



**Auditor of State
Betty Montgomery**

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

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**Auditor of State
Betty Montgomery**

**INDEPENDENT ACCOUNTANTS' REPORT ON COMPLIANCE AND ON
INTERNAL CONTROL REQUIRED BY *GOVERNMENT AUDITING STANDARDS***

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

To the Board of Education:

We have audited the basic financial statements of Tri-Valley Local School District, Muskingum County, Ohio (the District), as of and for the year ended June 30, 2003, and have issued our report thereon dated December 19, 2003. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the District's basic financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*. However, we noted immaterial instances of noncompliance that we have reported to management of the District in a separate letter dated December 19, 2003.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the District's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the basic financial statements and not to provide assurance on the internal control over financial reporting. However, we noted a matter involving the internal control over financial reporting and its operation that we consider to be a reportable condition. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect the District's ability to record, process, summarize and report financial data consistent with the assertions of management in the financial statements. A reportable condition is described in the accompanying Schedule of Findings as item 2003-01.

A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, we do not believe the reportable condition described above is a material weakness.

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Tri-Valley Local School District
Muskingum County
Independent Accountants' Report on Compliance and on
Internal Control Required by *Government Auditing Standards*
Page 2

We also noted a matter involving the internal control over financial reporting that does not require inclusion in this report, that we have reported to management of the District in a separate letter dated December 19, 2003.

This report is intended for the information and use of the audit committee, management, the Board of Education, and federal awarding agencies and pass-through entities, and is not intended to be and should not be used by anyone other than these specified parties.

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

Betty Montgomery
Auditor of State

December 19, 2003



**Auditor of State
Betty Montgomery**

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

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

To the Board of Education:

Compliance

We have audited the compliance of Tri-Valley Local School District, Muskingum County, Ohio (the District), with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133, Compliance Supplement* that are applicable to its major federal programs for the year ended June 30, 2003. The District's major federal programs are identified in the Summary of Auditor's Results Section of the accompanying Schedule of Findings. Compliance with the requirements of laws, regulations, contracts and grants applicable to its major federal programs is the responsibility of the District's management. Our responsibility is to express an opinion on the District's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance occurred with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program. An audit includes examining, on a test basis, evidence about the District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the District's compliance with those requirements.

As described in item 2003-01 in the accompanying Schedule of Findings, the District did not comply with "Other Requirements" regarding the recognition and reporting of Federal expenditures that are applicable to its Special Education Grants to States major program, as well as to certain other nonmajor programs. Compliance with such requirements is necessary, in our opinion, for the District to comply with the requirements applicable to those programs.

In our opinion, except for the noncompliance described in the preceding paragraph, the District complied, in all material respects, with the requirements referred to above that are applicable to its major federal programs for the year ended June 30, 2003.

Internal Control over Compliance

The management of the District is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered the District's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133.

We noted a matter involving the internal control over compliance and its operation that we consider to be a reportable condition. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over compliance that, in our judgment, could adversely affect the District's ability to administer a major federal program in accordance with the applicable requirements of laws, regulations, contracts and grants. A reportable condition is described in the accompanying Schedule of Findings as item 2003-01.

A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, we consider the reportable condition described above to be a material weakness.

Schedule of Federal Awards Receipts and Expenditures

We have audited the basic financial statements of the District as of and for the year ended June 30, 2003, and have issued our report thereon dated December 19, 2003. Our audit was performed for the purpose of forming an opinion on the basic financial statements taken as a whole. The accompanying Schedule of Federal Awards Receipts and Expenditures is presented for purposes of additional analysis as required by OMB Circular A-133 and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements. In our opinion, it is fairly stated, in all material respects, in relation to the financial statements taken as a whole.

This report is intended for the information and use of the audit committee, management, the Board of Education, and federal awarding agencies and pass-through entities, and is not intended to be and should not be used by anyone other than these specified parties.



Betty Montgomery
Auditor of State

December 19, 2003

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

**SCHEDULE OF FEDERAL AWARDS RECEIPTS AND EXPENDITURES
FOR THE YEAR ENDED JUNE 30, 2003**

FEDERAL GRANTOR <i>Pass-Through Grantor</i> Program Title	Federal CFDA Number	Grant Number	Receipts	Noncash Receipts	Disbursements	Noncash Disbursements
U.S. DEPARTMENT OF AGRICULTURE						
<i>Passed through Ohio Department of Education:</i>						
Nutrition Cluster:						
Food Donation	10.550	N/A	\$0	\$46,936	\$0	\$46,936
School Breakfast Program	10.553	048876-05PU-02	19,790		19,790	
National School Lunch Program	10.555	048876-LLP4-02	189,457		189,457	
Total U.S. Department of Agriculture - Nutrition Cluster			209,247	46,936	209,247	46,936
U.S. DEPARTMENT OF EDUCATION						
<i>Passed Through Ohio Department of Education:</i>						
Title I Grants to Local Educational Agencies	84.010	048876-C1S1-03	46,157		260,174	
	84.010	048884-C1S1-02	165,494			
Total Title I Grants to Local Educational Agencies			211,651	0	260,174	0
Special Education Grants to States	84.027	048876-6BSF-02P	124,338		14,513	
	84.027	048876-6BSF-03P	44,178		197,206	
Total Special Education Grants to States			168,516	0	211,719	0
Safe and Drug-Free Schools and Communities: State Grants	84.186	048876-DRS1-02	9,153			
	84.186	048876-DRS1-03	2,289		12,695	
Total Safe and Drug-Free Schools and Communities - State Grants			11,442	0	12,695	0
Innovative Education Program Strategies	84.298	048876-C2S1-01	11,928			
	84.298	048876-C2S1-02	10,979			
Total Innovative Education Program Strategies			22,907	0	0	0
Education Technology State Grants	84.318	048876-TJS1-03	1,264		6,992	
School Renovation Grants	84.352A	048876-ATS3-02	26,060		21,490	
Improving Teacher Quality Grant	84.367	048876-MSS1-01	1,116			
	84.267	048876-C2S1-02			4,000	
	84.367	048876-C2S1-03	3,176		17,638	
	84.367	048876TRS1-03	19,808		109,982	
Total Improving Teacher Quality Grant			24,100	0	131,620	0
Total U.S. Department of Education			465,940	0	644,690	0
FEDERAL EMERGENCY MANAGEMENT AGENCY						
<i>Passed Through Ohio Department of Public Safety:</i>						
Public Assistance Grants	83.544	N/A	1,790		1,790	
Total Federal Emergency Management Agency			1,790	0	1,790	0
U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES						
<i>Passed Through Ohio Department of MRDD:</i>						
Medical Assistance Program - CAFS	93.778	N/A	38,312		38,312	
Total U.S. Department of Health and Human Services			38,312	0	38,312	0
Total Federal Awards Receipts and Expenditures			\$715,289	\$46,936	\$894,039	\$46,936

The Notes to the Schedule of Federal Awards Receipts and Expenditures are an integral part of the Schedule.

