



Dave Yost • Auditor of State

**INDIAN VALLEY LOCAL SCHOOL DISTRICT
TUSCARAWAS COUNTY**

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INDEPENDENT ACCOUNTANTS' REPORT

Indian Valley Local School District
Tuscarawas County
100 N. Walnut Street
P.O. Box 171
Gnadenhutten, Ohio 44629

To the Board of Education:

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Indian Valley Local School District, Tuscarawas County, Ohio (the District), as of and for the year ended June 30, 2012, which collectively comprise the District's basic financial statements as listed in the Table of Contents. These financial statements are the responsibility of the District's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Indian Valley Local School District, Tuscarawas County, Ohio, as of June 30, 2012, and the respective changes in financial position thereof and the budgetary comparison for the General Fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated January 15, 2013, on our consideration of the District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. While we did not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting and compliance and the results of that testing. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*. You should read it in conjunction with this report in assessing the results of our audit.

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

We conducted our audit to opine on the financial statements that collectively comprise the District's basic financial statements taken as a whole. The Federal Awards Receipts and Expenditures Schedule is required by the U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations* is not a required part of the basic financial statements. The Federal Awards Receipts and Expenditures Schedule is management's responsibility, and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. This Schedule was subject to the auditing procedures we applied to the basic financial statements. We also applied certain additional procedures, including comparing and reconciling this information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, in accordance with auditing standards generally accepted in the United States of America. In our opinion, this information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.



Dave Yost
Auditor of State

January 15, 2013

Indian Valley Local School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2012

The discussion and analysis of the Indian Valley Local School District's (the "School District") financial performance provides an overall review of the School District's financial activities for the fiscal year ended June 30, 2012. The intent of this discussion and analysis is to look at the School District's performance as a whole; readers should also review the notes to the basic financial statements and financial statements to enhance their understanding of the School District's financial performance.

Financial Highlights

Key financial highlights for 2012 are as follows:

- Net assets decreased \$1,032,085, which represents a 2.96 percent decrease from 2011.
- Capital assets decreased \$1,536,835 during fiscal year 2012.
- During the year, outstanding debt decreased from \$11,736,931 to \$11,145,305 due to principal payments made by the School District

Using this Annual Report

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

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

Reporting the School District as a Whole

Statement of Net Assets and the Statement of Activities

While the basic financial statements contain the large number of funds used by the School District to provide programs and activities, the view of the School District as a whole looks at all financial transactions and asks the question, "How did we do financially during fiscal year 2012?" The *Statement of Net Assets* and the *Statement of Activities* answer this question. These statements include all assets and liabilities using the accrual basis of accounting similar to the accounting used by most private-sector companies. This basis of accounting takes into account all of the current year's revenues and expenses regardless of when cash is received or paid.

Indian Valley Local School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2012

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

In the *Statement of Net Assets* and the *Statement of Activities*, Governmental Activities include the School District's programs and services, including instruction, support services, extracurricular activities, and non instructional services, i.e., food service operations.

Reporting the School District's Most Significant Funds

Fund Financial Statements

The major funds financial statements begin on page 13. Fund financial reports provide detailed information about the School District's major funds. The School District uses many funds to account for a multitude of financial transactions; however, these fund financial statements focus on the School District's most significant funds. The School District's major governmental funds are the general fund and bond retirement fund.

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

Reporting the School District's Fiduciary Responsibilities

The School District is the trustee, or fiduciary, for some of its scholarship and foundation programs. This activity is presented as a private purpose trust fund. The School District also acts in a trustee capacity as an agent for individuals, private organizations, other governmental units and/or other funds. These activities are reported in two agency funds. The School District's fiduciary activities are reported in separate Statements of Fiduciary Net Assets and Changes in Fiduciary Net Assets on pages 18 and 19. These activities are excluded from the School District's other financial statements because the assets cannot be utilized by the School District to finance its operations.

Indian Valley Local School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2012

The School District as a Whole

Recall that the Statement of Net Assets provides the perspective of the School District as a whole. Table 1 provides a summary of the School District's net assets for 2012 compared to 2011:

Table 1
Net Assets

	Governmental Activities	
	2012	2011
Assets		
Current and Other Assets	\$ 11,437,593	\$ 11,688,114
Capital Assets	41,928,437	43,465,272
<i>Total Assets</i>	53,366,030	55,153,386
Liabilities		
Other Liabilities	6,721,998	6,828,044
Long-Term Liabilities	12,849,244	13,498,469
<i>Total Liabilities</i>	19,571,242	20,326,513
Net Assets		
Invested in Capital Assets, Net of Debt	31,454,466	32,174,313
Restricted	2,073,395	2,579,108
Unrestricted	266,927	73,452
<i>Total Net Assets</i>	\$ 33,794,788	\$ 34,826,873

At year end, capital assets represented 79 percent of total assets. Capital assets include, land, buildings and improvements, improvements other than buildings, furniture and equipment, vehicles and library and textbooks. Capital assets, net of related debt were \$31,454,466 at June 30, 2012. These capital assets are used to provide services to students and are not available for future spending. Although the School District's investment in capital assets is reported net of related debt, it should be noted that the resources to repay the debt must be provided from other sources, since capital assets may not be used to liquidate these liabilities.

A portion of the School District's net assets, \$2,073,395 or 6 percent, represents resources that are subject to external restrictions on how they may be used. The balance of government-wide unrestricted net assets of \$266,927 may be used to meet the government's ongoing obligations to students and creditors.

Total assets decreased \$1,787,356. The largest decrease was in capital assets due to current year depreciation exceeding current year additions. Intergovernmental receivables decreased \$641,030 due to ARRA grants expiring.

Long-term liabilities decreased by \$649,225 due to principal payments made by the School District.

Indian Valley Local School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2012

Table 2 shows the changes in net assets for fiscal year 2012 and 2011.

Table 2
Changes in Net Assets

	Governmental Activities	
	2012	2011
Revenues		
<i>Program Revenues:</i>		
Charges for Services	\$ 2,161,575	\$ 2,196,293
Operating Grants	1,982,032	2,584,887
<i>Total Program Revenues</i>	<u>4,143,607</u>	<u>4,781,180</u>
<i>General Revenues:</i>		
Property Taxes	5,005,486	4,866,248
Grants and Entitlements Not Restricted	9,309,438	9,716,649
Other	210,838	14,054
<i>Total General Revenues</i>	<u>14,525,762</u>	<u>14,596,951</u>
<i>Total Revenues</i>	<u>18,669,369</u>	<u>19,378,131</u>
Program Expenses		
Instruction:		
Regular	8,199,806	7,625,137
Special	1,731,793	1,731,825
Vocational	196,893	187,222
Student Intervention Services	0	863
Other	1,675,368	1,804,976
Support Services:		
Pupils	572,095	543,460
Instructional Staff	733,911	677,358
Board of Education	35,518	59,774
Administration	1,180,949	1,084,707
Fiscal	401,270	404,113
Business	121,888	115,767
Operation and Maintenance of Plant	1,711,780	1,700,742
Pupil Transportation	1,132,417	1,108,094
Central	11,720	17,992
Operation of Non-Instructional Services:		
Food Service Operations	930,238	789,173
Extracurricular Activities	517,888	499,099
Debt Service:		
Interest and Fiscal Charges	547,920	550,905
<i>Total Expenses</i>	<u>19,701,454</u>	<u>18,901,207</u>
<i>Increase (Decrease) in Net Assets</i>	(1,032,085)	476,924
<i>Net Assets at Beginning of Year</i>	<u>34,826,873</u>	<u>34,349,949</u>
<i>Net Assets at End of Year</i>	<u>\$ 33,794,788</u>	<u>\$ 34,826,873</u>

The decrease in operating grants of \$602,855 is due to federal ARRA grants expiring. Other revenue increased by \$196,784 due to the School District receiving a signing bonus for an oil and gas lease.

Indian Valley Local School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2012

Instruction regular increased by \$574,669 due to the increase of insurance and new computer equipment for students and teachers.

The Statement of Activities shows the cost of program services and the charges for services and grants offsetting those services. Table 3 shows, for governmental activities, the total cost of services and the net cost of services. That is, it identifies the cost of these services supported by tax revenue and unrestricted State entitlements.

Table 3
Governmental Activities

	Total Cost of Service		Net Cost of Service	
	2012	2011	2012	2011
Instruction:				
Regular	\$ 8,199,806	\$ 7,625,137	\$ 6,578,137	\$ 5,327,586
Special	1,731,793	1,731,825	708,248	680,776
Vocational	196,893	187,222	145,077	139,406
Student Intervention Services	0	863	0	863
Other	1,675,368	1,804,976	1,675,368	1,804,976
Support Services:				
Pupils	572,095	543,460	500,017	502,858
Instructional Staff	733,911	677,358	639,420	523,960
Board of Education	35,518	59,774	35,518	59,774
Administration	1,180,949	1,084,707	1,161,221	1,066,105
Fiscal	401,270	404,113	401,270	404,113
Business	121,888	115,767	121,888	115,767
Operation and Maintenance of Plant	1,711,780	1,700,742	1,654,870	1,642,862
Pupil Transportation	1,132,417	1,108,094	1,132,417	1,108,094
Central	11,720	17,992	4,520	3,892
Operation of Non-Instructional Services:				
Food Service Operations	930,238	789,173	(41,333)	(87,900)
Extracurricular Activities	517,888	499,099	293,289	276,669
Debt Service:				
Interest and Fiscal Charges	547,920	550,905	547,920	550,226
<i>Total Expenses</i>	\$ 19,701,454	\$ 18,901,207	\$ 15,557,847	\$ 14,120,027

The dependence upon general revenues for governmental activities is apparent. 74 percent of governmental activities are supported through taxes and other general revenues; such revenues are 78 percent of total governmental revenues. The community, as a whole, is by far the primary support for the School District students.

Governmental Funds

Information about the School District's major funds starts on page 13. These funds are accounted for using the modified accrual basis of accounting. All governmental funds had total revenues of \$19,257,934 and expenditures of \$18,795,006 for fiscal year.

Indian Valley Local School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2012

The general fund's net change in fund balance for fiscal year 2012 was an increase of \$358,447. This was accomplished by maintaining operations within available resources.

The fund balance of the bond retirement fund increased by \$52,256 as a result of timing of property tax collections as compared to the timing of debt service maturity dates.

