fund that is reimbursed.

All other interfund transfers are reported as operating transfers.

**H. Total Columns on the Financial Statements**

Total columns on the financial statements are captioned "Total - (Memorandum Only)" to indicate that they are presented only to facilitate financial analysis. Neither is such data comparable to a consolidation. Interfund eliminations have not been made in the aggregation of this data.

**TRI VILLAGE LOCAL SCHOOL DISTRICT  
DARKE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2004  
(Continued)**

**3. DEPOSITS AND INVESTMENTS**

State statutes classify monies held by the 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 District Treasury, in commercial accounts payable or withdrawal 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 five year period of designation of depositories. Inactive deposits must either be evidenced by certificates of deposit maturing not later than the end of the current period of designation of depositories, or by savings or deposit accounts including, but not limited to, passbook accounts.

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

Protection of District's deposits is provided by the Federal Deposit Insurance Corporation, 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.

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

1. United States Treasury Notes, Bills, Bonds, or other obligation or security issued by the United States Treasury or any other obligation guaranteed as to principal or interest by the United States;
2. Bonds, notes, debentures, or other obligations or securities issued by any federal government agency or instrumentality, including but not limited to, the Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, Government National Mortgage Association, and Student Loan Marketing Association. All federal agency securities shall be direct issuances of the 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; and

**TRI VILLAGE LOCAL SCHOOL DISTRICT  
DARKE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2004  
(Continued)**

**3. DEPOSITS AND INVESTMENTS (Continued)**

6. The State Treasurer's investment pool (STAR Ohio).

Investments in stripped principal or interest obligations, reverse purchase 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 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, if the securities are not represented by a certificate, upon receipt of confirmation 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".

**Cash on Hand:** At fiscal year-end, the School District had \$2,830 in undeposited cash on hand which is included on the financial statements of the School District as part of the fund balances.

**Deposits:** At fiscal year end, the carrying amount of the District's deposits was \$428,686 and the bank balance was \$484,341. Of the bank balance, \$200,000 was covered by federal depository insurance, \$261,435 was covered by specific collateral pledged for the school district, and the remaining \$22,906 was uninsured and uncollateralized. Although the securities serving as collateral were held by the pledging financial institution's trust department in the District's name and all State statutory requirements for the deposit of money had been followed, non-compliance with federal requirements would potentially subject the District to a successful claim by the Federal Deposit Insurance Corporation.

**Investments:** The District's investments are categorized to give an indication of the level of risk assumed by the District at fiscal year end. Category 1 includes investments that are insured or registered or for which the securities are held by the District or its agent in the District's name. Category 2 includes uninsured and unregistered investments which are held by the counterparty's trust department or agent in the 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 District's name. STAR Ohio and the OASBO 2002 National City Investments are unclassified investments since they are not evidenced by securities that exist in physical or book entry form.

The District's investment STAR Ohio, an investment pool operated by the Ohio State Treasurer, is unclassified because the investment is not evidenced by securities that exist in physical or book entry form. The fair value of the STAR Ohio investment as of June 30, 2004, was \$1,117,396 and the fair value of the OASBO 2002 National City Investments as of June 30, 2004 was \$38,681.

**TRI VILLAGE LOCAL SCHOOL DISTRICT  
DARKE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2004  
(Continued)**

**4. PROPERTY TAXES**

Property taxes are levied and assessed on a calendar year basis, while the District operates on a fiscal year from July through June. First half tax collections are received by the District in the second half of the fiscal year. Second half tax distributions occur in the first half of the following year. Property taxes include amounts levied against all real, public utility and tangible personal (used in business) property located in the District. Real property taxes are levied April 1 on the assessed value listed as of the prior January 1, the lien date.

Public utility property taxes attached as a lien on December 31 of the prior fiscal year, were levied April 1 and are collected with real property taxes. Assessed values for real property taxes are established by State law at 35 percent of appraised market value. All property is required to be revalued every six years. Public utility property taxes are assessed on tangible personal property at 88 percent of true value (with certain exceptions) and on real property at 35 percent of true value.

Tangible personal property taxes are levied after April 1 on the value listed as of December 31 of the current year. Tangible personal property assessments are 25 percent of true value. Real property taxes are payable annually or semi-annually. If paid annually, payment is due December 31; if paid semi-annually, the first payment is due December 31 with the remainder payable by June 20. Under certain circumstances, State statute permits earlier or 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 semi-annually. If paid annually, payment is due April 30; if paid semi-annually, the first payment is due April 30, with the remainder payable by September 20. The District receives property taxes from Darke County.

The County Auditor periodically advances to the District its portion of the taxes collected. Second-half real property tax payments collected by the County by June 30, 2004 are available to finance fiscal year 2004 operations. The amount available to be advanced can vary based on the date the tax bills are sent.

The assessed values upon which fiscal year 2004 taxes were collected are:

	<b>2003 Second- Half Collections</b>		<b>2004 First- Half Collections</b>	
	<b>Amount</b>	<b>Percent</b>	<b>Amount</b>	<b>Percent</b>
Agricultural/Residential and Other Real Estate	\$53,081,070	74.64%	\$54,057,990	75.9%
Public Utility Personal Property	15,383,960	21.63%	15,126,080	21.2%
Tangible Personal Property	2,651,710	3.73%	2,022,510	2.9%
<b>Total Assessed Value</b>	<b>\$71,116,740</b>	<b>100.00%</b>	<b>\$71,206,580</b>	<b>100.00%</b>
Tax rate per \$1,000 of assessed valuation	\$32.54		\$35.03	

**TRI VILLAGE LOCAL SCHOOL DISTRICT  
DARKE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2004  
(Continued)**

**5. INCOME TAX**

The District levies a voted tax of one and one-half percent for general operations on the income of residents and of estates. The original one percent tax was effective on January 1, 1991, and is a continuing tax. In May 1999, the voters of the School District approved an increase of one-half percent for a total continuing income tax of one and one-half percent, effective January 1, 2000. Employers of residents are required to withhold income tax on compensation and remit the tax to the State. Taxpayers are required to file an annual return. The State makes quarterly distributions to the District after withholding amounts for administrative fees and estimated refunds. Income tax revenue is credited to the General Fund.

**6. RISK MANAGEMENT**

**A. Property and Liability**

The District is exposed to various risks of loss related to torts; theft or damage to, and destruction of assets; errors and omissions; injuries to employees and natural disasters. During fiscal year 2004, the District contracted with New Madison Insurance Agency (Cincinnati Insurance) for property and R.B. Cox Agency, Inc for fleet coverage and Harcum-Hyre Insurance for liability insurance. Coverage provided is as follows:

Building and Contents - replacement cost (\$1,000 deductible)	\$26,261,118
Crime Insurance (\$0 deductible)	
Employee Dishonesty (8 employees @ \$24,000 each)	24,000
Theft, Disappearance, and Destruction	10,000
Electronic Data Processing (\$1,000 deductible)	79,466
Contractors' Equipment Coverage (tractor and mower)	28,940
Automobile Liability (\$250 deductible)	1,000,000
Uninsured/Underinsured Motorists (\$250 deductible)	1,000,000
Education General Liability:	
Each Occurrence	1,000,000
Personal and Advertising Injury Limit – Each Offense	1,000,000
Fire Damage Limit – Any One Event	500,000
Medical Expense – Any One Person/Each Accident	10,000
General Aggregate Limit	3,000,000
Products – Completed Operations Limit	1,000,000
Employee Benefits Liability:	
Each Offense	1,000,000
Aggregate Limit	3,000,000
Employer's Liability and Stop Gap:	
Each Occurrence	1,000,000
Disease-Each Employee	1,000,000
Errors and Omissions Liability (\$2,500 deductible):	
Per Occurrence	1,000,000
Aggregate Limit	2,000,000
Employment Practices (\$2,500 deductible):	
Each Occurrence	1,000,000
Aggregate Limit	2,000,000
Defense Costs Each Occurrence	1,000,000
Defense Costs Aggregate Limit	1,000,000

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

**TRI VILLAGE LOCAL SCHOOL DISTRICT  
DARKE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2004  
(Continued)**

**6. RISK MANAGEMENT (Continued)**

**B. Workers' Compensation**

For fiscal year 2004, the School District participated in the Southwestern Ohio Educational Purchasing Council Workers' Compensation Group Rating Plan (GRP), a workers' compensation insurance purchasing pool (Note 13). 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 Integrated Comp, Inc. provides administrative, cost control, and actuarial services to the GRP.

**C. Medical Benefits**

For fiscal year 2004, the School District participated in the Southwestern Ohio Educational Purchasing Council Medical Benefits Plan (MBP), an insurance purchasing pool (Note 13). The intent of the MBP is to achieve the benefit of reduced health insurance premiums for the School District by virtue of its grouping and representation with other participants in the MBP. The health insurance experience of the participating school districts is calculated and a premium rate is applied to all school districts in the MBP. Each participant pays its health insurance premiums to the Southwestern Ohio Educational Purchasing Council Medical Benefits Plan. Participation in the MBP is limited to school districts that can meet the MBP's selection criteria.

**7. DEFINED BENEFIT PENSION PLANS**

**A. School Employees Retirement System**

The District contributes to the School Employees Retirement System (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, 300 East Broad Street, Suite 100, Columbus, Ohio 43215-3476.

