

**TRI-VILLAGE LOCAL SCHOOL DISTRICT
DARKE COUNTY, OHIO**

***BASIC FINANCIAL STATEMENTS
(AUDITED)***

***FOR THE FISCAL YEAR ENDED
JUNE 30, 2012***

KIMBERLY CHOWNING, TREASURER



Dave Yost • Auditor of State

Board of Education
Tri-Village Local School District
P.O. Box 31
New Madison, Ohio 45346

We have reviewed the *Independent Accountants' Report* of the Tri-Village Local School District, Darke County, prepared by Julian & Grube, Inc., for the audit period July 1, 2011 through June 30, 2012. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

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

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

Dave Yost
Auditor of State

February 5, 2013

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**TRI-VILLAGE LOCAL SCHOOL DISTRICT
DARKE COUNTY, OHIO**

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Julian & Grube, Inc.
Serving Ohio Local Governments

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Independent Accountants' Report

Tri-Village Local School District
P.O. Box 31
New Madison, Ohio 45346

To the Board of Education:

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Tri-Village Local School District, Darke County, Ohio, as of and for the fiscal year ended June 30, 2012, which collectively comprise the Tri-Village Local School District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Tri-Village Local School District's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

Ohio Administrative Code §117-2-03(B) requires the Tri-Village Local School District to prepare its annual financial report in accordance with accounting principles generally accepted in the United States of America. However, as discussed in Note 2, the accompanying financial statements and notes follow the cash accounting basis. This is a comprehensive accounting basis other than generally accepted accounting principles. The accompanying financial statements and notes omit assets, liabilities, fund equities, and disclosures that, while material, we cannot determine at this time.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective cash financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Tri-Village Local School District, Darke County, Ohio, as of June 30, 2012, and the respective changes in cash financial position, thereof and the budgetary comparison for the General Fund for the fiscal year then ended in conformity with the basis of accounting Note 2 describes.

In accordance with *Government Auditing Standards*, we have also issued our report dated November 21, 2012, on our consideration of the Tri-Village Local School District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. While we did not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting and compliance, and the results of that testing. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*. You should read it in conjunction with this report in assessing the results of our audit.

Independent Accountants' Report
Tri-Village Local School District
Page Two

We conducted our audit to opine on the Tri-Village Local School District's financial statements taken as a whole. Management's Discussion and Analysis on pages 3 through 10 includes tables of net assets, changes in net assets and governmental activities. The Schedule of Receipts and Expenditures of Federal Awards on page 42 (the "Schedule") is required by the U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. These tables and the Schedule provide additional information, but are not part of the basic financial statements. However, these tables and the Schedule are management's responsibility, and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. These tables and the Schedule were 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. Other than the aforementioned procedures applied to the tables, we applied no procedures to any other information in Management's Discussion and Analysis, and we express no opinion or any other assurance on it.

A handwritten signature in cursive script that reads "Julian & Grube, Inc." with a stylized flourish at the end.

Julian & Grube, Inc.
November 21, 2012

Tri-Village Local School District
Darke County
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2012

This discussion and analysis of the Tri-Village Local School District's financial performance provides an overall review of the School District's financial activities for the fiscal year ended June 30, 2012, within the limitations of the School District's cash basis accounting. Readers should also review the basic financial statements and notes to enhance their understanding of the School District's financial performance.

Highlights

Key highlights for fiscal year 2012 are as follows:

Net assets of governmental activities increased \$183,240, or 6.6 percent.

The School District's general receipts are primarily property and income taxes and grants and entitlements not restricted to specific programs. These receipts represent respectively 38.9 and 36.8 percent of the total cash received for governmental activities during the fiscal year.

Fund balance of governmental funds increased \$183,240, of which, \$105,032 was due to an increase in the General Fund balance.

School income tax collections increased \$15,952. Property tax receipts increased \$94,423 for fiscal year 2012. Grants and entitlements not restricted to specific programs receipts decreased over \$24,057 in fiscal year 2012.

Using the Basic Financial Statements

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

Report Components

The statement of net assets and the statement of activities provide information about the cash activities of the School District as a whole.

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

Tri-Village Local School District
Darke County
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2012

The notes to the financial statements are an integral part of the government-wide and fund financial statements and provide expanded explanation and detail regarding the information reported in the statements.

Basis of Accounting

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

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

Reporting the School District as a Whole

The statement of net assets and the statement of activities reflect how the School District did financially during fiscal year 2012, within the limitations of cash basis accounting. The statement of net assets presents the cash balances and investments of the governmental activities of the School District at fiscal year-end. The statement of activities compares cash disbursements with program receipts for each governmental program. Program receipts include charges paid by the recipient of the program's goods or services and grants and contributions restricted to meeting the operational or capital requirements of a particular program. General receipts are all receipts not classified as program receipts. The comparison of cash disbursements with program receipts identifies how each governmental function draws from the School District's general receipts.

These statements report the School District's cash position and the changes in cash position. Keeping in mind the limitations of the cash basis of accounting, you can think of these changes as one way to measure the School District's financial health. Over time, increases or decreases in the School District's cash position is one indicator of whether the School District's financial health is improving or deteriorating. When evaluating the School District's financial condition, you should also consider other nonfinancial factors as well such as the School District's property tax base, current property tax laws in Ohio restricting revenue growth, facility conditions, required educational programs and other factors.

Tri-Village Local School District
Darke County
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2012

In the statement of net assets and the statement of activities, the School District reports governmental activities. Governmental activities are where the School District's basic services are reported, including, but not limited to, instruction, support services, operation and maintenance of plant, pupil transportation and extracurricular activities. The School District has no business-type activities.

Reporting the School District's Most Significant Funds

Fund financial statements provide detailed information about the School District's major funds – not the School District as a whole. The School District establishes separate funds to better manage its many activities and to help demonstrate how restricted money is to be used and spent for its intended purpose. The funds of the School District are split into two categories: governmental and fiduciary.

Governmental Funds - Most of the School District's activities are reported in governmental funds. The governmental fund financial statements provide a detailed view of the School District's governmental operations and the basic services it provides. Governmental fund information helps determine whether there are more or less financial resources that can be spent to finance the Government's programs. The School District's significant governmental funds are presented on the financial statements in separate columns. The information for non-major funds (funds whose activity or balances are not large enough to warrant separate reporting) is combined and presented in total in a single column. The School District's major governmental funds are the General Fund and the Bond Retirement Fund. The programs reported in governmental funds are closely related to those reported in the governmental activities section of the entity-wide statements.

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

Tri-Village Local School District
Darke County
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2012

The School District as a Whole

Table 1 provides a summary of the School District's net assets for fiscal year 2012 compared to fiscal year 2011 on a cash basis:

(Table 1)
Net Assets

| | Governmental Activities | |
|---|-------------------------|-------------|
| | 2011 | 2012 |
| Assets | | |
| Equity in Pooled Cash and Cash Equivalents | \$2,786,147 | \$2,969,387 |
| Net Assets | | |
| Restricted for: | | |
| Capital Projects | \$2,826 | \$0 |
| Debt Service | 597,543 | 659,000 |
| Other Purposes | 350,099 | 316,435 |
| Set-Asides | 21,013 | 0 |
| Bus Purchases | 38,191 | 35,192 |
| Unrestricted | 1,776,475 | 1,958,760 |
| Total Net Assets | \$2,786,147 | \$2,969,387 |

As mentioned previously, net assets of governmental activities increased \$183,240 or 6.6 percent during fiscal year 2012.

Net assets for debt service increased as property tax collections for debt service exceeded required debt service disbursements during fiscal year 2012.

A decrease in the Food Service and Wee Patriots Preschool contributed to the decrease in net assets restricted for other purposes.

The School District's unrestricted fund balance increased 10.3%.

Tri-Village Local School District
Darke County
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2012

Table 2 reflects the changes in net assets for fiscal years 2012 and 2011:

(Table 2)
Changes in Net Assets

| | Governmental Activities 2011 | Governmental Activities 2012 |
|--|------------------------------------|------------------------------------|
| Receipts: | | |
| Program Receipts: | | |
| Charges for Services and Sales | \$1,102,731 | \$1,208,391 |
| Operating Grants and Contributions | 1,032,595 | 730,130 |
| Capital Grants and Contributions | 0 | 8,234 |
| Total Program Receipts | <u>2,135,326</u> | <u>1,946,755</u> |
| General Receipts: | | |
| Property Taxes | 1,974,455 | 2,068,878 |
| Income Taxes | 1,059,831 | 1,075,783 |
| Grants and Entitlements Not Restricted to Specific Programs | 2,997,998 | 2,973,941 |
| Interest | 31,491 | 15,600 |
| All Other | 21,086 | 13,579 |
| Total General Receipts | <u>6,084,861</u> | <u>6,147,781</u> |
| Total Receipts | <u>8,220,187</u> | <u>8,094,536</u> |
| Disbursements: | | |
| Instruction | 4,221,084 | 4,123,117 |
| Support Services: | | |
| Pupils and Instructional Staff | 784,030 | 713,823 |
| Board of Education, Administration and Fiscal | 784,004 | 784,194 |
| Operation and Maintenance of Plant | 591,295 | 557,969 |
| Pupil Transportation | 505,197 | 538,311 |
| Central | 31,250 | 28,127 |
| Operation of Non-Instructional Services | 308,822 | 304,285 |
| Extracurricular Activities | 289,987 | 323,059 |
| Capital Outlay | 12,206 | 2,826 |
| Debt Service | 585,456 | 535,585 |
| Intergovernmental | 23 | 0 |
| Total Disbursements | <u>8,113,354</u> | <u>7,911,296</u> |
| Increase in Net Assets | 106,833 | 183,240 |
| Net Assets, Beginning of Year | <u>2,679,314</u> | <u>2,786,147</u> |
| Net Assets, Ending of Year | <u>\$2,786,147</u> | <u>\$2,969,387</u> |

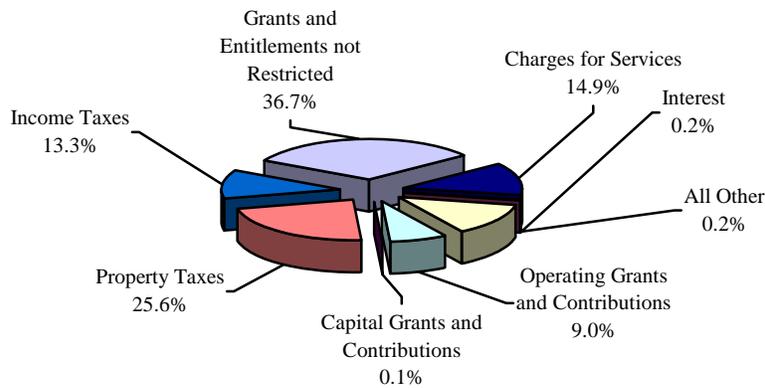
Operating grants and contributions decreased in 2012 due to decreases in Fiscal Stabilization and Title VI-B monies. Property taxes increased \$94,423 in fiscal year 2012. Income taxes increased \$15,952, or 2% for fiscal year 2012. This increase in income tax revenue was the second increase in a row and a welcomed increase after the School District saw a 6% decrease for fiscal year 2010 and a 5% decrease in fiscal year 2009. Disbursements decreased 2.5% in fiscal year 2012 as the School District has closely monitored disbursements and decreased staffing when possible to save the District money. In addition, required debt service payments decreased.

