



Rea & associates *a brighter way*

Tri-Valley Local School District

Muskingum County, Ohio

Audited Financial Statements

For the Fiscal Year Ended
June 30, 2013



Dave Yost • Auditor of State

Board of Education
Tri-Valley Local School District
36 E. Muskingum Avenue
Dresden, Ohio 43821

We have reviewed the *Independent Auditor's Report* of the Tri-Valley Local School District, Muskingum County, prepared by Rea & Associates, Inc., for the audit period July 1, 2012 through June 30, 2013. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

Our review was made in reference to the applicable sections of legislative criteria, as reflected by the Ohio Constitution, and the Revised Code, policies, procedures and guidelines of the Auditor of State, regulations and grant requirements. The Tri-Valley Local School District is responsible for compliance with these laws and regulations.

A handwritten signature in black ink that reads "Dave Yost".

Dave Yost
Auditor of State

March 3, 2014

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

JUNE 30, 2013

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

JUNE 30, 2013

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December 23, 2013

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

Independent Auditor's Report

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Tri-Valley Local School District, Muskingum County, Ohio (the School District) as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the School District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

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 *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the School District, as of June 30, 2013, and the respective changes in financial position, and, where applicable, cash flows thereof and the budgetary comparison for the general fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the accompanying *Management's Discussion and Analysis* on pages 5-12 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting 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 assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the School District's basic financial statements. The schedule of expenditures of federal awards, as required by Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations* is presented for purposes of additional analysis and is not a required part of the basic financial statements.

The schedule of expenditures of federal awards is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal awards is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 23, 2013 on our consideration of the School District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the School District's internal control over financial reporting and compliance.

Rea & Associates, Inc.

New Philadelphia, Ohio

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Tri-Valley Local School District
Muskingum County, Ohio
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2013

The discussion and analysis of the Tri-Valley School District's (the "School District") financial performance provides an overall review of the School District's financial activities for the fiscal year ended June 30, 2013. The intent of this discussion and analysis is to look at the School District's performance as a whole; readers should also review the notes to the basic financial statements and financial statements to enhance their understanding of the School District's financial performance.

Financial Highlights

Key financial highlights for 2013 are as follows:

- In total, net position decreased \$3,816,321. For governmental activities, net position decreased \$3,814,079, which represents a 6.9 percent decrease from 2012. For business-type activities, net position was \$(2,242). This is a new fund for fiscal year 2013, therefore, there is no comparison to 2012.
- Capital assets of governmental activities decreased \$2,365,923 during fiscal year 2013.
- During the year, outstanding debt of governmental activities decreased from \$15,800,991 to \$15,430,849 due to principal payments made by the School District.

Using this Annual Report

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

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

Reporting the School District as a Whole

Statement of Net Position and the Statement of Activities

While the basic financial statements contain the large number of funds used by the School District to provide programs and activities, the view of the School District as a whole looks at all financial transactions and asks the question, "How did we do financially during fiscal year 2013?" The *Statement of Net Position* and the *Statement of Activities* answer this question. These statements include all assets and liabilities using the accrual basis of accounting similar to the accounting used by most private-sector companies. This basis of accounting takes into account all of the current year's revenues and expenses regardless of when cash is received or paid.

Tri-Valley Local School District
Muskingum County, Ohio
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2013

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

In the *Statement of Net Position* and the *Statement of Activities*, the School District is divided into two distinct kinds of activities:

- **Governmental Activities** - Most of the School District's programs and services are reported here, including instruction, support services, extracurricular activities and operation of non-instructional services.
- **Business-Type Activities** - These services are provided on a charge for goods or services basis to recover all or the majority of the expenses of the goods or services provided. The School District's Scottie Kid's Club fund is reported as a business activity.

Reporting the School District's Most Significant Funds

Fund Financial Statements

The major funds financial statements begin on page 15. Fund financial reports provide detailed information about the School District's major funds. The School District uses many funds to account for a multitude of financial transactions; however, these fund financial statements focus on the School District's most significant funds. The School District's major governmental funds are the general fund and the debt service fund.

Governmental Funds Most of the School District's activities are reported in governmental funds, which focus on how money flows into and out of those funds and the balances left at year-end available for spending in future periods. These funds are reported using an accounting method called modified accrual accounting, which measures cash and all other financial assets that can readily be converted to cash. The governmental fund statements provide a detailed short-term view of the School District's general 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 Position and the Statement of Activities) and governmental funds is reconciled in the financial statements.

Proprietary Funds The School District maintains two types of proprietary funds. Internal service funds are an accounting device used to accumulate and allocate costs internally among the School District's various functions. The School District uses an internal service fund to account for its health insurance benefits. Because this service predominately benefits governmental functions, it has been included within the governmental activities in the government-wide financial statements. Enterprise funds use the same basis of accounting as business-type activities; therefore, these statements will essentially match. The School District's major enterprise fund is the Scottie Kid's Club fund. The proprietary fund financial statements begin on page 20.

Tri-Valley Local School District
Muskingum County, Ohio
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2013

Reporting the School District's Fiduciary Responsibilities

The School District is the trustee, or fiduciary, for some of its scholarship programs. This activity is presented as a private purpose trust fund. The School 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 two agency funds. The School District's fiduciary activities are reported in separate Statements of Fiduciary Net Position and Changes in Fiduciary Net Position on pages 23 and 24. These activities are excluded from the School District's other financial statements because the assets cannot be utilized by the School District to finance its operations.

The School District as a Whole

Recall that the Statement of Net Position provides the perspective of the School District as a whole. Table 1 provides a summary of the School District's net position for 2013 compared to 2012:

Table 1
Net Position

	Governmental Activities		Business-Type Activities		Total	
	2013	2012	2013	2012	2013	2012
Assets						
Current and Other Assets	\$ 18,224,143	\$ 18,495,539	\$ 4,367	\$ 0	\$ 18,228,510	\$ 18,495,539
Capital Assets	59,910,068	62,275,991	0	0	59,910,068	62,275,991
<i>Total Assets</i>	78,134,211	80,771,530	4,367	0	78,138,578	80,771,530
Liabilities						
Other Liabilities	9,991,424	8,541,933	4,056	0	9,995,480	8,541,933
Long-Term Liabilities	16,925,890	17,198,621	2,553	0	16,928,443	17,198,621
<i>Total Liabilities</i>	26,917,314	25,740,554	6,609	0	26,923,923	25,740,554
Net Position						
Net Investment in Capital Assets	45,101,193	47,354,346	0	0	45,101,193	47,354,346
Restricted	5,567,939	6,044,815	0	0	5,567,939	6,044,815
Unrestricted	547,765	1,631,815	(2,242)	0	545,523	1,631,815
<i>Total Net Position</i>	\$ 51,216,897	\$ 55,030,976	\$ (2,242)	\$ 0	\$ 51,214,655	\$ 55,030,976

Governmental Activities

At year end, capital assets represented 77 percent of total assets. Capital assets include land, land improvements, buildings and improvements, furniture, fixtures and equipment, vehicles and infrastructure. Net investment in capital assets was \$45,101,193 at June 30, 2013. These capital assets are used to provide services to students and are not available for future spending. Although the School 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 School District's net position, \$5,567,939 or 11 percent, represents resources that are subject to external restrictions on how they may be used. The balance of government-wide unrestricted net position of \$547,765 may be used to meet the government's ongoing obligations to students and creditors.

Tri-Valley Local School District
Muskingum County, Ohio
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2013

Current and other assets decreased \$271,396 due to decreases in cash, which is a result on expenditures outpacing revenues, and decreases in intergovernmental receivable due to the expiration of the Education Jobs grant and a decrease in federal funding.

Other liabilities increased \$1,449,491, primarily due to increased deferred revenue which is a direct result of a decrease in the amount of tax revenue available for advance to the School District at year end. The County treasurer dated the tax bills due on June 28, 2013.

Table 2 shows the changes in net position for fiscal year 2013 and 2012.

Table 2
Changes in Net Position

	Governmental Activities		Business-Type Activities		Total	
	2013	2012	2013	2012	2013	2012
Revenues						
<i>Program Revenues:</i>						
Charges for Services	\$ 2,397,963	\$ 2,234,558	\$ 66,861	\$ 0	\$ 2,464,824	\$ 2,234,558
Operating Grants	2,313,246	2,271,840	0	0	2,313,246	2,271,840
Capital Grants	439,250	25,486	0	0	439,250	25,486
Total Program Revenues	5,150,459	4,531,884	66,861	0	5,217,320	4,531,884
<i>General Revenues:</i>						
Property Taxes	6,915,249	10,180,278	0	0	6,915,249	10,180,278
Grants and Entitlements Not Restricted	15,909,332	15,981,763	0	0	15,909,332	15,981,763
Payments in Lieu of Taxes	390,171	538,039	0	0	390,171	538,039
Other	44,646	428,260	0	0	44,646	428,260
Total General Revenues	23,259,398	27,128,340	0	0	23,259,398	27,128,340
Total Revenues	28,409,857	31,660,224	66,861	0	28,476,718	31,660,224
Program Expenses						
<i>Instruction:</i>						
Regular	14,202,935	14,092,741	0	0	14,202,935	14,092,741
Special	3,946,462	4,143,446	0	0	3,946,462	4,143,446
Vocational	365,132	365,917	0	0	365,132	365,917
Student Intervention Services	15,667	43,279	0	0	15,667	43,279
Other	3,435	0	0	0	3,435	0
<i>Support Services:</i>						
Pupils	933,456	771,160	0	0	933,456	771,160
Instructional Staff	1,235,146	1,099,348	0	0	1,235,146	1,099,348
Board of Education	590,517	563,364	0	0	590,517	563,364
Administration	2,486,047	2,492,712	0	0	2,486,047	2,492,712
Fiscal	470,475	443,937	0	0	470,475	443,937
Operation and Maintenance of Plant	2,713,403	2,433,567	0	0	2,713,403	2,433,567
Pupil Transportation	2,068,885	2,045,969	0	0	2,068,885	2,045,969
Central	425,217	497,915	0	0	425,217	497,915
<i>Operation of Non-Instructional Services:</i>						
Food Service Operations	1,424,014	1,363,678	0	0	1,424,014	1,363,678
Community Services	143,952	166,006	0	0	143,952	166,006
Extracurricular Activities	356,034	309,271	0	0	356,034	309,271
<i>Debt Service:</i>						
Interest and Fiscal Charges	843,159	876,068	0	0	843,159	876,068
Scottie Kid's Club	0	0	69,103	0	69,103	0
Total Expenses	32,223,936	31,708,378	69,103	0	32,293,039	31,708,378
Increase (Decrease) in Net Position	(3,814,079)	(48,154)	(2,242)	0	(3,816,321)	(48,154)
Net Position at Beginning of Year	55,030,976	55,079,130	0	0	55,030,976	55,079,130
Net Position at End of Year	\$ 51,216,897	\$ 55,030,976	\$ (2,242)	\$ 0	\$ 51,214,655	\$ 55,030,976

Tri-Valley Local School District
Muskingum County, Ohio
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2013

Property tax revenue decreased \$3,265,029 in fiscal year 2013 due to a decrease in the amount available for advance, which can vary based on when the tax bills are sent. Capital grants increased \$413,764 in fiscal year 2013 due to the contribution of the Halliburton Athletic Facility.

The Statement of Activities shows the cost of program services and the charges for services and grants offsetting those services. Table 3 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 entitlements.

Table 3
Governmental Activities

	Total Cost of Service		Net Cost of Service	
	2013	2012	2013	2012
Instruction:				
Regular	\$ 14,202,935	\$ 14,092,741	\$ 12,515,822	\$ 12,440,763
Special	3,946,462	4,143,446	3,056,334	3,171,416
Vocational	365,132	365,917	183,939	186,186
Student Intervention Services	15,667	43,279	15,667	43,279
Other	3,435	0	3,435	0
Support Services:				
Pupils	933,456	771,160	607,904	655,767
Instructional Staff	1,235,146	1,099,348	1,205,539	1,088,904
Board of Education	590,517	563,364	590,517	563,364
Administration	2,486,047	2,492,712	2,428,273	2,430,826
Fiscal	470,475	443,937	470,475	443,937
Operation and Maintenance of Plant	2,713,403	2,433,567	2,688,986	2,335,973
Pupil Transportation	2,068,885	2,045,969	1,935,622	1,983,914
Central	425,217	497,915	424,337	494,874
Operation of Non-Instructional Services:				
Food Service Operations	1,424,014	1,363,678	288,448	199,427
Community Services	143,952	166,006	86,804	119,444
Extracurricular Activities	356,034	309,271	(271,784)	142,352
Debt Service:				
Interest and Fiscal Charges	843,159	876,068	843,159	876,068
<i>Total Expenses</i>	<u>\$ 32,223,936</u>	<u>\$ 31,708,378</u>	<u>\$ 27,073,477</u>	<u>\$ 27,176,494</u>

The dependence upon general revenues for governmental activities is apparent. Over 84 percent of governmental activities are supported through taxes and other general revenues; such revenues are 82 percent of total governmental revenues. The community, as a whole, is by far the primary support for the School District students.

