



Mary Taylor, CPA  
Auditor of State



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

**TABLE OF CONTENTS**

<b>TITLE</b>	<b>PAGE</b>
Independent Accountants' Report.....	1
Management's Discussion and Analysis.....	3
Basic Financial Statements:	
Government-Wide Financial Statements:	
Statement of Net Assets .....	11
Statement of Activities .....	12
Fund Financial Statements:	
Balance Sheet - Governmental Funds.....	13
Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds .....	15
Statement of Revenues, Expenditures and Changes in Fund Balance - Budget (Non-GAAP Basis) and Actual - General Fund .....	17
Statement of Fund Net Assets – Proprietary Fund .....	18
Statement of Revenues, Expenses and Changes in Fund Net Assets - Proprietary Fund .....	19
Statement of Cash Flows - Proprietary Fund.....	20
Statement of Fiduciary Net Assets - Fiduciary Fund .....	21
Notes to the Basic Financial Statements .....	23
Schedule of Federal Awards Receipts and Expenditures.....	55
Notes to Schedule of Federal Awards Receipts and Expenditures .....	56
Independent Accountants' Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Required by <i>Government Auditing Standards</i> .....	57
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.....	59
Schedule of Findings - OMB Circular A-133 § .505 .....	61

**This page intentionally left blank.**



# Mary Taylor, CPA

Auditor of State

## INDEPENDENT ACCOUNTANTS' REPORT

Tri-Valley Local School District  
Muskingum County  
36 East 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 the Tri-Valley Local School District, Muskingum County, Ohio (the "School District"), as of and for the year ended June 30, 2008, 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 the Tri-Valley Local School District, Muskingum County, Ohio, as of June 30, 2008, 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, 2009, 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 Schedule of Federal Awards Receipts and Expenditures 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. In our opinion, this information is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

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

**Mary Taylor, CPA**  
Auditor of State

February 20, 2009

**Tri-Valley Local School District**  
Management's Discussion and Analysis  
For the Fiscal Year Ended June 30, 2008  
Unaudited

---

The discussion and analysis of the Tri-Valley Local School District's (the School District) financial performance provides an overall review of the School District's financial activities for the fiscal year ended June 30, 2008. 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 2008 are as follows:

- Net assets of governmental activities decreased \$4,658,744.
- General revenues accounted for \$20,919,746 in revenue or 82 percent of all revenues. Program specific revenues in the form of charges for services, grants, and contributions accounted for \$4,485,921 or 18 percent of total revenues of \$25,405,667.
- Current assets decreased by \$27,456,327 primarily due to a decrease in intergovernmental receivables associated with the Ohio School Facilities Project as well as a decrease in cash and cash equivalents. Capital assets increased \$23,952,899 due to the capitalization of assets associated with the facilities project which was offset by annual depreciation expense.
- The School District had \$30,064,411 in expenses related to governmental activities; only \$4,485,921 of these expenses were offset by program specific charges for services, grants, and contributions. General revenues of \$20,919,746 were not adequate to provide for these programs.
- The School District has four major funds, the General Fund, Debt Service Fund, Permanent Improvement Capital Projects Fund, and Building Fund Capital Projects Fund. The General Fund had \$21,067,788 in revenues and \$24,833,546 in expenditures. Including other financing sources, the General Fund's balance decreased \$3,748,192. The Debt Service Fund had \$907,888 in revenues and \$1,124,578 in expenditures. The Debt Service Fund's balance decreased \$216,690. The Permanent Improvement Fund had \$160,699 in revenues and \$135,226 in expenditures. The Permanent Improvement Fund's balance, including other financing sources increased \$234,398. The Building Fund had \$15,255,856 in revenues and other financing sources, and \$26,240,259 in expenditures. The Building Fund's balance decreased \$10,984,403.

### **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 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 as 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, 2008  
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 2008?" The Statement of Net Assets and the Statement of Activities answer this question. These statements include all assets and liabilities using the accrual basis of accounting similar to the accounting used by most private-sector companies. This basis of accounting takes into account all of the current year's revenues and expenses regardless of when cash is received or paid.

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

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

***Reporting the School District's Most Significant Funds***

*Fund Financial Statements*

The analysis of the School District's major funds begins on page 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, 2008  
Unaudited

**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 2008 compared to 2007.

**Table 1**  
**Net Assets**

	<b>Governmental Activities</b>		
	<b>2008</b>	<b>2007</b>	<b>Change</b>
<b>Assets</b>			
Current and Other Assets	\$26,587,337	\$54,043,664	(\$27,456,327)
Capital Assets	68,879,343	44,926,444	23,952,899
<b>Total Assets</b>	<b>95,466,680</b>	<b>98,970,108</b>	<b>(3,503,428)</b>
<b>Liabilities</b>			
Long-Term Liabilities	18,392,684	18,693,902	(301,218)
Other Liabilities	12,816,678	11,360,144	1,456,534
<b>Total Liabilities</b>	<b>31,209,362</b>	<b>30,054,046</b>	<b>1,155,316</b>
<b>Net Assets</b>			
Invested in Capital Assets, Net of Related Debt	52,482,813	28,181,539	24,301,274
Restricted	12,519,138	34,708,069	(22,188,931)
Unrestricted	(744,633)	6,026,454	(6,771,087)
<b>Total Net Assets</b>	<b>\$64,257,318</b>	<b>\$68,916,062</b>	<b>(\$4,658,744)</b>

Current assets decreased by \$27,456,327 primarily due to a decrease in intergovernmental receivables associated with the Ohio School Facilities Project as well as a decrease in cash and cash equivalents. Capital assets increased \$23,952,899 due to the capitalization of assets associated with the facilities project which was offset by annual depreciation expense.

Total liabilities increased \$1,155,316, due primarily to increased deferred revenue associated with property taxes receivable. Due to a change of software, Muskingum County did not send tax bills until August, therefore, the amount available to finance current year obligations was significantly lower than in prior years.

**Tri-Valley Local School District**  
Management's Discussion and Analysis  
For the Fiscal Year Ended June 30, 2008  
Unaudited

Table 2 shows the changes in net assets for the fiscal year 2008 compared to fiscal year 2007.

**Table 2**  
**Changes in Net Assets**

	<b>Governmental Activities</b>		
	<b>2008</b>	<b>2007</b>	<b>Change</b>
<b>Revenues</b>			
Program Revenues			
Charges for Services	\$1,601,985	\$1,390,090	\$211,895
Operating Grants and Contributions	2,733,479	2,467,470	266,009
Capital Grants and Contributions	150,457	37,537	112,920
<b>Total Program Revenues</b>	<b>4,485,921</b>	<b>3,895,097</b>	<b>590,824</b>
General Revenues			
Property Taxes	5,048,106	8,200,224	(3,152,118)
Grants and Entitlements not Restricted to Specific Programs	14,823,139	14,710,011	113,128
Interest	939,475	898,040	41,435
Revenue in Lieu of Taxes	0	158,969	(158,969)
Others	109,026	146,433	(37,407)
<b>Total General Revenues</b>	<b>20,919,746</b>	<b>24,113,677</b>	<b>(3,193,931)</b>
<b>Total Revenues</b>	<b>25,405,667</b>	<b>28,008,774</b>	<b>(2,603,107)</b>
<b>Program Expenses</b>			
Instruction			
Regular	11,939,982	11,970,174	(30,192)
Special	3,642,400	3,235,298	407,102
Vocational	452,971	431,884	21,087
Support Services			
Pupil	865,995	731,309	134,686
Instructional Staff	1,261,247	1,139,904	121,343
Board of Education	778,970	490,681	288,289
Administration	3,438,940	2,790,890	648,050
Fiscal	485,425	469,818	15,607
Operation and Maintenance of Plant	2,298,619	1,917,476	381,143
Pupil Transportation	2,172,161	1,895,562	276,599
Central	381,368	348,374	32,994
Operation of Non-Instructional Services	32,783	30,333	2,450
Food Service Operations	1,226,478	1,095,058	131,420
Extracurricular Activities	229,871	209,575	20,296
Interest and Fiscal Charges	857,201	889,201	(32,000)
<b>Total Expenses</b>	<b>30,064,411</b>	<b>27,645,537</b>	<b>2,418,874</b>
<b>Increase in Net Assets</b>	<b>(4,658,744)</b>	<b>363,237</b>	<b>(5,021,981)</b>
Net Assets Beginning of Year	68,916,062	65,049,973	3,866,089
Restatement of Net Assets	0	3,502,852	(3,502,852)
Net Assets End of Year	<b>\$64,257,318</b>	<b>\$68,916,062</b>	<b>(\$4,658,744)</b>

**Tri-Valley Local School District**  
Management's Discussion and Analysis  
For the Fiscal Year Ended June 30, 2008  
Unaudited

In 2008, 20 percent of the School District's revenues were from property taxes, 58 percent were from unrestricted grants and entitlement. The reduction of property tax revenue was due primarily to Muskingum County not sending tax bills until August, therefore, the amount available to finance current year obligations was significantly lower than in prior years. There was also a reduction in revenue in lieu of taxes due to the restatement, see Note 3 for details.

Instructional programs comprise approximately 53 percent of total governmental program expenses. Of the instructional expenses, approximately 74 percent is for regular instruction, 23 percent for special instruction, and 3 percent for vocational instruction. Instructional program expenses increased \$397,997 from the prior fiscal year. Administration expense increased \$648,050 due primarily to the net loss on disposal of capital assets.

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 2008 compared to fiscal year 2007. In other words, it identifies the cost of those services supported by tax revenue and unrestricted entitlements.