Tri-Village Local School District
Darke County
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2012

Governmental Activities

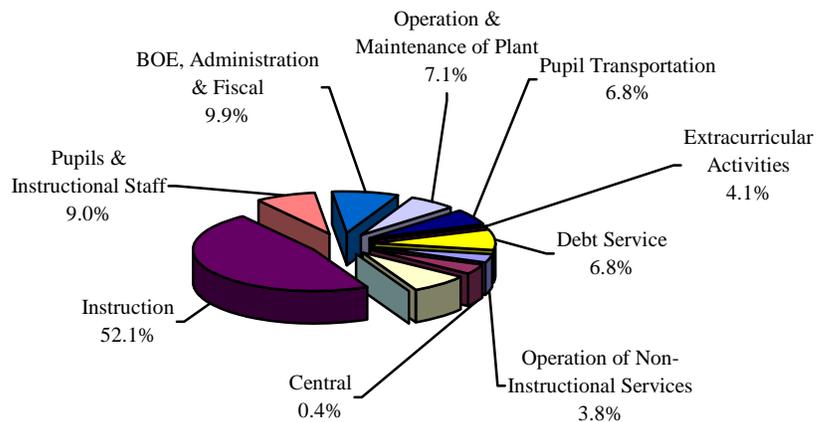
The unique nature of property taxes in Ohio creates the need to routinely seek voter approval for the School District Operations. The table below shows governmental receipts. Property taxes make up 25.6% of receipts while income taxes add an additional 13.3% of receipts. Grants and entitlements not restricted, the School District's largest source of receipts consists largely of state foundation monies and make up 36.7% of receipts.

Governmental Receipts



The table below shows governmental disbursements. Instruction comprises 52.1% of the School District's disbursements. Support services make up 33.2% of disbursements.

Governmental Disbursements



Tri-Village Local School District
Darke County
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2012

If you look at the Statement of Activities on page 12 you will see that the first column lists the major services provided by the School District. The next column identifies the costs of providing these services. The next three columns of the Statement entitled Program Receipts identify amounts paid by people who are directly charged for the service and grants received by the School District that must be used to provide a specific service. The Net (Disbursements) Receipts column compares the program receipts to the cost of the service. This "net cost" amount represents the cost of the service which ends up being paid from money provided by local taxpayers. These net costs are paid from the general receipts which are presented at the bottom of the statement. A comparison between the total cost of services and the net cost is presented in Table 3.

(Table 3)

Governmental Activities

| | Total Cost Of Services 2011 | Net Cost Of Services 2011 | Total Cost Of Services 2012 | Net Cost Of Services 2012 |
|---|-----------------------------------|---------------------------------|-----------------------------------|---------------------------------|
| Instruction | \$4,221,084 | (\$3,240,311) | \$4,123,117 | (\$3,115,547) |
| Support Services: | | | | |
| Pupils and Instructional Staff | 784,030 | (463,180) | 713,823 | (506,040) |
| Board of Education, Administration and Fiscal | 784,004 | (755,057) | 784,194 | (666,111) |
| Operation and Maintenance of Plant | 591,295 | (370,123) | 557,969 | (553,748) |
| Pupil Transportation | 505,197 | (419,457) | 538,311 | (435,708) |
| Central | 31,250 | (21,700) | 28,127 | (27,127) |
| Operation of Non-Instructional Services | 308,822 | (1,511) | 304,285 | (2,911) |
| Extracurricular Activities | 289,987 | (113,254) | 323,059 | (118,938) |
| Capital Outlay | 12,206 | (7,956) | 2,826 | (2,826) |
| Debt Service | 585,456 | (585,456) | 535,585 | (535,585) |
| Intergovernmental | 23 | (23) | 0 | 0 |
| Total Disbursements | <u>\$8,113,354</u> | <u>(\$5,978,028)</u> | <u>\$7,911,296</u> | <u>(\$5,964,541)</u> |

The dependence upon property and income tax receipts and State foundation monies is apparent. The School District relies upon these sources in order to meet its operational costs.

The School District's Funds

Total governmental funds had receipts of \$8,054,252 and disbursements of \$7,911,296. The General Fund's fund balance increase for 2012 was \$105,032. Because property tax collections for debt service exceeded the required debt payments, the fund balance of the Bond Retirement fund increased \$61,457.

General Fund Budgeting Highlights

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

During fiscal year 2012, the School District amended its General Fund budget several times to reflect changing circumstances. Final budgeted receipts increased \$51,591 for tuition and fees due to open enrollment.

Tri-Village Local School District
Darke County
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2012

Final disbursements were budgeted at \$6,664,129 while actual disbursements were \$6,340,745. The School District monitored spending closely during the fiscal year.

Capital Assets and Debt Administration

Capital Assets

The School District does not report its capital assets and infrastructure.

Debt

At June 30, 2012, the School District's outstanding debt included \$3,700,000 in general obligation bonds issued for improvements to buildings and structures, and \$1,509,000 in capital leases for facilities.

For further information regarding the School District's debt and leases, refer to Notes 9 and 10 to the basic financial statements.

Current Issues

The challenge for all school districts is to provide quality services to the public while staying within the restrictions imposed by limited, and in some cases shrinking, funding. The School District relies heavily on local taxes and state funding. From a State funding perspective, the State of Ohio was found by the Ohio Supreme Court to be operating an unconditional educational system, one that was neither "adequate" nor "equitable".

Funding methods changed again in FY 2012 and state foundations support was funded on what is known as a "bridge formula." The District will need to be cautious when projecting revenues for this area as it is unknown what kind of formula will be used in future fiscal years to calculate school foundation dollars. Also, Governor Kasich's budget phased out the reimbursement of replacement dollars for the loss of tangible personal property tax. Essentially, the District no longer received proceeds of \$50,000 per year beginning in FY 2012.

The School District continues to monitor the State of Ohio's budget, the State's school funding methods, as well as their own revenues in order to maintain a quality education with the resources the School District receives.

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 reflect the School District's accountability for the monies it receives. Questions concerning any of the information in this report or requests for additional information should be directed to Kimberly Chowning, Treasurer at P.O. Box 31, New Madison, Ohio 45346.

Tri-Village Local School District
Darke County
Statement of Net Assets - Cash Basis
June 30, 2012

| | <u>Governmental Activities</u> |
|--|------------------------------------|
| Assets | |
| Equity in Pooled Cash and Cash Equivalents | <u><u>\$2,969,387</u></u> |
| | |
| Net Assets | |
| Restricted for: | |
| Debt Service | \$659,000 |
| Other Purposes | 316,435 |
| Bus Purchases | 35,192 |
| Unrestricted | <u>1,958,760</u> |
| | |
| <i>Total Net Assets</i> | <u><u>\$2,969,387</u></u> |

See accompanying notes to the basic financial statements

Tri-Village Local School District
Darke County
Statement of Activities - Cash Basis
For the Fiscal Year Ended June 30, 2012

| | Program Cash Receipts | | | | Net (Disbursements) Receipts and Changes in Net Assets |
|---|-----------------------|--------------------------------------|--|-------------------------------------|--|
| | Cash Disbursements | Charges for Services and Sales | Operating Grants and Contributions | Capital Grants and Contributions | Total Governmental Activities |
| Governmental Activities | | | | | |
| Instruction: | | | | | |
| Regular | \$3,374,269 | \$704,055 | \$109,757 | \$0 | (\$2,560,457) |
| Special | 740,154 | 21,107 | 172,651 | 0 | (546,396) |
| Student Intervention Services | 8,694 | 0 | 0 | 0 | (8,694) |
| Support Services: | | | | | |
| Pupil | 420,894 | 0 | 140,932 | 0 | (279,962) |
| Instructional Staff | 292,929 | 37,103 | 29,748 | 0 | (226,078) |
| Board of Education | 17,697 | 0 | 0 | 0 | (17,697) |
| Administration | 504,633 | 0 | 118,083 | 0 | (386,550) |
| Fiscal | 261,864 | 0 | 0 | 0 | (261,864) |
| Operation and Maintenance of Plant | 557,969 | 4,221 | 0 | 0 | (553,748) |
| Pupil Transportation | 538,311 | 94,369 | 0 | 8,234 | (435,708) |
| Central | 28,127 | 0 | 1,000 | 0 | (27,127) |
| Operation of Non-Instructional Services | 304,285 | 153,656 | 147,718 | 0 | (2,911) |
| Extracurricular Activities | 323,059 | 193,880 | 10,241 | 0 | (118,938) |
| Capital Outlay | 2,826 | 0 | 0 | 0 | (2,826) |
| Principal Retirement | 298,000 | 0 | 0 | 0 | (298,000) |
| Interest and Fiscal Charges | 237,585 | 0 | 0 | 0 | (237,585) |
| <i>Total Governmental Activities</i> | <u>\$7,911,296</u> | <u>\$1,208,391</u> | <u>\$730,130</u> | <u>\$8,234</u> | <u>(5,964,541)</u> |
| General Receipts | | | | | |
| Property Taxes Levied for: | | | | | |
| General Purposes | | | | | 1,618,492 |
| Capital Maintenance | | | | | 32,191 |
| Debt Service | | | | | 418,195 |
| Income Taxes Levied for General Purposes | | | | | 1,075,783 |
| Grants and Entitlements not Restricted to Specific Programs | | | | | 2,973,941 |
| Gifts and Donations not Restricted to Specific Programs | | | | | 1,950 |
| Interest | | | | | 15,600 |
| Miscellaneous | | | | | 11,629 |
| <i>Total General Receipts</i> | | | | | <u>6,147,781</u> |
| Change in Net Assets | | | | | 183,240 |
| <i>Net Assets Beginning of Year</i> | | | | | <u>2,786,147</u> |
| <i>Net Assets End of Year</i> | | | | | <u>\$2,969,387</u> |