Business-Type Activities

The School District has one fund reported as a business-type activity. In fiscal year 2013, operations began for Scottie Kid's Club, a child care center. This program had total revenues of \$66,861 and \$69,103 of expenses for fiscal year 2013.

Tri-Valley Local School District
Muskingum County, Ohio
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2013

Governmental Funds

Information about the School District's major funds starts on page 15. These funds are accounted for using the modified accrual basis of accounting. All governmental funds had total revenues of \$27,743,361 and expenditures of \$29,262,206 for fiscal year 2013.

The general fund's net change in fund balance for fiscal year 2013 was a decrease of \$808,020. The School District had a decrease in property tax revenue due to the decrease in the amount of tax revenue available for advance at year end.

The fund balance of the debt service fund decreased by \$28,855, which is primarily due to an decrease in property tax revenue as a result of the decrease in the amount of tax revenue available for advance at year end.

General Fund Budgeting Highlights

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

During the course of fiscal year 2013, the School District did amend its general fund budget a few times. The School District uses site-based budgeting and budgeting systems are designed to tightly control total site budgets but provide flexibility for site management

For the general fund, actual budget basis revenue of \$24,377,443 was higher than the final budget basis revenue by \$89,685. Most of this difference is due to an underestimation of intergovernmental revenue.

Final budget basis revenues were \$1,306,155 higher than the original budget of \$22,981,603. These increased as the School District anticipated additional tax and intergovernmental revenue.

Final appropriations of \$24,216,358 were \$406,708 lower than the actual expenditures of \$24,623,066, as the School District saw an increase in salary and benefits expense for instruction and student support services.

Tri-Valley Local School District
Muskingum County, Ohio
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2013

Capital Assets and Debt Administration

Capital Assets

At the end of fiscal year 2013, the School District had \$59,910,068 invested in capital assets. Table 4 shows fiscal year 2013 balances compared with 2012.

Table 4
Capital Assets at June 30
(Net of Depreciation)

	Governmental Activities	
	2013	2012
Land	\$ 4,020,160	\$ 4,020,160
Land Improvements	1,784,156	1,868,924
Buildings and Improvements	51,584,680	53,504,130
Furniture, Fixtures and Equipment	1,510,205	1,884,490
Vehicles	980,384	982,117
Infrastructure	30,483	16,170
<i>Totals</i>	<u>\$ 59,910,068</u>	<u>\$ 62,275,991</u>

The \$2,365,923 decrease in capital assets was attributable to current year depreciation and disposals exceeding additional purchases. See Note 8 for more information about the capital assets of the School District.

Debt

At June 30, 2013, the School District had \$15,430,849 in debt outstanding. See Note 13 for additional details. Table 5 summarizes bonds outstanding.

(Table 5)
Outstanding Debt at Year End

	Governmental Activities	
	2013	2012
2002 School Improvement Serial, Term Bonds	\$ 3,103,969	\$ 3,113,108
2006 Refunding Bonds - Serial, Term and Capital Appreciation Bonds	9,331,177	9,677,090
2007 Refunding Bonds - Serial, Term and Capital Appreciation Bonds	2,995,703	3,010,793
<i>Total</i>	<u>\$ 15,430,849</u>	<u>\$ 15,800,991</u>

Tri-Valley Local School District
Muskingum County, Ohio
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2013

Current Issues

The School has developed a fiscal practice of spending within the limits of revenues received. Following this practice has forced the School District to consider cost reduction and containment measures beginning with fiscal year 2011. Budgets for materials and supplies have been reduced, as well as decreases in staffing levels via reductions and attrition. Additional reductions in expenses will be considered so long as economic conditions remain weak and operational effectiveness is not compromised. Raising additional revenues by means of an operating levy will be considered only when all viable reductions have been exhausted.

Since completion of the School District's comprehensive building program, the School District operates with four elementary buildings, a middle school and a high school. Prior to the building of the new facilities, the School District operated seven buildings.

Contacting the School District's Financial Management

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

Tri-Valley Local School District
Muskingum County, Ohio
Statement of Net Position
June 30, 2013

	Governmental Activities	Business-Type Activities	Total
Assets			
Equity in Pooled Cash and Investments	\$ 9,036,509	\$ 4,367	\$ 9,040,876
Materials and Supplies Inventory	130,677	0	130,677
Receivables:			
Intergovernmental	452,430	0	452,430
Property Taxes	8,058,296	0	8,058,296
Revenue in Lieu of Taxes	371,128	0	371,128
Deferred Charges	175,103	0	175,103
Nondepreciable Capital Assets	4,020,160	0	4,020,160
Depreciable Capital Assets (Net)	55,889,908	0	55,889,908
<i>Total Assets</i>	<u>78,134,211</u>	<u>4,367</u>	<u>78,138,578</u>
Liabilities			
Accounts Payable	401,570	141	401,711
Accrued Wages and Benefits	2,321,774	1,567	2,323,341
Contracts Payable	261,071	0	261,071
Intergovernmental Payable	600,612	318	600,930
Matured Compensated Absences Payable	24,589	0	24,589
Accrued Interest Payable	54,970	0	54,970
Claims Payable	241,031	0	241,031
Deferred Revenue	6,085,807	2,030	6,087,837
Long Term Liabilities:			
Due Within One Year	669,303	1,275	670,578
Due In More Than One Year	16,256,587	1,278	16,257,865
<i>Total Liabilities</i>	<u>26,917,314</u>	<u>6,609</u>	<u>26,923,923</u>
Net Position			
Net Investment in Capital Assets	45,101,193	0	45,101,193
Restricted For:			
Capital Outlay	1,982,179	0	1,982,179
Debt Service	2,263,570	0	2,263,570
Classroom Facilities Maintenance	862,836	0	862,836
State Programs	9,567	0	9,567
Federal Programs	223,391	0	223,391
Other Purposes	226,396	0	226,396
Unrestricted	547,765	(2,242)	545,523
<i>Total Net Position</i>	<u>\$ 51,216,897</u>	<u>\$ (2,242)</u>	<u>\$ 51,214,655</u>

See accompanying notes to the basic financial statements.

Tri-Valley Local School District
Muskingum County, Ohio
Statement of Activities
For the Fiscal Year Ended June 30, 2013

	Program Revenues				Net (Expense) Revenue and Changes in Net Position		
	Expenses	Charges for Services and Sales	Operating Grants, Contributions and Interest	Capital Grants and Contributions	Governmental Activities	Business-Type Activities	Total
Governmental Activities							
Instruction:							
Regular	\$ 14,202,935	\$ 1,485,342	\$ 201,771	\$ 0	\$ (12,515,822)	\$ 0	\$ (12,515,822)
Special	3,946,462	171,012	719,116	0	(3,056,334)	0	(3,056,334)
Vocational	365,132	0	181,193	0	(183,939)	0	(183,939)
Student Intervention Services	15,667	0	0	0	(15,667)	0	(15,667)
Other	3,435	0	0	0	(3,435)	0	(3,435)
Support Services:							
Pupils	933,456	0	325,552	0	(607,904)	0	(607,904)
Instructional Staff	1,235,146	0	29,607	0	(1,205,539)	0	(1,205,539)
Board of Education	590,517	0	0	0	(590,517)	0	(590,517)
Administration	2,486,047	57,774	0	0	(2,428,273)	0	(2,428,273)
Fiscal	470,475	0	0	0	(470,475)	0	(470,475)
Operation and Maintenance of Plant	2,713,403	0	16,367	8,050	(2,688,986)	0	(2,688,986)
Pupil Transportation	2,068,885	0	133,263	0	(1,935,622)	0	(1,935,622)
Central	425,217	880	0	0	(424,337)	0	(424,337)
Operation of Non-Instructional Services:							
Food Service Operations	1,424,014	435,899	699,667	0	(288,448)	0	(288,448)
Community Services	143,952	50,438	6,710	0	(86,804)	0	(86,804)
Extracurricular Activities	356,034	196,618	0	431,200	271,784	0	271,784
Debt Service:							
Interest and Fiscal Charges	843,159	0	0	0	(843,159)	0	(843,159)
Total Governmental Activities	32,223,936	2,397,963	2,313,246	439,250	(27,073,477)	0	(27,073,477)
Business-Type Activities							
Scottie Kid's Club	69,103	66,861	0	0	0	(2,242)	(2,242)
Total	\$ 32,293,039	\$ 2,464,824	\$ 2,313,246	\$ 439,250	(27,073,477)	(2,242)	(27,075,719)
General Revenues							
Property Taxes Levied for:							
General Purposes					5,770,342	0	5,770,342
Debt Service					1,030,676	0	1,030,676
Capital Outlay					114,231	0	114,231
Grants and Entitlements Not Restricted to Specific Programs					15,909,332	0	15,909,332
Payments in Lieu of Taxes					390,171	0	390,171
Investment Earnings					(43,282)	0	(43,282)
Miscellaneous					87,928	0	87,928
Total General Revenues					23,259,398	0	23,259,398
Change in Net Position					(3,814,079)	(2,242)	(3,816,321)
Net Position Beginning of Year					55,030,976	0	55,030,976
Net Position End of Year					\$ 51,216,897	\$ (2,242)	\$ 51,214,655

See accompanying notes to the basic financial statements.

Tri-Valley Local School District
Muskingum County, Ohio
Balance Sheet
Governmental Funds
June 30, 2013

	General	Debt Service	Other Governmental Funds	Total Governmental Funds
Assets				
Equity in Pooled Cash and Investments	\$ 3,086,093	\$ 1,976,823	\$ 3,478,446	\$ 8,541,362
Materials and Supplies Inventory	114,287	0	16,390	130,677
Receivables:				
Interfund	424,143	0	0	424,143
Intergovernmental	54,323	0	398,107	452,430
Property Taxes	6,742,811	1,182,080	133,405	8,058,296
Revenue in Lieu of Taxes	96,556	10,737	263,835	371,128
Advances to Other Funds	544,122	0	0	544,122
<i>Total Assets</i>	<u>\$ 11,062,335</u>	<u>\$ 3,169,640</u>	<u>\$ 4,290,183</u>	<u>\$ 18,522,158</u>
Liabilities and Fund Balances				
Liabilities				
Accounts Payable	\$ 135,549	\$ 0	\$ 224,214	\$ 359,763
Accrued Wages and Benefits	2,115,623	0	206,151	2,321,774
Contracts Payable	0	0	261,071	261,071
Intergovernmental Payable	555,439	0	45,173	600,612
Matured Compensated Absences Payable	24,589	0	0	24,589
Interfund Payable	0	0	24,143	24,143
Deferred Revenue	5,495,305	950,727	765,754	7,211,786
Advances from Other Funds	0	0	83,607	83,607
<i>Total Liabilities</i>	<u>8,326,505</u>	<u>950,727</u>	<u>1,610,113</u>	<u>10,887,345</u>
Fund Balances				
Nonspendable	658,409	0	16,390	674,799
Restricted	0	2,218,913	2,932,408	5,151,321
Committed	11,000	0	8,470	19,470
Assigned	1,104,877	0	0	1,104,877
Unassigned	961,544	0	(277,198)	684,346
<i>Total Fund Balances</i>	<u>2,735,830</u>	<u>2,218,913</u>	<u>2,680,070</u>	<u>7,634,813</u>
<i>Total Liabilities and Fund Balances</i>	<u>\$ 11,062,335</u>	<u>\$ 3,169,640</u>	<u>\$ 4,290,183</u>	<u>\$ 18,522,158</u>

See accompanying notes to the basic financial statements.

