



Mary Taylor, CPA
Auditor of State

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

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Mary Taylor, CPA

Auditor of State

INDEPENDENT ACCOUNTANTS' REPORT

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

To the Board of Education:

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Tri-Valley Local School District, Muskingum County, Ohio (the "School District"), as of and for the year ended June 30, 2007, which collectively comprise the School District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the School District's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Tri-Valley Local School District, Muskingum County, Ohio, as of June 30, 2007, and the respective changes in financial position and where applicable, cash flows, thereof and the budgetary comparison for the General Fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated February 20, 2008, on our consideration of the School District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. While we did not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting and compliance and the results of that testing. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*. You should read it in conjunction with this report in assessing the results of our audit.

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

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

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

Mary Taylor, CPA
Auditor of State

February 20, 2008

Tri-Valley Local School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2007
Unaudited

The discussion and analysis of the Tri-Valley Local School District's financial performance provides an overall review of the School District's financial activities for the fiscal year ended June 30, 2007. The intent of this discussion and analysis is to look at the School District's financial performance as a whole; readers should also review the basic financial statements and the notes to the basic financial statements to enhance their understanding of the School District's financial performance.

Financial Highlights

Key financial highlights for the fiscal year 2007 are as follows:

- Net assets of governmental activities increased \$363,237.
- General revenues accounted for \$24,113,677 in revenue or 86 percent of all revenues. Program specific revenues in the form of charges for services, grants, and contributions accounted for \$3,895,097 or 14 percent of total revenues of \$28,008,774.
- Total assets of governmental activities increased \$3,182,436 primarily due to increased capital assets resulting from the classroom facilities project. This increase was offset by a decrease in intergovernmental receivable from the Ohio School Facilities Commission.
- The School District had \$27,645,537 in expenses related to governmental activities; only \$3,895,097 of these expenses were offset by program specific charges for services, grants, and contributions. General revenues of \$24,113,677 were adequate to provide for these programs.
- The School District has four major funds, the general fund, debt service fund, permanent improvement capital projects fund, and building fund capital projects fund. The general fund had \$23,331,812 in revenues and \$22,879,582 in expenditures. Including other financing sources, the general fund's balance increased \$554,345. The debt service fund had \$4,845,935 in revenues and other financing sources and \$4,820,557 in expenditures and other financing uses. The debt service fund's balance increased \$25,378. The permanent improvement fund had \$348,372 in revenues and \$135,500 in expenditures and other financing uses. The permanent improvement fund's balance increased \$212,872. The building fund had \$30,547,252 in revenues and other financing sources, and \$19,922,215 in expenditures. The building fund's balance increased \$10,625,037.

Using this Annual Financial Report

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

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

Tri-Valley Local School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2007
Unaudited

Reporting the School District as a Whole

Statement of Net Assets and Statement of Activities

While this document contains information about the large number of funds used by the School District to provide programs and activities for students, the view of the School District as a whole looks at all financial transactions and asks the question, "How did we do financially during fiscal year 2007?" The Statement of Net Assets and the Statement of Activities answer this question. These statements include all assets and liabilities using the accrual basis of accounting similar to the accounting used by most private-sector companies. This basis of accounting takes into account all of the current year's revenues and expenses regardless of when cash is received or paid.

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

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

Governmental Activities – All of the School District's programs and services are reported here including instruction, support services, operation of non-instructional services, bond service operations, and extracurricular activities.

Reporting the School District's Most Significant Funds

Fund Financial Statements

The analysis of the School District's major funds begins on page 7. Fund financial reports provide detailed information about the School District's major funds. The School District uses many funds to account for a multiple of financial transactions. However, these fund financial statements focus on the School District's most significant funds. The School District's major governmental funds are the general fund, debt service fund, permanent improvement fund, and building fund.

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

Tri-Valley Local School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2007
Unaudited

Proprietary Funds Proprietary funds use the same basis of accounting as business-type activities; therefore, these statements will essentially match. The School District's only fund of this type is the Self-Insurance Internal Service Fund. However, the activity of this fund is combined with the Governmental Activities on the entity wide financial statements.

Fiduciary Funds Fiduciary funds are used to account for resources held for the benefit of parties outside the School District. They are not reflected on the government-wide financial statements because the resources from those funds are not available to support the School District's programs. The accounting method used for fiduciary funds is much like that used for the proprietary funds.

The School District as a Whole

Recall that the Statement of Net Assets provides the perspective of the School District as a whole. Table 1 provides a summary of the School District's net assets for 2007 compared to 2006.

Table 1
Net Assets

	Governmental Activities		
	2007	2006	Change
Assets			
Current and Other Assets	\$50,540,812	\$65,467,253	(\$14,926,441)
Capital Assets	44,926,444	26,817,567	18,108,877
Total Assets	95,467,256	92,284,820	3,182,436
Liabilities			
Long-Term Liabilities	18,693,902	18,865,047	(171,145)
Other Liabilities	11,360,144	8,369,800	2,990,344
Total Liabilities	30,054,046	27,234,847	2,819,199
Net Assets			
Invested in Capital Assets, Net of Related Debt	28,181,539	10,427,930	17,753,609
Restricted	34,708,069	53,090,368	(18,382,299)
Unrestricted	2,523,602	1,531,675	991,927
Total Net Assets	\$65,413,210	\$65,049,973	\$363,237

Total assets increased \$3,182,436. Current assets decreased by \$14,926,441 primarily due to a decrease in intergovernmental receivables from the Ohio School Facilities Grant. Capital assets increased \$18,108,877 due to increased construction in progress from the facilities project which was offset by annual depreciation expense on depreciable capital assets.

Tri-Valley Local School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2007
Unaudited

Total liabilities increased \$2,819,199, due primarily to an increase in contracts and retainage payable for the school's construction, which was slightly offset by debt payments made during fiscal year 2007.

Table 2 shows the changes in net assets for the fiscal year 2007 compared to fiscal year 2006.

	Governmental Activities		
	2007	2006	Change
Revenues			
Program Revenues			
Charges for Services	\$1,390,090	\$1,324,238	\$65,852
Operating Grants and Contributions	2,467,470	2,264,537	202,933
Capital Grants and Contributions	37,537	20,957	16,580
Total Program Revenues	3,895,097	3,609,732	285,365
General Revenues			
Property Taxes	8,200,224	7,612,398	587,826
Grants and Entitlements - Classroom Facilities	0	49,900,148	(49,900,148)
Grants and Entitlements not Restricted to Specific Programs	14,710,011	13,636,383	1,073,628
Interest	898,040	344,618	553,422
Revenue in Lieu of Taxes	158,969	558,494	(399,525)
Others	146,433	182,580	(36,147)
Total General Revenues	24,113,677	72,234,621	(48,120,944)
Total Revenues	28,008,774	75,844,353	(47,835,579)
Program Expenses			
Instruction			
Regular	11,970,174	11,742,315	227,859
Special	3,235,298	2,401,384	833,914
Vocational	431,884	401,562	30,322
Support Services			
Pupil	731,309	755,751	(24,442)
Instructional Staff	1,139,904	1,411,282	(271,378)
Board of Education	490,681	1,154,523	(663,842)
Administration	2,790,890	2,295,400	495,490
Fiscal	469,818	421,674	48,144
Business	0	0	0
Operation and Maintenance of Plant	1,917,476	1,883,552	33,924
Pupil Transportation	1,895,562	1,932,575	(37,013)
Central	348,374	391,827	(43,453)
Operation of Non-Instructional Services	30,333	31,394	(1,061)
Food Service Operations	1,095,058	1,121,492	(26,434)
Extracurricular Activities	209,575	232,933	(23,358)
Interest and Fiscal Charges	889,201	689,978	199,223
Total Expenses	27,645,537	26,867,642	777,895
Increase in Net Assets	363,237	48,976,711	(48,613,474)
Net Assets Beginning of Year	65,049,973	16,073,262	48,976,711
Net Assets End of Year	\$65,413,210	\$65,049,973	\$363,237

Tri-Valley Local School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2007
Unaudited

In 2007, 29 percent of the School District's revenues were from property taxes, 53 percent were from unrestricted grants and entitlement. The most significant change in revenues from 2006 to 2007 was for the classroom facilities project.

Instructional programs comprise approximately 57 percent of total governmental program expenses. Of the instructional expenses, approximately 77 percent is for regular instruction, 21 percent for special instruction, and 2 percent for vocational instruction. Instructional program expenses increased \$1,092,095 from the prior fiscal year.

The Statement of Activities shows the cost of program services and the charges for services, grants, contributions, and interest earnings offsetting those services. Table 3 shows the total cost of services and the net cost of services for fiscal year 2007 compared to fiscal year 2006. In other words, it identifies the cost of those services supported by tax revenue and unrestricted entitlements.

Table 3
Governmental Activities

	Total Cost of Services		Net Cost of Services	
	2007	2006	2007	2006
Instruction				
Regular	\$11,970,174	\$11,742,315	\$11,386,811	\$11,346,008
Special	3,235,298	2,401,384	1,817,813	1,097,099
Vocational	431,884	401,562	362,060	337,294
Support Services				
Pupil	731,309	755,751	509,711	541,444
Instructional Staff	1,139,904	1,411,282	1,131,080	1,333,126
Board of Education	490,681	1,154,523	490,681	1,154,523
Administration	2,790,890	2,295,400	2,763,302	2,264,982
Fiscal	469,818	421,674	469,818	421,674
Operation and Maintenance of Plant	1,917,476	1,883,552	1,916,267	1,871,418
Pupil Transportation	1,895,562	1,932,575	1,796,427	1,876,179
Central	348,374	391,827	347,916	391,827
Operation of Non-Instructional Services	30,333	31,394	24,034	31,394
Food Service Operations	1,095,058	1,121,492	(26,847)	(21,068)
Extracurricular Activities	209,575	232,933	(127,834)	(77,968)
Interest and Fiscal Charges	889,201	689,978	889,201	689,978
Total Expenses	\$27,645,537	\$26,867,642	\$23,750,440	\$23,257,910

The dependence upon tax revenues and state subsidies for governmental activities is apparent as 86 percent of expenses are supported through taxes and other general revenues.

The School District Funds

The School District has four major funds, the general fund, debt service fund, permanent improvement capital projects fund, and building fund capital projects fund. The general fund's balance increased \$554,340. The debt service fund's balance increased \$25,378. The permanent improvement fund's balance increased \$212,872. The building fund's balance increased \$10,625,037, due primarily to the construction project.

Tri-Valley Local School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2007
Unaudited

General Fund Budgeting Highlights

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

During the course of fiscal 2007, the School District amended its general fund appropriations, and the budgetary statement reflects both the original and final appropriated amounts. The changes between the original and final appropriations are attributable to a salary increase and the addition of supplemental contracts and personnel.

Capital Assets and Debt Administration

Capital Assets

At the end of fiscal year 2007, the School District had \$44,926,444 invested in land, construction in progress, land improvements, buildings and improvements, furniture, and equipment and vehicles. See note 8 for more detailed information of the School District's capital assets.

Debt

At June 30, 2007, the School District had \$17,222,337 in bonds, loans, and capital leases outstanding.

Table 4
Outstanding Debt at Year End
Governmental Activities

	2007	2006
2002 School Improvement Serial, Term Bonds	\$4,678,803	\$8,233,482
2006 Refunding Bonds-Serial, Term, and Capital Appreciation Bonds	9,278,722	9,353,276
2007 Refunding Bonds-Serial, Term, and Capital Appreciation Bonds	3,178,852	0
Energy Conservation Loans	0	3,287
Capital Leases	85,960	627
<i>Total</i>	\$17,222,337	\$17,590,672

During fiscal year 2007, the School District advance-refunded a portion of the 2002 school improvement bonds. See Note 15 for more detailed information on the School District's debt.