General Fund Budgeting Highlights

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

During the course of fiscal year 2012, the School District did amend its general fund budget a few times. The School District uses site-based budgeting and budgeting systems are designed to tightly control total site budgets but provide flexibility for site management

For the general fund, actual budget basis revenue was \$129,103 less than the final budget basis revenue. The revenues showed no individually significant variances.

Final expenditure appropriations of \$15,678,228 were \$975,642 higher than the actual expenditures of \$14,702,586, as cost savings were recognized for instruction and student support services throughout the year.

Capital Assets and Debt Administration

Capital Assets

At the end of fiscal year 2012, the School District had \$41,928,437 invested in capital assets. Table 4 shows fiscal year 2012 balances compared with 2011.

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

	Governmental Activities	
	2012	2011
Land	\$ 91,144	\$ 91,144
Buildings and Building Improvements	40,129,455	41,502,466
Improvements Other Than Buildings	180,412	155,350
Furniture and Equipment	1,034,190	1,070,673
Vehicles	341,290	358,209
Library and Textbooks	151,946	287,430
<i>Totals</i>	\$ 41,928,437	\$ 43,465,272

The \$1,536,835 decrease in capital assets was attributable to depreciation and disposals exceeding additional purchases in the current year. See Note 8 for more information about the capital assets of the School District.

Indian Valley Local School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2012

Debt

At June 30, 2012, the School District had \$11,145,305 in debt outstanding. See Note 12 for additional details. Table 5 summarizes bonds outstanding.

(Table 5)
Outstanding Debt at Year End

	Governmental Activities	
	2012	2011
General Obligation Bonds:		
Various Series Bonds	\$ 9,080,000	\$ 9,835,000
Various Capital Appreciation Bonds	1,147,983	1,147,983
Accretion on Capital Appreciation Bonds	916,322	740,948
Installment Loan	1,000	13,000
	<u>\$ 11,145,305</u>	<u>\$ 11,736,931</u>

Current Issues

The School District continues to receive strong support from the residents of the School District. The last operating levies passed by the residents of the School District were a renewal in November 2008, which will generate revenue of approximately \$550,000 per year, for a period of five years and a renewal in May 2011, which will generate revenue of \$600,000 per year, for a period of five years. Also, in May 2005, the School District residents passed an \$8,483,000 bond issue as their local share in an Ohio School Facilities Commission (OSFC) Classroom Facilities Assistance Program. The total project cost of \$42,436,000, provided the School District with two(2) new elementary schools, a new middle school, and a 30,000 square foot addition and renovations to the high school. All of the schools were opened in September 2007.

Real estate tax collections have shown small increases. The unique nature of property taxes in Ohio creates the need to routinely seek voter approval for operating funds. The overall revenue generated by a levy will not increase solely as a result of inflation due to Ohio House Bill 920 (passed in 1976). As an example, a homeowner with a home valued at \$100,000 and taxed at 1.0 mill would pay \$35.00 annually in taxes. If three years later the home was reappraised and increased to \$200,000 (and this inflationary increase in value is comparable to other property owners) the effective tax rate would become .5 mills and the owner would still pay \$35.00.

Property tax revenue makes up only 26 percent of revenues for governmental activities for the School District in fiscal year 2012. Unlike many other school districts, the School District is not primarily dependent upon revenue generated from property taxes.

From a State funding perspective, the State of Ohio was found by the Ohio Supreme Court in March 1997 to be operating an unconstitutional school funding system, one that was neither "adequate" nor "equitable". In July 2009, the State approved a new biennial budget (HB1). Many of the greatest changes made in HB1 were the way school districts are funded, as the old system was replaced with the Ohio Evidence Based Model (OEBM).

Indian Valley Local School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2012

Then in July 2011, the State approved another biennial budget (HB153). With the passage of this new budget bill, the evidence based model (EBM) for school funding has been eliminated. The current funding model for fiscal years 2012 and 2013 is based on a transitional approach where the formula amount was calculated by using what the district received in funding through the EBM in fiscal year 2011, with the current year 2012 formula ADM and the district valuation, to arrive at the amount the district expects to receive through the foundation. This transitional approach is referred to as the "Bridge Formula", which the State hopes to replace with a permanent formula by July 1, 2013. It is still undetermined whether the State has met the standards of the Ohio Supreme Court.

In FY 2010-FY 2012, the State received Federal Stimulus funds from the America Recovery and Reinvestment Act of 2009 (ARRA) to help stabilize State budgets in order to avoid reductions in education funding. These funds were provided to the district through the state foundation formula, which was capped at a .75% gain.

How the legislature plans to fund education programs remains a concern. Therefore, all of the School District's financial abilities will be needed to meet the challenges of the future to provide the resources to meet student needs.

Contacting the School District's Financial Management

This financial report is designed to provide our citizens, taxpayers, investors, and creditors with a general overview of the School District's finances and to show the School District's accountability for the money it receives. If you have any questions about this report or need additional financial information, contact Brad Maholm, Treasurer of Indian Valley Local School District, 100 N. Walnut Street, Gnadenuhthen, Ohio 44629 or brad.maholm@ivschoools.org.

Indian Valley Local School District

Statement of Net Assets

June 30, 2012

	<u>Governmental Activities</u>
Assets	
Equity in Pooled Cash and Cash Equivalents	\$ 5,713,831
Inventory Held For Resale	12,458
Materials and Supplies Inventory	2,487
Receivables:	
Accounts	34,793
Intergovernmental	195,760
Property Taxes	5,273,452
Prepaid Items	47,704
Deferred Charges	157,108
Nondepreciable Capital Assets	91,144
Depreciable Capital Assets (Net)	<u>41,837,293</u>
<i>Total Assets</i>	<u>53,366,030</u>
Liabilities	
Accounts Payable	53,856
Accrued Wages and Benefits	1,651,528
Intergovernmental Payable	536,485
Accrued Vacation Leave Payable	56,369
Matured Compensated Absences Payable	69,806
Accrued Interest Payable	29,956
Deferred Revenue	4,323,998
Long Term Liabilities:	
Due Within One Year	917,615
Due In More Than One Year	<u>11,931,629</u>
<i>Total Liabilities</i>	<u>19,571,242</u>
Net Assets	
Invested in Capital Assets, Net of Related Debt	31,454,466
Restricted For:	
Debt Service	1,331,581
Other Purposes	741,814
Unrestricted	<u>266,927</u>
<i>Total Net Assets</i>	<u>\$ 33,794,788</u>

See accompanying notes to the basic financial statements.

Indian Valley Local School District
Statement of Activities
For the Fiscal Year Ended June 30, 2012

	Program Revenues			Net (Expense) Revenue and Changes in Net Assets
	Expenses	Charges for Services and Sales	Operating Grants, Contributions and Interest	Governmental Activities
Governmental Activities				
Instruction:				
Regular	\$ 8,199,806	\$ 1,553,299	\$ 68,370	\$ (6,578,137)
Special	1,731,793	6,520	1,017,025	(708,248)
Vocational	196,893	0	51,816	(145,077)
Other	1,675,368	0	0	(1,675,368)
Support Services:				
Pupils	572,095	0	72,078	(500,017)
Instructional Staff	733,911	0	94,491	(639,420)
Board of Education	35,518	0	0	(35,518)
Administration	1,180,949	0	19,728	(1,161,221)
Fiscal	401,270	0	0	(401,270)
Business	121,888	0	0	(121,888)
Operation and Maintenance of Plant	1,711,780	0	56,910	(1,654,870)
Pupil Transportation	1,132,417	0	0	(1,132,417)
Central	11,720	0	7,200	(4,520)
Operation of Non-Instructional Services:				
Food Service Operations	930,238	406,304	565,267	41,333
Extracurricular Activities	517,888	195,452	29,147	(293,289)
Debt Service:				
Interest and Fiscal Charges	547,920	0	0	(547,920)
Total	\$ 19,701,454	\$ 2,161,575	\$ 1,982,032	(15,557,847)

General Revenues

Property Taxes Levied for:

General Purposes	3,914,872
Debt Service	1,018,493
Other Purposes	72,121
Grants and Entitlements Not Restricted to Specific Programs	9,309,438
Investment Earnings	2,574
Miscellaneous	208,264

Total General Revenues 14,525,762

Change in Net Assets (1,032,085)

Net Assets Beginning of Year 34,826,873

Net Assets End of Year \$ 33,794,788

See accompanying notes to the basic financial statements.

Indian Valley Local School District
Balance Sheet
Governmental Funds
June 30, 2012

	General	Bond Retirement	Other Governmental Funds	Total Governmental Funds
Assets				
Equity in Pooled Cash and Cash Equivalents	\$ 3,695,700	\$ 1,163,185	\$ 854,946	\$ 5,713,831
Inventory Held For Resale	0	0	12,458	12,458
Materials and Supplies Inventory	0	0	2,487	2,487
Receivables:				
Accounts	34,552	0	241	34,793
Intergovernmental	538	0	195,222	195,760
Property Taxes	4,141,601	1,056,434	75,417	5,273,452
Prepaid Items	47,704	0	0	47,704
<i>Total Assets</i>	<u>\$ 7,920,095</u>	<u>\$ 2,219,619</u>	<u>\$ 1,140,771</u>	<u>\$ 11,280,485</u>
Liabilities and Fund Balances				
Liabilities				
Accounts Payable	\$ 50,636	\$ 0	\$ 3,220	\$ 53,856
Accrued Wages and Benefits	1,406,197	0	245,331	1,651,528
Intergovernmental Payable	485,312	0	51,173	536,485
Matured Compensated Absences Payable	67,408	0	2,398	69,806
Deferred Revenue	3,696,646	934,516	157,710	4,788,872
<i>Total Liabilities</i>	<u>5,706,199</u>	<u>934,516</u>	<u>459,832</u>	<u>7,100,547</u>
Fund Balances				
Nonspendable	47,704	0	14,945	62,649
Restricted	0	1,285,103	673,092	1,958,195
Assigned	758,575	0	0	758,575
Unassigned	1,407,617	0	(7,098)	1,400,519
<i>Total Fund Balances</i>	<u>2,213,896</u>	<u>1,285,103</u>	<u>680,939</u>	<u>4,179,938</u>
<i>Total Liabilities and Fund Balances</i>	<u>\$ 7,920,095</u>	<u>\$ 2,219,619</u>	<u>\$ 1,140,771</u>	<u>\$ 11,280,485</u>

See accompanying notes to the basic financial statements.