Tri-Valley Local School District
Muskingum County, Ohio
Reconciliation of Total Governmental Fund Balances to
Net Position of Governmental Activities
June 30, 2013

Total Governmental Fund Balances		\$ 7,634,813
 <i>Amounts reported for governmental activities in the statement of net position are different because:</i>		
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.		59,910,068
Other long-term assets are not available to pay for current-period expenditures and therefore are deferred in the funds.		
Property Taxes	\$ 592,090	
Revenue in Lieu of Taxes	371,128	
Intergovernmental	<u>394,911</u>	
Total		1,358,129
An internal service fund is used by management to charge the costs of insurance to individual funds. The assets and liabilities of the internal service fund are included in governmental activities in the statement of net position.		(880,356)
In the statement of activities, bond issuance costs are amortized over the term of the bonds, whereas in governmental funds a bond issuance expenditure is reported when bonds are issued.		175,103
In the statement of activities, interest is accrued on outstanding bonds, whereas in the governmental funds, an interest expenditure is not reported.		(54,970)
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 - Serial/Term	(14,630,000)	
Capital Appreciation Bonds	(98,129)	
Bond Premium	(854,369)	
Refunding Loss	553,187	
Discount	45,334	
Accretion of Interest - Capital Appreciation Bonds	(446,872)	
Compensated Absences	<u>(1,495,041)</u>	
Total		<u>(16,925,890)</u>
<i>Net Position of Governmental Activities</i>		<u><u>\$ 51,216,897</u></u>

See accompanying notes to the basic financial statements.

Tri-Valley Local School District
Muskingum County, Ohio
Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
For the Fiscal Year Ended June 30, 2013

	General	Debt Service	Other Governmental Funds	Total Governmental Funds
Revenues				
Property and Other Local Taxes	\$ 5,770,224	\$ 1,035,464	\$ 114,720	\$ 6,920,408
Intergovernmental	15,931,042	153,927	1,891,113	17,976,082
Investment Income	(43,282)	0	1,537	(41,745)
Tuition and Fees	1,499,431	0	0	1,499,431
Extracurricular Activities	215,580	0	196,618	412,198
Charges for Services	0	0	486,337	486,337
Contributions and Donations	5,556	0	7,000	12,556
Revenue in Lieu of Taxes	115,595	10,737	263,835	390,167
Miscellaneous	84,279	0	3,648	87,927
<i>Total Revenues</i>	<u>23,578,425</u>	<u>1,200,128</u>	<u>2,964,808</u>	<u>27,743,361</u>
Expenditures				
Current:				
Instruction:				
Regular	12,006,182	0	357,152	12,363,334
Special	2,843,535	0	867,826	3,711,361
Vocational	270,434	0	0	270,434
Student Intervention Services	15,667	0	0	15,667
Other	3,435	0	0	3,435
Support Services:				
Pupils	593,623	0	282,665	876,288
Instructional Staff	1,003,536	0	34,949	1,038,485
Board of Education	543,346	28,548	3,160	575,054
Administration	2,218,089	0	0	2,218,089
Fiscal	461,793	0	0	461,793
Operation and Maintenance of Plant	2,080,831	0	479,772	2,560,603
Pupil Transportation	1,943,505	0	73,775	2,017,280
Central	367,124	0	0	367,124
Extracurricular Activities	9,801	0	171,504	181,305
Operation of Non-Instructional Services:				
Food Service Operations	0	0	1,204,755	1,204,755
Community Services	0	0	84,650	84,650
Capital Outlay	25,544	0	86,570	112,114
Debt Service:				
Principal Retirement	0	115,805	0	115,805
Interest and Fiscal Charges	0	1,084,630	0	1,084,630
<i>Total Expenditures</i>	<u>24,386,445</u>	<u>1,228,983</u>	<u>3,646,778</u>	<u>29,262,206</u>
<i>Net Change in Fund Balance</i>	(808,020)	(28,855)	(681,970)	(1,518,845)
<i>Fund Balances Beginning of Year</i>	<u>3,543,850</u>	<u>2,247,768</u>	<u>3,362,040</u>	<u>9,153,658</u>
<i>Fund Balances End of Year</i>	<u>\$ 2,735,830</u>	<u>\$ 2,218,913</u>	<u>\$ 2,680,070</u>	<u>\$ 7,634,813</u>

See accompanying notes to the basic financial statements.

Tri-Valley Local School District
Muskingum 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, 2013*

Net Change in Fund Balances - Total Governmental Funds	\$	(1,518,845)
 <i>Amounts reported for governmental activities in the statement of activities are different because:</i>		
 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 exceeded additions in the current period.		
Capital Asset Additions	\$ 719,793	
Current Year Depreciation	<u>(3,077,693)</u>	(2,357,900)
 Governmental funds only report the disposal of capital assets to the extent proceeds are received from the sale. In the statement of activities, a gain or loss is reported for each disposal.		
		(8,023)
 Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.		
Property Taxes	(5,160)	
Revenue in Lieu of Taxes	4	
Intergovernmental	<u>240,452</u>	235,296
 Repayment of principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position.		
Bond Principal	115,805	
Accreted Interest	<u>424,195</u>	540,000
 In the statement of activities, interest is accrued on outstanding bonds, and bond premium and bond issuance costs and the gain/loss on refunding are amortized over the term of the bonds, whereas in governmental funds, an interest expenditure is reported when bonds are issued.		
Accrued Interest Payable	133	
Amortization of Issuance Costs	(12,999)	
Amortization of Premium on Bonds	63,292	
Amortization of Discount on Bonds	(3,036)	
Amortization of Accretion of Interest	(179,823)	
Amortization of Refunding Loss	<u>(50,291)</u>	(182,724)
 The 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 expenditures and related internal service fund revenues are eliminated. The net revenue (expense) of the internal service fund is allocated among the governmental activities.		
		(424,472)
 Compensated absences reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds.		
		<u>(97,411)</u>
 <i>Change in Net Position of Governmental Activities</i>	 \$	 <u><u>(3,814,079)</u></u>

See accompanying notes to the basic financial statements.

Tri-Valley Local School District
Muskingum County, Ohio
Statement of Revenues, Expenditures, and Changes in Fund Balance -
Budget (Non-GAAP Basis) and Actual
General Fund
For the Fiscal Year Ended June 30, 2013

	Budgeted Amounts			Variance with Final Budget Over (Under)
	Original	Final	Actual	
Revenues				
Property and Other Local Taxes	\$ 6,105,000	\$ 6,775,000	\$ 6,771,992	\$ (3,008)
Intergovernmental	15,331,603	15,756,969	15,834,486	77,517
Investment Income	80,000	40,000	38,740	(1,260)
Tuition and Fees	1,336,349	1,465,049	1,465,181	132
Extracurricular Activities	7,500	7,500	8,945	1,445
Contributions and Donations	5,556	5,556	5,556	0
Revenue in Lieu of Taxes	115,595	115,595	115,595	0
Miscellaneous	0	122,089	136,948	14,859
<i>Total Revenues</i>	<u>22,981,603</u>	<u>24,287,758</u>	<u>24,377,443</u>	<u>89,685</u>
Expenditures				
Current:				
Instruction:				
Regular	11,498,898	11,893,205	11,875,923	17,282
Special	2,876,353	2,756,737	2,970,663	(213,926)
Vocational	295,088	312,838	304,763	8,075
Student Intervention Services	17,240	40,053	17,805	22,248
Other	2,051	0	2,118	(2,118)
Support Services:				
Pupils	576,884	545,849	595,799	(49,950)
Instructional Staff	984,906	1,044,597	1,017,199	27,398
Board of Education	543,983	512,417	561,819	(49,402)
Administration	2,138,686	2,183,379	2,208,809	(25,430)
Fiscal	456,083	458,662	471,037	(12,375)
Operation and Maintenance of Plant	2,092,390	2,195,576	2,160,995	34,581
Pupil Transportation	1,929,641	1,890,696	1,992,910	(102,214)
Central	404,422	354,104	417,682	(63,578)
Capital Outlay	24,733	28,245	25,544	2,701
<i>Total Expenditures</i>	<u>23,841,358</u>	<u>24,216,358</u>	<u>24,623,066</u>	<u>(406,708)</u>
<i>Excess of Revenues Over (Under) Expenditures</i>	<u>(859,755)</u>	<u>71,400</u>	<u>(245,623)</u>	<u>(317,023)</u>
Other Financing Sources (Uses)				
Advances In	0	0	94,873	94,873
Advances Out	0	0	(512,743)	(512,743)
<i>Total Other Financing Sources (Uses)</i>	<u>0</u>	<u>0</u>	<u>(417,870)</u>	<u>(417,870)</u>
<i>Net Change in Fund Balance</i>	(859,755)	71,400	(663,493)	(734,893)
<i>Fund Balance Beginning of Year</i>	2,939,965	2,939,965	2,939,965	0
Prior Year Encumbrances Appropriated	292,602	292,602	292,602	0
<i>Fund Balance End of Year</i>	<u>\$ 2,372,812</u>	<u>\$ 3,303,967</u>	<u>\$ 2,569,074</u>	<u>\$ (734,893)</u>

See accompanying notes to the basic financial statements.

Tri-Valley Local School District
Muskingum County, Ohio
Statement of Fund Net Position
Proprietary Funds
June 30, 2013

	Business-Type Activities <u>Scottie Kid's Club Fund</u>	Governmental Activities <u>Internal Service Fund</u>	<u>Total</u>
Assets			
<i>Current Assets</i>			
Equity in Pooled Cash and Investments	\$ 4,367	\$ 495,147	\$ 499,514
<i>Total Assets</i>	<u>4,367</u>	<u>495,147</u>	<u>499,514</u>
Liabilities			
<i>Current Liabilities</i>			
Accounts Payable	141	41,807	41,948
Accrued Wages and Benefits	1,567	0	1,567
Intergovernmental Payable	318	0	318
Interfund Payable	0	400,000	400,000
Claims Payable	0	241,031	241,031
Deferred Revenue	2,030	232,150	234,180
Compensated Absences Payable	1,275	0	1,275
<i>Total Current Liabilities</i>	<u>5,331</u>	<u>914,988</u>	<u>920,319</u>
<i>Long-Term Liabilities</i>			
Compensated Absences Payable - Net of Current Portion	1,278	0	1,278
Advances from Other Funds	0	460,515	460,515
<i>Total Long-Term Liabilities</i>	<u>1,278</u>	<u>460,515</u>	<u>461,793</u>
<i>Total Liabilities</i>	<u>6,609</u>	<u>1,375,503</u>	<u>1,382,112</u>
Net Position			
Unrestricted	(2,242)	(880,356)	(882,598)
<i>Total Net Position</i>	<u>\$ (2,242)</u>	<u>\$ (880,356)</u>	<u>\$ (882,598)</u>

See accompanying notes to the basic financial statements.

Tri-Valley Local School District
Muskingum County, Ohio
Statement of Revenues, Expenses, and Changes in Fund Net Position
Proprietary Funds
For the Fiscal Year Ended June 30, 2013

	Business-Type Activities <u>Scottie Kid's Club Fund</u>	Governmental Activities <u>Internal Service Fund</u>	<u>Total</u>
Operating Revenue			
Charges for Services	\$ 66,861	\$ 3,561,612	\$ 3,628,473
Operating Expenses			
Salaries and Wages	53,693	0	53,693
Fringe Benefits	7,717	0	7,717
Purchased Services	135	555,418	555,553
Materials and supplies	7,503	0	7,503
Claims	0	3,430,666	3,430,666
Other	55	0	55
<i>Total Operating Expenses</i>	<u>69,103</u>	<u>3,986,084</u>	<u>4,055,187</u>
<i>Change in Net Position</i>	(2,242)	(424,472)	(426,714)
<i>Net Position Beginning of Year</i>	<u>0</u>	<u>(455,884)</u>	<u>(455,884)</u>
<i>Net Position End of Year</i>	<u>\$ (2,242)</u>	<u>\$ (880,356)</u>	<u>\$ (882,598)</u>

See accompanying notes to the basic financial statements.