Plan members are required to contribute 9 percent of their annual covered salary and the District is required to contribute at an actuarially determined rate. The current school district rate is 14 percent of annual covered payroll. The contribution requirements of plan members and employers are established and may be amended, up to the statutory maximum amounts, by the SERS' Retirement Board. The District's required contributions for pension obligations to SERS for the fiscal years ended June 30, 2004, 2003 and 2002 were \$93,236, \$86,434 and \$54,875 respectively; 54% has been contributed for fiscal year 2004 and 100% percent has been contributed for fiscal years 2003, and 2002.

**TRI VILLAGE LOCAL SCHOOL DISTRICT  
DARKE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2004  
(Continued)**

**7. DEFINED BENEFIT PENSION PLANS (Continued)**

**B. State Teachers Retirement System**

The District participates in the State Teachers Retirement System of Ohio (STRS Ohio), a cost-sharing, multiple-employer public employee retirement system. STRS Ohio provides retirement and disability benefits to members and death and survivor benefits to beneficiaries. STRS Ohio issues a stand-alone financial report that may be obtained by writing to STRS Ohio, 275 E. Broad St., Columbus, OH 43215-3371 or by calling (614) 227-4090.

New members have a choice of three retirement plans, a Defined Benefit (DB) Plan, a Defined Contribution (DC) Plan and a Combined Plan. The DB plan offers an annual retirement allowance based on final average salary times a percentage that varies based on years of service, or an allowance based on member contributions and earned interest matched by STRS Ohio funds times an actuarially determined annuity factor. The DC Plan allows members to place all their member contributions and employer contributions equal to 10.5% of earned compensation into an investment account. Investment decisions are made by the member. A member is eligible to receive a retirement benefit at age 50 and termination of employment. The Combined Plan offers features of both the DC Plan and the DB Plan. In the Combined Plan, member contributions are invested by the member, and employer contributions are used to fund the defined benefit payment at a reduced level from the regular DB Plan. DC and Combined Plan members will transfer to the Defined Benefit Plan during their fifth year of membership unless they permanently select the DC or Combined Plan. Existing members with less than five years of service credit as of June 30, 2001, were given the option of making a one time irrevocable decision to transfer their account balances from the existing DB Plan into the DC Plan or the Combined Plan. This option expired on December 31, 2001. Benefits are established by Chapter 3307 of the Ohio Revised Code.

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

For the fiscal year ended June 30, 2004, plan members were required to contribute 9.3 percent of their annual covered salaries. The District was required to contribute 14 percent; 13 percent was the portion used to fund pension obligations. Contribution rates are established by the State Teachers Retirement Board, upon recommendations of its consulting actuary, not to exceed statutory maximum rates of 10% for members and 14% for employers. Chapter 3307 of the Ohio Revised Code provides statutory authority for member and employer contributions.

The District's required contributions for pension obligations for the fiscal years ended June 30, 2004, 2003, and 2002 were \$393,846, \$371,240, and \$247,478 respectively; 84 percent has been contributed for fiscal year 2004 and 100 percent for fiscal years 2003, and 2002.

**C. Social Security System**

Effective July 1, 1991, all employees not otherwise covered by the School Employees Retirement System or the State Teachers Retirement System of Ohio have an option to choose Social Security or the School Employees Retirement System. As of June 30, 2004, one member of the Board of Education has elected Social Security. The Board's liability is 6.2 percent of wages paid. The remaining members of the board have elected SERS.

**TRI VILLAGE LOCAL SCHOOL DISTRICT  
DARKE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2004  
(Continued)**

**8. POST EMPLOYMENT BENEFITS**

The 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 funded on a pay-as-you-go basis.

The State Teachers Retirement 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 shall be included in the employer contribution rate, currently 14 percent of covered payroll. For fiscal year 2004, the Board allocated employer contributions equal to 1 percent of covered payroll to the Health Care Reserve Fund. For the District, this amount equaled \$30,296.

STRS pays health care benefits from the Health Care Reserve Fund. The balance in the Fund was \$2.8 million at June 30, 2003 (the latest information available). For the fiscal year ended June 30, 2003, net health care costs paid by STRS were \$352,301,000, and STRS had \$108,294 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 fiscal 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.

For the fiscal year ended June 30, 2004, employer contributions to fund health care benefits were 5.83 percent of covered payroll. 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 2004, the minimum pay was established at \$14,500. For the District, the amount to fund health care benefits, including the surcharge, was \$85,149 for fiscal year 2004.

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 annual health care expenses. Expenses for health care for the fiscal year ended June 30, 2003 (the latest information available), were \$204,930,737, and the target level was \$307.4 million. At June 30, 2003, SERS had net assets available for payment of health care benefits of \$303.6 million. SERS has approximately 50,000 participants currently receiving health care benefits.

**9. CAPITAL LEASES**

During fiscal year 2003, the District entered into a lease-purchase agreement for the renovation and construction of additions to the high school that began in fiscal year 2004. The School District is leasing the project additions from the Columbus Regional Airport Authority. The Columbus Regional Airport Authority assigned National City Bank as trustee, transferring rights, title, and interest in the project to the trustee.



**TRI VILLAGE LOCAL SCHOOL DISTRICT  
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**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2004  
(Continued)**

**9. CAPITAL LEASES (Continued)**

During fiscal year 2002, the School District entered into a lease-purchase agreement for the renovation and construction of additions to the high school. The School District is leasing the project site from Rickenbacker Port Authority. Rickenbacker Port Authority assigned National City Bank as trustee, transferring rights, title, and interest in the project to the trustee. The School District is acting as an agent for the lessor and is constructing the facilities and improvements from the proceeds provided by the lessor for both of the above leases. As part of the agreements, National City Bank deposited \$1,221,000 and \$630,000, respectively, with a fiscal agent for the renovation and construction project. National City Bank has sold certificates of participation in the building lease. The School District will make semi-annual lease payments to National City Bank for both of the above leases. The leases are renewable annually and expire in fiscal year 2032. The intention of the School District is to renew the leases annually.

Each lease meets the criteria of a capital lease as defined by Statement of Financial Accounting Standards No. 13, "Accounting for Leases," which defines a capital lease generally as one which transfers benefits and risks of ownership to the lessee. Capital lease payments have been classified as debt service expenditures in the financial statements in the General Fund. These expenditures amounted to \$128,655 on the financial statements. The first principal payment on this lease was made in fiscal year 2003. This payment, along with the interest and fiscal charges, are reported as debt service expenditures.

The following is a schedule of the future long-term minimum lease payments required under the capital leases and the present value of the minimum lease payments as of June 30, 2004:

<u>Fiscal Year Ending June 30,</u>	<u>Total</u>
2005	\$ 128,809
2006	128,186
2007	128,379
2008	128,584
2009	127,423
2010-2014	636,830
2015-2019	629,258
2020-2024	619,265
2025-2029	608,040
2030-2032	<u>357,820</u>
Total	\$3,492,594
Less: Amount Representing Interest	<u>(1,689,594)</u>
Present Value of Minimum Lease Payments	<u>\$1,803,000</u>

**TRI VILLAGE LOCAL SCHOOL DISTRICT  
DARKE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2004  
(Continued)**

**10. LONG TERM OBLIGATIONS**

The changes in the District's long-term obligations during fiscal year 2004 were as follows:

	<b>Principal Outstanding 6/30/03</b>	<b>Additions</b>	<b>Deductions</b>	<b>Principal Outstanding 6/30/04</b>
School Improvement Bonds 1988 7.25%	\$350,000		\$40,000	\$310,000
School Improvement Bonds, 2001 4.30% - 5.25%:	<u>5,475,000</u>		<u>160,000</u>	<u>5,315,000</u>
Total General Long-Term Obligations	<u>\$5,825,000</u>		<u>\$200,000</u>	<u>\$5,625,000</u>

School Improvement Bonds were issued February 1, 1988, in the amount of \$910,000, for the purpose of school improvements. The bonds will mature December 1, 2010, and will be retired from the Bond Retirement Debt Service Fund.

The School Facilities Construction and Improvement Bonds were issued April 10, 2001, for the purpose of constructing additions to and renovating and improving the existing junior-senior high school to house grades K-12, including multi-purpose facilities for school and community use, along with health and safety upgrades and improving access for the disabled. The original bond issue was for \$5,710,000. The bonds will mature December 1, 2023, and will be retired from the Bond Retirement Debt Service Fund.

The School District's overall legal debt margin was \$1,003,345 and the unvoted debt margin was \$71,207 at June 30, 2004. Principal and interest requirements to retire general obligation debt at June 30, 2004, are as follows:

<b>Fiscal Year Ending June 30,</b>	<b>Principal</b>	<b>Interest</b>	<b>Total</b>
2005	\$ 205,000	\$ 277,688	\$ 482,688
2006	220,000	268,103	488,103
2007	225,000	257,871	482,871
2008	235,000	247,114	482,114
2009	240,000	235,861	475,861
2010-2014	1,205,000	1,000,368	2,205,368
2015-2019	1,450,000	653,919	2,103,919
2020-2024	<u>1,845,000</u>	<u>243,171</u>	<u>2,088,171</u>
Total	<u>\$5,625,000</u>	<u>\$3,184,095</u>	<u>\$8,809,095</u>

**11. JOINTLY GOVERNED ORGANIZATIONS**

**Metropolitan Dayton Educational Cooperative Association** - The District is a participant in the Metropolitan Dayton Educational Cooperative Association (MDECA), which is a computer consortium. MDECA is an association of public Districts within the boundaries of Montgomery, Miami, and Darke Counties and the Cities of Dayton, Troy, and Greenville. The organization was formed for the purpose of applying modern technology with the aid of computers and other electronic equipment to administrative and instructional functions among member Districts.