Economic Factors

In an effort to continue a budgetary practice of revenues equal to or exceeding expenditures, the District has implemented cost-reduction expenditures for fiscal year 2007. The primary reductions are the elimination of one administrative position as well as a reduction of spending for materials and supplies. However, these reductions were not enough to offset the increase in personnel expenditures for the year. Additional reductions will be considered for future years if necessary to continue the District's spending practices. Raising revenues by the means of an operating levy would be considered only when viable reductions have been exhausted.

Tri-Valley Local School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2007
Unaudited

Phase II of the District's comprehensive building program is well underway which includes the Project Agreement with the Ohio School Facilities Commission for the Classroom Facilities Assistance Program. The agreement provides for a project budget of over \$68 million, comprised of a state share in excess of \$49 million and the local share in excess of \$19 million. A portion of the local share, \$18,979,064, has already been provided for from Phase I of the District's overall facilities plan that was completed during 2005. That phase was completed from a local bond levy that was approved by voters and issued on March 18, 2002 in the amount of \$18,500,000 and was approved through the Ohio Classroom Facilities Assistance Program as part of the Expedited Local Partnership Program. Although bids have been coming in below building estimates, they are still above original budget estimates. An inflationary reserve established by the District looks to be adequate for these overages, enabling the Board to proceed without seeking an additional bond issue. The project should be completed for the school year 2008-2009.

Contacting the School District's Financial Management

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

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Tri-Valley Local School District
Statement of Net Assets
June 30, 2007

	<u>Governmental Activities</u>
Assets	
Equity in Pooled Cash and Cash Equivalents	\$25,925,455
Prepaid Items	59,755
Materials and Supplies Inventory	101,049
Property Taxes Receivable	8,022,584
Revenue in Lieu of Taxes Receivable	379,368
Intergovernmental Receivable	15,381,974
Cash and Cash Equivalents with Escrow Agents	413,214
Deferred Charges	257,413
Non-Depreciable Capital Assets	22,211,417
Depreciable Capital Assets, Net	<u>22,715,027</u>
<i>Total Assets</i>	<u>95,467,256</u>
Liabilities	
Accounts Payable	88,624
Accrued Wages and Benefits Payable	2,518,126
Contracts Payable	2,582,787
Intergovernmental Payable	694,928
Accrued Interest Payable	59,288
Matured Severance Payable	106,163
Claims Payable	196,275
Retainage Payable	607,708
Deferred Revenue	4,506,245
Long-Term Liabilities:	
Due Within One Year	491,037
Due In More Than One Year	<u>18,202,865</u>
<i>Total Liabilities</i>	<u>30,054,046</u>
Net Assets	
Invested in Capital Assets, Net of Related Debt	28,181,539
Restricted for:	
Debt Service	1,216,759
Capital Outlay	32,300,093
State Programs	85,999
Federal Programs	85,435
Other Purposes	1,019,783
Unrestricted	<u>2,523,602</u>
<i>Total Net Assets</i>	<u><u>\$65,413,210</u></u>

See accompanying notes to the basic financial statements

Tri-Valley Local School District
Statement of Activities
For the Fiscal Year Ended June 30, 2007

	Program Revenues			Net (Expense) Revenue and Changes in Net Assets	
	Expenses	Charges for Services and Sales	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities
Governmental Activities					
Instruction:					
Regular	\$11,970,174	\$377,442	\$205,921	\$0	(\$11,386,811)
Special	3,235,298	0	1,417,485	0	(1,817,813)
Vocational	431,884	0	69,824	0	(362,060)
Support Services:					
Pupil	731,309	0	221,598	0	(509,711)
Instructional Staff	1,139,904	0	8,824	0	(1,131,080)
Board of Education	490,681	0	0	0	(490,681)
Administration	2,790,890	0	27,588	0	(2,763,302)
Fiscal	469,818	0	0	0	(469,818)
Operation and Maintenance of Plant	1,917,476	1,209	0	0	(1,916,267)
Pupil Transportation	1,895,562	0	61,598	37,537	(1,796,427)
Central	348,374	0	458	0	(347,916)
Operation of Non-Instructional Services	30,333	0	6,299	0	(24,034)
Food Service Operations	1,095,058	674,030	447,875	0	26,847
Extracurricular Activities	209,575	337,409	0	0	127,834
Interest and Fiscal Charges	889,201	0	0	0	(889,201)
<i>Total Governmental Activities</i>	<u>\$27,645,537</u>	<u>\$1,390,090</u>	<u>\$2,467,470</u>	<u>\$37,537</u>	<u>(23,750,440)</u>

General Revenues

Property Taxes Levied for General Purposes	6,800,985
Property Taxes Levied for Debt Service	1,269,244
Property Taxes Levied for Classroom Facilities Maintenance	129,995
Grants and Entitlements not Restricted to Specific Programs	14,710,011
Investment Earnings	898,040
Revenue in Lieu of Taxes	158,969
Miscellaneous	146,433
<i>Total General Revenues</i>	<u>24,113,677</u>
Change in Net Assets	363,237
<i>Net Assets Beginning of Year</i>	<u>65,049,973</u>
<i>Net Assets End of Year</i>	<u><u>\$65,413,210</u></u>

See accompanying notes to the basic financial statements

Tri-Valley Local School District
Balance Sheet
Governmental Funds
June 30, 2007

	General	Debt Service	Permanent Improvement	Building Fund	Other Governmental Funds	Total Governmental Funds
Assets						
Equity in Pooled Cash and Cash Equivalents	\$2,529,535	\$828,087	\$2,351,121	\$16,838,144	\$1,400,933	\$23,947,820
Restricted Assets:						
Equity in Pooled Cash and Cash Equivalents	76,359	0	0	194,494	0	270,853
Cash and Cash Equivalents with Escrow Agents	0	0	0	413,214	0	413,214
Receivables:						
Property Taxes	6,633,443	1,259,365	0	0	129,776	8,022,584
Intergovernmental	0	0	0	15,311,661	70,313	15,381,974
Revenue in Lieu of Taxes	25,901	4,590	348,372	0	505	379,368
Prepaid Items	26,410	0	0	33,345	0	59,755
Materials and Supplies Inventory	84,586	0	0	0	16,463	101,049
<i>Total Assets</i>	<u>\$9,376,234</u>	<u>\$2,092,042</u>	<u>\$2,699,493</u>	<u>\$32,790,858</u>	<u>\$1,617,990</u>	<u>\$48,576,617</u>
Liabilities and Fund Balances						
Liabilities						
Accounts Payable	\$74,098	\$0	\$0	\$0	\$14,526	\$88,624
Accrued Wages and Benefits	2,383,958	0	0	0	134,168	2,518,126
Contracts Payable	0	0	0	2,582,787	0	2,582,787
Retainage Payable	0	0	0	607,708	0	607,708
Intergovernmental Payable	648,446	0	0	0	46,482	694,928
Matured Severance Payable	106,163	0	0	0	0	106,163
Deferred Revenue	4,049,068	756,462	232,248	15,311,661	125,516	20,474,955
<i>Total Liabilities</i>	<u>7,261,733</u>	<u>756,462</u>	<u>232,248</u>	<u>18,502,156</u>	<u>320,692</u>	<u>27,073,291</u>
Fund Balances (Deficit)						
Reserved for Encumbrances	894,774	0	133,871	8,281,077	142,353	9,452,075
Reserved for Property Taxes	2,584,375	502,903	0	0	51,382	3,138,660
Reserved for Budget Stabilization	76,359	0	0	0	0	76,359
Unreserved, Undesignated, Reported in:						
General Fund	(1,441,007)	0	0	0	0	(1,441,007)
Special Revenue Funds	0	0	0	0	1,103,326	1,103,326
Debt Service Funds	0	832,677	0	0	0	832,677
Capital Projects Funds	0	0	2,333,374	6,007,625	237	8,341,236
<i>Total Fund Balances</i>	<u>2,114,501</u>	<u>1,335,580</u>	<u>2,467,245</u>	<u>14,288,702</u>	<u>1,297,298</u>	<u>21,503,326</u>
<i>Total Liabilities and Fund Balances</i>	<u>\$9,376,234</u>	<u>\$2,092,042</u>	<u>\$2,699,493</u>	<u>\$32,790,858</u>	<u>\$1,617,990</u>	<u>\$48,576,617</u>

See accompanying notes to the basic financial statements

Tri-Valley Local School District
*Reconciliation of Total Governmental Fund Balances
to Net Assets of Governmental Activities
June 30, 2007*

Total Governmental Fund Balances \$21,503,326

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

Capital assets used in governmental activities are not financial
resources and, therefore, are deferred in the funds. 44,926,444

Other long-term assets are not available to pay for current-
period expenditures and, therefore, are deferred in the funds:

Property Taxes	377,679	
Revenue in Lieu of Taxes	232,248	
Intergovernmental	<u>15,358,783</u>	
 Total		 15,968,710

Unamortized issuance costs represent deferred charges which
do not provide current financial resources and, therefore, are
not reported in the funds. 257,413

An internal service fund is used by management to charge the
costs of insurance to individual funds. The assets and
liabilities of the internal service fund are included in
governmental activities in the statement of net assets. 1,510,507

Long-term liabilities are not due and payable in the current period
and, therefore, are not reported in the funds:

General Obligation Bonds - Capital Appreciation Bonds	299,523	
General Obligation Bonds - Serial/Term	16,420,000	
Premium	1,234,121	
Difference on Refunding	(854,933)	
Discount	(63,550)	
Accretion of Interest	101,216	
Compensated Absences	1,471,565	
Accrued Interest Payable	59,288	
Capital Leases	<u>85,960</u>	
 Total		 <u>(18,753,190)</u>

Net Assets of Governmental Activities \$65,413,210

See accompanying notes to the basic financial statements

Tri-Valley Local School District
Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
For the Fiscal Year Ended June 30, 2007