Tri-Valley Local School District
Muskingum County, Ohio
Statement of Cash Flows
Proprietary Funds
For the Fiscal Year Ended June 30, 2013

	Business-Type Activities <u>Scottie Kid's Club Fund</u>	Governmental Activities <u>Internal Service Fund</u>	<u>Total</u>
Cash Flows From Operating Activities			
Cash Received from Customers	\$ 68,891	\$ 3,543,817	\$ 3,612,708
Cash Paid for Goods and Services	(59,360)	(513,611)	(572,971)
Cash Paid for Employee Benefits	(5,164)	0	(5,164)
Cash Paid for Claims	0	(3,409,279)	(3,409,279)
<i>Net Cash Provided by (Used For) Operating Activities</i>	<u>4,367</u>	<u>(379,073)</u>	<u>(374,706)</u>
Cash Flows From Non-Capital Financing Activities			
Advances from Other Funds	<u>0</u>	<u>400,000</u>	<u>400,000</u>
<i>Net Increase in Cash and Investments</i>	4,367	20,927	25,294
<i>Cash and Investments Beginning of Year</i>	<u>0</u>	<u>474,220</u>	<u>474,220</u>
<i>Cash and Investments End of Year</i>	<u>\$ 4,367</u>	<u>\$ 495,147</u>	<u>\$ 499,514</u>
Reconciliation of Operating Loss to Net Cash Provided by (Used For) Operating Activities			
Operating Loss	\$ (2,242)	\$ (424,472)	\$ (426,714)
Adjustments:			
Increase (Decrease) in Liabilities:			
Accounts Payable	141	41,807	41,948
Accrued Wages and Benefits	1,567	0	1,567
Intergovernmental Payable	318	0	318
Claims Payable	0	21,387	21,387
Deferred Revenue	2,030	(17,795)	(15,765)
Compensated Absences Payable	2,553	0	2,553
<i>Total Adjustments</i>	<u>6,609</u>	<u>45,399</u>	<u>52,008</u>
<i>Net Cash Provided by (Used For) Operating Activities</i>	<u>\$ 4,367</u>	<u>\$ (379,073)</u>	<u>\$ (374,706)</u>

See accompanying notes to the basic financial statements.

Tri-Valley Local School District
Muskingum County, Ohio
Statement of Fiduciary Net Position
Fiduciary Funds
June 30, 2013

	Private Purpose Trust	Agency
Assets		
Equity in Pooled Cash and Investments	\$ 80,607	\$ 81,913
Liabilities		
Accounts Payable	0	\$ 1,105
Due to Students	0	80,808
<i>Total Liabilities</i>	0	\$ 81,913
Net Position		
Held in Trust for Scholarships	\$ 80,607	

See accompanying notes to the basic financial statements.

Tri-Valley Local School District
Muskingum County, Ohio
Statement of Changes in Fiduciary Net Position
Private Purpose Trust Fund
For the Fiscal Year Ended June 30, 2013

	Private Purpose Trust
Additions	
Investment Earnings	\$ 8,842
Deductions	
Payments in Accordance with Trust Agreements	2,000
<i>Change in Net Position</i>	6,842
<i>Net Position Beginning of Year</i>	73,765
<i>Net Position End of Year</i>	\$ 80,607

See accompanying notes to the basic financial statements.

Tri-Valley Local School District
Muskingum County, Ohio
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2013

Note 1 - Description of the School District and Reporting Entity

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

The School District was established in 1966. The School District serves an area of approximately 230 square miles. It is located in Muskingum and Coshocton Counties and includes all of Adams, Jefferson, Salem, Jackson, Muskingum and Madison Townships and a portion of Licking, Virginia, and Washington Townships. The School District currently operates 11 instructional/support buildings.

Reporting Entity

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

Component units are legally separate organizations for which the School District is financially accountable. The School District is financially accountable for an organization if the School District appoints a voting majority of the organization's governing board and (1) the School District is able to significantly influence the programs or services performed or provided by the organization; or (2) the School District is legally entitled to or can otherwise access the organization's resources;(3) the School District is legally obligated or has otherwise assumed the responsibility to finance deficits of, or provide financial support to, the organization; (4) or the School District is obligated for the debt of the organization. Component units may also include organizations that are fiscally dependent on the School District in that the School District approves the budget, the issuance of debt, or the levying of taxes. The School District does not have any component units.

The School District participates in the Licking Area Computer Association (LACA), the Mid-East Ohio Career and Technology Center, the Metropolitan Educational Council (MEC), and the Coalition of Rural and Appalachian Schools, which are defined as jointly governed organizations and the Ohio School Boards Association Workers' Compensation Group Rating Plan and the Ohio School Benefits Cooperative, which are defined as public entity risk pools. Additional information concerning these organizations is presented in Notes 14 and 15.

Note 2 - Summary of Significant Accounting Policies

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

Tri-Valley Local School District
Muskingum County, Ohio
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2013

A. Basis of Presentation

The School District's basic financial statements consist of government-wide statements, including a Statement of Net Position and a Statement of Activities, and fund financial statements which provide a more detailed level of financial information.

Government-wide Financial Statements The Statement of Net Position and the Statement of Activities display information about the School District as a whole. These statements include the financial activities of the primary government, except for fiduciary funds. The activity of the internal service fund is also eliminated to avoid "doubling up" revenues and expenses. The statements distinguish between those activities of the School District that are governmental and those that are considered business-type activities.

The statement of Net Position presents the financial condition of the governmental and business-type activities of the School District at fiscal year-end. The Statement of Activities presents a comparison between direct expenses and program revenues for each program or function of the School District's governmental activities and for the business-type activities of the School 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 charges paid by the recipient of the goods or services offered by the program, grants and contributions that are restricted to meeting the operational or capital requirements of a particular program, and interest earned on grants that is required to be used to support a particular program. Revenues which are not classified as program revenues are presented as general revenues of the School District with certain limitations. The comparison of direct expenses with program revenues identifies the extent to which each business segment or governmental function is self-financing or draws from the general revenues of the School District.

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

B. Fund Accounting

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

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

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

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

The other governmental funds of the School District account for grants and other resources to which the School District is bound to observe constraints imposed upon the use of the resources.

Proprietary Fund Type Proprietary funds focus on the determination of operating income, changes in net position, financial position and cash flows. The following are the School District's proprietary fund types:

Enterprise Fund Enterprise funds may be used to account for any activity for which a fee is charged to external users for goods and services. The School District's major enterprise fund is:

Scottie Kid's Club This fund accounts for transactions made in connection with before and after school child care program, formerly known as "Latch-Key".

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

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

C. Measurement Focus

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

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

Like the government-wide statements, the proprietary fund types are accounted for on a flow of economic resources measurement focus. All assets and all liabilities associated with the operation of the fund are included on the Statement of Fund Net Position. The Statement of Revenues, Expenses, and Changes in Fund Net Position presents increases (i.e., revenues) and decreases (i.e., expenses) in net total assets. The Statement of Cash Flows provides information about how the School District finances and meets the cash flow needs of its proprietary fund activities.

The private purpose trust fund is reported using the economic resources measurement focus. Agency funds do not report a measurement focus as they do 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. Differences in the accrual and the modified accrual basis of accounting arise in the recognition of revenue, the recording of deferred revenue, and in the presentation of expenses versus expenditures.

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

Nonexchange transactions, in which the School District receives value without directly giving equal value in return, include property taxes, grants, entitlements, and donations. On an accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied (See Note 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 School District must provide local resources to be used for a specified purpose, and expenditure requirements, in which the resources are provided to the School District on a reimbursement basis. On a modified accrual basis, revenue from nonexchange transactions must also be available before it can be recognized.

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

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

Property taxes for which there is an enforceable legal claim as of June 30, 2013, but which were levied to finance fiscal year 2014 operations, have been recorded as deferred revenue. Grants and entitlements received before the eligibility requirements are met are also recorded as deferred revenue.

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

Expenses/Expenditures On the accrual basis of accounting, expenses are recognized at the time they are incurred. The fair value of donated commodities used during the year is reported in the operating statement as an expense with a like amount 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. Budgetary Data

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

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

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

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F. Cash and Investments

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

During fiscal year 2013, investments were limited to certificates of deposit, Federal National Mortgage Association bonds and notes, Federal Farm Credit Bank notes, and State Treasury Asset Reserve of Ohio (STAROhio). Investments are reported at fair value, except for non negotiable certificates of deposit which are reported at cost.

STAROhio is an investment pool managed by the State Treasurer's Office, which allows governments within the State to pool their funds for investment purposes. STAROhio is not registered with the SEC as an investment company, but does operate in a manner consistent with Rule2a7 of the Investment Company Act of 1940. Investments in STAROhio are valued at STAROhio's share price, which is the price the investment could be sold for on June 30, 2013.

Under existing Ohio statues, all investment earnings are assigned to the general fund except for those specifically related to the building capital projects fund (a nonmajor governmental fund), or certain trust funds individually authorized by board resolution. Investment earnings (including fair market value adjustments for investments) credited to the general fund during fiscal year 2013 amounted to \$(43,282), which includes \$(25,592) assigned from other School District funds.

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

G. Interfund Balances

On fund financial statements, receivables and payables resulting from short-term interfund loans are classified as "interfund receivables/payables." Receivables and payables resulting from long-term interfund loans are classified as "advances to/from other funds." These amounts are eliminated in the governmental and business-type activities columns of the statement of net assets, except for the net residual amounts due between governmental and business-type activities, which are presented as "internal balances".

H. Inventory

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

I. Capital Assets

All capital assets of the School District are classified as general capital assets. These assets generally result from expenditures in the governmental funds. These assets are reported in the governmental activities column of the government-wide Statement of Net Position but are not reported in the fund financial statements.

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All capital assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the year. The School District was able to estimate the historical cost for the initial reporting of assets by backtrending (i.e., estimating current replacement cost of the asset to be capitalized and using an appropriate price-level index to deflate the cost to the acquisition year or estimated acquisition year). Donated capital assets are recorded at their fair market values as of the date received. The School District maintains a capitalization threshold of \$5,000. 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's life are not.

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

Description	Estimated Lives
Land Improvements	10 - 30 Years
Buildings and Improvements	10 - 50 Years
Furniture, Fixtures and Equipment	5 - 10 Years
Vehicles	5 - 10 Years
Infrastructure	10 Years

J. Compensated Absences

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

Sick leave benefits are accrued as a liability using the vesting method. The liability includes the employees who are currently eligible to receive termination benefits and those the School District has identified as probable of receiving payment in the future. The amount is based on accumulated sick leave and employee's wage rates at fiscal year end, taking into consideration any limits specified in the School District's termination policy. The School District records a liability for accumulated unused sick leave for classified and certified employees after 14 years of current service with the School District.

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

On the governmental fund financial statements, compensated absences are recognized as liabilities and expenditures to the extent payments come due each period upon the occurrence of employee resignations and retirements. These amounts are recorded in the account "matured compensated absences payable" in the funds from which these payments will be made. In proprietary funds, the entire amount of compensated absences is reported as a fund liability.

K. 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 proprietary funds are reported on the proprietary fund financial statements.

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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 fiscal year. Bonds are recognized as a liability on the fund financial statements when due.

L. Bond Discounts, Premiums and Issuance Costs

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

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

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

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

M. Net Position

Net position represents the difference between assets and liabilities. Net investment in capital assets, consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowing used for the acquisition, construction or improvement of those assets. Net position is reported as restricted when there are limitations imposed on their use either through constitutional provisions or enabling legislation or through external restrictions imposed by creditors, grantors or laws or regulations of other governments. Net position restricted for other purposes include instructional activities and grants.

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

N. Fund Balance

In accordance with Governmental Accounting Standards Board Statement No. 54, “*Fund Balance Reporting and Governmental Fund Type Definitions*”, the School District classifies its fund balance based on the purpose for which the resources were received and the level of constraint placed on the resources. The classifications are as follows:

Nonspendable – The nonspendable fund balance category includes amounts that cannot be spent because they are not in spendable form, or legally or contractually 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, as well as property acquired for resale, unless the use of the proceeds from the collection of those receivables or from the sale of those properties is restricted, committed or assigned.

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

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 School District Board of Education. Those committed amounts cannot be used for any other purpose unless the School 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 School District for specific purposes but do not meet the criteria to be classified as restricted or 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 School District Board of Education. The Board of Education has by resolution authorized the Treasurer to assign fund balance. The Board of Education may also assign fund balance as it does when appropriating fund balance to cover a gap between estimated revenue and appropriations in the subsequent year's appropriated budget.

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 used only to report a deficit balance resulting from overspending for specific purposes for which amounts had been restricted, committed or assigned.

The School District applies restricted resources first when expenditures are incurred for purposes for which either restricted or unrestricted (committed, assigned and unassigned) amounts are 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.

O. Interfund Activity

Transfers between governmental and business-type activities on the government-wide statements are reported in the same manner as general revenues.

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

Exchange transactions between funds are reported as revenues in the seller funds and as expenditures/expenses in the purchaser funds. Flows of cash or goods from one fund to another without a requirement for repayment are reported as interfund transfers. Interfund transfers are reported as other financing sources/uses in governmental funds and after non-operating 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.

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P. Operating Revenues and Expenses

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

Q. Extraordinary and Special Items

Extraordinary items are transactions or events that are both unusual in nature and infrequent in occurrence. Special items are transactions or events that are within the control of the Board of Education and that are either unusual in nature or infrequent in occurrence. Neither type of transaction occurred during fiscal year 2013.

