



Dave Yost • Auditor of State

**TWIN VALLEY COMMUNITY LOCAL SCHOOL DISTRICT
PREBLE COUNTY**

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Dave Yost • Auditor of State

INDEPENDENT AUDITOR'S REPORT

Twin Valley Community Local School District
Preble County
100 Education Drive
West Alexandria, Ohio 45381

To the Board of Education:

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Twin Valley Community Local School District, Preble County, Ohio (the School District), as of and for the year ended June 30, 2014, 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 preparing and fairly presenting these financial statements in accordance with the modified cash accounting basis Note 2 describes. This responsibility includes determining that the modified cash accounting basis is acceptable for the circumstances. Management is also responsible for designing, implementing and maintaining internal control relevant to preparing and fairly presenting financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to opine on these financial statements based on our audit. We audited in accordance with auditing standards generally accepted in the United States of America and the financial audit standards in the Comptroller General of the United States' *Government Auditing Standards*. Those standards require us to plan and perform the audit to reasonably assure the financial statements are free from material misstatement.

An audit requires obtaining evidence about financial statement amounts and disclosures. The procedures selected depend on our judgment, including assessing the risks of material financial statement misstatement, whether due to fraud or error. In assessing those risks, we consider internal control relevant to the School District's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not to the extent needed to opine on the effectiveness of the School District's internal control. Accordingly, we express no opinion. An audit also includes evaluating the appropriateness of management's accounting policies and the reasonableness of their significant accounting estimates, as well as our evaluation of the overall financial statement presentation.

We believe the audit evidence we obtained is sufficient and appropriate to support our audit opinions.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective modified cash financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Twin Valley Community Local School District, Preble County, Ohio, as of June 30, 2014, and the respective changes in modified cash financial position and the budgetary comparison for the General and thereof for the year then ended in accordance with the accounting basis described in Note 2.

Accounting Basis

Ohio Administrative Code § 117-2-03(B) requires the School District to prepare its annual financial report in accordance with accounting principles generally accepted in the United States of America. We draw attention to Note 2 of the financial statements, which describes the basis applied to these statements, which is a basis other than generally accepted accounting principles. We did not modify our opinion regarding this matter.

Other Matters

Supplemental and Other Information

We audited to opine on the School District's financial statements that collectively comprise its basic financial statements.

Management's Discussion & Analysis includes tables of net position, changes in net position, governmental activities and long-term debt. This information provides additional analysis and is not a required part of the basic financial statements.

The Schedule of Federal Award Receipts and Expenditures also presents additional analysis as required by the U.S. Office of Management and Budget Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations and is also not a required part of the financial statements.

These tables and the Schedule are management's responsibility, and derive from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. We subjected these tables and the Schedule to the auditing procedures we applied to the basic financial statements. We also applied certain additional procedures, including comparing and reconciling these tables and the Schedule directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and in accordance with auditing standards generally accepted in the United States of America. In our opinion, these tables and the Schedule are fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Other than the aforementioned procedures applied to the tables, we applied no procedures to any other information in Management's Discussion & Analysis, and we express no opinion or any other assurance on it.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated January 28, 2015, on our consideration of the School District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. That report describes the scope of our internal control testing over financial reporting and compliance, and the results of that testing, and does not opine 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.

A handwritten signature in black ink that reads "Dave Yost". The signature is written in a cursive style with a large, looping "D" and "Y".

Dave Yost
Auditor of State
Columbus, Ohio

January 28, 2015

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**TWIN VALLEY COMMUNITY LOCAL SCHOOL DISTRICT
PREBLE COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014
UNAUDITED**

The discussion and analysis of Twin Valley Community Local School District's financial performance provides an overall review of the School District's financial activities for the fiscal year ended June 30, 2014 within the limitations of the School District's modified cash basis of accounting. Readers should also review the Basic Financial Statements and the Notes to the Basic Financial Statements to enhance their understanding of the School District's financial performance.

Financial Highlights

Key financial highlights for fiscal year 2014 are as follows:

- In fiscal year 2014, receipts increased due to the passage of an additional 0.75 percent income tax that became effective January 1, 2014.
- Tuition and fees decreased as a result of a decrease in open enrollment and special education costs being billed back to resident districts.
- Special instruction expenditures decreased as a result of the district bringing select special instruction services in-house instead of contracting for the services.
- The School District eliminated three teaching positions, eliminated one principal position, and increased the co-pay amount that employees pay for their health insurance.

Using the Basic Financial Statements

This annual report is presented in a format consistent with the presentation requirements of Governmental Accounting Standards Board Statement No. 34, as applicable to the School District's modified cash basis of accounting.

Report Components

The Statement of Net Position and the Statement of Activities provide information about the cash activities as a whole. Fund financial statements provide a greater level of detail. Funds are created and maintained on the financial records of the School District as a way to segregate money whose use is restricted to a particular specified purpose. These statements present financial information by fund, presenting funds with the largest balances or most activity in separate columns.

The Notes to the Basic Financial Statements are an integral part of the government-wide and fund financial statements and provide expanded explanations and details regarding the information reported in the statements.

Basis of Accounting

The basis of accounting is a set of guidelines that determine when financial events are recorded. The School District has elected to present its financial statements on a modified cash basis of accounting. This basis of accounting is a basis of accounting other than generally accepted accounting principles. Under the School District's modified cash basis of accounting, receipts and disbursements are recorded when cash is received or paid.

As a result of using the modified cash basis of accounting, certain assets and their related revenues (such as accounts receivable) and certain liabilities and their related disbursements (such as accounts payable) are not recorded in the financial statements. Therefore, when reviewing the financial information discussion within this report, the reader must keep in mind the limitations resulting from the use of the modified cash basis of accounting.

**TWIN VALLEY COMMUNITY LOCAL SCHOOL DISTRICT
PREBLE COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014
UNAUDITED
(Continued)**

Reporting the School District as a Whole

Statement of Net Position and the Statement of Activities – Modified Cash Basis

The Statement of Net Position and the Statement of Activities reflect how the School District did financially during fiscal year 2014, within the limitations of modified cash basis accounting. The Statement of Net Position presents the cash balances, investments, capital assets, and long term debt issued to acquire capital assets of the governmental activities of the School District at fiscal year-end. The Statement of Activities compares cash disbursements with program receipts for each governmental program. Program receipts include charges paid by the recipient of the program's goods or services, and grants and contributions restricted to meeting the operational or capital requirements of a particular program. General receipts are all receipts not classified as program receipts. The comparison of cash disbursements with program receipts identifies how each governmental program draws from the School District's general receipts.

These statements report the School District's modified cash position and the changes in modified cash position. Keeping in mind the limitations of the modified cash basis of accounting, you can think of these changes as one way to measure the School District's financial health. Over time, increases or decreases in the School District's cash position is one indicator of whether the School District's financial health is improving or deteriorating. When evaluating the School District's financial condition, you should also consider other nonfinancial factors as well, such as the School District's property tax base, the condition of the School District's capital assets, the extent of the School District's debt obligations, the reliance on non-local financial resources for operations, and the need for continued growth in the major local receipt sources, such as property and income taxes.

Reporting the School District's Most Significant Funds

Fund Financial Statements

Fund financial statements provide detailed information about the School District's major funds, not the School District as a whole. 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 Bond Retirement Fund.

Governmental Funds

The School District's activities are reported in governmental funds, which focus on how money flows into and out of those funds and the balances left at fiscal year-end available for spending in future periods. These funds are reported on a modified cash basis. The governmental fund statements provide a detailed short-term view of the School District's general governmental operations and the basic services it provides. Governmental fund information helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance educational programs.

Fiduciary Funds

Fiduciary funds are used to account for resources held for the benefit of parties outside the School District. Fiduciary funds are not reflected on the government-wide financial statements because the resources of these funds are not available to support the School District's programs.

**TWIN VALLEY COMMUNITY LOCAL SCHOOL DISTRICT
PREBLE COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014
UNAUDITED
(Continued)**

The School District as a Whole

Table 1 provides a summary of the School District's net position for fiscal year 2014 compared to fiscal year 2013:

Table 1			
Net Position			
	2014	2013	Change
Assets:			
Current Assets	\$1,897,441	\$1,343,308	\$554,133
Capital Assets, Net	9,653,909	10,059,120	(405,211)
Total Assets	11,551,350	11,402,428	148,922
Liabilities:			
Due Within One Year	345,000	325,000	20,000
Due In More Than One Year	765,000	1,110,000	(345,000)
Total Liabilities	1,110,000	1,435,000	(325,000)
Net Position:			
Net Investment in			
Capital Assets	8,543,909	8,624,120	(80,211)
Restricted	927,068	798,098	128,970
Unrestricted	970,373	545,210	425,163
Total Net Position	\$10,441,350	\$9,967,428	\$473,922

Current assets increased due to an increase in cash and cash equivalents. This is related to an additional 0.75 percent income tax rate effective January 1, 2014 and a decrease in disbursements due to staff reductions, netting a carryover for the year. Capital assets decreased by \$405,211 due to annual depreciation expense.