**TRI VILLAGE LOCAL SCHOOL DISTRICT  
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**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2004  
(Continued)**

**11. JOINTLY GOVERNED ORGANIZATIONS (Continued)**

The governing board of MDECA consists of seven Superintendents of member school districts, with six of the Superintendents elected by majority vote of all member school districts except Montgomery County Educational Service Center. The seventh Superintendent is from the Montgomery County Educational Service Center. The School District paid MDECA \$30,598 for services provided during the fiscal year. Financial information can be obtained from Jerry Woodyard, who serves as Director, at 225 Linwood Street, Dayton, Ohio 45405.

**Southwestern Ohio Educational Purchasing Council** -The School District participates in the Southwestern Ohio Educational Purchasing Council (SOEPC), a purchasing council made up of nearly 100 school districts in 12 counties. 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, of other assessments as established by the SOEPC. Each member district has one voting representative. Title to any and all equipment, furniture and supplies purchased by the SOEPC is held in trust for the member districts. Any district withdrawing from the SOEPC forfeits its claim to any and all SOEPC assets. One year prior notice is necessary for withdrawal from the group. During this time, the withdrawing member is liable for all member obligations during this one year period. Payments to SOEPC are made from the General Fund. During fiscal year 2004, the School District paid \$42,269 to SOEPC. To obtain financial information, write to the Southwestern Ohio Educational Purchasing Council, Ken Swink, who serves as Director, at 1831 Harshman Road, Dayton, Ohio 45424.

**Southwest 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 with the counties, i.e., Auglaize, Butler, Champaign, Clark, Clinton, Darke, Fayette, Greene, Hamilton, Logan, Mercer, Miami, Montgomery, Preble, Shelby, and Warren. Montgomery, Greene and Butler Counties elect two representatives per area. All others elect one representative per area. One at-large non-public representative is elected by the non-public school SOITA members in the State-assigned SOITA service area. One at-large higher education representative is elected by higher education SOITA members from within the State-assigned SOITA service area. All member districts are obligated to pay all fees, charges, or other assessments as established by 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 2004, the School District paid \$1,538 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.

**12. RELATED ORGANIZATION**

**New Madison Public Library** – The New Madison Public Library is a distinct political subdivision of the State of Ohio created under Chapter 3375 of the Ohio Revised Code. The Library is governed by a Board of Trustees appointed by the Tri Village School District Board of Education. The Board of Trustees possesses its own contracting and budgeting authority, hires and fires personnel and does not depend on the School District for operational subsidies. Although the School District does serve as the taxing authority and may issue tax related debt on behalf of the Library, its role is limited to a ministerial function. The determination to request approval of a tax, the rate, and the purpose are discretionary decisions made solely by the Board of Trustees. Financial information can be obtained from the New Madison Public Library, Kathryn Williams, Clerk/Treasurer, at 142 South Main, New Madison, Ohio 45346-0032.

**TRI VILLAGE LOCAL SCHOOL DISTRICT  
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**NOTES TO THE FINANCIAL STATEMENTS  
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(Continued)**

**13. INSURANCE PURCHASING POOLS**

**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 an eleven 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 fiscal year, the participating school districts pay an enrollment fee to the GRP to cover the costs of administering the program.

**Southwestern Ohio Educational Purchasing Council Medical Benefits Plan** - The School District participates in the Southwestern Ohio Educational Purchasing Council Medical Benefits Plan (MBP). The MBP's business and affairs are conducted by an eleven member committee consisting of various MBP 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 MBP to cover the costs of administering the program.

**Ohio School Plan** - The School District participates in the Ohio School Plan (OSP), an insurance purchasing pool. The School Plan (OSP) is created and organized pursuant to and as authorized by Section 2744.081 of the Ohio Revised Code. The OSP is an unincorporated, non-profit association of its members and an instrumentality for each member for the purpose of enabling members of the Plan to provide for a formalized, joint insurance purchasing program to maintain adequate insurance protection, risk management programs and other administrative services. The OSP's business and affairs are conducted by a fifteen member Board of Directors consisting of school district superintendent and treasurers, as well as the president of Harcum-Hyre Insurance Agency, Inc. and a partner of the Hylent Group, Inc. Hylent Group, Inc. is the Administrator of the OSP and is responsible for processing claims. Harcum-Hyre Insurance Agency, Inc. is the sales and marketing representative, which establishes agreements between OSP and member schools.

**14. STATE SCHOOL FUNDING DECISION**

On December 11, 2002, the Ohio Supreme Court issued its latest opinion regarding the State's school funding plan. The decision reaffirmed earlier decisions that Ohio's current school-funding plan is unconstitutional. The Supreme Court relinquished jurisdiction over the case and directed "...the Ohio General Assembly to enact a school-funding scheme that is thorough and efficient...".

The District is currently unable to determine what effect, if any, this decision will have on its future State funding and on its financial operations.

**15. SET ASIDE DISCLOSURE**

The School District is required to State statute to annually set aside in the General Fund an amount based on a statutory formula for the acquisition and construction of capital improvements and an equal amount for the purchase of textbooks and other instructional materials. Amounts not spent by fiscal year-end or offset by similarly restricted resources received during the fiscal year must be held in cash at fiscal year-end and carried forward to be used for the same purposes in future fiscal years. The amount reserved for budget stabilization represents refunds received from the Bureau of Workers' Compensation. Based on legislative changes, this is the only money still required to be set aside for this purpose.

**TRI VILLAGE LOCAL SCHOOL DISTRICT  
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**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2004  
(Continued)**

**15. SET ASIDE DISCLOSURE (Continued)**

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

	<b>Budget Stabilization</b>	<b>Textbooks</b>	<b>Capital Acquisition</b>
Set-aside Cash Balance as of June 30, 2003	\$ 21,013	\$(65,420)	(\$7,986,745)
Current Year Set-aside Requirement		103,016	103,016
Current Year Offsets		(1,122)	(530,179)
Qualifying Disbursements		(127,424)	(50,993)
Total	<u>\$ 21,013</u>	<u>\$(90,950)</u>	<u>(\$8,464,901)</u>
Total Set Aside Carried Forward to Future Fiscal Years	<u>\$ 21,013</u>	<u>\$(90,950)</u>	<u>\$(8,413,908)</u>

The District had offsets and qualifying disbursements during the year that reduced the capital acquisition and textbook during the fiscal year that reduced the set-aside amounts below zero. These extra amounts may be used to reduce the set aside requirement of future fiscal years. Although the School District had qualifying disbursements during the fiscal year that reduced the set aside amount below zero for the capital improvement set aside, the negative amount can only be carried forward to the extent of proceeds from capital lease, Classroom Facilities Special Revenue Fund receipts, and Bond Retirement Debt Service Fund and Capital Improvement Fund property tax receipts.

**16. SIGNIFICANT CONTRACTUAL COMMITMENTS**

As of June 30, 2004, the School District had contractual purchase commitments as follows:

<b>Company</b>	<b>Project</b>	<b>Contract Amount</b>	<b>Amount Expended</b>	<b>Balance at 6/30/04</b>
Fanning Howey Associates	Architectural Fees	\$911,948	\$889,698	\$22,250
Black & White Tech	Electrical Contract	1,259,395	1,248,514	10,881
Elements IV Interiors	Loose Furnishings	218,679	216,357	2,322
GM Mechanical	HVAC/Plumbing	2,305,665	2,228,015	77,650
Layer Three Electronics	Tech Data Network	33,148	29,986	3,162
Ohio Valley Integration	Technology	186,983	183,637	3,346
Virtual Public Networking	Tech Phone System	15,280	14,554	726
VSC, Inc	Tech Audio Visual	177,519	162,761	14,758
C & T Design & Equip.	Food Service	372,730	365,816	6,914
Cincy Fire Protection	Fire Protection	144,400	135,223	9,177
George Igel & Company	Site Work	2,189,261	2,118,666	70,595
Peterson Construction	General Trades	7,723,540	7,634,643	88,897
Tom Sexton & Assoc	Loose Furnishings	144,185	119,746	24,439
Steve R. Rauch	Demo of Hollansburg	112,000	96,768	15,232
Total		<u>\$15,794,733</u>	<u>\$15,444,384</u>	<u>\$350,349</u>

**TRI VILLAGE LOCAL SCHOOL DISTRICT  
DARKE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2004  
(Continued)**

**17. CONTINGENCIES**

**Grants**

The District received financial assistance from federal and state agencies in the form of grants. The expenditure of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and is subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the General Fund or other applicable funds. However, in the opinion of management, any such disallowed claims will not have a material adverse effect on the overall financial position of the District at June 30, 2004.