R. Estimates

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

S. Implementation of New Accounting Policies

For the fiscal year ended June 30, 2013, the School District has implemented Governmental Accounting Standard Board (GASB) Statement No. 60, "*Accounting and Financial Reporting for Service Concession Arrangements*," GASB Statement No. 61, "*The Financial Reporting Entity: Omnibus an amendment of GASB Statements No. 14 and No. 34*," GASB Statement No. 62, "*Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*," and GASB Statement No. 63, "*Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*."

GASB Statement No. 60 improves financial reporting by addressing issues related to service concession arrangements (SCAs), which are a type of public-private or public-public partnership. The implementation of GASB Statement No. 60 did not have an effect on the financial statements of the School District.

GASB Statement No. 61 improves guidance for including, presenting and disclosing information about component units and equity interest transactions of a financial reporting entity. The implementation of GASB Statement No. 61 did not have an effect on the financial statements of the School District.

GASB Statement No. 62 incorporated into the GASB's authoritative literature certain accounting and financial reporting guidance that is included in the following pronouncements issued on or before November 30, 1989, which does not conflict with or contradict GASB pronouncements. The implementation of GASB Statement No. 62 did not have an effect on the financial statements of the School District.

GASB Statement No. 63 provides financial reporting guidance for deferred outflows of resources and deferred inflows of resources. It also amends the net asset reporting requirements in GASB Statement No. 34 by incorporating deferred outflows and inflows into the definitions and renaming the residual measure as net position, rather than net assets.

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Note 3 – Accountability and Compliance

A. Deficit Fund Balance

Fund balances at June 30, 2013 included the following individual fund deficits:

<i>Non-Major Governmental Funds:</i>	
Fitness Center	\$ 110,325
Race to the Top	536
IDEA Part B	64,326
Title I	82,277
Improving Teacher Quality	19,734
 <i>Proprietary Funds:</i>	
Scottie Kid's Club	2,242
Internal Service	880,356

The deficit balances resulted from adjustments for accrued liabilities. The general fund is liable for any deficit in these funds and will provide transfers when cash is required, not when accruals occur.

B. Compliance

Contrary to Ohio Revised Code Section 5705.41(B), the School District had expenditures plus encumbrances exceeding appropriations at year end.

Note 4 - Budgetary Basis of Accounting

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

1. Revenues are recorded when received in cash (budget) as opposed to when susceptible to accrual (GAAP).
2. Expenditures/expenses are recorded when paid in cash (budget) as opposed to when the liability is incurred (GAAP).
3. Encumbrances are treated as expenditures (budget) rather than as restricted, committed or assigned fund balance (GAAP).
4. Advances in and advances out are operating transactions (budget) as opposed to balance sheet transactions (GAAP).
5. Some funds are included in the general fund (GAAP), but have separate legally adopted budgets.

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The following table summarizes the adjustments necessary to reconcile the GAAP basis statement to the budgetary basis statement on a fund type basis for the general fund:

	General
GAAP Basis	\$ (808,020)
Net Adjustment for Revenue Accruals	1,050,489
Advances In	94,873
Net Adjustment for Expenditure Accruals	(871,301)
Advances Out	(512,743)
Funds Budgeted Elsewhere **	7,092
Adjustment for Encumbrances	376,117
Budget Basis	\$ (663,493)

** As part of Governmental Accounting Standards Board Statement No. 54, "Fund Balance Reporting," certain funds that are legally budgeted in separate special revenue funds are considered part of the general fund on a GAAP basis. This includes flower, uniform school supplies, summer basketball camp and public school support funds.

Note 5 - Deposits and Investments

State statute classifies monies held by the School District into three categories.

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

Inactive monies are public deposits that the School District's 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;

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2. Bonds, notes, debentures, or any other obligations or securities issued by any federal government agency or instrumentality, including but not limited to, the Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, Government National Mortgage Association, and Student Loan Marketing Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
3. Written repurchase agreements in the securities listed above provided that the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least two percent and be marked to market daily, and that the term of the agreement must not exceed thirty days;
4. Bonds and other obligations of the State of Ohio;
5. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2) of this section and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions;
6. The State Treasurer's investment pool (STAROhio and STAR Plus);
7. Certain bankers' acceptances and commercial paper notes for a period not to exceed one hundred and eighty days in an amount not to exceed 25 percent of the interim moneys available for investment at any on time; and,
8. Under limited circumstances, corporate debt interests rated in either of the two highest rating classifications by at least two nationally recognized rating agencies.

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 School District, and must be purchased with the expectation that it will be held to maturity.

Investments may only be made through specified dealers and institutions. Payment for investments may be made only upon delivery of the securities representing the investments to the Treasurer or qualified trustee or, if the securities are not represented by a certificate, upon receipt of confirmation of transfer from the custodian.

According to State law, public depositories must give security for all public funds on deposit. These institutions may either specifically collateralize individual accounts in lieu of amounts insured by FDIC, or may pledge a pool of government securities valued at least 105 percent of the total value of uninsured public monies on deposit at the institution. Repurchase agreements must be secured by the specific government securities upon which the repurchase agreements are based. These securities must be obligations of or guaranteed by the United States and mature or be redeemable within 5 years of the date of the related repurchase agreement. State law does not require security for public deposits and investments to be maintained in the School District's name. During 2013, the School District and public depositories complied with the provisions of these statutes.

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Deposits with Financial Institutions

Custodial credit risk is the risk that, in the event of a bank failure, the School District will not be able to recover deposits or collateral securities that are in the possession of an outside party. At fiscal year end, the carrying amount of the School District's deposits was \$6,187,911. At year end, \$4,581,974 of the School District's bank balance of \$6,281,112 was exposed to custodial credit risk because it was uninsured and uncollateralized. Although all statutory requirements for the deposit of money had been followed, non-compliance with federal requirements could potentially subject the School District to a successful claim by FDIC.

The School District has no deposit policy for custodial risk beyond the requirements of State statute. Ohio law requires that deposits be either insured or be protected by eligible securities pledged to and deposited either with the School District or a qualified trustee by the financial institution as security for repayment, or by a collateral pool of eligible securities deposited with a qualified trustee and pledged to secure the repayment of all public monies deposited in the financial institution whose market value at all times shall be at least 105 percent of the deposits being secured.

Investments

As of June 30, 2013, the School District had the following investments:

Standard & Poor's Rating	Investment Type	Fair Value	Investment Maturities			Percent of Total
			6 Months or Less	1 to 3 Years	Over 3 Years	
AA+	Federal National Mortgage Association	\$ 2,475,955	\$ 0	\$ 0	\$ 2,475,955	82.11%
AA+	Federal Farm Credit Bank	487,580	0	0	487,580	16.17%
AAAm	STAROhio	51,950	51,950	0	0	1.72%
	Total	<u>\$ 3,015,485</u>	<u>\$ 51,950</u>	<u>\$ 0</u>	<u>\$ 2,963,535</u>	<u>100.00%</u>

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

STAROhio is an investment pool operated by the Ohio State Treasurer. It is unclassified since it is not evidenced by securities that exist in physical or book entry form. Ohio law requires STAROhio to maintain the highest rating provided by at least one nationally recognized standard rating service. The weighted average of maturity of the portfolio held by STAROhio as of June 30, 2013, is 58 days.

Credit Risk The School District's investments at June 30, 2013 are rated as shown above by Standard & Poor's. The School District has no investment policy that would further limit its investment choices.

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Custodial Credit Risk. For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the School District will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The School District has no investment policy dealing with investment custodial risk beyond the requirement in State statute that prohibits payment for investments prior to the delivery of the securities representing such investments to the treasurer or qualified trustee.

Concentration of Credit Risk. The School District places no limit on the amount that may be invested in any one issuer. The table above includes the percentage to total of each investment type held by the School District at June 30, 2013.

Note 6 - Property Taxes

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

Property taxes include amounts levied against all real and public utility property located in the School District. Real property tax revenue received in calendar year 2013 represents collections of calendar year 2013 taxes. Real property taxes received in calendar year 2013 were levied after April 1, 2013, on the assessed value listed as of January 1, 2013, the lien date. Assessed values for real property taxes are established by State law at thirty-five percent of appraised market value. Real property taxes are payable annually or semi-annually. If paid annually, payment is due December 31; if paid 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 revenue received in calendar 2013 represents collections of calendar year 2013 taxes. Public utility real and tangible personal property taxes received in calendar year 2013 became a lien December 31, 2011, were levied after April 1, 2013 and are collected in 2013 with real property taxes. Public utility real property is assessed at thirty-five percent of true value; public utility tangible personal property currently is assessed at varying percentages of true value.

House Bill No. 66 was signed into law on June 30, 2005. House Bill No. 66 phased out the tax on tangible personal property of general businesses, telephone and telecommunications companies, and railroads. The tax on general business and railroad property was eliminated in calendar year 2009, and the tax on telephone and telecommunications property was eliminated in calendar year 2010. The tax was phased out by reducing the assessment rate on the property each year. The bill replaced the revenue lost by the School District due to the phasing out of the tax. In calendar years 2006-2010, the School District was fully reimbursed for the lost revenue. In calendar years 2011-2017, the reimbursements are being phased out. On June 30, 2011, House Bill No. 153 was signed into law, which further reduced the amounts of these reimbursements.

The School District receives property taxes from Muskingum and Coshocton Counties. The County Auditor periodically advances to the School District its portion of the taxes collected. Second-half real property tax payments collected by the County by June 30, 2013, are available to finance fiscal year 2013 operations. The amount available to be advanced can vary based on the date the tax bills are sent.

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Accrued property taxes receivable includes real property and public utility property taxes which are measurable as of June 30, 2013, and for which there is an enforceable legal claim. Although total property tax collections for the next fiscal year are measurable, only the delayed personal property tax and the amount of real property taxes available as an advance at June 30 was levied to finance current fiscal year operations and is reported as revenue at fiscal year end. The portion of the receivable not levied to finance current fiscal year operations is offset by a credit to deferred revenue.

The amount available as an advance at June 30, 2013 was \$1,344,062 in the general fund, \$242,090 in the debt service fund, and \$26,397 in the classroom facilities maintenance fund. The amount available as an advance at June 30, 2012, was \$2,345,830 in the general fund, \$417,096 in the debt service fund, and \$45,005 in the classroom facilities maintenance fund.

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

The assessed values upon which the fiscal year 2013 taxes were collected are:

	2012 Second- Half Collections		2013 First- Half Collections	
	Amount	Percent	Amount	Percent
Real Estate	\$ 304,024,550	92.40%	\$ 296,977,170	91.58%
Public Utility Personal Property	25,013,274	7.60%	27,289,040	8.42%
Total Assessed Values	\$ 329,037,824	100.00%	\$ 324,266,210	100.00%
Tax rate per \$1,000 of assessed valuation	\$ 40.00		\$ 40.05	

Note 7 - Receivables

Receivables at June 30, 2013, consisted of taxes, interfund, revenue in lieu of taxes and intergovernmental grants. All receivables are considered collectible in full due to the ability to foreclose for the nonpayment of taxes, the stable condition of State programs and the current fiscal year guarantee of Federal Funds. All receivables are expected to be collected within one year, with the exception of delinquent property taxes deemed collectible by the County Auditor and recorded as a receivable in the amount of \$592,090.