See accompanying notes to the basic financial statements

Tri-Village Local School District
Darke County
Statement of Assets and Fund Balances - Cash Basis
Governmental Funds
June 30, 2012

| | General | Bond Retirement | Other Governmental Funds | Total Governmental Funds |
|--|--------------------|--------------------|--------------------------------|--------------------------------|
| Assets | | | | |
| Equity in Pooled Cash and Cash Equivalents | \$1,905,519 | \$659,000 | \$369,676 | \$2,934,195 |
| Restricted Assets: | | | | |
| Equity in Pooled Cash and Cash Equivalents | 35,192 | 0 | 0 | 35,192 |
| <i>Total Assets</i> | <u>\$1,940,711</u> | <u>\$659,000</u> | <u>\$369,676</u> | <u>\$2,969,387</u> |
| Fund Balances | | | | |
| Restricted | \$38,192 | \$659,000 | \$313,435 | \$1,010,627 |
| Committed | 0 | 0 | 56,241 | 56,241 |
| Assigned | 548,606 | 0 | 0 | 548,606 |
| Unassigned | 1,353,913 | 0 | 0 | 1,353,913 |
| <i>Total Fund Balances</i> | <u>\$1,940,711</u> | <u>\$659,000</u> | <u>\$369,676</u> | <u>\$2,969,387</u> |

See accompanying notes to the basic financial statements

**Tri-Village Local School District
Darke County**

*Statement of Receipts, Disbursements and Changes in Fund Balances - Cash Basis
Governmental Funds
For the Fiscal Year Ended June 30, 2012*

| | General | Bond Retirement | Other Governmental Funds | Total Governmental Funds |
|--|--------------------|--------------------|--------------------------------|--------------------------------|
| Receipts | | | | |
| Property Taxes | \$1,618,492 | \$418,195 | \$32,191 | \$2,068,878 |
| Income Taxes | 1,075,783 | 0 | 0 | 1,075,783 |
| Intergovernmental | 2,924,817 | 61,013 | 716,066 | 3,701,896 |
| Interest | 12,793 | 2,807 | 70 | 15,670 |
| Tuition and Fees | 703,060 | 0 | 96,558 | 799,618 |
| Rent | 850 | 0 | 0 | 850 |
| Extracurricular Activities | 86,618 | 0 | 121,259 | 207,877 |
| Contributions and Donations | 5,906 | 0 | 6,383 | 12,289 |
| Charges for Services | 246 | 0 | 153,656 | 153,902 |
| Miscellaneous | 17,489 | 0 | 0 | 17,489 |
| <i>Total Receipts</i> | <u>6,446,054</u> | <u>482,015</u> | <u>1,126,183</u> | <u>8,054,252</u> |
| Disbursements | | | | |
| Current: | | | | |
| Instruction: | | | | |
| Regular | 3,216,969 | 0 | 157,300 | 3,374,269 |
| Special | 567,273 | 0 | 172,881 | 740,154 |
| Student Intervention Services | 8,694 | 0 | 0 | 8,694 |
| Support Services: | | | | |
| Pupil | 279,963 | 0 | 140,931 | 420,894 |
| Instructional Staff | 226,231 | 0 | 66,698 | 292,929 |
| Board of Education | 17,697 | 0 | 0 | 17,697 |
| Administration | 407,377 | 0 | 97,256 | 504,633 |
| Fiscal | 249,009 | 11,950 | 905 | 261,864 |
| Operation and Maintenance of Plant | 514,268 | 0 | 43,701 | 557,969 |
| Pupil Transportation | 526,391 | 0 | 11,920 | 538,311 |
| Central | 23,527 | 0 | 4,600 | 28,127 |
| Operation of Non-Instructional Services | 0 | 0 | 304,285 | 304,285 |
| Extracurricular Activities | 215,826 | 0 | 107,233 | 323,059 |
| Capital Outlay | 0 | 0 | 2,826 | 2,826 |
| Debt Service: | | | | |
| Principal Retirement | 43,000 | 255,000 | 0 | 298,000 |
| Interest and Fiscal Charges | 83,977 | 153,608 | 0 | 237,585 |
| <i>Total Disbursements</i> | <u>6,380,202</u> | <u>420,558</u> | <u>1,110,536</u> | <u>7,911,296</u> |
| <i>Excess of Receipts Over (Under) Disbursements</i> | <u>65,852</u> | <u>61,457</u> | <u>15,647</u> | <u>142,956</u> |
| Other Financing Sources (Uses) | | | | |
| Proceeds from Sale of Assets | 8,200 | 0 | 0 | 8,200 |
| Refund of Prior Year Expenditures | 31,899 | 0 | 185 | 32,084 |
| Advance In | 0 | 0 | 919 | 919 |
| Advance Out | (919) | 0 | 0 | (919) |
| <i>Total Other Financing Sources (Uses)</i> | <u>39,180</u> | <u>0</u> | <u>1,104</u> | <u>40,284</u> |
| <i>Net Change in Fund Balances</i> | 105,032 | 61,457 | 16,751 | 183,240 |
| <i>Fund Balances Beginning of Year</i> | <u>1,835,679</u> | <u>597,543</u> | <u>352,925</u> | <u>2,786,147</u> |
| <i>Fund Balances End of Year</i> | <u>\$1,940,711</u> | <u>\$659,000</u> | <u>\$369,676</u> | <u>\$2,969,387</u> |

See accompanying notes to the basic financial statements

Tri-Village Local School District
Darke County
Statement of Receipts, Disbursements and Changes
In Fund Balance - Budget and Actual - Budget Basis
General Fund
For the Fiscal Year Ended June 30, 2012

| | <u>Budgeted Amounts</u> | | | Variance with |
|--|-------------------------|--------------------|--------------------|--|
| | <u>Original</u> | <u>Final</u> | <u>Actual</u> | Final Budget Positive (Negative) |
| Receipts | | | | |
| Property Taxes | \$1,531,399 | \$1,531,399 | \$1,618,492 | \$87,093 |
| Income Taxes | 975,000 | 975,000 | 1,075,783 | 100,783 |
| Intergovernmental | 2,926,961 | 2,926,961 | 2,921,817 | (5,144) |
| Interest | 25,000 | 25,000 | 12,793 | (12,207) |
| Tuition and Fees | 615,000 | 666,591 | 663,474 | (3,117) |
| Rent | 0 | 0 | 850 | 850 |
| Contributions and Donations | 5,000 | 5,000 | 1,950 | (3,050) |
| Charges for Services | 0 | 0 | 246 | 246 |
| Miscellaneous | 5,000 | 5,000 | 14,346 | 9,346 |
| <i>Total Receipts</i> | <u>6,083,360</u> | <u>6,134,951</u> | <u>6,309,751</u> | <u>174,800</u> |
| Disbursements | | | | |
| Current: | | | | |
| Instruction: | | | | |
| Regular | 3,158,372 | 3,231,897 | 3,178,843 | 53,054 |
| Special | 583,264 | 610,034 | 603,800 | 6,234 |
| Other | 12,500 | 12,500 | 8,694 | 3,806 |
| Support Services: | | | | |
| Pupil | 271,959 | 302,434 | 280,537 | 21,897 |
| Instructional Staff | 241,673 | 245,993 | 226,231 | 19,762 |
| Board of Education | 22,475 | 22,475 | 17,697 | 4,778 |
| Administration | 429,380 | 429,380 | 409,740 | 19,640 |
| Fiscal | 262,401 | 263,091 | 249,178 | 13,913 |
| Operation and Maintenance of Plant | 641,205 | 640,022 | 524,501 | 115,521 |
| Pupil Transportation | 573,579 | 610,045 | 566,774 | 43,271 |
| Central | 21,437 | 32,575 | 23,527 | 9,048 |
| Extracurricular Activities | 135,268 | 136,706 | 124,246 | 12,460 |
| Debt Service: | | | | |
| Principal Retirement | 43,000 | 43,000 | 43,000 | 0 |
| Interest and Fiscal Charges | 83,976 | 83,977 | 83,977 | 0 |
| <i>Total Disbursements</i> | <u>6,480,489</u> | <u>6,664,129</u> | <u>6,340,745</u> | <u>323,384</u> |
| <i>Excess of Receipts Over (Under) Disbursements</i> | <u>(397,129)</u> | <u>(529,178)</u> | <u>(30,994)</u> | <u>498,184</u> |
| Other Financing Sources (Uses) | | | | |
| Refund of Prior Year Expenditures | 20,000 | 20,000 | 31,780 | 11,780 |
| Proceeds from Sale of Assets | 0 | 0 | 8,200 | 8,200 |
| Advances Out | 0 | (919) | (919) | 0 |
| Refund of Prior Year Receipts | (15,000) | (15,000) | 0 | 15,000 |
| <i>Total Other Financing Sources (Uses)</i> | <u>5,000</u> | <u>4,081</u> | <u>39,061</u> | <u>34,980</u> |
| <i>Net Change in Fund Balance</i> | <u>(392,129)</u> | <u>(525,097)</u> | <u>8,067</u> | <u>533,164</u> |
| <i>Fund Balance Beginning of Year</i> | <u>1,692,796</u> | <u>1,692,796</u> | <u>1,692,796</u> | <u>0</u> |
| Prior Year Encumbrances Appropriated | <u>85,350</u> | <u>85,350</u> | <u>85,350</u> | <u>0</u> |
| <i>Fund Balance End of Year</i> | <u>\$1,386,017</u> | <u>\$1,253,049</u> | <u>\$1,786,213</u> | <u>\$533,164</u> |

See accompanying notes to the basic financial statements

Tri-Village Local School District
Darke County
Statement of Fiduciary Net Assets - Cash Basis
Fiduciary Funds
June 30, 2012

| | Private Purpose Trust | Agency |
|--|--------------------------|----------|
| Assets | | |
| Equity in Pooled Cash and Cash Equivalents | \$1,795 | \$50,679 |
| Liabilities | | |
| Due to Students | \$0 | \$50,679 |
| Net Assets: | | |
| Held in Trust for Scholarship | \$1,795 | |

See accompanying notes to the basic financial statements

Tri-Village Local School District
Darke County

Statement of Changes in Fiduciary Net Assets - Cash Basis

Fiduciary Fund

For the Fiscal Year Ended June 30, 2012

| | <u>Private Purpose Trust</u> |
|--------------------------------|----------------------------------|
| Additions | |
| Gifts and Contributions | \$1,350 |
| Deductions | |
| Scholarships | <u>500</u> |
| Change in Net Assets | 850 |
| Net Assets - Beginning of Year | <u>945</u> |
| Net Assets - End of Year | <u><u>\$1,795</u></u> |

See accompanying notes to the basic financial statements

Tri-Village Local School District
Darke County
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2012

Note 1 - Description of the School District and Reporting Entity

The Tri-Village Local School District (The School District) is a body politic and corporate established to exercise the rights and privileges the constitution and laws of the State of Ohio convey to it. A locally-elected five-member Board governs the School District, which provides educational services mandated by the State and federal agencies.