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

**NOTES TO SCHEDULE OF FEDERAL AWARDS RECEIPTS AND EXPENDITURES
FOR THE FISCAL YEAR ENDED JUNE 30, 2003**

NOTE A - SIGNIFICANT ACCOUNTING POLICIES

The accompanying Schedule of Federal Awards Receipts and Expenditures (the Schedule) is a summary of the activity of the District's federal awards programs. The Schedule has been prepared on the cash basis of accounting.

NOTE B - CHILD NUTRITION CLUSTER

Program regulations do not require the District to maintain separate inventory records for purchased food and food received from the U.S. Department of Agriculture. This nonmonetary assistance (expenditures) is reported in the Schedule at the fair market value of the commodities received.

Cash receipts from the U.S. Department of Agriculture are commingled with State grants. It is assumed federal monies are expended first.

NOTE C - MATCHING REQUIREMENTS

Certain Federal programs require that the District contribute non-Federal funds (matching funds) to support the Federally-funded programs. The District has complied with the matching requirements. The expenditure of non-Federal matching funds is not included on the Schedule.

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

**SCHEDULE OF FINDINGS
OMB CIRCULAR A -133 § .505**

FOR THE FISCAL YEAR ENDED JUNE 30, 2003

1. SUMMARY OF AUDITOR'S RESULTS
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<i>(d)(1)(i)</i>	Type of Financial Statement Opinion	Unqualified
<i>(d)(1)(ii)</i>	Were there any material control weakness conditions reported at the financial statement level (GAGAS)?	No
<i>(d)(1)(ii)</i>	Were there any other reportable control weakness conditions reported at the financial statement level (GAGAS)?	Yes
<i>(d)(1)(iii)</i>	Was there any reported material non-compliance at the financial statement level (GAGAS)?	No
<i>(d)(1)(iv)</i>	Were there any material internal control weakness conditions reported for major federal programs?	Yes
<i>(d)(1)(iv)</i>	Were there any other reportable internal control weakness conditions reported for major federal programs?	No
<i>(d)(1)(v)</i>	Type of Major Programs' Compliance Opinion	Qualified
<i>(d)(1)(vi)</i>	Are there any reportable findings under § .510?	Yes
<i>(d)(1)(vii)</i>	Major Programs (list):	Special Education Grants to States CFDA #84.027 Medical Assistance Program (CAFS) CFDA #93.778
<i>(d)(1)(viii)</i>	Dollar Threshold: Type A\B Programs	Type A: > \$ 300,000 Type B: all others
<i>(d)(1)(ix)</i>	Low Risk Auditee?	Yes

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

See finding 2003-001 under "Findings for Federal Awards" which is also a reportable condition to be reported here.

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

**SCHEDULE OF FINDINGS
OMB CIRCULAR A -133 § .505
FOR THE FISCAL YEAR ENDED JUNE 30, 2003
(Continued)**

3. FINDINGS FOR FEDERAL AWARDS

Finding Number	2003-001
CFDA Title and Number	Title I Grants to Local Educational Agencies 84.010 Special Education Grants to States 84.027 Safe and Drug-Free Schools and Communities 84.186 Innovative Education Program Strategies 84.298 Technology Challenge Literacy Grants 84.318 Improving Teacher Quality Grant 84.367
Federal Award Number / Year	See accompanying schedule for listing of awards and years
Federal Agency	U. S. Department of Education
Pass-Through Agency	State of Ohio Department of Education

Noncompliance Citation and Material Weakness – Other (Preparation of the Schedule of Federal Awards Receipts and Disbursements)

OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, Subpart C, §__.300(d) requires the auditee to prepare financial statements, including the schedule of expenditures of Federal awards in accordance with Subpart C, §__.310. Subpart C, §__.310(b)(3) requires the schedule to provide total Federal awards expended for each individual Federal program and the CFDA number or other identifying number when the CFDA information is not available. Furthermore, Subpart B, §__.205(a) indicates, in part, that the determination of when an award is expended should be based on when the activity related to the award occurs. Generally, the activity pertains to events that require the non-Federal entity to comply with laws, regulations, and the provisions of contract or grant agreements.

The District included within its General Fund budget, appropriations for the expenditure of Federal programs. Federal program expenditures were made from the General Fund for the year ended June 30, 2002. Once Federal funds were received for the 2002 expenditures, the majority of which were actually received during the year ended June 30, 2003, the 2003 General Fund disbursements were reduced by the amount of Federal program expenditures and increased in the various Federal program funds. This resulted in the majority of the expenditures recorded in the Federal program funds for 2003 actually being made out of the General Fund during 2002. The 2003 Federal program expenditures were also budgeted and expended out of the General Fund during 2003. The 2004 General Fund expenditures were reduced once the 2003 Federal program funds were received and the 2004 Federal program funds expenditures were increased by the amount of the 2003 General Fund expenditures.

As a result, Federal program expenditures made during 2002 were recorded in the Federal funds and on the Schedule of Federal Awards Receipts and Expenditures in 2003. Federal program expenditures made during 2003 were to be reported on the 2004 Schedule. Since Federal law requires expenditures to be recognized when the activity related to the award occurs, the procedure followed by the District did not provide for compliance with Federal regulations. The District's procedures also resulted in both the General Fund and Federal program funds expenditures to be misstated. Adjustments, with which District management agrees, were made to the prior period and current period in order to reflect the Federal program expenditures in the appropriate period on the accompanying Schedule of Federal Awards Receipts and Expenditures and on the accompanying financial statements.

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

**SCHEDULE OF FINDINGS
OMB CIRCULAR A -133 § .505
FOR THE FISCAL YEAR ENDED JUNE 30, 2003
(Continued)**

3. FINDINGS FOR FEDERAL AWARDS(Continued)
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Federal program expenditures were adjusted by the following amounts to report Federal expenditures accurately on the Schedule of Federal Awards Receipts and Expenditures:

CFDA Number	Grant Number	Adjustments Required
84.010	048876-C1S1-2000	\$ (6,365)
84.010	048876-C1S1-2001	\$(199,888)
84.010	048876-C1S1-2002	\$(201,822)
84.010	048876-C1S1-2003	\$ 260,174
84.027	048876-6BSF-2001	\$(123,822)
84.027	048876-6BSF-2002	\$(163,112)
84.027	048876-6BSF-2003	\$ 197,206
84.186	048876-DRS1-01	\$(32,676)
84.186	048876-DRS1-02	\$(11,735)
84.186	048876-DRS1-03	\$ 12,695
84.298	048876-C2S1-99	\$ (8,955)
84.298	048876-C2S1-00	\$(16,632)
84.298	048876-C2S1-01	\$(11,928)
84.298	048876-C2S1-02	\$(15,464)
84.318	048876-TJS1-01	\$ (65)
84.318	048876-TJS1-02	\$(16,397)
84.318	048876-TJS1-03	\$ 6,992
84.367	048876-CRS1-01	\$(101,143)
84.367	048876-MSS1-01	\$ (9,100)
84.367	048876-C2S1-02	\$ (5,000)
84.367	048876-C2S1-03	\$ 17,638
84.367	048876-TRS1-02	\$ (19,398)
84.367	048876-TRS1-03	\$ 109,982

We recommend federal program awards be budgeted and expended from federal funds. This procedure would help assure that federal expenditures are reported in the proper period on the Schedule of Federal Awards Receipts and Expenditures and on the financial statements. If federal program funds do not have adequate cash balances from which to expend funds, then the District should consider cash advances from the General Fund. However, requesting federal funds on a more timely basis would lessen the need for cash advances.