**Litigation**

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

**18. RESTATEMENT OF FUND BALANCE**

The Uniform School Accounting System reclassified the Video Distance Fund from a capital projects fund to a special revenue fund for fiscal year 2004 to properly reflect the current activity of that fund. The reclassification of the fund caused the following restatement of the beginning fund balances for both fund types as of July 1, 2003:

Fund Type	Balance June 30, 2003	Restated Balance July 1, 2003
Special Revenue	\$208,297	\$218,199
Capital Projects	5,603,638	5,593,738

TRI VILLAGE LOCAL SCHOOL DISTRICT  
DARKE COUNTY

**COMBINED STATEMENT OF CASH RECEIPTS, DISBURSEMENTS, AND CHANGES IN FUND CASH BALANCES  
ALL GOVERNMENTAL FUND TYPES  
FOR THE FISCAL YEAR ENDED JUNE 30, 2003**

	Governmental Fund Types				Total (Memorandum Only)
	General Fund	Special Revenue	Debt Service	Capital Projects	
<b>Cash Receipts:</b>					
From local sources:					
Taxes	\$2,271,617	\$31,691	\$440,782		\$2,744,090
Tuition	249,719				249,719
Transportation Fees	72,914				72,914
Earnings on investments	37,047		1,674	\$152,889	191,610
Extracurricular Activities		186,369			186,369
Classroom Materials and Fees	500				500
Other local revenues	3,886	11,156		39,279	54,321
Intergovernmental - State	2,977,294	36,879	46,924	1,317,071	4,378,168
Intergovernmental - Federal		195,137			195,137
<b>Total Cash Receipts</b>	<b>5,612,977</b>	<b>461,232</b>	<b>489,380</b>	<b>1,509,239</b>	<b>8,072,828</b>
<b>Cash Disbursements:</b>					
Current:					
Instruction:					
Regular	2,903,036	44,933		25,168	2,973,137
Special	442,100	51,317			493,417
Other					0
Vocational Education	55,394				55,394
Other Instruction	19,593				19,593
Support services:					
Pupil	221,798				221,798
Instructional staff	312,092	102,124			414,216
Board of Education	7,679				7,679
Administration	488,541	19,276			507,817
Fiscal	175,373	664	9,242		185,279
Operations and maintenance	368,070			64,078	432,148
Pupil transportation	541,785	5,557			547,342
Central	15,957	12,000			27,957
Operation of Non-Instructional Service	11,375	2,113			13,488
Extracurricular activities	136,159	177,200			313,359
Facilities services	32,497			9,541,837	9,574,334
Debt service:					
Repayment of Debt	70,514		485,390	22,994	578,898
<b>Total Cash Disbursements</b>	<b>5,801,963</b>	<b>415,184</b>	<b>494,632</b>	<b>9,654,077</b>	<b>16,365,856</b>
Excess of Cash Receipts Over (Under) Cash Disbursements	(188,986)	46,048	(5,252)	(8,144,838)	(8,293,028)
<b>Other Financing Sources (Uses):</b>					
Sale of Bond				619,000	619,000
Sale and Loss of Assets	17,052	470			17,522
Refund of Prior Year Expenditures	20,545				20,545
Refund of Prior Years Receipts	(7,307)	(1,508)			(8,815)
<b>Total Other Financing Sources (Uses)</b>	<b>30,290</b>	<b>(1,038)</b>	<b>0</b>	<b>619,000</b>	<b>648,252</b>
Excess of Receipts and Other Financing Sources Over (Under) Disbursements and Other Uses	(158,696)	45,010	(5,252)	(7,525,838)	(7,644,776)
Fund Cash Balances, July 1 (Restated see Note 3)	1,029,038	163,287	227,394	13,129,476	14,549,195
<b>Fund Cash Balances, June 30</b>	<b>\$870,342</b>	<b>\$208,297</b>	<b>\$222,142</b>	<b>\$5,603,638</b>	<b>\$6,904,419</b>
Reserve for Encumbrances, June 30	\$73,542	\$29,255	\$0	\$4,476,666	\$4,579,463

The notes to the financial statements are an integral part of this statement.

**TRI VILLAGE LOCAL SCHOOL DISTRICT  
DARKE COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, DISBURSEMENTS,  
AND CHANGES IN FUND CASH BALANCES  
PROPRIETARY AND SIMILAR FIDUCIARY FUND TYPES  
FOR THE FISCAL YEAR ENDED JUNE 30, 2003**

	<u>Proprietary Fund Type</u>	<u>Fiduciary Fund Type</u>	<u>Total (Memorandum Only)</u>
	<u>Enterprise Funds</u>	<u>Agency</u>	
<b>Operating Cash Receipts:</b>			
Tuition and fees	\$46,155		\$46,155
Sales/charges for services	137,908		137,908
Extracurricular Activities		\$56,551	56,551
<b>Total Operating Cash Receipts</b>	<b>184,063</b>	<b>56,551</b>	<b>240,614</b>
<b>Operating Cash Disbursements:</b>			
Personal services	105,652		105,652
Contract services	23,698		23,698
Materials and supplies	120,792		120,792
Capital Outlay	685		685
Other Expenses		58,456	58,456
<b>Total Operating Cash Disbursements</b>	<b>250,827</b>	<b>58,456</b>	<b>309,283</b>
Operating Receipts Over/(Under)			
Operating Disbursements	(66,764)	(1,905)	(68,669)
<b>Nonoperating Cash Receipts:</b>			
Federal and State Subsidies	65,185		65,185
Interest revenue	4		4
Miscellaneous		1,427	1,427
Refund of Prior Years Expenditures		76	76
<b>Total Nonoperating Cash Receipts</b>	<b>65,189</b>	<b>1,503</b>	<b>66,692</b>
<b>Nonoperating Cash Disbursements:</b>			
Refund of Prior Years Receipts		(1,281)	(1,281)
Operating and Nonoperating Receipts Over/(Under)			
Operating and Nonoperating Cash Disbursements	(1,575)	(1,683)	(3,258)
Fund Cash Balances at July 1 (Restated see Note 3)	20,082	25,256	45,338
<b>Fund Cash Balances at June 30</b>	<b>\$18,507</b>	<b>\$23,573</b>	<b>\$42,080</b>
Reserve for Encumbrances, June 30	\$3,234	\$2,075	\$5,309

*The notes to the financial statements are an integral part of this statement.*



**TRI VILLAGE LOCAL SCHOOL DISTRICT  
DARKE COUNTY**

**COMBINED STATEMENT OF RECEIPTS-BUDGET AND ACTUAL  
FOR THE FISCAL YEAR ENDED JUNE 30, 2003**

<b>Fund Types/Fund</b>	<b><u>Budget</u></b>	<b><u>Actual</u></b>	<b><u>Variance Favorable/ (Unfavorable)</u></b>
<b>Governmental:</b>			
General Fund	\$5,739,149	\$5,650,574	(\$88,575)
Special Revenue Funds	494,924	461,702	(33,222)
Debt Service Funds	513,800	489,380	(24,420)
Capital Project Funds	2,286,485	2,128,239	(158,246)
<b>Proprietary:</b>			
Enterprise Funds	251,400	249,252	(2,148)
<b>Fiduciary:</b>			
Agency Funds	<u>58,400</u>	<u>58,054</u>	<u>(346)</u>
Total (Memorandum Only)	<u><u>\$9,344,158</u></u>	<u><u>\$9,037,201</u></u>	<u><u>(\$306,957)</u></u>

*The notes to the financial statements are an integral part of this statement.*

**TRI VILLAGE LOCAL SCHOOL DISTRICT  
DARKE COUNTY**

**COMBINED STATEMENT OF DISBURSEMENTS AND  
ENCUMBRANCES COMPARED WITH EXPENDITURE AUTHORITY  
FOR THE FISCAL YEAR ENDED JUNE 30, 2003**

<b>Fund Types/Fund</b>	<b>Prior Year Carryover <u>Appropriations</u></b>	<b>2003 <u>Appropriations</u></b>	<b><u>Total</u></b>
<b>Governmental:</b>			
General Fund	\$123,967	\$6,103,086	\$6,227,053
Special Revenue Funds	18,337	497,456	515,793
Debt Service Funds		506,910	506,910
Capital Project Funds	3,070,818	11,271,527	14,342,345
<b>Proprietary:</b>			
Enterprise Funds		267,281	267,281
<b>Fiduciary:</b>			
Agency Funds	<u>3,102</u>	<u>69,951</u>	<u>73,053</u>
Total (Memorandum Only)	<u><u>\$3,216,224</u></u>	<u><u>\$18,716,211</u></u>	<u><u>\$21,932,435</u></u>

*The notes to the financial statements are an integral part of this statement.*

<u>Actual 2003 Disbursements</u>	<u>Encumbrances Outstanding At June 30, 2003</u>	<u>Total</u>	<u>Variance Favorable/ (Unfavorable)</u>
\$5,809,270	\$73,542	\$5,882,812	\$344,241
416,692	29,255	445,947	69,846
494,632		494,632	12,278
9,654,077	4,476,666	14,130,743	211,602
250,827	3,234	254,061	13,220
59,737	2,045	61,782	11,271
<u>\$16,685,235</u>	<u>\$4,584,742</u>	<u>\$21,269,977</u>	<u>\$662,458</u>

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**TRI VILLAGE LOCAL SCHOOL DISTRICT  
DARKE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2003**

**1. DESCRIPTION OF THE SCHOOL DISTRICT**

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

The School District was established in 1972 through the consolidation of existing land areas and school districts. The School District serves an area of approximately 82 square miles. It is located in Darke County, and includes all of the Village of New Madison and portions of Butler, Harrison, Liberty, Neave and Washington Townships. The School District is staffed by 41 non-certificated employees, 61 certificated full-time teaching personnel and 3 administrative employees who provide services to 771 students and other community members. The School District currently operates two instructional building and one administrative building.