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

Tri-Valley Local School District
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Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2013

Note 8 - Capital Assets

Capital asset activity for the fiscal year ended June 30, 2013 was as follows:

	Balance 06/30/2012	Additions	Deletions	Balance 06/30/2013
Governmental Activities				
<i>Capital Assets not being depreciated</i>				
Land	\$ 4,020,160	\$ 0	\$ 0	\$ 4,020,160
<i>Capital Assets being depreciated</i>				
Land Improvements	2,370,749	58,949	0	2,429,698
Buildings and Improvements	70,166,919	449,338	0	70,616,257
Furniture, Fixtures and Equipment	3,675,230	27,937	(35,129)	3,668,038
Vehicles	2,683,111	165,976	(111,384)	2,737,703
Infrastructure	19,600	17,593	0	37,193
<i>Total Capital Assets Being Depreciated</i>	<u>78,915,609</u>	<u>719,793</u>	<u>(146,513)</u>	<u>79,488,889</u>
<i>Less Accumulated Depreciation:</i>				
Land Improvements	(501,825)	(143,717)	0	(645,542)
Buildings and Improvements	(16,662,789)	(2,368,788)	0	(19,031,577)
Furniture, Fixtures and Equipment	(1,790,740)	(394,199)	27,106	(2,157,833)
Vehicles	(1,700,994)	(167,709)	111,384	(1,757,319)
Infrastructure	(3,430)	(3,280)	0	(6,710)
<i>Total Accumulated Depreciation</i>	<u>(20,659,778)</u>	<u>(3,077,693) *</u>	<u>138,490</u>	<u>(23,598,981)</u>
<i>Total Capital Assets Being Depreciated, Net</i>	<u>58,255,831</u>	<u>(2,357,900)</u>	<u>(8,023)</u>	<u>55,889,908</u>
<i>Governmental Activities Capital Assets, Net</i>	<u>\$ 62,275,991</u>	<u>\$ (2,357,900)</u>	<u>\$ (8,023)</u>	<u>\$ 59,910,068</u>

* Depreciation expense was charged to governmental functions as follows:

Instruction:	
Regular	\$ 1,611,434
Special	199,033
Vocational	82,104
Support Services:	
Pupils	45,007
Instructional Staff	146,865
Board of Education	15,463
Administration	207,239
Fiscal	2,369
Operation and Maintenance of Plant	103,734
Pupil Transportation	171,080
Central	59,416
Operation of Non-Instructional Services:	
Food Service Operations	202,247
Community Services	59,220
Extracurricular Activities	172,482
<i>Total Depreciation</i>	<u>\$ 3,077,693</u>

Tri-Valley Local School District
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Notes to the Basic Financial Statements
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Note 9 - Risk Management

A. Property and Liability

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

Building and Contents (\$2,500 deductible)	\$ 102,806,291
Automotive Liability (\$100 comprehensive, \$500 collision)	1,000,000
General Liability:	
Each Occurrence	1,000,000
General Aggregate Limit	3,000,000
Products/Completed Operations Aggregate Limit	3,000,000
Professional Liability	
Each Occurrence	1,000,000
General Aggregate Limit	3,000,000

Settlements have not exceeded coverage in any of the last three fiscal years. There has not been a significant reduction in coverage from the prior year.

B. Employee Medical Benefits

Medical, surgical and dental insurance is offered to all employees through a self insurance internal service fund. The School District participates with the Ohio School Benefits Cooperative with Medical Mutual serving as the third-party administrator for the plan. Stop-loss coverage is purchased for individual claims above \$100,000 and in aggregate \$4,449,816. With the stop loss coverage, the School District's total maximum liability for the 2013 plan year is \$4,983,228. The School District pays 80 percent of family premiums and 100 percent of single premiums for the medical/surgical and prescription drug coverage which are \$1,329.80 for family coverage or \$525.12 for individual coverage per month. The premium is paid to the internal service fund by the fund that pays the salary for the covered employee.

The School District also pays 80 percent of family premiums and 100 percent of single premiums for the dental premiums which are \$94.82 for family coverage or \$36.48 for individual coverage.

The claims liability of \$241,031 reported in the Internal Service fund at June 30, 2013 is based on an estimate provided by the third party administrator and the requirements of Governmental Accounting Standards Board Statement No. 30 which requires that a liability for unpaid claim costs, including estimates of costs relating to incurred but not reported claims, be reported. The estimate was not affected by incremental claim adjustment expenses and does not include other allocated or unallocated claim adjustment expenses.

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Changes in fund's claims liability for the fiscal years 2013 and 2012 are as follows:

		<u>Balance</u> <u>Beginning of Year</u>		<u>Current</u> <u>Year Claims</u>		<u>Claims</u> <u>Payments</u>		<u>Balance</u> <u>End of Year</u>
2012	\$	342,959	\$	3,468,033	\$	3,591,348	\$	219,644
2013	\$	219,644	\$	3,430,666	\$	3,409,279	\$	241,031

C. Workers' Compensation

For fiscal year 2013, the School District participated in the Ohio School Boards Association Workers' Compensation Group Rating Program (GRP), an insurance purchasing pool (Note 15). The intent of the GRP is to achieve the benefit of a reduced premium for the School District by virtue of its grouping and representation with other participants in the GRP. The workers' compensation experience of the participating school districts is calculated as one experience and a common premium rate is applied to all school districts in the GRP.

Each participant pays its workers' compensation premium to the State based on the rate for the GRP rather than its individual rate. Participation in the GRP is limited to school districts that can meet the GRP's selection criteria. The firm of Gates McDonald & Co. provides administrative, cost control and actuarial services to the GRP.

Note 10 - Pension Plans

A. School Employees Retirement System

Plan Description - The School District contributes to the School Employees Retirement System of Ohio ("SERS"), a cost-sharing multiple-employer defined benefit pension plan. SERS provides retirement, disability and survivor benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Authority to establish and amend benefits is provided by state statute per 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 can be obtained by contacting SERS, 300 East Broad Street, Suite 100, Columbus, Ohio 43215-3746 or by calling toll free (800) 878-5853. It is also posted on SERS' website at www.ohsers.org under Employers/Audit Resources.

Funding Policy - Plan members are required to contribute 10 percent of their annual covered salary and the School District is required to contribute at an actuarially determined rate. The current rate is 14 percent of annual covered payroll. A portion of the School District's contribution is used to fund pension obligations with the remainder being used to fund health care benefits. For fiscal year 2013, 13.05 percent and .05 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 statutory maximum amount of 10 percent for plan members and 14 percent for employers. Chapter 3309 of the Ohio Revised Code provides statutory authority for member and employer contributions. The School District's required contributions for pension obligations and death benefits to SERS for the fiscal years ended June 30, 2013, 2012 and 2011 were \$570,922, \$566,701 and \$471,520, respectively; 62 percent has been contributed for fiscal year 2013 and 100 percent for the fiscal years 2012 and 2011.

Tri-Valley Local School District
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B. State Teachers Retirement System

Plan Description - The School District participates in the State Teachers Retirement System of Ohio (“STRS Ohio”), a cost-sharing, multiple-employer public employee retirement plan. STRS Ohio provides retirement and disability benefits to members and death and survivor benefits to beneficiaries. STRS Ohio issues a publicly-available, stand-alone financial report that may be obtained by writing to STRS Ohio, 275 East Broad Street, Columbus, Ohio 43215-3371, by calling (888) 227-7877, or by visiting the STRS Ohio website at www.strsoh.org.

New members have a choice of three retirement plans, a Defined Benefit (DB) Plan, a Defined Contribution (DC) Plan and a Combined Plan. The DB Plan offers an annual retirement allowance based on final average salary times a percentage that varies based on years of service, or an allowance based on 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 of credited service who becomes disabled may qualify for a disability benefit. Eligible spouses and dependents of these active members who die before retirement may qualify for survivor benefits. Members in the DC plan who become disabled are entitled only to their account balance. If a member dies before retirement benefits begin, the member’s designated beneficiary is entitled to receive the member’s account balance.

Funding Policy - For fiscal year 2013, plan members were required to contribute 10 percent of their annual covered salaries. The School District was required to contribute 14 percent; 13 percent was the portion used to fund pension obligations. 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 employer contributions. Chapter 3307 of the Ohio Revised Code provides statutory authority for member and employer contributions.

The School District’s required contributions for pension obligations to STRS Ohio for the fiscal years ended June 30, 2013, 2012 and 2011 were \$1,343,429 , \$1,377,450 and \$1,498,373, respectively; 83 percent has been contributed for fiscal year 2013 and 100 percent for the fiscal years 2012 and 2011. Contributions to the DC and Combined Plans for fiscal year 2013 were \$53,884 made by the School District and \$38,488 made by the plan members.

C. Social Security System

Effective July 1, 1991, all employees not otherwise covered by the School Employees Retirement System or the State Teachers Retirement System have an option to choose Social Security or the School Employees Retirement System/State Teachers Retirement System. As of June 30, 2013, certain members of the Board of Education have elected social security. The Board’s liability is 6.2 percent of wages paid.

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Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2013

Note 11 - Postemployment Benefits

A. School Employees Retirement System

Plan Description – The School District participates in two cost-sharing, multiple employer defined benefit OPEB plans administered by the School Employees Retirement System for non-certificated retirees and their beneficiaries, a Health Care Plan and a Medicare Part B Plan. The Health Care Plan includes hospitalization and physicians' fees through several types of plans including HMO's, PPO's, Medicare Advantage and traditional indemnity plans. A prescription drug plan 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 Ohio Revised Code Section 3309.69. 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 monthly premium for calendar year 2013 was \$104.90 for most participants, but could be as high as \$335.70 per month depending on their income. 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 SERS' website at www.ohsers.org under Employers/Audit Resources.

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 fiscal year 2013, .16 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 2013, the actuarially determined amount was \$20,525.

Active members do not contribute to the postemployment benefit plans. The SERS 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. Retirees and their beneficiaries are required to pay a health care premium that varies depending on the plan selected, the number of qualified years of service, Medicare eligibility and retirement status.

The School District's contributions for health care (including surcharge) for the fiscal years ended June 30, 2013, 2012, and 2011 were \$60,220, \$24,542, and \$57,093, respectively; 62 percent has been contributed for fiscal year 2013 and 100 percent for fiscal years 2012 and 2011.

The Retirement Board, acting with advice of the actuary, allocates a portion of the current employer contribution to the Medicare B Fund. For fiscal year 2013, the actuarially required allocation was 0.74 percent of covered payroll. The School District's contributions for Medicare Part B for the fiscal years ended June 30, 2013, 2012, and 2011 were \$32,251, \$33,467, and \$30,343, respectively; 62 percent has been contributed for fiscal year 2013 and 100 percent for fiscal years 2012 and 2011.

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B. State Teachers Retirement System

Plan Description - The School 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 financial report of STRS. Interested parties can view the most recent Comprehensive Annual Financial Report by visiting www.strsoh.org or by requesting a copy by calling toll-free (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 fiscal year 2013, STRS Ohio allocated employer contributions equal to 1 percent of covered payroll to the Health Care Stabilization Fund. The School District's contributions for health care for the fiscal years ended June 30, 2013, 2012, and 2011 were \$103,341, \$105,958, and \$115,259, respectively; 83 percent has been contributed for fiscal year 2013 and 100 percent for fiscal years 2012 and 2011.

Note 12 - Other Employee Benefits

A. Compensated Absences

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

B. Other Insurance Benefits

The School District provides life insurance and accidental death and dismemberment insurance to its employees. Term life insurance coverage is \$50,000 with an additional \$50,000 of accidental death and dismemberment coverage for certified and non-certified staff. For administrators, coverage is calculated at \$1,000 for every \$1,000 earned with a maximum of \$50,000. Coverage is provided by Assurant Employee Benefits. The rate is \$6.50 per month for all employees.

An additional employee benefit which is offered through the School District is vision insurance through Vision Service Plan, Inc. The monthly rate is \$5.74 for single and \$12.98 for family for all employees.

C. Retirement Incentive

Certified employees with 30 years or more of retirement credit shall be eligible for a \$15,000 retirement incentive providing the employee retires by July 1, of the school year in which they first become eligible for retirement. Also, if the employee gives the School District notice of retirement prior to March 1 within the fiscal year of their retirement, then the employee is entitled to five days of additional pay.