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

**CORRECTIVE ACTION PLAN
OMB CIRCULAR A -133 §.315 (c)**

FOR THE FISCAL YEAR ENDED JUNE 30, 2003

Finding Number	Planned Corrective Action	Anticipated Completion Date	Responsible Contact Person
2003-001	The District management intends to budget and expend federal program expenditures from the various federal program funds and to draw down federal program monies on a more timely manner.	Effective for Fiscal Year Ending June 30, 2004	Max Maley, Treasurer

Comprehensive Annual Financial Report

For the Fiscal Year Ended June 30, 2003



*Tri-Valley Local School District
Dresden, Ohio*

Additional copies of this
report may be obtained
by contacting:

Tri-Valley Local School District
Office of the Treasurer
36 E. Muskingum Avenue
Dresden, Ohio 43821
(740) 754-1321

Cover design by Barb Gebbie

**Tri-Valley Local School District
Dresden, Ohio**

**Comprehensive Annual
Financial Report**

For the Fiscal Year Ended June 30, 2003

A. Maxwell Maley, Jr.
Treasurer

Lottie Ransbottom
Assistant to the Treasurer

Lillette Holdren
Assistant to the Treasurer

Prepared by

Tri-Valley Local School District

Office of the Treasurer

Tri-Valley Local School District Administration

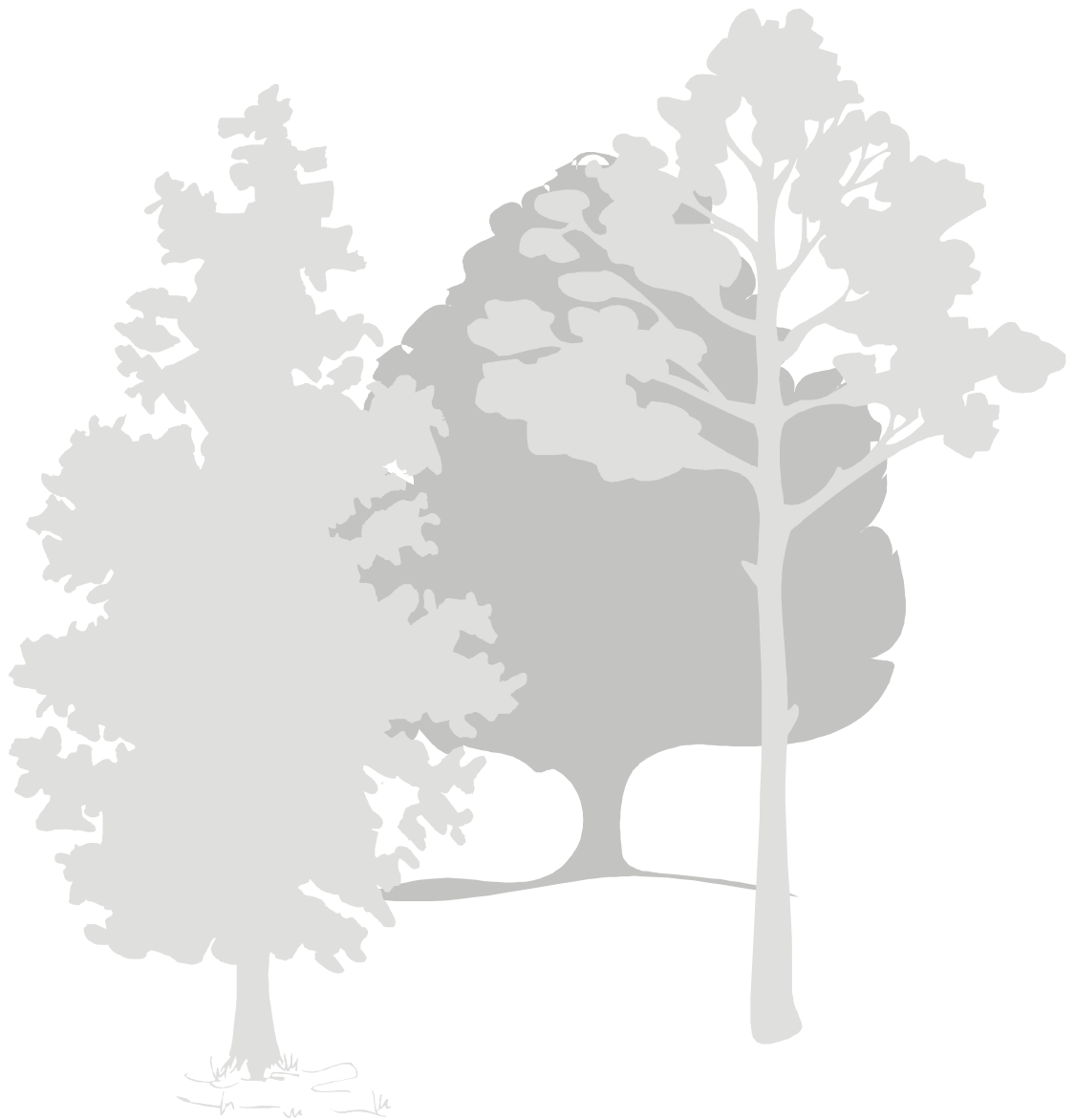
Superintendent *C. Douglas Spade*

Assistant Superintendent *Marshall W. Hightower*

Treasurer *A. Max Maley*

Director of Operations *Craig Strohacker*

Introductory Section



TRI-VALLEY LOCAL SCHOOL DISTRICT

Comprehensive Annual Financial Report
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Administrative Center

TRI-VALLEY LOCAL SCHOOLS

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*Douglas Spade
Superintendent
(740) 754-1572*

November 19, 2003

*Marshall Hightower
Asst. Superintendent
(740) 754-1572*

Board of Education Members and Residents of Tri-Valley Local School District

*Craig Strohacker
Director of Operations
(740) 754-1442*

We are pleased to submit Tri-Valley Local School District's twelfth Comprehensive Annual Financial Report (CAFR). This report fully discloses the financial operations of the District for the fiscal year ended June 30, 2003. This CAFR includes an opinion from the Auditor of State of Ohio and conforms to generally accepted accounting principles as applicable to governmental entities. Responsibility for the accuracy of the data presented and completeness and fairness of the presentation, including all disclosures, rests with the School District. To the best of our knowledge, the enclosed data is accurate in all material respects and is reported in a manner designed to present fairly the financial position and results of operations of the School District. This report will provide taxpayers of the Tri-Valley Local School District with comprehensive financial data in a format that enables them to gain a clearer understanding of the School District's finances.