**A. Reporting Entity:**

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

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

The District is associated with three jointly governed organizations, one related organization, and three insurance purchasing pools. These organizations include the Metropolitan Dayton Education Cooperative Association, the Southwestern Ohio Educational Purchasing Council, Southwestern Ohio Instructional Technology Association, New Madison Public Library, Southwestern Ohio Educational Purchasing Council Workers' Compensation Group Rating Plan, Southwestern Ohio Educational Purchasing Council Medical Benefits Plan, and the Ohio School Plan. These organizations are presented in Notes 12, 13, and 14 to the financial statements.

**TRI VILLAGE LOCAL SCHOOL DISTRICT  
DARKE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2003  
(Continued)**

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**A. Basis of Accounting**

As required by Ohio Administrative Code Section 117-2-03(B), the District prepared and filed its financial statements and notes in accordance with generally accepted accounting principles for 2003. However, the District chose to prepare (for audit purposes) its financial statement and notes in accordance with standards established by the Auditor of State for governmental entities that are not required to prepare annual financial reports in accordance with generally accepted accounting principals. This basis of accounting is similar to the cash receipts and disbursements basis of accounting. Receipts are recognized when received in cash rather than when earned, and disbursements are recognized when paid rather than when a liability is incurred. Budgetary presentations report budgetary expenditures when a commitment is made (i.e., when an encumbrance is approved).

These statements include adequate disclosure of material matters, in accordance with the basis of accounting described in the preceding paragraph.

**B. Fund Accounting**

The District uses funds 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 District functions or activities.

A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts recording receipts and disbursements in accordance with special restrictions or limitations. For financial statement presentation purposes, the various funds of the District are grouped into the following generic fund types under the broad fund categories governmental, proprietary and fiduciary.

**1. Governmental Fund Types:**

Governmental funds are those through which most governmental functions of the District are financed. The following are the District's governmental fund types:

**General Fund** - The General Fund is the operating fund of the 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 District for any purpose provided it is expended or transferred according to the general laws of Ohio.

**Special Revenue Funds** - 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.

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

**TRI VILLAGE LOCAL SCHOOL DISTRICT  
DARKE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2003  
(Continued)**

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**2. Proprietary Fund Type:**

Proprietary funds are used to account for the District's ongoing activities which are similar to those found in the private sector. The following is the District's proprietary fund type:

**Enterprise Funds** - Enterprise funds are used to account for operations that are financed and operated in a manner similar to private business enterprises where the intent is that the costs of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges.

**3. Fiduciary Fund Types:**

Fiduciary funds are used to account for assets held by the District in a trustee capacity or as an agent for individuals, private organizations, other governmental units and/or other funds. The District's fiduciary funds include expendable trust and agency funds. Expendable trust funds are accounted for in essentially the same manner as governmental funds. Agency funds are custodial in nature and do not involve measurement of results of operations.

**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 agency funds, are legally required to be budgeted and appropriated. The primary level of budgetary control is at the object level within each fund and function. Any budgetary modifications at this level may only be made by resolution of the Board of Education.

**1. Tax Budget:**

Prior to January 15, the Superintendent and Treasurer submit to the Board of Education a proposed operating budget for the ensuing fiscal year starting July 1. The budget includes proposed expenditures and the means of financing for all funds. Public hearings are 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 Darke County Budget Commission for rate determination.

**2. Estimated Resources:**

Prior to 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.

**TRI VILLAGE LOCAL SCHOOL DISTRICT  
DARKE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2003  
(Continued)**

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

Prior to June 30, the 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 District Treasurer. The amounts reported in the budgetary statements reflect the amounts in the final amended certificate issued during fiscal year 2003.

**3. 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 must be legally enacted by the Board of Education at the fund, function, and object level of expenditures, which are the legal levels of budgetary 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 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, function, object appropriation in all funds, 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, nine supplemental appropriations were legally enacted; however, none of these amendments were significant.

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 agency funds, consistent with statutory provisions.

**4. 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 in order to reserve that portion of the applicable appropriation and to determine and maintain legal compliance. Expenditures plus encumbrances may not legally exceed appropriations.

**5. 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.



**TRI VILLAGE LOCAL SCHOOL DISTRICT  
DARKE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2003  
(Continued)**

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**D. Cash and Investments**

To improve cash management, all cash received by the District is pooled. Monies for all funds, including enterprise funds and proprietary funds, are maintained in this account or temporarily used to purchase short term investments. Individual fund integrity is maintained through District records.

Investments are stated at cost which approximates market value. Investment earnings are allocated as authorized by State statute based upon District policy.

**E. Property, Plant and Equipment**

Fixed assets acquired or constructed for general governmental service are recorded as expenditures. Depreciation is not recorded for these fixed assets.

**F. Unpaid Vacation and Sick Leave**

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

**G. Interfund Transactions**

Quasi-external transactions are accounted for as revenues and expenditures or expenses. Transactions that constitute reimbursements to a fund for expenditures/expenses initially made from it that are properly applicable to another fund are recorded as expenditures/expenses in the reimbursing fund and as reductions of expenditures/expenses in the fund that is reimbursed.

All other interfund transfers are reported as operating transfers.

**H. Total Columns on the Financial Statements**

Total columns on the financial statements are captioned "Total - (Memorandum Only)" to indicate that they are presented only to facilitate financial analysis. Neither is such data comparable to a consolidation. Interfund eliminations have not been made in the aggregation of this data.

**3. CHANGE IN BASIS OF ACCOUNTING AND RESTATEMENT OF FUND BALANCES**

For fiscal year 2003, the District changes its method of accounting for financial reporting from accounting principles generally accepted in the United States of America to a basis of accounting formerly prescribed or permitted for school districts by the Auditor of State. This comprehensive basis of accounting is similar to the cash receipts and disbursements basis of accounting. Receipts are recognized when received in cash rather than when earned, and disbursements are recognized when paid rather than when a liability is incurred. This change has the following effect on fund balances as previously reported:

**TRI VILLAGE LOCAL SCHOOL DISTRICT  
DARKE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2003  
(Continued)**

**3. CHANGE IN BASIS OF ACCOUNTING AND RESTATEMENT OF FUND BALANCES  
(Continued)**

<u>Fund</u>	<u>Fund Balance/ Retained Earnings, June 30, 2002</u>	<u>Accrual Adjustments</u>	<u>Restated Fund Balance July 1, 2002</u>
General	\$913,703	\$115,335	\$1,029,038
Special Revenue	158,221	5,066	163,287
Debt Service	262,109	(34,715)	227,394
Capital Projects	12,296,848	832,628	13,129,476
Enterprise	26,284	(6,202)	20,082
Agency	25,256	0	25,256
<b>Total</b>	<b>\$13,682,421</b>	<b>\$912,112</b>	<b>\$14,594,533</b>

**4. DEPOSITS AND INVESTMENTS**

State statutes classify monies held by the 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 District Treasury, in commercial accounts payable or withdrawal 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 five year period of designation of depositories. Inactive deposits must either be evidenced by certificates of deposit maturing not later than the end of the current period of designation of depositories, or by savings or deposit accounts including, but not limited to, passbook accounts.

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

Protection of District's deposits is provided by the Federal Deposit Insurance Corporation, 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.

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

1. United States Treasury Notes, Bills, Bonds, or other obligation or security issued by the United States Treasury or any other obligation guaranteed as to principal or interest by the United States;
2. Bonds, notes, debentures, or other obligations or securities issued by any federal government agency or instrumentality, including but not limited to, the Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, Government National Mortgage Association, and Student Loan Marketing Association. All federal agency securities shall be direct issuances of the federal government agencies or instrumentalities;

**TRI VILLAGE LOCAL SCHOOL DISTRICT  
DARKE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2003  
(Continued)**

**4. DEPOSITS AND INVESTMENTS (Continued)**

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; and
6. The State Treasurer's investment pool (STAR Ohio).

Investments in stripped principal or interest obligations, reverse purchase 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 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, if the securities are not represented by a certificate, upon receipt of confirmation 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".

**Cash on Hand:** At fiscal year-end, the School District had \$2,730 in undeposited cash on hand which is included on the financial statements of the School District as part of the fund balances.

**Deposits:** At fiscal year end, the carrying amount of the District's deposits was \$1,744,698 and the bank balance was \$1,791,165. Of the bank balance, \$200,000 was covered by federal depository insurance, \$258,539 was covered by specific collateral pledged for the school district, and the remaining \$1,332,626 was uninsured and uncollateralized. Although the securities serving as collateral were held by the pledging financial institution's trust department in the District's name and all State statutory requirements for the deposit of money had been followed, non-compliance with federal requirements would potentially subject the District to a successful claim by the Federal Deposit Insurance Corporation.