**Table 3**  
**Governmental Activities**

	<b>Total Cost of Services</b>		<b>Net Cost of Services</b>	
	<b>2008</b>	<b>2007</b>	<b>2008</b>	<b>2007</b>
Instruction				
Regular	\$11,939,982	\$11,970,174	\$11,201,533	\$11,386,811
Special	3,642,400	3,235,298	2,124,236	1,817,813
Vocational	452,971	431,884	363,414	362,060
Support Services				
Pupil	865,995	731,309	517,671	509,711
Instructional Staff	1,261,247	1,139,904	1,247,087	1,131,080
Board of Education	778,970	490,681	778,970	490,681
Administration	3,438,940	2,790,890	3,435,564	2,763,302
Fiscal	485,425	469,818	485,425	469,818
Operation and Maintenance of Plant	2,298,619	1,917,476	2,296,839	1,916,267
Pupil Transportation	2,172,161	1,895,562	2,083,993	1,796,427
Central	381,368	348,374	380,061	347,916
Operation of Non-Instructional Services	32,783	30,333	29,310	24,034
Food Service Operations	1,226,478	1,095,058	13,590	(26,847)
Extracurricular Activities	229,871	209,575	(236,404)	(127,834)
Interest and Fiscal Charges	857,201	889,201	857,201	889,201
<b>Total Expenses</b>	<b>\$30,064,411</b>	<b>\$27,645,537</b>	<b>\$25,578,490</b>	<b>\$23,750,440</b>

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

**The School District Funds**

Information about the School District funds start on page 13. These funds are accounted for using the modified accrual basis of accounting. Total governmental funds had \$40,438,985 in revenues and other financing sources and \$54,910,432 in expenditures. Total governmental fund's balance decreased \$14,471,447.

**Tri-Valley Local School District**  
Management's Discussion and Analysis  
For the Fiscal Year Ended June 30, 2008  
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 year 2008, 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 2008, the School District had \$68,879,343 invested in land, land improvements, buildings and improvements, furniture, fixtures, and equipment and vehicles. See Note 9 for more detailed information of the School District's capital assets.

***Debt***

At June 30, 2008, the School District had \$16,941,168 in bonds, and capital leases outstanding.

**Table 4**  
**Outstanding Debt at Year End**  
**Governmental Activities**

	<b>2008</b>	<b>2007</b>
2002 School Improvement Serial, Term Bonds	\$4,444,664	\$4,678,803
2006 Refunding Bonds-Serial, Term, and Capital Appreciation Bonds	9,322,696	9,278,722
2007 Refunding Bonds-Serial, Term, and Capital Appreciation Bonds	3,106,692	3,178,852
Capital Leases	67,116	85,960
<b><i>Total</i></b>	<b>\$16,941,168</b>	<b>\$17,222,337</b>

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

**Tri-Valley Local School District**  
Management's Discussion and Analysis  
For the Fiscal Year Ended June 30, 2008  
Unaudited

---

***Economic Factors***

The School District's budgetary practice of spending less than what revenues it has coming in has forced the administration to continue considering cost containment and cost reduction measures for fiscal year 2008. Materials and supplies budgets have been reduced along with decreases in support staff where possible. Additional support staff reductions will be considered if the economic trends do not improve. Raising revenues by the means of an operating levy would be considered only when viable reductions have been exhausted.

Phase II of the School District's comprehensive building program is nearing completion. The Project Agreement with the Ohio School Facilities Commission for the Classroom Facilities Assistance Program 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 School 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 School District has proven to be adequate for these overages, enabling the Board to proceed without seeking an additional bond issue. The total project is anticipated to be completed in January, 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 Ryan D. Smith, Treasurer at Tri-Valley Local School District, 36 E. Muskingum Avenue, Dresden, Ohio, 43821 or e-mail at [RDSMITH@tvschools.org](mailto:RDSMITH@tvschools.org).

**This page intentionally left blank.**

**Tri-Valley Local School District**  
*Statement of Net Assets*  
*June 30, 2008*

	<u>Governmental Activities</u>
<b>Assets</b>	
Equity in Pooled Cash and Cash Equivalents	\$12,861,696
Accrued Interest Receivable	62,568
Prepaid Items	42,227
Materials and Supplies Inventory	119,596
Intergovernmental Receivable	643,101
Property Taxes Receivable	8,094,258
Cash and Cash Equivalents with Escrow Agents	949,903
Revenue in Lieu of Taxes Receivable	3,573,890
Deferred Charges	240,098
Non-Depreciable Capital Assets	4,012,697
Depreciable Capital Assets, Net	<u>64,866,646</u>
<i>Total Assets</i>	<u>95,466,680</u>
<b>Liabilities</b>	
Accounts Payable	23,268
Accrued Wages and Benefits Payable	2,581,322
Contracts Payable	586,815
Intergovernmental Payable	719,532
Accrued Interest Payable	58,694
Matured Severance Payable	106,868
Claims Payable	426,351
Retainage Payable	952,054
Deferred Revenue	7,361,774
Long-Term Liabilities:	
Due Within One Year	492,695
Due In More Than One Year	<u>17,899,989</u>
<i>Total Liabilities</i>	<u>31,209,362</u>
<b>Net Assets</b>	
Invested in Capital Assets, Net of Related Debt	52,482,813
Restricted for:	
Debt Service	1,046,208
Capital Outlay	10,108,262
State Programs	40,604
Federal Programs	148,060
Budget Stabilization	76,359
Other Purposes	1,099,645
Unrestricted (Deficit)	<u>(744,633)</u>
<i>Total Net Assets</i>	<u><u>\$64,257,318</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, 2008

	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
<b>Governmental Activities</b>					
Instruction:					
Regular	\$11,939,982	\$613,643	\$124,806	\$0	(\$11,201,533)
Special	3,642,400	0	1,518,164	0	(2,124,236)
Vocational	452,971	0	89,557	0	(363,414)
Support Services:					
Pupil	865,995	0	348,324	0	(517,671)
Instructional Staff	1,261,247	0	14,160	0	(1,247,087)
Board of Education	778,970	0	0	0	(778,970)
Administration	3,438,940	0	3,376	0	(3,435,564)
Fiscal	485,425	0	0	0	(485,425)
Operation and Maintenance of Plant	2,298,619	1,780	0	0	(2,296,839)
Pupil Transportation	2,172,161	0	63,179	24,989	(2,083,993)
Central	381,368	0	1,307	0	(380,061)
Operation of Non-Instructional Services	32,783	0	3,473	0	(29,310)
Food Service Operations	1,226,478	645,755	567,133	0	(13,590)
Extracurricular Activities	229,871	340,807	0	125,468	236,404
Interest and Fiscal Charges	857,201	0	0	0	(857,201)
<i>Total Governmental Activities</i>	<u>\$30,064,411</u>	<u>\$1,601,985</u>	<u>\$2,733,479</u>	<u>\$150,457</u>	<u>(25,578,490)</u>
<b>General Revenues</b>					
Property Taxes Levied for General Purposes					4,134,684
Property Taxes Levied for Debt Service					779,065
Property Taxes Levied for Classroom Facilities Maintenance					134,357
Grants and Entitlements not Restricted to Specific Programs					14,823,139
Investment Earnings					939,475
Miscellaneous					109,026
<i>Total General Revenues</i>					<u>20,919,746</u>
Change in Net Assets					(4,658,744)
<i>Net Assets Beginning of Year - Restated (Note 3)</i>					<u>68,916,062</u>
<i>Net Assets End of Year</i>					<u><u>\$64,257,318</u></u>

See accompanying notes to the basic financial statements



**Tri-Valley Local School District**  
*Balance Sheet*  
*Governmental Funds*  
*June 30, 2008*

	General	Debt Service	Permanent Improvement	Building Fund	Other Governmental Funds	Total Governmental Funds
<b>Assets</b>						
Equity in Pooled Cash and Cash Equivalents	\$1,229,180	\$1,080,053	\$2,701,643	\$3,824,733	\$1,628,585	\$10,464,194
Restricted Assets:						
Equity in Pooled Cash and Cash Equivalents	76,359	0	0	2,151	0	78,510
Cash and Cash Equivalents with Escrow Agents	0	0	0	949,903	0	949,903
Receivables:						
Property Taxes	6,685,435	1,277,285	0	0	131,538	8,094,258
Intergovernmental	14,444	0	0	549,263	79,394	643,101
Accrued Interest	10,979	0	0	51,589	0	62,568
Revenue in Lieu of Taxes	0	18,436	3,552,820	0	2,634	3,573,890
Prepaid Items	26,914	0	0	15,313	0	42,227
Materials and Supplies Inventory	99,356	0	0	0	20,240	119,596
<i>Total Assets</i>	<u>\$8,142,667</u>	<u>\$2,375,774</u>	<u>\$6,254,463</u>	<u>\$5,392,952</u>	<u>\$1,862,391</u>	<u>\$24,028,247</u>
<b>Liabilities and Fund Balances</b>						
<b>Liabilities</b>						
Accounts Payable	\$19,665	\$0	\$0	\$521	\$3,082	\$23,268
Accrued Wages and Benefits	2,481,371	0	0	0	99,951	2,581,322
Contracts Payable	0	0	0	586,815	0	586,815
Retainage Payable	0	0	0	952,054	0	952,054
Intergovernmental Payable	672,731	0	0	0	46,801	719,532
Matured Severance Payable	106,868	0	0	0	0	106,868
Deferred Revenue	6,495,723	1,256,884	3,552,820	549,263	171,819	12,026,509
<i>Total Liabilities</i>	<u>9,776,358</u>	<u>1,256,884</u>	<u>3,552,820</u>	<u>2,088,653</u>	<u>321,653</u>	<u>16,996,368</u>
<b>Fund Balances (Deficit)</b>						
Reserved for Encumbrances	392,832	0	1,650	1,810,344	309,410	2,514,236
Reserved for Property Taxes	189,712	38,837	0	0	3,953	232,502
Reserved for Budget Stabilization	76,359	0	0	0	0	76,359
Unreserved, Undesignated, Reported in:						
General Fund	(2,292,594)	0	0	0	0	(2,292,594)
Special Revenue Funds	0	0	0	0	1,227,375	1,227,375
Debt Service Funds	0	1,080,053	0	0	0	1,080,053
Capital Projects Funds	0	0	2,699,993	1,493,955	0	4,193,948
<i>Total Fund Balances (Deficit)</i>	<u>(1,633,691)</u>	<u>1,118,890</u>	<u>2,701,643</u>	<u>3,304,299</u>	<u>1,540,738</u>	<u>7,031,879</u>
<i>Total Liabilities and Fund Balances</i>	<u>\$8,142,667</u>	<u>\$2,375,774</u>	<u>\$6,254,463</u>	<u>\$5,392,952</u>	<u>\$1,862,391</u>	<u>\$24,028,247</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, 2008*