The School District was established in 1972 through the consolidation of existing land areas and school districts. The School District serves an area of approximately 82 square miles. It is located in Darke County, and includes the Village of New Madison and portions of Butler, Harrison, Liberty, Neave and Washington Townships. The Board of Education controls the School District's instructional building and administrative building which are staffed by 30 classified employees and 55 certificated full-time personnel who provide services to 756 students.

A. Primary Government

The primary government of the School District consists of all funds, departments, boards and agencies that are not legally separate from the School District. For Tri-Village Local School District, this includes general operations, food service, preschool, and student related activities of the School District.

B. Component Units

Component units are legally separate organizations for which the School District is financially accountable. The School District is financially accountable for an organization if the School District appoints a voting majority of the organization's governing board and (1) the School District is able to significantly influence the programs or services performed or provided by the organization; or (2) the School District is legally entitled to or can otherwise access the organization's resources; or (3) the School District is legally obligated or has otherwise assumed the responsibility to finance the deficits of, or provide financial support to, the organization; or (4) the School District is obligated for the debt of the organization. The School District is also financially accountable for any organizations that are fiscally dependent on the School District in that the School District approves the budget, the issuance of debt, or the levying of taxes. Component units also include legally separate, tax-exempt entities whose resources are for the direct benefit of the School District, are accessible to the School District, and are significant in amount to the School District. The School District has no component units.

Tri-Village Local School District
Darke County
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2012

Note 1 - Description of the School District and Reporting Entity (Continued)

The School District participates in three jointly governed organizations, one related organization and three insurance purchasing pools. Note 13 to the basic financial statements provides additional information for these entities. These organizations are:

Jointly Governed Organizations:

Metropolitan Dayton Educational Cooperative Association
Southwestern Ohio Educational Purchasing Council (SOEPC)
Southwestern Ohio Instructional Technology Association

Related Organization:

New Madison Public Library

Insurance Purchasing Pools:

SOEPC Workers' Compensation Group Rating Plan
SOEPC Medical Benefits Plan
SOEPC Property, Fleet and Liability Insurance Program

Note 2 - Summary of Significant Accounting Policies

As discussed further in Note 2.C, these financial statements are presented on a cash basis of accounting. This cash basis of accounting differs from accounting principles generally accepted in the United States of America (GAAP). Accounting principles generally accepted in the United States of America include all relevant Governmental Accounting Standards Board (GASB) pronouncements, which have been applied to the extent they are applicable to the cash basis of accounting. In the government-wide financial statements, Financial Accounting Standards Board (FASB) pronouncements and Accounting Principles Board (APB) opinions issued on or before November 20, 1989, have been applied, to the extent they are applicable to the cash basis of accounting, unless those pronouncements conflict with or contradict GASB pronouncements, in which case GASB prevails. Following are the more significant of the School District's accounting policies.

A. Basis of Presentation

The School District's basic financial statements consist of a 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 Statement:

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 the fiduciary funds. The statements distinguish between those activities that are governmental in nature and those that are considered business-type. Governmental activities generally are financed through taxes, intergovernmental receipts or other non-exchange transactions. Business-type activities are financed in whole or in part by fees charged to external parties for goods or services. The School District does not have any business-type activities.

Tri-Village Local School District
Darke County
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2012

Note 2 - Summary of Significant Accounting Policies (Continued)

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

Fund Financial Statements:

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

B. Fund Accounting

The School District uses funds to maintain its financial records during the fiscal year. A fund is a fiscal and accounting entity with a self-balancing set of accounts. The School District classifies each fund as either governmental or fiduciary.

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

General Fund - The general fund accounts for all financial resources except for restricted resources requiring a separate accounting. The general fund balance is available for any purpose provided it is expended or transferred according to Ohio law.

Bond Retirement Fund - The bond retirement fund accounts for the accumulation of resources received from property taxes for the payment of school improvement general obligation bond principal, interest and related costs.

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

Tri-Village Local School District
Darke County
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2012

Note 2 - Summary of Significant Accounting Policies (Continued)

Fiduciary: Fiduciary funds account for cash and investments where the District is acting as trustee or fiscal agent for other entities or individuals. The School District's fiduciary funds include private purpose trust funds and an agency fund. Trust funds account for assets the School District holds under trust agreements for individuals, private organizations, or other governments and are not available to support the School District's own programs. The agency fund, which is custodial in nature, is where the School District deposits and pays cash as directed by another entity or individual. The School District's agency fund accounts for student activities' cash.

C. Basis of Accounting

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

As a result of the use of this cash basis of accounting, certain assets and their related revenues (such as accounts receivable and revenue for billed or provided services not yet collected) and certain liabilities and their related expenses (such as accounts payable and expenses for goods or services received but not yet paid, and accrued expenses and liabilities) are not recorded in these financial statements. If the School District utilized the basis of accounting recognized as generally accepted, the fund financial statements for governmental funds would use the modified accrual basis of accounting. All government-wide financials would be presented on the accrual basis of accounting.

D. Cash, Cash Equivalents and Investments

To improve cash management, cash received by the School District is pooled and invested. Monies for all funds are maintained in this pool. Individual fund integrity is maintained through School District records. Interest in the pool is presented as "equity in pooled cash and cash equivalents" on the financial statements.

Investments of the cash management pool and investments with an original maturity of three months or less when purchased are presented on the financial statements as cash equivalents. Investments with an initial maturity of more than three months that were not purchased from the pool are reported as investments.

Investments are reported as assets. Accordingly, purchases of investment are not recorded as disbursements, and sales of investments are not recorded as receipts. Gains or losses at the time of the sale are recorded as receipts or negative receipts (contra revenue), respectively.

The School District invested funds in certificates of deposit and STAR Ohio during fiscal year 2012.

Tri-Village Local School District
Darke County
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2012

Note 2 - Summary of Significant Accounting Policies (Continued)

Except for nonparticipating investment contracts, investments are reported at carrying value, which is based upon quoted market prices. Nonparticipating investment contracts, such as certificates of deposit are reported at cost. STAR Ohio is an investment pool, managed by the State Treasurer's Office, which allows governments within the State to pool their funds for investment purposes. STAR Ohio is not registered with the SEC as an investment company, but does operate in a manner consistent with Rule 2a7 of the Investment Company Act of 1940. Investments in STAR Ohio are valued at STAR Ohio's share price, which is the price the investment could be sold for on June 30, 2012.

Following Ohio statutes, the Board of Education specified the funds to receive an allocation of interest earnings. Interest revenue credited to the general fund during fiscal year 2012 was \$12,793, including \$4,227 assigned from other School District funds.

E. Restricted Assets

Assets are reported as restricted when limitations on their use change the nature or normal understanding of the availability of the asset. Such constraints are either imposed by creditors, contributors, grantors, or laws of other governments, or imposed by law through constitutional provisions or enabling legislation. Restricted cash and investments in the General Fund unexpended revenues restricted for the purchase of school buses. See Note 12 for additional information regarding set-asides.

F. Inventory and Prepaid Items

On the cash-basis of accounting, inventories of supplies and prepaid items are reported as disbursements when paid.

G. Capital Assets

Acquisitions of property, plant and equipment are recorded as disbursements when paid. The financial statements do not report these assets.

H. Interfund Receivables/Payables

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

I. Accumulated Leave

In certain circumstances, such as upon leaving employment, employees are entitled to cash payments for unused leave. Unpaid leave is not reflected as a liability under the School District's cash basis of accounting.

J. Employer Contributions to Cost-Sharing Pension Plans

The School District recognizes the disbursement for employer contributions to cost-sharing pension plans when they are paid. As described in Notes 7 and 8, the employer contributions include portions for pension benefits and for postretirement health care benefits.

Tri-Village Local School District
Darke County
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2012

Note 2 - Summary of Significant Accounting Policies (Continued)

K. Long-term Obligations

Bonds and other long-term obligations are not recognized as a liability in the financial statements under the cash-basis of accounting. Proceeds of debt are reported when cash is received and principal and interest payments are reported when paid. Since recording a capital asset when entering into a capital lease is not the result of a cash transaction, neither an other financing source nor a capital outlay expenditure are recorded at inception. Lease payments are reported when paid.

L. Fund Balance

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

Non-spendable – The non-spendable classification 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’ includes items that are not expected to be converted to cash.

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 classification includes amounts that can be used only for the specific purposes imposed by formal action (resolution) of the Board of Education. The committed amounts cannot be used for any other purpose unless the 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 classification are intended to be used by the School District for specific purposes but do not meet the criteria to be classified as restricted or committed. In governmental funds, other than the General Fund, assigned fund balance represents the remaining amount that is not restricted or committed. In the General Fund, assigned amounts represent intended uses established by the Board of Education.

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

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

Tri-Village Local School District
Darke County
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2012

Note 2 - Summary of Significant Accounting Policies (Continued)

M. Net 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 resources for food service operations, music and athletic programs, classroom maintenance and federal and state grants restricted to cash disbursement for specified purposes. The School District first applies restricted resources when a cash disbursement is incurred for purposes for which both restricted and unrestricted net assets are available. The School District did not have any assets restricted by enabling legislation at June 30, 2012.

N. Interfund Transactions

Exchange transactions between funds are reported as receipts in the seller funds and as disbursements in the purchasing funds. Nonexchange flows of cash from one fund to another are reported as interfund transfers. Interfund transfers are reported as other financing sources/uses in governmental funds. Repayments from funds responsible for particular disbursements to the funds that initially paid for them are not presented on the financial statements.