	General	Debt Service	Permanent Improvement	Building Fund	Other Governmental Funds	Total Governmental Funds
Revenues						
Property Taxes	\$6,781,591	\$1,269,454	\$0	\$0	\$130,095	\$8,181,140
Intergovernmental	15,462,981	118,738	0	30,043,502	1,601,320	47,226,541
Interest	458,553	0	0	425,140	14,347	898,040
Tuition and Fees	377,442	0	0	0	0	377,442
Extracurricular Activities	101,822	0	0	0	235,587	337,409
Rent	1,209	0	0	0	0	1,209
Revenue in Lieu of Taxes	38,588	3,836	348,372	0	421	391,217
Charges for Services	0	0	0	0	674,030	674,030
Miscellaneous	109,626	0	0	0	36,807	146,433
<i>Total Revenues</i>	<u>23,331,812</u>	<u>1,392,028</u>	<u>348,372</u>	<u>30,468,642</u>	<u>2,692,607</u>	<u>58,233,461</u>
Expenditures						
Current:						
Instruction:						
Regular	10,943,446	0	56,890	0	202,843	11,203,179
Special	2,640,766	0	0	0	565,918	3,206,684
Vocational	410,394	0	0	0	0	410,394
Support Services:						
Pupil	508,656	0	0	0	225,498	734,154
Instructional Staff	1,125,665	0	0	0	7,664	1,133,329
Board of Education	461,339	25,694	0	0	2,685	489,718
Administration	2,196,642	0	0	0	88,329	2,284,971
Fiscal	468,085	0	0	0	0	468,085
Operation and Maintenance of Plant	1,848,265	0	0	0	31,515	1,879,780
Pupil Transportation	1,738,512	0	0	0	62,091	1,800,603
Central	280,714	0	0	0	47,953	328,667
Operation of Non-Instructional Services	0	0	0	0	6,259	6,259
Food Service Operations	0	0	0	0	1,084,187	1,084,187
Extracurricular Activities	19,433	0	0	0	145,098	164,531
Capital Outlay	214,757	0	0	19,922,215	0	20,136,972
Debt Service:						
Principal Retirement	16,812	588,722	0	0	0	605,534
Interest and Fiscal Charges	6,096	717,699	0	0	0	723,795
Issuance Costs	0	90,054	0	0	0	90,054
CAB Accretion	0	34,535	0	0	0	34,535
<i>Total Expenditures</i>	<u>22,879,582</u>	<u>1,456,704</u>	<u>56,890</u>	<u>19,922,215</u>	<u>2,470,040</u>	<u>46,785,431</u>
<i>Excess of Revenues Over (Under) Expenditures</i>	<u>452,230</u>	<u>(64,676)</u>	<u>291,482</u>	<u>10,546,427</u>	<u>222,567</u>	<u>11,448,030</u>
Other Financing Sources (Uses)						
Inception of Capital Lease	102,115	0	0	0	0	102,115
Transfers In	0	0	0	78,610	0	78,610
Refunding Bonds Issued	0	3,084,995	0	0	0	3,084,995
Premium on Refunding Bonds Issued	0	368,912	0	0	0	368,912
Discount on Refunding Bonds Issued	0	(17,818)	0	0	0	(17,818)
Transfers Out	0	0	(78,610)	0	0	(78,610)
Payment to Refunded Bond Escrow Agent	0	(3,346,035)	0	0	0	(3,346,035)
<i>Total Other Financing Sources (Uses)</i>	<u>102,115</u>	<u>90,054</u>	<u>(78,610)</u>	<u>78,610</u>	<u>0</u>	<u>192,169</u>
<i>Net Change in Fund Balances</i>	554,345	25,378	212,872	10,625,037	222,567	11,640,199
<i>Fund Balances Beginning of Year</i>	<u>1,560,156</u>	<u>1,310,202</u>	<u>2,254,373</u>	<u>3,663,665</u>	<u>1,074,731</u>	<u>9,863,127</u>
<i>Fund Balances End of Year</i>	<u>\$2,114,501</u>	<u>\$1,335,580</u>	<u>\$2,467,245</u>	<u>\$14,288,702</u>	<u>\$1,297,298</u>	<u>\$21,503,326</u>

See accompanying notes to the basic financial statements

Tri-Valley Local School District
*Reconciliation of the Changes in Fund Balances
of Governmental Funds to the Statement of Activities
For the Fiscal Year Ended June 30, 2007*

Net Change in Fund Balances - Total Governmental Funds \$11,640,199

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

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

Fixed Assets Addition	19,788,843	
Depreciation	<u>(1,239,727)</u>	
Total		18,549,116

Governmental funds only report the disposal of assets to the extent proceeds are received from the sale. In the statement of activities, a gain or loss is reported for each disposal. (440,239)

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

Property Taxes	19,084	
Intergovernmental	(30,011,523)	
Revenue in Lieu of Taxes	<u>(232,248)</u>	
Total		(30,224,687)

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

General Obligation Bonds	405,000	
Capital Appreciation Bonds	180,465	
Capital Appreciation Bonds Accretion	34,535	
Energy Conservation Loans	3,287	
Capital Leases	<u>16,782</u>	
Total		640,069

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

Accrued Interest	(24,547)	
Capital Appreciation Bonds Accretion of Interest	<u>(135,751)</u>	
Total		(160,298)

Inception of capital leases are reported as other financing sources in the governmental funds, but the inception increases long term liabilities in the statement of activities. (102,115)

General Obligation bonds issued and bond premiums and discounts are other financing sources in governmental funds, but the issuance increases long-term liabilities in the statement of net assets.

General Obligation Bonds Issued	(3,035,000)	
Capital Appreciation Bonds Issued	(49,995)	
Premium on Bonds Issued	(368,912)	
Current Year Premium Amortization	<u>43,203</u>	
Total		(3,410,704)

Payment to refunded bond escrow agent is an other financing use in governmental funds, but the payment reduces long-term liabilities in the statement of net assets. 3,346,035

The refunding difference is allocated as a reduction of expenses in the statement of activities over the life of the bonds. (35,159)

Bond Issuance costs are debt service expenditures in governmental funds, when paid, but are reported as deferred charges assets on the statement of activities and are allocated as an expense over the life of the outstanding debt in the statement of activities.

Bond Issuance Costs Paid	90,054	
Current Year Amortization	<u>(10,606)</u>	
Total		79,448

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

Discount on Bonds Issued	17,818	
Current year amortization	<u>(2,546)</u>	
Total		15,272

Compensated Absences are expenses reported in the statement of activities but do not require the use of current resources and therefore are not reported as expenditures in governmental funds. (197,190)

The internal service fund used by management to charge the costs of health insurance to individual funds is not reported in the statement of activities. Governmental fund expenditures and the related internal service fund revenues are eliminated. The net revenue (expense) of the internal service fund is allocated among governmental activities. 663,490

Change in Net Assets of Governmental Activities \$363,237

See accompanying notes to the basic financial statements

Tri-Valley Local School District
Statement of Revenues, Expenditures, and Changes
In Fund Balance - Budget (Non-GAAP Basis) and Actual
General Fund
For the Fiscal Year Ended June 30, 2007

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget</u>
Revenues				
Property Taxes	\$6,449,332	\$6,837,710	\$6,502,949	(\$334,761)
Intergovernmental	16,125,280	15,042,450	15,462,981	420,531
Interest	287,427	275,000	467,303	192,303
Tuition and Fees	380,817	379,009	377,477	(1,532)
Extracurricular Activities	82,047	78,500	101,822	23,322
Rent	5,226	5,000	1,209	(3,791)
Revenue in Lieu of Taxes	19,000	19,000	53,711	34,711
Miscellaneous	135,875	130,000	109,739	(20,261)
<i>Total Revenues</i>	<u>23,485,004</u>	<u>22,766,669</u>	<u>23,077,191</u>	<u>310,522</u>
Expenditures				
Current:				
Instruction:				
Regular	11,167,903	11,845,903	11,035,558	810,345
Special	2,141,889	2,141,889	2,627,475	(485,586)
Vocational	404,960	404,960	412,467	(7,507)
Support Services:				
Pupil	567,949	567,949	514,020	53,929
Instructional Staff	1,166,165	1,166,165	1,176,505	(10,340)
Board of Education	284,953	284,953	787,734	(502,781)
Administration	2,256,520	2,256,520	2,269,111	(12,591)
Fiscal	492,540	492,540	471,836	20,704
Operation and Maintenance of Plant	1,979,410	1,979,410	2,076,904	(97,494)
Pupil Transportation	1,766,615	1,766,615	1,777,570	(10,955)
Central	233,373	233,373	295,523	(62,150)
Extracurricular Activities	53,687	53,687	20,024	33,663
Capital Outlay	130,266	130,266	130,461	(195)
<i>Total Expenditures</i>	<u>22,646,230</u>	<u>23,324,230</u>	<u>23,595,188</u>	<u>(270,958)</u>
<i>Net Change in Fund Balance</i>	838,774	(557,561)	(517,997)	39,564
<i>Fund Balance Beginning of Year</i>	1,695,794	1,695,794	1,695,794	0
Prior Year Encumbrances Appropriated	465,891	465,891	465,891	0
<i>Fund Balance End of Year</i>	<u>\$3,000,459</u>	<u>\$1,604,124</u>	<u>\$1,643,688</u>	<u>\$39,564</u>

See accompanying notes to the basic financial statements

Tri-Valley Local School District
Statement of Fund Net Assets
Proprietary Fund
June 30, 2007

	<u>Governmental Activity</u> <u>Internal Service Fund</u>
Current Assets	
Equity in Pooled Cash and Cash Equivalents	\$1,706,782
Current Liabilities	
Claims Payable	<u>196,275</u>
Net Assets	
Unrestricted	<u><u>\$1,510,507</u></u>

See accompanying notes to the basic financial statements

Tri-Valley Local School District
Statement of Revenues, Expenses, and Changes in Fund Net Assets
Proprietary Fund
For the Fiscal Year Ended June 30, 2007

	<u>Governmental Activity</u> <u>Internal Service</u> <u>Fund</u>
Operating Revenues	
Charges for Services	<u>\$3,280,891</u>
Operating Expenses	
Purchased Services	416,684
Claims	<u>2,200,717</u>
<i>Total Operating Expenses</i>	<u>2,617,401</u>
<i>Operating Income</i>	663,490
<i>Net Assets Beginning of Year</i>	<u>847,017</u>
<i>Net Assets End of Year</i>	<u><u>\$1,510,507</u></u>

See accompanying notes to the basic financial statements

Tri-Valley Local School District
Statement of Cash Flows
Proprietary Fund
For the Fiscal Year Ended June 30, 2007

	Governmental Activity
	Internal Service Fund
Increase (Decrease) in Cash and Cash Equivalents	
Cash Flows from Operating Activities	
Cash Received from Interfund Services Provided	\$3,280,891
Cash Payments for Services	(416,684)
Cash Payments for Claims	(2,397,497)
	466,710
<i>Net Cash Provided by Operating Activities</i>	466,710
<i>Net Increase in Cash and Cash Equivalents</i>	466,710
<i>Cash and Cash Equivalents Beginning of Year</i>	1,240,072
<i>Cash and Cash Equivalents End of Year</i>	\$1,706,782
Reconciliation of Operating Income to Net Cash Provided by Operating Activities	
Operating Income	\$663,490
Decrease in Claims Payable	(196,780)
	\$466,710
<i>Net Cash Provided by Operating Activities</i>	\$466,710

See accompanying notes to the basic financial statements

Tri-Valley Local School District
Statement of Fiduciary Net Assets
Fiduciary Fund
June 30, 2007

	<u>Agency</u>
Assets	
Equity in Pooled Cash and Cash Equivalents	<u>\$111,452</u>
<i>Total Assets</i>	<u><u>\$111,452</u></u>
Liabilities	
Undistributed Monies	\$14,803
Due to Students	<u>96,649</u>
<i>Total Liabilities</i>	<u><u>\$111,452</u></u>

See accompanying notes to the basic financial statements

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Tri-Valley Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2007

NOTE 1 - DESCRIPTION OF THE SCHOOL DISTRICT AND REPORTING ENTITY

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

The School District was established in 1966. The School District serves an area of approximately 230 square miles. It is located in Muskingum and Coshocton Counties and includes all of Adams, Jefferson, Salem, Jackson, Muskingum, and Madison Townships. Only a portion of Licking, Virginia, and Washington Townships are included. The District is the 139th largest State of Ohio (among 612 school districts) in terms of enrollment. It is staffed by 145 non-certificated employees, 212 certificated full-time teaching personnel, and 16 administrative employees who provide services to 3,127 students and other community members. The School District currently includes 13 instructional/support buildings.

