



TEAYS VALLEY LOCAL SCHOOL DISTRICT
PICKAWAY COUNTY

SINGLE AUDIT

FOR THE YEAR ENDED JUNE 30, 2011



Dave Yost · Auditor of State

**TEAYS VALLEY LOCAL SCHOOL DISTRICT
PICKAWAY COUNTY**

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Dave Yost • Auditor of State

INDEPENDENT ACCOUNTANTS' REPORT

Teays Valley Local School District
Pickaway County
385 Circleville Avenue
Ashville, Ohio 43103

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 Teays Valley Local School District, Pickaway County, Ohio (the District), as of and for the year ended June 30, 2011, which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the 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 Teays Valley Local School District, Pickaway County, Ohio, as of June 30, 2011, and the respective changes in financial position and where applicable, cash flows, thereof and the respective budgetary comparison for the General Fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

As described in Note 3, during 2011, the District adopted the provisions of Governmental Accounting Standards Board Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*.

In accordance with *Government Auditing Standards*, we have also issued our report dated January 10, 2012, on our consideration of the District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and 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.

Teays Valley Local School District
Pickaway County
Independent Accountants' Report
Page 2

Accounting principles generally accepted in the United States of America require this presentation to include Management's Discussion and Analysis as listed in the table of contents, to supplement the basic financial statements. Although this information is not part of the basic financial statements, the Governmental Accounting Standards Board considers it essential for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any other assurance.

We conducted our audit to opine on the financial statements that collectively comprise the District's basic financial statements taken as a whole. The federal awards receipts and expenditures schedule is management's responsibility, and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. This schedule was subject to the auditing procedures we applied to the basic financial statements. We also applied certain additional procedures, including comparing and reconciling this information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, in accordance with auditing standards generally accepted in the United States of America. In our opinion, this information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.



Dave Yost
Auditor of State

January 10, 2012

**TEAYS VALLEY LOCAL SCHOOL DISTRICT
PICKAWAY COUNTY, OHIO**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

The management discussion and analysis of the Teays Valley Local School District's (the "District") financial performance provides an overall review of the District's financial activities for the fiscal year ended June 30, 2011. The intent of this discussion and analysis is to look at the 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 District's financial performance.

Financial Highlights

Key financial highlights for fiscal year 2011 are as follows:

- In total, net assets of governmental activities decreased \$5,071,530 which represents a 6.13% decrease from June 30, 2010.
- General revenues accounted for \$31,965,759 in revenue or 81.19% of all revenues. Program specific revenues in the form of charges for services and sales, grants and contributions accounted for \$7,404,486 or 18.81% for total revenues of \$39,370,245.
- The District had \$44,441,775 in expenses related to governmental activities; \$7,404,486 of these expenses were offset by program specific charges for services, grants or contributions. General revenues supporting governmental activities (primarily taxes and unrestricted grants and entitlements) of \$31,965,759 were not adequate to provide for these programs.
- The District has two major funds which include the general fund and debt service fund. The general fund had \$29,174,491 in revenues and other financing sources and \$29,524,312 in expenditures and other financing uses. The general fund's fund balance decreased \$349,821 from a restated balance of \$6,312,056 to \$5,986,653
- The debt service fund had \$3,480,202 in revenues and \$2,932,346 in expenditures and other financing uses. The debt service fund's fund balance increased \$547,856 from \$2,433,926 to \$2,981,782.
- The District has \$105,198,296 in capital assets at June 30, 2011. This amount is net of accumulated depreciation in the amount of \$28,703,229. Fiscal year 2011 depreciation expense was \$4,883,668. Total capital assets, net of related debt to acquire or construct the assets, were \$68,026,299 at June 30, 2011.
- The District has \$40,543,191 in long-term liabilities outstanding at June 30, 2011. Of this total, \$1,481,976 is due within one year and \$39,061,215 is due in greater than one year.

Using these Basic Financial Statements

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 District as a financial whole, an entire operating entity. The statements then proceed to provide an increasingly detailed look at specific financial activities.

The *statement of net assets* and *statement of activities* provide information about the activities of the whole District, presenting both an aggregate view of the District's finances and a longer-term view of those finances. Fund financial statements provide the next level of detail. For governmental funds, these statements tell how services were financed in the short-term as well as what remains for future spending. The fund financial statements also look at the District's most significant funds with all other nonmajor funds presented in total in one column. The District has two major funds: the general fund and the debt service fund.

**TEAYS VALLEY LOCAL SCHOOL DISTRICT
PICKAWAY COUNTY, OHIO**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

Reporting the District as a Whole

Statement of Net Assets and the Statement of Activities

While this document contains the large number of funds used by the District to provide programs and activities, the view of the District as a whole looks at all financial transactions and asks the question, "How did we do financially during 2011?" The statement of net assets and the statement of activities answer this question. These statements include *all assets, liabilities, revenues and expenses* using the *accrual basis of accounting* similar to the accounting used by most private-sector companies. This basis of accounting will take into account all of the current year's revenues and expenses regardless of when cash is received or paid.

These two statements report the District's *net assets* and changes in those assets. This change in net assets is important because it tells the reader that, for the District as a whole, whether the *financial position* of the 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 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 Governmental Activities include the District's programs and services, including instruction, support services, operation and maintenance of plant, pupil transportation, extracurricular activities, and food service operations.

The District's statement of net assets and statement of activities can be found on pages 17-18 of this report.

Reporting the District's Most Significant Funds

Fund Financial Statements

The analysis of the District's major governmental funds begins on page 11. Fund financial reports provide detailed information about the District's major funds. The District uses many funds to account for a multitude of financial transactions. However, these fund financial statements focus on the District's most significant funds. The District's major governmental funds are the general fund and debt service fund.

Governmental Funds

Most of the District's activities are reported in governmental funds, which focus on how money flows into and out of those funds and the balances left at year-end available for spending in future periods. These funds are reported using an accounting method called *modified accrual* accounting, which measures cash and all other *financial assets* that can readily be converted to cash. The governmental fund financial statements provide a detailed *short-term* view of the District's general government operations and the basic services it provides. Governmental fund information helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance educational programs. The relationship (or differences) between governmental *activities* (reported in the statement of net assets and the statement of activities) and governmental *funds* is reconciled in the basic financial statements. The basic governmental fund financial statements can be found on pages 19-23 of this report.

Proprietary Funds

The District maintains a proprietary fund. Internal service funds are an accounting device used to accumulate and allocate costs internally among the District's various functions. The District's internal service fund accounts for dental benefits self-insurance. As of July 1, 2009, the District was no longer self-insured for health/medical. The basic proprietary fund financial statements can be found on pages 24-26 of this report.

**TEAYS VALLEY LOCAL SCHOOL DISTRICT
PICKAWAY COUNTY, OHIO**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

Reporting the District's Fiduciary Responsibilities

The District is the trustee, or fiduciary, for some of its scholarship programs. This activity is presented as a private-purpose trust fund. The District also acts in a trustee capacity as an agent for individuals, private organizations, other governmental units and/or other funds. These activities are reported in an agency fund. The District's fiduciary activities are reported in separate statements of fiduciary net assets and changes in fiduciary net assets on pages 27 and 28. These activities are excluded from the District's other financial statements because the assets cannot be utilized by the District to finance its operations.

Notes to the Basic Financial Statements

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. These notes to the basic financial statements can be found on pages 29-64 of this report.

The District as a Whole

The statement of net assets provides the perspective of the District as a whole.

The table below provides a summary of the District's net assets at June 30, 2011 and 2010.

Net Assets			
	Governmental Activities 2011	Governmental Activities 2010	Percentage Change
<u>Assets</u>			
Current and other assets	\$ 26,573,576	\$ 29,611,883	(10.26) %
Capital assets, net	<u>105,198,296</u>	<u>109,780,249</u>	(4.17) %
Total assets	<u>131,771,872</u>	<u>139,392,132</u>	(5.47) %
<u>Liabilities</u>			
Current liabilities	13,623,727	15,156,081	(10.11) %
Long-term liabilities	<u>40,543,191</u>	<u>41,559,567</u>	(2.45) %
Total liabilities	<u>54,166,918</u>	<u>56,715,648</u>	(4.49) %
<u>Net Assets</u>			
Invested in capital assets, net of related debt	68,026,299	71,487,498	(4.84) %
Restricted	<u>5,545,084</u>	<u>7,936,618</u>	(30.13) %
Unrestricted	<u>4,033,571</u>	<u>3,252,368</u>	24.02 %
Total net assets	<u>\$ 77,604,954</u>	<u>\$ 82,676,484</u>	(6.13) %

Over time, net assets can serve as a useful indicator of a government's financial position. At June 30, 2011 and June 30, 2010, the District's assets exceeded liabilities by \$77,604,954 and \$82,676,484, respectively. Net assets decreased \$5,071,530 from June 30, 2010.

**TEAYS VALLEY LOCAL SCHOOL DISTRICT
PICKAWAY COUNTY, OHIO**

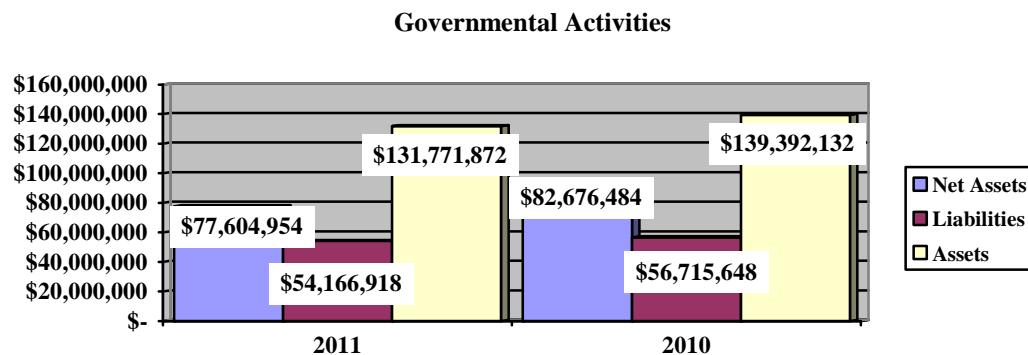
**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

Assets of the District decreased \$7,620,260 or 5.47%. Current and other assets decreased \$3,038,307 or 10.26%. This decrease is due mainly to a decrease in equity in pooled cash and cash equivalents. Capital assets decreased \$4,581,953 or 4.17% which is primarily a result of current year depreciation of \$4,883,668. Total liabilities decreased \$2,548,730 or 4.49%. Current liabilities of the District decreased \$1,532,354 or 10.11%. This decrease is primarily due to a decrease in retainage payable related to the OSFC project and unearned revenue related to property taxes. The decrease of \$1,016,376 in long term liabilities is due primarily to the District retiring \$1,070,000 in bonds during the year.

At year-end, capital assets represented 79.83% of total assets. Capital assets include land, land improvements, buildings and improvements, furniture and equipment, vehicles and infrastructure. Capital assets, net of related debt to acquire the assets at June 30, 2011 and June 30, 2010, were \$68,026,299 and \$71,487,498, respectively. These capital assets are used to provide services to the students and are not available for future spending. Although the District's investment in capital assets is reported net of related debt, it should be noted that the resources to repay the debt must be provided from other sources, since capital assets may not be used to liquidate these liabilities.

A portion of the District's net assets, \$5,545,084, represents resources that are subject to external restriction on how they may be used. Of the restricted net assets, \$828,618 is restricted for capital projects and \$2,989,633 is restricted for debt service. The remaining balance of unrestricted net assets of \$4,033,571 may be used to meet the District's ongoing obligations to the students and creditors.

The graph below shows the District's assets, liabilities and net assets at June 30, 2011 and June 30, 2010.



**TEAYS VALLEY LOCAL SCHOOL DISTRICT
PICKAWAY COUNTY, OHIO**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

The table below shows the change in net assets for fiscal years 2011 and 2010. The 2010 balance of operating grants and contributions and general revenues – grants and entitlements not restricted have been restated to conform to 2011's presentation of PAthway to Student Success (PASS) funding from the State of Ohio which is reported as an operating grant and contribution rather than as general revenue.

	Change in Net Assets		Percentage Change	
	Restated Governmental Activities 2011	Governmental Activities 2010		
<u>Revenues</u>				
Program revenues:				
Charges for services and sales	\$ 1,646,171	\$ 1,219,002	35.04 %	
Operating grants and contributions	5,758,315	4,517,066	27.48 %	
General revenues:				
Taxes	16,461,750	12,741,906	29.19 %	
Grants and entitlements not restricted	15,275,322	15,686,713	(2.62) %	
Grants and entitlements restricted	-	1,235,433	(100.00) %	
Investment earnings	85,093	250,847	(66.08) %	
Other	<u>143,594</u>	<u>132,168</u>	8.65 %	
Total revenues	<u>39,370,245</u>	<u>35,783,135</u>	10.02 %	

(Continued)

**TEAYS VALLEY LOCAL SCHOOL DISTRICT
PICKAWAY COUNTY, OHIO**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

Change in Net Assets (Continued)

	Governmental Activities <u>2011</u>	Governmental Activities <u>2010</u>	<u>Percentage Change</u>
Expenses			
Program expenses:			
Instruction:			
Regular	\$ 20,414,129	\$ 18,021,870	13.27 %
Special	3,695,629	3,423,127	7.96 %
Vocational	720,788	774,285	(6.91) %
Other	353,386	310,466	13.82 %
Support services:			
Pupil	1,373,450	1,205,757	13.91 %
Instructional staff	1,734,745	1,456,061	19.14 %
Board of education	58,731	132,899	(55.81) %
Administration	3,894,379	3,495,290	11.42 %
Fiscal	940,113	724,977	29.67 %
Business	356,156	336,818	5.74 %
Operations and maintenance	4,168,955	3,648,749	14.26 %
Pupil transportation	2,373,023	2,069,739	14.65 %
Central	208,944	184,750	13.10 %
Operations of non-instructional services			
Other non-instructional services	24,114	12,657	90.52 %
Food service operations	1,328,780	1,195,520	11.15 %
Extracurricular activities	994,641	1,089,805	(8.73) %
Interest and fiscal charges	<u>1,801,812</u>	<u>1,852,299</u>	(2.73) %
Total expenses	<u>44,441,775</u>	<u>39,935,069</u>	11.29 %
Change in net assets	(5,071,530)	(4,151,934)	22.15 %
Net assets, beginning of year	<u>82,676,484</u>	<u>86,828,418</u>	(4.78) %
Net assets, end of year	<u>\$ 77,604,954</u>	<u>\$ 82,676,484</u>	(6.13) %

Governmental Activities

Net assets of the District's governmental activities decreased \$5,071,530 in fiscal year 2011 and decreased \$4,151,934 in fiscal year 2010. The overall decrease in net assets in fiscal year 2011 can be attributed mainly to increases in costs and depreciation related to the opening of new buildings. While the District has made attempts to cut cash expenses, depreciation is an accrual expense related to allocating the costs of capital assets over the useful life of the asset. Total governmental expenses of \$44,441,775 were offset by program revenues of \$7,404,486 and general revenues of \$31,965,759 during fiscal year 2011. Program revenues supported 16.66% of the total governmental expenses during fiscal year 2011 and 14.36% during fiscal year 2010. Charges for services increased due to greater open enrollment tuition received during fiscal year 2011 and an increase in food service operation revenues. Operating grants and contributions increased due primarily to the Education Jobs grant. In the general revenues area, investment earnings decreased as the interest rates on the District's investments decreased from 2011 as well as a decrease in investment balances.

**TEAYS VALLEY LOCAL SCHOOL DISTRICT
PICKAWAY COUNTY, OHIO**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

The primary sources of revenue for governmental activities are derived from property taxes, income taxes and grants and entitlements. These revenue sources account for 80.61% of total governmental revenue. Real estate property is reappraised every six years. The latest reappraisal by Pickaway County was in 2006. Property tax and income tax revenue increased \$3,719,844 or 29.19% during fiscal year 2011. This increase is the result of a slight increase in income taxes and a large increase in property tax revenue. Property taxes increased due to fluctuations in the amount of tax collected and available for advance at fiscal year-end by the Pickaway County Auditor. Tax advances available are recorded as revenue under GAAP. The amount of tax advances available at June 30, 2011, 2010 and 2009 was \$3,799,267, 1,120,802 and \$1,696,328, respectively. The amount of tax advance available at year-end can vary depending upon when the county auditors distributes tax bills. In addition, the District experienced an increase in assessed valuation of 9.90% namely in the area of public utility personal property (See Note 6).

Overall, expenses increased by 11.29% or \$4,506,706. This increase is related to increased costs in the opening of new buildings. Depreciation related to buildings increased from the previous year as well as utilities costs associated with the new buildings.