Indian Valley Local School District
*Reconciliation of Total Governmental Fund Balances to
 Net Assets of Governmental Activities
 June 30, 2012*

Total Governmental Fund Balances		\$ 4,179,938
 <i>Amounts reported for governmental activities in the statement of net assets are different because:</i>		
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.		41,928,437
Other long-term assets are not available to pay for current-period expenditures and therefore are deferred in the funds.		
Property Taxes	\$ 373,452	
Intergovernmental	<u>91,422</u>	
Total		464,874
In the statement of activities, bond issuance costs are amortized over the term of the bonds, whereas in governmental funds a bond issuance expenditure is reported when bonds are issued.		157,108
In the statement of activities, interest is accrued on outstanding bonds, whereas in the governmental funds, an interest expenditure is not reported.		(29,956)
Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds.		
General Obligation Bonds	(9,080,000)	
Capital Appreciation Bonds	(1,147,983)	
Bond Premium	(381,065)	
Refunding Loss	119,031	
Installment Loan	(1,000)	
Accretion of Interest - Capital Appreciation Bonds	(916,322)	
Capital Leases Payable	(140,060)	
Accrued Vacation Payable	(56,369)	
Compensated Absences	<u>(1,301,845)</u>	
Total		<u>(12,905,613)</u>
<i>Net Assets of Governmental Activities</i>		<u><u>\$ 33,794,788</u></u>

See accompanying notes to the basic financial statements.

Indian Valley Local School District
Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
For the Fiscal Year Ended June 30, 2012

	General	Bond Retirement	Other Governmental Funds	Total Governmental Funds
Revenues				
Property and Other Local Taxes	\$ 3,921,856	\$ 1,020,007	\$ 72,233	\$ 5,014,096
Intergovernmental	9,159,691	183,983	2,485,718	11,829,392
Investment Income	2,574	0	156	2,730
Tuition and Fees	1,560,219	0	0	1,560,219
Extracurricular Activities	95,238	0	97,638	192,876
Rentals	2,176	0	0	2,176
Charges for Services	0	0	406,304	406,304
Contributions and Donations	25,909	0	19,618	45,527
Miscellaneous	204,548	0	66	204,614
<i>Total Revenues</i>	<u>14,972,211</u>	<u>1,203,990</u>	<u>3,081,733</u>	<u>19,257,934</u>
Expenditures				
Current:				
Instruction:				
Regular	6,120,996	0	568,230	6,689,226
Special	706,828	0	1,014,642	1,721,470
Vocational	193,161	0	4,000	197,161
Other	1,673,283	0	2,297	1,675,580
Support Services:				
Pupils	557,128	0	4,967	562,095
Instructional Staff	457,657	0	195,870	653,527
Board of Education	35,518	0	0	35,518
Administration	1,121,887	0	43,641	1,165,528
Fiscal	374,608	24,991	1,765	401,364
Business	121,630	0	0	121,630
Operation and Maintenance of Plant	1,570,575	0	164,911	1,735,486
Pupil Transportation	1,116,022	0	0	1,116,022
Central	4,520	0	7,200	11,720
Extracurricular Activities	423,379	0	120,386	543,765
Operation of Non-Instructional Services:				
Food Service Operations	0	0	897,949	897,949
Capital Outlay	75,385	0	0	75,385
Debt Service:				
Principal Retirement	57,218	755,000	0	812,218
Interest and Fiscal Charges	7,619	371,743	0	379,362
<i>Total Expenditures</i>	<u>14,617,414</u>	<u>1,151,734</u>	<u>3,025,858</u>	<u>18,795,006</u>
<i>Excess of Revenues Over (Under) Expenditures</i>	<u>354,797</u>	<u>52,256</u>	<u>55,875</u>	<u>462,928</u>
Other Financing Sources (Uses)				
Proceeds from Sale of Capital Assets	3,650	0	0	3,650
<i>Net Change in Fund Balance</i>	358,447	52,256	55,875	466,578
<i>Fund Balances Beginning of Year</i>	<u>1,855,449</u>	<u>1,232,847</u>	<u>625,064</u>	<u>3,713,360</u>
<i>Fund Balances End of Year</i>	<u>\$ 2,213,896</u>	<u>\$ 1,285,103</u>	<u>\$ 680,939</u>	<u>\$ 4,179,938</u>

See accompanying notes to the basic financial statements.

Indian Valley Local School District
*Reconciliation of the Statement of Revenues, Expenditures and Changes
in Fund Balances of Governmental Funds to the Statement of Activities
For the Fiscal Year Ended June 30, 2012*

Net Change in Fund Balances - Total Governmental Funds	\$	466,578
 <i>Amounts reported for governmental activities in the statement of activities are different because:</i>		
Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which depreciation exceeded capital outlay in the current period.		
Capital Asset Additions	\$ 329,150	
Current Year Depreciation	<u>(1,865,985)</u>	(1,536,835)
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.		
Property Taxes	(8,610)	
Intergovernmental	<u>(588,156)</u>	(596,766)
Repayment of principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets.		
General Obligation Bonds	755,000	
Installment Loan	12,000	
Capital Leases	<u>45,218</u>	812,218
In the statement of activities, interest is accrued on outstanding bonds, and bond premium and bond issuance costs and the gain/loss on refunding are amortized over the term of the bonds, whereas in governmental funds, an interest expenditure is reported when bonds are issued.		
Accrued Interest Payable	2,045	
Amortization of Issuance Costs	(11,017)	
Amortization of Premium on Bonds	30,666	
Amortization of Refunding Loss	<u>(14,878)</u>	6,816
Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds.		
Compensated Absences	(3,407)	
Accrued Vacation Payable	<u>(5,315)</u>	(8,722)
Accretion on capital appreciation bonds is an expenditure in the governmental funds, but is allocated as an expense over the life of the bonds.		
		<u>(175,374)</u>
<i>Change in Net Assets of Governmental Activities</i>	\$	<u><u>(1,032,085)</u></u>

See accompanying notes to the basic financial statements.

Indian Valley Local School District
*Statement of Revenues, Expenditures, and Changes in Fund Balance -
 Budget (Non-GAAP Basis) and Actual*
 General Fund
 For the Fiscal Year Ended June 30, 2012

	Budgeted Amounts			Variance with Final Budget Over (Under)
	Original	Final	Actual	
Revenues				
Property and Other Local Taxes	\$ 3,762,000	\$ 3,762,000	\$ 3,818,385	\$ 56,385
Intergovernmental	9,074,800	9,142,800	9,159,691	16,891
Investment Income	6,000	6,000	2,574	(3,426)
Tuition and Fees	1,553,500	1,553,500	1,571,028	17,528
Rentals	4,500	4,500	2,349	(2,151)
Contributions and Donations	25,000	25,000	16,380	(8,620)
Miscellaneous	2,000	114,000	157,755	43,755
<i>Total Revenues</i>	<u>14,427,800</u>	<u>14,607,800</u>	<u>14,728,162</u>	<u>120,362</u>
Expenditures				
Current:				
Instruction:				
Regular	5,986,852	6,198,852	6,055,604	143,248
Special	756,040	756,040	714,990	41,050
Vocational	220,542	220,542	199,422	21,120
Other	1,886,050	1,888,050	1,674,547	213,503
Support Services:				
Pupils	585,398	614,348	567,364	46,984
Instructional Staff	502,303	526,303	463,868	62,435
Board of Education	52,800	54,300	48,884	5,416
Administration	1,205,357	1,245,858	1,176,593	69,265
Fiscal	401,938	403,938	383,707	20,231
Business	129,250	129,450	123,573	5,877
Operation and Maintenance of Plant	1,854,194	1,886,194	1,694,248	191,946
Pupil Transportation	1,171,290	1,266,290	1,183,798	82,492
Central	11,000	11,000	4,520	6,480
Extracurricular Activities	386,713	388,813	324,083	64,730
Capital Outlay	0	76,250	75,385	865
Debt Service:				
Principal Retirement	12,000	12,000	12,000	0
<i>Total Expenditures</i>	<u>15,161,727</u>	<u>15,678,228</u>	<u>14,702,586</u>	<u>975,642</u>
<i>Excess of Revenues Over (Under) Expenditures</i>	<u>(733,927)</u>	<u>(1,070,428)</u>	<u>25,576</u>	<u>1,096,004</u>
Other Financing Sources (Uses)				
Proceeds from Sale of Capital Assets	0	0	3,650	3,650
Refund of Prior Year Expenditures	5,000	5,000	9,278	4,278
Insurance Recoveries	0	0	3,013	3,013
Advances In	5,000	5,000	2,800	(2,200)
Advances Out	(4,000)	(4,000)	0	4,000
Transfers Out	(5,000)	(5,000)	0	5,000
<i>Total Other Financing Sources (Uses)</i>	<u>1,000</u>	<u>1,000</u>	<u>18,741</u>	<u>17,741</u>
<i>Net Change in Fund Balance</i>	<u>(732,927)</u>	<u>(1,069,428)</u>	<u>44,317</u>	<u>1,113,745</u>
<i>Fund Balance Beginning of Year</i>	<u>3,291,675</u>	<u>3,291,675</u>	<u>3,291,675</u>	<u>0</u>
Prior Year Encumbrances Appropriated	<u>197,923</u>	<u>197,923</u>	<u>197,923</u>	<u>0</u>
<i>Fund Balance End of Year</i>	<u>\$ 2,756,671</u>	<u>\$ 2,420,170</u>	<u>\$ 3,533,915</u>	<u>\$ 1,113,745</u>

See accompanying notes to the basic financial statements.

Indian Valley Local School District
Statement of Fiduciary Net Assets
Fiduciary Funds
June 30, 2012

	Private Purpose Trust	Agency
Assets		
Equity in Pooled Cash and Cash Equivalents	\$ 10,326	\$ 60,020
Liabilities		
Due to Students	0	\$ 60,020
Net Assets		
Held in Trust for Scholarships	\$ 10,326	

See accompanying notes to the basic financial statements.

Indian Valley Local School District
Statement of Changes in Fiduciary Net Assets
Private Purpose Trust Fund
For the Fiscal Year Ended June 30, 2012

	Private Purpose Trust
Additions	
Gifts and Contributions	\$ 11,500
Investment Earnings	100
	11,600
<i>Total Additions</i>	<i>11,600</i>
Deductions	
Payments in Accordance with Trust Agreements	11,500
	100
<i>Change in Net Assets</i>	<i>100</i>
<i>Net Assets Beginning of Year</i>	<i>10,226</i>
<i>Net Assets End of Year</i>	<i>\$ 10,326</i>

See accompanying notes to the basic financial statements.