O. Budgetary Data

Ohio law requires all funds, other than agency funds, to be budgeted and appropriated. The major documents prepared are the tax budget, the appropriation resolution and the certificate of estimated resources, which use the budgetary basis of accounting. The tax budget demonstrates a need for existing or increased tax rates. The certificate of estimated resources establishes a limit on the amounts that the Board of Education may appropriate. The appropriation resolution is the Board's authorization to spend resources and sets annual limits on expenditures plus encumbrances at a level of control selected by the Board. The Board of Education uses the object level within each fund and function as its legal level of control. Budgetary allocations at the object level within all funds are made by the Treasurer.

The certificate of estimated resources may be amended during the fiscal year if the School District Treasurer projects increases or decreases in receipts. The amounts reported as the original budget in the budgetary statements reflect the amounts in the certificate of estimated resources when the original appropriations were adopted. The amounts reported as the final budget in the budgetary statements reflect the amounts in the amended certificate of estimated resources in effect at the time the final appropriations were passed by the Board.

The Board may amend appropriations throughout the fiscal year with the restriction that appropriations may not exceed estimated resources. The amounts reported as the original budget reflect the first appropriation for that fund covering the entire fiscal year, including amounts automatically carried over from prior fiscal years. The amounts reported as the final budget represent the final appropriation the Board passed during the fiscal year.

Tri-Village Local School District
Darke County
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2012

Note 2 - Summary of Significant Accounting Policies (Continued)

P. Budget Stabilization

The District has established a budget stabilization reserve in accordance with authority established by State law. Additions to the budget stabilization reserve can only be made by formal resolution of the Board of Education. Expenditures out of the budget stabilization reserve can only be made to offset future budget deficits. At June 30, 2012, the balance in the budget stabilization reserve was \$21,013. This amount is included in unassigned fund balance of the general fund and in unrestricted net assets on the statement of net assets.

Note 3 - Deposits and Investments

Investment Policies

State statutes require the classification of the monies held by the School District into three categories:

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

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

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

Interim monies are to be deposited or invested in the following securities:

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

Tri-Village Local School District
Darke County
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2012

Note 3 - Deposits and Investments (Continued)

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

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

Deposits

Custodial credit risk for deposits is the risk that in the event of bank failure, the School District will not be able to recover deposits or collateral securities that are in possession of an outside party. The School District has no deposit policy for custodial risk beyond the requirements of State statute. Ohio law requires that deposits be either insured or be protected by eligible securities pledged to and deposited with either the School District or a qualified trustee by the financial institution as security for repayment, or by a collateral pool of eligible securities deposited with a qualified trustee and pledged to secure the repayment of all public monies deposited in the financial institution whose market value at all times shall be at least 105 percent of deposits being secured.

At fiscal year-end, the carrying amount of the School District's deposits was \$2,890,977 and the bank balance was \$2,910,485. \$250,000 of the School District's deposits was insured by federal depository insurance. As of June 30, 2012, \$2,660,485 of the School District's bank balance was exposed to custodial risk and was uninsured and uncollateralized.

Tri-Village Local School District
Darke County
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2012

Note 3 - Deposits and Investments (Continued)

Investments

The School District investment in STAR Ohio, an investment pool operated by the Ohio State Treasurer, had a carrying value of \$130,884 at June 30, 2012.

Interest Rate Risk – Interest rate risk arises because the potential purchasers of debt securities will not agree to pay face value for those securities if interest rates subsequently increase. The Ohio Revised Code generally limits security purchases to those that mature within five years of the settlement date. The School District’s investment policy does not further limit its investment choices. The average days to maturity of the STAR Ohio portfolio at June 30, 2012, was 52.5 days.

Credit Risk – State law limits investments in commercial paper and corporate bonds to the top two ratings issued by nationally recognized statistical rating organizations. Ohio law requires that STAR Ohio maintain the highest rating provided by at least one nationally recognized standard rating service. The School District’s investment policy does not further limit its investment choices. The School District’s investment in STAR Ohio is rated AAAM by Standard & Poor’s.

Custodial Credit Risk - Custodial credit risk is the risk that, in the event of the failure of the counterparty, the School District will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The School District has no investment policy dealing with investment custodial risk beyond the requirements of ORC 135.14(M)(2) which states, “Payment for investments shall be made only upon the delivery of securities representing such investments to the treasurer, investing authority, or qualified trustee. If the securities transferred are not represented by a certificate, payment shall be made only upon receipt of confirmation of transfer from the custodian by the treasurer, governing board, or qualified trustee.”

Concentration of Credit Risk - The School District places no limits on the amount the School District may invest in any one issuer. The School District’s investments consist solely of investments in STAR Ohio.

Note 4 - Property Taxes

Property taxes include amounts levied against all real property and public utility property located in the School District.

Real property tax receipts received in calendar year 2012 represent the collection of calendar year 2011 taxes. Real property taxes received in calendar year 2012 were levied after April 1, 2011, on the assessed values as of January 1, 2011, the lien date. Assessed values for real property taxes are established by State statute at 35 percent of appraised market value.

Public utilities subject to taxation on their tangible personal property include electric, rural electric, natural gas, pipeline, water works, water transportation, heating and telegraph companies. The tax rates vary according to the type of public utility. Public utility taxes are levied on all tangible personal property owned and located in Ohio on December 31 of the preceding year.

Tri-Village Local School District
Darke County

Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2012

Note 4 - Property Taxes (Continued)

Real property and public utility taxes are payable annually or semiannually. If paid annually, payment is due December 31; if paid semiannually, the first payment is due December 31, with the remainder payable by June 20. Under certain circumstances, State statute permits alternate payment dates to be established.

Amounts paid by multi-county taxpayers are due September 20. Single county taxpayers may pay annually or semiannually. If paid annually, payment is due April 30; if paid semiannually, the first payment is due April 30, with the remainder payable by September 20.

The School District receives property taxes from Darke 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.

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 |
| Agricultural/ Residential and Other Real Estate | \$69,202,630 | 82.7 % | \$76,862,830 | 85.4 % |
| Public Utility Personal | 14,524,720 | 17.3 | 13,134,180 | 14.6 |
| Total | \$83,727,350 | 100.0 % | \$89,997,010 | 100.0 % |
| Tax rate per \$1,000 of assessed valuation | \$34.18 | | \$33.18 | |

Note 5 - Income Tax

The School District levies a voted tax of one and one-half percent for general operations on the income of residents and of estates. The original one percent tax was effective on January 1, 1991, and is a continuing tax. In May 1999, the voters of the School District approved an increase of one-half percent for a total continuing income tax of one and one-half percent, effective January 1, 2000. Employers of residents are required to withhold income tax on compensation and remit the tax to the State. Taxpayers are required to file an annual return. The State makes quarterly distributions to the School District after withholding amounts for administrative fees and estimated refunds. Income tax revenue is credited to the General Fund.

**Tri-Village Local School District
Darke County**

*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2012*

Note 6 - Risk Management

A. Property and Liability

The School District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees and natural disasters. During fiscal year 2012, the School District participated in the Southwestern Ohio EPC Liability, Fleet and Property Insurance program administered by Arthur J. Gallagher Risk Management Services, Inc.

Coverage provided is as follows:

| | |
|---|--------------|
| Building and Contents – replacement cost (\$1,000 deductible) | \$36,569,002 |
| Boiler & Machinery (\$3,500 deductible) | 100,000,000 |
| Crime (\$1,000 deductible) | 500,000 |
| Automobile Liability (per occurrence, \$1,000 deductible) | 1,000,000 |
| Education General Liability: | |
| Occurrence | 1,000,000 |
| Aggregate | 3,000,000 |
| Medical Payments Occurrence/Aggregate | 5,000 |
| Employee Benefit Liability | |
| Occurrence | 1,000,000 |
| Aggregate | 3,000,000 |
| School Board Legal Liability (\$5,000 deductible) | 1,000,000 |
| Umbrella Policy/Excess Liability | 5,000,000 |
| Excess Property | |
| Occurrence | 350,000,000 |
| Annual Aggregate | 25,000,000 |

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

B. Workers' Compensation

For fiscal year 2012, the School District participated in the Southwestern Ohio Educational Purchasing Council Workers' Compensation Group Rating Program (GRP), an insurance purchasing pool (Note 13). The intent of the GRP is to achieve the benefit of a reduced premium for the School District by virtue of its grouping and representation with other participants in the GRP. The workers' compensation experience of the participating school districts is calculated as one experience and a common premium rate is applied to all school districts in the GRP. Each participant pays its workers' compensation premium to the State based on the rate for the GRP rather than its individual rate. Total savings are then calculated and each participant's individual performance is compared to the overall savings percentage of the GRP. A participant will then either receive money from or be required to contribute to the "equity pooling fund." This "equity pooling" arrangement insures that each participant shares equally in the overall performance of the GRP. Participation in the GRP is limited to school districts that can meet the GRP's selection criteria. The firm of Hunter Consulting provides administrative, cost control and actuarial services to the GRP.

Tri-Village Local School District
Darke County

Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2012

Note 6 - Risk Management (Continued)

C. Employee Medical Benefits

For fiscal year 2012, the School District participated in the Southwestern Ohio Educational Purchasing Council Medical Benefits Plan (MBP), an insurance purchasing pool (Note 13). The intent of the MBP is to achieve the benefit of reduced health insurance premiums for the School District by virtue of its grouping and representation with other participants in the MBP. The health insurance experience of the participating school districts is calculated and a premium rate is applied to all school districts in the MBP. Each participant pays its health insurance premiums to Southwestern Ohio Educational Purchasing Council Medical Benefits Plan. Participation in the MBP is limited to school districts that can meet the MBP's selection criteria.

Note 7 - Defined Benefit Pension Plans

A. School Employees Retirement System

Plan Description - The School District contributes to the School Employees Retirement System (SERS), a cost-sharing multiple employer pension plan. SERS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Authority to establish and amend benefits is provided by Chapter 3309 of the Ohio Revised Code. SERS issues a publicly available, stand-alone financial report that includes financial statements and required supplementary information. That report may be obtained by writing to the School Employees Retirement System, 300 East Broad Street, Suite 100, Columbus, Ohio 43215-3746 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 14 percent of annual covered payroll. The contribution requirements of plan members and employers are established and may be amended, up to statutory maximum amounts, by the SERS' Retirement Board. The Retirement Board acting with the advice of the actuary, allocates the employer contribution rating among four of the funds (Pension Trust Fund, Death Benefit Fund, Medicare B Fund and Health Care Fund) of the System. For fiscal year 2012, the allocation to pension and death benefits is 12.7 percent of annual covered salary. The remaining 1.3 percent of the 14 percent employer contribution rate is allocated to the Health Care and Medicare B Funds. The School District's required contributions for pension obligations to SERS for the fiscal years ended June 30, 2012, 2011 and 2010 were \$111,122, \$93,948, and \$148,960, respectively; 55.7 percent has been contributed for fiscal year 2012 and 100 percent for fiscal years 2011 and 2010.