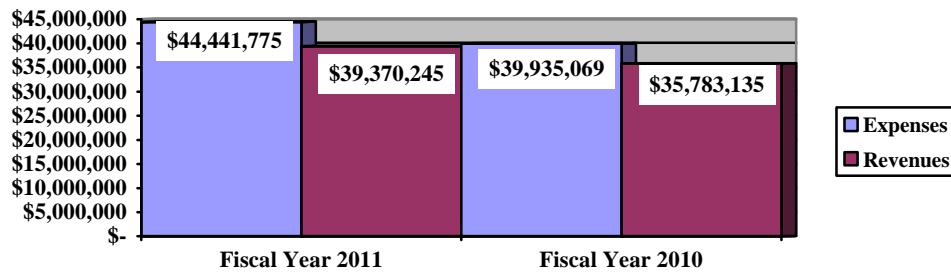
Voters approved a \$22,850,666 bond levy in November 1999. This levy, which generates approximately \$1,787,838 per year for 28 years, is expected to provide revenue for debt service through fiscal year 2027. The bond issue allowed for construction of 3 new elementary schools as well as major renovations and additions at the District's High School and Middle School instructional facilities. During fiscal year 2006, this bond issue was refunded to decrease the District's interest costs for the original bond issue through fiscal year 2027.

In addition, voters approved a \$21,500,000 bond levy in November 2006. The proceeds of this levy, represents the District's local share of a state assisted \$82 million overall construction project. The local levy will generate approximately \$1,819,566 per year for 28 years and is expected to provide revenue for debt service through fiscal year 2034. The bond issue allowed for construction of 1 new elementary school, 2 new middle schools as well as major renovations and additions at the current District's high school / middle school instructional facilities.

The District's financial condition has remained stable in recent years. The District has benefited from the fact that its effective millage rate for local taxation purposes is at the twenty mill floor. As a result, the District has enjoyed growth in local property tax collections related to both new construction and re-appraisal activity. In addition, the District has a .75% school income tax that is rapidly growing in connection with new construction growth and the growth of the adjusted gross incomes of existing residents.

The graph below presents the District's governmental activities revenues and expenses for fiscal years 2011 and 2010.

Governmental Activities - Revenues and Expenses



**TEAYS VALLEY LOCAL SCHOOL DISTRICT
PICKAWAY COUNTY, OHIO**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

The statement of activities shows the cost of program services and the charges for services and grants offsetting those services. The following table shows, for governmental activities, the total cost of services and the net cost of services. That is, it identifies the cost of these services supported by tax revenue and unrestricted state grants and entitlements. The 2010 net cost of services for special instruction has been restated to conform to 2011's presentation of PASS funding from the State of Ohio which is reported as an operating grant and contribution offsetting special instruction.

Governmental Activities

	Total Cost of Services 2011	Net Cost of Services 2011	Total Cost of Services 2010	Restated Net Cost of Services 2010
Program expenses				
Instruction:				
Regular	\$ 20,414,129	\$ 17,777,583	\$ 18,021,870	\$ 16,738,450
Special	3,695,629	1,921,203	3,423,127	1,748,492
Vocational	720,788	478,190	774,285	533,493
Other	353,386	250,510	310,466	124,308
Support services:				
Pupil	1,373,450	1,282,336	1,205,757	1,140,792
Instructional staff	1,734,745	1,398,985	1,456,061	1,077,725
Board of education	58,731	58,731	132,899	132,899
Administration	3,894,379	3,497,942	3,495,290	3,187,975
Fiscal	940,113	937,747	724,977	723,697
Business	356,156	356,156	336,818	331,709
Operations and maintenance	4,168,955	4,062,976	3,648,749	3,583,214
Pupil transportation	2,373,023	2,328,329	2,069,739	2,053,373
Central	208,944	166,667	184,750	154,040
Operations of non-instructional services:				
Other non-instructional services	24,114	24,114	12,657	12,657
Food service operations	1,328,780	88,574	1,195,520	87,543
Extracurricular activities	994,641	605,434	1,089,805	716,335
Interest and fiscal charges	<u>1,801,812</u>	<u>1,801,812</u>	<u>1,852,299</u>	<u>1,852,299</u>
Total	<u>\$ 44,441,775</u>	<u>\$ 37,037,289</u>	<u>\$ 39,935,069</u>	<u>\$ 34,199,001</u>

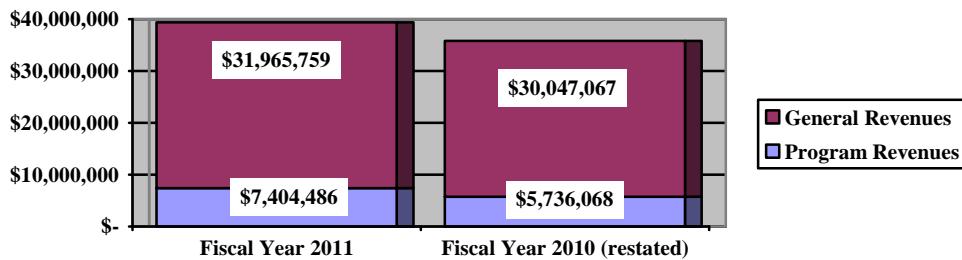
The dependence upon tax and other general revenues for governmental activities is apparent, 81.11% of instruction activities were supported through taxes and other general revenues during fiscal year 2011 and 84.98% in fiscal year 2010. For all governmental activities, general revenue support was 83.34% in fiscal year 2011 and 85.64% in fiscal year 2010. The District's taxpayers and grants and entitlements are by far the primary support for District students.

**TEAYS VALLEY LOCAL SCHOOL DISTRICT
PICKAWAY COUNTY, OHIO**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

The graph below presents the District's governmental activities revenues for fiscal years 2011 and 2010. The 2010 program revenues and general revenues have been restated to conform to 2011's presentation of PASS funding from the State of Ohio which is reported as program revenue rather than as general revenue.

Governmental Activities - General and Program Revenues



The District's Funds

The District's governmental funds (as presented on the balance sheet on page 19) reported a combined fund balance of \$10,818,950, which is lower than last year's total of \$12,592,612. The schedule below indicates the fund balance and the total change in fund balance as of June 30, 2011 and 2010. Fund balances at June 30, 2010 have been restated as described in Note 3.B.

	Restated			
	Fund Balance <u>June 30, 2011</u>	Fund Balance <u>June 30, 2010</u>	Increase/ (Decrease)	Percentage Change
General	\$ 5,986,653	\$ 6,312,056	\$ (325,403)	(5.16) %
Debt Service	2,981,782	2,433,926	547,856	22.51 %
Other Governmental	<u>1,850,515</u>	<u>3,846,630</u>	<u>(1,996,115)</u>	<u>(51.89) %</u>
Total	<u>\$ 10,818,950</u>	<u>\$ 12,592,612</u>	<u>\$ (1,773,662)</u>	<u>(14.08) %</u>

General Fund

During fiscal year 2011, the District's general fund balance decreased by \$325,403. The District has maintained a judicious approach to spending which has helped the District achieve modest reserves. These reserves become critical as continued growth within the District is expected. Tax revenues increased by \$2,858,838. This increase can be attributed to an increase in the amount of tax advance that was available to the District from the county auditors at June 30, 2011 versus June 30, 2010. This variance resulted in more tax revenue being reported in fiscal year 2011. The amount of tax advances available from the county auditors can vary depending upon when tax bills are mailed. Earnings on investments decreased as the District earned lower interest rates on investments. Intergovernmental revenues decreased \$335,162 or 2.03% due to lower state foundation revenue in the general fund.

Expenditures of the general fund increased \$502,414 or 1.74%. The most significant increase was in the area of support services which increased \$781,803 or 7.51%. Of the support services, instructional staff and administration showed the largest increases due to increases in staffing levels.

**TEAYS VALLEY LOCAL SCHOOL DISTRICT
PICKAWAY COUNTY, OHIO**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

The table that follows assists in illustrating the financial activities and fund balance of the general fund.

	2011 <u>Amount</u>	Restated 2010 <u>Amount</u>	Increase/ (Decrease)	Percentage Change
Revenues				
Taxes	\$ 12,215,881	\$ 9,357,043	\$ 2,858,838	30.55 %
Tuition	380,092	118,332	261,760	221.21 %
Earnings on investments	93,229	257,102	(163,873)	(63.74) %
Intergovernmental	16,152,718	16,487,880	(335,162)	(2.03) %
Other revenues	<u>326,502</u>	<u>268,521</u>	<u>57,981</u>	21.59 %
Total	<u>\$ 29,168,422</u>	<u>\$ 26,488,878</u>	<u>\$ 2,679,544</u>	10.12 %
Expenditures				
Instruction	\$ 17,664,480	\$ 17,670,218	\$ (5,738)	(0.03) %
Support services	11,187,143	10,405,340	781,803	7.51 %
Operation of				
non-instructional services	21,715	12,517	9,198	73.48 %
Extracurricular activities	485,764	506,419	(20,655)	(4.08) %
Capital outlay	6,069	125,088	(119,019)	(95.15) %
Debt service	<u>44,917</u>	<u>188,092</u>	<u>(143,175)</u>	(76.12) %
Total	<u>\$ 29,410,088</u>	<u>\$ 28,907,674</u>	<u>\$ 502,414</u>	1.74 %

Debt Service Fund

During fiscal year 2011, the debt service fund had revenues of \$3,480,202 and expenditures and other financing uses of \$2,932,346. During fiscal year 2011, the debt service fund balance increased \$547,856 due to revenues exceeding scheduled principal and interest payments during the fiscal year.

General Fund Budgeting Highlights

The 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 2011, the District amended its general fund budget several times. For the general fund, final budgeted revenues and other financing sources of \$27,321,719 were \$257,821 higher than the original budgeted revenues and other financing sources estimate of \$27,063,898. Actual revenues and other financing sources of \$27,165,904 were \$155,815 lower than final budgeted amounts.

General fund original appropriations (appropriated expenditures plus other financing uses) were 32,971,723. Final appropriations and actual expenditures and other financing uses were \$29,635,346 which was \$3,336,377 lower than original appropriations.

**TEAYS VALLEY LOCAL SCHOOL DISTRICT
PICKAWAY COUNTY, OHIO**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

Capital Assets and Debt Administration

Capital Assets

At the end of fiscal year 2011, the District had \$105,198,296 invested in land, land improvements, buildings and improvements, furniture and equipment, vehicles and infrastructure. This entire amount is reported in governmental activities. The following table shows June 30, 2011 balances compared to June 30, 2010.

**Capital Assets at June 30
(Net of Depreciation)**

	<u>Governmental Activities</u>	
	<u>2011</u>	<u>2010</u>
Land	\$ 3,020,415	\$ 3,020,415
Land improvements	9,516,025	10,104,005
Buildings and improvements	85,402,276	88,698,921
Furniture and equipment	6,092,282	6,663,890
Vehicles	955,116	1,069,601
Infrastructure	<u>212,182</u>	<u>223,417</u>
Total	<u>\$ 105,198,296</u>	<u>\$ 109,780,249</u>

The capital assets decreased \$4,581,953. This is due to depreciation expense of \$4,883,668 and disposals (net of accumulated depreciation) of \$848 exceeding current year additions of \$302,563.

See Note 9 to the basic financial statements for detail on the District's capital assets.

Debt Administration

At June 30, 2011 the District had \$37,492,808 in general obligation bonds and capital lease obligations outstanding. The general obligation bond issues are comprised of current issue bonds and capital appreciation bonds. Of this total, \$1,153,230 is due within one year and \$36,339,578 is due in greater than one year.

**TEAYS VALLEY LOCAL SCHOOL DISTRICT
PICKAWAY COUNTY, OHIO**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

The following table summarizes the bonds and capital lease obligations outstanding.

Outstanding Debt, at Year End

	Governmental Activities <u>2011</u>	Governmental Activities <u>2010</u>
Current interest bonds - Series 2000	\$ -	\$ 665,000
Current interest refunding bonds - Series 2006	17,340,000	17,480,000
Capital appreciation bonds - Series 2006	274,995	274,995
Accreted interest - Series 2006	591,074	436,715
Current interest bonds - Series 2007A	9,755,000	9,780,000
Capital appreciation bonds - Series 2007A	69,996	69,996
Accreted interest - Series 2007A	80,124	55,186
Current interest bonds - Series 2007B	9,130,000	9,370,000
Capital appreciation bonds - Series 2007B	79,997	79,997
Accreted interest - Series 2007B	67,710	47,145
Capital lease obligations	<u>103,912</u>	<u>133,587</u>
Total	<u>\$ 37,492,808</u>	<u>\$ 38,392,621</u>

During fiscal year 2006, the District refunded a portion of the 2000 series general obligation bonds on July 28, 2006. The annual interest rate ranges from 3.00% to 5.00% and the bonds are scheduled to mature in fiscal year 2028.

On March 22, 2007 and April 24, 2007, the District issued Series 2007 A and Series 2007 B general obligation bonds for a classroom facilities project. The annual interest rates range from 4.00% to 4.30% and the bonds are scheduled to mature in fiscal year 2035.

The District's most recent bond issue maintained a Moody's Investors Service rating and a Fitch IBCA, Inc. rating of Aaa and AAA respectively on the understanding that the Bonds would be insured by Financial Guaranty Insurance Company upon their issuance. The District has received an underlying rating of A1 from Moody's.

See Note 11 to the basic financial statements for detail on the District's debt administration.

Current Financial Related Activities

The State of Ohio faced an \$8 billion budget shortfall entering this biennium (fiscal year 2012 & fiscal year 2013). In response, nearly all State agency budgets were slashed. Obviously, the State's budgetary difficulties have been well documented, so the District's prior forecasts had already assumed significant reductions to State and federal aid.

In anticipation of the impending State funding cuts (as well as other documented revenue challenges described herein), the District proactively implemented a \$2 million budget response plan in February 2011, which impacts fiscal year 2012 of the District's forecast and beyond. Elements of the plan are reflected in various line items of the forecast, but mainly include salaries, fringe benefits and supply expenditures. The plan provided the District a bit more time to consider a longer-term solution to balance the budget.

**TEAYS VALLEY LOCAL SCHOOL DISTRICT
PICKAWAY COUNTY, OHIO**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

After great deliberation, the Board has decided to place a 1.5% Replacement Earned Income Tax on the November 2011 ballot in an effort to preserve programming and educational opportunities. This issue provided voters the opportunity to weigh in on the educational future of the District. If passed, the issue would replace the District's current 0.75% traditional income tax levy with a 1.5% earned income tax levy and would generate an additional \$2.3 million in revenue representing an increase of approximately \$3.52 per student per day. The issue was unsuccessful which will cause further spending reductions will be necessary. Plans call for an additional \$2 million of cuts to be implemented effective for the fiscal year 2013 budget.

Some of the primary factors currently influencing the financial outlook of the District are recapped below:

Overall Revenue:

From fiscal year 2008 to fiscal year 2011 revenue grew by an average increase of only 1%. Economic recovery following the 2008 recession has been slow to say the least. The struggling economy has impacted nearly every area of the District's revenue forecast. Enrollment, property valuations, interest earnings all have remained depressed. Stagnate revenue is expected to continue in the foreseeable future. This is a challenge many districts currently face as they seek ways to maintain programs and opportunities taken years to build.

State Budget:

The Governor and Legislature scrapped the Education Based Funding Model, in favor of an interim model. The Bridge formula (as it's known) is designed to distribute funds to schools until a new model is approved. The Bridge model funds schools based upon the amount per-pupil it received in fiscal year 2011 (less \$159 per-pupil). For the District, that translates into a per-pupil amount of \$4,241 for fiscal year 2012. It is interesting to point out, the District's State funding has been guarantee based for the past five years, and therefore for the first time since fiscal year 2011, the District's student count will actually drive the total amount of funding it receives. Although not expected to affect the District, a school district's total fiscal year 2012 funding is guaranteed not to drop below fiscal year 2011 levels after Federal Stabilization is removed from the equation (fiscal year 2011 Stabilization funding for the District equaled \$1.2 million).

Federal Support for Operations:

The Federal Government has dedicated another \$361 million to Ohio schools to prevent education job losses in fiscal year 2011 (the District's share equals \$836,666). While this is welcome news, it only represents about half of the total stabilization dollars the federal government supplied over the past biennial. Once these Federal dollars are spent, no additional support is expected.

Student Enrollment:

A residual impact of constrained residential growth is its impact on student enrollment. In fact, preliminary data indicates the District's resident enrollment will drop by about 60 students in fiscal year 2012. As mentioned, a reduction in students will translate into lower state funding. After fiscal year 2012, enrollment is expected to resume growth, albeit at a much slower rate than realized in the recent past.