Reporting Entity:

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

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

The School District participates in the Licking Area Computer Association (LACA), the Mid-East Ohio Career and Technology Center, the East Central Ohio Special Education Regional Resource Center (ECOSERRC), and the Metropolitan Educational Council (MEC), which are defined as jointly governed organizations and the Ohio School Boards Association Workers' Compensation Group Rating Plan, and the Ohio School Benefits Cooperative, which are defined as public entity risk pools. Additional information concerning these organizations is presented in Notes 16 and 17.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

Tri-Valley Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2007

A. Basis of Presentation

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

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

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

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

B. Fund Accounting

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

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

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

Tri-Valley Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2007

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

Permanent Improvement Fund - The Permanent Improvement Fund is used to account for donations and general fund transfers which are used to finance various capital projects in the School District.

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

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

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

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

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

C. Measurement Focus

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

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

Tri-Valley Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2007

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

D. Basis of Accounting

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

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

Non-exchange transactions, in which the School District receives value without directly giving equal value in return, include property taxes, grants, entitlements and donations. On the accrual basis, revenue from property taxes is recognized in the fiscal year for which taxes are levied (See Note 5). Revenue from grants is recognized in the fiscal year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the fiscal year when use is first permitted, matching requirements, in which the School District must provide local resources to be used for a specified purpose, and expenditure requirements, in which the resources are provided to the School District on a reimbursement basis. On a modified accrual basis, revenue from nonexchange transactions must also be available before it can be recognized.

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

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

Property taxes for which there is an enforceable legal claim as of June 30, 2007, but which were levied to finance fiscal year 2008 operations, have been recorded as deferred revenue. Grants and entitlements received before the eligibility requirements are met are also recorded as deferred revenue.

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

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

Tri-Valley Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2007

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

E. Cash and Cash Equivalents

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

During fiscal year 2007, investments were limited to non-negotiable certificates of deposit, negotiable certificates of deposit, Federal Home Loan Bank Bonds, Federal Home Loan Mortgage Corporation Bonds, Federal National Mortgage Association Bonds, and State Treasury Asset Reserve of Ohio (STAR Ohio). Investments are reported at fair value, except for non-negotiable certificates of deposit which are reported at cost.

STAROhio is an investment pool managed by the State Treasurer’s Office which allows governments within the State to pool their funds for investment purposes. STAROhio is not registered with the SEC as an investment company, but does operate in a manner consistent with Rule 2a7 of the Investment Company Act of 1940. Investments in STAROhio are valued at STAROhio’s share price which is the price the investment could be sold for at June 30, 2007.

Following Ohio statutes, the Board of Education has, by resolution, specified the funds to receive an allocation of interest earnings. Interest revenue credited to the general fund during fiscal year 2007 amounted to \$458,553, which includes \$278,701, assigned from other School District funds.

Investments of the cash management pool and investments with an original maturity of three months or less at the time they are purchased by the School District are presented on the financial statements as cash equivalents. Investments with an initial maturity of more than three months not purchased from the pool are reported as investments. The School District reports the change in fair value of investments. The calculation of realized gains/losses is independent of the calculation of the change in the fair value of investments. The realized gains/losses of the current period include unrealized amounts from prior periods.

F. Restricted Assets

Assets are reported as restricted assets when limitations on their use change the normal understanding of the availability of the asset. Such constraints are either externally imposed by creditors, contributors, grantors, or laws of other governments or are imposed by law through constitutional provisions or enabling legislation. Restricted assets in the general fund include amounts required by state statute to be set-aside to create a reserve for budget stabilization. See Note 18 for additional information regarding set-asides. Restricted assets in the building fund include amounts withheld on construction contracts until the successful completion of the contract.

G. Prepaid Items

Payments made to vendors for services that will benefit periods beyond June 30, 2007, are recorded as prepaid items using the consumption method. A current asset for the prepaid amount is recorded at the time of the purchase and an expenditure/expense is reported in the year in which services are consumed.

Tri-Valley Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2007

H. Inventory

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

I. Capital Assets

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

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

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

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

J. Interfund Balances

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

K. Compensated Absences

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

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

The entire sick leave benefit liability is reported on the government-wide financial statements.

Tri-Valley Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2007

On the government fund financial statements, sick leave benefits are recognized as liabilities and expenditures as payments come due each period upon the occurrence of employee resignations and retirements. These amounts are recorded in the account "matured severance payable" in the fund from which the employee will be paid.

L. Accrued Liabilities and Long-Term Obligations

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

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

M. Bond Discounts, Premiums, and Issuance Costs

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

Bond discounts on the capital appreciation bonds are deferred and accreted over the term of the bonds.

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

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

N. Interfund Activity

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

O. Fund Balance Reserves

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

The reserve for property taxes represents taxes recognized as revenue under generally accepted accounting principles but not available for appropriations under State statute. The reserve for budget

Tri-Valley Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2007

stabilization represents money required to be set-aside by statute to protect against cyclical changes in revenues and expenditures.

P. Net Assets

Net assets represent the difference between assets and liabilities. Net assets invested in capital assets, net of related debt consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction, or improvement of those assets. Net assets are reported as restricted when there are limitations imposed on their use either through enabling legislation adopted by the School District or through external restrictions imposed by creditors, grantors or laws or regulations of other governments. Net Assets restricted for other purposes include amounts from local sources, including tax levy proceeds for the Maintenance of Classroom Facilities that are restricted for specified purposes. The government-wide statement of net assets reports \$34,708,069 of restricted net assets, of which none has resulted from enabling legislation.

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

Q. Operating Revenues and Expenses

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

R. Extraordinary and Special Items

Extraordinary items are transactions or events that are both unusual in nature and infrequent in occurrence. Special items are transactions or events that are within the control of the Board of Education and that are either unusual in nature or infrequent in occurrence. No such items were reported for fiscal year 2007.

S. Estimates

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

T. Budgetary Data

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

Tri-Valley Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2007

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

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

NOTE 3 - BUDGETARY BASIS OF ACCOUNTING

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

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

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

Net Change in Fund Balance	
	General
GAAP Basis	\$554,345
Net Adjustment for Revenue Accruals	(347,986)
Investment Market Value Adjustment	(8,750)
Net Adjustment for Expenditure Accruals	255,350
Adjustment for Encumbrances	(970,956)
Budget Basis	(\$517,997)

Tri-Valley Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2007

NOTE 4– DEPOSITS AND INVESTMENTS

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

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

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

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

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

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

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

Tri-Valley Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2007

Deposits

Custodial credit risk for deposits is the risk that in the event of bank failure, the School District will not be able to recover deposits or collateral securities that are in the possession of an outside party. At year end, \$21,116,971 of the School District's bank balance of \$21,560,571 was exposed to custodial credit risk because it was uninsured and uncollateralized. Although all statutory requirements for the deposit of money had been followed, non-compliance with federal requirements could potentially subject the School District to a successful claim by FDIC.

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

Investments

As of June 30, 2007, the School District had the following investments which are in an internal investment pool:

	Fair Value	Maturity	Percent of Total Investments
Negotiable Certificate of Deposit	\$97,589	9/10/2007	1.29%
Federal Home Loan Bank Bond	248,595	9/17/2009	
Federal Home Loan Bank Bond	199,876	9/30/2009	
Federal Home Loan Bank Bond	299,718	10/28/2009	
Federal Home Loan Bank Bond	496,875	12/22/2010	
Federal Home Loan Bank Bond	495,625	12/27/2011	
Federal Home Loan Bank Bond	248,125	4/19/2012	
Federal Home Loan Bank Bond	434,636	1/15/2008	32.14%
Federal National Mortgage Association Bond	384,761	2/15/2011	
Federal National Mortgage Association Bond	497,970	6/28/2011	
Federal National Mortgage Association Bond	247,735	3/21/2012	
Federal National Mortgage Association Bond	297,939	3/8/2012	20.24%
Federal Home Loan Mortgage Corporation Bond	97,645	7/28/2009	
Federal Home Loan Mortgage Corporation Bond	1,338,080	12/19/2011	
Federal Home Loan Mortgage Corporation Bond	495,960	9/1/2009	
Federal Home Loan Mortgage Corporation Bond	499,035	3/6/2009	
Federal Home Loan Mortgage Corporation Bond	498,930	5/10/2010	37.56%
STAR Ohio	661,065	average 38.56 days	8.77%
Totals	<u>\$7,540,159</u>		<u>100.00%</u>

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

Tri-Valley Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2007

Credit Risk. All of the investments listed above excluding STAROhio and the negotiable certificates of deposits, carry a rating of Aaa by Moody's, STAROhio carries a rating of AAAM by Standard and Poor's and the negotiable certificates of deposit are not rated. Ohio Law requires that STAROhio maintain the highest rating provided by at least one nationally recognized standard rating service. The District has no investment policy that would further limit its investment choices.

Custodial Credit Risk. For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the School District will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The District's investments in Federal Home Loan Bank Bonds, Federal Home Loan Mortgage Corporation Bonds, and Federal National Mortgage Association Bonds are exposed to custodial credit risk as they are uninsured, unregistered, and held by the counterparty's trust department or agent but not in the School District's name. The School District has no investment policy dealing with investment custodial risk beyond the requirement in state statute that prohibits payment for investments prior to the delivery of the securities representing such investments to the treasurer or qualified trustee.

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

NOTE 5- PROPERTY TAXES

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

Property taxes include amounts levied against all real, public utility and tangible personal property (used in business) located in the school district. Real property tax revenue received in calendar 2007 represents collections of calendar year 2006 taxes. Real property taxes received in calendar year 2007 were levied after April 1, 2006, on the assessed value listed as of January 1, 2006, the lien date. Assessed values for real property taxes are established by State law at thirty-five percent of appraised market value. Real property taxes are payable annually or semi-annually. If paid annually, payment is due December 31; if paid semi-annually, the first payment is due December 31 with the remainder payable by June 20. Under certain circumstances, State statute permits alternate payment dates to be established.

Public utility property tax revenue received in calendar 2007 represents collections of calendar year 2006 taxes. Public utility real and tangible personal property taxes received in calendar year 2007 became a lien December 31, 2005, were levied after April 1, 2006 and are collected in 2007 with real property taxes. Public utility real property is assessed at thirty-five percent of true value; public utility tangible personal property currently is assessed at varying percentages of true value.

Tangible personal property tax revenue received during calendar 2007 (other than public utility property tax) represents the collection of calendar year 2007 taxes. Tangible personal property taxes received in calendar year 2007 were levied after April 1, 2006, on the value listed as of December 31, 2006. In prior years, tangible personal property was assessed at twenty-five percent of true value for capital assets and twenty-three percent of true value for inventory. The tangible personal property tax is being phased out – the assessment percentage for all property including inventory for 2007 is 12.5 percent. This will be reduced to 6.25 percent for 2008 and zero for 2009. Payments by multi-county taxpayers are due September 20. Single county taxpayers may pay annually or semi-annually. If paid annually, payment is due April 30; if paid semi-annually, the first payment is due April 30, with the remainder payable by September 20. Tangible personal property taxes paid by April 30 are usually received by the School District prior to June 30.

Tri-Valley Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2007

The School District receives property taxes from Muskingum and Coshocton Counties. The County Auditors periodically advance to the School District its portion of the taxes collected. Second-half real property tax payments collected by the County by June 30, 2007, are available to finance fiscal year 2007 operations. The amount available to be advanced can vary based on the date the tax bills are sent.