B. State Teachers Retirement System of Ohio

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

Tri-Village Local School District
Darke County

Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2012

Note 7 - Defined Benefit Pension Plans (Continued)

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

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

Funding Policy - For the fiscal year ended June 30, 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 employers. Chapter 3307 of the Ohio Revised Code provides statutory authority for member and employer contributions.

The School District's required contributions for pension obligations to STRS Ohio for the fiscal years ended June 30, 2012, 2011, and 2010 were \$371,068, \$389,182, and \$371,781, respectively; 83.37 percent has been contributed for fiscal year 2012 and 100 percent for fiscal years 2011 and 2010.

C. Social Security System

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

Note 8 - Postemployment Benefits

A. School Employees Retirement System

Plan Description – The School District participates in two cost-sharing multiple employer defined benefit OPEB (other post-employment benefits) 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.

Tri-Village Local School District
Darke County

Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2012

Note 8 - Postemployment Benefits (Continued)

Medicare Part B Plan – The Medicare B plan reimburses Medicare Part B premiums paid by eligible retirees and beneficiaries as set forth in Ohio Revised Code (ORC) 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 premium for calendar year 2011 (latest information available) was \$96.40 for most participants, but could be as high as \$369.10 per month depending on their income and the SERS' reimbursement to retirees was \$45.50.

The Retirement Board, acting with advice of the actuary, allocates a portion of the employer contribution to the Medicare B Fund. For fiscal year 2012, this 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 \$6,562, \$6,046, and \$8,858, respectively; 55.70 percent has been contributed for fiscal year 2012 and 100 percent for fiscal years 2011 and 2010.

Health Care Plan – ORC 3309.375 and 2209.69 permit SERS to offer health care benefits to eligible retirees and beneficiaries. SERS' Retirement Board reserves the right to change or discontinue any health plan or program. SERS offers several types of health plans from various vendors, including HMOs, PPOs, Medicare Advantage and traditional indemnity plans. A prescription drug program is also available to those who elect health coverage. SERS employs two third-party administrators and a pharmacy benefit manager to manage the self-insurance and prescription drug plans, respectively.

The ORC provides the statutory authority to fund SERS' postemployment benefits through employer contributions. Active members do not make contributions to the postemployment benefit plans.

The Health Care Fund was established under, and is administered in accordance with Internal Revenue Code 105(e). Each year after the allocation for statutorily required benefits, the Retirement Board allocates the remainder of the employer 14 percent contribution to the Health Care Fund. For the year ended June 30, 2012, the health care allocation is .55 percent. 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 percent of that employer's SERS covered payroll; nor may SERS collect in aggregate more than 1.5 percent of the total statewide SERS covered payroll for health care surcharge. For fiscal year 2012, the minimum compensation level was established at \$35,800. The surcharge, added to the unallocated portion of the 14% employer contribution rate is the total amount assigned to the Health Care Fund.

The School District's contributions for health care for the fiscal years ended June 30, 2012, 2011, and 2010 were \$18,472, \$29,868, and \$19,475, respectively; 55.70 percent has been contributed for fiscal year 2012 and 100 percent for fiscal years 2011 and 2010.

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. Premiums vary depending on the plan selected, qualified years of service, Medicare eligibility, and retirement status.

Tri-Village Local School District
Darke County

Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2012

Note 8 - Postemployment Benefits (Continued)

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 or by calling toll free (800) 878-5853. It is also posted on the SERS' at www.ohsers.org under employers/audit resources.

B. State Teachers Retirement System of Ohio

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

Funding Policy – Ohio 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 \$28,544, \$29,937, and \$28,599, respectively; 83.37 percent has been contributed for fiscal year 2012 and 100 percent for fiscal years 2011 and 2010.

Note 9 - Leases

During fiscal year 2003, the School District entered into a lease-purchase agreement for the renovation and construction of additions to the high school that began in fiscal year 2004. The School District is leasing the project additions from the Columbus Regional Airport Authority. The Columbus Regional Airport Authority assigned U.S. Bank, as trustee, transferring rights, title, and interest in the project to the trustee.

During fiscal year 2002, the School District entered into a lease-purchase agreement for the renovation and construction of the additions to the high school. The School District is leasing the project site from Rickenbacker Port Authority. Rickenbacker Port Authority assigned U.S. Bank as trustee, transferring rights, title, and interest in the project to the trustee. The School District is acting as an agent for the lessor and is constructing the facilities and improvements from the proceeds provided by the lessor for both of the above leases.

As part of the agreements, U.S. Bank deposited \$1,221,000 and \$630,000, respectively, with a fiscal agent for the building lease. The School District will make semi-annual lease payments to U.S. Bank for both of the above leases. The leases are renewable annually and expire in fiscal year 2032.

The lease payments have been classified as debt service expenditures in the financial statements in the General Fund. These expenditures amounted to \$126,977.

Tri-Village Local School District
Darke County
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2012

Note 9 - Leases (Continued)

The following is a schedule of the future minimum lease payments required under the lease and the present value of the minimum lease payments as of June 30, 2012:

| <u>Year ending June 30:</u> | <u>Amount</u> |
|---|----------------------|
| 2013 | \$127,371 |
| 2014 | 126,882 |
| 2015 | 126,198 |
| 2016 | 126,452 |
| 2017 | 126,321 |
| 2018-2022 | 622,133 |
| 2023-2027 | 614,460 |
| 2028-2032 | 598,819 |
| Total | 2,468,636 |
| Less: Amount Representing Interest | (959,636) |
| Present Value of Minimum Lease Payments | \$1,509,000 |

Note 10 - Long-Term Liabilities

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

| | Amount Outstanding 6/30/2011 | Additions | Deletions | Amount Outstanding 6/30/2012 | Amount Due in One Year |
|---|------------------------------------|-----------|-------------|------------------------------------|------------------------------|
| Governmental Activities | | | | | |
| 2001 School Improvement Bonds | \$1,010,000 | \$0 | \$0 | \$1,010,000 | \$230,000 |
| 2010 School Facilities Refunding Bonds | 2,945,000 | 0 | (255,000) | 2,690,000 | 0 |
| Total Governmental Activities Long-Term Liabilities | \$3,955,000 | \$0 | (\$255,000) | \$3,700,000 | \$230,000 |

The School Facilities Construction and Improvement Bonds were issued April 10, 2001, for the purpose of constructing additions to and renovating and improving the existing junior-senior high school and to house grades k-12, including multi-purpose facilities for school and community use, along with health and safety upgrades and improving access for the disabled. The original bond issue was for \$5,710,000. The interest rate on the bonds is 3.40%-5.80%. The bonds will mature December 1, 2023, and will be retired from the Bond Retirement Debt Service Funds.

Tri-Village Local School District
Darke County

Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2012

Note 10 - Long-Term (Continued)

On December 1, 2009, the School District issued \$2,980,000 in School Facilities Construction and Improvement Refunding Bonds. Of the \$2,980,000 bonds issued, \$2,795,000 is serial bonds with interest rates ranging from 1% to 4% and a final maturity December 1, 2023, \$135,000 is term bonds with an interest rate of 2.75% maturing December 1, 2015, and \$50,000 are capital appreciation bonds with a maturity value of \$325,000 on December 1, 2016.

At June 30, 2012, the School District's overall legal debt margin was \$5,058,731 with an un-voted debt margin of \$89,997. Principal and interest requirements to retire long-term liabilities outstanding at June 30, 2012, are as follows:

| Fiscal Year Ending | Principal | Interest | Total |
|--------------------|--------------------|--------------------|--------------------|
| <u>June 30,</u> | | | |
| 2013 | \$230,000 | \$144,090 | \$374,090 |
| 2014 | 245,000 | 129,536 | 374,536 |
| 2015 | 260,000 | 113,994 | 373,994 |
| 2016 | 410,000 | 97,650 | 507,650 |
| 2017 | 45,000 | 369,263 | 414,263 |
| 2018 - 2022 | 1,730,000 | 308,648 | 2,038,648 |
| 2023 - 2024 | 780,000 | 31,111 | 811,111 |
| Total | <u>\$3,700,000</u> | <u>\$1,194,292</u> | <u>\$4,894,292</u> |

The term bonds maturing on December 1, 2015, are subject to mandatory sinking fund redemption, in part by lot, pursuant to the terms of the mandatory sinking fund requirements of the District. The mandatory redemption is to occur on December 1 in each of the years 2012 through 2015 at a redemption price equal to 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</u> |
|--------------------|------------------|
| 2013 | \$30,000 |
| 2014 | 35,000 |
| 2015 | 35,000 |
| 2016 | 35,000 |

Note 11 - Fund Balance

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

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

Tri-Village Local School District
Darke County

Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2012

Note 11 - Fund Balance (Continued)

| <u>Fund Balance</u> | <u>General</u> | <u>Bond Retirement</u> | <u>Other Governmental Funds</u> | <u>Total Governmental Funds</u> |
|---------------------------|---------------------|------------------------|---------------------------------|---------------------------------|
| Restricted for: | | | | |
| Food Service Operations | \$ - | \$ - | \$ 33,548 | \$ 33,548 |
| Title I | - | - | 14 | 14 |
| Classroom Maintenance | - | - | 232,128 | 232,128 |
| Music and Athletics | - | - | 47,511 | 47,511 |
| Race to the Top | - | - | 152 | 152 |
| Debt Service | - | 659,000 | - | 659,000 |
| Improving Teacher Quality | - | - | 82 | 82 |
| Natural Resource Grant | 3,000 | - | - | 3,000 |
| Bus Purchases | 35,192 | - | - | 35,192 |
| Total Restricted | 38,192 | 659,000 | 313,435 | 1,010,627 |
| Committed to: | | | | |
| Wee Patriots Preschool | - | - | 56,241 | 56,241 |
| Assigned for: | | | | |
| Unpaid Obligations | 97,721 | - | - | 97,721 |
| FY 13 Appropriations | 397,098 | - | - | 397,098 |
| Public School Support | 44,114 | - | - | 44,114 |
| School Supplies | 9,673 | - | - | 9,673 |
| Total Assigned | 548,606 | - | - | 548,606 |
| Unassigned | 1,353,913 | - | - | 1,353,913 |
| Total Fund Balance | \$ 1,940,711 | \$ 659,000 | \$ 369,676 | \$ 2,969,387 |

Note 12 - Set-Aside Calculations

State statute annually requires the School District set aside in the general fund an amount based on a statutory formula to acquire and construct capital improvements. Amounts not spent by fiscal year-end or offset by similarly restricted resources received during the fiscal year must be held in cash at fiscal year-end and carried forward to be used for the same purposes in future fiscal years. Based on legislative changes, this is the only money still required to be set aside for this purpose.