Income Tax Collections:

The Issue - Income tax collections are basically a function of growth and the economy. Collections slowed dramatically in fiscal year 2009 and then dropped almost 8% in fiscal year 2010 due to the economic recession. Collections reflected modest improvement in fiscal year 2011, but only recovered to fiscal year 2008 levels. Guidance provided by the Ohio Department of Taxation anticipates continued slow recovery. The additional challenge for the District is depressed residential housing growth which in the past has helped fuel large growth in income tax collections.

**TEAYS VALLEY LOCAL SCHOOL DISTRICT
PICKAWAY COUNTY, OHIO**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

Staffing & Negotiated Increases:

The Board and Teays Valley Certified Teachers Association (TVCTA) ratified an agreement to freeze base wages in fiscal year 2012 and fiscal year 2013 (base administrative salaries were reduced by 2%). Additionally, experience increases were also frozen in fiscal year 2012 (staff would resume appropriate experience levels in fiscal year 2013). Both the Board and TVCTA recognized the need to implement austerity measures in an effort to mitigate job losses and help preserve education quality in the District. Additional reductions and spending restraint will be required; however the severity of those measures will be largely dependent upon the outcome of the District's replacement Income Tax request.

Health Insurance:

The cost of health insurance increased 5.5% in fiscal year 2012. Although this rate is below industry trend, additional strategies are currently being explored and discussed to mitigate future increases. Plan design changes and offering an Health Savings Account (HAS) option are items that currently are being discussed. Until these items are approved or implemented, the forecast assumes health insurance premiums increases will continue to track industry trend or about 8 to 10% per year.

Contacting the District's Financial Management

This financial report is designed to provide our citizens, taxpayers, investors and creditors with a general overview of the District's finances and to show the District's accountability for the money it receives. If you have questions about this report or need additional financial information contact Mr. Stacy Overly, Treasurer, Teays Valley Local School District, 385 Circleville Avenue, Ashville, OH 43103-9417.

**TEAYS VALLEY LOCAL SCHOOL DISTRICT
PICKAWAY COUNTY, OHIO**

STATEMENT OF NET ASSETS
JUNE 30, 2011

	Governmental Activities
Assets:	
Equity in pooled cash and cash equivalents	\$ 11,549,498
Cash in segregated accounts	192,243
Receivables:	
Property taxes	12,231,084
Income taxes.	1,024,700
Payment in lieu of taxes	13,431
Accounts.	24,244
Accrued interest	12,406
Intergovernmental	933,870
Prepayments	7,633
Materials and supplies inventory.	163,156
Unamortized bond issuance costs	410,570
Loans receivable	10,741
Capital assets:	
Land	3,020,415
Depreciable capital assets, net.	<u>102,177,881</u>
Capital assets, net	<u>105,198,296</u>
Total assets.	<u>131,771,872</u>
Liabilities:	
Accounts payable.	191,650
Contracts payable.	186,003
Retainage payable	192,243
Accrued wages and benefits	2,957,849
Pension obligation payable.	737,885
Intergovernmental payable	300,627
Unearned revenue	7,889,234
Accrued interest payable	130,433
Notes payable	1,000,000
Claims payable.	37,803
Long-term liabilities:	
Due within one year.	1,481,976
Due in more than one year.	<u>39,061,215</u>
Total liabilities	<u>54,166,918</u>
Net Assets:	
Invested in capital assets, net	
of related debt.	68,026,299
Restricted for:	
Capital projects	828,618
Classroom facilities maintenance	564,077
Debt service.	2,989,633
Locally funded programs	3,766
Federally funded programs	755,478
Student activities	77,417
Other purposes	326,095
Unrestricted	<u>4,033,571</u>
Total net assets	<u>\$ 77,604,954</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**TEAYS VALLEY LOCAL SCHOOL DISTRICT
PICKAWAY COUNTY, OHIO**

**STATEMENT OF ACTIVITIES
FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Assets
		Charges for Services and Sales	Operating Grants and Contributions	Governmental Activities	
Governmental activities:					
Instruction:					
Regular	\$ 20,414,129	\$ 562,204	\$ 2,074,342	\$ (17,777,583)	
Special	3,695,629	9,964	1,764,462	(1,921,203)	
Vocational	720,788	-	242,598	(478,190)	
Other	353,386	-	102,876	(250,510)	
Support services:					
Pupil.	1,373,450	29,136	61,978	(1,282,336)	
Instructional staff	1,734,745	16,839	318,921	(1,398,985)	
Board of education	58,731	-	-	(58,731)	
Administration.	3,894,379	2,263	394,174	(3,497,942)	
Fiscal.	940,113	-	2,366	(937,747)	
Business.	356,156	-	-	(356,156)	
Operations and maintenance	4,168,955	72,565	33,414	(4,062,976)	
Pupil transportation.	2,373,023	-	44,694	(2,328,329)	
Central	208,944	-	42,277	(166,667)	
Operation of non-instructional services:					
Other non-instructional services	24,114	-	-	(24,114)	
Food service operations	1,328,780	657,002	583,204	(88,574)	
Extracurricular activities.	994,641	296,198	93,009	(605,434)	
Interest and fiscal charges	1,801,812	-	-	(1,801,812)	
Total governmental activities	<u>\$ 44,441,775</u>	<u>\$ 1,646,171</u>	<u>\$ 5,758,315</u>	<u>(37,037,289)</u>	

General Revenues:

Property taxes levied for:	
General purposes	9,303,857
Debt service.	3,116,362
Capital projects.	1,047,823
Income taxes levied for:	
General purposes	2,825,353
Classroom facilities maintenance	168,355
Grants and entitlements not restricted to specific programs	15,275,322
Investment earnings	85,093
Payment in lieu of taxes	108,985
Miscellaneous	34,609
Total general revenues	<u>31,965,759</u>
Change in net assets	(5,071,530)
Net assets at beginning of year.	82,676,484
Net assets at end of year.	\$ 77,604,954

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**TEAYS VALLEY LOCAL SCHOOL DISTRICT
PICKAWAY COUNTY, OHIO**

**BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2011**

	General	Debt Service	Other Governmental Funds	Total Governmental Funds
Assets:				
Equity in pooled cash and cash equivalents	\$ 6,167,613	\$ 2,108,309	\$ 3,030,661	\$ 11,306,583
Cash in segregated accounts	-	-	192,243	192,243
Receivables:				
Property taxes	8,488,973	2,796,302	945,809	12,231,084
Income taxes	1,024,700	-	-	1,024,700
Payment in lieu of taxes	13,431	-	-	13,431
Accounts	21,818	-	2,426	24,244
Accrued interest	12,203	-	203	12,406
Intergovernmental	4,809	-	929,061	933,870
Prepayments	7,633	-	-	7,633
Materials and supplies inventory	105,373	-	57,783	163,156
Loans receivable	10,741	-	-	10,741
Total assets	<u>\$ 15,857,294</u>	<u>\$ 4,904,611</u>	<u>\$ 5,158,186</u>	<u>\$ 25,920,091</u>
Liabilities:				
Accounts payable	\$ 125,730	\$ -	\$ 65,920	\$ 191,650
Contracts payable	-	-	186,003	186,003
Retainage payable	-	-	192,243	192,243
Accrued wages and benefits	2,758,739	-	199,110	2,957,849
Compensated absences payable	114,597	-	-	114,597
Pension obligation payable	664,086	-	73,799	737,885
Intergovernmental payable	295,313	-	5,314	300,627
Unearned revenue	5,493,534	1,790,193	605,507	7,889,234
Deferred revenue	418,642	132,636	974,127	1,525,405
Accrued interest payable	-	-	5,648	5,648
Notes payable	-	-	1,000,000	1,000,000
Total liabilities	<u>9,870,641</u>	<u>1,922,829</u>	<u>3,307,671</u>	<u>15,101,141</u>
Fund Balances:				
Nonspendable:				
Materials and supplies inventory	105,373	-	57,783	163,156
Prepads	7,633	-	-	7,633
Unclaimed monies	3,220	-	-	3,220
Restricted:				
Debt service	-	2,981,782	-	2,981,782
Capital improvements	-	-	767,729	767,729
Classroom facilities maintenance	-	-	564,077	564,077
Food service operations	-	-	230,955	230,955
Special education	-	-	13,882	13,882
Other purposes	-	-	74,977	74,977
Extracurricular activities	-	-	77,417	77,417
Committed:				
Capital improvements	-	-	932,517	932,517
Underground storage tank	11,000	-	-	11,000
Assigned:				
Student instruction	94,132	-	-	94,132
Student and staff support	304,224	-	-	304,224
Extracurricular activities	728	-	-	728
Unassigned (deficit)	5,460,343	-	(868,822)	4,591,521
Total fund balances	<u>5,986,653</u>	<u>2,981,782</u>	<u>1,850,515</u>	<u>10,818,950</u>
Total liabilities and fund balances	<u>\$ 15,857,294</u>	<u>\$ 4,904,611</u>	<u>\$ 5,158,186</u>	<u>\$ 25,920,091</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**TEAYS VALLEY LOCAL SCHOOL DISTRICT
PICKAWAY COUNTY, OHIO**

RECONCILIATION OF TOTAL GOVERNMENTAL FUND BALANCES TO
NET ASSETS OF GOVERNMENTAL ACTIVITIES
JUNE 30, 2011

Total governmental fund balances	\$ 10,818,950
<i>Amounts reported for governmental activities on the statement of net assets are different because:</i>	
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.	105,198,296
Other long-term assets are not available to pay for current-period expenditures and therefore are deferred in the funds.	
Property taxes receivable	\$ 580,153
Payment in lieu of taxes receivable	4,477
Accrued interest receivable	11,714
Intergovernmental receivable	<u>929,061</u>
Total	1,525,405
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 on the statement of net assets.	205,112
Unamortized bond issuance costs are not recognized in the funds.	410,570
Unamortized premiums on bond issuances are not recognized in the funds.	(1,479,922)
Unamortized deferred charges on refundings are not recognized in the funds.	1,061,825
On the statement of net assets, interest is accrued on outstanding bonds whereas in governmental funds, interest is reported when due.	(124,785)
Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds.	
General obligation bonds	(37,388,896)
Capital lease obligations	(103,912)
Compensated absences	<u>(2,517,689)</u>
Total	<u>(40,010,497)</u>
Net assets of governmental activities	<u>\$ 77,604,954</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**TEAYS VALLEY LOCAL SCHOOL DISTRICT
PICKAWAY COUNTY, OHIO**

**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

	General	Debt Service	Other Governmental Funds	Total Governmental Funds
Revenues:				
From local sources:				
Property taxes	\$ 9,390,528	\$ 3,144,672	\$ 1,063,614	\$ 13,598,814
Income taxes	2,825,353	-	168,355	2,993,708
Payment in lieu of taxes	4,472	-	-	4,472
Tuition	380,092	-	-	380,092
Earnings on investments	93,229	-	2,985	96,214
Charges for services	-	-	715,363	715,363
Extracurricular	130,707	-	296,198	426,905
Classroom materials and fees	88,259	-	-	88,259
Rental income	35,552	-	-	35,552
Contributions and donations	28,822	-	100,450	129,272
Other local revenues	38,690	-	4,980	43,670
Intergovernmental - intermediate	69,586	22,754	7,696	100,036
Intergovernmental - state	16,014,716	312,776	222,954	16,550,446
Intergovernmental - federal	68,416	-	3,535,368	3,603,784
Total revenues	29,168,422	3,480,202	6,117,963	38,766,587
Expenditures:				
Current:				
Instruction:				
Regular	13,999,562	-	1,348,521	15,348,083
Special	2,815,458	-	663,497	3,478,955
Vocational	645,121	-	3,165	648,286
Other	204,339	-	127,078	331,417
Support services:				
Pupil	1,222,956	-	89,305	1,312,261
Instructional staff	1,153,090	-	366,152	1,519,242
Board of education	52,798	-	-	52,798
Administration	3,103,239	-	517,317	3,620,556
Fiscal	793,539	62,111	22,008	877,658
Business	215,854	-	56,629	272,483
Operations and maintenance	2,777,735	-	895,923	3,673,658
Pupil transportation	1,716,114	-	419,099	2,135,213
Central	151,818	-	43,881	195,699
Operation of non-instructional services:				
Operation of non-instructional	21,715	-	900	22,615
Food service operations	-	-	1,195,353	1,195,353
Extracurricular activities	485,764	-	364,510	850,274
Facilities acquisition and construction	-	-	2,391,658	2,391,658
Capital outlay	6,069	-	-	6,069
Debt service:				
Principal retirement	35,744	1,070,000	-	1,105,744
Interest and fiscal charges	9,173	1,589,645	9,667	1,608,485
Total expenditures	29,410,088	2,721,756	8,514,663	40,646,507
Excess (deficiency) of revenues over (under) expenditures	(241,666)	758,446	(2,396,700)	(1,879,920)
Other financing sources (uses):				
Sale of capital assets	-	-	41,288	41,288
Transfers in	-	-	386,063	386,063
Transfers (out)	(114,224)	(210,590)	(61,249)	(386,063)
Capital lease transaction	6,069	-	-	6,069
Total other financing sources (uses)	(108,155)	(210,590)	366,102	47,357
Net change in fund balances	(349,821)	547,856	(2,030,598)	(1,832,563)
Fund balances at beginning of year (restated)	6,312,056	2,433,926	3,846,630	12,592,612
Increase in reserve for inventory	24,418	-	34,483	58,901
Fund balances at end of year	\$ 5,986,653	\$ 2,981,782	\$ 1,850,515	\$ 10,818,950

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**TEAYS VALLEY LOCAL SCHOOL DISTRICT
PICKAWAY COUNTY, OHIO**

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

Net change in fund balances - total governmental funds	\$	(1,832,563)
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Amounts reported for governmental activities in the statement of activities are different because:

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

Capital asset additions	\$ 302,563
Current year depreciation	<u>(4,883,668)</u>
Total	(4,581,105)

The net effect of various miscellaneous transactions involving capital assets (i.e., sales, disposals, trade-ins, and donations) is to decrease net assets.

(848)

Governmental funds report expenditures for inventory when purchased. However, in the statement of activities, they are reported as an expense when consumed.

58,901

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

Property taxes	(130,772)
Payment in lieu of taxes	4,477
Earnings on investments	(10,502)
Insurance proceeds	(200,000)
Intergovernmental	740,455
Total	403,658

Repayment of bond and capital lease principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities on the statement of net assets. Principal payments during the year were:

Bonds	1,070,000
Capital leases	35,744
Total	1,105,744

Issuances capital leases are recorded as other financing sources in the funds; however, in the statement of activities, they are not reported as other financing sources as they increase liabilities on the statement of net assets.

(6,069)

In the statement of activities, interest is accrued on outstanding bonds, whereas in governmental funds, an interest expenditure is reported when due. The following items resulted in additional interest being reported in the statement of activities:

Decrease in accrued interest payable	6,215
Accreted interest on capital appreciation bonds	(199,862)
Amortization of bond issuance costs	(20,759)
Amortization of bond premiums	85,759
Amortization of deferred charges	(64,680)
Total	(193,327)

Some expenses reported in the statement of activities, such as compensated absences, do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds.