Accrued property taxes receivable includes real property, public utility property and tangible personal property taxes which are measurable as of June 30, 2007 and for which there is an enforceable legal claim. Although total property tax collections for the next fiscal year are measurable, only the amount of real property taxes available as an advance at June 30 was levied to finance current fiscal year operations and is reported as revenue at fiscal year end. The portion of the receivable not levied to finance current fiscal year operations is offset by a credit to deferred revenue.

The amount available as an advance at June 30, 2007 was \$2,584,375 in the general fund, \$502,903 in the debt service fund, and \$51,382 in the miscellaneous local fund. The amount available as an advance at June 30, 2006, was \$2,305,733 in the general fund, \$480,507 in the debt service fund, and \$50,988 in the miscellaneous local fund.

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

The assessed values upon which the fiscal year 2007 taxes were collected are:

	2006 Second Half Collections		2007 First Half Collections	
	Amount	Percent	Amount	Percent
Real Estate	\$256,803,660	85.41%	\$290,546,560	88.39%
Public Utility Personal	22,346,640	7.43%	22,969,190	6.99%
General Business Property	21,508,982	7.15%	15,179,158	4.62%
	\$300,659,282	100.00%	\$328,694,908	100.00%
Tax Rate per \$1,000 of assessed valuation		\$40.55		\$40.25

NOTE 6- RECEIVABLES

Receivables at June 30, 2007, consisted of property taxes, revenue in lieu of taxes, intergovernmental, and grants. All receivables are considered collectible in full due to the ability to foreclose for the nonpayment of taxes, the stable condition of State programs, and the current year guarantee of federal funds. All receivables are expected to be collected within one year, with the exception of delinquent property taxes deemed collectible by the County Auditor and recorded as a receivable in the amount of \$377,679 and the Ohio School Facilities Commission receivable, which is a multiple year project. A summary of the principal items of intergovernmental receivables follows:

Tri-Valley Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2007

	Amounts
Governmental Activities	
Ohio School Facilities Grant	\$15,311,661
CORE Grant	31,837
Title I	17,370
Titel II-A	4,764
Title IV-A	1,057
Part B - IDEA	15,285
Total	\$15,381,974

In prior years, tax abatement agreements were entered into between the District and local businesses to encourage economic growth in the County. In addition to the abatements, the businesses also agreed to make revenue in lieu of taxes payments. Each agreement states a specified percentage that the businesses will pay based on what the property taxes would normally have been. The receivables have been recorded in the funds due to collect the payments pursuant to the agreements. The District is not able to record a receivable for the entire amount of all payments because the payments are based upon projected collections.

In August, 2005, the School District was awarded an Ohio School Facilities Grant. As of June 30, 2007, the remaining amount of the Grant, \$15,311,661 is recorded as a receivable and deferred revenue on the balance sheet.

NOTE 7- TRANSFERS

Interfund transfers for the year ended June 30, 2007 consisted of the following:

	Transfer to
Transfer From	Major Fund
	Building Fund
Permanent Improvement	\$78,610

Transfers were used to move a portion of the local share of the Ohio School Facilities project from the permanent improvement fund to the building fund.

Tri-Valley Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2007

NOTE 8- CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2007, was as follows:

	<u>Balance</u> <u>June 30, 2006</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>June 30, 2007</u>
<u>Government Activities:</u>				
Non Depreciable Assets:				
Land	\$1,017,422	\$0	\$0	\$1,017,422
Construction in Progress	1,630,338	19,563,657	0	21,193,995
Total Non Depreciable Assets	<u>2,647,760</u>	<u>19,563,657</u>	<u>0</u>	<u>22,211,417</u>
Depreciable Assets:				
Land Improvements	593,346	48,321	(20,000)	621,667
Buildings and Improvements	29,205,676	0	(776,541)	28,429,135
Furniture, Fixtures, and Equipment	1,198,072	11,105	(71,349)	1,137,828
Vehicles	1,991,208	165,760	(91,351)	2,065,617
Total Depreciable Capital Assets	<u>32,988,302</u>	<u>225,186</u>	<u>(959,241)</u>	<u>32,254,247</u>
Less Accumulated Depreciation:				
Land Improvements	(132,747)	(32,122)	0	(164,869)
Buildings and Improvements	(6,760,643)	(962,979)	411,661	(7,311,961)
Furniture, Fixtures, and Equipment	(759,050)	(60,475)	15,990	(803,535)
Vehicles	<u>(1,166,055)</u>	<u>(184,151)</u>	<u>91,351</u>	<u>(1,258,855)</u>
Total	<u>(8,818,495)</u>	<u>(1,239,727)</u>	<u>519,002</u>	<u>(9,539,220)</u>
Depreciable Capital Assets, Net	<u>24,169,807</u>	<u>(1,014,541)</u>	<u>(440,239)</u>	<u>22,715,027</u>
Governmental Activities Capital Assets, Net	<u>\$26,817,567</u>	<u>\$18,549,116</u>	<u>(\$440,239)</u>	<u>\$44,926,444</u>

Tri-Valley Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2007

Depreciation expense was charged to governmental activities as follows:

Instruction:	
Regular	\$578,323
Special	83,898
Vocational	33,814
Support Services:	
Pupil	18,297
Instructional Staff	59,705
Board of Education	963
Administration	107,597
Fiscal	963
Maintenance	43,535
Transportation	187,128
Central	18,531
Food Service Operations	37,855
Operation of Non-Instructional Services	24,074
Extracurricular	45,044
Total	\$1,239,727

NOTE 9 - RISK MANAGEMENT

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

Building and Contents (\$2,500 deductible)	\$59,307,903
Automotive Liability (\$2,500 deductible)	1,000,000
General Liability:	
Each Occurrence	2,000,000
General Aggregate Limit	2,000,000
Products/Completed Operations Aggregate Limit	2,000,000

Professional liability is protected by Kennedy Insurance Company with a \$2,000,000 single occurrence limit and a \$4,000,000 aggregate.

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

A performance bond in the amount of \$20,000 is maintained for the treasurer. All other employees are covered by a \$10,000 blanket bond. All bonds are covered by the Ohio Casualty Insurance Company.

Medical/surgical, prescription drug and dental insurance is offered to employees through a self-insurance internal service fund. Effective April 1, 2006, the School District began participation with the Ohio School Benefits Cooperative with Medical Mutual serving as the third-party administrator for the plan. The School District pays 80 percent of family premiums and 100 percent of single premiums for the medical/surgical and prescription drug coverage which are \$1,094 for family coverage or \$432 for individual coverage per month. The premium is paid by the fund that pays the salary for the covered

Tri-Valley Local School District
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For the Fiscal Year Ended June 30, 2007

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

The claims liability of \$196,275 reported in the internal service fund at June 30, 2007 is based on an estimate provided by the third party administrator and the requirements of Governmental Accounting Standards Board Statement No. 30 which requires that a liability for unpaid claim costs, including estimates of costs relating to incurred but not reported claims, be reported. The estimate was not affected by incremental claim adjustment expenses and does not include other allocated or unallocated claim adjustment expenses.

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

	Balance at Beginning of Year	Current Year Claims	Claim Payments	Balance at End of Year
2006	\$211,083	\$2,907,758	\$2,725,786	\$393,055
2007	393,055	2,200,717	2,397,497	196,275

For fiscal year 2007, the School District participated in the Ohio School Boards Association Workers' Compensation Group Rating Program (GRP), an insurance purchasing pool (Note 17). The intent of the GRP is to achieve the benefit of a reduced premium for the School District by virtue of its grouping and representation with other participants in the GRP. The workers' compensation experience of the participating school districts is calculated as one experience and a common premium rate is applied to all school districts in the GRP. Each participant pays its workers' compensation premium to the State based on the rate for the GRP rather than its individual rate. Participation in the GRP is limited to school districts that can meet the GRP's selection criteria. The firm of Gates McDonald & Co. provides administrative, cost control, and actuarial services to the GRP.

NOTE 10 - DEFINED BENEFIT PENSION PLANS

A. School Employee Retirement System

The School 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 or calling (614) 222-5853.

Plan members are required to contribute 10 percent of their annual covered salary and the School District is required to contribute at an actuarially determined rate. The current School District rate is 14 percent of annual covered payroll. A portion of the School District's contribution is used to fund pension obligations with the remainder being used to fund health care benefits; for fiscal year 2007, 10.68 percent of annual covered salary was the portion used to fund pension obligations. The contribution requirements of plan members and employers are established and may be amended, up to a statutory maximum amount, by the SERS' Retirement Board. The School District's required contributions for pension obligations to SERS for the fiscal years ended June 30, 2007, 2006 and 2005 were \$273,218, \$336,749, and \$346,531 respectively; 27.56 percent has been contributed for fiscal year 2007 and 100 percent for fiscal years 2006 and 2005.

Tri-Valley Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2007

B. State Teachers Retirement System

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

New members have a choice of three retirement plans, a Defined Benefit (DB) Plan, a Defined Contribution (DC) Plan and a Combined Plan. The DB plan offers an annual retirement allowance based on final average salary times a percentage that varies based on years of service, or an allowance based on 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 percent of earned compensation into an investment account. Investment decisions are made by the member. A member is eligible to receive a retirement benefit at age 50 and termination of employment. The 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, 2007, plan members were required to contribute 10 percent of their annual covered salaries. The School District was required to contribute 14 percent; 13 percent was the portion used to fund pension obligations. For fiscal year 2006, the portion used to fund pension obligations was also 13 percent. Contribution rates are established by the State Teachers Retirement Board, upon recommendations of its consulting actuary, not to exceed statutory maximum rates of 10 percent for members and 14 percent for employers. Chapter 3307 of the Ohio Revised Code provides statutory authority for member and employer contributions.

The School District's required contributions for pension obligations to the DB Plan for the fiscal years ended June 30, 2007, 2006, and 2005 were \$1,488,744, \$1,213,251, and \$1,454,765 respectively; 83.14 percent has been contributed for fiscal year 2007 and 100 percent for fiscal years 2006 and 2005. Contributions to the DC and Combined Plans for fiscal year 2007 were \$6,829 made by the School District and \$19,939 made by the plan members.

C. Social Security System

Effective July 1, 1991, all employees not otherwise covered by the School Employees Retirement System or the State Teachers Retirement System of Ohio have an option to choose Social Security or the School Retirement System. As of June 30, 2007, three members of the Board of Education have elected Social Security. The Board's liability is 6.2 percent of wages.

Tri-Valley Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2007

NOTE 11 - POSTEMPLOYMENT BENEFITS

The School District provides comprehensive health care benefits to retired teachers and their dependents through the State Teachers Retirement System (STRS), and to retired non-certificated 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.

All STRS retirees who participated in the DB or combined plans and their dependents are eligible for health care coverage. The STRS Ohio Board has statutory authority over how much, if any, of the health care cost will be absorbed by STRS Ohio. All 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 Ohio funds is included in the employer contribution rate, currently 14 percent of covered payroll. For the fiscal year ended June 30, 2007, the STRS Board allocated employer contributions equal to one percent of covered payroll to the Health Care Stabilization Fund. For the School District, this amount equaled \$114,519 for fiscal year 2007.

STRS Ohio pays health care benefits from the Health Care Stabilization Fund. At June 30, 2006, (the latest information available) the balance in the Fund was \$3.5 billion. For the year ended June 30, 2006, net health care costs paid by STRS were \$282,743,000 and STRS had 119,184 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. All retirees and beneficiaries are required to pay a portion of their premium for health care. The portion is based on years of service, Medicare eligibility, and retirement status.