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Note 13 - Long-Term Obligations

Changes in long-term obligations of the School District during fiscal year 2013 were as follows:

	Outstanding 6/30/2012	Additions	Deductions	Outstanding 6/30/2013	Due In One Year
Governmental Activities					
<i>General Obligation Bonds:</i>					
2002 School Improvement Bonds, \$18,500,000					
Term Bonds - 4.25%, \$14,620,000	\$ 3,040,000	\$ 0	\$ 0	\$ 3,040,000	\$ 0
Serial Bond Premium, \$228,153	73,108	0	9,139	63,969	0
Total 2002 School Improvement Bonds	3,113,108	0	9,139	3,103,969	0
2006 Advance Refunding Bonds, \$9,254,993					
Serial Bonds - 4.1-4.4%, \$7,130,000	7,130,000	0	0	7,130,000	0
Term Bonds - 4.25%, \$1,695,000	1,695,000	0	0	1,695,000	0
Capital Appreciation Bonds - 30.656% \$429,993	123,939	0	75,805	48,134	42,176
CAB Accretion - \$1,070,007	601,698	149,392	424,195	326,895	286,446
CAB Premium - \$778,859	584,146	0	32,452	551,694	0
Serial/Term Bond Discount - \$43,312 & \$4,408	(35,792)	0	(1,988)	(33,804)	0
Refunding Difference - \$632,855	(421,901)	0	(35,159)	(386,742)	0
Total 2006 Advance Refunding Bonds	9,677,090	149,392	495,305	9,331,177	328,622
2007 Advance Refunding Bonds, \$3,084,995					
Serial Bonds - 4.0%, \$1,135,000	905,000	0	40,000	865,000	45,000
Term Bonds - 4.0%, \$1,900,000	1,900,000	0	0	1,900,000	0
Capital Appreciation Bonds - 20.747%, \$49,995	49,995	0	0	49,995	0
CAB Accretion - \$685,005	89,546	30,431	0	119,977	0
Serial/CAB Premium - \$4,345 & \$364,567	260,407	0	21,701	238,706	0
Serial/Term Bond Discount - \$6,817 & \$11,001	(12,578)	0	(1,048)	(11,530)	0
Refunding Difference - \$257,237	(181,577)	0	(15,132)	(166,445)	0
Total 2007 Advance Refunding Bonds	3,010,793	30,431	45,521	2,995,703	45,000
Total General Obligation Bonds	15,800,991	179,823	549,965	15,430,849	373,622
Compensated Absences	1,397,630	392,200	294,789	1,495,041	295,681
<i>Total Governmental Long-Term Liabilities</i>	\$ 17,198,621	\$ 572,023	\$ 844,754	\$ 16,925,890	\$ 669,303
Business-Type Activities					
Compensated Absences	\$ 0	\$ 2,553	\$ 0	\$ 2,553	\$ 1,275
<i>Total Business-Type Long-Term Liabilities</i>	\$ 0	\$ 2,553	\$ 0	\$ 2,553	\$ 1,275

Compensated absences for governmental activities will be paid from the General Fund and the Food Service Special Revenue Fund and compensated absences for business-type activities will be paid from the Scottie Kid's Club Fund.

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

The serial and a portion of the term bonds were originally sold at a premium of \$228,153, of which \$118,803 remained outstanding after the refunding issues. The remaining premium will be amortized over the remaining life of the bonds.

Issuance costs associated with the original bond issue were \$91,545 and were deferred, of which \$18,334 remained outstanding after the refunding issues that will be amortized over the remaining life of the bond issue. The amortization of issuance costs for fiscal year 2013 was \$1,410. The original bonds were issued for a 28-year period with a final maturity at December 1, 2029. After the advance refunding issues, the bonds that remained outstanding have a final maturity at December 1, 2019.

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

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

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

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

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

Tri-Valley Local School District
Muskingum County, Ohio
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2013

Principal and interest requirements to retire general obligation bonds for the outstanding 2002 School Improvement Bonds outstanding at June 30, 2013 are as follows:

Fiscal Year Ending June 30	Term Bonds		
	Principal	Interest	Total
2014	\$ 0	\$ 167,200	\$ 167,200
2015	365,000	157,162	522,162
2016	420,000	135,575	555,575
2017	470,000	111,100	581,100
2018	530,000	83,599	613,599
2019-2020	1,255,000	70,812	1,325,812
Total	<u>\$ 3,040,000</u>	<u>\$ 725,448</u>	<u>\$ 3,765,448</u>

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

On April 20, 2006, the School District issued \$9,254,993 of general obligation bonds that were issued to partially refund the 2002 school improvement general obligation bonds. The bonds were issued for a 23 year period with final maturity at December 1, 2029. The bond issue included serial, term and capital appreciation bonds in the amounts of \$7,130,000, \$1,695,000 and \$429,993, respectively. These refunding bonds were issued with a discount of \$47,720 which is reported as a decrease to bonds payable and a premium of \$778,859 which is reported as an increase to bonds payable. The issuance costs of \$151,001 are reported as deferred charges and are being amortized over the life of the bonds using the straight-line method. The amortization of the issuance costs for fiscal year 2013 was \$6,292. The refunding resulted in a difference between the net carrying amount of the debt and the acquisition price of \$632,855. This difference, reported in the accompanying financial statements as a decrease to bonds payable is being amortized to interest expense over the life of the bonds using the straight-line method. The remaining outstanding bonds are being retired from the Debt Service Fund.

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

Tri-Valley Local School District
Muskingum County, Ohio
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2013

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

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

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

The capital appreciation bonds for the 2006 issue mature December 1, 2006 through December 1, 2016. At maturity all compounded interest is paid and the bond holder receives the face value of the bond. As the value of the bond increases, accretion is reflected as a liability. The maturity amount of the bonds is \$1,500,000. For fiscal year 2013, \$149,392 was accreted and \$424,195 of the accretion was paid, leaving a total bond liability of \$375,029.

Principal and interest requirements to retire general obligation bonds for the 2006 School Improvement Refunding Bonds outstanding at June 30, 2013 are as follows:

<u>Fiscal Year</u>	<u>Serial/Term Bonds</u>		<u>Capital Appreciation Bonds</u>		<u>Total</u>	
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Accretion</u>	<u>Principal</u>	<u>Accretion/ Interest</u>
2014	\$ 0	\$ 381,835	\$ 42,176	\$ 327,824	\$ 42,176	\$ 709,659
2015	0	381,835	2,571	27,429	2,571	409,264
2016	0	381,835	1,933	28,067	1,933	409,902
2017	0	381,835	1,454	28,546	1,454	410,381
2018	30,000	381,220	0	0	30,000	381,220
2019-2023	185,000	1,884,004	0	0	185,000	1,884,004
2024-2028	5,445,000	1,378,690	0	0	5,445,000	1,378,690
2029-2030	3,165,000	141,790	0	0	3,165,000	141,790
<i>Totals</i>	<u>\$ 8,825,000</u>	<u>\$ 5,313,044</u>	<u>\$ 48,134</u>	<u>\$ 411,866</u>	<u>\$ 8,873,134</u>	<u>\$ 5,724,910</u>

Tri-Valley Local School District
Muskingum County, Ohio
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2013

2007 Advance Refunding General Obligation Bonds – On April 19, 2007, the School District issued \$3,084,995 of general obligation bonds that were issued to partially refund the 2002 school improvement general obligation bonds. The bonds were issued for a 17 year period with final maturity at December 1, 2023. The serial and term refunding bonds were issued with a discount of \$17,818 which is reported as a decrease to bonds payable. The serial and capital appreciation refunding bonds were issued with a premium of \$368,912 which is reported as an increase to bonds payable. The issuance costs of \$90,054 are reported as deferred charges and are being amortized over the life of the bonds using the straight-line method. The amortization of the issuance costs for fiscal year 2013 was \$5,297. The refunding resulted in a difference between the net carrying amount of the debt and the acquisition price of \$257,237. This difference, reported in the accompanying financial statements as a decrease to bonds payable is being amortized to interest expense over the life of the bonds using the straight-line method. The remaining outstanding bonds are being retired from the Debt Service Fund.

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

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

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

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

The capital appreciation bonds for the 2007 issue mature December 1, 2020. At maturity all compounded interest is paid and the bond holder receives the face value of the bond. As the value of the bond increases, the accretion is reflected as a liability. The maturity amount of the bonds is \$735,000. For fiscal year 2013, \$30,431 was accreted, for a total bond liability of \$169,972.

Tri-Valley Local School District
Muskingum County, Ohio
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2013

Principal and interest requirements to retire general obligation bonds for the 2007 School Improvement Refunding Bonds outstanding at June 30, 2013 are as follows:

Fiscal Year	Serial/Term Bonds		Capital Appreciation Bonds		Total	
	Principal	Interest	Principal	Accretion	Principal	Accretion/ Interest
2014	\$ 45,000	\$ 109,700	\$ 0	\$ 0	\$ 45,000	\$ 109,700
2015	45,000	107,900	0	0	45,000	107,900
2016	45,000	106,100	0	0	45,000	106,100
2017	50,000	104,200	0	0	50,000	104,200
2018	50,000	102,200	0	0	50,000	102,200
2019-2023	1,900,000	415,000	49,995	685,005	1,949,995	1,100,005
2024-2025	630,000	12,600	0	0	630,000	12,600
<i>Totals</i>	<u>\$ 2,765,000</u>	<u>\$ 957,700</u>	<u>\$ 49,995</u>	<u>\$ 685,005</u>	<u>\$ 2,814,995</u>	<u>\$ 1,642,705</u>

Advance Refunding General Obligation Bonds – The School District had previously issued 2002 school improvement general obligation bonds for school improvements that were partially refunded through the 2006 school improvement refunding general obligation bonds and 2007 general obligation advance refunding bonds. At the date of the 2007 refunding, \$3,346,035 (including premium, and after discount, underwriting fees, and other issuance costs) was deposited in an irrevocable trust to provide for all future debt service payments on the refunded 2002 School Improvement Bonds. As all of the legal steps had been taken to refund the debt, the balance of the outstanding bonds refunded was removed from the School District’s financial statements. All defeased debt related to the refundings was fully called and repaid in fiscal year 2012.

Note 14 - Jointly Governed Organizations

Licking Area Computer Association – Licking Area Computer Association (LACA) is a jointly governed organization of a two county consortium of school districts. LACA is an association which serves 14 entities within the boundaries of Licking and Muskingum Counties. These entities consist of public school districts, private schools and education service centers. The organization was formed for the purpose of applying modern technology with the aid of computers and other electronic equipment to administrative and instructional functions among member districts. The continued existence of LACA is not dependent on the School District’s continued participation and no equity interest exists. The LACA constitution states that any school district withdrawing from the Association prior to dissolution forfeits their claim to the Association’s capital assets. The School District’s total payments to LACA for fiscal year 2013 were \$150,058. Financial statements for LACA can be obtained from their fiscal agent the Career and Technology Education Center of Licking County, 150 Price Road, Newark, OH 43055.

Mid-East Ohio Career and Technology Center – The Mid-East Ohio Career and Technology Center is a distinct political subdivision of the State of Ohio operated under the direction of a Board consisting of one representative from each of the 13 participating school district’s elected boards. The Board possesses its own budgeting and taxing authority. The Board controls the financial activity of the Career and Technology Center. The School District did not make any payments to the Mid-East Ohio Career and Technology Center for fiscal year 2013. To obtain financial information, write to the Mid-East Ohio Career and Technology Center, Rick White, Treasurer, at 400 Richards Road, Zanesville, Ohio 43701.

Tri-Valley Local School District
Muskingum County, Ohio
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2013

Metropolitan Educational Council (MEC) – The Metropolitan Education Council is a consortium of school districts and related agencies in Ohio. The organization is comprised of 193 members. The governing board is comprised of either the superintendent or his designated representative from each participating school district in Franklin County and one representative from each county outside Franklin County. Each year the participating school districts pay a membership fee to MEC to cover the costs of administering the program. The School District’s membership payment to MEC for fiscal year 2013 was \$1,218. Financial information may be obtained from the Metropolitan Educational Council, Sue Ward, who serves as fiscal officer, at 2100 City Gate Dr., Suite 604, Columbus, Ohio 43219.

Coalition of Rural and Appalachian Schools – The Coalition of Rural and Appalachian Schools is a jointly governed organization composed of over 130 school districts and other educational institutions in the 35-county region of Ohio designated as Appalachia. The Coalition is operated by a Board which is composed of nineteen members. One elected and one appointed from each of the eight regions into which the 35 Appalachian counties are divided; and three from Ohio University College of Education. The Council provides various in-service training programs for school district administrative personnel; gathers data regarding the level of education provided to children in the region; cooperates with other professional groups to assess the development programs designed to meet the needs of member districts; and provides staff development programs for school district personnel. The Council is not dependent on the continued participation of the School District and the School District does not maintain an equity interest in or financial responsibility for the Council. During fiscal year 2013, the School District did not make any payments to the Coalition of Rural and Appalachian Schools. To obtain financial information write to the Coalition of Rural and Appalachian Schools, Executive Director, at McCracken Hall, Ohio University, Athens, Ohio 45701.

Note 15 – Public Entity Pools

A. Insurance Purchasing Pool

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

B. Claims Servicing Pool

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

Tri-Valley Local School District
Muskingum County, Ohio
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2013

Note 16 - Set-Asides

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

The following cash basis information describes the change in the set aside amounts for capital acquisition. Disclosure of this information is required by State statute.

	Capital Improvements
Set-aside Restricted Balance as of June 30, 2012	\$ 0
Current Year Set-aside Requirement	531,716
Current Year Qualifying Disbursements	(559,187)
Totals	\$ (27,471)
Balance Carried Forward to Fiscal Year 2014	\$ 0
Set-aside Restricted Balance as of June 30, 2013	\$ 0

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

Note 17 – Interfund Balances

As of June 30, 2013, receivables and payables that resulted from cash advances from the general fund to other funds were as follows:

	Interfund Receivable	Interfund Payable	Advances to Other Funds	Advances from Other Funds
General	\$ 424,143	\$ 0	\$ 544,122	\$ 0
Other Governmental:				
Fitness Center	0	24,143	0	83,607
Internal Service	0	400,000	0	460,515
	\$ 424,143	\$ 424,143	\$ 544,122	\$ 544,122

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. All interfund balances are expected to be repaid when anticipated revenues are received.