**Total Governmental Fund Balances** \$7,031,879

*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. 68,879,343

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

Property Taxes	499,982	
Revenue in Lieu of Taxes	3,573,890	
Intergovernmental	590,863	
<b>Total</b>		<b>4,664,735</b>

Unamortized issuance costs represent deferred charges which do not provide current financial resources and, therefore, are not reported in the funds. 240,098

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. 1,892,641

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	258,503	
General Obligation Bonds - Serial/Term	16,115,000	
Premium	1,170,829	
Difference on Refunding	(804,642)	
Discount	(60,514)	
Accretion of Interest - Capital Appreciation Bonds	194,876	
Compensated Absences	1,451,516	
Accrued Interest Payable	58,694	
Capital Leases	67,116	
<b>Total</b>		<b>(18,451,378)</b>

*Net Assets of Governmental Activities* \$64,257,318

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, 2008*

	General	Debt Service	Permanent Improvement	Building Fund	Other Governmental Funds	Total Governmental Funds
<b>Revenues</b>						
Property Taxes	\$4,032,342	\$761,095	\$0	\$0	\$132,366	\$4,925,803
Intergovernmental	15,729,494	146,373	0	14,762,398	1,711,262	32,349,527
Interest	550,913	0	0	367,990	20,572	939,475
Tuition and Fees	613,643	0	0	0	0	613,643
Extracurricular Activities	90,315	0	0	0	250,492	340,807
Rent	1,780	0	0	0	0	1,780
Gifts and Donations	0	0	0	125,468	0	125,468
Revenue in Lieu of Taxes	0	420	160,699	0	91	161,210
Charges for Services	0	0	0	0	645,755	645,755
Miscellaneous	49,301	0	0	0	59,725	109,026
<i>Total Revenues</i>	<u>21,067,788</u>	<u>907,888</u>	<u>160,699</u>	<u>15,255,856</u>	<u>2,820,263</u>	<u>40,212,494</u>
<b>Expenditures</b>						
Current:						
Instruction:						
Regular	11,454,512	0	133,871	0	147,949	11,736,332
Special	3,088,124	0	0	0	497,398	3,585,522
Vocational	421,013	0	0	0	0	421,013
Support Services:						
Pupil	535,562	0	0	0	322,750	858,312
Instructional Staff	1,185,400	0	0	0	13,957	1,199,357
Board of Education	747,777	27,193	0	0	2,821	777,791
Administration	2,254,411	0	0	0	64,167	2,318,578
Fiscal	484,853	0	0	0	0	484,853
Operation and Maintenance of Plant	2,148,639	0	0	0	99,131	2,247,770
Pupil Transportation	1,975,156	0	0	0	58,078	2,033,234
Central	337,483	0	0	0	22,223	359,706
Operation of Non-Instructional Services	0	0	0	0	3,317	3,317
Food Service Operations	0	0	0	0	1,173,203	1,173,203
Extracurricular Activities	9,080	0	0	0	171,829	180,909
Capital Outlay	167,272	0	1,355	26,240,259	0	26,408,886
Debt Service:						
Principal Retirement	18,844	346,020	0	0	0	364,864
Interest and Fiscal Charges	5,420	727,385	0	0	0	732,805
Capital Appreciation Bonds Interest	0	23,980	0	0	0	23,980
<i>Total Expenditures</i>	<u>24,833,546</u>	<u>1,124,578</u>	<u>135,226</u>	<u>26,240,259</u>	<u>2,576,823</u>	<u>54,910,432</u>
<i>Excess of Revenues Over (Under) Expenditures</i>	(3,765,758)	(216,690)	25,473	(10,984,403)	243,440	(14,697,938)
<b>Other Financing Source</b>						
Sale of Capital Assets	17,566	0	208,925	0	0	226,491
<i>Net Change in Fund Balances</i>	(3,748,192)	(216,690)	234,398	(10,984,403)	243,440	(14,471,447)
<i>Fund Balances Beginning 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>
<i>Fund Balances (Deficit) End of Year</i>	<u>(\$1,633,691)</u>	<u>\$1,118,890</u>	<u>\$2,701,643</u>	<u>\$3,304,299</u>	<u>\$1,540,738</u>	<u>\$7,031,879</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, 2008*

**Net Change in Fund Balances - Total Governmental Funds** (\$14,471,447)

*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	26,740,510	
Depreciation	(1,493,468)	
Total	25,247,042	25,247,042

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 the disposals. (1,294,143)

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

Property Taxes	122,303	
Intergovernmental	(14,767,920)	
Revenue in Lieu of Taxes	(161,210)	
Total	(14,806,827)	(14,806,827)

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	305,000	
Capital Appreciation Bonds	41,020	
Capital Appreciation Bonds Accretion	23,980	
Capital Leases	18,844	
Total	388,844	388,844

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

Accrued Interest	594	
Capital Appreciation Bonds Accretion of Interest	(117,640)	
Total	(117,046)	(117,046)

Bond premiums are reported as other financing sources in the governmental funds, but are allocated as a reduction of expense over the life of the bonds on the statement of activities. 63,292

The refunding difference is allocated as a reduction of expenses in the statement of activities over the life of the bonds. (50,291)

Issuance costs are reported as an expenditure when paid in governmental funds, but are allocated as an expense over the life of the outstanding debt on the statement of activities. (17,315)

Bond discounts are reported as other financing uses in governmental funds, but are allocated as an expense over the life of the bonds. (3,036)

Compensated Absences are expenses reported in the statement of activities but do not require the use of current resources and therefore are not reported as expenditures in governmental funds. 20,049

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. 382,134

*Change in Net Assets of Governmental Activities* (\$4,658,744)

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, 2008*

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget</u>
<b>Revenues</b>				
Property Taxes	\$6,446,546	\$6,427,005	\$6,427,005	\$0
Intergovernmental	16,182,564	15,715,050	15,715,050	0
Interest	425,000	508,219	537,065	28,846
Tuition and Fees	613,931	613,507	613,643	136
Extracurricular Activities	97,542	90,365	90,315	(50)
Rent	1,000	1,780	1,780	0
Revenue in Lieu of Taxes	52,880	25,901	25,901	0
Miscellaneous	572	47,975	49,305	1,330
<i>Total Revenues</i>	<u>23,820,035</u>	<u>23,429,802</u>	<u>23,460,064</u>	<u>30,262</u>
<b>Expenditures</b>				
Current:				
Instruction:				
Regular	11,248,326	11,144,602	11,663,170	(518,568)
Special	1,948,487	3,096,004	3,094,594	1,410
Vocational	425,524	402,534	402,535	(1)
Support Services:				
Pupil	533,650	534,917	534,917	0
Instructional Staff	1,234,914	1,159,992	1,159,992	0
Board of Education	1,095,000	846,033	846,033	0
Administration	2,312,508	2,272,109	2,271,815	294
Fiscal	491,947	492,402	485,934	6,468
Operation and Maintenance of Plant	2,243,898	2,203,401	2,196,543	6,858
Pupil Transportation	1,997,003	2,002,430	2,002,430	0
Central	211,281	340,590	340,590	0
Extracurricular Activities	15,998	11,313	10,715	598
Capital Outlay	116,821	176,670	176,670	0
<i>Total Expenditures</i>	<u>23,875,357</u>	<u>24,682,997</u>	<u>25,185,938</u>	<u>(502,941)</u>
Excess of Revenues Under Expenditures	(55,322)	(1,253,195)	(1,725,874)	(472,679)
<b>Other Financing Source</b>				
Sale of Capital Assets	0	17,566	17,566	0
<i>Net Change in Fund Balance</i>	<u>(55,322)</u>	<u>(1,235,629)</u>	<u>(1,708,308)</u>	<u>(472,679)</u>
<i>Fund Balance Beginning of Year</i>	1,643,683	1,643,683	1,643,683	0
Prior Year Encumbrances Appropriated	970,957	970,957	970,957	0
<i>Fund Balance End of Year</i>	<u>\$2,559,318</u>	<u>\$1,379,011</u>	<u>\$906,332</u>	<u>(\$472,679)</u>

See accompanying notes to the basic financial statements

**Tri-Valley Local School District**  
*Statement of Fund Net Assets*  
*Proprietary Fund*  
*June 30, 2008*

	<u>Governmental Activity</u> <u>Internal Service Fund</u>
<b>Current Assets</b>	
Equity in Pooled Cash and Cash Equivalents	\$2,318,992
<b>Current Liabilities</b>	
Claims Payable	<u>426,351</u>
<b>Net Assets</b>	
Unrestricted	<u><u>\$1,892,641</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, 2008*

	<u>Governmental</u> <u>Activity</u> <u>Internal Service</u> <u>Fund</u>
<b>Operating Revenues</b>	
Charges for Services	<u>\$3,358,275</u>
<b>Operating Expenses</b>	
Purchased Services	457,982
Claims	<u>2,518,159</u>
<i>Total Operating Expenses</i>	<u>2,976,141</u>
<i>Operating Income</i>	382,134
<i>Net Assets Beginning of Year</i>	<u>1,510,507</u>
<i>Net Assets End of Year</i>	<u><u>\$1,892,641</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, 2008*

	Governmental Activity
	Internal Service Fund
<b>Increase in Cash and Cash Equivalents</b>	
<b>Cash Flows from Operating Activities</b>	
Cash Received from Interfund Services Provided	\$3,358,275
Cash Payments for Services	(457,982)
Cash Payments for Claims	(2,288,083)
	612,210
<i>Net Cash Provided by Operating Activities</i>	612,210
<i>Net Increase in Cash and Cash Equivalents</i>	612,210
<i>Cash and Cash Equivalents Beginning of Year</i>	1,706,782
<i>Cash and Cash Equivalents End of Year</i>	\$2,318,992
<b>Reconciliation of Operating Income to Net Cash Provided by Operating Activities</b>	
Operating Income	\$382,134
Increase in Claims Payable	230,076
	612,210
<i>Net Cash Provided by Operating Activities</i>	\$612,210

See accompanying notes to the basic financial statements



**Tri-Valley Local School District**  
*Statement of Fiduciary Net Assets*  
*Fiduciary Fund*  
*June 30, 2008*

	<u>Agency</u>
<b>Assets</b>	
Equity in Pooled Cash and Cash Equivalents	<u>\$123,620</u>
<i>Total Assets</i>	<u><u>\$123,620</u></u>
<b>Liabilities</b>	
Undistributed Monies	\$26,971
Due to Students	<u>96,649</u>
<i>Total Liabilities</i>	<u><u>\$123,620</u></u>

See accompanying notes to the basic financial statements

**This page intentionally left blank.**

**Tri-Valley Local School District**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2008*

---

**NOTE 1 - DESCRIPTION OF THE SCHOOL DISTRICT AND REPORTING ENTITY**

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

The School District was established in 1966. The School District serves an area of approximately 230 square miles. It is located in Muskingum and Coshocton Counties and includes all of Adams, Jefferson, Salem, Jackson, Muskingum, and Madison Townships and a portion of Licking, Virginia, and Washington Townships. The School District is the 140<sup>th</sup> largest in the State of Ohio (among 612 school districts) in terms of enrollment. It is staffed by 145 non-certificated employees, 231 certificated full-time teaching personnel, and 16 administrative employees who provide services to 3,200 students and other community members. The School District currently includes 11 instructional/support buildings.