**Investments:** The District's investments are categorized to give an indication of the level of risk assumed by the District at fiscal year end. Category 1 includes investments that are insured or registered or for which the securities are held by the District or its agent in the District's name. Category 2 includes uninsured and unregistered investments which are held by the counterparty's trust department or agent in the 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 District's name. STAR Ohio and the OASBO 2002 National City Investments are unclassified investments since they are not evidenced by securities that exist in physical or book entry form.

**TRI VILLAGE LOCAL SCHOOL DISTRICT  
DARKE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2003  
(Continued)**

**4. DEPOSITS AND INVESTMENTS (Continued)**

The District's investment STAR Ohio, an investment pool operated by the Ohio State Treasurer, is unclassified because the investment is not evidenced by securities that exist in physical or book entry form. The fair value of the STAR Ohio investment as of June 30, 2003, was \$3,823,643 and the fair value of the OASBO 2002 National City Investments as of June 30, 2003 was \$1,375,428.

**5. PROPERTY TAXES**

Property taxes are levied and assessed on a calendar year basis, while the District operates on a fiscal year from July through June. First half tax collections are received by the District in the second half of the fiscal year. Second half tax distributions occur in the first half of the following year. Property taxes include amounts levied against all real, public utility and tangible personal (used in business) property located in the District. Real property taxes are levied April 1 on the assessed value listed as of the prior January 1, the lien date.

Public utility property taxes attached as a lien on December 31 of the prior fiscal year, were levied April 1 and are collected with real property taxes. Assessed values for real property taxes are established by State law at 35 percent of appraised market value. All property is required to be revalued every six years. Public utility property taxes are assessed on tangible personal property at 88 percent of true value (with certain exceptions) and on real property at 35 percent of true value.

Tangible personal property taxes are levied after April 1 on the value listed as of December 31 of the current year. Tangible personal property assessments are 25 percent of true value. Real property taxes are payable annually or semi-annually. If paid annually, payment is due December 31; if paid semi-annually, the first payment is due December 31 with the remainder payable by June 20. Under certain circumstances, State statute permits earlier or 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 semi-annually. If paid annually, payment is due April 30; if paid semi-annually, the first payment is due April 30, with the remainder payable by September 20. The District receives property taxes from Darke County.

The County Auditor periodically advances to the District its portion of the taxes collected. Second-half real property tax payments collected by the County by June 30, 2003 are available to finance fiscal year 2003 operations. The amount available to be advanced can vary based on the date the tax bills are sent.

The assessed values upon which fiscal year 2003 taxes were collected are:

**TRI VILLAGE LOCAL SCHOOL DISTRICT  
DARKE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2003  
(Continued)**

**5. PROPERTY TAXES (Continued)**

	<u>2002 Second- Half Collections</u>		<u>2003 First- Half Collections</u>	
	<u>Amount</u>	<u>Percent</u>	<u>Amount</u>	<u>Percent</u>
Agricultural/Residential and Other Real Estate	\$52,220,300	74.10%	\$53,081,070	74.64%
Public Utility Personal Property	15,319,690	21.74%	15,383,960	21.63%
Tangible Personal Property	<u>2,929,730</u>	<u>4.16%</u>	<u>2,651,710</u>	<u>3.73%</u>
Total Assessed Value	<u>\$70,469,720</u>	<u>100.00%</u>	<u>\$71,116,740</u>	<u>100.00%</u>
Tax rate per \$1,000 of assessed valuation	\$35.12		\$35.09	

**6. INCOME TAX**

The District levies a voted tax of one and one-half percent for general operations on the income of residents and of estates. The original one percent tax was effective on January 1, 1991, and is a continuing tax. In May 1999, the voters of the School District approved an increase of one-half percent for a total continuing income tax of one and one-half percent, effective January 1, 2000. Employers of residents are required to withhold income tax on compensation and remit the tax to the State. Taxpayers are required to file an annual return. The State makes quarterly distributions to the District after withholding amounts for administrative fees and estimated refunds. Income tax revenue is credited to the General Fund.

**7. RISK MANAGEMENT**

**A. Property and Liability**

The District is exposed to various risks of loss related to torts; theft or damage to, and destruction of assets; errors and omissions; injuries to employees and natural disasters. During fiscal year 2003, the District contracted with New Madison Insurance Agency (Cincinnati Insurance) for property and R.B. Cox Agency, Inc for fleet coverage and Harcum-Hyre Insurance for liability insurance. Coverage provided is as follows:

**TRI VILLAGE LOCAL SCHOOL DISTRICT  
DARKE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2003  
(Continued)**

**7. RISK MANAGEMENT (Continued)**

Building and Contents - replacement cost (\$1,000 deductible)	\$13,818,805
Crime Insurance (\$0 deductible)	
Employee Dishonesty (8 employees @ \$24,000 each)	24,000
Theft, Disappearance, and Destruction	10,000
Electronic Data Processing (\$1,000 deductible)	79,466
Contractors' Equipment Coverage (tractor and mower)	7,140
Automobile Liability (\$250 deductible)	1,000,000
Uninsured/Underinsured Motorists (\$250 deductible)	1,000,000
Education General Liability:	
Each Occurrence	1,000,000
Personal and Advertising Injury Limit – Each Offense	1,000,000
Fire Damage Limit – Any One Event	500,000
Medical Expense – Any One Person/Each Accident	10,000
General Aggregate Limit	3,000,000
Products – Completed Operations Limit	1,000,000
Employee Benefits Liability:	
Each Offense	1,000,000
Aggregate Limit	3,000,000
Employer's Liability and Stop Gap:	
Each Occurrence	1,000,000
Disease-Each Employee	1,000,000
Errors and Omissions Liability (\$2,500 deductible):	
Per Occurrence	1,000,000
Aggregate Limit	2,000,000
Employment Practices (\$2,500 deductible):	
Each Occurrence	1,000,000
Aggregate Limit	2,000,000
Defense Costs Each Occurrence	1,000,000
Defense Costs Aggregate Limit	1,000,000

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

**B. Workers' Compensation**

For fiscal year 2003, the School District participated in the Southwestern Ohio Educational Purchasing Council Workers' Compensation Group Rating Plan (GRP), a workers' compensation insurance purchasing pool (Note 14). 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 Integrated Comp, Inc. provides administrative, cost control, and actuarial services to the GRP.

**TRI VILLAGE LOCAL SCHOOL DISTRICT  
DARKE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2003  
(Continued)**

**7. RISK MANAGEMENT (Continued)**

**C. Medical Benefits**

For fiscal year 2003, the School District participated in the Southwestern Ohio Educational Purchasing Council Medical Benefits Plan (MBP), an insurance purchasing pool (Note 14). The intent of the MBP is to achieve the benefit of reduced health insurance premiums for the School District by virtue of its grouping and representation with other participants in the MBP. The health insurance experience of the participating school districts is calculated and a premium rate is applied to all school districts in the MBP. Each participant pays its health insurance premiums to the Southwestern Ohio Educational Purchasing Council Medical Benefits Plan. Participation in the MBP is limited to school districts that can meet the MBP's selection criteria.

**8. DEFINED BENEFIT PENSION PLANS**

**A. School Employees Retirement System**

The District contributes to the School Employees Retirement System (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, 300 East Broad Street, Suite 100, Columbus, Ohio 43215-3476.

Plan members are required to contribute 9 percent of their annual covered salary and the District is required to contribute at an actuarially determined rate. The current school district rate is 14 percent of annual covered payroll. The contribution requirements of plan members and employers are established and may be amended, up to the statutory maximum amounts, by the SERS' Retirement Board. The District's required contributions for pension obligations to SERS for the fiscal years ended June 30, 2003, 2002 and 2001 were \$86,434, \$54,875 and \$34,404 respectively; 56% has been contributed for fiscal year 2003 and 100% percent has been contributed for fiscal years 2002, and 2001.

**B. State Teachers Retirement System**

The District participates in the State Teachers Retirement System of Ohio (STRS Ohio), a cost-sharing, multiple-employer public employee retirement system. STRS Ohio provides retirement and disability benefits to members and death and survivor benefits to beneficiaries. STRS Ohio issues a stand-alone financial report that may be obtained by writing to STRS Ohio, 275 E. Broad St., Columbus, OH 43215-3371 or by calling (614) 227-4090.

**TRI VILLAGE LOCAL SCHOOL DISTRICT  
DARKE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2003  
(Continued)**

**8. DEFINED BENEFIT PENSION PLANS (Continued)**

New members have a choice of three retirement plans, a Defined Benefit (DB) Plan, a Defined Contribution (DC) Plan and a Combined Plan. The DB plan offers an annual retirement allowance based on final average salary times a percentage that varies based on years of service, or an allowance based on member contributions and earned interest matched by STRS Ohio funds times an actuarially determined annuity factor. The DC Plan allows members to place all their member contributions and employer contributions equal to 10.5% of earned compensation into an investment account. Investment decisions are made by the member. A member is eligible to receive a retirement benefit at age 50 and termination of employment. The Combined Plan offers features of both the DC Plan and the DB Plan. In the Combined Plan, member contributions are invested by the member, and employer contributions are used to fund the defined benefit payment at a reduced level from the regular DB Plan. DC and Combined Plan members will transfer to the Defined Benefit Plan during their fifth year of membership unless they permanently select the DC or Combined Plan. Existing members with less than five years of service credit as of June 30, 2001, were given the option of making a one time irrevocable decision to transfer their account balances from the existing DB Plan into the DC Plan or the Combined Plan. This option expired on December 31, 2001. Benefits are established by Chapter 3307 of the Ohio Revised Code.