*Max Maley
Treasurer
(740) 754-1321*

The Comprehensive Annual Financial Report is presented in three sections: an Introductory Section, a Financial Section, and a Statistical Section. The Introductory Section includes the table of contents, this transmittal letter, the School District's organizational chart, a list of elected officials, and the Government Finance Officers Association Certificate of Achievement. The Financial Section includes the Independent Auditor's Report, Management's Discussion and Analysis, basic financial statements and the combining and individual fund financial statements and schedules. The statistical section includes selected financial and demographic information, generally presented on a multi-year basis.

Reporting Entity

The School District has reviewed its reporting entity definition in order to ensure conformance with the Governmental Accounting Standards Board Statement No. 14, "The Financial Reporting Entity." In evaluating how to define the School District for financial reporting purposes, management has considered all agencies, departments, and organizations making up the District (the primary government) and its potential component units.

The School District provides a wide range of education and support services as mandated by state statute or public desires. These include regular and vocational instruction, special instructional programs, student guidance services, extracurricular activities, and food service operations.

Economic Condition and Outlook

State revenues have been less than expected. The Supreme Court decision has left us with the State's remedy of school funding, which includes less than cost-of-business increases for the next two fiscal years. The District's 5-year forecast still projects a positive cash position through fiscal year 2007.

Student populations have increased slightly the past 3 years. Staff levels have increased slightly to meet the needs of increased student population.

Major Initiatives

In February 2003 ground-breaking ceremonies began for the construction of a new middle school and a sizeable addition to the high school. We have had our first year of full-day, everyday kindergarten, and we are evaluating the impact and educational value of intervention specialists in the District. We will be putting together a comprehensive technology replacement program in the upcoming school year. The District's primary instructional goal will be the implementation of newly adopted learning standards in language and math.

Financial Information

Basis of Accounting

The School District's accounting system is organized on a "fund" basis. Each fund is a distinct self-balancing accounting entity. Records of general governmental fund operations are reported on the modified accrual basis whereby revenues are recognized when measurable and available, and expenditures are recognized when goods and services are received. Records of the proprietary fund operations are reported on the accrual basis in which revenues are recognized when earned and expenses recorded when the related liability is incurred.

Accounting System and Budgetary Control

In developing the School District's accounting system, much consideration was given to the adequacy of internal accounting controls. Internal accounting controls are designed to provide reasonable, but not absolute, assurance regarding the safeguarding of the assets against loss from unauthorized use or disposition and the reliability of financial records for preparing financial statements and maintaining accountability for assets. The concept of reasonable assurance is based on the assumption that the cost of internal accounting controls should not exceed the benefits expected to be derived from their implementation.

The School District utilizes a fully automated accounting system as well as an automated system for control for fixed assets and payroll. These systems, coupled with the manual auditing of each voucher prior to payment, ensures that the financial information generated is both accurate and reliable.

The Board of Education adopts the annual budget for the School District in early January. All disbursements and transfers of cash between funds require appropriation authority from the Board. All purchase order requests must be approved by the Superintendent and the Treasurer. Necessary appropriations are then encumbered and purchase orders released to vendors. Those requests which exceed the available appropriation are rejected until additional funds are secured. The accounting system used by the School District currently provides interim financial statements which detail year-to-date expenditures and encumbrances versus the original appropriations and which are available for review prior to authorizing additional purchases.

In addition to interim financial statements, each administrator is currently furnished monthly reports showing the status of the accounts for which the administrator is responsible. The reports detail monthly transactions of revenues and expenditures.

The basis of accounting and the various funds utilized by Tri-Valley School District are fully described in Note 2 of the Notes to the Basic Financial Statements. Additional information on the School District's budgetary accounting can also be found in Note 2.

This is the second year the District has prepared financial statements following GASB 34, "Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments." GASB 34 created basic financial statements for reporting on the District's financial activities as follows:

- *Government-wide Financial Statements.* These statements are prepared on an accrual basis of accounting which is similar to the basis of accounting followed by many businesses. The government-wide statements distinguish between those activities of the District that are governmental and those that are considered business-type activities.
- *Fund Financial Statements.* These statements present information for individual major funds rather than by fund type. Nonmajor funds are presented in total in one column. Governmental funds use the modified accrual basis of accounting and include a reconciliation to the governmental activities accrual information presented in the government-wide financial statements. Proprietary and fiduciary funds use the accrual basis of accounting.
- *Statement of Budgetary Comparisons.* These statements present comparisons of actual information to the legally adopted budget. The budgetary basis as provided by law is based upon accounting for certain transactions on a basis of cash receipts, disbursements and encumbrances.

As part of this model, management is responsible for preparing a Management Discussion and Analysis of the District. This discussion follows the report of the State Auditors in the financial section of this report and provides an assessment of the District's finances for fiscal year 2003. Because that discussion focuses on major funds, other nonmajor funds are discussed briefly in this letter.

Financial Highlights

Internal Service Fund

The internal service fund carried on the financial records relates to self-insurance. This fund accounts for the revenues and expenses related to the provision of medical, prescription drug, and dental benefits to District employees. The internal service fund had unrestricted net assets of \$148,497 at June 30, 2003, compared with unrestricted net assets of \$91,827 at June 30, 2002, reflecting a net increase of \$56,670. The increase is due to a 20 percent funding factor rate increase in insurance premiums set by the District.

Fiduciary Fund

The trust fund carried on the financial records of the District is an investment trust fund that had net assets totaling \$155,307 at June 30, 2003.

Cash Management

The Board has an aggressive cash management program which consists of expediting the receipt of revenues and prudently depositing cash which is insured by the Federal Deposit Insurance Corporation as well as investing available cash in Federal Home Loan Bank Notes, Federal National Mortgage Association Notes, Money Market Mutual Funds, and STAROhio, the State Treasurer's investment pool. The total amount of interest earned by all funds, including the investment trust fund, was \$476,784 for the year ended June 30, 2003, \$129,830 being credited directly to the general fund. This cash management program is beneficial because of access to daily balances which enables the Board to maintain minimum balance accounts and invest to the maximum extent.

Protection of the District's deposits is provided by the Federal Deposit Insurance Corporation as well as by qualified securities pledged by the institution holding the assets. By law, financial institutions may establish a collateral pool to cover all public deposits. The market value of the pooled collateral must equal at least 105 percent of public funds deposited. Collateral is held by trustees including the Federal Reserve Bank and designated third party trustees of the financial institutions.