*Reporting Entity:*

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

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

The School District participates in the Licking Area Computer Association (LACA), the Mid-East Ohio Career and Technology Center, 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 17 and 18.

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

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

**Tri-Valley Local School District**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2008*

---

**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, 2008*

---

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

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

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

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

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

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

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

### **C. Measurement Focus**

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

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

**Tri-Valley Local School District**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2008*

---

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

**D. Basis of Accounting**

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

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

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

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

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

Property taxes for which there is an enforceable legal claim as of June 30, 2008, but which were levied to finance fiscal year 2009 operations, have been recorded as deferred revenue. Grants and entitlements received before the eligibility requirements are met are also recorded as deferred revenue.

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

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

**Tri-Valley Local School District**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2008*

---

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

**E. Cash and Cash Equivalents**

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

During fiscal year 2008, investments were limited to non negotiable certificates of deposit, Federal Home Loan Bank Notes, Federal Home Loan Mortgage Corporation Notes, Federal National Mortgage Association Notes, and State Treasury Asset Reserve of Ohio (STAROhio). Investments are reported at fair value, except for non negotiable certificates of deposit which are reported at cost.

STAROhio is an investment pool managed by the State Treasurer's Office which allows governments within the State to pool their funds for investment purposes. STAROhio is not registered with the SEC as an investment company, but does operate in a manner consistent with 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, 2008.

Following Ohio statues, the Board of Education has, by resolution, specified the funds to receive an allocation of interest earnings. Interest revenue credited to the general fund during fiscal year 2008 amounted to \$550,913, which includes \$374,037, assigned from other School District funds.

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

**F. Restricted Assets**

Assets are reported as restricted assets when limitations on their use change the normal understanding of the availability of the asset. Such constraints are either externally imposed by creditors, contributors, grantors, or laws of other governments or are imposed by law through constitutional provisions or enabling legislation. Restricted assets in the general fund include amounts required by state statue to be set-aside to create a reserve for budget stabilization. See Note 19 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, 2008, are recorded as prepaid items using the consumption method. A current asset for the prepaid amount is recorded at the time of the purchase and an expenditure/expense is reported in the year in which services are consumed.

**H. Inventory**

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

**Tri-Valley Local School District**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2008*

---

**I. Capital Assets**

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

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

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

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

**J. Compensated Absences**

Vacation benefits are accrued as a liability as the benefits are earned if the employees' rights to receive compensation are attributable to services already rendered and it is probable that the employer 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.

On the government fund financial statements, accrued 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.

**K. Accrued Liabilities and Long-Term Obligations**

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



**Tri-Valley Local School District**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2008*

---

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

**L. Bond Discounts, Premiums, and Issuance Costs**

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

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

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

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

**M. Internal Activity**

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

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

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

**N. Fund Balance Reserves**

The School District reserves those portions of fund 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 stabilization represents money required to be set-aside by statute to protect against cyclical changes in revenues and expenditures.

**Tri-Valley Local School District**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2008*

---

**O. Net Assets**

Net assets represent the difference between assets and liabilities. Net assets invested in capital assets, net of related debt consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction, or improvement of those assets. Net assets are reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the School District or through external restrictions imposed by creditors, grantors or laws or regulations of other governments. Net assets restricted for other purposes include amounts from local sources, including tax levy proceeds for the maintenance of classroom facilities, that are restricted for specified purposes. Of the restricted net assets none has resulted from enabling legislation.

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

**P. Operating Revenues and Expenses**

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

**Q. Extraordinary and Special Items**

Extraordinary items are transactions or events that are both unusual in nature and infrequent in occurrence. Special items are transactions or events that are within the control of the Board of Education and that are either unusual in nature or infrequent in occurrence. No such items were reported for fiscal year 2008.

**R. Estimates**

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

**S. Budgetary Data**

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

**Tri-Valley Local School District**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2008*

---

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 – CHANGES IN ACCOUNTING PRINCIPLES AND RESTATEMENT OF PRIOR YEAR FUND EQUITY**

*Change in Accounting Principles* - For fiscal year 2008, the School District has implemented Governmental Accounting Standards Board (GASB) Statement No. 45, “Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions”, GASB Statement No. 48, “Sales and Pledges of Receivables and Future Revenues and Intra-Entity Transfers of Assets and Future Revenues”, and GASB Statement No. 50, “Pension Disclosures”.

GASB Statement No. 45 improves the relevance and usefulness of financial reporting by requiring systematic, accrual-basis measurement and recognition of OPEB costs over a period that approximates employees’ years of service and providing information about actuarial accrued liabilities associated with OPEB and whether and to what extent progress is being made in funding the plan. An OPEB liability at transition was determined in accordance with this Statement for both the STRS and the SERS post-employment healthcare plans in the amount of \$19,310, and \$74,129 respectively, which are the same as the previously reported liabilities.

GASB Statement No. 48 addresses how to account for the exchange of an interest in expected cash flows from collecting specific receivables or specific future revenues for immediate cash payments. The statement established criteria used to determine whether the transaction should be recorded as revenue or as a liability (a sale or a collateralized borrowing). The implementation of this statement did not result in any change to the financial statements.

GASB Statement No. 50 requires employers contributing to defined benefit pension plans to include the legal or contractual maximum contribution rates in the notes to the financial statements. The implementation of this statement did not result in any change to the financial statements.

*Restatement of Net Assets* – The School District restated net assets to reflect the full value of the Revenue In Lieu of Taxes Receivable that had previously been recorded for one year’s collection. The restatement has the following effect on the net assets of the governmental activities.

	Governmental Activities
Governmental Net Assets, June 30, 2007	\$65,413,210
Revenue In Lieu of Taxes Receivable	3,502,852
Restated Governmental Net Assets, June 30, 2007	\$68,916,062

**Tri-Valley Local School District**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2008*

---

**NOTE 4 – FUND DEFICIT**

The General Fund's deficit balance of \$1,633,691 was created primarily by the application of generally accepted accounting principles as well as spending in excess of revenues. The School District will monitor future spending.

**NOTE 5 - BUDGETARY BASIS OF ACCOUNTING**

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

	<u>General</u>
GAAP Basis	(\$3,748,192)
Net Adjustment for Revenue Accruals	2,398,157
Investment Market Value Adjustment	(5,881)
Net Adjustment for Expenditure Accruals	52,696
Adjustment for Encumbrances	<u>(405,088)</u>
Budget Basis	<u><u>(\$1,708,308)</u></u>

**NOTE 6 – DEPOSITS AND INVESTMENTS**

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

**Tri-Valley Local School District**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2008*

---

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

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

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

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

1. United States Treasury bills, bonds, notes, or any other obligation or security issued by the United States Treasury, or any other obligation guaranteed as to principal and interest by the United States;
2. Bonds, notes, debentures, or any other obligation or security issued by any federal government agency or instrumentality including, but not limited to, the Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, Government National Mortgage Association, and Student Loan Marketing Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
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 (1) or (2) above;
7. The State Treasurer's investment pool (STAROhio).
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, 2008

---

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, \$6,858,770 of the School District's bank balance of \$7,302,370 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, 2008, the School District had the following investments which are in an internal investment pool:

	Fair Value	Maturity	Percent of Total Investments
Federal National Mortgage Association Note	\$503,440	10/24/1012	
Federal National Mortgage Association Note	301,968	10/29/2012	
Federal National Mortgage Association Note	521,063	4/1/2013	18.39%
Federal Home Loan Bank Note	752,812	8/15/2012	
Federal Home Loan Bank Note	302,064	12/19/2011	
Federal Home Loan Bank Note	500,000	2/22/2011	21.56%
Federal Home Loan Mortgage Corporation Note	250,510	7/15/2012	
Federal Home Loan Mortgage Corporation Note	503,170	10/10/2012	
Federal Home Loan Mortgage Corporation Note	755,647	12/10/2012	
Federal Home Loan Mortgage Corporation Note	502,285	12/15/2012	
Federal Home Loan Mortgage Corporation Note	97,806	2/5/2013	
Federal Home Loan Mortgage Corporation Note	247,808	3/18/2013	
Federal Home Loan Mortgage Corporation Note	594,126	4/16/2013	
Federal Home Loan Mortgage Corporation Note	489,030	2/5/2013	
Federal Home Loan Mortgage Corporation Note	503,025	11/28/2011	54.68%
STAR Ohio	387,516	average 53.8 days	5.37%
Totals	<u>\$7,212,270</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, 2008*

---

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

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

**NOTE 7- PROPERTY TAXES**

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

Property taxes include amounts levied against all real, public utility and tangible personal property (used in business) located in the school district. Real property tax revenue received in calendar 2008 represents collections of calendar year 2007 taxes. Real property taxes received in calendar year 2008 were levied after April 1, 2007, on the assessed value listed as of January 1, 2007, 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 2008 represents collections of calendar year 2007 taxes. Public utility real and tangible personal property taxes received in calendar year 2008 became a lien December 31, 2006, were levied after April 1, 2007 and are collected in 2008 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 2008 (other than public utility property tax) represents the collection of 2008 taxes. Tangible personal property taxes received in calendar year 2008 were levied after April 1, 2007, on the value listed as of December 31, 2007. 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 2008 is 6.25 percent. This will be reduced to 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.