Liabilities consist of the debt of the School District. The overall decrease is due to the School District making the required principal payments and not issuing new debt during the fiscal year.

Restricted net position of governmental activities increased primarily due to the set aside requirement for capital improvements.

Unrestricted net position of governmental activities increased due to a decrease in instruction and support service disbursements.

Table 2 shows the changes in net position for fiscal years 2014 and 2013.

**TWIN VALLEY COMMUNITY LOCAL SCHOOL DISTRICT
PREBLE COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014
UNAUDITED
(Continued)**

**Table 2
Change in Net Position**

	<u>2014</u>	<u>2013</u>	<u>Change</u>
Receipts:			
Program Cash Receipts:			
Charges for Services	\$852,306	\$907,575	(\$55,269)
Operating Grants and Contributions	976,056	907,655	68,401
Total Program Cash Receipts	<u>1,828,362</u>	<u>1,815,230</u>	<u>13,132</u>
General Receipts:			
Property Taxes Levied for:			
General Purposes	2,326,873	2,263,364	63,509
Other Purposes	38,505	37,435	1,070
Debt Service	350,592	341,928	8,664
Income Tax	932,267	763,438	168,829
Grants and Entitlements not Restricted to Specific Programs	4,118,418	4,162,686	(44,268)
Gifts and Donations not Restricted to Specific Programs	15,430		15,430
Interest	1,855	1,571	284
Miscellaneous	79,809	53,650	26,159
Total General Receipts	<u>7,863,749</u>	<u>7,624,072</u>	<u>239,677</u>
Total Receipts	<u>9,692,111</u>	<u>9,439,302</u>	<u>252,809</u>
Cash Disbursements:			
Instruction:			
Regular	4,128,888	4,378,948	(250,060)
Special	1,124,187	1,195,521	(71,334)
Vocational	208,316	187,689	20,627
Support Services:			
Pupils	229,045	397,747	(168,702)
Instructional Staff	217,705	236,280	(18,575)
Board of Education	96,368	20,572	75,796
Administration	734,572	856,573	(122,001)
Fiscal	271,974	219,778	52,196
Operation and Maintenance of Plant	849,042	893,055	(44,013)
Pupil Transportation	488,880	517,865	(28,985)
Central	75,108	102,071	(26,963)
Operation of Non-Instructional Services	419,743	391,163	28,580
Extracurricular Activities	317,505	315,075	2,430
Debt Service:			
Interest and Fiscal Charges	56,856	70,138	(13,282)
Total Cash Disbursements	<u>9,218,189</u>	<u>9,782,475</u>	<u>(\$564,286)</u>
Change in Net Position	473,922	(343,173)	
Net Position at Beginning of Year	9,967,428	10,310,601	
Net Position at End of Year	<u>\$10,441,350</u>	<u>\$9,967,428</u>	

**TWIN VALLEY COMMUNITY LOCAL SCHOOL DISTRICT
PREBLE COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014
UNAUDITED
(Continued)**

Governmental Activities

The unique nature of taxes in Ohio creates the need to routinely seek voter approval for the School District's operations. Property taxes and income taxes made up 37.6 percent of receipts for governmental activities for fiscal year 2014. Without this tax support, disbursements would have drastically outpaced receipts, and the School District could not maintain the same operations as it does currently.

Receipts increased 2.7 percent over all from the previous fiscal year due to an increase in income tax collections. Income taxes increased due to the tax rate increasing at January 1, 2014 from 0.75 percent to 1.5 percent. Charges for services decreased due to a decrease in open enrollment and special education costs being billed back to resident districts. Total disbursements decreased 5.8 percent as a result of a reduction in staffing. Regular instruction decreased due to a reduction of three teaching positions. Support services for pupils decreased due to a reduction in staffing. Administration decreased due to the reduction of one building principal and the final payments, including payment of vacation and sick days due at retirement, being made for the former superintendent in 2013.

Again, it should be noted that the School District uses the modified cash basis of accounting, which does not take into account any accruals and only includes what is disbursed during the fiscal year being reported.

The School District's Funds

Information about the School District's major funds starts on page 13. These funds are accounted for using the modified cash basis of accounting. All governmental funds had total receipts of \$9,692,111 and disbursements of \$9,137,978.

The net changes in fund balance for the General Fund and the Bond Retirement Fund were \$496,404 and \$13,880, respectively. Receipts in the General Fund increased \$291,689 from the prior year, while disbursements decreased \$502,719. Receipts increased due to increased income tax collections, which resulted from an additional 0.75 percent income tax rate increase effective January 1, 2014, while disbursements decreased due to a reduction in staffing and a reduction in purchased services. The General Fund balance increased as a result of receipts exceeding expenditures. The Bond Retirement Fund balance increased slightly as a result of total tax receipts exceeding the total debt payment.

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.

For the General Fund, the final budget basis receipts were higher than the original budget basis receipts by \$423,235, or 5.4 percent. Actual receipts were higher than final budget basis receipt estimates.

Final appropriations were lower than the original appropriations by \$94,268, or 1.17 percent. Final appropriations were equal to actual disbursements. The School District uses site-based budgeting, and the budgeting systems are designed to tightly control total site budgets, but provide flexibility for site management.

**TWIN VALLEY COMMUNITY LOCAL SCHOOL DISTRICT
PREBLE COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014
UNAUDITED
(Continued)**

Capital Assets

At the end of fiscal year 2014, the School District had \$9,653,909 invested in land, land improvements, buildings and improvements, furniture, fixtures and equipment, and vehicles.

Table 3 shows fiscal year 2014 balances compared to fiscal year 2013.

**Table 3
Capital Assets (Net of Depreciation) at June 30,**

	2014	2013
Land	\$336,998	\$336,998
Land Improvements	108,191	125,438
Buildings and Improvements	9,061,392	9,406,248
Furniture, Fixtures, and Equipment	56,865	92,414
Vehicles	90,463	98,022
Totals	<u>\$9,653,909</u>	<u>\$10,059,120</u>

Overall, capital assets decreased \$405,211 from fiscal year 2013 to fiscal year 2014. This was due to depreciation during the fiscal year. For more information on capital assets, see Note 7 of the Basic Financial Statements.

Debt Administration

At June 30, 2014, the School District had \$1,110,000 in general obligation bonds outstanding, of which \$345,000 is due within one year. Table 4 summarizes the bonds outstanding:

**Table 4
Outstanding Debt, at Fiscal Year-End
Governmental Activities**

	2014	2013
2007 School Improvement Refunding Bonds	<u>\$1,110,000</u>	<u>\$1,435,000</u>

The School District's overall legal debt margin was \$8,123,359, with an un-voted debt margin of \$108,303 at June 30, 2014. For more information on the School District's debt, see Note 12 of the Basic Financial Statements.

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 questions about this report or need additional financial information, contact Rachel M. Tait, Treasurer, at Twin Valley Community Local School District, 100 Education Drive, West Alexandria, Ohio 45381, or email at rtait@tvs.k12.oh.us.

**TWIN VALLEY COMMUNITY LOCAL SCHOOL DISTRICT
PREBLE COUNTY**

**STATEMENT OF NET POSITION - MODIFIED CASH BASIS
JUNE 30, 2014**

	Governmental Activities
Assets:	
Equity in Pooled Cash and Cash Equivalents	\$1,897,441
Non-depreciable Capital Assets	336,998
Depreciable Capital Assets, Net	9,316,911
Total Assets	11,551,350
Liabilities:	
Long-Term Liabilities:	
Due Within One Year	345,000
Due in More Than One Year	765,000
Total Liabilities	1,110,000
Net Position:	
Net Investment in Capital Assets	8,543,909
Restricted for:	
Debt Service	429,228
Capital Projects	1,680
Classroom Facilities	173,146
Lunchroom	30,424
Athletic	32,286
Other Purposes	4,997
Set-Asides	255,307
Unrestricted	970,373
Total Net Position	\$10,441,350

See Accompanying Notes to the Basic Financial Statements.