Risk Management

The District operates and manages the hospital/ medical health benefits, dental benefits, and prescription drug benefits for employees on a self-insured basis. A third party administrator processes and pays the claims. The health benefits liability is limited by reinsurance that caps the individual liability at \$75,000 per employee per year. The advantages of the self-insurance arrangement include the District's holding of the reserves and earning interest on them, as well as savings on administrative costs. The control of the plan is with the District.

The District participates in the Ohio School Boards Association Workers' Compensation Group Rating Program and pays the premium based on a rate per \$100 of salaries. The District contracts for general liability insurance, and in addition to the self-funded health benefits, also contracts for health insurance and for life insurance benefits.

Pension Plan

All District employees are covered by the state-wide School Employees Retirement System of Ohio (SERS) or the State Teachers Retirement System of Ohio (STRS). The District's employer contributions to both systems are based on a percentage of employee's salaries. State law requires the District to pay the employer share as determined by each retirement system. See Note 12 to the basic financial statements for complete details.

Independent Audit

Included in this report is an unqualified audit opinion rendered on the School District's financial statements as of June 30, 2003, by the Auditor of State. In addition to meeting the requirements set forth in state statutes, the audit was also designed to meet the requirements of the Federal Single Audit Act of 1996 and related OMB Circular A-133.

Tri-Valley Local School District plans to continue to subject financial statements to an annual independent audit as part of the preparation of a CAFR. An annual audit also serves to maintain and strengthen the School District's accounting and budgetary controls.

Awards

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to Tri-Valley Local School District for its comprehensive annual financial report for the fiscal year ended June 30, 2002. The Certificate of Achievement is a prestigious national award recognizing conformance with the highest standards for preparation of state and local government financial reports.

In order to be awarded a Certificate of Achievement, a government unit must publish an easily readable and efficiently organized comprehensive annual financial report, whose contents conform to program standards. Such CAFR must satisfy both generally accepted accounting principles and applicable legal requirements.

A Certificate of Achievement is valid for a period of one year only. We believe our CAFR continues to conform to the Certificate of Achievement program requirements, and we are submitting our CAFR for the current year to GFOA.

Acknowledgments

The publication of this report is the culmination of many hours of dedicated work in the research, analysis, and preparation of the financial statements and the accompanying notes and narratives by the Treasurer's Office of the Tri-Valley Local School District.

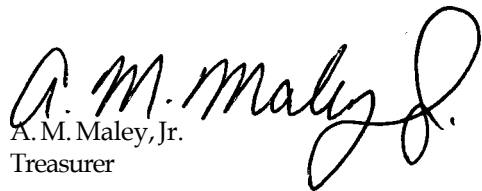
Effort put forth by the various administrators and their staffs in compiling the data needed for the report is greatly appreciated. Special recognition is given to Sharon Souder for the data entry and desktop publishing of this report. Her contribution was essential to the completion of the District's CAFR.

A final note of appreciation is extended to the Muskingum County Auditor's Office.

Sincerely,



C. Douglas Spade
Superintendent



A. M. Maley, Jr.
Treasurer

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Certificate of Achievement for Excellence in Financial Reporting

Presented to

Tri-Valley Local Schools,
Ohio

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended
June 30, 2002

A Certificate of Achievement for Excellence in Financial Reporting is presented by the Government Finance Officers Association of the United States and Canada to government units and public employee retirement systems whose comprehensive annual financial reports (CAFRs) achieve the highest standards in government accounting and financial reporting.



A handwritten signature in cursive script, reading "Edward Haney".

President

A handwritten signature in cursive script, reading "Jeffrey R. Emer".