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

For the fiscal year ended June 30, 2003, plan members were required to contribute 9.3 percent of their annual covered salaries. The District was required to contribute 14 percent; 13 percent was the portion used to fund pension obligations. For fiscal year 2002, the portion used to fund pension obligations was 9.5 percent. Contribution rates are established by the State Teachers Retirement Board, upon recommendations of its consulting actuary, not to exceed statutory maximum rates of 10% for members and 14% for employers. Chapter 3307 of the Ohio Revised Code provides statutory authority for member and employer contributions.

The District's required contributions for pension obligations for the fiscal years ended June 30, 2003, 2002, and 2001 were \$371,240, \$247,478, and \$250,617 respectively; 84 percent has been contributed for fiscal year 2003 and 100 percent for fiscal years 2002, and 2001.

**C. Social Security System**

Effective July 1, 1991, all employees not otherwise covered by the School Employees Retirement System or the State Teachers Retirement System of Ohio have an option to choose Social Security or the School Employees Retirement System. As of June 30, 2003, two members of the Board of Education has elected Social Security. The Board's liability is 6.2 percent of wages paid. The remaining members of the board have elected SERS.



**TRI VILLAGE LOCAL SCHOOL DISTRICT  
DARKE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2003  
(Continued)**

**9. POST EMPLOYMENT BENEFITS**

The 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 funded on a pay-as-you-go basis.

The State Teachers Retirement 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 shall be included in the employer contribution rate, currently 14 percent of covered payroll. For fiscal year 2003, the Board allocated employer contributions equal to 1 percent of covered payroll to the Health Care Reserve Fund. For the District, this amount equaled \$28,557.

STRS pays health care benefits from the Health Care Reserve Fund. The balance in the Fund was \$3.011 million at June 30, 2002 (the latest information available). For the fiscal year ended June 30, 2002, net health care costs paid by STRS were \$354,697,000, and STRS had 105,300 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 fiscal 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.

For the fiscal year ended June 30, 2003, employer contributions to fund health care benefits were 5.83 percent of covered payroll. 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 2003, the minimum pay was established at \$14,500. For the District, the amount to fund health care benefits, including the surcharge, was \$72,102 for fiscal year 2003.

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 annual health care expenses. Expenses for health care for the fiscal year ended June 30, 2003 were \$204,930,737, and the target level was \$307.4 million. At June 30, 2003, SERS had net assets available for payment of health care benefits of \$303.6 million. SERS has approximately 50,000 participants currently receiving health care benefits.

**10. CAPITAL LEASES**

During fiscal year 2003, the School District entered into a lease-purchase agreement for the renovation and construction of additions to the high school that is scheduled to begin in fiscal year 2004. The School District is leasing the project site from the Columbus Regional Airport Authority. The Columbus Regional Airport Authority assigned National City Bank as trustee, transferring rights, title, and interest in the project to the trustee.

**TRI VILLAGE LOCAL SCHOOL DISTRICT  
DARKE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2003  
(Continued)**

**10. CAPITAL LEASES (Continued)**

During fiscal year 2002, the School District entered into a lease-purchase agreement for the renovation and construction of additions to the high school. The School District is leasing the project site from Rickenbacker Port Authority. Rickenbacker Port Authority assigned National City Bank as trustee, transferring rights, title, and interest in the project to the trustee. The School District is acting as an agent for the lessor and is constructing the facilities and improvements from the proceeds provided by the lessor for both of the above leases. As part of the agreements, National City Bank deposited \$1,221,000 and \$630,000, respectively, with a fiscal agent for the renovation and construction project. National City Bank has sold certificates of participation in the building lease. The School District will make semi-annual lease payments to National City Bank for both of the above leases. The leases are renewable annually and expire in fiscal year 2032. The intention of the School District is to renew the leases annually.

Each lease meets the criteria of a capital lease as defined by Statement of Financial Accounting Standards No. 13, "Accounting for Leases," which defines a capital lease generally as one which transfers benefits and risks of ownership to the lessee. Capital lease payments have been classified as debt service expenditures in the financial statements in the General Fund. These expenditures amounted to \$60,298 on the financial statements. The first principal payment of \$19,000 on this lease was made in fiscal year 2003. This payment, along with the interest and fiscal charges, are reported as debt service expenditures.

The following is a schedule of the future long-term minimum lease payments required under the capital leases and the present value of the minimum lease payments as of June 30, 2004:

<u>Fiscal Year Ending June 30,</u>	<u>Total</u>
2004	\$ 128,655
2005	128,809
2006	128,186
2007	128,379
2008	128,584
2009-2013	637,371
2014-2018	631,126
2019-2023	621,143
2024-2028	611,370
2029-2032	<u>477,626</u>
Total	\$3,621,249
Less: Amount Representing Interest	<u>(1,789,249)</u>
Present Value of Minimum Lease Payments	<u>\$1,832,000</u>

**TRI VILLAGE LOCAL SCHOOL DISTRICT  
DARKE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2003  
(Continued)**

**11. LONG TERM OBLIGATIONS**

The changes in the District's long-term obligations during fiscal year 2003 were as follows:

	<b>Principal Outstanding 6/30/02</b>	<b>Additions</b>	<b>Deductions</b>	<b>Principal Outstanding 6/30/03</b>
School Improvement Bonds 1988 7.25%	\$390,000	\$0	\$40,000	\$350,000
School Improvement Bonds, 2001 4.30% - 5.25%:	5,625,000	0	150,000	5,475,000
Energy Conservation Loan 1992 6.85%	15,000	0	15,000	0
<b>Total General Long-Term Obligations</b>	<b>\$6,030,000</b>	<b>\$0</b>	<b>\$205,000</b>	<b>\$5,825,000</b>

School Improvement Bonds were issued February 1, 1988, in the amount of \$910,000, for the purpose of school improvements. The bonds will mature December 1, 2010, and will be retired from the Bond Retirement Debt Service Fund.

The School Facilities Construction and Improvement Bonds were issued April 10, 2001, for the purpose of constructing additions to and renovating and improving the existing junior-senior high school to house grades K-12, including multi-purpose facilities for school and community use, along with health and safety upgrades and improving access for the disabled. The original bond issue was for \$5,710,000. The bonds will mature December 1, 2023, and will be retire from the Bond Retirement Debt Service Fund.

The Energy Conservation Loan was issued August 1, 1992, for the purpose of making energy conservation improvements. The loan was issued for \$195,000. The loan matured December 1, 2002 and was retired from the General Fund.

The School District's overall legal debt margin was \$856,341 and the unvoted debt margin was \$71,117 at June 30, 2003. Principal and interest requirements to retire general obligation debt at June 30, 2003, are as follows:

<b>Fiscal Year Ending June 30,</b>	<b>Principal</b>	<b>Interest</b>	<b>Total</b>
2004	\$ 200,000	\$ 286,522	\$486,522
2005	205,000	277,688	482,688
2006	220,000	268,103	488,103
2007	225,000	257,871	482,871
2008	235,000	247,114	482,114
2009-2013	1,200,000	1,060,890	2,260,890
2014-2018	1,375,000	728,352	2,103,352
2019-2023	1,760,000	333,694	2,093,694
2024	405,000	10,378	415,378
<b>Total</b>	<b>\$5,825,000</b>	<b>\$3,470,612</b>	<b>\$9,295,612</b>

**TRI VILLAGE LOCAL SCHOOL DISTRICT  
DARKE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2003  
(Continued)**

**12. JOINTLY GOVERNED ORGANIZATIONS**

**Metropolitan Dayton Educational Cooperative Association** - The District is a participant in the Metropolitan Dayton Educational Cooperative Association (MDECA), which is a computer consortium. MDECA is an association of public Districts within the boundaries of Montgomery, Miami, and Darke Counties and the Cities of Dayton, Troy, and Greenville. The organization was formed for the purpose of applying modern technology with the aid of computers and other electronic equipment to administrative and instructional functions among member Districts.

The governing board of MDECA consists of seven Superintendents of member school districts, with six of the Superintendents elected by majority vote of all member school districts except Montgomery County Educational Service Center. The seventh Superintendent is from the Montgomery County Educational Service Center. The School District paid MDECA \$35,059 for services provided during the fiscal year. Financial information can be obtained from Jerry Woodyard, who serves as Director, at 225 Linwood Street, Dayton, Ohio 45405.

**Southwestern Ohio Educational Purchasing Council** -The School District participates in the Southwestern Ohio Educational Purchasing Council (SOEPC), a purchasing council made up of nearly 100 school districts in 12 counties. 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, of other assessments as established by the SOEPC.

Each member district has one voting representative. Title to any and all equipment, furniture and supplies purchased by the SOEPC is held in trust for the member districts. Any district withdrawing from the SOEPC forfeits its claim to any and all SOEPC assets. One year prior notice is necessary for withdrawal from the group. During this time, the withdrawing member is liable for all member obligations during this one year period. Payments to SOEPC are made from the General Fund. During fiscal year 2003, the School District paid \$5,152 to SOEPC. To obtain financial information, write to the Southwestern Ohio Educational Purchasing Council, Ken Swink, who serves as Director, at 1831 Harshman Road, Dayton, Ohio 45424.