(31,235)

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

5,314

Change in net assets of governmental activities	\$	<u>(5,071,530)</u>
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SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**TEAYS VALLEY LOCAL SCHOOL DISTRICT
PICKAWAY COUNTY, OHIO**

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCE - BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)
GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

	Budgeted Amounts			Variance with Final Budget Positive (Negative)
	Original	Final	Actual	
Revenues:				
From local sources:				
Property taxes	\$ 7,510,878	\$ 7,582,569	\$ 7,561,874	\$ (20,695)
Income taxes.	2,744,829	2,771,028	2,811,774	40,746
Payment in lieu of taxes	4,472	4,472	4,472	-
Tuition.	377,267	380,868	381,412	544
Earnings on investments	128,771	130,000	94,410	(35,590)
Classroom materials and fees	108,960	110,000	82,994	(27,006)
Rental income	24,764	25,000	552	(24,448)
Contributions and donations	991	1,000	910	(90)
Other local revenues	38,266	38,674	24,230	(14,444)
Intergovernmental - intermediate	89,149	90,000	74,058	(15,942)
Intergovernmental - state	15,933,524	16,085,608	16,014,716	(70,892)
Intergovernmental - federal	49,527	50,000	72,295	22,295
Total revenues	<u>27,011,398</u>	<u>27,269,219</u>	<u>27,123,697</u>	<u>(145,522)</u>
Expenditures:				
Current:				
Instruction:				
Regular	15,866,214	13,846,030	13,846,030	-
Special.	3,010,014	2,799,728	2,799,728	-
Vocational.	737,148	662,078	662,078	-
Other.	199,348	206,359	206,359	-
Support services:				
Pupil.	1,318,097	1,215,651	1,215,651	-
Instructional staff	1,159,406	1,127,665	1,127,665	-
Board of education	100,154	62,232	62,232	-
Administration.	3,377,636	3,162,480	3,162,480	-
Fiscal	796,045	728,002	728,002	-
Business	543,543	367,400	367,400	-
Operations and maintenance.	3,209,616	2,917,831	2,917,831	-
Pupil transportation	1,844,979	1,760,976	1,760,976	-
Central.	173,250	154,654	154,654	-
Operation of non-instructional services	10,026	21,610	21,610	-
Extracurricular activities.	531,247	488,426	488,426	-
Total expenditures	<u>32,876,723</u>	<u>29,521,122</u>	<u>29,521,122</u>	<u>-</u>
Excess of expenditures over revenues	<u>(5,865,325)</u>	<u>(2,251,903)</u>	<u>(2,397,425)</u>	<u>(145,522)</u>
Other financing sources (uses):				
Refund of prior year's expenditures	10,000	10,000	3,111	(6,889)
Transfers in	-	-	28,946	28,946
Transfers (out).	(95,000)	(114,224)	(114,224)	-
Advances in.	25,000	25,000	-	(25,000)
Sale of capital assets	17,500	17,500	10,150	(7,350)
Total other financing sources (uses)	<u>(42,500)</u>	<u>(61,724)</u>	<u>(72,017)</u>	<u>(10,293)</u>
Net change in fund balance	<u>(5,907,825)</u>	<u>(2,313,627)</u>	<u>(2,469,442)</u>	<u>(155,815)</u>
Fund balance at beginning of year (restated)	4,840,007	4,840,007	4,840,007	-
Prior year encumbrances appropriated . . .	1,067,818	1,067,818	1,067,818	-
Fund balance at end of year	\$ -	\$ 3,594,198	\$ 3,438,383	\$ (155,815)

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**TEAYS VALLEY LOCAL SCHOOL DISTRICT
PICKAWAY COUNTY, OHIO**

**STATEMENT OF NET ASSETS
PROPRIETARY FUND
JUNE 30, 2011**

	Governmental Activities - Internal Service Fund
Assets:	
Equity in pooled cash and cash equivalents	\$ 242,915
Total assets.	<u>242,915</u>
Liabilities:	
Claims payable	<u>37,803</u>
Total liabilities	<u>37,803</u>
Net assets:	
Unrestricted.	<u>205,112</u>
Total net assets	<u>\$ 205,112</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**TEAYS VALLEY LOCAL SCHOOL DISTRICT
PICKAWAY COUNTY, OHIO**

**STATEMENT OF REVENUES, EXPENSES AND
CHANGES IN NET ASSETS
PROPRIETARY FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

	Governmental Activities - Internal Service Fund
Operating revenues:	
Charges for services	\$ 294,605
Total operating revenues	<u>294,605</u>
Operating expenses:	
Claims and administrative services	289,291
Total operating expenses.	<u>289,291</u>
Operating income/ change in net assets.	5,314
Net assets at beginning of year	199,798
Net assets at end of year.	\$ 205,112

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**TEAYS VALLEY LOCAL SCHOOL DISTRICT
PICKAWAY COUNTY, OHIO**

**STATEMENT OF CASH FLOWS
PROPRIETARY FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

	Governmental Activities - Internal Service Fund
Cash flows from operating activities:	
Cash received from charges for services	\$ 294,605
Cash payments for claims and administration services. . .	<u>(279,002)</u>
Net cash provided by operating activities	<u>15,603</u>
Net increase in cash and cash cash equivalents	15,603
Cash and cash equivalents at beginning of year	227,312
Cash and cash equivalents at end of year	<u>\$ 242,915</u>
Reconciliation of operating income to net cash provided by operating activities:	
Operating income.	\$ 5,314
Changes in assets and liabilities:	
Increase in claims payable	<u>10,289</u>
Net cash provided by operating activities.	<u>\$ 15,603</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**TEAYS VALLEY LOCAL SCHOOL DISTRICT
PICKAWAY COUNTY, OHIO**

STATEMENT OF FIDUCIARY NET ASSETS
FIDUCIARY FUNDS
JUNE 30, 2011

	Private-Purpose Trust	
	Scholarship	Agency
Assets:		
Equity in pooled cash and cash equivalents	\$ 16,244	\$ 79,655
Receivables:		
Accrued interest	<u>112</u>	-
Total assets.	<u>16,356</u>	<u>\$ 79,655</u>
Liabilities:		
Accounts payable.	- -	\$ 10,544
Loans payable	- -	10,741
Due to students.	<u>-</u>	<u>58,370</u>
Total liabilities	<u>-</u>	<u>\$ 79,655</u>
Net assets:		
Held in trust for scholarships	<u>16,356</u>	
Total net assets	<u>\$ 16,356</u>	

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**TEAYS VALLEY LOCAL SCHOOL DISTRICT
PICKAWAY COUNTY, OHIO**

**STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS
FIDUCIARY FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

	Private-Purpose Trust
	Scholarship
Additions:	
Interest.	\$ 242
Total additions.	<u>242</u>
Deductions:	
Scholarships awarded	<u>149</u>
Change in net assets.	93
Net assets at beginning of year	<u>16,263</u>
Net assets at end of year	<u>\$ 16,356</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**TEAYS VALLEY LOCAL SCHOOL DISTRICT
PICKAWAY COUNTY, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

NOTE 1 - DESCRIPTION OF THE SCHOOL DISTRICT

The Teays Valley Local School District (the “District”) is a body politic and corporate established for the purpose of exercising the rights and privileges conveyed to it by the constitution and laws of the State of Ohio. The District is a local school district as defined by Section 3311.03 of the Ohio Revised Code. The District operates under an elected Board of Education (five members) and is responsible for the provision of public education to residents of the District.

The District ranks as the 117th largest by total enrollment among the 918 public school districts and community schools in the State. The District employed 237 certified employees and 116 non-certified employees who provided services to 3,756 students. The District is supervised by the Pickaway County Educational Service Center, a separate entity.

The District provides regular, vocational, special and adult/continuing instruction. The District also provides support services for the pupils, instructional staff, general and school administration, business and fiscal services, facilities acquisition and construction services, operation and maintenance of plant, student transportation, food services, extracurricular activities and non-programmed services.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The basic financial statements of the District have been prepared in conformity with accounting principles generally accepted in the United States of America (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 District also applies Financial Accounting Standards Board (FASB) guidance issued on or before November 30, 1989, to its governmental type activity and to its proprietary fund provided it does not conflict with or contradict GASB pronouncements. The District's significant accounting policies are described below.

A. Reporting Entity

The reporting entity has been defined in accordance with GASB Statement No. 14, “The Financial Reporting Entity” as amended by GASB Statement No. 39, “Determining Whether Certain Organizations Are Component Units”. The reporting entity is composed of the primary government and component units. The primary government consists of all funds, departments, boards and agencies that are not legally separate from the District. For the District, this includes general operations, food service and student related activities of the District.

Component units are legally separate organizations for which the District is financially accountable. The District is financially accountable for an organization if the District appoints a voting majority of the organization’s Governing Board and (1) the District is able to significantly influence the programs or services performed or provided by the organization; or (2) the District is legally entitled to or can otherwise access the organization’s resources; or (3) the District is legally obligated or has otherwise assumed the responsibility to finance the deficits of, or provide financial support to, the organization; or (4) the District is obligated for the debt of the organization. Component units may also include organizations that are fiscally dependent on the District in that the District approves the budget, the issuance of debt or the levying of taxes. Certain organizations are also included as component units if the nature and significance of the relationship between the primary government and the organization is such that exclusion by the primary government would render the primary governments financial statements incomplete or misleading. Based upon the application of these criteria, the District has no component units. The basic financial statements of the reporting entity include only those of the District (the primary government).

**TEAYS VALLEY LOCAL SCHOOL DISTRICT
PICKAWAY COUNTY, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

The following organizations are described due to their relationship to the District:

JOINTLY GOVERNED ORGANIZATION

Metropolitan Education Council (MEC)

The Metropolitan Education Council is a not for profit educational council whose primary purpose and objective is to contribute to the educational services available to school districts in Franklin County and surrounding areas by cooperative action membership. The governing board consists of a representative from each of the Franklin County districts. Districts outside of Franklin County are associate members and each county selects a single district to represent them on the Governing Board. MEC is its own fiscal agent. The District paid \$471,640 to MEC for services provided during fiscal year 2011.

Central Ohio Special Education Regional Resource Center

The Central Ohio Special Education Regional Resource Center (COSERRC) is a jointly governed organization operated by a Governing Board that is composed of superintendents of member school districts in central Ohio which comprise sixty percent of the Board, two parents of children with disabilities, one representative of a chartered nonpublic school, one representative of a county board of Development Disabilities, representatives of universities and students and persons with disabilities representations. COSERRC assists the District in complying with mandates of Public Law 99-456 for educating children with disabilities. There is no financial commitment made by the districts involved in COSERRC. COSERRC is not dependent upon the continued participation of the District and the District does not maintain an equity interest in or financial responsibility for the Council.

PUBLIC ENTITY RISK POOLS

Ohio School Boards Association Workers' Compensation Group Rating Program

The District participates in a group rating plan for workers' compensation as established in Section 4123.29 of the Ohio Revised Code. The Ohio School Boards Association Workers' Compensation Group Rating Program (GRP) was established as an insurance purchasing pool and is governed by a three-member Board of Directors. The Executive Director of the Ohio School Boards Association, or his/her designee, serves as coordinator of the program. Each year, the participating districts pay an enrollment fee to the GRP to cover the costs of administering the program. Refer to Note 14.B. for further information on this group rating plan.

Pickaway County Public Employer Benefits Program (PCPEBP)

During fiscal year 2010, the District joined together with Circleville City School District, Logan Elm Local School District and Westfall Local School District to form the PCPEBP, a new insurance consortium. The PCPEBP is a public entity shared risk pool organized to provide health care benefits to its member organizations. The Board of Directors exercises control over the operation of the PCPEBP. Each member school district is represented on the Board of Directors by their superintendent or superintendent designee.

Logan Elm Local School District serves as fiscal agent for the PCPEBP. To obtain financial information, write Steve McAfee, Treasurer, Logan Elm Local School District, 9579 Tarlton Road, Circleville, Ohio 43113-9448.

**TEAYS VALLEY LOCAL SCHOOL DISTRICT
PICKAWAY COUNTY, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

B. Fund Accounting

The District uses funds to report its financial position and the results of its operations. A fund is a separate accounting entity with a self-balancing set of accounts. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain school district activities or functions. Funds are classified into three categories: governmental, proprietary and fiduciary. Each category is divided into separate fund types.

GOVERNMENTAL FUNDS

Governmental funds focus 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 District's major governmental funds:

General fund -The general fund is used to account for and report all financial resources not accounted for and reported in another fund. The general fund balance is available for any purpose provided it is expended or transferred according to the general laws of Ohio.

Debt service fund - The debt service fund is used to account for and report the accumulation of resources that are restricted for payment of general obligation bond and principal and interest payable from governmental resources when the government is obligated in some manner for payment.

Other governmental funds of the District are used to account for (a) financial resources that are restricted, committed, or assigned to expenditures for capital outlays including the acquisition or construction of capital facilities and other capital assets and (b) specific revenue sources that are restricted or committed to an expenditure for specified purposes other than debt service or capital projects.

PROPRIETARY FUND

Proprietary funds are used to account for the District's ongoing activities which are similar to those often found in the private sector. The District has no enterprise funds. The following is a description of the District's internal service fund:

Internal service fund - The internal service fund is used to account for the financing of goods or services provided by one department or agency to other departments or agencies of the district, or to other governments, on a cost-reimbursement basis. The internal service fund accounts for the District's self-insurance program which provides dental benefits to employees.

**TEAYS VALLEY LOCAL SCHOOL DISTRICT
PICKAWAY COUNTY, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

FIDUCIARY FUNDS

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

C. Basis of Presentation and Measurement Focus

Government-Wide Financial Statements - The statement of net assets and the statement of activities display information about the District as a whole. These statements include the financial activities of the primary government, except for fiduciary funds. Internal service fund operating activity is eliminated to avoid overstatement of revenues and expenses.

The government-wide statement of activities presents a comparison between direct expenses and program revenues for each function or program of the governmental activities of the District. 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 amounts paid by the recipient of goods or services offered by the program and grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues not classified as program revenues are presented as general revenues of the District.

The government-wide financial statements are prepared using the full accrual economic resources measurement focus. All assets and all liabilities associated with the operation of the District are included on the statement of net assets.

Fund Financial Statements - Fund financial statements report detailed information about the District. The focus of governmental fund financial statements is on major funds rather than reporting funds by type. Each major fund is presented in a separate column, and all nonmajor funds are aggregated into one column. The internal service fund is presented in a single column on the face of the proprietary fund statements. Fiduciary funds are reported by fund type.

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.

**TEAYS VALLEY LOCAL SCHOOL DISTRICT
PICKAWAY COUNTY, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

Like the government-wide statements, the internal service fund is accounted for on a flow of economic resources measurement focus. All assets and all liabilities associated with the operation of this fund are included on the statement of fund 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 District finances and meets the cash flow needs of its proprietary activity.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operation. The principal operating revenue of the District's internal service fund is charges for services. Operating expenses for the internal service fund include the cost of service and administrative expenses. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

The private-purpose trust fund is reported using the economic resources measurement focus. The agency fund does not report a measurement focus as it does not report operations.

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. Governmental funds use the modified accrual basis of accounting. Proprietary and fiduciary funds also use the accrual basis of accounting.

Revenues - Exchange and Nonexchange 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 District, available means expected to be received within sixty days of fiscal year end.

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

**TEAYS VALLEY LOCAL SCHOOL DISTRICT
PICKAWAY COUNTY, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

Unearned Revenue and Deferred Revenue - Unearned revenue and deferred revenue arise 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, 2011, but which were levied to finance fiscal year 2012 operations, and other revenues received in advance of the fiscal year for which they are intended to finance, have been recorded as unearned revenue. Grants and entitlements received before the eligibility requirements are met and delinquent property taxes at June 30, 2011 are recorded as deferred revenue.

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

Expenses/Expenditures - On the accrual basis of accounting, expenses are recognized at the time they are incurred. The entitlement value of donated commodities used during the year is reported in the statement of revenues, expenditures and changes in fund balances as an expenditure with a like amount reported as intergovernmental revenue. Unused donated commodities are reported as intergovernmental revenue.

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

E. Budgets

The District is required by State statute to adopt an annual appropriated cash basis budget for all funds (except agency funds). The specific timetable for fiscal year 2011 is as follows.

1. Prior to January 15, the Superintendent and Treasurer submit to the Board of Education a proposed operating budget for the fiscal year commencing the following July 1. The budget includes proposed expenditures and the means of financing for all funds. Public hearings are publicized and conducted to obtain taxpayers' comments. The purpose of this budget document is to reflect the need for existing (or increased) tax rates.
2. By no later than January 20, the Board-adopted budget is filed with the Pickaway County Budget Commission for tax rate determination.
3. Prior to April 1, the Board of Education accepts, by formal resolution, the tax rates as determined by the Budget Commission and receives the Commission's certificate of estimated resources which states the projected revenue of each fund. Prior to July 1, the District must revise its budget so that total contemplated expenditures from any fund during the ensuing year will not exceed the amount stated in the certificate of estimated resources. The revised budget then serves as a basis for the appropriation measure. On or about July 1, the certificate is amended to include any unencumbered balances from the preceding year as reported by the District Treasurer. The certificate may be further amended during the year if projected increases or decreases in revenue are identified by the District Treasurer. The amounts reported as the original and final budgeted revenues in the budgetary statement reflect the amounts set forth in the original and final certificates of estimated resources issued for fiscal year 2011.

**TEAYS VALLEY LOCAL SCHOOL DISTRICT
PICKAWAY COUNTY, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

4. By July 1, the annual appropriation resolution is legally enacted by the Board of Education at the fund level for all funds, which is the legal level of budgetary control. (State statute permits a temporary appropriation to be effective until no later than October 1 of each year). Although the legal level of budgetary control was established at the fund level of expenditures, the District has elected to present budgetary statement comparisons at the fund and function level of expenditures.

Resolution appropriations by fund must be within the estimated resources as certified by the County Budget Commission and the total of expenditures and encumbrances may not exceed appropriations totals.

5. Any revisions that alter the total of any fund appropriation at the legal level of control must be approved by the Board of Education.
6. Formal budgetary integration is employed as a management control device during the year for all funds consistent with statutory provisions.
7. Appropriation amounts are as originally adopted, or as amended by the Board of Education throughout the year by supplemental appropriations, which either reallocated or increased the original appropriated amounts. The original and final budget figures, which appear in the statement of budgetary comparisons, represent the permanent appropriation (original budget) amounts plus all supplemental appropriations legally enacted during the year (final budget amounts).
8. At the close of each year, the unencumbered balance of each appropriation reverts to the respective fund from which it was appropriated and becomes subject to future appropriations. The encumbered appropriation balance is carried forward to the succeeding fiscal year and need not be reappropriated.