**TWIN VALLEY COMMUNITY LOCAL SCHOOL DISTRICT
PREBLE COUNTY**

**STATEMENT OF ACTIVITIES - MODIFIED CASH BASIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

	<u>Program Cash Receipts</u>			Net Receipts (Disbursements) and Changes in Net Position
	<u>Cash Disbursements</u>	<u>Charges for Services</u>	<u>Operating Grants, Interest and Contributions</u>	<u>Total Governmental Activities</u>
Governmental Activities:				
Instruction:				
Regular	\$4,128,888	\$484,216	\$46,010	(\$3,598,662)
Special	1,124,187	37,500	563,541	(523,146)
Vocational	208,316		15,283	(193,033)
Support Services:				
Pupils	229,045		34,168	(194,877)
Instructional Staff	217,705		6,312	(211,393)
Board of Education	96,368			(96,368)
Administration	734,572		62,672	(671,900)
Fiscal	271,974			(271,974)
Operation and Maintenance of Plant	849,042			(849,042)
Pupil Transportation	488,880			(488,880)
Central	75,108		5,400	(69,708)
Operation of Non-Instructional Services	419,743	163,813	242,670	(13,260)
Extracurricular Activities	317,505	166,777		(150,728)
Debt Service:				
Interest and Fiscal Charges	56,856			(56,856)
Total Governmental Activities	<u><u>\$9,218,189</u></u>	<u><u>\$852,306</u></u>	<u><u>\$976,056</u></u>	<u><u>(7,389,827)</u></u>

General Receipts:

Property Taxes Levied for:

General Purposes	2,326,873
Other Purposes	38,505
Debt Service	350,592
Income Tax	932,267
Grants and Entitlements not Restricted to Specific Programs	4,118,418
Gifts and Donations not Restricted to Specific Programs	15,430
Interest	1,855
Miscellaneous	79,809
Total General Receipts	<u><u>7,863,749</u></u>
 Change in Net Position	 473,922
 Net Position at Beginning of Year	 9,967,428
Net Position at End of Year	<u><u>\$10,441,350</u></u>

See Accompanying Notes to the Basic Financial Statements.

**TWIN VALLEY COMMUNITY LOCAL SCHOOL DISTRICT
PREBLE COUNTY**

**STATEMENT OF ASSETS AND FUND BALANCES - MODIFIED CASH BASIS
GOVERNMENTAL FUNDS
JUNE 30, 2014**

	<u>General</u>	<u>Bond Retirement</u>	<u>Non-major Governmental Funds</u>	<u>Total Governmental Funds</u>
Assets:				
Equity in Pooled Cash and Cash Equivalents	\$970,373	\$429,228	\$242,533	\$1,642,134
Restricted Assets:				
Equity in Pooled Cash and Cash Equivalents	255,307			255,307
Total Assets	<u>1,225,680</u>	<u>429,228</u>	<u>242,533</u>	<u>1,897,441</u>
Fund Balances:				
Restricted	255,307	429,228	242,533	927,068
Assigned	80,174			80,174
Unassigned	890,199			890,199
Total Fund Balances	<u>\$1,225,680</u>	<u>\$429,228</u>	<u>\$242,533</u>	<u>\$1,897,441</u>

See Accompanying Notes to the Basic Financial Statements.

**TWIN VALLEY COMMUNITY LOCAL SCHOOL DISTRICT
PREBLE COUNTY**

**RECONCILIATION OF TOTAL GOVERNMENTAL FUND BALANCES TO
NET POSITION OF GOVERNMENTAL ACTIVITIES - MODIFIED CASH BASIS
JUNE 30, 2014**

Total Governmental Fund Balances \$1,897,441

Amounts reported for governmental activities in the
Statement of Net Position are different because:

Capital assets used in governmental activities are not financial
resources and, therefore, are not reported in the funds. These assets
consist of:

Land	\$336,998	
Land Improvements	398,702	
Buildings and Improvements	15,644,209	
Furniture, Fixtures, and Equipment	1,428,900	
Vehicles	519,652	
Accumulated Depreciation	<u>(8,674,552)</u>	
Total		9,653,909

Some liabilities are not due and payable in the current period
and, therefore, are not reported in the funds. Those liabilities
consist of:

General Obligation Bonds Payable	<u>(1,110,000)</u>
----------------------------------	--------------------

Net Position of Governmental Activities \$10,441,350

See Accompanying Notes to the Basic Financial Statements.

**TWIN VALLEY COMMUNITY LOCAL SCHOOL DISTRICT
PREBLE COUNTY**

**STATEMENT OF CASH RECEIPTS, DISBURSEMENTS AND CHANGES IN FUND BALANCES - MODIFIED CASH BASIS
GOVERNMENTAL FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

	<u>General</u>	<u>Bond Retirement</u>	<u>Non-major Governmental Funds</u>	<u>Total Governmental Funds</u>
Receipts:				
Property Taxes	\$2,326,873	\$350,592	\$38,505	\$2,715,970
Income Tax	932,267			932,267
Tuition and Fees	475,512			475,512
Extracurricular Activities	64,960		101,817	166,777
Interest	1,832		23	1,855
Intergovernmental	4,365,721	55,689	678,629	5,100,039
Charges for Services			158,248	158,248
Rent	46,204			46,204
Contributions and Donations	15,430			15,430
Miscellaneous	79,809			79,809
Total Receipts	<u>8,308,608</u>	<u>406,281</u>	<u>977,222</u>	<u>9,692,111</u>
Disbursements:				
Current:				
Instruction:				
Regular	3,704,234		46,009	3,750,243
Special	855,005		269,182	1,124,187
Vocational	206,668			206,668
Support Services:				
Pupils	194,877		34,168	229,045
Instructional Staff	210,619		6,312	216,931
Board of Education	96,368			96,368
Administration	660,205	10,545	63,822	734,572
Fiscal	271,974			271,974
Operation and Maintenance of Plant	820,031		20,974	841,005
Pupil Transportation	482,282			482,282
Central	69,789		5,319	75,108
Operation of Non-Instructional Services			417,469	417,469
Extracurricular Activities	220,717		89,553	310,270
Debt Service:				
Principal Retirement		325,000		325,000
Interest and Fiscal Charges		56,856		56,856
Total Disbursements	<u>7,792,769</u>	<u>392,401</u>	<u>952,808</u>	<u>9,137,978</u>
Excess of Receipts Over Disbursements	<u>515,839</u>	<u>13,880</u>	<u>24,414</u>	<u>554,133</u>
Other Financing Sources (Uses):				
Transfers In			25,000	25,000
Advances In	5,565			5,565
Transfers Out	(25,000)			(25,000)
Advances Out			(5,565)	(5,565)
Total Other Financing Sources (Uses)	<u>(19,435)</u>		<u>19,435</u>	
Net Change in Fund Balances	496,404	13,880	43,849	554,133
Fund Balances at Beginning of Year	729,276	415,348	198,684	1,343,308
Fund Balances at End of Year	<u>\$1,225,680</u>	<u>\$429,228</u>	<u>\$242,533</u>	<u>\$1,897,441</u>

See Accompanying Notes to the Basic Financial Statements.

**TWIN VALLEY COMMUNITY LOCAL SCHOOL DISTRICT
PREBLE COUNTY**

**RECONCILIATION OF THE STATEMENT OF CASH RECEIPTS, DISBURSEMENTS AND CHANGES IN FUND BALANCES
OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES - MODIFIED CASH BASIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

Net Change in Fund Balances - Total Governmental Funds \$554,133

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

Governmental funds report capital outlays as expenditures. However, in the Statement of Activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense.

This is the amount by which depreciation exceeded capital outlay in the current period:

Capital Outlay	\$20,955	
Current Fiscal Year Depreciation Disbursement	<u>(426,166)</u>	
Excess of Depreciation over Capital Outlay		(405,211)

Repayment of long-term obligation bonds is a disbursement in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Position. In the current fiscal year, these amounts consist of:

General Obligation Bond Payments	<u>325,000</u>
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Change in Net Position of Governmental Activities	<u><u>\$473,922</u></u>
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See Accompanying Notes to the Basic Financial Statements.

**TWIN VALLEY COMMUNITY LOCAL SCHOOL DISTRICT
PREBLE COUNTY**

**STATEMENT OF RECEIPTS, DISBURSEMENTS AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL (BUDGET BASIS)
GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

	<u>Budgeted Amounts</u>			Variance With Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
Receipts:				
Property Taxes	\$2,263,363	\$2,232,899	\$2,326,873	\$93,974
Income Tax	771,073	932,267	932,267	
Tuition and Fees	320,000	475,512	475,512	
Extracurricular Activities	54,500	64,960	64,960	
Interest	1,000	1,767	1,767	
Intergovernmental	4,327,463	4,365,721	4,365,721	
Gifts and Donations		15,430	15,430	
Rent	40,000	46,204	46,204	
Miscellaneous	14,500	9,330	9,330	
Total Receipts	<u>7,791,899</u>	<u>8,144,090</u>	<u>8,238,064</u>	<u>93,974</u>
Disbursements:				
Current:				
Instruction:				
Regular	3,530,434	3,478,493	3,478,493	
Special	812,029	872,245	872,245	
Vocational	177,894	206,677	206,677	
Other	185,000	235,979	235,979	
Support Services:				
Pupils	250,616	197,556	197,556	
Instructional Staff	200,481	210,625	210,625	
Board of Education	53,500	96,368	96,368	
Administration	734,743	665,246	665,246	
Fiscal	216,364	274,481	274,481	
Operation and Maintenance of Plant	940,995	852,997	852,997	
Pupil Transportation	539,659	490,513	490,513	
Central	117,014	69,789	69,789	
Extracurricular Activities	252,482	221,198	221,198	
Capital Outlay	5,000	776	776	
Total Disbursements	<u>8,016,211</u>	<u>7,872,943</u>	<u>7,872,943</u>	
Excess of Receipts Over (Under) Disbursements	<u>(224,312)</u>	<u>271,147</u>	<u>365,121</u>	<u>93,974</u>
Other Financing Sources (Uses):				
Advances In		5,565	5,565	
Refund of Prior Year Disbursements	5,000	70,479	70,479	
Advances Out		(24,000)		24,000
Transfers Out		(25,000)	(25,000)	
Total Other Financing Sources (Uses)	<u>5,000</u>	<u>27,044</u>	<u>51,044</u>	<u>24,000</u>
Net Change in Fund Balance	(219,312)	298,191	416,165	117,974
Fund Balance at Beginning of Year	681,119	681,119	681,119	
Prior Year Encumbrances Appropriated	48,074	48,074	48,074	
Fund Balance at End of Year	<u>\$509,881</u>	<u>\$1,027,384</u>	<u>\$1,145,358</u>	<u>\$117,974</u>

See Accompanying Notes to the Basic Financial Statements.