**Southwest 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 with the counties, i.e., Auglaize, Butler, Champaign, Clark, Clinton, Darke, Fayette, Greene, Hamilton, Logan, Mercer, Miami, Montgomery, Preble, Shelby, and Warren. Montgomery, Greene and Butler Counties elect two representatives per area. All others elect one representative per area. One at-large non-public representative is elected by the non-public school SOITA members in the State-assigned SOITA service area. One at-large higher education representative is elected by higher education SOITA members from within the State-assigned SOITA service area.

All member districts are obligated to pay all fees, charges, or other assessments as established by 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 2003, the School District paid \$2,005 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.

**TRI VILLAGE LOCAL SCHOOL DISTRICT  
DARKE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2003  
(Continued)**

**13. RELATED ORGANIZATION**

**New Madison Public Library** – The New Madison Public Library is a distinct political subdivision of the State of Ohio created under Chapter 3375 of the Ohio Revised Code. The Library is governed by a Board of Trustees appointed by the Tri Village School District Board of Education. The Board of Trustees possesses its own contracting and budgeting authority, hires and fires personnel and does not depend on the School District for operational subsidies. Although the School District does serve as the taxing authority and may issue tax related debt on behalf of the Library, its role is limited to a ministerial function. The determination to request approval of a tax, the rate and the purpose as discretionary decisions made solely by the Board of Trustees. Financial information can be obtained from the New Madison Public Library, Kathryn Williams, Clerk/Treasurer, at 142 South Main, New Madison, Ohio 45346-0032.

**14. INSURANCE PURCHASING POOLS**

**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 an eleven 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 fiscal year, the participating school districts pay an enrollment fee to the GRP to cover the costs of administering the program.

**Southwestern Ohio Educational Purchasing Council Medical Benefits Plan** – The School District participates in the Southwestern Ohio Educational Purchasing Council Medical Benefits Plan (MBP). The MBP's business and affairs are conducted by an eleven member committee consisting of various MBP 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 MBP to cover the costs of administering the program.

**Ohio School Plan** – The School District participates in the Ohio School Plan (OSP), an insurance purchasing pool. The School Plan (OSP) is created and organized pursuant to and as authorized by Section 2744.081 of the Ohio Revised Code. The OSP is an unincorporated, non-profit association of its members and an instrumentality for each member for the purpose of enabling members of the Plan to provide for a formalized, joint insurance purchasing program to maintain adequate insurance protection, risk management programs and other administrative services. The OSP's business and affairs are conducted by a fifteen member Board of Directors consisting of school district superintendent and treasurers, as well as the president of Harcum-Hyre Insurance Agency, Inc. and a partner of the Hylent Group, Inc. Hylent Group, Inc. is the Administrator of the OSP and is responsible for processing claims. Harcum-Hyre Insurance Agency, Inc. is the sales and marketing representative, which establishes agreements between OSP and member schools.

**TRI VILLAGE LOCAL SCHOOL DISTRICT  
DARKE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2003  
(Continued)**

**15. STATE SCHOOL FUNDING DECISION**

On December 11, 2002, the Ohio Supreme Court issued its latest opinion regarding the State's school funding plan. The decision reaffirmed earlier decisions that Ohio's current school-funding plan is unconstitutional. The Supreme Court relinquished jurisdiction over the case and directed "...the Ohio General Assembly to enact a school-funding scheme that is thorough and efficient...".

The District is currently unable to determine what effect, if any, this decision will have on its future State funding and on its financial operations.

**16. SET ASIDE DISCLOSURE**

The School District is required to State statute to annually set aside in the General Fund an amount based on a statutory formula for the acquisition and construction of capital improvements and an equal amount for the purchase of textbooks and other instructional materials. Amounts not spent by fiscal year-end or offset by similarly restricted resources received during the fiscal year must be held in cash at fiscal year-end and carried forward to be used for the same purposes in future fiscal years. The amount reserved for budget stabilization represents refunds received from the Bureau of Workers' Compensation. Based on legislative changes, this is the only money still required to be set aside for this purpose.

The following cash basis information describes the changes in the fiscal 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</u>	<u>Capital Acquisition</u>
Set-aside Cash Balance as of June 30, 2002	\$21,013	\$(50,275)	(\$6,936,593)
Current Year Set-aside Requirement		102,616	102,616
Current Year Offsets		0	(1,152,768)
Qualifying Disbursements		(117,760)	(66,994)
Total	<u>\$ 21,013</u>	<u>\$(65,419)</u>	<u>(\$8,053,739)</u>
Total Set Aside Carried Forward to Future Fiscal Years	<u>\$ 21,013</u>	<u>\$(65,419)</u>	<u>\$(7,986,745)</u>

The District had offsets and qualifying disbursements during the year that reduced the capital acquisition and textbook during the fiscal year that reduced the set-aside amounts below zero. These extra amounts may be used to reduce the set aside requirement of future fiscal years. Although the School District had qualifying disbursements during the fiscal year that reduced the set aside amount below zero for the capital improvement set aside, the negative amount can only be carried forward to the extent of proceeds from capital lease, Classroom Facilities Special Revenue Fund receipts, and Bond Retirement Debt Service Fund and Capital Improvement Fund property tax receipts.

**TRI VILLAGE LOCAL SCHOOL DISTRICT  
DARKE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2003  
(Continued)**

**17. SIGNIFICANT CONTRACTUAL COMMITMENTS**

As of June 30, 2003, the School District had contractual purchase commitments as follows:

<u>Company</u>	<u>Project</u>	<u>Contract Amount</u>	<u>Amount Expended</u>	<u>Balance at 6/30/03</u>
Fanning Howey Associates	Architectural Fees	\$890,000	\$788,540	\$101,460
Black & White Tech	Electrical Contract	1,259,395	1,067,568	191,827
Elements IV Interiors	Loose Furnishings	218,679	0	218,679
GM Mechanical	HVAC/Plumbing	2,305,665	1,993,752	311,913
Layer Three Electronics	Tech Data Network	33,148	0	33,148
Ohio Valley Integration	Technology	186,983	53,937	133,046
Virtual Public Networking	Tech Phone System	15,280	0	15,280
VSC, Inc	Tech Audio Visual	177,519	0	177,519
C & T Design & Equip.	Food Service	372,730	93,519	279,211
Cincy Fire Protection	Fire Protection	144,400	124,116	20,284
George Igel & Company	Site Work	2,189,261	1,225,832	963,429
Peterson Construction	General Trades	7,723,540	5,771,416	1,952,124
Tom Sexton & Assoc	Loose Furnishings	122,614	0	122,614
Total		<u>\$15,639,214</u>	<u>\$11,118,680</u>	<u>\$4,520,534</u>

**18. CONTINGENCIES**

**Grants**

The District received financial assistance from federal and state agencies in the form of grants. The expenditure of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and is subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the General Fund or other applicable funds. However, in the opinion of management, any such disallowed claims will not have a material adverse effect on the overall financial position of the District at June 30, 2003.

**Litigation**

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

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**Auditor of State  
Betty Montgomery**

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

Tri Village Local School District  
Darke County  
P. O. Box 31  
New Madison, Ohio 45346

To the Board of Education:

We have audited the financial statements of the Tri Village Local School District, Darke County, (the District), as of and for the years ended June 30, 2004 and June 30, 2003, and have issued our report thereon dated October 8, 2004, wherein we noted that the District did not prepare its financial statements in accordance with generally accepted accounting principles. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *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 an instance of noncompliance that is required to be reported under *Government Auditing Standards*, which is described in the accompanying schedule of findings as item 2004-001.

**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. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting 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 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. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses. However, we noted other matters involving the internal control over financial reporting that do not require inclusion in this report, that we have reported to management of the District in a separate letter dated October 8, 2004.

Tri Village Local School District  
Darke County  
Independent Accountants' Report on Compliance and on  
Internal Control Required by *Government Auditing Standards*  
Page 2

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

A handwritten signature in black ink that reads "Betty Montgomery". The signature is written in a cursive, flowing style.

**Betty Montgomery**  
Auditor of State

October 8, 2004

**TRI VILLAGE LOCAL SCHOOL DISTRICT  
DARKE COUNTY**

**SCHEDULE OF FINDINGS  
FOR THE FISCAL YEARS ENDING JUNE 30, 2004, AND JUNE 30, 2003**

<b>FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS</b>
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**FINDING NUMBER 2004-001**

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

**Ohio Admin Code Section 117-2-03 (B)**, requires the School District to prepare its annual financial report in accordance with generally accepted accounting principles (GAAP). However, the School District prepared its financial statements, for the fiscal year ended June 30, 2004, in accordance with standards established by the Auditor of State for governmental entities not required to prepare annual reports in accordance with generally accepted accounting principles. The accompanying financial statements omit assets, liabilities, fund equities, and disclosures that, while material, cannot be determined at this time. Pursuant to Ohio Rev. Code Section 117.38 the School District may be fined and subject to various other administrative remedies for its failure to file the required financial report.

The District should prepare annual reports in accordance with generally accepted accounting principles.





**Auditor of State  
Betty Montgomery**

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800-282-0370

Facsimile 614-466-4490

**TRI VILLAGE LOCAL SCHOOL DISTRICT  
DARKE 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  
NOVEMBER 16, 2004**