After the allocation for basic benefits, the remainder of the employer's 14 percent contribution is allocated to providing health care benefits. For the fiscal year ended June 30, 2007, employer contributions to fund health care benefits were 3.32 percent of covered payroll, compared to 3.42 percent from fiscal year 2006. 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 2007, the minimum pay was established at \$35,800. However, the surcharge is capped at two percent of each employer's SERS salaries. For the School District, the amount contributed to fund health care benefits, including the surcharge, during the 2007 fiscal year equaled \$134,349.

The surcharge, added to the unallocated portion of the 14 percent employer contribution rate, provides for maintenance of the asset target level for the health care fund. The target level for the health care reserve is 150 percent of the projected claims less premium contributions for the next year. Expenses for health care at June 30, 2006, (the latest information available), were \$158,751,207. At June 30, 2006, SERS had net assets available for payment of health care benefits of \$295.6 million. SERS has 59,492 participants eligible to receive benefits.

Tri-Valley Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2007

NOTE 12- OTHER EMPLOYEE BENEFITS

A. Compensated Absences

The criteria for determining vacation and sick leave benefits are derived from negotiated agreements and State laws. Classified employees earn ten to twenty days of vacation per fiscal year, depending upon length of service. Accumulated, unused vacation time is paid to classified employees and administrators upon termination of employment. Teachers and administrators who work less than 260 days do not earn vacation time. Teachers, administrators, and classified employees earn sick leave at the rate of one and one-fourth days per month. Sick leave may be accumulated up to a maximum of 15 days per year, with a total maximum accumulation of 252 days. Upon retirement, certified employees are eligible for payment of 25 percent of unused sick leave. Certified employees with 30 years or more of retirement credit shall be eligible for a \$15,000 retirement incentive providing the employee retires by July 1, of the school year in which they first become eligible for retirement. Classified employees, upon retirement, are eligible for payment of 25 percent of unused sick leave.

B. Other Insurance Benefits

The School District provides life insurance and accidental death and dismemberment insurance to its employees. Term life insurance coverage is \$20,000 with an additional \$20,000 of accidental death and disbursement coverage for certified and non-certified staff. For administrators, coverage is calculated at \$1,000 for every \$1,000 earned with a maximum of \$50,000. Coverage is provided by American United Insurance Company of America. The rate is \$3.30 per month for all employees.

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

Tri-Valley Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2007

NOTE 13 – Contractual Commitments

As of June 30, 2007, the School District had contractual purchase commitments for the school facilities project. The amounts are as follows:

Contractor	Fund	Purchased Commitments	Amounts Paid as of June 30, 2007	Amounts Remaining on Contracts
<u>CAPITALIZED CONTRACTS:</u>				
<u>Adamsville:</u>				
City - Electrical	OSFC (010)	\$764,480	\$242,254	\$522,226
Gutridge - Fire Protection	OSFC (010)	97,200	70,737	26,463
Clagget - General Trades	OSFC (010)	3,975,152	2,013,612	1,961,540
Freuh - HVAC	OSFC (010)	931,850	444,446	487,404
Siemens - HVAC Contracts	OSFC (010)	118,475	21,857	96,618
Breckenridge - Kitchen Equipment	OSFC (010)	177,966	5,560	172,406
Gutridge - Plumbing	OSFC (010)	391,050	71,231	319,819
Scurlock - Site Work	OSFC (010)	414,674	414,674	0
MCPC - Technology	OSFC (010)	441,497	0	441,497
McDonald, Cassell, & Bassett - Architects	OSFC (010)	445,106	445,106	0
Stan & Associates - Commissioning	OSFC (010)	5,429	5,429	0
Atlas Blue Print - Plan Printing	OSFC (010)	9,131	9,131	0
BBCM Engineering, PSI - Engineering	OSFC (010)	32,256	32,256	0
Miscellaneous	OSFC (010)	198,927	198,927	0
Total Adamsville		8,003,193	3,975,220	4,027,973
<u>Dresden:</u>				
Waibel - Electrical	OSFC (010)	810,457	183,378	627,079
Gutridge - Fire Protection	OSFC (010)	117,000	8,500	108,500
Paul - General Trades	OSFC (010)	4,370,050	1,898,189	2,471,861
Freuh - HVAC	OSFC (010)	1,043,850	346,597	697,253
Siemens - HVAC Contracts	OSFC (010)	126,475	23,577	102,898
Breckenridge - Kitchen Equipment	OSFC (010)	204,797	6,096	198,701
Peterman - Plumbing	OSFC (010)	471,050	245,930	225,120
Scurlock - Site Work	OSFC (010)	481,506	481,506	0
MCPC - Technology	OSFC (010)	534,766	0	534,766
McDonald, Cassell, & Bassett - Architects	OSFC (010)	409,628	409,627	1
Stan & Associates - Commissioning	OSFC (010)	5,816	5,816	0
Atlas Blue Print - Plan Printing	OSFC (010)	6,896	6,896	0
BBCM Engineering, PSI - Engineering	OSFC (010)	22,669	22,669	0
Cardinal Environmental - Asbestos Removal	OSFC (010)	67,440	54,899	12,541
Miscellaneous	OSFC (010)	99,434	99,434	0
Total Dresden		8,771,834	3,793,114	4,978,720
<u>Frazeysburg:</u>				
City - Electrical	OSFC (010)	744,480	238,304	506,176
Gutridge - Fire Protection	OSFC (010)	97,200	12,500	84,700
Clagget - General Trades	OSFC (010)	3,898,235	1,652,880	2,245,355
Freuh - HVAC	OSFC (010)	931,850	373,979	557,871
Siemens - HVAC Contracts	OSFC (010)	118,475	20,652	97,823
Breckenridge - Kitchen Equipment	OSFC (010)	177,966	5,560	172,406
Gutridge - Plumbing	OSFC (010)	385,462	82,720	302,742
Performance - Site Work	OSFC (010)	429,700	421,426	8,274
MCPC - Technology	OSFC (010)	441,497	0	441,497
McDonald, Cassell, & Bassett - Architects	OSFC (010)	322,013	322,013	0
Stan & Associates - Commissioning	OSFC (010)	4,718	4,718	0
Atlas Blue Print - Plan Printing	OSFC (010)	9,325	9,325	0
BBCM Engineering, PSI - Engineering	OSFC (010)	19,712	19,712	0
Miscellaneous	OSFC (010)	290,453	290,453	0
Total Frazeysburg		7,871,086	3,454,242	4,416,844

Tri-Valley Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2007

Contractor	Fund	Purchased Commitments	Amounts Paid as of June 30, 2007	Amounts Remaining on Contracts
<u>CAPITALIZED CONTRACTS: (Cont.)</u>				
<u>Nashport:</u>				
Settle Muter - Electrical	OSFC (010)	\$867,750	\$159,509	\$708,241
Gutridge - Fire Protection	OSFC (010)	117,000	8,500	108,500
Paul - General Trades	OSFC (010)	4,254,800	1,484,710	2,770,090
Frueh - HVAC	OSFC (010)	1,043,850	254,171	789,679
Siemens HVAC Controls	OSFC (010)	126,475	22,282	104,193
Peterman - Plumbing	OSFC (010)	204,797	6,096	198,701
Breckenridge - Kitchen Equipment	OSFC (010)	460,622	231,711	228,911
Scurlock - Site Work	OSFC (010)	499,344	464,472	34,872
MCPC - Technology	OSFC (010)	534,506	0	534,506
McDonald, Cassell, & Bassett - Architects	OSFC (010)	398,890	398,890	0
Stan & Associates - Commissioning	OSFC (010)	5,861	5,861	0
Atlas Blue Print - Plan Printing	OSFC (010)	6,393	6,393	0
BBCM Engineering, PSI - Engineering	OSFC (010)	24,607	24,607	0
Miscellaneous	OSFC (010)	146,544	146,544	0
Total Nashport		8,691,439	3,213,746	5,477,693
<u>High School:</u>				
Claypool - Electrical	OSFC (010)	2,253,850	307,178	1,946,672
Central Fire - Fire Protection	OSFC (010)	209,358	26,026	183,332
Robertson - General Trades	OSFC (010)	4,269,700	1,232,685	3,037,015
Metal Masters - HVAC	OSFC (010)	1,890,125	110,100	1,780,025
Gutridge - Plumbing	OSFC (010)	351,976	52,556	299,420
Layton - Site Work	OSFC (010)	176,282	173,053	3,229
MCPC - Technology	OSFC (010)	4,895	4,895	0
McDonald, Cassell, & Bassett - Architects	OSFC (010)	393,743	393,743	0
Stan & Associates - Commissioning	OSFC (010)	6,891	6,891	0
Atlas Blue Print - Plan Printing	OSFC (010)	10,151	10,151	0
BBCM Engineering, PSI - Engineering	OSFC (010)	9,944	9,944	0
Cardinal Environmental - Asbestos Removal	OSFC (010)	51,300	40,438	10,862
Miscellaneous	OSFC (010)	89,075	89,075	0
Total High School		9,717,290	2,456,735	7,260,555
<u>Miscellaneous:</u>				
Turner Construction - Construction Mgr.	OSFC (010)	2,611,467	1,518,495	1,092,972
Miscellaneous	OSFC (010)	5,161	5,161	0
Total Miscellaneous		2,616,628	1,523,656	1,092,972
Total All Buildings		\$45,671,470	\$18,416,713	\$27,254,657

NOTE 14 - CAPITAL LEASES - LESSEE DISCLOSURE

In prior years, the School District entered into a capitalized lease for copying equipment. During fiscal year 2007, the capital lease was fully repaid. During fiscal year 2007, the School District entered into a capitalized lease for new copying equipment.

The leases meet the criteria of a capital lease as defined by Statement of Financial Accounting Standards No. 13, "Accounting for Leases," which defines a capital lease generally as one which transfers benefits and risks of ownership to the lessee.

Capital lease payments have been reclassified from functional expenditures and are reflected as General Fund debt service expenditures in the basic financial statements. They are presented as current expenditures in the budgetary statements. Capital assets acquired by governmental activities through capitalized leases were recorded in the amount of \$102,115, which is equal to the present value of the minimum lease payments at the time of acquisition. Accumulated depreciation on the asset is \$0, leaving

Tri-Valley Local School District
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a book value of \$102,115. Principal payments in fiscal year 2007 totaled \$16,782 in the governmental funds.