F. Cash and Investments

To improve cash management, cash received by the District is pooled. Monies for all funds, including proprietary funds, are maintained in this pool. Individual fund integrity is maintained through the District's records. Each fund's interest in the pool is presented as "equity in pooled cash and cash equivalents" on the basic financial statements.

During fiscal year 2011, investments were limited to nonnegotiable certificates of deposits and investments in the State Treasury Asset Reserve of Ohio (STAR Ohio). Except for nonparticipating investment contracts, investments are reported at fair value, which is based on quoted market prices. Nonparticipating investment contracts, such as nonnegotiable certificates of deposit, are reported at cost.

The District has invested funds in STAR Ohio during fiscal year 2011. STAR Ohio is an investment pool managed by the State Treasurer's Office, which allows governments within the State to pool their funds for investment purposes. STAR Ohio is not registered with the SEC as an investment company, but does operate in a manner consistent with Rule 2a7 of the Investment Company Act of 1940. Investments in STAR Ohio are valued at STAR Ohio's shares price, which is the price the investment could be sold for on June 30, 2011.

**TEAYS VALLEY LOCAL SCHOOL DISTRICT
PICKAWAY COUNTY, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

Following Ohio statutes, the Board of Education has, by resolution, specified the funds to receive an allocation of interest earnings. Interest revenues credited to the general fund during fiscal year 2011 amounted to \$93,229 which includes \$54,903 assigned from other District funds.

For presentation on the financial statements, investments of the cash management pool and investments with original maturities of three months or less at the time they are purchased by the District are considered to be cash equivalents. Investments with an initial maturity of more than three months are reported as investments.

An analysis of the District's investments at year end is provided in Note 4.

G. Inventory

On government-wide and fund financial statements, inventories are presented at the lower of cost or market on a first-in, first-out basis and are expensed when used. Donated commodities are presented at their entitlement value. Inventories are accounted for using the purchase method on the fund financial statements and using the consumption method on the government-wide statements.

On the fund financial statements, reported material and supplies inventory is equally offset by a nonspendable fund balance in the governmental funds which indicates that it does not constitute available spendable resources even though it is a component of net current assets.

Inventory consists of expendable supplies held for consumption, donated food and purchased food.

H. Capital Assets

General capital assets are those assets not specifically related to activities reported in the proprietary funds. 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 disposals during the year. Donated capital assets are recorded at their fair market values as of the date received. The District maintains a capitalization threshold of \$1,000. Improvements are capitalized; the costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset life are not. Interest incurred during the construction of capital assets is also capitalized.

All reported capital assets except land are depreciated. Improvements are depreciated over the remaining useful lives of the related capital assets.

**TEAYS VALLEY LOCAL SCHOOL DISTRICT
PICKAWAY COUNTY, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

Depreciation is computed using the straight-line method over the following useful lives:

<u>Description</u>	<u>Governmental Activities</u> <u>Estimated Lives</u>
Land improvements	20 years
Buildings and improvements	20 - 50 years
Furniture and equipment	5 - 20 years
Vehicles	8 - 10 years
Infrastructure	20 years

I. Interfund Balances

On fund financial statements, receivables and payables resulting from short-term interfund loans are classified as "interfund loans receivables/payables". These amounts are eliminated in the governmental type activities columns of the statement of net assets. There were no interfund loans at June 30, 2011. Receivables and payables resulting from interfund loans between governmental activities and agency funds are classified as "loans receivable/payable".

J. Compensated Absences

Compensated absences of the District consist of vacation leave and sick leave to the extent that payments to the employee for these absences are attributable to services already rendered and are not contingent on a specific event that is outside the control of the District and the employee.

In accordance with the provisions of GASB Statement No. 16, "Accounting for Compensated Absences", a liability for vacation leave is accrued if a) the employees' rights to payment are attributable to services already rendered; and b) it is probable that the employer will compensate the employees for the benefits through paid time off or other means, such as cash payment at termination or retirement. An accrual for earned sick leave is made to the extent that it is probable that the benefits will result in termination (severance) payments. A liability for severance is accrued using the vesting method; i.e., the liability is based on the sick leave accumulated at June 30, 2011, by those employees who are currently eligible to receive termination (severance) payments, as well as those employees expected to become eligible in the future. For purposes of establishing a liability for sick leave on employees expected to become eligible to retire in the future, all employees with at least ten years of service were considered expected to become eligible to retire in accordance with GASB Statement No. 16.

The total liability for vacation and sick leave payments has been calculated using pay rates in effect at June 30, 2011 and reduced to the maximum payment allowed by labor contract and/or statute, plus any applicable additional salary related payments.

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

For governmental fund financial statements, compensated absences are recognized as liabilities and expenditures as payments come due each period upon the occurrence of employee resignations and retirements.

**TEAYS VALLEY LOCAL SCHOOL DISTRICT
PICKAWAY COUNTY, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

K. Unamortized Issuance Costs/Bond Premium and Discount/Accounting Gain or Loss

On government-wide financial statements, bond issuance costs are deferred and amortized over the term of the bonds using the straight-line method, which approximates the effective interest method. Unamortized bond issuance costs are recorded as a separate line item on the statement of net assets.

Bond premiums are deferred and amortized over the term of the bonds using the straight-line method, which approximates the effective interest method. Bond premiums are presented as an addition to the face amount of the bonds.

For bond refunds resulting in the defeasance of the debt reported in the government-wide financial statements, the difference between the reacquisition price and the net carrying amount of the old debt is deferred and amortized as a component of interest expense. This accounting gain or loss is amortized over the remaining life of the old debt or the life of the new debt, whichever is shorter and is presented as an addition to or reduction of the face amount of the new debt.

On the governmental fund financial statements, bond issuance costs and bond premiums are recognized in the current period. A reconciliation between the bonds face value and the amount reported on the statement of net assets is presented in Note 11.A.

L. Prepayments

Certain payments to vendors reflect the costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements. These items are reported as assets on the balance sheet using the consumption method. A current asset for the prepaid amounts is recorded at the time of the purchase and the expenditure/expense is reported in the year in which services are consumed. On the fund financial statements, reported prepayments are equally offset by a nonspendable fund balance.

M. Accrued Liabilities and Long-Term Obligations

All payables, accrued liabilities and long-term obligations are reported in the government-wide financial statements, and all payables, accrued liabilities and long-term obligations payable from the internal service fund are reported on the proprietary fund financial statements.

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

**TEAYS VALLEY LOCAL SCHOOL DISTRICT
PICKAWAY COUNTY, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

N. Fund Balance

Fund balance is divided into five classifications based primarily on the extent to which the District is bound to observe constraints imposed upon the use of the resources in the governmental funds. The classifications are as follows:

Nonspendable - The nonspendable fund balance classification includes amounts that cannot be spent because they are not in spendable form or legally required to be maintained intact. The "not in spendable form" criterion includes items that are not expected to be converted to cash. It also includes the long-term amount of loans receivable.

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

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

Assigned - Amounts in the assigned fund balance classification are intended to be used by the District for specific purposes but do not meet the criteria to be classified as restricted nor committed. In governmental funds other than the general fund, assigned fund balance represents the remaining amount that is not restricted or committed. In the general fund, assigned amounts represent intended uses established by policies of the District Board of Education, which includes giving the Treasurer the authority to constrain monies for intended purposes.

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

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

**TEAYS VALLEY LOCAL SCHOOL DISTRICT
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**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

O. Estimates

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

P. Net Assets

Net assets represent the difference between assets and liabilities. Net assets invested in capital assets, net of related debt consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction or improvement of those assets. Net assets are reported as restricted when there are limitations imposed on their use either through the enabling legislation or through external restrictions imposed by creditors, grantors or laws or regulations of other governments. Net assets restricted for other purposes includes amounts restricted for the following nonmajor governmental funds: the food service fund, the special trust fund and the underground storage tank fund.

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

Q. Interfund Activity

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

NOTE 3 - ACCOUNTABILITY AND COMPLIANCE

A. Change in Accounting Principles

For fiscal year 2011, the District has implemented GASB Statement No. 54, "Fund Balance Reporting and Governmental Fund Type Definitions", and GASB Statement No. 59, "Financial Instruments Omnibus".

**TEAYS VALLEY LOCAL SCHOOL DISTRICT
PICKAWAY COUNTY, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

NOTE 3 - ACCOUNTABILITY AND COMPLIANCE - (Continued)

GASB Statement No. 54 establishes fund balance classifications that comprise a hierarchy based primarily on the extent to which a government is bound to observe constraints imposed upon the use of the resources reported in governmental funds. GASB Statement No. 54 also clarifies the definitions of governmental fund types.

GASB Statement No. 59 updates and improves guidance for financial reporting and disclosure requirements of certain financial instruments and external investment pools. The implementation of GASB Statement No. 59 did not have an effect on the financial statements of the District.

B. Fund Reclassifications

Fund reclassifications are required in order to report funds in accordance with GASB Statement No 54. These fund reclassifications had the following effect on the District's governmental fund balances as previously reported:

	General	Debt Service	Nonmajor Governmental	Total Governmental
Fund balance at June 30, 2010	\$ 6,183,086	\$ 2,433,926	\$ 3,975,600	\$ 12,592,612
Fund reclassifications:				
Public school support fund	117,970	-	(117,970)	-
Underground storage tank fund	11,000	-	(11,000)	-
Total fund reclassifications	<u>128,970</u>	<u>-</u>	<u>(128,970)</u>	<u>-</u>
Restated fund balance at July 1, 2010	<u>\$ 6,312,056</u>	<u>\$ 2,433,926</u>	<u>\$ 3,846,630</u>	<u>\$ 12,592,612</u>

The fund reclassifications did not have an effect on net assets as previously reported.

C. Budgetary Prior Period Adjustment

In prior years certain funds that are legally budgeted in separate special revenue funds were considered part of the general fund on a budgetary basis. The District has elected to report only the legally budgeted general fund in the budgetary statement; therefore, a restatement to the beginning budgetary balance is required. The restatement of the general fund's budgetary-basis fund balance at June 30, 2010 is as follows:

Budgetary Basis

	<u>General Fund</u>
Fund balance at June 30, 2010	\$ 7,063,620
Funds budgeted elsewhere	<u>(2,223,613)</u>
Restated fund balance at July 1, 2010	<u>\$ 4,840,007</u>

**TEAYS VALLEY LOCAL SCHOOL DISTRICT
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**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

NOTE 3 - ACCOUNTABILITY AND COMPLIANCE - (Continued)

D. Deficit Fund Balances

Fund balances at June 30, 2011 included the following individual fund deficits:

<u>Nonmajor funds</u>	<u>Deficit</u>
Management information systems	\$ 6,001
Educational jobs fund	112,694
Title I	6,940
Building fund	743,187

The general fund is liable for any deficits in these funds and provides transfers when cash is required, not when accruals occur. The deficit fund balance in the building fund results from the recording of note proceeds as a fund liability rather than as an other financing source. The deficit fund balances in the remaining funds resulted from adjustments for accrued liabilities.

NOTE 4 - EQUITY IN POOLED CASH AND INVESTMENTS

State statutes classify monies held by the District into three categories.

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

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

Interim deposits are deposits of interim monies. Interim monies are those monies which are not needed for immediate use, but which will be needed before the end of the current period of designation of depositories.

Interim deposits must be evidenced by time certificates of deposit maturing not more than one year from the date of deposit or by savings or deposit accounts including passbook accounts.

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

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

**TEAYS VALLEY LOCAL SCHOOL DISTRICT
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**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

NOTE 4 - EQUITY IN POOLED CASH AND INVESTMENTS - (Continued)

3. Written repurchase agreements in the securities listed above provided that the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least two percent and be marked to market daily, and that the term of the agreement must not exceed thirty days;
4. Bonds and other obligations of the State of Ohio;
5. No-load money market mutual funds consisting exclusively of obligations described in items (1) and (2) above and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions;
6. The State Treasurer's investment pool (STAR Ohio);
7. Certain banker's acceptance and commercial paper notes for a period not to exceed one hundred eighty days from the purchase date in an amount not to exceed twenty-five percent of the interim monies available for investment at any one time; and,
8. Under limited circumstances, corporate debt interests rated in either of the two highest classifications by at least two nationally recognized rating agencies.

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

Investments in stripped principal or interest obligations, reverse repurchase agreements and derivatives are prohibited. The issuance of taxable notes for the purpose of arbitrage, the use of leverage and short selling are also prohibited. An investment must mature within five years from the date of purchase unless matched to a specific obligation or debt of the District, and must be purchased with the expectation that it will be held to maturity. Investments may only be made through specified dealers and institutions. Payment for investments may be made only upon delivery of the securities representing the investments to the Treasurer or, if the securities are not represented by a certificate, upon receipt of confirmation of transfer from the custodian.

A. Cash on Hand

At fiscal year end, the District had \$12,500 in undeposited cash on hand which is included on the financial statements of the District as part of "equity in pooled cash and investments."

**TEAYS VALLEY LOCAL SCHOOL DISTRICT
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**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

NOTE 4 - EQUITY IN POOLED CASH AND INVESTMENTS - (Continued)

B. Cash in Segregated Accounts

At fiscal year end, \$192,243 was on deposit with an escrow agent for retainage held as part of the District's construction contracts. This amount is included in the total amount of deposits reported below and is reported on the financial statements as "cash in segregated accounts".

C. Deposits with Financial Institutions

At June 30, 2011, the carrying amount of all District deposits was \$10,459,344. Based on the criteria described in GASB Statement No. 40, "Deposits and Investment Risk Disclosures", as of June 30, 2011, \$9,440,839 of the District's bank balance of \$10,469,028 was exposed to custodial risk as discussed below, while \$1,028,189 was covered by the FDIC.

Custodial credit risk is the risk that, in the event of bank failure, the District's deposits may not be returned. All deposits are collateralized with eligible securities in amounts equal to at least 105% of the carrying value of the deposits. Such collateral, as permitted by the Ohio Revised Code, is held in single financial institution collateral pools at Federal Reserve Banks, or at member banks of the federal reserve system, in the name of the respective depository bank and pledged as a pool of collateral against all of the public deposits it holds or as specific collateral held at the Federal Reserve Bank in the name of the District. The District has no deposit policy for custodial credit risk beyond the requirements of State statute. Although the securities were held by the pledging institutions' trust department and all statutory requirements for the deposit of money had been followed, noncompliance with federal requirements could potentially subject the District to a successful claim by the FDIC.

D. Investments

As of June 30, 2011, the District had the following investments and maturities:

<u>Investment type</u>	<u>6 months or</u>	<u>Fair Value</u>	<u>less</u>
STAR Ohio		\$ <u>1,365,796</u>	\$ <u>1,365,796</u>

Interest Rate Risk: As a means of limiting its exposure to fair value losses arising from rising interest rates and according to State law, the District's investment policy limits investment portfolio maturities to five years or less.

Credit Risk: Standard & Poor's has assigned STAR Ohio an AAAm money market rating.

Custodial Credit Risk: For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the District will not be able to recover the value of its investment or collateral securities that are in the possession of an outside party. The District's investment policy does not specifically address custodial credit risk beyond the adherence to all relevant sections of the Ohio Revised Code.

**TEAYS VALLEY LOCAL SCHOOL DISTRICT
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**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

NOTE 4 - EQUITY IN POOLED CASH AND INVESTMENTS - (Continued)

Concentration of Credit Risk: The District places no limit on the amount that may be invested in any one issuer. The following table includes the percentage of each investment type held by the District at June 30, 2011:

<u>Investment type</u>	<u>Fair Value</u>	<u>% of Total</u>
STAR Ohio	\$ 1,365,796	100.00

E. Reconciliation of Cash and Investments to the Statement of Net Assets

The following is a reconciliation of cash and investments as reported in the note above to cash and investments as reported on the statement of net assets as of June 30, 2011:

<u>Cash and investments per note</u>
Carrying amount of deposits \$ 10,459,344
Investments 1,365,796
Cash on hand <u>12,500</u>
Total <u><u>\$ 11,837,640</u></u>

<u>Cash and investments per statement of net assets</u>
Governmental activities \$ 11,741,741
Private-purpose trust funds 16,244
Agency funds <u>79,655</u>
Total <u><u>\$ 11,837,640</u></u>

NOTE 5 - INTERFUND TRANSACTIONS

- A.** Interfund transfers for the year ended June 30, 2011, consisted of the following, as reported on the fund financial statements:

<u>Transfer to nonmajor governmental fund from:</u>
Nonmajor governmental fund \$ 61,249
<u>Transfers to nonmajor governmental funds from:</u>
General fund 114,224
<u>Transfers to nonmajor governmental funds to from:</u>
Debt service fund <u>210,590</u>
Total <u><u>\$ 386,063</u></u>

**TEAYS VALLEY LOCAL SCHOOL DISTRICT
PICKAWAY COUNTY, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

NOTE 5 - INTERFUND TRANSACTIONS - (Continued)

Transfers are used to move revenues from the fund that statute or budget required to collect them to the fund that statute or budget requires to expend them and to use unrestricted revenues collected in the general fund to finance various programs accounted for in other funds in accordance with budgetary authorizations. The transfer from the debt service fund to the building fund (a nonmajor governmental fund) is to move the principal, interest payments and note proceeds associated with bond anticipation notes to the fund that recorded the liability. See Note 12 for information regarding the bond anticipation notes. The transfer from the building fund (a nonmajor governmental fund) to the classroom facilities fund (a nonmajor governmental fund) was in accordance with an amendment to the District's Ohio School Facilities Commission (OSFC) project agreement.