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**INDIAN VALLEY LOCAL SCHOOL DISTRICT
TUSCARAWAS COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012**

NOTE 1: NATURE OF BASIC OPERATIONS AND DESCRIPTION OF THE ENTITY

The Indian Valley Local School District (the "School District") was established for the purpose of exercising the rights and privileges conveyed to it by the constitution and laws of the State of Ohio. The School District is a school district as defined by Section 3311.03 of the Ohio Revised Code. The School District operates under an elected Board of Education, consisting of five members, and is responsible for providing public education to residents of the School District. Average daily membership on October 1, 2011, was 1953. The School District employs 122 certificated and 78 non-certificated employees.

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

The School District is involved with Ohio Mid-Eastern Regional Educational Services Association (OME-RESA), Tuscarawas County Tax Incentive Review Council and Buckeye Career Center, which are defined as jointly governed organizations, the Portage Area School Consortium and the Gnadenhutzen Public Library, which is defined as a related organization. Additional information concerning the related and jointly governed organizations and the insurance purchasing pools is presented in Notes 14, 15 and 16.

Management believes the basic financial statements included in the report represent all of the funds of the School District over which the School District has the ability to exercise direct operating control. There are no component units.

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the School District have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to local governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The School District also applies Financial Accounting Standards Board (FASB) Statements and Interpretations issued on or before November 30, 1989, to its governmental activities provided they do not conflict with or contradict GASB pronouncements. The FASB has codified its standards and the standards issued prior to November 30, 1989 are included in the codification. 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 assets and a statement of activities, and fund financial statements which provide a more detailed level of financial information.

Government-wide Financial Statements The statement of net assets and the statement of activities display information about the School District as a whole. These statements include the financial activities of the primary government, except for fiduciary funds.

**INDIAN VALLEY LOCAL SCHOOL DISTRICT
TUSCARAWAS COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012**

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

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

B. Fund Accounting

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

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

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

Bond Retirement Fund The bond retirement fund accounts for the accumulation of resources for and the payment of general obligation principal and interest.

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

**INDIAN VALLEY LOCAL SCHOOL DISTRICT
TUSCARAWAS COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012**

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

C. Measurement Focus

Government-wide Financial Statements The government-wide financial statements are prepared using the economic resources measurement focus. All non-fiduciary assets and liabilities associated with the operation of the School District are included on the statement of net assets.

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

The private purpose trust fund is reported using the economic resources measurement focus. Agency funds do not report a measurement focus as they do not report operations.

D. Basis of Accounting

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

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

**INDIAN VALLEY LOCAL SCHOOL DISTRICT
TUSCARAWAS COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012**

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

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

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

Property taxes for which there is an enforceable legal claim as of June 30, 2012, but which were levied to finance fiscal year 2013 operations, have been recorded as deferred revenue. Grants and entitlements received before the eligibility requirements are met are also recorded as deferred revenue.

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

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

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

E. Cash and Cash Equivalents

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

During fiscal year 2012, investments were limited to STAROhio and certificates of deposit.

Except for nonparticipating investment contracts, investments are reported at fair value which is based on quoted market prices.

**INDIAN VALLEY LOCAL SCHOOL DISTRICT
TUSCARAWAS COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012**

STAROhio is an investment pool managed by the State Treasurer's Office which allows governments within the State to pool their funds for investment purposes. STAROhio is not registered with the SEC as an investment company, but does operate in a manner consistent with Rule 2a7 of the Investment Company Act of 1940. Investments in STAROhio are valued at STAROhio's share price which is the price the investment could be sold for on June 30, 2012. Certificates of deposit are reported at cost.

Following Ohio statutes, the Board of Education has, by resolution, identified the funds to receive an allocation of interest. Interest revenue credited to the general fund during fiscal year 2012 amounted to \$2,574, which includes \$950 assigned from other School District funds.

Investments of the cash management pool and investments with a maturity of three months or less at the time they are purchased by the School District are considered to be cash equivalents. Investments with an original maturity of more than three months that are not made from the pool are reported as investments.

F. Inventory

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

G. Deferred Charges

On the governmental fund statements, bond issuance costs are recorded as expenditures when incurred. Bond issuance costs are reported as deferred and amortized over the term of the bonds using the straight-line method on the government-wide statements since the results are not significantly different from the effective-interest or bonds outstanding methods.

H. Capital Assets

General capital assets are those assets that result from expenditures in the governmental funds. These assets are reported in the governmental activities column of the government-wide statement of net assets but are not reported in the fund financial statements.

All capital assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the year. Donated capital assets are recorded at their fair market values as of the date received. The School District's capitalization threshold is \$2,500 for its general capital assets with the exception of textbooks which are all capitalized. 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.

**INDIAN VALLEY LOCAL SCHOOL DISTRICT
TUSCARAWAS COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012**

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:

<u>Description</u>	<u>Estimated Lives</u>
Buildings and Improvements	20 - 50 Years
Improvements Other Than Buildings	20 Years
Furniture and Equipment	5 - 20 Years
Vehicles	8 Years
Library and Textbooks	5 Years

I. Compensated Absences

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

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

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

On the governmental fund financial statements, compensated absences are recognized as liabilities and expenditures to the extent payments come due each period upon the occurrence of employee resignations and retirements. These amounts are recorded in the account "matured compensated absences payable" in the fund from which the employee will be paid.

J. Bond Premiums

Bond premiums are recorded as another financing sources on the governmental fund statements. The bond premiums are deferred and amortized over the term of the bond using the straight-line method on the government-wide statements since the results are not significantly different from the effective-interest or bonds outstanding methods. Bond premiums are presented as an increase of the face amount of the bonds payable.

K. Accrued Liabilities and Long-Term Obligations

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

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

**INDIAN VALLEY LOCAL SCHOOL DISTRICT
TUSCARAWAS COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012**

L. Net Assets

Net assets represent the difference between assets and liabilities. Net assets invested in capital assets, net of related debt consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction, or improvement of those assets. Net assets are reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the School District or through external restrictions imposed by creditors, grantors, or laws or regulations of other governments. Net assets restricted for other purposes include instructional activities, grants and extracurricular activities. At June 30, 2012, none of the School District's net assets were restricted by enabling legislation.

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

M. Fund Balance

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

Nonspendable – The nonspendable fund balance category includes amounts that cannot be spent because they are not in spendable form, or legally or contractually required to be maintained intact. The "not in spendable form" criterion includes items that are not expected to be converted to cash. It also includes the long-term amount of loans receivable, as well as property acquired for resale, unless the use of the proceeds from the collection of those receivables or from the sale of those properties is restricted, committed or assigned.

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

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

Assigned – Amounts in the assigned fund balance classification are intended to be used by the School District for specific purposes but do not meet the criteria to be classified as restricted or committed. In governmental funds other than the general fund, assigned fund balance represents the remaining amount that is not restricted or committed. In the general fund, assigned amounts represent intended uses established by policies of the School District Board of Education. The Board of Education has by resolution authorized the Treasurer to assign fund balance. The Board of Education may also assign fund balance as it does when appropriating fund balance to cover a gap between estimated revenue and appropriations in the subsequent year's appropriated budget.

**INDIAN VALLEY LOCAL SCHOOL DISTRICT
TUSCARAWAS COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012**

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

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

N. Interfund Activity

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

O. Extraordinary and Special Items

Extraordinary items are transactions or events that are both unusual in nature and infrequent in occurrence. Special items are transactions or events that are within the control of the Board of Education and that are either unusual in nature or infrequent in occurrence. Neither type of transaction occurred during fiscal 2012.

P. Estimates

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

Q. Budgetary Data

All funds, other than agency funds, are legally required to be budgeted and appropriated. The major documents prepared are the alternative tax budget, the appropriation resolution and the certificate of estimated resources, which are prepared on the budgetary basis of accounting. The alternative tax budget demonstrates a need for existing or increased tax rates. The certificate of estimated resources establishes a limit on the amounts that the Board of Education may appropriate. The appropriation resolution is the Board's authorization to spend resources and sets annual limits on expenditures plus encumbrances at a level of control selected by the Board. The legal level of budgetary control has been established by the Board of Education at the fund level for all funds. The Treasurer has been given the authority to allocate Board appropriations to the function and object levels within each fund.

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

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**NOTES TO THE BASIC FINANCIAL STATEMENTS
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The amounts reported as the final budgeted amounts in the budgetary statements reflect the amounts in the final amended certificate in effect when the final appropriations were passed.

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

NOTE 3: FUND DEFICITS

Fund balances at June 30, 2012 included the following individual fund deficits:

	<u>Deficit</u>
<i>Non-Major Special Revenue Funds:</i>	
Title VI	\$ 2,514
Title I	3,694
Miscellaneous Federal Grants	890

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

NOTE 4: BUDGETARY BASIS OF ACCOUNTING

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

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

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**NOTES TO THE BASIC FINANCIAL STATEMENTS
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The following table summarizes the adjustments necessary to reconcile the GAAP basis statement to the budgetary basis statement for the general fund.

Net Change in Fund Balance

	<u>General</u>
GAAP Basis	\$ 358,447
Net Adjustment for Revenue Accruals	(124,191)
Net Adjustment for Expenditure Accruals	(69,318)
Funds Budgeted Elsewhere**	(5,781)
Adjustment for Encumbrances	<u>(114,840)</u>
Budget Basis	<u>\$ 44,317</u>

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

NOTE 5: DEPOSITS AND INVESTMENTS

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

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

Inactive deposits are public deposits 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 or depositories, or by savings or deposit accounts including, but not limited to, passbook accounts.

Interim monies are those which are not needed for immediate use but which will be needed before the end of the current period of designation of depositories. Interim deposits must be evidenced by time certificates of deposit or by savings or deposit accounts including passbook accounts.

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

- 1) United States Treasury Notes, Bills, Bonds, or any other obligation or security issued by the United States Treasury or any other obligation guaranteed as to principal or interest by the United States;

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**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012**

- 2) Bonds, notes, debentures, or any other obligations or securities issued by any federal government agency or instrumentality, including but not limited to, the Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, Government National Mortgage Association, and Student Loan Marketing Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
- 3) Written repurchase agreements in the securities listed above, provided that the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least 2 percent and be marked to market daily, and that the term of the agreement must not exceed 30 days;
- 4) Bonds and any other obligations of the State of Ohio;
- 5) No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2) of this section and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions; and
- 6) The State Treasury Asset Reserve of Ohio (STAROhio).
- 7) Certain bankers' acceptances and commercial paper notes for a period not to exceed 180 days in an amount not to exceed 25 percent of the interim monies available for investment at any one time; and
- 8) Under limited circumstances, corporate debt interests rated in either of the two highest rating classifications by at least two nationally recognized rating agencies.