The School District receives property taxes from Muskingum and Coshocton Counties. The County Auditors periodically advances to the School District its portion of the taxes collected. Second-half real property tax payments collected by the County by June 30, 2008, are available to finance fiscal year 2008 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, 2008 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.

**Tri-Valley Local School District**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2008*

---

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

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 2008 taxes were collected are:

	2007 Second Half Collections		2008 First Half Collections	
	Amount	Percent	Amount	Percent
Real Estate	\$290,546,560	88.39%	\$291,581,430	90.29%
Public Utility Personal	22,969,190	6.99%	21,729,120	6.73%
General Business Property	15,179,158	4.62%	9,613,219	2.98%
	\$328,694,908	100.00%	\$322,923,769	100.00%
Tax Rate per \$1,000 of assessed valuation		\$40.25		\$40.25

**NOTE 8 - RECEIVABLES**

Receivables at June 30, 2008, consisted of interest, property taxes, revenue in lieu of taxes, intergovernmental, and grants. All receivables are considered collectible in full due to the ability to foreclose for the nonpayment of taxes, the stable condition of State programs, and the current year guarantee of federal funds. All receivables are expected to be collected within one year, with the exception of delinquent property taxes deemed collectible by the County Auditor and recorded as a receivable in the amount of \$499,982, the Ohio School Facilities Commission receivable, which is a multiple year project, and revenue in lieu of taxes receivable that are addressed below. A summary of the principal items of intergovernmental receivables follows:

	Amounts
<b>Governmental Activities</b>	
Ohio School Facilities Grant	\$549,263
School Bus Allocation	14,444
Title I	49,570
Titel II-A	15,251
Title V	1,248
Title IV-A	675
Title II-D	2,126
Part B - IDEA	10,524
Total	\$643,101



**Tri-Valley Local School District**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2008*

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

In August, 2005, the School District was awarded an Ohio School Facilities Grant. As of June 30, 2008, the remaining amount of the Grant, \$549,263 is recorded as a receivable.

**NOTE 9 - CAPITAL ASSETS**

Capital asset activity for the year ended June 30, 2008, was as follows:

	<u>Balance June 30, 2007</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance June 30, 2008</u>
<u>Government Activities:</u>				
Non Depreciable Assets:				
Land and Land Improvements	\$1,017,422	\$2,995,275	\$0	\$4,012,697
Construction in Progress	21,193,995	0	(21,193,995)	0
Total Non Depreciable Assets	<u>22,211,417</u>	<u>2,995,275</u>	<u>(21,193,995)</u>	<u>4,012,697</u>
Depreciable Assets:				
Land Improvements	621,667	387,422	(122,736)	886,353
Buildings and Improvements	28,429,135	41,875,738	(2,525,250)	67,779,623
Furniture, Fixtures, and Equipment	1,137,828	2,413,495	(436,542)	3,114,781
Vehicles	2,065,617	262,575	0	2,328,192
Total Depreciable Capital Assets	<u>32,254,247</u>	<u>44,939,230</u>	<u>(3,084,528)</u>	<u>74,108,949</u>
Less Accumulated Depreciation:				
Land Improvements	(164,869)	(26,115)	44,057	(146,927)
Buildings and Improvements	(7,311,961)	(1,178,635)	1,363,801	(7,126,795)
Furniture, Fixtures, and Equipment	(803,535)	(97,877)	382,527	(518,885)
Vehicles	(1,258,855)	(190,841)	0	(1,449,696)
Total	<u>(9,539,220)</u>	<u>(1,493,468)</u>	<u>1,790,385</u>	<u>(9,242,303)</u>
Depreciable Capital Assets, Net	<u>22,715,027</u>	<u>43,445,762</u>	<u>(1,294,143)</u>	<u>64,866,646</u>
Governmental Activities Capital Assets, Net	<u>\$44,926,444</u>	<u>\$46,441,037</u>	<u>(\$22,488,138)</u>	<u>\$68,879,343</u>

During fiscal year 2008, the School District sold and disposed of capital assets resulting in a net loss of \$1,067,652. This loss is recorded as an expense to the support services administration function.

**Tri-Valley Local School District**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2008*

---

Depreciation expense was charged to governmental activities as follows:

Instruction:	
Regular	\$728,146
Special	101,798
Vocational	41,116
Support Services:	
Pupil	22,394
Instructional Staff	73,075
Board of Education	1,179
Administration	107,014
Fiscal	1,179
Maintenance	55,363
Transportation	188,388
Central	22,412
Food Service Operations	72,976
Operation of Non-Instructional Services	29,466
Extracurricular	48,962
Total	\$1,493,468

**NOTE 10 - RISK MANAGEMENT**

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

Building and Contents (\$2,500 deductible)	\$67,591,709
Automotive Liability (\$1,725 deductible)	1,000,000
General Liability:	
Each Occurrence	1,000,000
General Aggregate Limit	3,000,000
Products/Completed Operations Aggregate Limit	3,000,000

Professional liability is protected by Kennedy Insurance Company with a \$1,000,000 single occurrence limit and a \$3,000,000 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. The School District participates with the Ohio School Benefits Cooperative with Medical Mutual serving as the third-party administrator for the plan. Stop-loss coverage is purchased for individual claims above \$75,000 and in aggregate \$3,093,493. With the stop loss coverage, the School District's total maximum liability for the 2008 plan year is \$3,531,625. The School District pays 80

**Tri-Valley Local School District**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2008*

---

percent of family premiums and 100 percent of single premiums for the medical/surgical and prescription drug coverage which are \$1,094 for family coverage or \$432 for individual coverage per month. The premium is paid to the internal service fund by the fund that pays the salary for the covered employee. 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 \$426,351 reported in the Internal Service Fund at June 30, 2008 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
2007	\$393,055	\$2,200,717	\$2,397,497	\$196,275
2008	196,275	2,518,159	2,288,083	426,351

For fiscal year 2008, the School District participated in the Ohio School Boards Association Workers' Compensation Group Rating Program (GRP), an insurance purchasing pool (Note 18). The intent of the GRP is to achieve the benefit of a reduced premium for the School District by virtue of its grouping and representation with other participants in the GRP. The workers' compensation experience of the participating school districts is calculated as one experience and a common premium rate is applied to all school districts in the GRP. Each participant pays its workers' compensation premium to the State based on the rate for the GRP rather than its individual rate. Participation in the GRP is limited to school districts that can meet the GRP's selection criteria. The firm of Gates McDonald & Co. provides administrative, cost control, and actuarial services to the GRP.

**NOTE 11 - DEFINED BENEFIT PENSION PLANS**

**A. School Employee Retirement System**

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

Funding Policy - Plan members are required to contribute 10 percent of their annual covered salary and the School District is required to contribute at an actuarially determined rate. The current School District rate is 14 percent of annual covered payroll. A portion of the School District's contribution is used to fund pension obligations with the remainder being used to fund health care benefits; for fiscal year 2008, 9.16 percent of annual covered salary was the portion used to fund pension obligations. The contribution requirements of plan members and employers are established and may be amended by the SERS' Retirement Board up to a statutory maximum amount of 10 percent for plan members and 14 percent for employers. Chapter 3309 of the Ohio Revised Code provides statutory authority for member and employer contributions. The School District's required contributions for pension obligations to SERS for

**Tri-Valley Local School District**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2008*

---

the fiscal years ended June 30, 2008, 2007 and 2006 were \$278,658, \$258,256, and \$299,472 respectively; 36.78 percent has been contributed for fiscal year 2008 and 100 percent for fiscal years 2007 and 2006.

**B. State Teachers Retirement System**

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

New members have a choice of three retirement plans, a Defined Benefit (DB) Plan, a Defined Contribution (DC) Plan and a Combined Plan. The DB plan offers an annual retirement allowance based on final average salary times a percentage that varies based on years of service, or an allowance based on a member's lifetime contributions and earned interest matched by STRS Ohio funds divided by an actuarially determined annuity factor. The DC Plan allows members to place all their member contributions and employer contributions equal to 10.5 percent of earned compensation into an investment account. Investment decisions are made by the member. A member is eligible to receive a retirement benefit at age 50 and termination of employment. The member may elect to receive a lifetime monthly annuity or a lump sum withdrawal. The Combined Plan offers features of both the DC Plan and the DB Plan. In the Combined Plan, member contributions are invested by the member, and employer contributions are used to fund the defined benefit payment at a reduced level from the regular DB Plan. The DB portion of the Combined Plan payment is payable to a member on or after age 60; the DC portion of the account may be taken as a lump sum or converted to a lifetime monthly annuity at age 50. Benefits are established by Chapter 3307 of the Ohio Revised Code.

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

Funding Policy - For the fiscal year ended June 30, 2008, 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 2007, the portion used to fund pension obligations was also 13 percent. Contribution rates are established by the State Teachers Retirement Board, upon recommendations of its consulting actuary, not to exceed statutory maximum rates of 10 percent for members and 14 percent for employers. Chapter 3307 of the Ohio Revised Code provides statutory authority for member and employer contributions.

The School District's required contributions for pension obligations to STRS Ohio for the fiscal years ended June 30, 2008, 2007, and 2006 were \$1,542,291, \$1,487,704, and \$1,445,345 respectively; 84.51 percent has been contributed for fiscal year 2008 and 100 percent for fiscal years 2007 and 2006. Contributions to the DC and Combined Plans for fiscal year 2008 were \$10,488 made by the School District and \$1,111,625 made by the plan members.

**Tri-Valley Local School District**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2008*

---

**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, 2008, two members of the Board of Education have elected Social Security. The Board's liability is 6.2 percent of wages.

**NOTE 12 - POSTEMPLOYMENT BENEFITS**

**A. School Employee Retirement System**

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

Funding Policy – State statute permits SERS to fund the health care benefits through employer contributions. Each year, after the allocation for statutorily required benefits, the Retirement Board allocates the remainder of the employer contribution of 14 percent of covered payroll to the Health Care Fund. The Health Care Fund was established and is administered in accordance with Internal Revenue Code Section 401h. For 2008, 4.18 percent of covered payroll was allocated to health care. In addition, employers pay a surcharge for employees earning less than an actuarially determined amount; for 2008, this amount was \$35,800.