Interfund balances between governmental funds are eliminated on the government-wide financial statements; therefore, no internal balances at June 30, 2013 are reported on the Statement of Net Position.

Tri-Valley Local School District
Muskingum County, Ohio
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2013

Note 18 – Fund Balance

Fund balance can be classified as nonspendable, restricted, committed, assigned and/or unassigned based primarily on the extent to which the School District is bound to observe constraints imposed upon the use of the resources in governmental funds.

The constraints placed on fund balance for the major governmental funds and all other funds are presented as follows:

	General	Debt Service	Other Governmental Funds	Total
Nonspendable for:				
Materials and Supplies Inventory	\$ 114,287	\$ 0	\$ 16,390	\$ 130,677
Advances to Other Funds	544,122	0	0	544,122
Total Nonspendable	<u>658,409</u>	<u>0</u>	<u>16,390</u>	<u>674,799</u>
Restricted for:				
Debt Service	0	2,218,913	0	2,218,913
Capital Outlay	0	0	1,711,232	1,711,232
Food Service	0	0	289,490	289,490
Maintenance of Facilities	0	0	851,786	851,786
Other Purposes	0	0	79,900	79,900
Total Restricted	<u>0</u>	<u>2,218,913</u>	<u>2,932,408</u>	<u>5,151,321</u>
Committed for:				
Underground Storage Tank	11,000	0	0	11,000
Capital Outlay	0	0	8,470	8,470
Total Committed	<u>11,000</u>	<u>0</u>	<u>8,470</u>	<u>19,470</u>
Assigned for:				
Instruction	121,637	0	0	121,637
Support Services	111,175	0	0	111,175
Operation and Maintenance	13,991	0	0	13,991
Subsequent Year Appropriations	708,501	0	0	708,501
Other Purposes	149,573	0	0	149,573
Total Assigned	<u>1,104,877</u>	<u>0</u>	<u>0</u>	<u>1,104,877</u>
Unassigned	961,544	0	(277,198)	684,346
<i>Total Fund Balance (Deficit)</i>	<u>\$ 2,735,830</u>	<u>\$ 2,218,913</u>	<u>\$ 2,680,070</u>	<u>\$ 7,634,813</u>

Tri-Valley Local School District
Muskingum County, Ohio
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2013

Note 19 - Contingencies

A. Grants

The School District received financial assistance from federal and State agencies in the form of grants. The expenditure of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and 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, the effect of any such disallowed claims on the overall financial position of the School District at June 30, 2013, if applicable, cannot be determined at this time.

B. Litigation

The School District is not party to any claims or lawsuits that would, in the School District's opinion, have a material effect of the basic financial statements.

Note 20 - Commitments

A. Encumbrance Commitments

Outstanding encumbrances for governmental funds include \$246,803 for the general fund and \$365,476 in non-major governmental funds.

B. Contractual Commitments

As of June 30, 2013, the District had a contractual commitment to Claggett & Sons, Inc. for a roof replacement at the Tri-Valley Middle School. The total contract amount was \$325,540 and \$261,071 was expended as of June 30, 2013, leaving a balance remaining of \$64,690.

December 23, 2013

To the Board of Education
Tri-Valley Local School District
Muskingum County, Ohio
36 E. Muskingum Avenue
Dresden, Ohio 43821

**Independent Auditor's Report on Internal Control Over Financial Reporting and on
Compliance and Other Matters Based on an Audit of Financial Statements
Performed in Accordance with *Government Auditing Standards***

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Tri-Valley Local School District, Muskingum County, Ohio (the School District), as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the School District's basic financial statements, and have issued our report thereon dated December 23, 2013.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the School District's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the School District's internal control. Accordingly, we do not express an opinion on the effectiveness of the School District's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Tri-Valley Local School District
Report on Internal Control Over Financial Reporting
And on Compliance and Other Matters Based on an Audit of
Financial Statements Performed in Accordance With
Government Auditing Standards
Page 2 of 2

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the School District's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed an instance of noncompliance or other matter that is required to be reported under *Government Auditing Standards*, which is described in the accompanying Schedule of Findings and Questioned Costs as item 2013-001.

School District's Response to Findings

The School District's response to the finding identified in our audit is described in the accompanying schedule of findings and questioned costs. The School District's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the result of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Kea & Associates, Inc.

New Philadelphia, Ohio

December 23, 2013

To the Board of Education
Tri-Valley Local School District
Muskingum County, Ohio
36 E. Muskingum Avenue
Dresden, Ohio 43821

**Independent Auditor's Report on Compliance for Each Major Federal
Program and Report on Internal Control over Compliance
Required by OMB Circular A-133**

Report on Compliance for Each Major Federal Program

We have audited Tri-Valley Local School District's, Muskingum County, Ohio (the School District), compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of the School District's major federal programs for the year ended June 30, 2013. The School District's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the School District's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the School District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of the School District's compliance.

Opinion on Each Major Federal Program

In our opinion, the School District complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2013.

Report on Internal Control over Compliance

Management of the School District is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the School District's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the School District's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *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 type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance 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 compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

Rea & Associates, Inc.

New Philadelphia, Ohio

**TRI-VALLEY LOCAL SCHOOL DISTRICT
MUSKINGUM COUNTY, OHIO
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013**

Federal Grantor/ Pass Through Grantor/ Program Title	CFDA Number	Grant Number	Federal Receipts	Federal Disbursements
U. S. Department of Education (Passed Through Ohio Department of Education):				
Title I	84.010	2012	\$ 233,093	\$ 233,600
Title I	84.010	2013	614,995	612,659
Total Title I			<u>848,088</u>	<u>846,259</u>
IDEA-B	84.027	2012	112,854	106,581
IDEA-B	84.027	2013	416,519	416,216
Total IDEA-B			<u>529,373</u>	<u>522,797</u>
Title II-D	84.318	2013	1,744	1,744
Total Title II-D			<u>1,744</u>	<u>1,744</u>
Title II-A	84.367	2012	0	18,466
Title II-A	84.367	2013	88,612	87,961
Total Title II-A			<u>88,612</u>	<u>106,427</u>
Race to the Top Incentive Grants - ARRA	84.395	2012	11,419	11,419
Race to the Top Incentive Grants - ARRA	84.395	2013	44,641	44,187
Total Race to the Top Incentive Grants			<u>56,060</u>	<u>55,606</u>
Total U.S. Department of Education			<u>1,523,877</u>	<u>1,532,833</u>
U. S. Department of Agriculture (Passed Through Ohio Department of Education):				
<i>Nutrition Cluster</i>				
School Breakfast Program	(B)	10.553	108,181	108,181
Total School Breakfast Program			<u>108,181</u>	<u>108,181</u>
Non-Cash Assistance:				
National School Lunch Program	(C)	10.555	77,845	77,845
Cash Assistance:				
National School Lunch Program	(B)	10.555	503,305	503,305
Total National School Lunch Program			<u>581,150</u>	<u>581,150</u>
<i>Total Nutrition Cluster</i>			<u>689,331</u>	<u>689,331</u>
Total U.S. Department of Agriculture			<u>689,331</u>	<u>689,331</u>
Total Federal Assistance			<u>\$ 2,213,208</u>	<u>\$ 2,222,164</u>

See accompanying notes to the schedule of expenditures of federal awards

**TRI-VALLEY LOCAL SCHOOL DISTRICT
MUSKINGUM COUNTY, OHIO
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013**

Note A – Significant Accounting Policies

The accompanying Schedule of Expenditures of Federal Awards (the Schedule) reports the federal award programs' receipts and disbursements. The schedule has been prepared on the cash basis of accounting. Consequently, certain revenues are recognized when received rather than when earned and certain expenditures are recognized when paid rather than when the obligation is incurred.

Note B - Child Nutrition Cluster

Federal money commingled with state subsidy reimbursements. It is assumed federal moneys are expended first.

Note C – Food Donation Program

Program regulations do not require the School District to maintain separate inventory records for purchased food and food received from the U.S. Department of Agriculture. This non-monetary assistance and related expenditures are reported in this schedule at the value of the commodities received as assessed by the U.S. Department of Agriculture (entitlement value).

Note D – Transfers

The School District generally must spend Federal assistance within 15 months of receipt (funds must be obligated by June 30 and spent by September 30). However, with Ohio Department of Education's (ODE) approval, a School District can transfer unspent Federal assistance to the succeeding year, thus allowing the School District a total of 27 months to spend the assistance. During fiscal year 2013, the ODE authorized the following transfers:

<u>CFDA</u> <u>Number</u>	<u>Program Title</u>	<u>Program</u> <u>Year</u>	<u>Transfer Out</u>	<u>Transfer In</u>
84.367	Title II-A	2012	153	
84.367	Title II-A	2013		153

**TRI-VALLEY LOCAL SCHOOL DISTRICT
MUSKINGUM COUNTY, OHIO
SCHEDULE OF FINDINGS & QUESTIONED COSTS
OMB CIRCULAR A-133, SECTION .505
JUNE 30, 2013**

1. SUMMARY OF AUDITOR'S RESULTS
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(d) (1) (i)	Type of Financial Statement Opinion	Unmodified
(d) (1) (ii)	Were there any material control weakness conditions reported at the financial statement level (GAGAS)?	No
(d) (1) (ii)	Were there any other significant deficiency conditions reported at the financial statement level (GAGAS)?	No
(d) (1) (iii)	Was there any reported material non-compliance at the financial statement level (GAGAS)?	Yes
(d) (1) (iv)	Was there any material internal control weakness conditions reported for major federal programs?	No
(d) (1) (iv)	Were there any other significant deficiencies reported for major federal programs?	No
(d) (1) (v)	Type of Major Programs' Compliance Opinion	Unmodified
(d) (1) (vi)	Are there any reportable findings under Section .510?	No
(d) (1) (vii)	Major Programs (list): Child Nutrition Cluster: National School Breakfast Program National School Lunch Program	CFDA #10.553 CFDA #10.555
(d) (1) (viii)	Dollar Threshold: Type A/B Programs	Type A: > \$300,000 Type B: All others
(d) (1) (ix)	Low Risk Auditee?	Yes

**TRI-VALLEY LOCAL SCHOOL DISTRICT
MUSKINGUM COUNTY, OHIO
SCHEDULE OF FINDINGS & QUESTIONED COSTS
OMB CIRCULAR A-133, SECTION .505
JUNE 30, 2013
(Continued)**

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

Finding Number: 2013-001

Material Non-Compliance – Budgeting Procedures

Criteria: Ohio Rev. Code sections 5705.41 (B) and (D) prohibit a subdivision or taxing unit from expending money unless it has been appropriated.

Condition: During the performance of audit procedures, we noted the following funds had expenditures plus encumbrances exceeding appropriations:

	Appropriations	Expenditures Plus Encumbrances	Excess
General Fund	\$ 24,216,358	\$ 24,623,066	\$ 406,708
State Funded Capital Projects Fund	50,000	423,690	373,690

Cause: The School District did not update its accounting records to include outstanding encumbrances when determining appropriations. There was an error in the Treasurer’s budgeting spreadsheet which excluded outstanding encumbrances from year to date expenditures.

Potential Effect: Failure to monitor budgetary expenditures and appropriations could result in unauthorized expenditures.

Recommendation: We recommend the School District compare expenditures and encumbrances to appropriations in all funds which are legally required to be budgeted, at the legal level of control, prior to making expenditure commitments, and make all necessary adjustments to the amounts appropriated to ensure compliance with the above requirements. This comparison, and amendment if necessary, should be completed on a monthly basis at a minimum.

Management Response: The Treasurer has corrected his spreadsheet to include outstanding encumbrances and amendments to appropriations will be made when necessary.

3. FINDINGS FOR FEDERAL AWARDS

None

December 23, 2013

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

Independent Accountant's Report on Applying Agreed-Upon Procedure

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 Tri-Valley Local School 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 amended its anti-harassment policy at its meeting on January 10, 2013 to include prohibiting harassment, intimidation, or bullying of any student "on a school bus" or by an "electronic act."

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.

Rea & Associates, Inc.

New Philadelphia, Ohio

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Dave Yost • Auditor of State

TRI- VALLEY LOCAL SCHOOL DISTRICT

MUSKINGUM COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
MARCH 13, 2014**