Investments in stripped principal or interest obligations, reverse repurchase agreements and derivatives are prohibited. The issuance of taxable notes for the purpose of arbitrage, the use of leverage and short selling are also prohibited. An investment must mature within five years from the date of purchase unless matched to a specific obligation or debt of the School District, and must be purchased with the expectation that it will be held to maturity.

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

According to state law, public depositories must give security for all uninsured public funds on deposit. These institutions may either specifically collateralize individual accounts in lieu of amounts insured by FDIC, or may pledge a pool of government securities valued at least 105 percent of the total value of uninsured public monies on deposit at the institution. Repurchase agreements must be secured by the specific government securities upon which the repurchase agreements are based. These securities must be obligations of or guaranteed by the United States and mature or be redeemable within five years of the date of the related repurchase agreement. State law does not require security for public deposits and investments to be maintained in the School District's name. During 2012, the School District and public depositories complied with the provisions of these statutes.

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**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012**

Deposits with Financial Institutions

Custodial credit risk is the risk that, in the event of a bank failure, the School District's deposits may not be returned. All deposits are collateralized with specific collateral held at the Federal Reserve Bank in the name of the School District.

At fiscal year-end, the carrying amount of the School District's deposits was \$101,313 which includes \$155 cash on hand. Based on the criteria described in GASB Statement No. 40, "Deposits and Investment Risk Disclosures," as of June 30, 2012, \$123,302 of the School District's bank balance of \$384,752 was exposed to custodial risk, while \$261,450 was covered by Federal Deposit Insurance Corporation.

Investments

As of June 30, 2012, the School District had the following investment and maturity:

<u>Investment Type</u>	<u>Fair Value</u>	<u>Maturity 6 Months or Less</u>
STAROhio	<u>\$ 5,681,861</u>	<u>\$ 5,681,861</u>

Credit Risk STAROhio has been given an AAAM rating by Standard & Poor's. Ohio law requires STAROhio maintain the highest rating provided by at least one nationally recognized standard rating service. The School District has no investment policy that specifically addresses credit risk. STAROhio is an investment pool operated by the Ohio State Treasurer. It is unclassified since it is not evidenced by securities that exist in physical or book entry form. Ohio law requires STAROhio maintain the highest rating provided by at least one nationally recognized standard rating service. The weighted average of maturity of the portfolio held by STAROhio as of June 30, 2012, is 53 days and carries a rating of AAAM by Standard and Poor's.

Concentration of Credit Risk The School District places no limit on the amount that may be invested in any one issuer. The following table includes the percentage to total of each investment type held by the School District at June 30, 2012:

<u>Investment Type</u>	<u>Fair Value</u>	<u>Percent of Total</u>
STAROhio	<u>\$ 5,681,861</u>	<u>100.00%</u>

NOTE 6: RECEIVABLES

Receivables at June 30, 2012 consisted of taxes, accounts (customer services and student fees) and intergovernmental grants. All receivables are considered collectible in full due to the ability to foreclose for the nonpayment of taxes, the stable condition of State programs, and the current year guarantee of federal funds. All are expected to be collected within one year.

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**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012**

NOTE 7: PROPERTY TAXES

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

Property taxes include amounts levied against all real and public utility property located in the School District. Real property tax revenue received in calendar year 2012 represents collections of calendar year 2011 taxes. Real property taxes received in calendar year 2012 were levied after April 1, 2011, on the assessed value listed as of January 1, 2011, the lien date. Assessed values for real property taxes are established by State law at thirty-five percent of appraised market value. Real property taxes are payable annually or semi-annually. If paid annually, payment is due December 31; if paid semiannually, the first payment is due December 31 with the remainder payable by June 20. Under certain circumstances, State statute permits alternate payment dates to be established.

Public utility property tax revenue received in calendar 2012 represents collections of calendar year 2011 taxes. Public utility real and tangible personal property taxes received in calendar year 2012 became a lien December 31, 2010, were levied after April 1, 2011 and are collected in 2012 with real property taxes. Public utility real property is assessed at thirty-five percent of true value; public utility tangible personal property currently is assessed at varying percentages of true value.

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

The School District receives property taxes from Tuscarawas 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, 2012, are available to finance fiscal year 2012 operations. The amount available to be advanced can vary based on the date the tax bills are sent.

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FOR THE FISCAL YEAR ENDED JUNE 30, 2012**

Accrued property taxes receivable includes real property and public utility property taxes which are measurable as of June 30, 2012, and for which there is an enforceable legal claim. Although total property tax collections for the next fiscal year are measurable, only the delayed personal property tax and the amount of real property taxes available as an advance at June 30 was levied to finance current fiscal year operations and is reported as revenue at fiscal year end. The portion of the receivable not levied to finance current fiscal year operations is offset by a credit to deferred revenue.

The amount available as an advance at June 30, 2012 was \$445,493 in the general fund, \$121,918 in the bond retirement debt service fund, and \$8,591 in the classroom facilities maintenance special revenue fund. The amount available as an advance at June 30, 2011, was \$342,022 in the general fund, \$92,845 in the bond retirement debt service fund, and \$6,538 in the classroom facilities maintenance special revenue fund.

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

The assessed values upon which the fiscal year 2012 taxes were collected are:

	2011 Second Half Collections		2012 First Half Collections	
	Amount	Percent	Amount	Percent
Real Estate	\$ 139,179,770	88.18%	\$ 143,068,700	88.26%
Public Utility Personal Property	18,656,610	11.82%	19,032,910	11.74%
	\$ 157,836,380	100.00%	\$ 162,101,610	100.00%
Tax rate per \$1,000 assessed valuation	\$ 43.90		\$ 43.90	

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**INDIAN VALLEY LOCAL SCHOOL DISTRICT
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**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012**

NOTE 8: CAPITAL ASSETS

Capital asset activity for the fiscal year ended June 30, 2012, was as follows:

	Balance 6/30/2011	Additions	Reductions	Balance 6/30/2012
Governmental Activities				
<i>Capital Assets, Not Being Depreciated:</i>				
Land	\$ 91,144	\$ 0	\$ 0	\$ 91,144
<i>Capital Assets, Being Depreciated:</i>				
Buildings and Improvements	51,503,677	70,000	0	51,573,677
Improvements Other Than Buildings	774,173	63,303	0	837,476
Furniture and Equipment	1,875,263	119,763	(188,880)	1,806,146
Vehicles	1,853,478	76,084	(61,662)	1,867,900
Library and Textbooks	874,435	0	0	874,435
<i>Total Capital Assets, Being Depreciated</i>	<u>56,881,026</u>	<u>329,150</u>	<u>(250,542)</u>	<u>56,959,634</u>
<i>Less Accumulated Depreciation:</i>				
Buildings and Building Improvements	(10,001,211)	(1,443,011)	0	(11,444,222)
Improvements Other Than Buildings	(618,823)	(38,241)	0	(657,064)
Furniture and Equipment	(804,590)	(156,246)	188,880	(771,956)
Vehicles	(1,495,269)	(93,003)	61,662	(1,526,610)
Library and Textbooks	(587,005)	(135,484)	0	(722,489)
<i>Total Accumulated Depreciation</i>	<u>(13,506,898)</u>	<u>(1,865,985) *</u>	<u>250,542</u>	<u>(15,122,341)</u>
<i>Total Capital Assets Being Depreciated, Net</i>	<u>43,374,128</u>	<u>(1,536,835)</u>	<u>0</u>	<u>41,837,293</u>
<i>Governmental Activities Capital Assets, Net</i>	<u>\$ 43,465,272</u>	<u>\$ (1,536,835)</u>	<u>\$ 0</u>	<u>\$ 41,928,437</u>

* Depreciation expense was charged to governmental functions as follows:

Instruction:	
Regular	\$ 1,596,160
Special	1,367
Vocational	741
Support Services:	
Instructional Staff	74,211
Administration	15,082
Operation and Maintenance of Plant	8,296
Pupil Transportation	100,758
Operation of Non-Instructional Services:	
Food Service Operations	33,944
Extracurricular Activities	<u>35,426</u>
Total Depreciation	<u>\$ 1,865,985</u>

**INDIAN VALLEY LOCAL SCHOOL DISTRICT
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**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012**

NOTE 9: RISK MANAGEMENT

A. General Insurance

The School District is exposed to various risks of loss related to torts, theft of, damage to, and destruction of assets, errors and omissions, injuries to employees and natural disasters. The School District has a comprehensive property and casualty policy with a deductible of \$2,500 per incident on property and equipment. The School District's comprehensive property and casualty policy aggregate limit is approximately \$60,931,286. The School District's vehicle insurance policy limit is \$1,000,000 with a \$500 collision and comprehensive deductible. All board members, administrators, and employees are covered under a school district liability policy. Additionally, the School District carries an excess (umbrella) liability policy. The limits of this coverage are \$3,000,000 per occurrence and \$3,000,000 in aggregate. Claims did not exceed coverage in the past three years. There has not been a significant reduction in coverage from the prior year.

B. Fidelity Bond

The Board President and Superintendent have a \$25,000 position bond. The Treasurer is covered under a surety bond in the amount of \$100,000. All other school employees who are responsible for handling funds are covered by a \$10,000 fidelity bond.

C. Workers' Compensation

The School District pays the State Workers' Compensation System, a premium based on a rate per \$100 of salaries. The School District is a member of the group retrospective rating program with the Better Business Bureau of Central Ohio through Sheakley Uniservice., an insurance purchasing pool. This rate is calculated based on accident history and administrative costs.

D. Employee Health Insurance

The School District is a member of the Portage Area School Consortium (the Consortium). The Consortium is a regional council of governments established pursuant to Chapter 167 of the Ohio Revised Code, consisting of various school districts in the Portage County, Ohio area. The Consortium is a stand-alone entity, comprised of two stand-alone Pools; the Portage Area School Consortium Property and Casualty Pool and the Portage Area School Consortium Health and Welfare Insurance Pool. These Pools were established by the Consortium on August 5, 1988 to provide property and casualty risk management services and risk sharing to its members. The Pools were established as local government risk pools under Section 1744.081 of the Ohio Revised Code and are not subject to federal tax filing requirements.