Tri-Village Local School District
Darke County
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2012

Note 12 - Set-Aside Calculations (Continued)

The following cash basis information describes the change in the fiscal year-end set-aside amounts for capital acquisition. State statute requires disclosing this information.

| | Capital Improvements |
|--|-------------------------|
| Set-aside Reserve Balance as of June 30, 2011 | \$0 |
| Current Year Set Aside Requirement | 132,647 |
| Contributions in Excess of the Current Fiscal Year | |
| Set Aside Requirement | 0 |
| Current Year Qualifying Disbursements | (12,995) |
| Excess Qualified Disbursements from Prior Years | 0 |
| Current Year Offsets | (49,764) |
| Waiver Granted by the Department of Education | 0 |
| Prior Year Offset from Bond Proceeds | (69,888) |
| Total | \$0 |
| Balance Carried Forward to Fiscal year 2013 | 0 |
| Set Aside Reserve Balance June 30, 2012 | \$0 |

The School District had qualifying disbursements during the fiscal year that reduced the set-aside amount below zero for the capital improvement set-aside. The negative amount can only be carried forward to the extent of proceeds from capital lease, Classroom Facilities Special Revenue Fund receipts, and Capital Improvement Fund property tax receipts.

The District had current year offsets that reduced the capital improvements set-aside amount to zero. During fiscal years 2001 and 2010, the District issued \$5,701,000 and \$2,980,000 respectively, in capital related school improvement bonds. These proceeds may be used to reduce capital acquisition below zero for future years. The amount presented for Prior Year Offset from Bond Proceeds is limited to an amount needed to reduce the reserve for capital improvement to zero. The District is responsible for tracking the amount of the bond proceeds that may be used as an offset in future periods, which was \$7,002,446 at June 30, 2012.

In addition to the above statutory set-asides, the District also has \$35,192 in monies restricted for school bus purchases.

A schedule of the restricted assets at June 30, 2012 follows:

| | |
|--|-----------|
| Amount restricted for school bus purchases | \$ 35,192 |
|--|-----------|

Tri-Village Local School District
Darke County

Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2012

Note 13 - Jointly Governed Organizations, Related Organization and Insurance Purchasing Pools

A. Jointly Governed Organizations

Metropolitan Dayton Educational Cooperative Association – The School District is a participant in the Metropolitan Dayton Educational Cooperative Association (MDECA), which is a computer consortium. MDECA is an association of public school districts within the boundaries of Montgomery, Miami, and Darke Counties and the Cities of Dayton, Troy and Greenville. The organization was formed for the purpose of applying modern technology with the aid of computers and other electronic equipment to administrative and instructional functions among member school districts.

The governing board of MDECA consists of seven Superintendents of member school districts, with six of the Superintendents elected by majority vote of all member school districts except Montgomery County Educational Service Center. The seventh Superintendent is from the Montgomery County Educational Service Center. The School District paid MDECA \$21,769 for services provided during the fiscal year. Financial information can be obtained from Dean A. Reineke, who serves as Executive Director, at 225 Linwood Street, Dayton, Ohio 45405.

Southwestern Ohio Educational Purchasing Council - The Southwestern Ohio Educational Purchasing Council (SOEPC) is a purchasing cooperative made up of 126 school districts in 18 counties. The purpose of the cooperative is to obtain prices for quality merchandise and services commonly used by schools. All member districts are obligated to pay all fees, charges, or other assessments as established by the SOEPC. Each member district has one voting representative. Title to any and all equipment, furniture and supplies purchased by the SOEPC is held in trust for the member districts. Any district withdrawing from the SOEPC shall forfeit its claim to any and all SOEPC assets. One year prior notice is necessary for withdrawal from the group.

During this time, the withdrawing member is liable for all member obligations. Payments to SOEPC are made from the general fund. During fiscal year 2012, the School District paid \$51,335 to SOEPC. To obtain financial information, write to the Southwestern Ohio Educational Purchasing Council, Ken Swink, who serves as Director, at 303 Corporate Center Drive, Suite 208, Vandalia, OH 45377.

Southwestern Ohio Instructional Technology Association - The Southwestern Ohio Instructional Technology Association (SOITA) is a not-for-profit corporation. The purpose of the corporation is to serve the educational needs of the area through television programming for the advancement of educational programs. The Board of Trustees is comprised of twenty-three representatives of SOITA member schools or institutions. Twenty-one representatives are elected from within the counties by the qualified members within the counties, i.e., Auglaize, Brown, Butler, Champaign, Clark, Clermont, Clinton, Darke, Fayette, Greene, Hamilton, Logan, Mercer, Miami, Montgomery, Preble, Shelby, and Warren. Montgomery, Greene and Butler Counties elect two representatives per area. All others elect one representative per area.

One at-large non-public representative is elected by the non-public school SOITA members in the State-assigned SOITA service area representative. One at-large higher education representative is elected by higher education SOITA members from within the State-assigned SOITA service area.

Tri-Village Local School District
Darke County

Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2012

Note 13 - Jointly Governed Organizations, Related Organization and Insurance Purchasing Pools
(Continued)

All member districts are obligated to pay all fees, charges, or other assessments as established by the SOITA. Upon dissolution, the net assets shall be distributed to the federal government, or to a state or local government, for a public purpose. Payments to SOITA are made from the general fund. During fiscal year 2012, the School District did not make any payments to SOITA. To obtain financial information, write to the Southwestern Ohio Instructional Technology Association, Larry Pogue, who serves as Executive Director, at 150 East Sixth Street, Franklin, Ohio 45005.

B. Related Organization

New Madison Public Library – The New Madison 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 Tri-Village Local School District 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 the 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, the rate, and the purpose are discretionary decisions made solely by the Board of Trustees. The School District did not make any contributions to the New Madison Public Library during fiscal year 2012. Financial information can be obtained from the New Madison Public Library, Kimberly Chowning, Clerk/Treasurer, at 142 South Main, New Madison, Ohio 45346.

C. Insurance Purchasing Pools

Southwestern Ohio Educational Purchasing Council Workers' Compensation Group Rating Plan - The School District participates in the Southwestern Ohio Education Purchasing Council Workers' Compensation Group Rating Plan (GRP), an insurance purchasing pool. The GRP's business and affairs are conducted by an eleven member Executive Committee consisting of the Chairperson, the Vice-Chairperson, a representative from the Montgomery County Educational Service Center and eight other members elected by majority vote of all member school districts. The Chief Administrator of GRP serves as the coordinator of the program. Each fiscal year, the participating school districts pay an enrollment fee to the GRP to cover the costs of administering the program.

Southwestern Ohio Educational Purchasing Council Medical Benefits Plan – The School District participates in the Southwestern Ohio Educational Purchasing Council Medical Benefits Plan (MBP). The MBP's business and affairs are conducted by a six member committee consisting of various EPC representatives that are elected by the general assembly. Either the superintendent or treasurer from each participating school district serves on the general assembly. Each fiscal year, the participating school districts pay an enrollment fee to the MBP to cover the costs of administering the program. During fiscal year 2012, the School District paid \$715,264 for medical benefits.

Tri-Village Local School District
Darke County

Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2012

Note 13 - Jointly Governed Organizations, Related Organization and Insurance Purchasing Pools
(Continued)

Southwestern Ohio Educational Purchasing Council Property, Fleet and Liability Insurance Program – The School District participates in the Southwestern Ohio Educational Council Property, Fleet and Liability Insurance Program (PFL). The PFL’s business affairs are conducted by a six member committee consisting of various PFL representatives that are elected by the general assembly. The purpose of the program is to jointly provide or obtain casualty, property, employer liability, general liability, risk management, professional liability, group coverage and other protections for participating school districts. During fiscal year 2012, the School District paid \$24,801 for insurance coverage. Financial information can be obtained from Ken Swink, Director, at 303 Corporate Center Drive, Suite 208, Vandalia, OH 45377.

Note 14 - Contingencies

A. Grants

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. 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 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.

B. Litigation

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

Note 15 - Budgetary Basis of Accounting

While the School District is reporting financial position, results of operations and changes in fund balance on the cash basis, 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 Receipts, Disbursements and Changes in Fund Balances - Budget and Actual – Budget Basis presented for the general fund is presented on the budgetary basis to provide a meaningful comparison of actual results with the budget. The difference between the budgetary basis and cash basis is

- 1.) Outstanding year-end encumbrances are treated as cash disbursements (budgetary) rather than as a reservation of fund balance (cash basis) and

Tri-Village Local School District
Darke County
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2012

Note 15 - Budgetary Basis of Accounting (Continued)

2.) Perspective differences resulting from differences in fund structure.

| | |
|-------------------------|------------------------|
| Cash Basis | \$ 105,032 |
| Encumbrances | (97,721) |
| Perspective Differences | <u>756</u> |
| Budgetary Basis | <u><u>\$ 8,067</u></u> |

Note 16 - Interfund Balances

During fiscal year 2012, the General fund advanced the Title II-D Fund, a non-major special revenue fund, \$919. This advance will be repaid during fiscal year 2013. The interfund transaction is due to the timing of the receipt of grants.