Executive Director

Board of Education



President

Tom Holdren



Vice President

P. J. Longstreth



Member

Cindy Cameron



Member

Carl Harlan

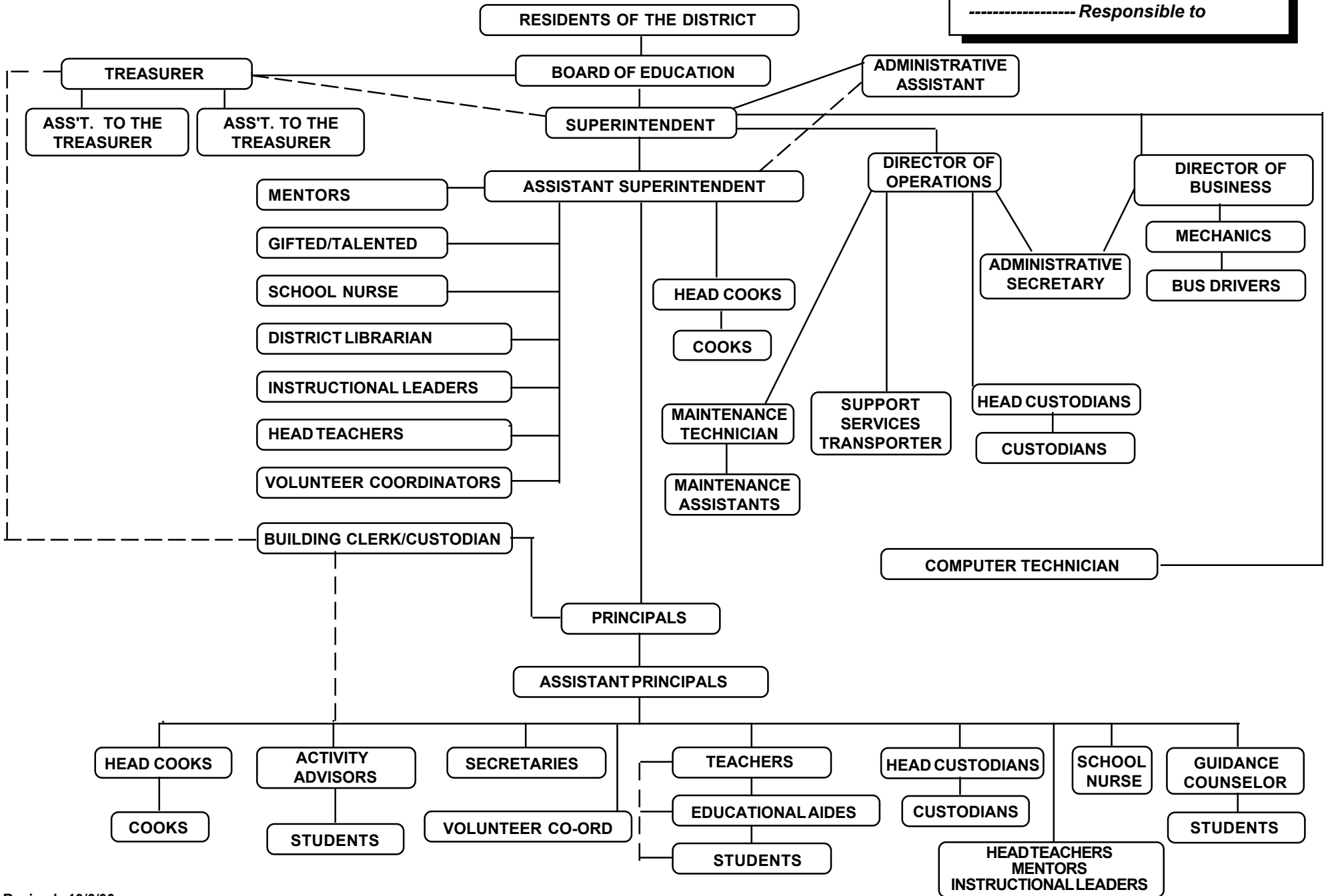


Member

Raymond Orr

**Tri-Valley Local School District
ORGANIZATIONAL CHART**

_____ *Directly Accountable*
 ----- *Responsible to*



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Financial Section





**Auditor of State
Betty Montgomery**

INDEPENDENT ACCOUNTANT'S REPORT

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

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 Tri-Valley Local School District, Muskingum County, Ohio (the District), as of and for the year ended June 30, 2003, which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the District's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free 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 that our audit provides a reasonable basis for our opinions.

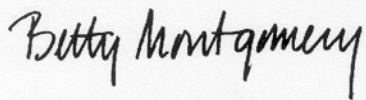
In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Tri-Valley Local School District, Muskingum County, Ohio, as of June 30, 2003, and the respective changes in financial position and cash flows, where applicable, and the respective budgetary comparison for the General Fund thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 19, 2003, on our consideration of the District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

Management Discussion and Analysis is not a required part of the basic financial statements, but is supplementary information the Governmental Accounting Standards Board requires. We applied certain limited procedures which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and express no opinion on it.

743 E. State St. / Athens Mall Suite B / Athens, OH 45701
Telephone: (740) 594-3300 (800) 441-1389 Fax: (740) 594-2110
www.auditor.state.oh.us

We conducted our audit to form opinions on the financial statements that collectively comprise the District's basic financial statements. The introductory section, combining nonmajor fund statements and schedules and statistical tables are presented for additional analysis and are not a required part of the basic financial statements. We subjected the combining nonmajor fund statements and schedules to the auditing procedures applied in the audit of the basic financial statements. In our opinion, this information is fairly stated in all material respects in relation to the basic financial statements taken as a whole. We did not subject the introductory section and statistical tables to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we express no opinion on them.



Betty Montgomery
Auditor of State

December 19, 2003

**Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2003
(Unaudited)**

The discussion and analysis of Tri-Valley Local School District's financial performance provides an overall review of the District's financial activities for the fiscal year ended June 30, 2003. The intent of this discussion and analysis is to look at the District's financial performance as a whole; readers should also review the transmittal letter, notes to the basic financial statements, and financial statements to enhance their understanding of the District's financial performance.

Financial Highlights

Key financial highlights for fiscal year 2003 are as follows:

- Net assets of governmental activities decreased \$472,571 from fiscal year 2002.
- During fiscal year 2003 general revenues account for \$18,173,777 in revenue, an increase of \$573,253 over fiscal year 2002. General revenues account for 85 percent of all revenues. Program specific revenues in the form of charges for services and sales, grants, and contributions account for \$3,299,485, an increase of \$441,933 over fiscal year 2002. Program specific revenues account for 15 percent of all revenues. All revenues for fiscal year 2003 were \$21,473,262.
- Total assets of governmental activities increased \$1,235,837 from fiscal year 2002, primarily due to increases in capital assets, which was comprised of mostly construction in progress.
- The District had \$21,945,833 in expenses related to governmental activities during fiscal year 2003, an increase of \$3,348,285 from fiscal year 2002; only \$3,299,485 of these expenses were offset by program specific revenues. General revenues of \$18,173,777 were adequate to provide for these programs.
- The general fund, one of the major funds, had \$18,037,843 in revenues and \$17,804,271 in expenditures. The general fund's balance increased by \$233,572 for fiscal year 2003 from 2002.
- The building fund, the other major fund, had \$345,322 in revenues and \$2,820,896 in expenditures. The building fund's balance decreased by \$2,475,574 for fiscal year 2003 from 2002.

Using This Comprehensive Annual Financial Report (CAFR)

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

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

**Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2003
(Unaudited)**

Reporting the District as a Whole

Statement of Net Assets and the Statement of Activities

While this document contains the large number of funds used by the District to provide programs and activities, the view of the District as a whole looks at all financial transactions and asks the question, "How did we do financially during 2003?" The Statement of Net Assets and the Statement of Activities answer this question. These statements include *all assets and liabilities* using the *accrual basis of accounting* similar to the accounting used by most private-sector companies. This basis of accounting takes into account all of the current year's revenues and expenses regardless of when cash is received or paid.

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

In the Statement of Net Assets and the Statement of Activities, the District has one kind of activity.

- *Governmental Activities.* All of the District's programs and services are reported here including instruction, support services, operation and maintenance of plant, pupil transportation, extracurricular activities, and food service operations.

Reporting the District's Most Significant Funds

Fund Financial Statements

The analysis of the District's major funds begins on page 30. Fund financial reports provide detailed information about the District's major funds. The District uses many funds to account for a multitude of financial transactions. However, these fund financial statements focus on the District's most significant funds. The District's major governmental funds are the general fund and the building fund.

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

Proprietary Funds. Proprietary funds use the same basis of accounting as business-type activities; therefore, these statements will essentially match. The District only has an internal service proprietary fund which is combined in governmental activities on a full accrual basis.

**Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2003
(Unaudited)**

The District as a Whole

Recall that the Statement of Net Assets provides the perspective of the District as a whole.

Table 1 provides a summary of the District's net assets for 2003 compared to 2002.

**Table 1
Net Assets**

	Governmental Activities	
	2003	2002
Assets		
Current and Other Assets	\$32,195,197	\$33,335,758
Capital Assets	11,112,586	8,736,188
Total Assets	\$43,307,783	\$42,071,946
Liabilities		
Long-Term Liabilities	(\$19,591,775)	(\$19,764,156)
Other Liabilities	(8,883,473)	(7,002,684)
Total Liabilities	(\$28,475,248)	(\$26,766,840)
Net Assets		
Invested in Capital		
Assets Net of Debt	\$9,159,338	\$8,334,123
Restricted	2,593,732	4,867,124
Unrestricted	3,079,465	2,103,859
Total Net Assets	\$14,832,535	\$15,305,106

Total assets and total liabilities increased \$1,235,837 and \$1,708,408, respectively, due largely to the passage of a bond issue for construction and improvement of district facilities.

Total net assets decreased \$472,571, due to the addition of contracts payable, relating to the construction and renovation of facilities.

Table 2 shows the changes in net assets for fiscal year 2003 compared to 2002.