**TWIN VALLEY COMMUNITY LOCAL SCHOOL DISTRICT
PREBLE COUNTY**

**STATEMENT OF FIDUCIARY NET POSITION - MODIFIED CASH BASIS
FIDUCIARY FUNDS
JUNE 30, 2014**

	Private Purpose Trust	Agency
Assets:		
Equity in Pooled Cash and Cash Equivalents	\$68,684	\$54,847
Liabilities:		
Undistributed Monies		\$370
Due to Students		54,477
Total Liabilities		\$54,847
Net Position:		
Held in Trust for Scholarships	\$68,684	

See Accompanying Notes to the Basic Financial Statements.

**TWIN VALLEY COMMUNITY LOCAL SCHOOL DISTRICT
PREBLE COUNTY**

**STATEMENT OF CHANGES IN FIDUCIARY NET POSITION - MODIFIED CASH BASIS
FIDUCIARY FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

	<u>Private Purpose Trust</u>
Additions:	
Interest	\$213
Contributions	2,250
Total Additions	<u>2,463</u>
Deductions:	
Payments in Accordance with Trust Agreements	<u>2,603</u>
Change in Net Position	(140)
Net Position at Beginning of Year	<u>68,824</u>
Net Position at End of Year	<u><u>\$68,684</u></u>

See Accompanying Notes to the Basic Financial Statements.

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**TWIN VALLEY COMMUNITY LOCAL SCHOOL DISTRICT
PREBLE COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

1. DESCRIPTION OF THE SCHOOL DISTRICT AND REPORTING ENTITY

The Twin Valley Local School District was formed in the early 1800's. On December 30, 1963, the Preble County Board of Education consolidated all of the schools located in Lanier, Harrison, and Twin Townships as Twin Valley School District. On June 1, 1983, the Preble County Board of Education split the Twin Valley School District, resulting in the formation of the present Twin Valley Community Local School District.

Twin Valley Community Local School District (the "School District") is organized under Article VI, Sections 2 and 3 of the Constitution of the State of Ohio. The School District operates under a locally-elected five-member Board form of government and provides educational services as mandated by State statute and federal guidelines. This Board of Education controls the School District's one instructional and administrative facility.

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 School District consists of all funds, departments, boards, and agencies that are not legally separate from the School District. For Twin Valley Community Local School District, this includes general operations, food service, and student-related activities of the School District.

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

The School District participates in three jointly governed organizations and one shared risk pool. These organizations are presented in Note 13 and 14 to the basic financial statements. These organizations are:

Jointly Governed Organizations:

Southwest Ohio Computer Association
Southwestern Ohio Educational Purchasing Council
Preble County Professional Development Consortium

Shared Risk Pool:

Preble County Schools Regional Council of Governments

**TWIN VALLEY COMMUNITY LOCAL SCHOOL DISTRICT
PREBLE COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the Twin Valley Community Local School District are presented on a modified cash basis of accounting. This modified cash basis of accounting differs from accounting principles generally accepted in the United States of America. Generally accepted accounting principles (GAAP) include all relevant Governmental Accounting Standards Board (GASB) pronouncements, which have been applied to the extent they are applicable to the modified cash basis of accounting. The more significant of the School District's accounting policies are described below.

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.

1. 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 School District, except for fiduciary funds. The government-wide financial statements usually distinguish between those activities of the School District that are governmental and those that are considered business-type; however, the School District has no activities that are classified as business-type.

The Statement of Net Position presents the cash balance, capital assets, and debt of the governmental activities of the School District at fiscal year-end. The government-wide Statement of Activities compares disbursements with program receipts for each function of the School District's governmental activities. Disbursements are reported by function. A function is a group of related activities designed to accomplish a major service or regulatory program for which the government is responsible. Program receipts include charges paid by the recipient of the program's goods or services, grants and contributions restricted to meeting the operational or capital requirements of a particular program, and receipts of interest earned on grants that are required to be used to support a particular program. General receipts are all receipts not classified as program receipts, with certain limited exceptions. The comparison of direct disbursements with program receipts identifies the extent to which each governmental function is self-financing on a modified cash basis or draws from the School District's general receipts.

2. Fund Financial Statements

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

B. Fund Accounting

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

**TWIN VALLEY COMMUNITY LOCAL SCHOOL DISTRICT
PREBLE COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

1. Governmental Funds

The School District classifies funds financed primarily from taxes, intergovernmental receipts (e.g., grants), and other non-exchange transactions as governmental funds. The following are the School District's major governmental funds:

General Fund - The General Fund is the operating fund of the School District and is used to account for and report 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.

Bond Retirement Debt Service Fund - The Bond Retirement Debt Service Fund accounts for and reports property tax receipts and State grants intended to offset tax exemptions to be used for the payment of general obligation bonded debt.

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

2. 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. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. The School District has four fiduciary funds: two private purpose trust funds, used to account for college scholarship programs for students, and two agency funds, used to account for student-managed activity programs.

C. Basis of Accounting

The School District's financial statements are prepared using the modified cash basis of accounting. Except for modifications having substantial support, receipts are recorded in the School District's financial records and reported in the financial statements when cash is received rather than when earned, and disbursements are recorded when cash is paid rather than when a liability is incurred. Any such modifications made by the School District are described in the appropriate section in this note.

As a result of the use of this modified cash basis of accounting, certain assets and their related receipts (such as accounts receivable and revenue for billed or provided services not yet collected) and certain liabilities and their related expenses (such as accounts payable and disbursements for goods or services received but not yet paid and accrued expenses and liabilities) are not recorded in these financial statements.

D. Cash and Cash Equivalents

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

**TWIN VALLEY COMMUNITY LOCAL SCHOOL DISTRICT
PREBLE COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

During fiscal year 2014, the School District's investments were limited to the State Treasury Asset Reserve of Ohio (STAROhio). STAROhio is an investment pool managed by the State Treasurer's Office, which allows governments within the State to pool their funds for investment purposes. STAROhio is not registered with the SEC as an investment company, but does operate in a manner consistent with Rule 2a7 of the Investment Company Act of 1940. Investments in STAROhio are valued at STAROhio's net asset value per share, which is the price the investment could be sold for on June 30, 2014.

Following Ohio Statutes, the Board of Education has, by resolution, specified the funds to receive an allocation of investment earnings. Interest credited to the General Fund during fiscal year 2014 amounted to \$1,832, which includes \$725 assigned from other School District funds.

Investments of the cash management pool and investments with original maturities of three months or less at the time they are purchased by the School District are presented on the financial statements as cash equivalents.

E. Interfund Balances

The School District reports advances in and advances out for interfund loans. These items are not reflected as assets and liabilities in the accompanying financial statements.

F. Restricted Assets

Assets are reported as restricted when limitations on their use change the nature or normal understanding of the availability of the asset. Such constraints are either externally imposed by creditors, contributions, grantors, laws of other governments, or imposed by law through constitutional provisions. Restricted assets in the General Fund represent amounts required by State statute to be set aside for the acquisition and construction of capital improvements.

G. Capital Assets

All capital assets of the School District are general capital assets associated with governmental activities. General capital assets usually result from disbursements 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.

Capital assets are capitalized at cost (or estimated historical cost, which is determined by indexing the current replacement cost back to the year of acquisition) and updated for additions and retirements during the fiscal year. Donated capital assets are recorded at their fair market values as of the date received. The School District maintains a capitalization threshold of \$2,000. The School District does not possess any infrastructure. 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 capitalized.

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:

**TWIN VALLEY COMMUNITY LOCAL SCHOOL DISTRICT
PREBLE COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

<u>Description</u>	<u>Estimated Lives</u>
Land Improvements	20 years
Buildings and Improvements	50 years
Furniture, Fixtures, and Equipment	5-20 years
Vehicles	6-10 years

H. Employer Contributions to Cost-Sharing Pension Plans

The School District recognizes the disbursement for employer contributions to cost-sharing pension plans when they are paid. As described in Notes 9 and 10, the employer contributions include portions for pension benefits and for postemployment health care benefits.