Future minimum lease payments are as follows:

Fiscal Year Ending June 30	Principal	Interest	Total
2008	\$18,844	\$5,420	\$24,264
2009	20,206	4,058	24,264
2010	21,667	2,597	24,264
2011	23,233	1,031	24,264
2012	2,010	12	2,022
Totals	<u>\$85,960</u>	<u>\$13,118</u>	<u>\$99,078</u>

Tri-Valley Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2007

NOTE 15 - LONG - TERM OBLIGATIONS

The changes in the School District's long-term obligations during fiscal year 2007 were as follows:

	Principal Outstanding 6/30/06	Additions	Deductions	Principal Outstanding 6/30/07	Amounts Due In One Year
General Obligation Bonds:					
2002 School Improvement Bonds, \$18,500,000					
Serial Bonds - 2.00-4.5%, \$3,880,000	\$1,925,000	\$0	\$405,000	\$1,520,000	\$225,000
Term Bonds - 5.25-5.75% \$14,620,000	6,125,000	0	3,085,000	3,040,000	0
Serial/Term Bond Premium, \$228,153	193,524	0	74,721	118,803	0
Term Bond Discount, \$74,000	(10,042)	0	(10,042)	0	0
Total 2002 School Improvement Bonds	8,233,482	0	3,554,679	4,678,803	225,000
2006 Advance Refunding Bonds, \$9,254,993					
Serial Bonds - 4.1-4.4%, \$7,130,000	7,130,000	0	0	7,130,000	0
Term Bonds - 4.25%, \$1,695,000	1,695,000	0	0	1,695,000	0
Capital Appreciation Bonds - 3.7-4.4%, \$429,993	429,993	0	180,465	249,528	41,020
CAB Accretion - 30.656%, \$1,070,007	0	135,751	34,535	101,216	23,980
CAB Premium - \$778,859	778,858	0	32,452	746,406	0
Serial/Term Bond Discount - \$43,312 & \$4,408	(47,720)	0	(1,988)	(45,732)	0
Refunding Difference - \$632,855	(632,855)	0	(35,159)	(597,696)	0
Total 2006 Advance Refunding Bonds	9,353,276	135,751	210,305	9,278,722	65,000
2007 Advance Refunding Bonds, \$3,084,995					
Serial Bonds - 4.0%, \$1,135,000	0	1,135,000	0	1,135,000	80,000
Term Bonds - 4.0%, \$1,900,000	0	1,900,000	0	1,900,000	0
Capital Appreciation Bonds - 4.25%, \$49,995	0	49,995	0	49,995	0
CAB Accretion - 20.747%, \$685,000	0	0	0	0	0
Serial/CAB Premium - \$4,345 & \$364,567	0	368,912	0	368,912	0
Serial/Term Bond Discount - \$6,817 & \$11,001	0	(17,818)	0	(17,818)	0
Refunding Difference - \$257,237	0	(257,237)	0	(257,237)	0
Total 2007 Advance Refunding Bonds	0	3,178,852	0	3,178,852	80,000
Total General Obligation Bonds	17,586,758	3,314,603	3,764,984	17,136,377	370,000
Energy Conservation Loan, 1989, \$144,946 - 0%	3,287	0	3,287	0	0
Capital Lease - Copiers	627	102,115	16,782	85,960	18,844
Compensated Absences	1,274,375	233,869	36,679	1,471,565	102,193
Total Long-Term Liabilities	\$18,865,047	\$3,650,587	\$3,821,732	\$18,693,902	\$491,037

2002 General Obligation Bonds - On March 28, 2002, the School District issued \$18,500,000 in voted general obligation bonds to pay the local share of the school construction under the state of Ohio Classroom Facilities Assistance Program, as part of the Expedited Local Partnership Program. The bond issue included serial and term bonds in the amount of \$3,880,000 and \$14,620,000 respectively. During

Tri-Valley Local School District
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fiscal year 2006, the District advance refunded \$760,000 of the serial bonds, and \$8,495,000 of the term bonds. During fiscal year 2007, the District made the scheduled repayment of the serial bonds in the amount of \$405,000, and advance refunded an additional \$3,085,000 of the term bonds. The advance refunded portion of the bonds, as well as the unamortized premium and discount of these advance refunded bonds were removed from the financial statements of the District. The remaining outstanding bonds are being retired from the Debt Service Fund.

The serial and a portion of the term bonds were originally sold at a premium of \$228,153, of which \$118,803 remained outstanding after the refunding issues. A portion of the original term bonds were sold at a discount of \$74,000, of which \$0 remained outstanding after the refunding issues. The remaining premium will be amortized over the remaining life of the bonds. Issuance costs associated with the original bond issue were \$91,545 and were deferred, of which \$18,334 remained outstanding after the refunding issues that be amortized over the remaining life of the bond issue. The original bonds were issued for a 28-year period with a final maturity at December 1, 2029. After the advance refunding issues, the bonds that remained outstanding have a final maturity at December 1, 2019.

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

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

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

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

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

Tri-Valley Local School District
Notes to the Basic Financial Statements
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Principal and interest requirements to retire general obligation bonds for the outstanding 2002 School Improvement Bonds outstanding at June 30, 2007 are as follows:

Fiscal Year Ending June 30	Serial/Term Bonds		
	Principal	Interest	Total
2008	\$225,000	\$225,750	\$450,750
2009	260,000	216,388	476,388
2010	300,000	204,813	504,813
2011	345,000	191,106	536,106
2012	390,000	175,488	565,488
2013 - 2017	1,255,000	738,238	1,993,238
2018-2020	1,785,000	154,411	1,939,411
Total	<u>\$4,560,000</u>	<u>\$1,906,194</u>	<u>\$6,466,194</u>

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

On April 20, 2006, the Tri-Valley Local School District issued \$9,254,993 of general obligation bonds that were issued to partially refund the 2002 school improvement general obligation bonds. The bonds were issued for a 23 year period with final maturity at December 1, 2029. The bond issue included serial, term and capital appreciation bonds in the amounts of \$7,130,000, \$1,695,000, and \$429,993, respectively. These refunding bonds were issued with a discount of \$47,720 which is reported as a decrease to bonds payable. The amount is being amortized to interest expense over the life of the bonds using the straight-line method, the amortization of the premium for fiscal year 2007 was \$1,988. The issuance costs of \$151,001 are reported as deferred charges and are being amortized over the life of the bonds using the straight-line method. The amortization of the issuance costs for fiscal year 2007 was \$6,292. The refunding resulted in a difference between the net carrying amount of the debt and the acquisition price of \$632,855. This difference, reported in the accompanying financial statements as a decrease to bonds payable is being amortized to interest expense over the life of the bonds using the straight-line method. The amortization of this difference for fiscal year 2007 was \$35,159.

The 2006 bond issue consists of serial, term and capital appreciation bonds. These bonds are not subject to early redemption.

The capital appreciation bonds for the 2006 issue mature December 1, 2006 through December 1, 2016. These bonds were purchased at a substantial discount at the time of issuance. At maturity all compounded interest is paid and the bond holder receives the face value of the bond. As the value of the bond increases, the accretion is reflected as principal liability. The maturity amount of the bonds is \$1,500,000. In fiscal year 2007, \$180,465 capital appreciation bond principal was repaid. For fiscal year 2007, \$135,751 was accreted and \$34,535 of accretion was paid, leaving a total bond liability of \$350,744.

Tri-Valley Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2007

Principal and interest requirements to retire general obligation bonds for the 2006 School Improvement Refunding Bonds outstanding at June 30, 2007 are as follows:

Fiscal Year	Serial/Term Bonds		Capital Appreciation Bonds		Total	
	Principal	Interest	Principal	Accretion	Principal	Accretion/Interest
2008	\$0	\$381,836	\$41,020	\$23,980	\$41,020	\$405,816
2009	0	381,836	30,841	34,159	30,841	415,995
2010	0	381,836	23,187	41,813	23,187	423,649
2011	0	381,836	17,434	47,566	17,434	429,402
2012	0	381,836	13,107	51,893	13,107	433,729
2013-2017	0	1,909,170	123,939	836,061	123,939	2,745,231
2018-2022	175,000	1,891,632	0	0	175,000	1,891,632
2023-2027	4,070,000	1,582,246	0	0	4,070,000	1,582,246
2028-2030	4,580,000	311,826	0	0	4,580,000	311,826
Totals	\$8,825,000	\$7,604,054	\$249,528	\$1,035,472	\$9,074,528	\$8,639,526

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

On April 19, 2007, the Tri-Valley Local School District issued \$3,084,995 of general obligation bonds that were issued to partially refund the 2002 school improvement general obligation bonds. The bonds were issued for a 17 year period with final maturity at December 1, 2023. The serial and term refunding bonds were issued with a discount of \$17,818 which is reported as a decrease to bonds payable. The amount is being amortized to interest expense over the life of the bonds using the straight-line method, the amortization of the discount for fiscal year 2007 was \$0, as the refunding occurred close to the end of the fiscal year. The serial and capital appreciation refunding bonds were issued with a premium of \$368,912 which is reported as an increase to bonds payable. The amounts are being amortized to interest expense over the life of the bonds using the straight-line method, the amortization of the premium for fiscal year 2007 was \$0, as the refunding occurred close to the end of the fiscal year. The issuance costs of \$90,054 are reported as deferred charges and are being amortized over the life of the bonds using the straight-line method. The amortization of the issuance costs for fiscal year 2007 was \$0, as the refunding occurred close to the end of the fiscal year. The refunding resulted in a difference between the net carrying amount of the debt and the acquisition price of \$257,237. This difference, reported in the accompanying financial statements as a decrease to bonds payable is being amortized to interest expense over the life of the bonds using the straight-line method. The amortization of this difference for fiscal year 2007 was \$0, as the refunding occurred close to the end of the fiscal year. The issuance resulted in a difference (savings) between the cash flows required to service the old debt and the cash flows required to service the new debt of \$268,087. The issuance resulted in an economic gain of \$200,876.

The 2007 bond issue consists of serial, term and capital appreciation bonds. These bonds are not subject to early redemption.

Tri-Valley Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2007

The capital appreciation bonds for the 2007 issue mature December 1, 2020. These bonds were purchased at a substantial discount at the time of issuance. At maturity all compounded interest is paid and the bond holder receives the face value of the bond. As the value of the bond increases, the accretion is reflected as principal liability. The maturity amount of the bonds is \$735,000. For fiscal year 2007, \$0 was accreted, as the refunding occurred close to the end of the fiscal year, for a total bond liability of \$49,995.

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

Fiscal Year	Serial/Term Bonds		Capital Appreciation Bonds		Total	
	Principal	Interest	Principal	Accretion	Principal	Accretion/Interest
2008	\$80,000	\$119,800	\$0	\$0	\$80,000	\$119,800
2009	35,000	117,500	0	0	35,000	117,500
2010	35,000	116,100	0	0	35,000	116,100
2011	40,000	114,600	0	0	40,000	114,600
2012	40,000	113,000	0	0	40,000	113,000
2013-2017	225,000	539,300	0	0	225,000	539,300
2018-2022	1,045,000	473,900	49,995	685,005	1,094,995	1,158,905
2023-2024	1,535,000	55,900	0	0	1,535,000	55,900
Totals	\$3,035,000	\$1,650,100	\$49,995	\$685,005	\$3,084,995	\$2,335,105

The Energy Conservation Loan was issued in 1989 and was for asbestos abatement projects throughout the School District. The loan was issued at zero interest and was fully repaid during fiscal year 2007.

Capital leases will be paid from the general fund.

Compensated absences will be paid from the general fund and the food service special revenue fund.

At June 30, 2007, the District's overall legal debt margin was \$12,652,760, with an unvoted debt margin of \$311,519.

Defeased Debt:

As of June 30, 2007, the portion of the 2002 bonds that had been refunded with the 2006 issue that remained outstanding was \$9,255,000. These outstanding bonds are scheduled to be fully called and repaid in fiscal year 2013. The balance of the irrevocable trust account was \$9,587,581.

As of June 30, 2006, the portion of the 2002 bonds that had been refunded with the 2007 issue, that remained outstanding was \$3,085,000. These outstanding bonds are scheduled to be fully called and repaid in fiscal year 2013. The balance of the irrevocable trust account was \$3,277,451.

NOTE 16 - JOINTLY GOVERNED ORGANIZATIONS

Licking Area Computer Association – Licking Area Computer Association (LACA) is a jointly governed organization of a two county consortium of school districts. The jointly governed organization was formed for the purpose of applying modern technology with the aid of computers and others electronic equipment to administrative and instructional functions among member districts. Each of the governments of these schools supports LACA based upon a per pupil charge dependent upon the software

Tri-Valley Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2007

package utilized. LACA is governed by a Board of Directors consisting of the superintendents of the 15 member school districts. The degree of control exercised by any participating school district is limited to its representation on the Board. For fiscal year 2007, the District paid \$126,839 for services provided.