Beginning July 1, 2007, the School District is a member of the Portage Area School Consortium Health and Welfare Insurance Pool (the Consortium), a shared risk pool (See Note 16), through which a cooperative Health Benefit Program was created for the benefit of its members. The Health Benefit Program (the Program) is an employee health benefit plan which covers the participating members' employees. The Consortium acts as a fiscal agent for the cash funds paid into the program by the participating School Districts. These funds are pooled together for the purposes of paying health benefit claims of employees and their covered dependents, administrative expenses of the program and premiums for stop-loss insurance coverage. A reserve exists which is to cover any unpaid claims if the School District were to withdraw from the pool. If the reserve would not cover such claims, the School District would be liable for any costs above the reserve.

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**NOTES TO THE BASIC FINANCIAL STATEMENTS
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NOTE 10: DEFINED BENEFIT PENSION PLANS

A. School Employees Retirement System

Plan Description - The School District contributes to the School Employees Retirement System of Ohio (“SERS”), a cost-sharing multiple-employer defined benefit pension plan. SERS provides retirement, disability and survivor benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Authority to establish and amend benefits is provided by state statute per Chapter 3309 of the Ohio Revised Code. SERS issues a publicly available, stand-alone financial report that includes financial statements and required supplementary information. That report can be obtained by contacting SERS, 300 East Broad Street, Suite 100, Columbus, Ohio 43215-3746 or by calling toll free (800) 878-5853. It is also posted on SERS’ website at www.ohsers.org under Employers/Audit Resources.

Funding Policy - Plan members are required to contribute 10 percent of their annual covered salary and the School District is required to contribute at an actuarially determined rate. The current rate is 14 percent of annual covered payroll. A portion of the School District’s contribution is used to fund pension obligations with the remainder being used to fund health care benefits. For fiscal year 2012, 12.65 percent and .05 percent of annual covered salary was the portion used to fund pension obligations and death benefits, respectively. The contribution requirements of plan members and employers are established and may be amended by the SERS’ Retirement Board up to statutory maximum amount of 10 percent for plan members and 14 percent for employers. Chapter 3309 of the Ohio Revised Code provides statutory authority for member and employer contributions. The School District’s required contributions for pension obligations and death benefits to SERS for the fiscal years ended June 30, 2012, 2011 and 2010 were \$252,860, \$251,076 and \$243,527, respectively; 46 percent has been contributed for fiscal year 2012 and 100 percent for the fiscal years 2011 and 2010.

B. State Teachers Retirement System

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

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

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

Funding Policy - For fiscal year 2012, plan members were required to contribute 10 percent of their annual covered salaries. The School District was required to contribute 14 percent; 13 percent was the portion used to fund pension obligations. Contribution rates are established by the State Teachers Retirement Board, upon recommendations of its consulting actuary, not to exceed statutory maximum rates of 10 percent for members and 14 percent for employer contributions. Chapter 3307 of the Ohio Revised Code provides statutory authority for member and employer contributions.

The School District's required contributions for pension obligations to STRS Ohio for the fiscal years ended June 30, 2012, 2011 and 2010 were \$861,766, \$830,647 and \$816,415, respectively; 83 percent has been contributed for fiscal year 2012 and 100 percent for the fiscal years 2011 and 2010. Contributions to the DC and Combined Plans for fiscal year 2012 were \$20,006 made by the School District and \$18,576 made by the plan members.

C. Social Security System

Effective July 1, 1991, all employees not otherwise covered by the School Employees Retirement System or the State Teachers Retirement System have an option to choose Social Security or the School Employees Retirement System/State Teachers Retirement System. As of June 30, 2012, certain members of the Board of Education have elected social security. The Board's liability is 6.2 percent of wages paid.

NOTE 11: POSTEMPLOYMENT BENEFITS

A. School Employees Retirement System

Plan Description – The School District participates in two cost-sharing, multiple employer defined benefit OPEB plans administered by the School Employees Retirement System for non-certificated retirees and their beneficiaries, a Health Care Plan and a Medicare Part B Plan. The Health Care Plan includes hospitalization and physicians' fees through several types of plans including HMO's, PPO's, Medicare Advantage and traditional indemnity plans. A prescription drug plan is also available to those who elect health coverage. SERS employs two third-party administrators and a pharmacy benefit manager to manage the self-insurance and prescription drug plans, respectively. The Medicare Part B Plan reimburses Medicare Part B premiums paid by eligible retirees and beneficiaries as set forth in Ohio Revised Code Section 3309.69. Qualified benefit recipients who pay Medicare Part B premiums may apply for and receive a monthly reimbursement from SERS. The reimbursement amount is limited by statute to the lesser of the January 1, 1999 Medicare Part B premium or the current premium. The Medicare Part B monthly premium for calendar year 2012 was \$99.90 for most participants, but could be as high as \$319.70 per month depending on their income. SERS' reimbursement to retirees was \$45.50. Benefit provisions and the obligations to contribute are established by the System based on authority granted by State statute. The financial reports of both Plans are included in the SERS Comprehensive Annual Financial Report which is available by contacting SERS at 300 East Broad St., Suite 100, Columbus, Ohio 43215-3746. It is also posted on SERS' website at www.ohsers.org under Employers/Audit Resources.

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Funding Policy - State statute permits SERS to fund the health care benefits through employer contributions. Each year, after the allocation for statutorily required benefits, the Retirement Board allocates the remainder of the employer contribution of 14 percent of covered payroll to the Health Care Fund. The Health Care Fund was established and is administered in accordance with Internal Revenue Code Section 105(e). For 2012, .55 percent of covered payroll was allocated to health care. An additional health care surcharge on employers is collected for employees earning less than an actuarially determined minimum compensation amount, pro-rated according to service credit earned. Statutes provide that no employer shall pay a health care surcharge greater than 2.0 percent of that employer's SERS-covered payroll; nor may SERS collect in aggregate more than 1.5 percent of the statewide SERS-covered payroll for the health care surcharge. For fiscal year 2012, the actuarially determined amount was \$35,800.

Active members do not contribute to the postemployment benefit plans. The SERS Retirement Board establishes the rules for the premiums paid by the retirees for health care coverage for themselves and their dependents or for their surviving beneficiaries. Retirees and their beneficiaries are required to pay a health care premium that varies depending on the plan selected, the number of qualified years of service, Medicare eligibility and retirement status.

The School District's contributions for health care (including surcharge) for the fiscal years ended June 30, 2012, 2011, and 2010 were \$10,951, \$30,401, and \$8,765, respectively; 46 percent has been contributed for fiscal year 2012 and 100 percent for fiscal years 2011 and 2010.

The Retirement Board, acting with advice of the actuary, allocates a portion of the current employer contribution to the Medicare B Fund. For fiscal year 2012, the actuarially required allocation was 0.75 percent of covered payroll. The School District's contributions for Medicare Part B for the fiscal years ended June 30, 2012, 2011, and 2010 were \$14,933, \$16,157, and \$14,482, respectively; 43 percent has been contributed for fiscal year 2012 and 100 percent for fiscal years 2011 and 2010.

B. State Teachers Retirement System

Plan Description - The School District contributes to the cost sharing, multiple-employer defined benefit Health Plan (the "Plan") administered by the State Teachers Retirement System of Ohio (STRS Ohio) for eligible retirees who participated in the defined benefit or combined pension plans offered by STRS Ohio. Benefits include hospitalization, physicians' fees, prescription drugs and reimbursement of monthly Medicare Part B premiums. The Plan is included in the financial report of STRS. Interested parties can view the most recent Comprehensive Annual Financial Report by visiting www.strsoh.org or by requesting a copy by calling toll-free (888) 227-7877.

Funding Policy - Ohio law authorizes STRS Ohio to offer the Plan and gives the Retirement Board authority over how much, if any, of the health care costs will be absorbed by STRS Ohio. Active employee members do not contribute to the Plan. All benefit recipients pay a monthly premium. Under Ohio law, funding for post-employment health care may be deducted from employer contributions. For 2012, STRS Ohio allocated employer contributions equal to 1 percent of covered payroll to the Health Care Stabilization Fund. The School District's contributions for health care for the fiscal years ended June 30, 2012, 2011, and 2010 were \$66,290, \$63,896, and \$62,239, respectively; 83 percent has been contributed for fiscal year 2012 and 100 percent for fiscal years 2011 and 2010.

**INDIAN VALLEY LOCAL SCHOOL DISTRICT
TUSCARAWAS COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012**

NOTE 12: LONG-TERM OBLIGATIONS

The changes in the School District's long-term obligations during the year consist of the following:

	Outstanding 06/30/2011	Additions	Reductions	Outstanding 06/30/2012	Due in One Year
Governmental Activities:					
General Obligation Bonds:					
2005 Classroom Facilities and School Improvement Bonds:					
Serial and Term Bonds, \$8,395,000, 3.0%-4.25%	\$ 7,190,000	\$ 0	\$ (265,000)	\$ 6,925,000	\$ 270,000
Capital Appreciation Bonds, 9.555%-9.088%	87,994	0	0	87,994	0
Accretion Capital Appreciation Bonds	222,430	70,138	0	292,568	0
Unamortized Premium	222,998	0	(9,696)	213,302	0
2005 School Improvement Refunding Bonds:					
Serial Bonds, 3.0%-4.25%	2,645,000	0	(490,000)	2,155,000	510,000
Capital Appreciation Bonds, 9.555%-9.088%	1,059,989	0	0	1,059,989	0
Accretion Capital Appreciation Bonds	518,518	105,236	0	623,754	0
Unamortized Premium	188,733	0	(20,970)	167,763	0
Refunding Loss	(133,909)	0	14,878	(119,031)	0
2002 Installment Loan:					
\$120,000, 0%	13,000	0	(12,000)	1,000	1,000
Compensated Absences	1,298,438	67,121	(63,714)	1,301,845	89,260
Capital Leases Payable	185,278	0	(45,218)	140,060	47,355
Total Long-Term Obligations	\$ 13,498,469	\$ 242,495	\$ (891,720)	\$ 12,849,244	\$ 917,615

2005 School Improvement Bonds

On June 30, 2005, the School District issued \$8,482,994 in voted general obligation bonds, which included serial, term and capital appreciation (deep discount) bonds in the amount of \$2,610,000, \$5,785,000 and \$87,994, respectively. The general obligation bonds were issued for the purpose of constructing two new elementary schools, a new middle school, and a 30,000 square foot addition and renovations to the high school. The bonds were issued for a twenty-eight year period with final maturity at December 1, 2033.