I. Compensated Absences

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

J. Long-Term Obligations

Long-term obligations are reported in the government-wide financial statements. The School District reported a liability for general obligation bonds, which arose from cash transactions.

K. Fund Balance

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

Non-spendable - The non-spendable fund balance category includes amounts that cannot be spent because they are not in spendable form or are 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. The School District does not have any non-spendable fund balance.

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 the highest level of 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. The School District does not have any committed fund balance.

**TWIN VALLEY COMMUNITY LOCAL SCHOOL DISTRICT
PREBLE COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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 the Board of Education. State statute authorizes the Treasurer to assign fund balance for purchases on order provided such amounts have been lawfully appropriated.

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 fund balance.

The School District applies restricted resources first when disbursements 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 disbursements are incurred for purposes for which amounts in any of the unrestricted fund balance classifications could be used.

L. Net Position

Net position represents the difference between all other elements in a statement of financial position. Net investment in capital assets consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction, or improvement of those assets. Net position is reported as restricted when there are limitations imposed on its use either through external restrictions imposed by creditors, grantors, or laws or regulations of other governments. Net position restricted for other purposes includes resources restricted for food service operations, music and athletic programs, student activities, and federal and State grants.

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

M. Internal Activity

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

Internal allocations of overhead expenses from one function to another or within the same function are eliminated on the Statement of Activities. Interfund payments for 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 good from one fund to another without a requirement for repayment are reported as interfund transfers and are eliminated from the Statement of Activities. Interfund transfers are reported as other financing sources/uses in governmental funds. Repayments from funds responsible for particular expenditures/expenses to the funds that initially paid for them are not presented on the financial statements.

**TWIN VALLEY COMMUNITY LOCAL SCHOOL DISTRICT
PREBLE COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

N. Budgetary Process

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, all of 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 cash disbursements plus encumbrances at a level of control selected by the Board. The legal level of budgetary control has been established by the Board of Education at the fund level. The Treasurer has been authorized to allocate Board appropriations to the function and object level within all funds.

The Certificate of Estimated Resources may be amended during the fiscal year if projected increases or decreases in receipts 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 of Estimated Resources 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 that was in effect at the time final appropriations were passed. Prior to fiscal year-end, the School District requested and received an amended certificate that matched final budgeted revenues to actual revenues for the fiscal year in the General Fund.

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

O. Estimates

The modified cash basis of accounting used by the School District requires management to make estimates and assumptions that affect certain reported amounts and disclosures (such as estimated useful lives in determining depreciation expense); accordingly, actual results could differ from those estimates.

3. BUDGETARY BASIS OF ACCOUNTING

The budgetary basis as provided by law is based upon accounting for certain transactions on the basis of cash receipts, disbursements, and encumbrances. The Statement of Receipts, Disbursements and Changes in Fund Balance – Budget and Actual (Budget Basis) presented for the General Fund is prepared on the budgetary basis to provide a meaningful comparison of actual results with the budget. The differences between the budgetary basis and the modified cash basis are:

1. Unrecorded cash represents amounts received but not included as revenue on the budget basis operating statement. These amounts are included as revenue on the operating statement.

**TWIN VALLEY COMMUNITY LOCAL SCHOOL DISTRICT
PREBLE COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014
(Continued)**

3. BUDGETARY BASIS OF ACCOUNTING

2. Encumbrances, which are treated as cash disbursements (budgetary basis) rather than restricted, committed, or assigned fund balance (cash basis).

The following table summarizes the adjustments necessary to reconcile the modified cash basis statements to the budgetary basis statements for the General Fund.

Net Change in Fund Balance	General
Modified Cash Basis	\$496,404
Unrecorded Cash - Fiscal Year 2014	(148)
Unrecorded Cash - Fiscal Year 2013	83
Encumbrances	(80,174)
Budget Basis	\$416,165

4. DEPOSITS AND INVESTMENTS

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

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

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

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

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

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

**TWIN VALLEY COMMUNITY LOCAL SCHOOL DISTRICT
PREBLE COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014
(Continued)**

4. DEPOSITS AND INVESTMENTS (Continued)

4. Bonds and other obligations of the State of Ohio or Ohio Local Governments;
5. Time certificates of deposit or savings or deposit accounts including, but not limited to, passbook accounts;
6. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2) above;
7. The State Treasurer's investment pool (STAROhio); and
8. Commercial paper and bankers acceptances, if training requirements have been met.

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

A. Investments

As of June 30, 2014, the School District had the following investments:

	<u>Fair Value</u>	<u>Maturity</u>
STAROhio	<u>\$25,369</u>	Average 51.4 Days

B. Interest Rate Risk

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. The School District's investment policy follows State statute, which 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.

C. Credit Risk

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. STAROhio carries a rating of AAAM by Standard and Poor's. Ohio law requires that STAROhio maintain the highest rating provided by at least one nationally recognized standard rating service. The School District's investment policy limits investments to those authorized by State statute.

5. PROPERTY TAXES

Property taxes are levied and assessed on a calendar year basis, while the School District's 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.

**TWIN VALLEY COMMUNITY LOCAL SCHOOL DISTRICT
PREBLE COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014
(Continued)**

5. PROPERTY TAXES (Continued)

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 2014 represents collections of calendar year 2013 taxes. Real property taxes received in calendar year 2014 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 35 percent of appraised market value. Real property taxes are payable annually or semi-annually. If paid annually, payment is due December 31; if paid semi-annually, the first payment is due December 31 with the remainder payable by June 20. Under certain circumstances, State statute permits alternate payment dates to be established.

Public utility property tax revenue received in calendar year 2014 represents collections of calendar year 2013 taxes. Public utility real and tangible personal property taxes received in calendar year 2014 became a lien December 31, 2012, were levied after April 1, 2013, and are collected with real property taxes. Public utility real property is assessed at 35 percent of true value; public utility tangible personal property currently is assessed at varying percentages of true value.

The School District receives property taxes from Preble County. 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, 2014 are available to finance fiscal year 2014 operations. The amount available to be advanced can vary based on the date the tax bills are sent.

The assessed values upon which the fiscal year 2014 taxes were collected are:

	2013 Second-Half Collections		2014 First-Half Collections	
	Amount	Percent	Amount	Percent
Real Estate	\$99,920,540	92.32%	\$100,143,370	92.47%
Public Utility Personal	8,313,220	7.68%	8,159,590	7.53%
Total Assessed Value	<u>\$108,233,760</u>	<u>100.00%</u>	<u>\$108,302,960</u>	<u>100.00%</u>
Tax rate per \$1,000 of assessed valuation	\$44.28		\$44.18	

6. INCOME TAX

The School District levies a voted tax of 1.5 percent for general operations on the income of residents and of estates. The tax was effective on January 1, 2003 at 0.75 percent and was renewed in May 2009 for five years and November 2011 for five years. On January 1, 2014, the income tax rate increased to 1.5 percent. Employers of residents are required to withhold income tax on compensation and remit the tax to the State. Taxpayers are required to file an annual return. The State makes quarterly distributions to the School District after withholding amounts for administrative fees and estimated refunds. Income tax receipts are credited to the General Fund.

**TWIN VALLEY COMMUNITY LOCAL SCHOOL DISTRICT
PREBLE COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014
(Continued)**

7. CAPITAL ASSETS

Capital assets activity for the fiscal year ended June 30, 2014 was as follows:

	<u>Balance 6/30/13</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance 6/30/14</u>
Governmental Activities				
Capital Assets, not Being Depreciated:				
Land	\$336,998			\$336,998
Capital Assets, Being Depreciated:				
Land Improvements	398,702			398,702
Buildings and Improvements	15,644,209			15,644,209
Furniture, Fixtures, and Equipment	1,423,945	\$4,955		1,428,900
Vehicles	503,652	16,000		519,652
Total Capital Assets, Being Depreciated	<u>17,970,508</u>	<u>20,955</u>		<u>17,991,463</u>
Governmental Activities				
Less Accumulated Depreciation:				
Land Improvements	(273,264)	(17,247)		(290,511)
Buildings and Improvements	(6,237,961)	(344,856)		(6,582,817)
Furniture, Fixtures, and Equipment	(1,331,531)	(40,504)		(1,372,035)
Vehicles	(405,630)	(23,559)		(429,189)
Total Accumulated Depreciation	<u>(8,248,386)</u>	<u>(426,166) *</u>		<u>(8,674,552)</u>
Capital Assets, Being Depreciated, Net	<u>9,722,122</u>	<u>(405,211)</u>		<u>9,316,911</u>
Governmental Activities Capital Assets, Net	<u>\$10,059,120</u>	<u>(\$405,211)</u>	<u>\$0</u>	<u>\$9,653,909</u>

* Depreciation was charged to governmental functions as follows:

Instruction:	
Regular	\$383,600
Vocational	1,648
Support Services:	
Instructional Staff	774
Operation and Maintenance of Plant	8,037
Pupil Transportation	22,598
Operation of Non-Instructional Services	2,274
Extracurricular Activities	7,235
Total Depreciation Disbursement	<u>\$426,166</u>

8. 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. During fiscal year 2014, the School District contracted with Liberty Mutual for fleet insurance, school building, and contents.