Interfund transfers between governmental funds are eliminated for reporting purposes in the statement of activities.

All transfers were made in compliance with Ohio Revised Code Sections 5705.14, 5705.15 and 5705.16.

- B.** Interfund loans receivable/payable consisted of the following at June 30, 2011, as reported on the fund statements:

<u>Receivable fund</u>	<u>Payable fund</u>	<u>Amount</u>
General fund	Agency fund	\$ 10,741

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

Interfund loans between governmental funds and agency funds appear as "loans receivable/payable" on the statement of net assets, the balance sheet and the statement of fiduciary net assets.

NOTE 6 - PROPERTY TAXES

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

Property taxes include amounts levied against all real property, public utility property, and certain tangible personal (used in business) property located in the District. Real property tax revenues received in calendar year 2011 represent the collection of calendar year 2010 taxes. Real property taxes received in calendar year 2011 were levied after April 1, 2010, on the assessed values as of January 1, 2010, the lien date. Assessed values for real property taxes are established by State statute at 35 percent of appraised market value. Real property taxes are payable annually or semiannually. If paid annually, payment is due December 31; if paid semiannually, the first payment is due December 31, with the remainder payable by June 20. Under certain circumstances, State statute permits alternate payment dates to be established. Public utility property tax revenues received in calendar year 2011 represent the collection of calendar year 2010 taxes. Public utility real and tangible personal property taxes received in calendar year 2011 became a lien on December 31, 2009, were levied after April 1, 2010, and are collected with real property taxes. Public utility real property is assessed at 35 percent of true value; public utility tangible personal property is currently assessed at varying percentages of true value.

**TEAYS VALLEY LOCAL SCHOOL DISTRICT
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**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

NOTE 6 - PROPERTY TAXES - (Continued)

Tangible personal property tax revenues received in the District's fiscal year ended June 30, 2011 (other than public utility property) generally represent the collection of calendar year 2010 taxes levied against local and inter-exchange telephone companies. Tangible personal property taxes received from telephone companies in calendar year 2010 were levied after October 1, 2009 on the value as of December 31, 2009. Amounts paid by multi-county taxpayers were due September 20, 2010. Single county taxpayers could pay annually or semiannually. If paid semiannually, the first payment was due April 30, 2010, with the remainder payable by September 20, 2010.

The District receives property taxes from Pickaway, Fairfield and Franklin Counties. The County Auditors periodically advance to the District its portion of the taxes collected. Second-half real property tax payments collected by the County by June 30, 2011, are available to finance fiscal year 2011 operations. The amount available as an advance at June 30, 2011 was \$2,601,739 in the general fund, \$873,473 in the debt service fund and \$295,439 in the permanent improvement fund (a nonmajor governmental fund). This amount is recorded as revenue. The amount available for advance at June 30, 2010 was \$773,085 in the general fund, \$259,813 in the debt service fund and \$87,904 in the permanent improvement fund (a nonmajor governmental fund). The amount of second-half real property taxes available for advance at fiscal year-end can vary based on the date the tax bills are sent.

Accrued property taxes receivable includes real property, public utility property and delinquent tangible personal property taxes which are measurable as of June 30, 2011 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 unearned revenue.

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

The assessed values upon which the fiscal year 2011 taxes were collected are:

	2010 Second Half Collections		2011 First Half Collections	
	Amount	Percent	Amount	Percent
Agricultural/residential				
and other real estate	\$ 375,387,460	94.44	\$ 386,969,490	88.62
Public utility personal	21,431,750	5.39	49,363,815	11.30
Tangible personal property	<u>694,830</u>	<u>0.17</u>	<u>337,850</u>	<u>0.08</u>
Total	<u><u>\$ 397,514,040</u></u>	<u><u>100.00</u></u>	<u><u>\$ 436,671,155</u></u>	<u><u>100.00</u></u>

Tax rate per \$1,000 of
assessed valuation for:

General	\$22.70	\$22.70
Bond	6.80	6.80
Permanent improvement	2.30	2.30

**TEAYS VALLEY LOCAL SCHOOL DISTRICT
PICKAWAY COUNTY, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

NOTE 7 - RECEIVABLES

Receivables at June 30, 2011 consisted of property taxes, income taxes, payment in lieu of taxes (PILOTs), accounts (billings for user charged services and student fees), accrued interest and intergovernmental grants and entitlements. 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. A summary of the principal items of receivables reported on the statement of net assets follows:

Governmental activities:

Property taxes	\$ 12,231,084
Income taxes	1,024,700
PILOTs receivable	13,431
Accounts	24,244
Intergovernmental	933,870
Accrued interest	<u>12,406</u>
Total	<u>\$ 14,239,735</u>

Receivables have been disaggregated on the face of the financial statements. All receivables are expected to be collected within one year.

NOTE 8 - INCOME TAX

The District levies a voted tax of .75 percent for general operations on the income of residents and of estates. The tax was effective on January 1, 1992 and is a continuing tax. Employers of residents are required to withhold income tax on compensation and remit the tax to the State. Taxpayers are required to file an annual return. The State makes quarterly distributions to the District after withholding amounts for administrative fees and estimated refunds. Income tax revenue is credited to the general fund and the classroom facilities fund (a nonmajor governmental fund). Total income tax revenue during fiscal year 2011 was \$2,993,708.

**TEAYS VALLEY LOCAL SCHOOL DISTRICT
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**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

NOTE 9 - CAPITAL ASSETS

Capital asset activity for the fiscal year ended June 30, 2011, was as follows:

	Balance June 30, 2010	Additions	Disposals	Balance June 30, 2011
Governmental activities:				
<i>Capital assets, not being depreciated:</i>				
Land	\$ 3,020,415	\$ -	\$ -	\$ 3,020,415
Total capital assets, not being depreciated	<u>3,020,415</u>	<u>-</u>	<u>-</u>	<u>3,020,415</u>
<i>Capital assets, being depreciated:</i>				
Land improvements	12,419,265	-	-	12,419,265
Buildings and improvements	105,299,843	-	-	105,299,843
Furniture and equipment	10,197,725	153,453	(2,603)	10,348,575
Vehicles	2,560,993	149,110	(133,560)	2,576,543
Infrastructure	236,884	-	-	236,884
Total capital assets, being depreciated	<u>130,714,710</u>	<u>302,563</u>	<u>(136,163)</u>	<u>130,881,110</u>
<i>Less: accumulated depreciation:</i>				
Land improvements	(2,315,260)	(587,980)	-	(2,903,240)
Buildings and improvements	(16,600,922)	(3,296,645)	-	(19,897,567)
Furniture and equipment	(3,533,835)	(724,213)	1,755	(4,256,293)
Vehicles	(1,491,392)	(263,595)	133,560	(1,621,427)
Infrastructure	(13,467)	(11,235)	-	(24,702)
Total accumulated depreciation	<u>(23,954,876)</u>	<u>(4,883,668)</u>	<u>135,315</u>	<u>(28,703,229)</u>
Governmental activities capital assets, net	<u>\$ 109,780,249</u>	<u>\$ (4,581,105)</u>	<u>\$ (848)</u>	<u>\$ 105,198,296</u>

Depreciation expense was charged to governmental functions as follows:

Instruction:	
Regular	\$ 4,143,404
Special	346
Vocational	36,668
Support services:	
Pupil	10,361
Instructional staff	105,211
Board of education	2,433
Administration	20,314
Fiscal	2,554
Business	65,611
Operations and maintenance	30,346
Pupil transportation	267,224
Central	279
Extracurricular activities	112,853
Food service operations	<u>86,064</u>
Total depreciation expense	<u>\$ 4,883,668</u>

**TEAYS VALLEY LOCAL SCHOOL DISTRICT
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**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

NOTE 10 - CAPITALIZED LEASE - LESSEE DISCLOSURE

In the current fiscal year, the District entered into a capitalized lease for a postage meter. In prior fiscal years, the District entered into capitalized leases for copier equipment. These lease agreements meet the criteria of capital lease as defined by FASB Statement 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 and are reflected as debt service expenditures in the financial statements for the governmental funds. These expenditures are reported as function expenditures on the budgetary statements.

Capital assets consisting of equipment have been capitalized in the amount of \$888,510 on the statement of net assets. This amount represents the present value of the minimum lease payments at the time of acquisition. Accumulated depreciation as of June 30, 2011 was \$795,487 leaving a current book value of \$93,023. A corresponding liability is recorded in the government-wide financial statements. Principal payments in fiscal year 2011 totaled \$35,744 paid by the general fund.

The following is a schedule of the future long-term minimum lease payments required under the capital lease and the present value of the future minimum lease payments as of June 30, 2011:

<u>Fiscal Year Ending June 30,</u>	<u>Amount</u>
2012	\$ 35,368
2013	35,369
2014	35,370
2015	11,368
2016	<u>1,045</u>
Total minimum lease payments	118,520
Less: amount representing interest	<u>(14,608)</u>
Total	<u>\$ 103,912</u>

**TEAYS VALLEY LOCAL SCHOOL DISTRICT
PICKAWAY COUNTY, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

NOTE 11 - LONG-TERM OBLIGATIONS

- A.** During the fiscal year 2011, the following changes occurred in governmental activities long-term obligations:

	Balance <u>June 30, 2010</u>	<u>Increase</u>	<u>Decrease</u>	Balance <u>June 30, 2011</u>	Amounts Due in <u>One Year</u>
General obligation bonds	\$ 38,259,034	\$ 199,862	\$ (1,070,000)	\$ 37,388,896	\$ 1,125,000
Capital lease obligation	133,587	6,069	(35,744)	103,912	28,230
Compensated absences	2,727,770	376,719	(472,203)	2,632,286	328,746
Total	\$ 41,120,391	\$ 582,650	\$ (1,577,947)	40,125,094	\$ 1,481,976
Less: Unamortized deferred charge on refunding				(1,061,825)	
Add: Unamortized premium on refunding				1,479,922	
Total on statement of net assets				\$ 40,543,191	

General Obligation Bonds: See Note 11.B. through Note 11.E. for details.

Capital Lease Obligation: The capital lease obligation will be paid from the general fund. See Note 10 for details.

Compensated Absences: Compensated absences will be paid from the fund from which the employee's salaries are paid which, for the District is the general fund, food service fund (a nonmajor governmental fund), poverty based assistance fund (a nonmajor governmental fund) and the Title VI-B fund (a nonmajor governmental fund).

- B.** *General Obligation Bonds - Series 2000:* On September 5, 2000, the District issued general obligation bonds to finance building construction and improvements. This issue is comprised of both current interest bonds, par value \$22,100,000, and capital appreciation bonds, par value \$469,842. The interest rates on the current interest bonds range from 4.30% to 5.50%.

These bonds are general obligations of the District for which the full faith and credit of the District is pledged for repayment. Accordingly, such unmatured obligations of the District are accounted for in the statement of net assets. Payments of principal and interest relating to this bond are recorded as an expenditure in the debt service fund (a nonmajor governmental fund).

Interest payments on the current interest bonds are due on June 1 and December 1 of each year. The final maturity stated in the issues was December 1, 2010. There are no future obligations.

**TEAYS VALLEY LOCAL SCHOOL DISTRICT
PICKAWAY COUNTY, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

NOTE 11 - LONG-TERM OBLIGATIONS - (Continued)

The following is a schedule of activity for the series 2000 general obligation bonds:

	<u>Balance</u> <u>June 30, 2010</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance</u> <u>June 30, 2011</u>
Current interest bonds -				
2000 series	\$ 665,000	\$ -	\$ (665,000)	\$ -
Total	<u>\$ 665,000</u>	<u>\$ -</u>	<u>\$ (665,000)</u>	<u>\$ -</u>

- C. *General Obligation Bonds - Series 2006 Refunding Bonds:* On July 28, 2005, the District issued general obligation bonds (Series 2006 Refunding Bonds) to advance refund a portion of the Series 2000 current interest general obligation bonds (principal \$20,360,000). The issuance proceeds of \$18,444,995 were used to purchase securities which were placed in an irrevocable trust to provide resources for all future debt service payments on the refunded debt. This refunded debt is considered defeased (in-substance) and accordingly, has been removed from the statement of net assets.

The refunding issue is comprised of both current interest bonds, par value \$17,760,000, and capital appreciation bonds, par value \$274,995. The interest rates on the current interest bonds range from 4.30% to 5.50%. The capital appreciation bonds mature December 1, 2014 (effective interest rate 19.79%) and December 1, 2015 (stated interest rate 19.791%) at a redemption price equal to 100% of the principal, plus accrued interest to the redemption date. The accreted value at maturity for the capital appreciation bonds is \$1,890,000. Total accreted interest of \$591,074 has been included in the statement of net assets at June 30, 2011.

These bonds are general obligations of the District for which the full faith and credit of the District is pledged for repayment. Accordingly, such unmatured obligations of the District are accounted for in the statement of net assets. Payments of principal and interest relating to this bond are recorded as an expenditure in the debt service fund (a nonmajor governmental fund).

Interest payments on the current interest bonds are due on June 1 and December 1 of each year. The final maturity stated in the issues is December 1, 2027.

The following is a schedule of activity for fiscal year 2011 on the series 2006 refunding bonds:

	<u>Balance</u> <u>June 30, 2010</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance</u> <u>June 30, 2011</u>
Current interest bonds -				
2006 refunding series	\$ 17,480,000	\$ -	\$ (140,000)	\$ 17,340,000
Capital appreciation bonds -				
2006 refunding series	274,995	-	-	274,995
Capital appreciation bonds -				
Accreted interest	<u>436,715</u>	<u>154,359</u>	<u>-</u>	<u>591,074</u>
Total	<u>\$ 18,191,710</u>	<u>\$ 154,359</u>	<u>\$ (140,000)</u>	<u>\$ 18,206,069</u>

**TEAYS VALLEY LOCAL SCHOOL DISTRICT
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**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

NOTE 11 - LONG-TERM OBLIGATIONS - (Continued)

The following is a summary of the future debt service requirements to maturity for the series 2006 refunding bonds:

<u>Fiscal Year Ending June 30,</u>	Current Interest Bonds			Capital Appreciation Bonds		
	<u>Principal</u>	<u>Interest</u>	<u>Total</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2012	\$ 850,000	\$ 777,845	\$ 1,627,845	\$ -	\$ -	\$ -
2013	875,000	745,470	1,620,470	-	-	-
2014	910,000	709,770	1,619,770	-	-	-
2015	-	691,570	691,570	150,954	794,046	945,000
2016	-	691,570	691,570	124,041	820,959	945,000
2017 - 2021	5,160,000	2,892,675	8,052,675	-	-	-
2022 - 2026	6,505,000	1,516,650	8,021,650	-	-	-
2027 - 2028	3,040,000	153,750	3,193,750	-	-	-
Total	<u>\$ 17,340,000</u>	<u>\$ 8,179,300</u>	<u>\$ 25,519,300</u>	<u>\$ 274,995</u>	<u>\$ 1,615,005</u>	<u>\$ 1,890,000</u>

D. General Obligation Bonds - Series 2007A: On March 22, 2007, the District issued general obligation bonds to finance building construction and improvements. This issue is comprised of both current interest bonds, par value \$9,830,000, and capital appreciation bonds, par value \$69,996. The interest rates on the current interest bonds range from 4.00% to 4.20%. The capital appreciation bonds mature on December 1, 2015 (stated interest rate 19.04%) at a redemption price equal to 100% of the principal, plus accrued interest to the redemption date. The accreted value at maturity for the capital appreciation bonds is \$340,000. Total accreted interest of \$80,124 has been included in the statement of net assets at June 30, 2011.

These bonds are general obligations of the District for which the full faith and credit of the District is pledged for repayment. Accordingly, such unmatured obligations of the District are accounted for in the statement of net assets. Payments of principal and interest relating to this bond are recorded as an expenditure in the debt service fund (a nonmajor governmental fund).