**INDIAN VALLEY LOCAL SCHOOL DISTRICT
TUSCARAWAS COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012**

The bonds were issued with a premium of \$281,172, which is reported as an increase to bonds payable. The amounts are being amortized to interest expense over the life of the bonds using the straight-line method. The amortization of the premium for fiscal year 2012 was \$9,696. The issuance costs of \$142,862 are reported as deferred charges and are being amortized over the life of the bonds using the straight-line method. The amortization of the issuance costs for fiscal year 2012 was \$4,926.

The \$8,482,994 bond issue consists of serial term and capital appreciation bonds. The serial term bonds were issued with a varying interest rate of 3.0-4.25 percent. The term bonds that mature in fiscal year 2022, with an interest rate of 4.125 percent are subject to mandatory sinking fund redemption. The mandatory sinking fund redemption is to occur on December 1, 2020 at 100 percent of the principal amount thereof plus accrued interest to the date of redemption according to the following schedule:

<u>Fiscal Year</u>	<u>Principal Amount to be Redeemed</u>
2021	\$ 310,000
2022	325,000

The term bonds due December 1, 2033, with an interest rate of 4.25 percent, are subject to mandatory sinking fund redemption. The mandatory sinking fund redemption is to occur on December 1, 2022, and on each December 1 thereafter at 100 percent of the principal amount thereof plus accrued interest to the date of redemption according to the following schedule:

<u>Fiscal Year</u>	<u>Principal Amount to be Redeemed</u>
2023	\$ 340,000
2024	355,000
2025	365,000
2026	385,000
2027	400,000
2028	415,000
2029	435,000
2030	450,000
2031	470,000
2032	490,000
2033	510,000
2034	535,000

The term bonds maturing after December 1, 2015 are subject to optional redemption, in whole or in part, on any date in order of maturity as determined by the School District and by lot within a maturity, at the option of the Board of Education on or after June 1, 2015.

The capital appreciation bonds will mature December 1, 2016 through 2019. These bonds were purchased at a discount at the time of issuance and at maturity all compounded interest is paid and the bond holder collects the face value. However, since interest is technically earned and compounded semiannually, the value of the bond increases. Therefore, as the value increases, the accretion is booked as principal. The maturity amount of the bonds is \$1,240,000. The fiscal year 2012 accretion amount was \$70,138.

**INDIAN VALLEY LOCAL SCHOOL DISTRICT
TUSCARAWAS COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012**

2005 School Improvement Refunding General Obligation Bonds

On June 30, 2005, the School District issued \$5,924,989 of general obligation bonds, which included serial and capital appreciation (deep discount) bonds in the amount of \$4,865,000 and \$1,059,989, respectively. The bonds refunded \$5,925,000 of outstanding 1995 School Improvement General Obligation Bonds. The bonds were issued for a fifteen-year period with final maturity at December 1, 2019. At the date of refunding, \$6,148,177 (including premium and after underwriting fees, and other issuance costs) was received to pay off old debt. As a result, the refunded bonds are considered to be defeased and the liability has been removed from the governmental column of the statement of net assets. The principal balance outstanding on the defeased bonds was \$4,120,000 at June 30, 2012.

These refunding bonds were issued with a premium of \$314,553, which is reported as an increase to bonds payable. The amounts are being amortized to interest expense over the life of the bonds using the straight-line method. The amortization of the premium for fiscal year 2012 was \$20,970. The issuance costs of \$91,365 are reported as deferred charges and are being amortized over the life of the bonds using the straight-line method. The amortization of the issuance costs for fiscal year 2012 was \$6,092. The refunding resulted in a difference between the net carrying amount of the debt and the acquisition price of \$223,177. This difference, reported in the accompanying financial statements as a decrease to bonds payable, is being amortized to interest expense over the life of the bonds using the straight-line method. The amortization of this difference for fiscal year 2012 was \$14,878.

The capital appreciation bonds mature December 1, 2016 through December 1, 2019. These bonds were purchased at a substantial discount at the time of issuance. At maturity, all compounded interest is paid and the bond holder receives the face value of the bond. As the value of the bond increases, the accretion is reflected as principal liability. The maturity amount of the bonds is \$2,465,000. For fiscal year 2012, the accretion amount was \$105,236.

Outstanding general obligation bonds consist of school building construction issues. Such bonds are direct obligations of the School District for which the full faith, credit and resources are pledged and are payable from taxes levied on all taxable property of the School District.

Installment Loan

The installment loan to John Fivecoats is for the 2002 purchase of land and a bus garage. The loan is secured by this real estate, and has a final maturity date of September 1, 2012. The loan will be paid from the general fund.

Other Long-Term Debt

The capital leases will be paid from the general fund. Compensated absences will be paid from the general fund and the food service fund.

**INDIAN VALLEY LOCAL SCHOOL DISTRICT
TUSCARAWAS COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012**

Principal and interest requirements to retire general obligation bonds, capital appreciation bonds and the installment loan outstanding at June 30, 2012 are as follows:

Fiscal Year Ending June 30,	General Obligation Bonds		Capital Appreciation Bonds		Installment Loan	Totals	
	Principal	Interest	Principal	Interest	Principal	Principal	Interest
2013	\$ 780,000	\$ 346,311	\$ 0	\$ 0	\$ 1,000	\$ 781,000	\$ 346,311
2014	815,000	319,294	0	0	0	815,000	319,294
2015	830,000	290,914	0	0	0	830,000	290,914
2016	870,000	260,729	0	0	0	870,000	260,729
2017	0	245,069	313,429	596,571	0	313,429	841,640
2018-2022	635,000	1,199,459	834,554	1,960,446	0	1,469,554	3,159,905
2023-2027	1,845,000	904,719	0	0	0	1,845,000	904,719
2028-2032	2,260,000	470,050	0	0	0	2,260,000	470,050
2033-2034	1,045,000	44,944	0	0	0	1,045,000	44,944
Total	\$ 9,080,000	\$ 4,081,489	\$ 1,147,983	\$ 2,557,017	\$ 1,000	\$ 10,228,983	\$ 6,638,506

NOTE 13: CAPITALIZED LEASES

On December 16, 2008 the School District entered into a lease agreement for several copiers. On March 24, 2011, the school district consolidated and refinanced their current lease agreements. Trading in old copiers and obtaining new copiers. Total cost of the new copiers is \$114,800 with \$77,814 of trade in for a total of \$192,614. These leases meet the criteria of a capital lease as they transfer benefits and risks of ownership to the lessee. Capital assets acquired by the leases have been capitalized in the governmental activities in the amount equal to the present value of the minimum lease payments at the time of acquisition.

Capital lease payments will be reclassified and reflected as debt service expenditures on the fund financial statements for the governmental funds. These expenditures are reflected as support services-operation and maintenance of plant expenditures on the budgetary basis in the general fund.

The following summarizes future minimum lease payments made from the general fund under the above capital leases, and the present values of net minimum lease payments at June 30, 2012:

Fiscal Year Ending June 30,	2013	<u>Leases</u>
	2014	\$ 52,838
	2015	52,838
		<u>44,031</u>
Total Minimum Lease Payments		149,707
Less: Amounts Representing Interest		9,647
Present Value of Net Minimum Lease Payments		<u>\$ 140,060</u>

**INDIAN VALLEY LOCAL SCHOOL DISTRICT
TUSCARAWAS COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012**

NOTE 14: RELATED ORGANIZATION

The Gnadenhutzen Public Library is a distinct political subdivision of the State of Ohio created under Chapter 3375 of the Ohio Revised Code. The Library is governed by a Board of Trustees appointed by the Board of Education. The Board of Trustees possesses its own contracting and budgeting authority, hires and fires personnel and does not depend on the School District for operational subsidies. Although the School District does serve as a taxing authority and may issue tax related debt on behalf of the Library, its role is limited to a ministerial function. The determination to request approval of a tax levy, the rate and purpose are discretionary decisions made solely by the Board of Trustees. Financial information can be obtained from the Gnadenhutzen Public Library, Clerk/Treasurer, Gnadenhutzen, Ohio.

NOTE 15: JOINTLY GOVERNED ORGANIZATIONS

A. Ohio Mid-Eastern Regional Educational Services Association (OME-RESA)

OME-RESA is a jointly governed organization comprised of 52 school districts, created as a regional council of governments pursuant to state statute. The jointly governed organization was formed for the purpose of applying modern technology with the aid of computers and other electronic equipment to administrative and instructional functions for member districts. Each of the governments of these districts support OME-RESA based on a per pupil charge dependent upon the software package utilized. The OME-RESA assembly consists of a superintendent or designated representative from each participating district and a representative from the fiscal agent. OME-RESA is governed by a board of directors chosen from the general membership of the OME-RESA assembly. The board of directors consists of a representative from the fiscal agent, the chairman of each operating committee, and at least an assembly member from each county from which participating districts are located. Financial information can be obtained by contacting the Treasurer at the Jefferson County Education Services Center, which serves as fiscal agent, located in Steubenville, Ohio. During the year ended June 30, 2012, the School District paid \$142,388 to OME-RESA for basic service charges.

B. Buckeye Career Center

The Career Center, a joint vocational school established by the Ohio Revised Code, is a jointly governed organization providing vocational services to its eleven-member school districts. The Career Center is governed by a board of education comprised of eleven members appointed by the participating schools. The board controls the financial activity of the Career Center and reports to the Ohio Department of Education and the Auditor of State of Ohio. The continued existence of the Career Center is not dependent on the School District's continued participation and no measurable equity interest exists.

**INDIAN VALLEY LOCAL SCHOOL DISTRICT
TUSCARAWAS COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012**

C. Tuscarawas County Tax Incentive Review Council

The Tuscarawas County Tax Incentive Review Council (TCTIRC) is a jointly governed organization, created as a regional council of governments pursuant to State Statutes. TCTIRC has 22 members, consisting of three members appointed by the County Commissioners, four members appointed by municipal corporations, six members appointed by township trustees, one member from the County Auditor's office and 8 members appointed by Boards of Education located within the County. TCTIRC reviews and evaluates the performance of each Enterprise Zone Agreement. This body is advisory in nature and cannot directly impact an existing Enterprise Zone Agreement; however, the Council can make written recommendations to the legislative authority which approved the agreement. There is no cost associated with being a member of this Council. The continued existence of the TRTIRC is not dependent on the School District's continued participation and no equity interest exists.