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

The School District's contributions for health care for the fiscal years ended June 30, 2008, 2007, and 2006 were \$127,161, \$85,741, and \$104,510 respectively; 36.78 percent has been contributed for fiscal year 2008 and 100 percent for fiscal years 2007 and 2006.

The Retirement Board, acting with advice of the actuary, allocates a portion of the employer contribution to the Medicare B Fund. For 2008, this actuarially required allocation was 0.66 percent of covered payroll. The School District's contributions for Medicare Part B for the fiscal years ended June 30, 2008, 2007, and 2006 were \$20,078, \$17,561, and \$23,836 respectively; 36.78 percent has been contributed for fiscal year 2008 and 100 percent for fiscal years 2007 and 2006.

**B. State Teachers Retirement System**

Plan Description – The School District contributes to the cost sharing multiple employer defined benefit Health Plan administered by the State Teachers Retirement System of Ohio (STRS Ohio) for eligible retirees who participated in the defined benefit or combined pension plans offered by STRS Ohio. Benefits include hospitalization, physicians' fees, prescription drugs and reimbursement of monthly

**Tri-Valley Local School District**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2008*

---

Medicare Part B premiums. The Plan is included in the report of STRS Ohio which may be obtained by visiting [www.strsoh.org](http://www.strsoh.org) or by calling (888) 227-7877.

Funding Policy – Ohio law authorizes STRS Ohio to offer the Plan and gives the Retirement Board authority over how much, if any, of the health care costs will be absorbed by STRS Ohio. Active employee members do not contribute to the Plan. All benefit recipients pay a monthly premium. Under Ohio law, funding for post-employment health care may be deducted from employer contributions. For 2008, STRS Ohio allocated employer contributions equal to 1 percent of covered payroll to the Health Care Stabilization Fund. The School District's contributions for health care for the fiscal years ended June 30, 2008, 2007, and 2006 were \$119,304, \$114,519, and \$93,327 respectively; 84.51 percent has been contributed for fiscal year 2008 and 100 percent for fiscal years 2007 and 2006.

**NOTE 13 - OTHER EMPLOYEE BENEFITS**

**A. Compensated Absences**

The criteria for determining vacation and sick leave benefits are derived from negotiated agreements and State laws. Classified employees earn ten to twenty days of vacation per fiscal year, depending upon length of service. Accumulated, unused vacation time is paid to classified employees and administrators upon termination of employment. Teachers and administrators who work less than 260 days do not earn vacation time. Teachers, administrators, and classified employees earn sick leave at the rate of one and one-fourth days per month. Sick leave may be accumulated up to a maximum of 15 days per year, with a total maximum accumulation of 248 days. Upon retirement, certified employees are eligible for payment of 25 percent of unused sick leave. Classified employees, upon retirement, are eligible for payment of 25 percent of unused sick leave.

**B. Other Insurance Benefits**

The School District provides life insurance and accidental death and dismemberment insurance to its employees. Term life insurance coverage is \$20,000 with an additional \$20,000 of accidental death and dismemberment coverage for certified and non-certified staff. For administrators, coverage is calculated at \$1,000 for every \$1,000 earned with a maximum of \$50,000. Coverage is provided by 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 School District is vision insurance through Vision Service Plan, Inc. The monthly rate is \$5.28 for single and \$11.95 for family for all employees.

**C. Retirement Incentive**

Certified employees with 30 years or more of retirement credit shall be eligible for a \$15,000 retirement incentive providing the employee retires by July 1, of the school year in which they first become eligible for retirement. There was no outstanding liability for retirement incentives at June 30, 2008.

**Tri-Valley Local School District**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2008*

**NOTE 14 – CONTRACTUAL COMMITMENTS**

As of June 30, 2008, the School District had contractual purchase commitments for the school facilities project. The amounts are as follows:

Contractor	Fund	Purchase Commitments	Amounts Paid as of June 30, 2008	Amounts Remaining on Contracts
<b><u>Adamsville:</u></b>				
City - Electrical	OSFC (010)	\$764,480	\$753,239	\$11,241
Clagget - General Trades	OSFC (010)	3,487,619	3,101,269	386,350
Siemens - HVAC Contracts	OSFC (010)	118,475	115,159	3,316
Breckenridge - Kitchen Equipment	OSFC (010)	177,966	176,468	1,498
Gutridge - Plumbing	OSFC (010)	391,050	376,965	14,085
Service Supply Co. - Playground	OSFC (010)	96,750	52,927	43,823
Environmental Restoration - Asbestos Abatement	OSFC (010)	31,500	27,924	3,576
<b>Total Adamsville</b>		<b>9,085,678</b>	<b>8,621,789</b>	<b>463,889</b>
<b><u>Dresden:</u></b>				
Gutridge - Fire Protection	OSFC (010)	117,000	111,801	5,199
Paul - General Trades	OSFC (010)	3,959,050	3,896,376	62,674
Siemens - HVAC Contracts	OSFC (010)	126,475	117,039	9,436
Cardinal Environmental - Asbestos Removal	OSFC (010)	67,440	54,899	12,541
Service Supply Co. - Playground	OSFC (010)	96,750	91,255	5,495
Lepi Enterprises - Demo	OSFC (010)	74,078	0	74,078
<b>Total Dresden</b>		<b>10,080,446</b>	<b>9,911,023</b>	<b>169,423</b>
Contractor	Fund	Purchase Commitments	Amounts Paid as of June 30, 2008	Amounts Remaining on Contracts
<b><u>Frazeyburg:</u></b>				
City-Electrical	OSFC (010)	\$744,480	\$736,606	\$7,874
Claggett - General Trades	OSFC (010)	3,440,735	3,238,943	201,792
Siemens HVAC Controls	OSFC (010)	118,475	116,141	2,334
Breckenridge - Kitchen Equipment	OSFC (010)	177,966	176,468	1,498
Gutridge - Plumbing	OSFC (010)	385,462	382,866	2,596
Tom Sexton - Furniture	OSFC (010)	232,118	231,099	1,019
Lepi Enterprises - Demo	OSFC (010)	45,305	0	45,305
<b>Total Frazeyburg</b>		<b>8,912,688</b>	<b>8,650,270</b>	<b>262,418</b>
<b><u>Nashport:</u></b>				
Settle Muter - Electrical	OSFC (010)	867,750	864,076	3,674
Gutridge - Fire Protection	OSFC (010)	117,000	112,372	4,628
Paul - General Trades	OSFC (010)	3,837,800	3,768,849	68,951
Siemens HVAC Controls	OSFC (010)	126,475	122,933	3,542
<b>Total Nashport</b>		<b>10,002,502</b>	<b>9,921,707</b>	<b>80,795</b>

**Tri-Valley Local School District**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2008*

Contractor	Fund	Purchase Commitments	Amounts Paid as of June 30, 2008	Amounts Remaining on Contracts
<b><u>High School:</u></b>				
Claypool - Electrical	OSFC (010)	\$2,253,850	\$2,092,397	\$161,453
Central Fire - Fire Protection	OSFC (010)	209,358	151,033	58,325
Robertson - General Trades	OSFC (010)	3,742,012	3,542,786	199,226
Metal Masters - HVAC	OSFC (010)	1,890,125	1,697,959	192,166
Gutridge - Plumbing	OSFC (010)	351,976	235,824	116,152
Wright Line - Furniture	OSFC (010)	52,814	51,014	1,800
Tom Sexton - Furniture	OSFC (010)	36,986	35,283	1,703
Continental Office Furniture - Furniture	OSFC (010)	71,789	0	71,789
Martin Piblic Seating - Furniture	OSFC (010)	35,334	0	35,334
<b>Total High School</b>		<u>10,494,292</u>	<u>9,656,344</u>	<u>837,948</u>
Grand Total		<u>\$48,624,950</u>	<u>\$46,810,477</u>	<u>\$1,814,473</u>

**NOTE 15 - CAPITAL LEASES - LESSEE DISCLOSURE**

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

Capital lease payments have been reclassified from functional expenditures and are reflected as General Fund debt service expenditures in the financial statements. They are presented as current expenditures in the budgetary statements. Capital assets for equipment acquired by governmental activities through capitalized leases were recorded in the amount of \$102,115, which is equal to the present value of the minimum lease payments at the time of acquisition. Accumulated depreciation on the asset is \$20,423, leaving a book value of \$81,692. Principal payments in fiscal year 2008 totaled \$18,844 in the governmental funds.

Future minimum lease payments are as follows:

Fiscal Year Ending June 30	Principal	Interest	Total
2009	\$20,206	\$4,058	\$24,264
2010	21,667	2,597	24,264
2011	23,233	1,031	24,264
2012	<u>2,010</u>	<u>12</u>	<u>2,022</u>
Totals	<u>\$67,116</u>	<u>\$7,698</u>	<u>\$74,814</u>



**Tri-Valley Local School District**  
*Notes to the Basic Financial Statements*  
For the Fiscal Year Ended June 30, 2008

**NOTE 16 - LONG - TERM OBLIGATIONS**

The changes in the School District's long-term obligations during fiscal year 2008 were as follows:

	Principal Outstanding 6/30/07	Additions	Deductions	Principal Outstanding 6/30/08	Amounts Due In One Year
<b>General Obligation Bonds:</b>					
2002 School Improvement Bonds, \$18,500,000					
Serial Bonds - 2.00-4.5%, \$3,880,000	\$1,520,000	\$0	\$225,000	\$1,295,000	\$260,000
Term Bonds - 5.25-5.75% \$14,620,000	3,040,000	0	0	3,040,000	0
Serial Bond Premium, \$228,153	118,803	0	9,139	109,664	0
<b>Total 2002 School Improvement Bonds</b>	<b>4,678,803</b>	<b>0</b>	<b>234,139</b>	<b>4,444,664</b>	<b>260,000</b>
2006 Advance Refunding Bonds, \$9,254,993					
Serial Bonds - 4.1-4.4%, \$7,130,000	7,130,000	0	0	7,130,000	0
Term Bonds - 4.25%, \$1,695,000	1,695,000	0	0	1,695,000	0
Capital Appreciation Bonds - 30.656% \$429,993	249,528	0	41,020	208,508	30,841
CAB Accretion - \$1,070,007	101,216	104,279	23,980	181,515	34,159
CAB Premium - \$778,859	746,406	0	32,452	713,954	0
Serial/Term Bond Discount - \$43,312 & \$4,408	(45,732)	0	(1,988)	(43,744)	0
Refunding Difference - \$632,855	(597,696)	0	(35,159)	(562,537)	0
<b>Total 2006 Advance Refunding Bonds</b>	<b>9,278,722</b>	<b>104,279</b>	<b>60,305</b>	<b>9,322,696</b>	<b>65,000</b>
2007 Advance Refunding Bonds, \$3,084,995					
Serial Bonds - 4.0%, \$1,135,000	1,135,000	0	80,000	1,055,000	35,000
Term Bonds - 4.0%, \$1,900,000	1,900,000	0	0	1,900,000	0
Capital Appreciation Bonds - 20.747%, \$49,995	49,995	0	0	49,995	0
CAB Accretion - \$685,000	0	13,361	0	13,361	0
Serial/CAB Premium - \$4,345 & \$364,567	368,912	0	21,701	347,211	0
Serial/Term Bond Discount - \$6,817 & \$11,001	(17,818)	0	(1,048)	(16,770)	0
Refunding Difference - \$257,237	(257,237)	0	(15,132)	(242,105)	0
<b>Total 2007 Advance Refunding Bonds</b>	<b>3,178,852</b>	<b>13,361</b>	<b>85,521</b>	<b>3,106,692</b>	<b>35,000</b>
<b>Total General Obligation Bonds</b>	<b>17,136,377</b>	<b>117,640</b>	<b>379,965</b>	<b>16,874,052</b>	<b>360,000</b>
Capital Lease - Copiers	85,960	0	18,844	67,116	20,206
Compensated Absences	1,471,565	243,727	263,776	1,451,516	112,489
<b>Total Long-Term Liabilities</b>	<b>\$18,693,902</b>	<b>\$361,367</b>	<b>\$662,585</b>	<b>\$18,392,684</b>	<b>\$492,695</b>

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

**Tri-Valley Local School District**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2008*

---

discount of these advance refunded bonds were removed from the financial statements of the School District. The remaining outstanding bonds are being retired from the Debt Service Fund. During 2008, the School District made the scheduled repayment of the serial bonds in the amount of \$225,000.

The serial and a portion of the term bonds were originally sold at a premium of \$228,153, of which \$118,803 remained outstanding after the refunding issues. The remaining premium will be amortized over the remaining life of the bonds. Issuance costs associated with the original bond issue were \$91,545 and were deferred, of which \$18,334 remained outstanding after the refunding issues that will be amortized over the remaining life of the bond issue. The amortization of issuance costs for fiscal year 2008 was \$1,410. The original bonds were issued for a 28-year period with a final maturity at December 1, 2029. After the advance refunding issues, the bonds that remained outstanding have a final maturity at December 1, 2019.

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

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

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

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

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

**Tri-Valley Local School District**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2008*

---

Principal and interest requirements to retire general obligation bonds for the outstanding 2002 School Improvement Bonds outstanding at June 30, 2008 are as follows:

Fiscal Year Ending June 30	Serial/Term Bonds		
	Principal	Interest	Total
2009	\$260,000	\$216,388	\$476,388
2010	300,000	204,813	504,813
2011	345,000	191,107	536,107
2012	390,000	175,488	565,488
2013	0	167,200	167,200
2014-2018	1,785,000	654,636	2,439,636
2019-2020	1,255,000	70,812	1,325,812
Total	<u>\$4,335,000</u>	<u>\$1,680,444</u>	<u>\$6,015,444</u>

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

On April 20, 2006, the School District issued \$9,254,993 of general obligation bonds that were issued to partially refund the 2002 school improvement general obligation bonds. The bonds were issued for a 23 year period with final maturity at December 1, 2029. The bond issue included serial, term and capital appreciation bonds in the amounts of \$7,130,000, \$1,695,000, and \$429,993, respectively. These refunding bonds were issued with a discount of \$47,720 which is reported as a decrease to bonds payable and a premium of \$368,912 which is reported as an increase to bonds payable. The issuance costs of \$151,001 are reported as deferred charges and are being amortized over the life of the bonds using the straight-line method. The amortization of the issuance costs for fiscal year 2008 was \$6,292. The refunding resulted in a difference between the net carrying amount of the debt and the acquisition price of \$632,855. This difference, reported in the accompanying financial statements as a decrease to bonds payable is being amortized to interest expense over the life of the bonds using the straight-line method.

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

**Tri-Valley Local School District**  
*Notes to the Basic Financial Statements*  
For the Fiscal Year Ended June 30, 2008

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

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

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

The capital appreciation bonds for the 2006 issue mature December 1, 2006 through December 1, 2016. At maturity all compounded interest is paid and the bond holder receives the face value of the bond. As the value of the bond increases, the accretion is reflected as a liability. The maturity amount of the bonds is \$1,500,000. In fiscal year 2008, \$41,020 capital appreciation bond principal was repaid. For fiscal year 2008, \$104,279 was accreted and \$23,980 of accretion was paid, leaving a total bond liability of \$390,023.

Principal and interest requirements to retire general obligation bonds for the 2006 School Improvement Refunding Bonds outstanding at June 30, 2008 are as follows:

Fiscal Year	Serial/Term Bonds		Capital Appreciation Bonds		Total	
	Principal	Interest	Principal	Accretion	Principal	Accretion/ Interest
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	0	381,836	75,805	424,195	75,805	806,031
2014-2018	30,000	1,908,560	48,134	411,866	78,134	2,320,426
2019-2023	185,000	1,884,004	0	0	185,000	1,884,004
2024-2028	5,445,000	1,378,690	0	0	5,445,000	1,378,690
2029-2030	3,165,000	141,790	0	0	3,165,000	141,790
Totals	\$8,825,000	\$7,222,224	\$208,508	\$1,011,492	\$9,033,508	\$8,233,716

*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

**Tri-Valley Local School District**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2008*

---

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 School District issued \$3,084,995 of general obligation bonds that were issued to partially refund the 2002 school improvement general obligation bonds. The bonds were issued for a 17 year period with final maturity at December 1, 2023. The serial and term refunding bonds were issued with a discount of \$17,818 which is reported as a decrease to bonds payable. The serial and capital appreciation refunding bonds were issued with a premium of \$368,912 which is reported as an increase to bonds payable. The issuance costs of \$90,054 are reported as deferred charges and are being amortized over the life of the bonds using the straight-line method. The amortization of the issuance costs for fiscal year 2008 was \$5,297. The refunding resulted in a difference between the net carrying amount of the debt and the acquisition price of \$257,237. This difference, reported in the accompanying financial statements as a decrease to bonds payable is being amortized to interest expense over the life of the bonds using the straight-line method.

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

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

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

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

The capital appreciation bonds for the 2007 issue mature December 1, 2020. At maturity all compounded interest is paid and the bond holder receives the face value of the bond. As the value of the bond increases, the accretion is reflected as a liability. The maturity amount of the bonds is \$735,000. For fiscal year 2008, \$13,361 was accreted, for a total bond liability of \$63,356.

Principal and interest requirements to retire general obligation bonds for the 2007 School Improvement Refunding Bonds outstanding at June 30, 2008 are as follows:

**Tri-Valley Local School District**  
*Notes to the Basic Financial Statements*  
For the Fiscal Year Ended June 30, 2008

Fiscal Year	Serial/Term Bonds		Capital Appreciation Bonds		Total	
	Principal	Interest	Principal	Accretion	Principal	Accretion/ Interest
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	40,000	111,400	0	0	40,000	111,400
2014-2018	235,000	530,100	0	0	235,000	530,100
2019-2023	1,900,000	415,000	49,995	685,005	1,949,995	1,100,005
2024	630,000	12,600	0	0	630,000	12,600
<b>Totals</b>	<b>\$2,955,000</b>	<b>\$1,530,300</b>	<b>\$49,995</b>	<b>\$685,005</b>	<b>\$3,004,995</b>	<b>\$2,215,305</b>

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, 2008, the District's overall legal debt margin was \$12,935,430, with an unvoted debt margin of \$312,109.

**Defeased Debt:**

As of June 30, 2008, the portion of the 2002 bonds that had been refunded with the 2006 issue that remained outstanding was \$9,033,508. These outstanding bonds are scheduled to be fully called and repaid in fiscal year 2013. The balance of the irrevocable trust account was \$9,527,215.

As of June 30, 2008, the portion of the 2002 bonds that had been refunded with the 2007 issue, that remained outstanding was \$3,005,000. These outstanding bonds are scheduled to be fully called and repaid in fiscal year 2013. The balance of the irrevocable trust account was \$3,242,532.

**NOTE 17 - JOINTLY GOVERNED ORGANIZATIONS**

*Licking Area Computer Association* – Licking Area Computer Association (LACA) is a jointly governed organization of a two county consortium of school districts. LACA is an association which services 14 entities within the boundaries of Licking and Muskingum Counties. These entities consist of public school districts, private schools, and education service centers. The organization was formed for the purpose of applying modern technology with the aid of computers and others electronic equipment to administrative and instructional functions among member districts. The governing board of LACA consists of the superintendents from all participating districts. The continued existence of LACA is not dependent on the School District's continued participation and no equity interest exists. The LACA constitution states that any school district withdrawing from the Association prior to dissolution forfeits their claim to the Association's capital assets. The School District's total payments to LACA for fiscal year 2008 were \$97,060. Financial statements for LACA can be obtained from their fiscal agent the Career and Technology Education Center of Licking County, 150 Price Road, Newark, OH 43055.

*Mid-East Ohio Career and Technology Center* - The Mid-East Ohio Career and Technology Center is a distinct political subdivision of the State of Ohio operated under the direction of a Board consisting of one representative from each of the 13 participating school districts' elected boards. The Board possesses its own budgeting and taxing authority. The Board controls the financial activity of the Career and

**Tri-Valley Local School District**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2008*

---

Technology Center. To obtain financial information, write to the Mid-East Ohio Career and Technology Center, Rick White, Treasurer, at 400 Richards Road, Zanesville, Ohio 43701.