Interest payments on the current interest bonds are due on June 1 and December 1 of each year. The final maturity stated in the issues is December 1, 2034.

The following is a schedule of activity for the series 2007A general obligation bonds:

	<u>Balance June 30, 2010</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance June 30, 2011</u>
Current interest bonds -				
2007 A series	\$ 9,780,000	\$ -	\$ (25,000)	\$ 9,755,000
Capital appreciation bonds -				
2007 A series	69,996	-	-	69,996
Capital appreciation bonds -				
Accreted interest	55,186	24,938	-	80,124
Total	<u>\$ 9,905,182</u>	<u>\$ 24,938</u>	<u>\$ (25,000)</u>	<u>\$ 9,905,120</u>

**TEAYS VALLEY LOCAL SCHOOL DISTRICT
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**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

NOTE 11 - LONG-TERM OBLIGATIONS - (Continued)

The following is a summary of the future debt service requirements to maturity for the 2007A series bonds:

Fiscal Year <u>Ending June 30,</u>	Current Interest Bonds			Capital Appreciation Bonds		
	Principal	Interest	Total	Principal	Interest	Total
2012	\$ 25,000	\$ 396,060	\$ 421,060	\$ -	\$ -	\$ -
2013	25,000	395,060	420,060	-	-	-
2014	25,000	394,060	419,060	-	-	-
2015	325,000	387,060	712,060	-	-	-
2016	-	380,560	380,560	69,996	270,004	340,000
2017 - 2021	1,830,000	1,725,400	3,555,400	-	-	-
2022 - 2026	2,225,000	1,321,100	3,546,100	-	-	-
2027 - 2031	2,705,000	829,115	3,534,115	-	-	-
2032 - 2035	2,595,000	223,545	2,818,545	-	-	-
Total	<u>\$ 9,755,000</u>	<u>\$ 6,051,960</u>	<u>\$ 15,806,960</u>	<u>\$ 69,996</u>	<u>\$ 270,004</u>	<u>\$ 340,000</u>

- E. *General Obligation Bonds - Series 2007B:* On April 24, 2007, the District issued general obligation bonds to finance building construction and improvements. This issue is comprised of both current interest bonds, par value \$9,820,000, and capital appreciation bonds, par value \$79,997. The interest rates on the current interest bonds range from 4.00% to 4.30%. The capital appreciation bonds mature on December 1, 2015 (stated interest rate 15.55%) at a redemption price equal to 100% of the principal, plus accrued interest to the redemption date. The accreted value at maturity for the capital appreciation bonds is \$290,000. Total accreted interest of \$67,710 has been included in the statement of net assets at June 30, 2011.

These bonds are general obligations of the District for which the full faith and credit of the District is pledged for repayment. Accordingly, such unmatured obligations of the District are accounted for in the statement of net assets. Payments of principal and interest relating to this bond are recorded as an expenditure in the debt service fund (a nonmajor governmental fund).

Interest payments on the current interest bonds are due on June 1 and December 1 of each year. The final maturity stated in the issues is December 1, 2034.

**TEAYS VALLEY LOCAL SCHOOL DISTRICT
PICKAWAY COUNTY, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

NOTE 11 - LONG-TERM OBLIGATIONS - (Continued)

The following is a schedule of activity for the series 2007B general obligation bonds:

	Balance <u>June 30, 2010</u>	Additions	Reductions	Balance <u>June 30, 2011</u>
Current interest bonds -				
2007 B series	\$ 9,370,000	\$ -	\$ (240,000)	\$ 9,130,000
Capital appreciation bonds -				
2007 B series	79,997	-	-	79,997
Capital appreciation bonds -				
Accreted interest	<u>47,145</u>	<u>20,565</u>	<u>-</u>	<u>67,710</u>
Total	<u>\$ 9,497,142</u>	<u>\$ 20,565</u>	<u>\$ (240,000)</u>	<u>\$ 9,277,707</u>

The following is a summary of the future debt service requirements to maturity for the 2007 B series bonds:

Fiscal Year <u>Ended June 30,</u>	Current Interest Bonds			Capital Appreciation Bonds		
	Principal	Interest	Total	Principal	Interest	Total
2012	\$ 250,000	\$ 371,988	\$ 621,988	\$ -	\$ -	\$ -
2013	260,000	361,788	621,788	-	-	-
2014	270,000	351,187	621,187	-	-	-
2015	280,000	340,188	620,188	-	-	-
2016	-	334,587	334,587	79,997	210,003	290,000
2017 - 2021	1,570,000	1,520,937	3,090,937	-	-	-
2022 - 2026	1,910,000	1,172,937	3,082,937	-	-	-
2027 - 2031	2,335,000	737,103	3,072,103	-	-	-
2032 - 2035	2,255,000	198,983	2,453,983	-	-	-
Total	<u>\$ 9,130,000</u>	<u>\$ 5,389,698</u>	<u>\$ 14,519,698</u>	<u>\$ 79,997</u>	<u>\$ 210,003</u>	<u>\$ 290,000</u>

F. Legal Debt Margin

The Ohio Revised Code provides that voted net general obligation debt of the District shall never exceed 9% of the total assessed valuation of the District. The code further provides that unvoted indebtedness shall not exceed 1/10 of 1% of the property valuation of the District. The code additionally states that unvoted indebtedness related to energy conservation debt shall not exceed 9/10 of 1% of the property valuation of the District. The assessed valuation used in determining the District's legal debt margin has been modified by House Bill 530 which became effective March 30, 2006. In accordance with House Bill 530, the assessed valuation used in the District's legal debt margin calculation excluded tangible personal property used in business, telephone or telegraph property, interexchange telecommunications company property and personal property owned or leased by a railroad company and used in railroad operations. The effects of these debt limitations at June 30, 2011, are a voted debt margin of \$5,608,477 (including available funds of \$2,988,782) and an unvoted debt margin of \$436,333.

**TEAYS VALLEY LOCAL SCHOOL DISTRICT
PICKAWAY COUNTY, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

NOTE 12 - SHORT-TERM NOTES PAYABLE

A summary of the governmental activities short-term notes payable transactions for fiscal year 2011 follows:

	<u>Issue Date</u>	<u>Maturity Date</u>	<u>Interest Rate (%)</u>	<u>Balance June 30, 2010</u>	<u>Increase</u>	<u>Decrease</u>	<u>Balance June 30, 2011</u>
Bond Anticipation Notes:							
Notes Series 2010	2/25/10	2/25/11	1.625	\$ 1,200,000	\$ -	\$ (1,200,000)	\$ -
Notes Series 2011	2/17/11	2/16/12	1.55	\$ -	\$ 1,000,000	\$ -	\$ 1,000,000
Total				<u>\$ 1,200,000</u>	<u>\$ 1,000,000</u>	<u>\$ (1,200,000)</u>	<u>\$ 1,000,000</u>

The District issued \$1,200,000 in notes in anticipation of the issuance of bonds for the purpose of improving facilities. The notes bore an interest rate of 1.625% and matured on February 25, 2011. The District issued \$1,000,000 in notes in anticipation of the issuance of bonds for the purpose of improving facilities. The notes bear an interest rate of 1.55% and mature on February 16, 2012. The notes are booked as a fund liability in the building fund (a nonmajor governmental fund).

NOTE 13 - COMPENSATED ABSENCES

The criteria for determining vested vacation and sick leave components are derived from negotiated agreements and State laws. Only administrative and support personnel who are under a full year contract (11 and 12 month) are eligible for vacation time. The administrators are generally granted twenty days of vacation per year.

Classified employees earn ten to twenty days of vacation per year, depending upon length of service. Upon termination, employees are limited to payment of 2 years plus current year accumulation based on the Ohio Revised Code. Accumulated, unused vacation time is paid to classified employees and administrators upon termination of employment.

The classified personnel accumulate vacation based on the following schedule:

<u>Years Service</u>	<u>Vacation Days</u>
0 - 9	10
10 - 19	15
20 - beyond	20

Each employee earns sick leave at the rate of one and one-fourth days per month. Sick leave shall accumulate during active employment on a continuous year-to-year basis. Maximum sick leave accumulation for all employees, except administrators and 260 day and classified employees is 220 days; 260 day administrators and classified employees may accumulate 295 days of sick leave. 205 day administrators may accumulate 232 days per year, based on 113 percent of teacher's accumulation of 220 days of sick leave for 185 days of service.

**TEAYS VALLEY LOCAL SCHOOL DISTRICT
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**NOTES TO THE BASIC FINANCIAL STATEMENTS
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NOTE 13 - COMPENSATED ABSENCES - (Continued)

For all employees, retirement severance is paid to each employee retiring from the District at a per diem rate of the annual salary at the time of retirement. Any certified employee receiving retirement severance pay shall be entitled to a dollar amount equivalent to one-fourth of all accumulated sick leave credited to that employee up to a maximum of 55 days. Additionally, the teachers of the District receive an additional retirement severance of \$10,000 if retirement is taken the first year of eligibility. Longevity pay of \$1,000 is granted to certified employees with twenty five or more years of service. Administrators receiving retirement severance pay shall be entitled to a dollar amount equivalent to 30% of all accumulated sick leave credited to that employee up to a maximum of 75 days. The superintendent is entitled to one half of all accumulated sick leave.

NOTE 14 - RISK MANAGEMENT

A. General Risk

The 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 District has addressed these various types of risk by purchasing a comprehensive insurance policy through commercial carriers.

General liability insurance is maintained in the amount of \$1,000,000 for each occurrence and \$2,000,000 in the aggregate, plus \$3,000,000 umbrella.

The District maintains fleet insurance in the amount of \$1,000,000 for any one accident or loss, plus \$3,000,000 umbrella.

The District maintains replacement cost insurance on buildings and contents in the amount of \$116,560,925. Settled claims have not exceeded this commercial coverage in any of the past three years. There have been no significant reductions of coverage from the prior years.

B. Workers' Compensation - Public Entity Risk Pool

The District participates in the Ohio School Boards Association Workers' Compensation Group Rating Program (GRP), an 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 Ohio School Boards Association (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.

The intent of the GRP is to achieve the benefit of a reduced premium for the 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. Each district is then placed at one of fourteen separate levels based on that district's experience. Each participant pays its workers' compensation premium to the State based on the rate for the group level rather than its individual rate.

Total savings are then calculated and each participant's individual performance is compared to the overall savings percentage of the GRP.

Participation in the GRP is limited to school districts that can meet the GRP's selection criteria. The firm of Comp Management provides administrative, cost control and actuarial services to the GRP.

**TEAYS VALLEY LOCAL SCHOOL DISTRICT
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**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

NOTE 14 - RISK MANAGEMENT - (Continued)

C. Dental Insurance

Dental insurance is offered to employees through a self-insurance internal service fund. Professional Risk Management, Inc. is the third party administrator for dental insurance. Dental premiums are determined by the District Board of Education, which then pays all incurred claims.

Professional Risk Management, Inc., a third part administrator, services all dental claims submitted by employees.

Changes in claim activity for the last two fiscal years are as follows:

	<u>June 30, 2011</u>	<u>June 30, 2010</u>
Claims liabilities at beginning of fiscal year	\$ 27,514	\$ 25,000
Incurred claims	279,007	257,213
Claims paid	(268,718)	(254,699)
Claims liabilities at end of fiscal year	<u>\$ 37,803</u>	<u>\$ 27,514</u>

D. Health Care Benefits

Effective July 1, 2009, the District began offering health care benefits to employees through the PCPEBP, a public entity shared risk pool, currently operating as a common risk management and insurance program for 4 member school districts. The PCPEBP was organized to provide health care benefits to its members.

The District pays 75% for family coverage and 95% for single coverage of the health care insurance premiums for all full-time employees. This percentage is pro-rated for part-time employees. The health care coverage is administered by United Healthcare, a third part administrator. The stop-loss coverage is \$150,000 per covered person and an aggregate of \$2,000,000.

NOTE 15 - PENSION PLANS

A. School Employees Retirement System

Plan Description - The District contributes to the School Employees Retirement System (SERS), a cost-sharing, multiple-employer defined benefit pension plan. SERS provides retirement, disability, survivor 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. It is also posted on the SERS' Ohio website, www.ohsers.org, under "Media/Financial Reports".

**TEAYS VALLEY LOCAL SCHOOL DISTRICT
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**NOTES TO THE BASIC FINANCIAL STATEMENTS
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NOTE 15 - PENSION PLANS - (Continued)

Funding Policy - Plan members are required to contribute 10 percent of their annual covered salary and the District is required to contribute at an actuarially determined rate. The current District rate is 14 percent of annual covered payroll. A portion of the District's contribution is used to fund pension obligations with the remainder being used to fund health care benefits. For fiscal year 2011, 11.77 percent and 0.04 percent of annual covered salary was the portion used to fund pension obligations and death benefits, respectively. The contribution requirements of plan members and employers are established and may be amended by the SERS' Retirement Board up to 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 District's required contributions for pension obligations and death benefits to SERS for the fiscal years ended June 30, 2011, 2010 and 2009 were \$530,724, \$549,834 and \$365,154, respectively; 61.61 percent has been contributed for fiscal year 2011 and 100 percent for fiscal years 2010 and 2009.

B. State Teachers Retirement System of Ohio

Plan Description - The 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 website at www.strsoh.org, under "Publications".

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 fiscal year 2011, plan members were required to contribute 10 percent of their annual covered salaries. The District was required to contribute 14 percent; 13 percent was the portion used to fund pension obligations. Contribution rates are established by the State Teachers Retirement Board, upon recommendations of its consulting actuary, not to exceed statutory maximum rates of 10 percent for members and 14 percent for employers. Chapter 3307 of the Ohio Revised Code provides statutory authority for member and employer contributions.

**TEAYS VALLEY LOCAL SCHOOL DISTRICT
PICKAWAY COUNTY, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

NOTE 15 - PENSION PLANS - (Continued)

The District's required contributions for pension obligations to STRS Ohio for the fiscal years ended June 30, 2011, 2010 and 2009 were \$2,134,349, \$2,045,682 and \$1,950,282, respectively; 83.61 percent has been contributed for fiscal year 2011 and 100 percent for fiscal years 2010 and 2009. Contributions to the DC and Combined Plans for fiscal year 2011 were \$55,803 made by the District and \$39,860 made by the plan members.

C. Social Security System

Effective July 1, 1991, all employees not otherwise covered by the SERS/STRS Ohio have an option to choose Social Security or the SERS/STRS Ohio. As of June 30, 2011, certain members of the Board of Education have elected Social Security. The District's liability is 6.2 percent of wages paid.

NOTE 16 - POSTEMPLOYMENT BENEFITS

A. School Employees Retirement System

Plan Description - The District participates in two cost-sharing, multiple employer postemployment benefit plans administered by the School Employees Retirement System (SERS) for non-certificated retirees and their beneficiaries, a Health Care Plan and a Medicare Part B Plan. The Health Care Plan includes hospitalization and physicians' fees through several types of plans including HMO's, PPO's, Medicare Advantage, and traditional indemnity plans. A prescription drug program is also available to those who elect health coverage. SERS employs two third-party administrators and a pharmacy benefit manager to manage the self-insurance and prescription drug plans, respectively. The Medicare Part B Plan reimburses Medicare Part B premiums paid by eligible retirees and beneficiaries as set forth in Chapter 3309.69 of the Ohio Revised Code. Qualified benefit recipients who pay Medicare Part B premiums may apply for and receive a monthly reimbursement from SERS. The reimbursement amount is limited by statute to the lesser of the January 1, 1999 Medicare Part B premium or the current premium. The Medicare Part B premium for calendar year 2011 was \$96.40 and SERS' reimbursement to retirees was \$45.50. Benefit provisions and the obligations to contribute are established by the System based on authority granted by State statute. The financial reports of both Plans are included in the SERS Comprehensive Annual Financial Report which is available by contacting SERS at 300 East Broad St., Suite 100, Columbus, Ohio 43215-3746. It is also posted on the SERS' Ohio website, www.ohsers.org, under "Media/Financial Reports".

Funding Policy - State statute permits SERS to fund the health care benefits through employer contributions. Each year, after the allocation for statutorily required benefits, the Retirement Board allocates the remainder of the employer contribution of 14 percent of covered payroll to the Health Care Fund. The Health Care Fund was established and is administered in accordance with Internal Revenue Code Section 105(e). For 2011, 1.43 percent of covered payroll was allocated to health care. An additional health care surcharge on employers is collected for employees earning less than an actuarially determined minimum compensation amount, pro-rated according to service credit earned. Statutes provide that no employer shall pay a health care surcharge greater than 2.0 percent of that employer's SERS-covered payroll; nor may SERS collect in aggregate more than 1.5 percent of the statewide SERS-covered payroll for the health care surcharge. For fiscal year 2011, the actuarially determined amount was \$35,800.