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

**TWIN VALLEY COMMUNITY LOCAL SCHOOL DISTRICT
PREBLE COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014
(Continued)**

8. RISK MANAGEMENT

B. Workers' Compensation

For fiscal year 2014, the School District pays the State Worker's Compensation System a premium for employee injury coverage. The premium is based on a rate per \$100 of salaries. This rate is calculated based on accident history and administrative costs. Comp Management, Inc. provides various services to the School District for workers' compensation.

C. Employee Medical Benefits

For fiscal year 2014, the School District participated in the Preble County Schools Regional Council of Governments (the "Council"), a shared risk pool consisting of five local school districts and an educational service center (See Note 14). The School District pays monthly premiums to the Council for employee medical benefits. The Council is responsible for the management and operations of the program. Upon withdrawal from the Council, a participant is responsible for the payment of all of the Council's liabilities to its employees, dependents, and designated beneficiaries accruing as a result of withdrawal.

9. DEFINED BENEFIT PENSION PLANS

A. School Employees Retirement System

Plan Description – The School District participates in the School Employees Retirement System (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 Ohio Revised Code, Chapter 3309. SERS issues a publicly available, stand-alone financial report that includes financial statements and required supplementary information. That report may be obtained by visiting the SERS website at www.ohsers.org under Employers/Audit Resources.

Funding Policy – Plan members are required to contribute 10.0 percent of their annual covered salary, and the School District is required to contribute 14.0 percent of annual covered payroll. The contribution requirements of plan members and employers are established and may be amended by the SERS' Retirement Board up to statutory maximum amounts of 10.0 percent for plan members and 14.0 percent for employers. The Retirement Board, acting with the advice of the actuary, allocates the employer contribution rate among four of the System's funds (Pension Trust Fund, Death Benefit Fund, Medicare B Fund, and Health Care Fund). For the fiscal year ended June 30, 2014, the allocation to pension and death benefits was 13.1 percent. The remaining 0.9 percent of the 14.0 percent employer contribution rate is allocated to the Medicare B and Health Care funds. The School District's required contributions for pension obligations to SERS for the fiscal years ended June 30, 2014, 2013, and 2012 were \$131,545, \$120,541, and \$125,756, respectively. The full amount has been contributed for all three fiscal years.

**TWIN VALLEY COMMUNITY LOCAL SCHOOL DISTRICT
PREBLE COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014
(Continued)**

9. DEFINED BENEFIT PENSION PLANS (Continued)

B. State Teachers Retirement System of Ohio

Plan Description – The School District participates in the State Teachers Retirement System of Ohio (STRS Ohio), a cost-sharing, multiple-employer public employee retirement plan. STRS Ohio provides retirement and disability benefits to members and death and survivor benefits to beneficiaries. STRS Ohio issues a stand-alone financial report that may be obtained by writing to STRS Ohio, 275 E. Broad Street, Columbus, OH 43215-3771, 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 multiplied by 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 of the DC Plan dies before retirement benefits begin, the member's designated beneficiary is entitled to receive the member's account balance.

Funding Policy - Chapter 3307 of the Ohio Revised Code provides statutory authority for member and employer contributions. Contribution rates are established by the State Teachers Retirement Board upon the recommendation of its consulting actuary, not to exceed statutory maximum rates of 10.0 percent for members and 14.0 percent for employers. The statutory maximum employee contribution rate will be increased one percent each year beginning July 1, 2013, until it reaches 14.0 percent on July 1, 2016. For the fiscal year ended June 30, 2014, plan members were required to contribute 11.0 percent of their annual covered salary. The School District was required to contribute 14.0 percent; 13.0 percent was the portion used to fund pension obligations.

The School District's required contributions for pension obligation to STRS Ohio for the fiscal years ended June 30, 2014, 2013, and 2012 were \$431,082, \$390,039, and \$504,597, respectively. The full amount has been contributed for all three fiscal years. Contributions to the DC and Combined Plans for fiscal year 2014 were \$23,434 made by the School District and \$18,412 made by the plan members.

**TWIN VALLEY COMMUNITY LOCAL SCHOOL DISTRICT
PREBLE COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014
(Continued)**

9. DEFINED BENEFIT PENSION PLANS (Continued)

C. Social Security System

Effective July 1, 1991, all employees not otherwise covered by the School Employees Retirement System or the State Teachers Retirement System of Ohio have an option to choose Social Security or the School Employees Retirement System. As of June 30, 2014, two members of the Board of Education have elected Social Security. The Board's liability is 6.2 percent of wages paid.

10. POST-EMPLOYMENT BENEFITS

A. School Employees Retirement System

Plan Description – The School District participates in two cost-sharing multiple employer defined benefit other postemployment benefit (OPEB) plans administered by the School Employees Retirement System (SERS) for non-certificated retirees and their beneficiaries, a Health Care Plan, and a Medicare Part B Plan. The Health Care Plan includes hospitalization and physicians' fees through several types of plans, including HMO's, PPO's, Medicare Advantage, and traditional indemnity plans, as well as a prescription drug program. The Medicare Part B Plan reimburses Medicare Part B premiums paid by eligible retirees and beneficiaries up to a statutory limit. Benefit provisions and the obligation to contribute are established by SERS based on authority granted by State statute. The financial reports of both Plans are included in the SERS Comprehensive Annual Financial Report, which can be obtained 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 14.0 percent of covered payroll to the Health Care Fund. The Health Care Fund was established and is administered in accordance with Internal Revenue Code Section 401h. For fiscal year 2014, 0.14 percent of covered payroll was allocated to health care. In addition, employers pay a surcharge for employees earning less than an actuarially determined amount; for fiscal year 2014, this amount was \$20,250. During fiscal year 2014, the School District paid \$17,757 in surcharge.

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

The School District's contributions for health care for the fiscal years ended June 30, 2014, 2013, and 2012 were \$27,333, \$26,166, and \$26,463, respectively. The full amount has been contributed for all three fiscal years.

The Retirement Board, acting with advice of the actuary, allocates a portion of the employer contribution to the Medicare Part B Fund. For fiscal year 2014, this actuarially required allocation was 0.76 percent of covered payroll. The School District's contributions for Medicare Part B for the fiscal years ended June 30, 2014, 2013, and 2012 were \$7,661, \$7,051, and \$7,427, respectively. The full amount has been contributed for all three fiscal years.

**TWIN VALLEY COMMUNITY LOCAL SCHOOL DISTRICT
PREBLE COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014
(Continued)**

10. POST-EMPLOYMENT BENEFITS (Continued)

B. State Teachers Retirement System of Ohio

Plan Description – The School District participates in the cost-sharing, multiple-employer defined benefit Health Plan administered by the State Teachers Retirement System of Ohio (STRS Ohio) for eligible retirees who participated in the defined benefit or combined pension plans offered by STRS Ohio. Ohio law authorizes STRS to offer this plan. Benefits include hospitalization, physicians’ fees, prescription drugs, and reimbursement of monthly Medicare Part B premiums. The Plan is included in the report of STRS Ohio, which may be obtained by visiting www.strsoh.org or by calling (888) 227-7877.

Funding Policy – Ohio Revised Code Chapter 3307 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 Health Care Plan. All benefit recipients, for the most recent year, pay a monthly premium. Under Ohio law, funding for post-employment health care may be deducted from employer contributions. For fiscal year 2014, STRS Ohio allocated employer contributions equal to one percent of covered payroll to post-employment health care. The School District’s contributions for health care for the fiscal years ended June 30, 2014, 2013, and 2012 were \$33,160, \$30,003, and \$38,815, respectively. The full amount has been contributed for all three fiscal years.

11. EMPLOYEE BENEFITS

Compensated Absences

The criteria for determining vacation and sick leave benefits are derived from negotiated agreements and State laws. Classified employees earn ten to twenty-five days of vacation per fiscal year, depending upon length of service. Unused vacation cannot be carried forward to the succeeding fiscal year. Teachers do not earn vacation time. Principals and administrators can get a portion of their vacation days paid out if not used.

Teachers, administrators, and classified employees earn sick leave at a rate of one and one-fourth days per month. Sick leave may be accumulated up to a maximum of two hundred and five days for classified employees and certified employees. Upon retirement, payment is made for one-fourth of accrued but unused sick leave credit to a maximum of fifty-one and a fourth days for classified employees. For certified employees, they are entitled to the amount of unused sick days multiplied by their daily rate then by .25. Certified employees retiring at the completion of the school year when first eligible for retirement and who notify the Superintendent by March 15 of their plan to retire will receive an additional amount of \$6,000 and unused sick days shall be multiplied by their daily rate then by .35.