Note 17 - Compliance

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

SUPPLEMENTARY DATA

**TRI-VILLAGE LOCAL SCHOOL DISTRICT
SCHEDULE OF RECEIPTS AND EXPENDITURES OF FEDERAL AWARDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012**

| FEDERAL GRANTOR/ SUB GRANTOR/ PROGRAM TITLE | CFDA NUMBER | (A) PASS-THROUGH GRANT NUMBER | (B) CASH FEDERAL RECEIPTS | (B) CASH FEDERAL DISBURSEMENTS |
|--|----------------|--|------------------------------------|---|
| U.S. DEPARTMENT OF AGRICULTURE PASSED THROUGH THE OHIO DEPARTMENT OF EDUCATION | | | | |
| Child Nutrition Grant Cluster: | | | | |
| (D) (E) School Breakfast Program | 10.553 | 2012 | \$ 9,447 | \$ 9,447 |
| (D) (E) National School Lunch Program | 10.555 | 2012 | 134,731 | 134,731 |
| (C) (D) National School Lunch Program - Food Donation | 10.555 | 2012 | 16,782 | 16,782 |
| Total National School Lunch Program | | | <u>151,513</u> | <u>151,513</u> |
| Total Child Nutrition Grant Cluster | | | <u>160,960</u> | <u>160,960</u> |
| Total U.S. Department of Agriculture | | | <u>160,960</u> | <u>160,960</u> |
| U.S. DEPARTMENT OF EDUCATION PASSED THROUGH THE OHIO DEPARTMENT OF EDUCATION | | | | |
| (F) Title I Grants to Local Educational Agencies | 84.010 | 2011 | (244) | - |
| (F) Title I Grants to Local Educational Agencies | 84.010 | 2012 | 151,468 | 151,455 |
| Total Title I Grants to Local Educational Agencies | | | <u>151,224</u> | <u>151,455</u> |
| Educational Technology State Grants | 84.318 | 2012 | - | 919 |
| (F) Improving Teacher Quality State Grants | 84.367 | 2011 | 6,163 | 6,249 |
| (F) Improving Teacher Quality State Grants | 84.367 | 2012 | 38,576 | 38,494 |
| Total Improving Teacher Quality State Grants | | | <u>44,739</u> | <u>44,743</u> |
| ARRA - Race-to-the-Top, Recovery Act | 84.395A | 2012 | 22,112 | 21,958 |
| Education Jobs Fund | 84.410 | 2012 | 152,683 | 152,683 |
| Total U.S. Department of Education | | | <u>370,758</u> | <u>371,758</u> |
| CORPORATION FOR NATIONAL AND COMMUNITY SERVICES PASSED THROUGH THE OHIO DEPARTMENT OF EDUCATION | | | | |
| Learn and Serve America_School and Community Based Programs | 94.004 | 2011 | 759 | 759 |
| Total Federal Financial Assistance | | | <u>\$ 532,477</u> | <u>\$ 533,477</u> |

Notes to the Schedule of Receipts and Expenditures of Federal Awards:

- (A) OAKS did not assign pass-through numbers for fiscal year 2012.
- (B) This schedule was prepared on the cash basis of accounting.
- (C) The Food Donation Program is a non-cash, in kind, federal grant. Commodities are reported at the entitlement value.
- (D) Included as part of "Child Nutrition Grant Cluster" in determining major programs.
- (E) Commingled with state and local revenue from sales of breakfast and lunches; assumed expenditures were made on a first-in, first-out basis.
- (F) The District generally must spend Federal assistance within 15 months of receipt (funds must be obligated by June 30th and spent by September 30th). However, with Ohio Department of Education ("ODE")'s approval, a District can transfer unspent Federal assistance to the succeeding year, thus allowing the District a total of 27 months to spend the assistance. Schools can document this by using special cost centers for each year's activity, and transferring the amounts ODE approves between the cost document this by using special cost centers for each year's activity, and transferring the amounts ODE approves between the centers. During fiscal year 2012, the ODE authorized the following transfers

| Program Title | CFDA Number | Grant Year | Transfer Out | Transfer In |
|--|-------------|------------|---------------|---------------|
| Title I Grants to Local Educational Agencies | 84.010 | 2011 | \$ 244 | |
| Title I Grants to Local Educational Agencies | 84.010 | 2012 | | \$ 244 |
| Improving Teacher Quality State Grants | 84.367 | 2011 | 62 | |
| Improving Teacher Quality State Grants | 84.367 | 2012 | | 62 |
| Totals | | | <u>\$ 306</u> | <u>\$ 306</u> |



Julian & Grube, Inc.
Serving Ohio Local Governments

333 County Line Rd. West, Westerville, OH 43082 Phone: 614.846.1899 Fax: 614.846.2799

Independent Accountants' Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Required by *Government Auditing Standards*

Tri-Village Local School District
P.O. Box 31
New Madison, Ohio 45346

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 Tri-Village Local School District, Darke County, Ohio, as of and for the fiscal year ended June 30, 2012, which collectively comprise the Tri-Village Local School District's cash basis basic financial statements and have issued our report thereon dated November 21, 2012, wherein we noted the Tri-Village Local School District uses a comprehensive accounting basis other than accounting principles generally accepted in the United States of America. 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 Tri-Village Local School District's internal control over financial reporting as a basis for designing our audit procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of opining on the effectiveness of the Tri-Village Local School District's internal control over financial reporting. Accordingly, we have not opined on the effectiveness of the Tri-Village Local School 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 Tri-Village Local School 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.

Board of Education
Tri-Village Local School District

Compliance and Other Matters

As part of reasonably assuring whether the Tri-Village Local School District's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, 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 an instance of noncompliance or other matters we must report under *Government Auditing Standards* which is described in the accompanying schedule of findings and responses as item 2012-TVLSD-001.

The Tri-Village Local School District's response to the finding identified in our audit is described in the accompanying schedule of findings and responses. We did not audit the Tri-Village Local School District's response and, accordingly, we express no opinion on it.

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

A handwritten signature in cursive script that reads "Julian & Grube, Inc.".

Julian & Grube, Inc.
November 21, 2012



Julian & Grube, Inc.
Serving Ohio Local Governments

333 County Line Rd. West, Westerville, OH 43082 Phone: 614.846.1899 Fax: 614.846.2799

**Independent Accountants' Report on Compliance with Requirements Applicable to Its
Major Federal Program and on Internal Control Over
Compliance Required by OMB Circular A-133**

Tri-Village Local School District
P.O. Box 31
New Madison, Ohio 45346

To the Board of Education:

Compliance

We have audited the compliance of the Tri-Village Local School District, Darke County, Ohio, 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 the Tri-Village Local School District's major federal program for the fiscal year ended June 30, 2012. The summary of auditor's results section of the accompanying schedule of findings and responses identifies the Tri-Village Local School District's major federal program. The Tri-Village Local School 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 opine on the Tri-Village Local School 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 Tri-Village Local School 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 Tri-Village Local School District's compliance with these requirements.

In our opinion, the Tri-Village Local School District complied, in all material respects, with the requirements referred to above that could directly and materially affect its major federal program for the fiscal year ended June 30, 2012.

Board of Education
Tri-Village Local School District

Internal Control Over Compliance

The Tri-Village Local School 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 Tri-Village Local School 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 Tri-Village Local School District's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, when performing their assigned functions, to prevent, or to timely detect and correct, noncompliance with a federal program 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 or 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, Board of Education, federal awarding agencies and pass-through entities, and others within the Tri-Village Local School District. We intend it for no one other than these specified parties.



Julian & Grube, Inc.
November 21, 2012

**TRI-VILLAGE LOCAL SCHOOL DISTRICT
DARKE COUNTY, OHIO**

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

| 1. SUMMARY OF AUDITOR'S RESULTS | | |
|--|---|---|
| <i>(d)(1)(i)</i> | <i>Type of Financial Statement Opinion</i> | Unqualified |
| <i>(d)(1)(ii)</i> | <i>Were there any material control weaknesses reported at the financial statement level (GAGAS)?</i> | No |
| <i>(d)(1)(ii)</i> | <i>Were there any significant deficiencies in internal control reported at the financial statement level (GAGAS)?</i> | No |
| <i>(d)(1)(iii)</i> | <i>Was there any reported material noncompliance at the financial statement level (GAGAS)?</i> | Yes |
| <i>(d)(1)(iv)</i> | <i>Were there any material internal control weaknesses reported for major federal programs?</i> | No |
| <i>(d)(1)(iv)</i> | <i>Were there any significant deficiencies in internal control reported for major federal programs?</i> | No |
| <i>(d)(1)(v)</i> | <i>Type of Major Programs' Compliance Opinion</i> | Unqualified |
| <i>(d)(1)(vi)</i> | <i>Are there any reportable findings under §.510(a)?</i> | No |
| <i>(d)(1)(vii)</i> | <i>Major Program (listed):</i> | Education Jobs Fund - CFDA #84.410 |
| <i>(d)(1)(viii)</i> | <i>Dollar Threshold: Type A/B Programs</i> | Type A: > \$300,000 Type B: all others |
| <i>(d)(1)(ix)</i> | <i>Low Risk Auditee?</i> | Yes |

**TRI-VILLAGE LOCAL SCHOOL DISTRICT
DARKE COUNTY, OHIO**

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

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

| | |
|----------------|----------------|
| Finding Number | 2012-TVLSD-001 |
|----------------|----------------|

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

Ohio Admin. Code Section 117-2-03(B) requires the District to prepare its annual financial report in accordance with accounting principles generally accepted in the United States of America (GAAP). The District prepares its financial statements in accordance with the cash basis of accounting in a report format similar to the requirements of Governmental Accounting Standards Board Statement 34, *Basic Financial Statements – and Management’s Discussion and Analysis - for State and Local Governments*. This presentation differs from (GAAP). There would be variances on the financial statements between this accounting practice and GAAP that, while presumably material, cannot be reasonably determined at this time.

Failure to prepare proper GAAP financial statements may result in the District being fined or other administrative remedies.

The District should prepare its financial statements in accordance with accounting principles generally accepted in the United States of America (GAAP).

Client Response: The District is aware of the requirements to file financial statements in accordance with GAAP; however, after performing a cost-benefit analysis, the District has elected to prepare its financial statements utilizing the cash basis of accounting.

| |
|--|
| 3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS |
|--|

None

**TRI-VILLAGE LOCAL SCHOOL DISTRICT
DARKE COUNTY, OHIO**

**STATUS OF PRIOR AUDIT FINDINGS
OMB CIRCULAR A-133 § .505
JUNE 30, 2012**

| Finding Number | Finding Summary | Fully Corrected? | Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; Finding no Longer Valid |
|-----------------------|--|-------------------------|---|
| 2011-TVLSD-001 | Ohio Revised Code Section 117.38 provides that each public office shall file a financial report for each fiscal year. Ohio Administrative Code Section 117-2-03(B) requires the District to prepare its annual financial report in accordance with generally accepted accounting principles (GAAP). The District prepared its annual financial report in accordance with the cash basis of accounting. | No | Repeated as finding 2012-TVLSD-001 |



Dave Yost • Auditor of State

TRI-VILLAGE LOCAL SCHOOL DISTRICT

DARKE 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 19, 2013**