**TEAYS VALLEY LOCAL SCHOOL DISTRICT
PICKAWAY COUNTY, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

NOTE 16 - POSTEMPLOYMENT BENEFITS - (Continued)

Active members do not contribute to the postemployment benefit plans. The Retirement Board establishes the rules for the premiums paid by the retirees for health care coverage for themselves and their dependents or for their surviving beneficiaries. Premiums vary depending on the plan selected, qualified years of service, Medicare eligibility and retirement status.

The District's contributions for health care (including surcharge) for the fiscal years ended June 30, 2011, 2010 and 2009 were \$128,195, \$80,439 and \$240,825, respectively; 61.61 percent has been contributed for fiscal year 2011 and 100 percent for fiscal years 2010 and 2009.

The Retirement Board, acting with advice of the actuary, allocates a portion of the employer contribution to the Medicare B Fund. For fiscal year 2011, this actuarially required allocation was 0.76 percent of covered payroll. The District's contributions for Medicare Part B for the fiscal years ended June 30, 2011, 2010, and 2009 were \$34,153, \$32,698 and \$30,128, respectively; 61.61 percent has been contributed for fiscal year 2011 and 100 percent for fiscal years 2010 and 2009.

B. State Teachers Retirement System of Ohio

Plan Description - The District contributes to the cost sharing, multiple employer defined benefit Health Plan (the "Plan") administered by the State Teachers Retirement System of Ohio (STRS Ohio) for eligible retirees who participated in the defined benefit or combined pension plans offered by STRS Ohio. Benefits include hospitalization, physicians' fees, prescription drugs and reimbursement of monthly Medicare Part B premiums. The Plan is included in the report of STRS Ohio which may be obtained by visiting www.strsoh.org, under "Publications" 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 2011, STRS Ohio allocated employer contributions equal to 1 percent of covered payroll to the Health Care Stabilization Fund. The District's contributions for health care for the fiscal years ended June 30, 2011, 2010 and 2009 were \$164,181, \$157,360 and \$150,022, respectively; 83.61 percent has been contributed for fiscal year 2011 and 100 percent for fiscal years 2010 and 2009.

NOTE 17 - BUDGETARY BASIS OF ACCOUNTING

While 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 and disbursements.

The statement of revenue, expenditures and changes in fund balance - budget and actual (non-GAAP budgetary basis) presented for the 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 the GAAP basis are that:

- (a) Revenues and other financing sources are recorded when received in cash (budget basis) as opposed to when susceptible to accrual (GAAP basis);
- (b) Expenditures and other financing uses are recorded when paid in cash (budget basis) as opposed to when the liability is incurred (GAAP basis);

**TEAYS VALLEY LOCAL SCHOOL DISTRICT
PICKAWAY COUNTY, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

NOTE 17 - BUDGETARY BASIS OF ACCOUNTING - (Continued)

- (c) In order to determine compliance with Ohio law, and to reserve that portion of the applicable appropriation, total outstanding encumbrances (budget basis) are recorded as the equivalent of an expenditure, as opposed to assigned or committed fund balance for that portion of outstanding encumbrances not already recognized as an account payable (GAAP basis);
- (d) Advances-in and advances-out are operating transactions (budget basis) as opposed to balance sheet transactions (GAAP basis); and,
- (e) Some funds are included in the general fund (GAAP basis), but have separate legally adopted budgets (budget basis).

The adjustments necessary to convert the results of operations for the year on the budget basis to the GAAP basis for the general fund is as follows:

Net Change in Fund Balance	
	<u>General fund</u>
Budget basis	\$ (2,469,442)
Net adjustment for revenue accruals	1,840,951
Net adjustment for expenditure accruals	(38,259)
Net adjustment for other sources/uses	(7,192)
Funds budgeted elsewhere	(81,361)
Adjustment for encumbrances	<u>405,482</u>
GAAP basis	<u>\$ (349,821)</u>

Certain funds that are legally budgeted in separate special revenue funds are considered part of the general fund on a GAAP basis. This includes the public school support fund, the District agency fund, the internal service fund and the underground storage tank fund.

NOTE 18 - CONTINGENCIES

A. Grants

The District receives significant financial assistance from numerous federal, State and local agencies in the form of grants. The disbursement of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and is subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the general fund or other applicable funds; however, in the opinion of management, any such disallowed claims will not have a material effect on the financial position of the District at June 30, 2011.

B. Litigation

The District is involved in no material litigation as either plaintiff or defendant.

**TEAYS VALLEY LOCAL SCHOOL DISTRICT
PICKAWAY COUNTY, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

NOTE 19 - SET-ASIDES

The 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 the end of the fiscal year or offset by similarly restricted resources received during the year must be held in cash at fiscal year-end. These amounts must be carried forward to be used for the same purposes in future years.

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

	<u>Textbooks</u>	<u>Capital Improvements</u>
Set-aside balance June 30, 2010	\$ -	\$ -
Current year set-aside requirement	548,523	548,523
Contributions in excess of the current fiscal year set-aside requirement	-	-
Current year qualifying expenditures	(382,674)	(548,523)
Excess qualified expenditures from prior years	(118,937)	-
Current year offsets	(46,912)	-
Waiver granted by ODE	-	-
Prior year offset from bond proceeds	-	-
Total	<u>\$ -</u>	<u>\$ -</u>
Balance carried forward to fiscal year 2012	<u>\$ -</u>	<u>\$ -</u>
Set-aside balance June 30, 2011	<u>\$ -</u>	<u>\$ -</u>

The District had current year qualifying disbursements and offsets that reduced the textbook set-aside amount to zero. Effective July 1, 2011, the textbook set-aside is no longer required and has been removed from existing law. The District had qualifying disbursements during the fiscal year that reduced the set-aside amount to zero for the capital improvements set-aside.

**TEAYS VALLEY LOCAL SCHOOL DISTRICT
PICKAWAY COUNTY, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

NOTE 20 - OTHER COMMITMENTS

The District utilizes encumbrance accounting as part of its budgetary controls. Encumbrances outstanding at year end may be reported as part of restricted, committed, or assigned classifications of fund balance. At year end, the District's commitments for encumbrances in the governmental funds were as follows:

<u>Fund</u>	<u>Year-End Encumbrances</u>
General fund	\$ 279,596
Other governmental	<u>708,717</u>
Total	<u><u>\$ 988,313</u></u>

NOTE 21 - SUBSEQUENT EVENTS

On January 9, 2012, the Board of Education approved the re-issuance of notes in the amount not to exceed \$1,000,000 in anticipation of the issuance of bonds.

**TEAYS VALLEY LOCAL SCHOOL DISTRICT
PICKAWAY COUNTY**

**FEDERAL AWARDS RECEIPTS AND EXPENDITURES SCHEDULE
FOR THE YEAR ENDED JUNE 30, 2011**

Federal Grantor/ Pass Through Grantor Program Title	Grant Year	Federal CFDA Number	Receipts	Expenditures
<u>U.S. DEPARTMENT OF AGRICULTURE</u>				
<i>Passed Through Ohio Department of Education:</i>				
Child Nutrition Cluster:				
Non-Cash Assistance (Food Distribution):				
School Breakfast Program	2011	10.553	\$ 49,508	\$ 49,508
National School Lunch Program	2011	10.555	493,384	493,384
Cash Assistance:				
School Breakfast Program	2011	10.553	13,793	13,793
National School Lunch Program	2011	10.555	137,456	137,456
<i>Total Child Nutrition Cluster</i>			<u>694,141</u>	<u>694,141</u>
TOTAL U.S. DEPARTMENT OF AGRICULTURE			<u>694,141</u>	<u>694,141</u>
<u>U.S. DEPARTMENT OF EDUCATION</u>				
<i>Passed Through Ohio Department of Education:</i>				
Title I Grants to Local Educational Agencies				
Title I Grants to Local Educational Agencies	2010	84.010	0	29,419
Title I Grants to Local Educational Agencies	2011	84.010	357,084	340,685
ARRA- Title I Grants to Local Educational Agencies	2010	84.389	0	14,157
ARRA- Title I Grants to Local Educational Agencies	2011	84.389	216,821	216,821
<i>Total Title I Grants to Local Educational Agencies Cluster</i>			<u>573,905</u>	<u>601,082</u>
Special Education Grants to States:				
Special Education Grants to States	2010	84.027	24,321	40,879
Special Education Grants to States	2011	84.027	576,342	562,460
Special Education-Preschool Grants	2011	84.173	13,667	13,667
ARRA- Special Education Grants to States	2010	84.391	0	48,083
ARRA- Special Education Grants to States	2011	84.391	131,912	131,912
ARRA- Special Education-Preschool Grants	2010	84.392	1,250	1,250
<i>Total Special Education Cluster</i>			<u>747,492</u>	<u>798,251</u>
Safe and Drug-Free Schools and Communities State Grants	2010	84.186	0	2,086
Education Technology State Grants	2010	84.318	3,323	0
Education Technology State Grants	2011	84.318	1,190	1,190
			<u>4,513</u>	<u>1,190</u>
Improving Teacher Quality State Grants				
Improving Teacher Quality State Grants	2010	84.367	5,224	15,271
Improving Teacher Quality State Grants	2011	84.367	131,999	131,999
<i>Total Improving Teacher Quality State Grants</i>			<u>137,223</u>	<u>147,270</u>
ARRA- State Fiscal Stabilization Fund- Education State Grants	2011	84.394	1,237,903	1,237,903
TOTAL U.S. DEPARTMENT OF EDUCATION			<u>2,701,036</u>	<u>2,787,782</u>
TOTALS			\$ 3,395,177	\$ 3,481,923

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

**TEAYS VALLEY LOCAL SCHOOL DISTRICT
PICKAWAY COUNTY**

**NOTES TO THE FEDERAL AWARDS RECEIPTS AND EXPENDITURES SCHEDULE
FISCAL YEAR ENDED JUNE 30, 2011**

NOTE A - SIGNIFICANT ACCOUNTING POLICIES

The accompanying Federal Awards Receipts and Expenditures Schedule (the Schedule) reports the Teays Valley Local School District, Pickaway County, Ohio (the District's) federal award programs' receipts and disbursements. The schedule has been prepared on the cash basis of accounting.

NOTE B - CHILD NUTRITION CLUSTER

The District commingles cash receipts from the U.S. Department of Agriculture with similar State grants. When reporting expenditures on this Schedule, the District assumes it expends federal monies first.

NOTE C – FOOD DONATION PROGRAM

The District reports commodities consumed on the Schedule at fair value. The District allocated donated food commodities to the respective program that benefitted from the use of those donated food commodities.



Dave Yost • Auditor of State

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

Teays Valley Local School District
Pickaway County
385 Circleville Avenue
Ashville, Ohio 43103

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 Teays Valley Local School District, Pickaway County, Ohio (the District) as of and for the year ended June 30, 2011, which collectively comprise the District's basic financial statements and have issued our report thereon dated January 10, 2012, wherein we noted the District adopted the provisions of Governmental Accounting Standards Board Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*. 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 District's internal control over financial reporting as a basis for designing our audit procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of opining on the effectiveness of the District's internal control over financial reporting. Accordingly, we have not opined on the effectiveness of the District's internal control over financial reporting.

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

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

Teays Valley Local School District
Pickaway County
Independent Accountants' Report on Internal Control Over Financial Reporting and
on Compliance and Other Matters Required by *Government Auditing Standards*
Page 2

Compliance and Other Matters

As part of reasonably assuring whether the District's financial statements are free of material misstatement, 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 management, the audit committee, the Board of Education, federal awarding agencies and pass-through entities and others within the District. We intend it for no one other than these specified parties.



Dave Yost
Auditor of State

January 10, 2012



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

Teays Valley Local School District
Pickaway County
385 Circleville Avenue
Ashville, Ohio 43103

To the Board of Education:

Compliance

We have audited the compliance of the Teays Valley Local School District, Pickaway County, Ohio (the District) with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133, Compliance Supplement* that could directly and materially affect each of the District's major federal programs for the year ended June 30, 2011. The summary of auditor's results section of the accompanying schedule of findings identifies the District's major federal programs. The District's management is responsible for complying with the requirements of laws, regulations, contracts, and grants applicable to each major federal program. Our responsibility is to express an opinion on the District's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits included in the Comptroller General of the United States' *Government Auditing Standards*; 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 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 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 District's compliance with those requirements.

In our opinion, the Teays Valley Local School District complied, in all material respects, with the requirements referred to above that could directly and materially affect each of its major federal programs for the year ended June 30, 2011.

Internal Control Over Compliance

The District's management is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the District's internal control over compliance with requirements that could directly and materially affect a major federal program, to determine our auditing procedures for the purpose of opining on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of opining on the effectiveness of internal control over compliance. Accordingly, we have not opined on the effectiveness of the District's internal control over compliance.

Teays Valley Local School District
Pickaway County
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
Page 2

A *deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, when performing their assigned functions, to prevent, or to timely detect and correct, noncompliance with a federal program compliance requirement. A *material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a federal program compliance requirement will not be prevented, or timely detected and corrected.

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 over compliance that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

We noted a matter involving federal compliance or internal control over federal compliance not requiring inclusion in this report, that we reported to the District's management in a separate letter dated January 10, 2012.

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



Dave Yost
Auditor of State

January 10, 2012

**TEAYS VALLEY LOCAL SCHOOL DISTRICT
PICKAWAY COUNTY**

**SCHEDULE OF FINDINGS
OMB CIRCULAR A -133 § .505
JUNE 30, 2011**

1. SUMMARY OF AUDITOR'S RESULTS

(d)(1)(i)	Type of Financial Statement Opinion	Unqualified
(d)(1)(ii)	Were there any material control weaknesses reported at the financial statement level (GAGAS)?	No
(d)(1)(ii)	Were there any significant deficiencies in internal control reported at the financial statement level (GAGAS)?	No
(d)(1)(iii)	Was there any reported material noncompliance at the financial statement level (GAGAS)?	No
(d)(1)(iv)	Were there any material internal control weaknesses reported for major federal programs?	No
(d)(1)(iv)	Were there any significant deficiencies in internal control reported for major federal programs?	No
(d)(1)(v)	Type of Major Programs' Compliance Opinion	Unqualified
(d)(1)(vi)	Are there any reportable findings under § .510(a)?	No
(d)(1)(vii)	Major Programs (list):	CFDA #84.010 & #84.389 ARRA>Title I Grants to States CFDA #84.027, #84.173, #84.391 & #84.392 ARRA>Title VI-B Special Education Grants to States CFDA #84.394 ARRA/State Fiscal Stabilization Funds CFDA #10.553 and #10.555 Child Nutrition Cluster
(d)(1)(viii)	Dollar Threshold: Type A\B Programs	Type A: > \$ 300,000 Type B: all others
(d)(1)(ix)	Low Risk Auditee?	Yes

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

None

3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS

None

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INDEPENDENT ACCOUNTANTS' REPORT ON APPLYING AGREED-UPON PROCEDURES

Teays Valley Local School District
Pickaway County
385 Circleville Avenue
Ashville, Ohio 43103

To the Board of Education:

Ohio Rev. Code Section 117.53 states "the auditor of state shall identify whether the school district or community school has adopted an anti-harassment policy in accordance with Section 3313.666 of the Revised Code. This determination shall be recorded in the audit report. The auditor of state shall not prescribe the content or operation of any anti-harassment policy adopted by a school district or community school."

Accordingly, we have performed the procedure enumerated below, which was agreed to by the Board, solely to assist the Board in evaluating whether Teays Valley Local School District, Pickaway County Ohio (the District) has updated its anti-harassment policy in accordance with Ohio Rev. Code Section 3313.666. Management is responsible for complying with this requirement. This agreed-upon procedure engagement was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants. The sufficiency of this procedure is solely the responsibility of the Board. Consequently; we make no representation regarding the sufficiency of the procedure described below either for the purpose for which this report has been requested or for any other purpose.

1. We noted the Board did not amend its anti-harassment policy to include violence within a dating relationship within its definition of harassment, intimidation or bullying. Ohio Rev. Code Section 3313.666 required the Board to amend its definition by September 28, 2010. The Board amended the District's anti-harassment policy to include violence within a dating relationship as a type of harassment at its January 9, 2012 meeting.

We were not engaged to and did not conduct an examination, the objective of which would be the expression of an opinion on compliance with the anti-harassment policy. Accordingly, we do not express such an opinion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

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

A handwritten signature of Dave Yost in black ink.

Dave Yost
Auditor of State

January 10, 2012

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Dave Yost • Auditor of State

TEAYS VALLEY LOCAL SCHOOL DISTRICT PICKAWAY 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.

A handwritten signature in cursive script that reads "Susan Babbitt".

CLERK OF THE BUREAU

CERTIFIED
JANUARY 31, 2012