12. LONG-TERM OBLIGATIONS

The changes in the School District’s long-term obligations during fiscal year 2014 were as follows:

	Principal Outstanding 6/30/13	Additions	Deductions	Principal Outstanding 6/30/14	Amounts Due in One Year
Governmental Activities:					
School Improvement General Obligation Refunding Bonds 2007 - 4.25 - 4.50%	\$1,435,000	\$0	\$325,000	\$1,110,000	\$345,000

**TWIN VALLEY COMMUNITY LOCAL SCHOOL DISTRICT
PREBLE COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014
(Continued)**

12. LONG-TERM OBLIGATIONS (Continued)

Twin Valley Community Schools School Improvement General Obligation Refunding Bonds

The 2007 Refunding Bonds were issued September 25, 2006, for the purpose of advance refunding \$1,940,000 of the \$3,125,000 outstanding school improvement general obligation bonds. The bonds will reach final maturity on December 1, 2016 and are being paid from the Bond Retirement Debt Service Fund. As a result, \$1,940,000 of the 1994 bonds are considered defeased, and the liability for the refunded portion of these bonds has been removed from the financial statements. The balance of the refunding bonds was fully repaid.

The School District's overall legal debt margin was \$8,123,359 with an un-voted debt margin of \$108,303 at June 30, 2014.

Principal and interest requirements to retire long-term obligations outstanding at June 30, 2014 are as follows:

<u>Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2015	\$345,000	\$42,188	\$387,188
2016	375,000	25,988	400,988
2017	390,000	8,775	398,775
Total	<u>\$1,110,000</u>	<u>\$76,951</u>	<u>\$1,186,951</u>

13. JOINTLY GOVERNED ORGANIZATIONS

A. Southwest Ohio Computer Association

The School District is a participant in the Southwest Ohio Computer Association (SWOCA), which is a computer consortium. SWOCA is an association of public school districts within the boundaries of Butler, Warren, and Preble Counties. 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 school districts. The governing board of SWOCA consists of one representative from each district plus one representative from the fiscal agent. The Board exercises total control over the operations of the Association including budgeting, appropriating, contracting and designating management. Each School District's degree of control is limited to its representation on the Board. The School District paid SWOCA \$44,706 for services provided during the fiscal year. Financial information can be obtained from K. Michael Crumley, Executive Director of SWOCA, at 3607 Hamilton-Middletown Road, Hamilton, Ohio 45011.

B. Southwestern Ohio Educational Purchasing Council

The Southwestern Ohio Educational Purchasing Council (SOEPC) is a purchasing cooperative made up of over 100 school districts and educational service centers in 12 counties. The purpose of the cooperative is to obtain prices for quality merchandise and services, including dental insurance, commonly used by schools. All member districts are obligated to pay all fees, charges, or other assessments as established by the SOEPC.

Each member district has one voting representative. The Board exercises total control over the operations of the Council including budgeting, appropriating, contracting and designating management. Title to any and all equipment, furniture and supplies purchased by the SOEPC is held in trust for the member districts. Any district withdrawing from the SOEPC forfeits its claim to any and all SOEPC assets. One year's prior notice is necessary for withdrawal from the group. During this time, the withdrawing member is liable for all member obligations.

**TWIN VALLEY COMMUNITY LOCAL SCHOOL DISTRICT
PREBLE COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014
(Continued)**

13. JOINTLY GOVERNED ORGANIZATIONS (Continued)

Payments to the SOEPC are made from the General Fund. During fiscal year 2014, the School District paid \$681 to the SOEPC. Each School District's degree of control is limited to its representation on the Board. To obtain financial information, write to the Southwestern Ohio Educational Purchasing Council, Ken Swink, who serves as Director, at 303 Corporate Center Drive, Suite 208, Vandalia, OH 45377.

C. Preble County Professional Development Consortium

The School District is a participant in the Preble County Professional Development Consortium (PCPDC). PCPDC is an association of public school districts within the boundaries of Preble County. The organization was formed to improve staff development and instructional functions by making optimum use of public funds through cooperation of member public school districts. The governing board of PCPDC consists of one representative from each district plus one representative from the fiscal agent. The Board exercises total control over the operations of the Consortium including budgeting, appropriating, contracting and designating management. Each School District's degree of control is limited to its representation on the Board. The School District paid PCPDC \$2,115 for services provided during the fiscal year. Financial information can be obtained from Kerry Borger, Treasurer, Preble County Educational Service Center, 597 Hillcrest Drive, Eaton, Ohio 45320 or email at kerry.borger@preblecountyesc.org.

14. Shared Risk Pool

Preble County Schools Regional Council of Governments

The Preble County Schools Regional Council of Governments (the Council), a shared risk pool, was formed by five local school districts and the Preble County Educational Service Center for the purpose of achieving lower rates for medical insurance. The Council is governed by an advisory committee consisting of each member's superintendent or designee from each participating school district. Premiums are paid on a monthly basis to the Council and their designated insurance company. The Council is responsible for the operation and maintenance of the program. If the premiums are insufficient to pay the program costs for the fiscal year, the Council may assess additional charges to all participants. The Preble County Educational Service Center serves as coordinator of the Council. Financial information can be obtained from Kerry Borger, who serves as Fiscal Officer, at 597 Hillcrest Drive, Eaton, Ohio 45320.

15. SET-ASIDE CALCULATIONS

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

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

**TWIN VALLEY COMMUNITY LOCAL SCHOOL DISTRICT
PREBLE COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014
(Continued)**

15. SET-ASIDE CALCULATIONS (Continued)

	<u>Capital Improvements</u>
Restricted Balance as of June 30, 2013	\$184,066
Current Fiscal Year Set-aside Requirement	158,667
Qualifying Disbursements	(39,626)
Current Fiscal Year Offsets	(47,800)
Totals	<u>\$255,307</u>
Balance Carried Forward to Future Fiscal Years	<u>\$255,307</u>
Restricted Balance as of June 30, 2014	<u>\$255,307</u>

16. FUND BALANCES

Fund balance is classified as restricted, 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 the government funds. The constraints placed on fund balance for the major governmental funds and other governmental funds are presented below:

<u>Fund Balances</u>	<u>General</u>	<u>Bond Retirement</u>	<u>Non-major Governmental</u>	<u>Total</u>
Restricted for:				
Debt Service Payments		\$429,228		\$429,228
Classroom Facilities Maintenance			\$173,146	173,146
Athletic Services			32,286	32,286
Lunchroom Fund			30,424	30,424
Miscellaneous State Grants			4,997	4,997
Capital Improvements	\$255,307		1,680	256,987
Total Restricted	<u>255,307</u>	<u>429,228</u>	<u>242,533</u>	<u>927,068</u>
Assigned to:				
Purchases on Order	80,174			80,174
Unassigned	890,199			890,199
Total Fund Balances	<u>\$1,225,680</u>	<u>\$429,228</u>	<u>\$242,533</u>	<u>\$1,897,441</u>

17. 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, 2014.

B. Litigation

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

**TWIN VALLEY COMMUNITY LOCAL SCHOOL DISTRICT
PREBLE COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014
(Continued)**

18. COMPLIANCE

Ohio Administrative Code, Section 117-2-03 (B), requires the School District to prepare its annual financial report in accordance with generally accepted accounting principles. However, the School District prepared its financial statements on a modified cash basis, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. The accompanying financial statements omit assets, liabilities, net position/fund balances, and disclosures that, while material, cannot be determined at this time. The School District can be fined and various other administrative remedies may be taken against the School District.