TRI-VALLEY LOCAL SCHOOL DISTRICT

**Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2003
(Unaudited)**

**Table 2
Changes in Net Assets**

	Governmental Activities	
	2003	2002
Revenues		
Program Revenues:		
Charges for Services	\$955,683	\$897,752
Operating Grants	2,270,418	1,785,372
Capital Grants	73,384	174,428
	<u>3,299,485</u>	<u>2,857,552</u>
General Revenues:		
Property Taxes	6,938,700	6,732,141
Grants and Entitlements	10,610,090	10,175,784
Other	624,987	692,599
	<u>18,173,777</u>	<u>17,600,524</u>
Total Revenues	<u>\$21,473,262</u>	<u>\$20,458,076</u>
Program Expenses		
Instruction	\$12,168,278	\$10,846,115
Support Services:		
Pupil and Instructional Staff	1,272,233	903,038
Board of Education, Administration, Fiscal, and Business	2,928,591	3,023,435
Operation and Maintenance of Plant	1,871,466	1,259,845
Pupil Transportation	1,374,481	1,055,162
Central	191,196	76,318
Operation of Non-Instructional Services	37,120	0
Food Service Operations	913,905	769,982
Extracurricular Activities	228,643	214,274
Interest, Fiscal, and Bond Issuance Charges	959,920	449,379
Total Expenses	<u>\$21,945,833</u>	<u>\$18,597,548</u>
Increase (Decrease) in Net Assets	<u>(\$472,571)</u>	<u>\$1,860,528</u>

Governmental Activities

The District last passed an operating levy in 1988. The 5.9 mill levy, along with a steady increase in new construction, has allowed the District administration to operate without the need to request additional millage. Staff raises during this period of time have averaged slightly more than 3 percent per year and staffing levels have increased nearly 34 percent, from 143 to 192 teachers. Student enrollment increased approximately 8 percent for the same period, reflecting the District's commitment to lowering student-teacher ratios.

During fiscal year 2002, the District passed a bond issue for school facility construction and improvement. It was part of an Expedited Local Partnership Plan in which the District will build a new middle school and improve the high school during phase one and build four new elementaries in phase two. Phase one construction began in fiscal

TRI-VALLEY LOCAL SCHOOL DISTRICT

**Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2003
(Unaudited)**

year 2003 and will be funded by the bond issue passed by voters in November 2001, with bonds being issued March 18, 2002.

The \$18,500,000 bond issue will be the local portion the District is responsible for. During phase two the State of Ohio will provide the funding necessary to build the four new elementaries. The District will be eligible to receive the State's share of the project when all districts on the equity list are served from 120 to 161 where Tri-Valley currently stands. When the District becomes eligible, a new assessment will be done by the State and the dollar allocation will be adjusted by the student enrollment at that time. The current assessment indicates the State's portion will be \$47 million and is anticipated to begin during fiscal year 2006 if the State continues its school rebuilding efforts.

Tri-Valley Local School District relies on taxes for approximately 32 percent of the District's total income. This ratio has remained constant throughout the past eleven years. Operating grants increased \$485,046 due to increases in parity aid and state foundation.

Instruction comprises approximately 55 percent of governmental program expenses. Interest expense was 0.4 percent. Interest expense was attributable to the outstanding asbestos loan note, bond anticipation notes, and general obligation bonds.

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

**Table 3
Governmental Activities**

	Total Cost of Services 2003	Net Cost of Services 2003	Total Cost of Services 2002	Net Cost of Services 2002
Instruction	\$12,168,278	\$10,274,054	\$10,846,115	\$9,235,315
Support Services:				
Pupil and Instructional Staff	1,272,233	1,196,630	903,038	827,933
Board of Education, Business Administration, and Fiscal	2,928,591	2,840,864	3,023,435	2,965,789
Operation and Maintenance of Plant	1,871,466	1,859,716	1,259,845	1,259,490
Pupil Transportation	1,374,481	1,301,097	1,055,162	889,692
Central	191,196	178,175	76,318	55,728
Operation of Non-Instructional Services	37,120	13,609	0	0
Food Service Operations	913,905	41,034	769,982	13,329
Extracurricular Activities	228,643	(18,751)	214,274	43,341
Interest and Fiscal Charges	959,920	959,920	449,379	449,379
Total Expenses	\$21,945,833	\$18,646,348	\$18,597,548	\$15,739,996

The dependence upon tax revenues and state subsidies for governmental activities is apparent. Over 84 percent of instruction activities are supported through taxes and other general revenues. For all governmental activities, general revenue support is 85 percent.

**Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2003
(Unaudited)**

The District's Funds

Information about the District's major funds starts on page 36. These funds are accounted for using the modified accrual basis of accounting. All governmental funds had total revenues of \$21,527,915, expenditures of \$24,493,822. The net change in fund balance for the year was most significant in the building fund, a decrease of \$2,475,574. The significant decrease was due to construction payments relating to a \$18,500,000 bond issue. The District remains stable in spite of the decrease in fund balance.

General Fund Budgeting Highlights

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

During the course of fiscal 2003, the District amended its general fund as needed, none significant. The District uses a modified site-based budgeting technique which is designed to tightly control total site budgets but provide flexibility for site management. Prior to June 30, the Board passed an appropriation resolution which matched actual expenditures plus encumbrances during the fiscal year.

For the general fund, budgetary basis revenue was \$1,438,513 above original budget estimates of \$16,439,573. The difference was mostly due to a larger intergovernmental increase than expected. The original appropriations were adjusted to stay within statutory limits.

Capital Assets and Debt Administration

Capital Assets

At the end of fiscal 2003, the District had \$11,112,586 invested in land, buildings, furniture, equipment, and vehicles, of which all was in governmental activities. Table 4 shows fiscal 2003 balances compared to 2002.

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

	Governmental Activities	
	2003	2002
Land	\$297,045	\$297,045
Construction in Progress	3,179,555	\$358,659
Buildings and Improvements	6,499,286	6,860,706
Furniture and Equipment	506,007	562,916
Vehicles	630,693	656,862
Totals	\$11,112,586	\$8,736,188

**Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2003
(Unaudited)**

There was significant change in capital assets during fiscal year 2003 due to construction in progress, which increased by \$2,820,896. (See Note 9 for additional information regarding capital assets.)

Debt

At June 30, 2003, the District had \$18,394,718 in bonds and notes outstanding, \$243,053 due within one year. Table 5 summarizes bonds and notes outstanding.

**(Table 5)
Outstanding Debt at Year End**

	Governmental Activities	
	2003	2002
2002 General Obligation Bonds	\$18,367,272	\$18,652,777
1989 Asbestos Loan Notes	27,446	35,499
Totals	\$18,394,718	\$18,688,276

The 2002 General Obligation Bonds were issued for school facilities construction and improvements. The bonds will be fully repaid by fiscal year 2030.