NOTE 16: INSURANCE PURCHASING POOLS

Portage Area School Consortium

The Portage Area School Consortium (the Consortium) is a regional council of governments established pursuant to Chapter 167 of the Ohio Revised Code, consisting of various school districts in the Portage County, Ohio area. The Consortium is a stand-alone entity, comprised of two stand-alone Pools; the Portage Area School Consortium Property and Casualty Pool and the Portage Area School Consortium Health and Welfare Insurance Pool. These Pools were established by the Consortium on August 5, 1988 to provide property and casualty risk management services and risk sharing to its members. The Pools were established as local government risk pools under Section 1744.081 of the Ohio Revised Code and are not subject to federal tax filing requirements.

The Ohio Revised Code Section 167.04 requires the Consortium to adopt bylaws designating the officers of the Consortium and their method of selection, creating a governing body to act for the Consortium, appointing a fiscal officer, and providing for the conduct of the Consortium's business. The Assembly is the legislative and managerial body of the Consortium. The Assembly is composed of representation of the member schools. The member school's governing body appoints one representative to the Consortium (usually the superintendent or designee). In the case of a member that is a school district, that representative shall be an executive appointed by the board of education. The Assembly serves without compensation.

NOTE 17: CONTINGENCIES

A. Review of Statewide Attendance Data

The Auditor of State is currently performing a statewide review of supporting documentation for student attendance data reported to the Ohio Department of Education. The results of this review are still pending and will be reported separately to the Ohio Department of Education at a later date.

**INDIAN VALLEY LOCAL SCHOOL DISTRICT
TUSCARAWAS COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012**

B. 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. This also encompasses the Auditor of State's ongoing review of student attendance data. However, the effect of any such disallowed claims on the overall financial position of the School District at June 30, 2012, if applicable, cannot be determined at this time.

C. Litigation

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

NOTE 18: SET-ASIDES

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

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

	Capital Acquisition
Set-aside Restricted Balance as of June 30, 2011	\$ 0
Current Year Set-Aside Requirement	319,096
Current Year Qualifying Disbursements	(420,188)
Current Year Offsets	(127,090)
Totals	\$ (228,182)
Set-Aside Balance Carried Forward to Future Fiscal Years	\$ 0
Set-Aside Restricted Balance June 30, 2012	\$ 0

Although the School District had qualifying disbursements and offsets during the fiscal year that reduced the set-aside amount below zero for the capital acquisition set-aside, this amount may not be used to reduce the set-aside requirement for future years. This negative balance is therefore not presented as being carried forward to future years.

**INDIAN VALLEY LOCAL SCHOOL DISTRICT
TUSCARAWAS COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012**

NOTE 19: FUND BALANCE

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

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

	General	Bond Retirement	Other Governmental Funds	Total
Nonspendable for:				
Prepays	\$ 47,704	\$ 0	\$ 0	\$ 47,704
Inventory	0	0	14,945	14,945
Total Nonspendable	<u>47,704</u>	<u>0</u>	<u>14,945</u>	<u>62,649</u>
Restricted for:				
Debt Service	0	1,285,103	0	1,285,103
Facilities Maintenance	0	0	351,176	351,176
Special Education	0	0	163	163
Other Purposes	0	0	321,753	321,753
Total Restricted	<u>0</u>	<u>1,285,103</u>	<u>673,092</u>	<u>1,958,195</u>
Assigned for:				
Encumbrances:				
Instruction	8,379	0	0	8,379
Support Services	75,324	0	0	75,324
Extracurricular Activities	3,817	0	0	3,817
Subsequent Appropriations	671,055	0	0	671,055
	<u>758,575</u>	<u>0</u>	<u>0</u>	<u>758,575</u>
Unassigned	1,407,617	0	(7,098)	1,400,519
<i>Total Fund Balance</i>	<u>\$ 2,213,896</u>	<u>\$ 1,285,103</u>	<u>\$ 680,939</u>	<u>\$ 4,179,938</u>

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INDIAN VALLEY LOCAL SCHOOL DISTRICT
TUSCARAWAS COUNTY

FEDERAL AWARDS RECEIPTS AND EXPENDITURES SCHEDULE
FOR THE YEAR ENDED JUNE 30, 2012

FEDERAL GRANTOR/ PASS THROUGH GRANTOR/ PROGRAM TITLE	YEAR	FEDERAL CFDA NUMBER	RECEIPTS	NON-CASH RECEIPTS	EXPENDITURES	NON-CASH EXPENDITURES
<u>U.S. DEPARTMENT OF EDUCATION</u>						
<i>(Passed Through Ohio Department of Education)</i>						
Title I Grants to Local Educational Agencies	2012	84.010	\$592,000		\$546,502	
	2011		46,401		83,017	
ARRA - Title I Grants to Local Educational Agencies	2011	84.389	7,180		11,873	
Total Title I Grants to Local Educational Agencies			645,581		641,392	
Special Education Cluster:						
Special Education Grants to States	2012	84.027	392,550		356,917	
	2011		37,700		63,571	
ARRA - Special Education Grants to States	2011	84.391	16,088		29,501	
Total Special Education Cluster			446,338		449,989	
Safe and Drug Free Schools and Communities State Grants	2012	84.186	10,000		10,000	
Education Jobs	2012	84.410	515,505		515,505	
Education Technology State Grants	2012	84.318	4,577		4,577	
Improving Teacher Quality State Grants	2012	84.367	73,000		66,157	
	2011		10,758		18,291	
Total Improving Teacher Quality State Grants			83,758		84,448	
Rural Education Grants	2012	84.358	40,400		36,037	
	2011		3,257		7,462	
Total Rural Education Grants			43,657		43,499	
Race to the Top	2012	84.395	69,158		68,856	
	2011		2,260		13,066	
Total Race to the Top			71,418		81,922	
Total U.S. Department of Education			1,820,834		1,831,332	
<u>U.S. DEPARTMENT OF AGRICULTURE</u>						
<i>(Passed Through Ohio Department of Education)</i>						
Child Nutrition Cluster:						
Non-Cash Assistance (Food Program):						
National School Lunch Program	2012	10.555		\$128,756		\$128,756
Cash Assistance:						
Breakfast Program	2012	10.553	125,519		125,519	
National School Lunch Program	2012	10.555	428,054		428,054	
Total U.S. Department of Agriculture			553,573	128,756	553,573	128,756
Total			<u>\$2,374,407</u>	<u>\$128,756</u>	<u>\$2,384,905</u>	<u>\$128,756</u>

See Accompanying Notes to the Federal Awards Receipts and Expenditures Schedule.

**INDIAN VALLEY LOCAL SCHOOL DISTRICT
TUSCARAWAS COUNTY**

**NOTES TO THE FEDERAL AWARDS RECEIPTS AND EXPENDITURES SCHEDULE
FISCAL YEAR ENDED JUNE 30, 2012**

NOTE A - SIGNIFICANT ACCOUNTING POLICIES

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

NOTE B - CHILD NUTRITION CLUSTER

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

NOTE C – FOOD DONATION PROGRAM

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



Dave Yost • Auditor of State

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

Indian Valley Local School District
Tuscarawas County
100 N. Walnut Street
P.O. Box 171
Gnadenhutten, Ohio 44629

To the Board of Education:

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Indian Valley Local School District, Tuscarawas County, Ohio (the District) as of and for the year ended June 30, 2012, which collectively comprise the District's basic financial statements and have issued our report thereon dated January 15, 2013. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the District's internal control over financial reporting as a basis for designing our audit procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of opining on the effectiveness of the District's internal control over financial reporting. Accordingly, we have not opined on the effectiveness of the District's internal control over financial reporting.

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

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

Compliance and Other Matters

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

We did note certain matters not requiring inclusion in this report that we reported to the District's management in a separate letter dated January 15, 2013.

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

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

Dave Yost
Auditor of State

January 15, 2013



Dave Yost • Auditor of State

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

Indian Valley Local School District
Tuscarawas County
100 N. Walnut Street
P.O. Box 171
Gnadenhutten, Ohio 44629

To the Board of Education:

Compliance

We have audited the compliance of the Indian Valley Local School District (the District) with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133, Compliance Supplement* that could directly and materially affect each of the Indian Valley Local School District's major federal programs for the year ended June 30, 2012. The summary of auditor's results section of the accompanying Schedule of Findings identifies the District's major federal programs. The District's management is responsible for complying with the requirements of laws, regulations, contracts, and grants applicable to each major federal program. Our responsibility is to express an opinion on the District's compliance based on our audit.

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

In our opinion, the Indian Valley Local School District complied, in all material respects, with the requirements referred to above that could directly and materially affect each of its major federal programs for the year ended June 30, 2012.

Internal Control Over Compliance

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

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

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

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



Dave Yost
Auditor of State

January 15, 2013

**INDIAN VALLEY LOCAL SCHOOL DISTRICT
TUSCARAWAS COUNTY**

**SCHEDULE OF FINDINGS
OMB CIRCULAR A -133 § .505
JUNE 30, 2012**

1. SUMMARY OF AUDITOR'S RESULTS

<i>(d)(1)(i)</i>	Type of Financial Statement Opinion	Unqualified
<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 other significant deficiencies in internal control reported at the financial statement level (GAGAS)?	No
<i>(d)(1)(iii)</i>	Was there any reported material noncompliance at the financial statement level (GAGAS)?	No
<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 other significant deficiencies in internal control reported for major federal programs?	No
<i>(d)(1)(v)</i>	Type of Major Programs' Compliance Opinion	Unqualified
<i>(d)(1)(vi)</i>	Are there any reportable findings under § .510?	No
<i>(d)(1)(vii)</i>	Major Programs (list):	Nutrition Cluster– CFDA #10.553 and #10.555 Education Jobs– CFDA #84.410 Improving Teacher Quality – CFDA #84.367
<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?	No

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

None.

3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS

None.

**INDIAN VALLEY LOCAL SCHOOL DISTRICT
TUSCARAWAS COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS
OMB CIRCULAR A -133 § .315 (b)
JUNE 30, 2012**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain</i>
2011-001	5 out of 70 applications or 11 out of 136 students on the free and reduced lunch applications tested were improperly awarded free or reduced meals rather than being reduced or denied. Secondly, none of the free and reduced lunch applications tested were signed and dated by the Administrative Secretary or Classified Coordinator.	Yes	Finding No Longer Valid



Dave Yost • Auditor of State

INDIAN VALLEY LOCAL SCHOOL DISTRICT

TUSCARAWAS 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 26, 2013