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**TWIN VALLEY COMMUNITY LOCAL SCHOOL DISTRICT
PREBLE COUNTY**

**FEDERAL AWARDS RECEIPTS AND EXPENDITURES SCHEDULE
FOR THE YEAR ENDED JUNE 30, 2014**

Federal Grantor/ Pass Through Grantor Program Title	Grant Year	Federal CFDA Number	Receipts	Non-Cash Receipts	Disbursements	Non-Cash Disbursements
U.S. DEPARTMENT OF AGRICULTURE						
<i>Passed Through Ohio Department of Education:</i>						
State Administrative Expenses for Child Nutrition	2014	10.560	\$5,643			
State Administrative Expenses for Child Nutrition	2014	10.560	(78)			
Total State Administrative Expenses for Child Nutrition			5,565			
Child Nutrition Cluster:						
Non-Cash Assistance (Food Distribution):						
National School Lunch Program	2014	10.555		\$24,030		\$28,398
Cash Assistance:						
National School Breakfast Program	2014	10.553	60,529		\$60,529	
National School Lunch Program	2014	10.555	153,701		153,701	
Total Child Nutrition Cluster			214,230	24,030	214,230	28,398
Total U.S. Department of Agriculture			219,795	24,030	214,230	28,398
U.S. DEPARTMENT OF EDUCATION						
<i>Passed Through Ohio Department of Education:</i>						
Special Education Cluster:						
Special Education - Grants to States	2014	84.027	178,163		178,163	
Special Education - Preschool Grants	2014	84.173	1,177		1,177	
Total Special Education Cluster			179,340		179,340	
Title I Grants to Local Educational Agencies	2014	84.010	158,643		158,643	
	2013	84.010	28,038		28,038	
Total Title I Grants to Local Educational Agencies			186,681		186,681	
Improving Teacher Quality State Grants	2014	84.367	44,322		44,322	
Total U.S. Department of Education			410,343		410,343	
Total Federal Assistance			\$630,138	\$24,030	\$624,573	\$28,398

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

**TWIN VALLEY COMMUNITY LOCAL SCHOOL DISTRICT
PREBLE COUNTY**

**NOTES TO THE FEDERAL AWARDS RECEIPTS AND EXPENDITURES SCHEDULE
FISCAL YEAR ENDED JUNE 30, 2014**

NOTE A - SIGNIFICANT ACCOUNTING POLICIES

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

NOTE B - CHILD NUTRITION CLUSTER

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

NOTE C – FOOD DONATION PROGRAM

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

NOTE D – NEGATIVE RECEIPT

Each project completed approved activities within the time frames allotted by the Ohio Department of Education (ODE). At the conclusion of the grant period, ODE required the School District to return an unused grant monies. The School District returned unused grant monies to ODE [these monies are shown as negative receipts on the Schedule] for the State Administrative Expenses for Child Nutrition Program, CFDA #10.560 in the amount of \$78.



Dave Yost • Auditor of State

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

Twin Valley Community Local School District
Preble County
100 Education Drive
West Alexandria, Ohio 45381

To the Board of Education:

We have audited, in accordance with auditing standards generally accepted in the United States and the Comptroller General of the United States' *Government Auditing Standards*, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Twin Valley Community Local School District, Preble County, (the School District) as of and for the year ended June 30, 2014, 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 January 28, 2015, wherein we noted the School District uses a special purpose framework other than generally accepted accounting principles.

Internal Control Over Financial Reporting

As part of our financial statement audit, we considered the School District's internal control over financial reporting (internal control) to determine the audit procedures appropriate in the circumstances to the extent necessary to support our opinions on the financial statements, but not to the extent necessary to opine on the effectiveness of the School District's internal control. Accordingly, we have not opined on it.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, when performing their assigned functions, to prevent, or detect and timely correct misstatements. A *material weakness* is a deficiency, or combination of internal control deficiencies resulting in a reasonable possibility that internal control will not prevent or detect and timely correct a material misstatement of the School District's financial statements. 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 internal control deficiencies that might be material weaknesses or significant deficiencies. Therefore, unidentified material weaknesses or significant deficiencies may exist. Given these limitations, we did not identify any deficiencies in internal control that we consider material weaknesses. We did identify a certain deficiency in internal control, described in the accompanying schedule of findings that we consider a significant deficiency in internal control. We consider finding 2014-002 to be a significant deficiency.

Compliance and Other Matters

As part of reasonably assuring whether the School District's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, opining on compliance with those provisions was not an objective of our audit and accordingly, we do not express an opinion. The results of our tests disclosed an instance of noncompliance or other matters we must report under *Government Auditing Standards* which is described in the accompanying schedule of findings as item 2014-001.

Entity's Response to Findings

The School District's responses to the findings identified in our audit are described in the accompanying schedule of findings. We did not audit the School District's responses and, accordingly, we express no opinion on them.

Purpose of this Report

This report only describes the scope of our internal control and compliance testing and our testing results, and does not opine on the effectiveness of the School District's internal control or on compliance. This report is an integral part of an audit performed under *Government Auditing Standards* in considering the School District's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



Dave Yost
Auditor of State
Columbus, Ohio

January 28, 2015



Dave Yost • Auditor of State

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

Twin Valley Community Local School District
Preble County
100 Education Drive
West Alexandria, Ohio 45381

To the Board of Education:

Report on Compliance for the Major Federal Program

We have audited the Twin Valley Community Local School District's (the School District) compliance with the applicable requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133, Compliance Supplement* that could directly and materially affect the Twin Valley Community Local School District's major federal program for the year ended June 30, 2014. The *Summary of Auditor's Results* in the accompanying schedule of findings identifies the School District's major federal program.

Management's Responsibility

The School District's Management is responsible for complying with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to opine on the School District's compliance for the School District's major federal program based on our audit of the applicable compliance requirements referred to above. Our compliance audit followed auditing standards generally accepted in the United States of America; the standards for financial audits included in the Comptroller General of the United States' *Government Auditing Standards*; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. These standards and OMB Circular A-133 require us to plan and perform the audit to reasonably assure whether noncompliance with the applicable compliance requirements referred to above that could directly and materially affect 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 our audit provides a reasonable basis for our compliance opinion on the School District's major program. However, our audit does not provide a legal determination of the School District's compliance.

Opinion on the Major Federal Program

In our opinion, the Twin Valley Community Local School District complied, in all material respects with the compliance requirements referred to above that could directly and materially affect its major federal program for the year ended June 30, 2014.

Report on Internal Control Over Compliance

The School District's management is responsible for establishing and maintaining effective internal control over compliance with the applicable compliance requirements referred to above. In planning and performing our compliance audit, we considered the School District's internal control over compliance with the applicable requirements that could directly and materially affect a major federal program, to determine our auditing procedures appropriate for opining on each major federal program's compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not to the extent needed to opine on the effectiveness of internal control over compliance. Accordingly, we have not opined 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, when performing their assigned functions, to prevent, or to timely detect and correct, noncompliance with a federal program's applicable compliance requirement. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a federal program compliance requirement will not be prevented, or timely detected and corrected. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with federal program's applicable compliance requirement 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 would not necessarily 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.

This report only describes the scope of our internal control compliance tests and the results of this testing based on OMB Circular A-133 requirements. Accordingly, this report is not suitable for any other purpose.



Dave Yost
Auditor of State
Columbus, Ohio

January 28, 2015

**TWIN VALLEY COMMUNITY LOCAL SCHOOL DISTRICT
PREBLE COUNTY**

**SCHEDULE OF FINDINGS
OMB CIRCULAR A -133 § .505
JUNE 30, 2014**

1. SUMMARY OF AUDITOR'S RESULTS

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

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

FINDING NUMBER 2014-001

Noncompliance

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

**FINDING NUMBER 2014-001
(Continued)**

Ohio Admin. Code § 117-2-03(B) requires the School District to prepare its annual financial report in accordance with generally accepted accounting principles. However, the School District prepares its financial statements on a modified cash basis, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. The accompanying financial statements omit assets, liabilities, fund equities, and disclosures that, while material, cannot be determined at this time. The School District can be fined and various other administrative remedies may be taken against the School District. As such we recommend the School District prepare its annual financial report in accordance with generally accepted accounting principles.

Officials' Response:

The District chooses to complete the annual financial report on a modified cash basis based on the needs for the District and for financial purposes.

FINDING NUMBER 2014-002

Significant Deficiency

When designing the public office's system of internal control and the specific control activities, management should consider ensuring that accounting records are properly designed, verifying the existence and valuation of assets and liabilities and periodically reconcile them to the accounting records, and performing analytical procedures to determine the reasonableness of financial data.

The School District did not properly record property tax receipts in the financial statements for the fiscal year ended June 30, 2014. The School District understated General Fund tax receipts by \$93,974 and overstated Bond Retirement and Classroom Facilities tax receipts by \$84,679 and \$9,295 respectively, due to improperly posting the tax advances during the audit period.

Adjustments were posted to the financial statements and the District's accounting records to correct the above error.

Failure to properly report financial activity can result in inaccurate financial statements. To improve record keeping and accountability of financial activity we recommend that the School District properly record all financial activity.

Officials' Response:

In prior years, the District did not receive the detailed breakdown for advances. Beginning in January 2014, the advance breakdown for general fund, the bond, and classroom and facility maintenance was provided and the advances were recorded accordingly. When recording the 1st half real estate settlement in March 2014, the advance was reduced from the general fund as in prior years. Procedures are in place to prevent the issue going forward.

3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS

None.

**TWIN VALLEY COMMUNITY LOCAL SCHOOL DISTRICT
PREBLE COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS
OMB CIRCULAR A -133 § .315 (b)
JUNE 30, 2014**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain</i>
2013-001	Ohio Rev. Code § 117.38 and Ohio Admin. Code § 117-2-03(B), failure to report in accordance with generally accepted accounting principles	No	Not Corrected; re-issued as Finding 2014-001

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TWIN VALLEY COMMUNITY LOCAL SCHOOL DISTRICT

PREBLE 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
FEBRUARY 24, 2015**