*Metropolitan Educational Council (MEC)* – The Metropolitan Education Council is a consortium of school districts and related agencies in Ohio. The organization is comprised of 135 members. The governing board is comprised of either the superintendent or his designated representative from each participating school district in Franklin County and one representative from each county outside Franklin County. Each year the participating school districts pay a membership fee to MEC to cover the costs of administering the program. The School District’s membership payment to MEC for fiscal year 2008 was \$1,198. 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 18 – PUBLIC ENTITY POOLS**

**A. Insurance Purchasing Pool**

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

**B. Claims Servicing Pool**

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

**NOTE 19 - SET-ASIDE CALCULATIONS AND FUND RESERVES**

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

Effective April 10, 2001, through Amended Substitute Senate Bill 345, the requirement for school districts to establish and appropriate money for the budget stabilization was deleted from law. A school district may still establish reserve balance accounts consistent with Section 5705.13, Revised Code, if it so chooses; however, the requirement is no longer mandatory. In addition, any money on hand in a school district’s budget reserve set-aside as of April 10, 2001, may at the discretion of the board be returned to the School District’s General Fund or may be left in the account and used by the Board to

**Tri-Valley Local School District**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2008*

---

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, 2008, 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.

	<u>Textbooks</u>	<u>Capital Improvements</u>	<u>Budget Stabilization</u>
Set-aside Reserve Balance as of June 30, 2007	\$0	\$0	\$76,359
Current Year Set-aside Requirement	498,660	498,660	0
Current Year Offsets	0	(470,398)	0
Allowable Carry Forward for Fiscal Year 2008	(469,281)	0	0
Qualifying Disbursements	(832,680)	(596,636)	0
Totals	<u>(\$803,301)</u>	<u>(\$568,374)</u>	<u>\$76,359</u>
Allowable Carry Forward for Fiscal Year 2008	\$0	(\$17,930,803)	\$0
Set-aside Balance Carried Forward to Future Fiscal Years	<u>(\$803,301)</u>	<u>(\$17,930,803)</u>	<u>\$0</u>
Set-aside Reserve Balance as of June 30, 2008	<u>\$0</u>	<u>\$0</u>	<u>\$76,359</u>

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

**NOTE 20 – 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, 2008.

**B. Litigation**

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



**Tri-Valley Local School District**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2008*

---

**NOTE 21 – SUBSEQUENT EVENTS**

**Disposal of Capital Assets:** The School District has completed the demolition of the remaining Dresden Elementary Buildings and one of the Frazeyburg Elementary Buildings as of the date of this report. The School District has also transferred the one remaining Frazeyburg Elementary Building to the Village of Frazeyburg.

**Contracts:** At a Regular Meeting held on October 17, 2008, the School District Board of Education awarded the following contracts for the Classroom Facilities Project:

<b>Description</b>	<b>Contractor</b>	<b>Bid Amount</b>
General Construction	Kendrick Excavating Inc.	\$141,975
General Construction	Lepi Enterprises	362,877

**This page intentionally left blank.**

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

**SCHEDULE OF FEDERAL AWARDS RECEIPTS AND EXPENDITURES  
FOR THE FISCAL YEAR ENDED JUNE 30, 2008**

<b>FEDERAL GRANTOR</b> <i>Pass-Through Grantor</i> Program Title	Federal CFDA Number	Grant Number	Receipts	Noncash Receipts	Expenditures	Noncash Expenditures
<b>UNITED STATES DEPARTMENT OF AGRICULTURE</b>						
<i>Passed through Ohio Department of Education:</i>						
Nutrition Cluster:						
School Breakfast Program	10.553	N/A				
Cash Assistance			\$81,855		\$81,855	
Non-Cash Assistance (Food Distribution)				\$7,881		\$7,881
Breakfast Program Subtotal			<u>81,855</u>	<u>7,881</u>	<u>81,855</u>	<u>7,881</u>
National School Lunch Program	10.555	N/A				
Cash Assistance			392,204		392,204	
Non-Cash Assistance (Food Distribution)				114,665		114,665
National School Lunch Program Subtotal			<u>392,204</u>	<u>114,665</u>	<u>392,204</u>	<u>114,665</u>
Total Nutrition Cluster			<u>474,059</u>	<u>122,546</u>	<u>474,059</u>	<u>122,546</u>
Total United States Department of Agriculture			474,059	122,546	474,059	122,546
<b>UNITED STATES DEPARTMENT OF EDUCATION</b>						
<i>Passed Through Ohio Department of Education:</i>						
Title I Grants to Local Educational Agencies	84.010	9800	17,369		28,116	
		9700	183,469		182,695	
Total Title I Grants to Local Educational Agencies			<u>200,838</u>	<u>0</u>	<u>210,811</u>	<u>0</u>
Special Education Grants to States	84.027	9600			115	
		9700	(15,129)		90,013	
		9800	627,835		513,256	
Total Special Education Grants to States			<u>612,706</u>	<u>0</u>	<u>603,384</u>	<u>0</u>
Safe and Drug-Free Schools and Communities: State Grants	84.186	9700	162		2,115	
		9800	8,281		7,523	
Total Safe and Drug-Free Schools and Communities State Grants			<u>8,443</u>	<u>0</u>	<u>9,638</u>	<u>0</u>
State Grants for Innovative Programs	84.298	9700	(531)		672	
		9800	5,168		5,167	
Total State Grants for Innovative Programs			<u>4,637</u>	<u>0</u>	<u>5,839</u>	<u>0</u>
Education Technology State Grants	84.318	9700	(270)		1,861	
		9800	232			
Total Education Technology State Grants			<u>(38)</u>	<u>0</u>	<u>1,861</u>	<u>0</u>
Improving Teacher Quality State Grants	84.367	9700	2,675		15,094	
		9800	93,533		87,107	
Total Improving Teacher Quality State Grants			<u>96,208</u>	<u>0</u>	<u>102,201</u>	<u>0</u>
Total United States Department of Education			<u>922,794</u>	<u>0</u>	<u>933,734</u>	<u>0</u>
<b>Total Federal Awards Receipts and Expenditures</b>			<b><u>\$1,396,853</u></b>	<b><u>\$122,546</u></b>	<b><u>\$1,407,793</u></b>	<b><u>\$122,546</u></b>

*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, 2008**

**NOTE A – SIGNIFICANT ACCOUNTING POLICIES**

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

**NOTE B – CHILD NUTRITION CLUSTER**

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

**NOTE C – FOOD DONATION PROGRAM**

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

**NOTE D – TRANSFERS DUE TO CARRYOVER**

During fiscal year 2008, the School District had grant carryover funding that was transferred from the program year 2007 grant to the program year 2008 grant. The following table summarizes the carryover funding between program years.

	CFDA #84.027	CFDA #84.298	CFDA #84.318
Grant Funds Received	\$627,835	\$5,168	\$232
Grant Carryover Amount	(15,129)	(531)	(270)
Amounts Per Schedule	\$612,706	\$4,637	(\$38)



# 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 East 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 the Tri-Valley Local School District, Muskingum County, Ohio (the "School District"), as of and for the year ended June 30, 2008, which collectively comprise the School District's basic financial statements and have issued our report thereon dated February 20, 2009. 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.

### **Compliance and Other Matters**

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

We intend this report solely for the information and use of the audit committee, management, the Board of Education, 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, 2009



# 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 East Muskingum Avenue  
Dresden, Ohio 43821

To the Board of Education:

### Compliance

We have audited the compliance of the Tri-Valley Local School District, Muskingum County, Ohio (the "School District"), with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133, Compliance Supplement* that apply to each of its major federal programs for the year ended June 30, 2008. The Summary of Auditor's Results section of the accompanying Schedule of Findings identifies the School District's major federal programs. The School District's management is responsible for complying with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs. Our responsibility is to express an opinion on the School District's compliance based on our audit.

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

In our opinion, the School District complied, in all material respects, with the requirements referred to above that apply to each of its major federal programs for the year ended June 30, 2008.

### Internal Control Over Compliance

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

A control deficiency in internal control over compliance exists when the design or operation of a control does not allow management or employees, when performing their assigned functions, to prevent or detect noncompliance with a federal program compliance requirement on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the 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 School District's internal control will not prevent or detect material noncompliance with a federal program's compliance requirements.

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

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



**Mary Taylor, CPA**  
Auditor of State

February 20, 2009



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

**SCHEDULE OF FINDINGS  
OMB CIRCULAR A-133 § .505  
JUNE 30, 2008**

**1. SUMMARY OF AUDITOR'S RESULTS**

<i>(d)(1)(i)</i>	<b>Type of Financial Statement Opinion</b>	Unqualified
<i>(d)(1)(ii)</i>	<b>Were there any material control weaknesses reported at the financial statement level (GAGAS)?</b>	No
<i>(d)(1)(ii)</i>	<b>Were there any other significant deficiencies in internal control reported at the financial statement level (GAGAS)?</b>	No
<i>(d)(1)(iii)</i>	<b>Was there any reported material non-compliance at the financial statement level (GAGAS)?</b>	No
<i>(d)(1)(iv)</i>	<b>Were there any material internal control weaknesses reported for major federal programs?</b>	No
<i>(d)(1)(iv)</i>	<b>Were there any other significant deficiencies in internal control for major federal programs?</b>	No
<i>(d)(1)(v)</i>	<b>Type of Major Programs' Compliance Opinion</b>	Unqualified
<i>(d)(1)(vi)</i>	<b>Are there any reportable findings under § .510?</b>	No
<i>(d)(1)(vii)</i>	<b>Major Programs (list):</b>	Nutrition Cluster: School Breakfast Program - CFDA #10.553 and National School Lunch Program - CFDA #10.555
<i>(d)(1)(viii)</i>	<b>Dollar Threshold: Type A/B Programs</b>	Type A: > \$ 300,000 Type B: all others
<i>(d)(1)(ix)</i>	<b>Low Risk Auditee?</b>	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 17, 2009