Mid-East Career and Technology Centers - The Mid-East Career and Technology Centers is a distinct political subdivision of the State of Ohio operated under the direction of a Board consisting of one representative from each of the 13 participating school districts' elected boards. The Board possesses its own budgeting and taxing authority. The Board controls the financial activity of the Career and Technology Centers.. To obtain financial information, write to the Mid-East Career and Technology Centers, Rick White, Treasurer, at 400 Richards Road, Zanesville, Ohio 43701.

East Central Ohio Special Education Regional Resource Center (ECOSERRC) – The East Central Ohio Special Education Regional Resource Center is a not-for-profit Council of Governments of various school districts and other organizations in east central Ohio. The ECOSERRC operates under the direction of an Advisory Board. This board establishes policy, approves the budget and recommends employment through the fiscal agent. The Advisory Board operates under guidelines developed by the Office for Exceptional Children at the Ohio Department of Education and consists of one or more superintendents from each of the 10 counties in the region and two parents. It may also include one representative from the County Boards of Mental Retardation and Developmental Disabilities, a representative from an institution of higher education and others at the discretion of the Advisory Board. The ECOSERRC participates in services that assist the participants in complying with mandates of Public Law 101-476 and Public Law 99-457 for educating children with disabilities. There is no financial commitment made by the School District and the ECOSERRC is not financially dependent upon the continued participation of the School District. The School District does not maintain an equity interest in or financial responsibility for the ECOSERRC.

Metropolitan Educational Council (MEC) – The Metropolitan Education Council is a consortium of school districts and related agencies in Ohio. The organization is comprised of 135 members. The governing board is comprised of either the superintendent or his designated representative from each participating school district in Franklin County and one representative from each county outside Franklin County. Each year the participating school districts pay a membership fee to MEC to cover the costs of administering the program. The District's membership payment to MEC for fiscal year 2007 was \$1,247. Financial information may be obtained from the Metropolitan Educational Council, Denise Music, who serves as fiscal officer, at 6100 Channingway Blvd., Suite 604, Columbus, OH 43232.

NOTE 17 – PUBLIC ENTITY POOLS

A. Insurance Purchasing Pool

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

B. Claims Servicing Pool

The Ohio School Benefits Cooperative – The School District participates in the Ohio School Benefits Cooperative, a claims servicing and group purchasing pool comprised of fifteen members. The Ohio School Benefits Cooperative (OSBC) is created and organized pursuant to and as authorized by Section 9.833 of the Ohio Revised Code. The OSBC is an unincorporated, non-profit association of its members and an instrumentality for each member for the purpose of enabling members of the Plan to maximize

Tri-Valley Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2007

benefits and/or reduce costs of medical, prescription drug, vision, dental, life and/or other types of group insurance coverages for their employees, and the eligible dependents and designated beneficiaries of such employees, and propose to have certain other eligible school districts or groups join them for the same purposes. The OSBC's business and affairs are conducted by a nine member Board of Directors consisting of school district superintendents elected by the members of the OSBC. Medical Mutual/Antares is the Administrator of the OSBC.

NOTE 18 - SET-ASIDE CALCULATIONS AND FUND RESERVES

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

Effective April 10, 2001, through Amended Substitute Senate Bill 345, the requirement for school districts to establish and appropriate money for the budget stabilization was deleted from law. A school district may still establish reserve balance accounts consistent with Section 5705.13, Revised Code, if it so chooses; however, the requirement is no longer mandatory. In addition, any money on hand in a school district's budget reserve set-aside as of April 10, 2001, may at the discretion of the board be returned to the District's General Fund or may be left in the account and used by the board to offset any budget deficit the District may experience in future years. The bill placed special conditions on any Bureau of Workers' Compensation monies remaining in the budget reserve. At June 30, 2006, the unspent portion of certain workers' compensation refunds continues to be set aside.

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

	Textbooks	Capital Improvements	Budget Stabilization
Set-aside Reserve Balance as of June 30, 2007	\$0	\$0	\$76,359
Current Year Set-aside Requirement	491,492	491,492	0
Current Year Offsets	0	(606,687)	0
Qualifying Transfers	0	0	0
Qualifying Disbursements	(394,184)	(799,636)	0
Totals	<u>\$97,308</u>	<u>(\$914,831)</u>	<u>\$76,359</u>
Allowable Carry Forward for Fiscal Year 2007	0	0	0
Allowable Carry Forward at June 30, 2007	(566,589)	(17,930,803)	0
Set-aside Balance Carried Forward to Future Fiscal Years	<u>(\$469,281)</u>	<u>(\$17,930,803)</u>	<u>\$0</u>
Set-aside Reserve Balance as of June 30, 2007	<u>\$0</u>	<u>\$0</u>	<u>\$76,359</u>

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

Tri-Valley Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2007

NOTE 19 – CONTINGENCIES

A. Grants

The School District received financial assistance from federal and state agencies in the form of grants. The expenditure of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and are subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the General Fund or other applicable funds. However, in the opinion of management, any such disallowed claims will not have a material adverse effect on the overall financial position of the School District at June 30, 2007

B. Litigation

The District is currently a party to legal proceedings. According to District legal counsel, the outcome, if any, cannot be determined at this time.

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

**SCHEDULE OF FEDERAL AWARDS RECEIPTS AND EXPENDITURES
FOR THE FISCAL YEAR ENDED JUNE 30, 2007**

FEDERAL GRANTOR <i>Pass-Through Grantor</i> Program Title	Federal CFDA Number	Grant Number	Receipts	Noncash Receipts	Expenditures	Noncash Expenditures
UNITED STATES DEPARTMENT OF AGRICULTURE <i>Passed through Ohio Department of Education:</i>						
Food Donation	10.550	N/A	\$0	118,048	\$0	118,048
Nutrition Cluster:						
School Breakfast Program	10.553	048876-05PU-06	62,267		62,267	
National School Lunch Program	10.555	048876-05PU-06	440,387		440,387	
Total Nutrition Cluster			<u>502,654</u>	<u>0</u>	<u>502,654</u>	<u>0</u>
Total United States Department of Agriculture			<u>502,654</u>	<u>118,048</u>	<u>502,654</u>	<u>118,048</u>
UNITED STATES DEPARTMENT OF EDUCATION <i>Passed Through Ohio Department of Education:</i>						
Title I Grants to Local Educational Agencies	84.010	048876-C1S1-06	34,701		35,304	
	84.010	048876-C1S1-07	211,030		200,283	
Total Title I Grants to Local Educational Agencies			245,731	0	235,587	0
Special Education Grants to States	84.027	048876-6BSF-06	31,669		80,039	
	84.027	048876-6BSF-06	614,429		509,287	
Total Special Education Grants to States			646,098	0	589,326	0
Safe and Drug-Free Schools and Communities: State Grants	84.186	048876-DRS1-07	7,892		6,834	
State Grants for Innovative Programs	84.298	048876-C2S1-06	4,600		3,928	
Education Technology State Grants	84.318	048876-TJS1-06	51		51	
	84.318	048876-TJS1-07	2,325		464	
Total Education Technology State Grants			2,376	0	515	0
Improving Teacher Quality State Grants	84.367	048876-C2S1-06	8,329		16,031	
	84.367	048876-C2S1-07	109,262		96,843	
Total Improving Teacher Quality State Grants			<u>117,591</u>	<u>0</u>	<u>112,874</u>	<u>0</u>
Total United States Department of Education			<u>1,024,288</u>	<u>0</u>	<u>949,064</u>	<u>0</u>
Total Federal Awards Receipts and Expenditures			<u>\$1,526,942</u>	<u>\$118,048</u>	<u>\$1,451,718</u>	<u>\$118,048</u>

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

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

**NOTES TO THE SCHEDULE OF FEDERAL AWARDS RECEIPTS AND EXPENDITURES
JUNE 30, 2007**

NOTE A – SIGNIFICANT ACCOUNTING POLICIES

The accompanying Schedule of Federal Awards Receipts and Expenditures (the Schedule) summarizes the activity of the School District's federal award programs. The Schedule has been prepared on the cash basis of accounting.

NOTE B – FOOD DONATION PROGRAM

Program regulations do not require the School District to maintain separate inventory records for purchased food and food received from the U.S. Department of Agriculture. This nonmonetary assistance (expenditures) is reported in the Schedule at the fair market value of the commodities received.

NOTE C – CHILD NUTRITION CLUSTER

Cash receipts from the U.S. Department of Agriculture are commingled with State grants. It is assumed that federal monies are expended first.



Mary Taylor, CPA

Auditor of State

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

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

To the Board of Education:

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Tri-Valley Local School District, Muskingum County, Ohio (the "School District"), as of and for the year ended June 30, 2007, which collectively comprise the School District's basic financial statements and have issued our report thereon dated February 20, 2008. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*.

Internal Control Over Financial Reporting

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

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

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

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

We noted a certain matter that we reported to the School District's management in a separate letter dated February 20, 2008.

Compliance and Other Matters

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

We did note certain noncompliance matters that we reported to the School District's management in a separate letter dated February 20, 2008.

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

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

Mary Taylor, CPA
Auditor of State

February 20, 2008



Mary Taylor, CPA

Auditor of State

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

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

To the Board of Education:

Compliance

We have audited the compliance of Tri-Valley Local School District, Muskingum County, Ohio (the "School District"), with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133, Compliance Supplement* that apply to its major federal program for the year ended June 30, 2007. The Summary of Auditor's Results section of the accompanying Schedule of Findings identifies the School District's major federal program. The School District's management is responsible for complying with the requirements of laws, regulations, contracts, and grants applicable to its major federal program. Our responsibility is to express an opinion on the School District's compliance based on our audit.

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

In our opinion, the School District complied, in all material respects, with the requirements referred to above that apply to its major federal program for the year ended June 30, 2007.

Internal Control Over Compliance

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

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

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

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

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



Mary Taylor, CPA
Auditor of State

February 20, 2008

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

**SCHEDULE OF FINDINGS
OMB CIRCULAR A -133 § .505
JUNE 30, 2007**

1. SUMMARY OF AUDITOR'S RESULTS

(d)(1)(i)	Type of Financial Statement Opinion	Unqualified
(d)(1)(ii)	Were there any material control weaknesses reported at the financial statement level (GAGAS)?	No
(d)(1)(ii)	Were there any other significant deficiencies in internal control reported at the financial statement level (GAGAS)?	No
(d)(1)(iii)	Was there any reported material non-compliance at the financial statement level (GAGAS)?	No
(d)(1)(iv)	Were there any material internal control weaknesses reported for major federal programs?	No
(d)(1)(iv)	Were there any other significant deficiencies in internal control for major federal programs?	No
(d)(1)(v)	Type of Major Programs' Compliance Opinion	Unqualified
(d)(1)(vi)	Are there any reportable findings under § .510?	No
(d)(1)(vii)	Major Programs (list):	Nutrition Cluster: CFDA #'s 10.553 and 10.555
(d)(1)(viii)	Dollar Threshold: Type A/B Programs	Type A: > \$ 300,000 Type B: all others
(d)(1)(ix)	Low Risk Auditee?	Yes

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

None.

3. FINDINGS FOR FEDERAL AWARDS

None.



Mary Taylor, CPA
Auditor of State

TRI-VALLEY LOCAL SCHOOL DISTRICT

MUSKINGUM COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
MARCH 18, 2008**