The 1989 asbestos loan note was issued for asbestos abatement district wide. It is to be fully repaid by 2007 from the debt service fund. (See Note 15 for additional information regarding debt.)

For the Future

Since Tri-Valley passed its last operating levy in 1988, it has experienced steady growth in its tax base. New construction, both residential and business, along with substantial increases in State support, have allowed the District to stay off the ballot for new operating issues. During this period of economic prosperity, the Board of Education has had the opportunity to transfer money into its permanent improvement fund and maintain a budget reserve within its general fund. At the close of fiscal year 2003, the permanent improvement fund had a fund balance of \$1,534,469 and the budget reserve and Board designation for budget reserve had \$691,044 as balances.

The healthy financial status of the District allowed the School Board to decrease the millage requested in its passage of a 4.99 mill bond issue. Without the ability to pledge over \$3,000,000 from future reserves, the millage necessary would have been in excess of a sizeable 6 mills, making it more difficult to win voter support. Having passed the school facilities construction and improvement levy on November 6, 2001, the District sold bonds in the face amount of \$18,500,000 on March 18, 2002, to finance phase one of the project. The first phase of the Expedited Local Partnership Plan requires the District to spend its share of the \$64,500,000 total necessary to complete phase one and two. The District will build and furnish one new middle school and make improvements to its high school during phase one of the comprehensive facility agreement with the State. Phase two calls for the building of four new elementaries with state dollars rather than local monies. The District will be eligible for the State's share during fiscal year 2007.

**Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2003
(Unaudited)**

Additional programs implemented during the past two fiscal years – a district-wide intervention program and an all-day, every-day kindergarten – at a cost of nearly \$700,000, are expected to aid the District in its continuing effort for academic improvements.

On December 11, 2002, the Ohio Supreme Court issued its latest opinion regarding the State's school funding plan. The decision reaffirmed earlier decisions that Ohio's current school-funding decision is unconstitutional.

The Supreme Court relinquished jurisdiction over the case and directed "...the Ohio General Assembly to enact a school-funding scheme that is thorough and efficient..."

The District is currently unable to determine what effect, if any, this decision will have on its future State funding and on its financial operations.

Tri-Valley Local School District has committed itself to the highest standards of financial excellence for many years. The District has received the Government Finance Officers Association (GFOA) Certificate of Achievement for Excellence in Financial Reporting since 1993.

Contacting the District's Financial Management

This financial report is designed to provide our citizens, taxpayers, and investors and creditors with a general overview of the District's finances and to show the District's accountability for the money it receives. If you have questions about this report or need additional financial information, contact A. Max Maley, Treasurer at Tri-Valley Local School District, 36 E. Muskingum Avenue, Dresden, Ohio 43821 or e-mail at mmaley@tri-valley.k12.oh.us.

TRI-VALLEY LOCAL SCHOOL DISTRICT

Statement of Net Assets

June 30, 2003

	Governmental Activities
Assets:	
Equity in Pooled Cash and Cash Equivalents	\$23,759,448
Cash and Cash Equivalents	
With Escrow Agents	12,839
Intergovernmental Receivable	621,452
Accrued Interest Receivable	20,332
Materials and Supplies Inventory	85,352
Prepaid Items	39,675
Property Taxes Receivable	7,568,640
Deferred Charges	87,459
Nondepreciable Capital Assets	3,476,600
Depreciable Capital Assets, Net	7,635,986
Total Assets	\$43,307,783
Liabilities:	
Accounts Payable	\$159,556
Accrued Wages and Benefits	2,018,588
Intergovernmental Payable	368,938
Retainage Payable	12,839
Accrued Interest Payable	64,163
Contracts Payable	1,002,428
Claims Payable	482,856
Deferred Revenue	4,774,105
Long-Term Liabilities:	
Due Within One Year	362,934
Due in More Than One Year	19,228,841
Total Liabilities	\$28,475,248
Net Assets:	
Invested in Capital Assets, Net of Related Debt	\$9,159,338
Restricted for:	
Capital Projects	839,728
Debt Service	794,272
Other Purposes	959,732
Unrestricted	3,079,465
Total Net Assets	\$14,832,535

See accompanying notes to the basic financial statements.

TRI-VALLEY LOCAL SCHOOL DISTRICT

Statement of Activities
For the Fiscal Year Ended June 30, 2003

	Program Revenues			
	Expenses	Charges for Services and Sales	Operating Grants, Contributions and Interest	Capital Grants and Contributions
Governmental Activities				
Instruction:				
Regular	\$10,114,462	\$41,443	\$994,276	\$ 0
Special	1,706,800	0	802,453	0
Vocational	345,760	0	56,052	0
Adult/Continuing	1,256	0	0	0
Support Services:				
Pupils	567,466	764	74,765	0
Instructional Staff	704,767	0	74	0
Board of Education	556,255	2,175	31,252	0
Administration	1,977,754	54,300	0	0
Fiscal	390,560	0	0	0
Business	4,022	0	0	0
Operation and Maintenance of Plant	1,871,466	11,750	0	0
Pupil Transportation	1,374,481	0	0	73,384
Central	191,196	12,898	123	0
Operation of Non-Instructional Services	37,120	0	23,511	0
Food Service Operations	913,905	584,959	287,912	0
Extracurricular Activities	228,643	247,394	0	0
Interest	959,920	0	0	0
Total Governmental Activities	\$21,945,833	\$955,683	\$2,270,418	\$73,384
General Revenues				
Property Taxes Levied for:				
General Purposes				
Building Maintenance				
Debt Service				
Grants and Entitlements not Restricted to Specific Programs				
Investment Earnings				
Miscellaneous				
Total General Revenues				
Change in Net Assets				
Net Assets at Beginning of Year				
Net Assets at End of Year				

See accompanying notes to the basic financial statements.

TRI-VALLEY LOCAL SCHOOL DISTRICT

**Net (Expense) Revenue
and Changes in Net Assets**

**Total
Governmental Activities**

(\$9,078,743)
(904,347)
(289,708)
(1,256)

(491,937)
(704,693)
(522,828)
(1,923,454)
(390,560)
(4,022)

(1,859,716)
(1,301,097)
(178,175)
(13,609)
(41,034)
18,751
(959,920)

(\$18,646,348)

5,733,335
129,584
1,075,781
10,610,090
475,152
149,835

\$18,173,777

(472,571)

15,305,106

\$14,832,535

TRI-VALLEY LOCAL SCHOOL DISTRICT

**Balance Sheet
Governmental Funds
June 30, 2003**

	General Fund	Building Fund	Other Governmental Funds
<i>Assets:</i>			
Equity in Pooled Cash and Cash Equivalents	\$3,692,957	\$16,808,764	\$2,621,689
Cash and Cash Equivalents			
With Escrow Agents	0	12,839	0
Receivables:			
Taxes	6,252,977	0	1,315,663
Intergovernmental	0	0	621,452
Accrued Interest	0	20,332	0
Interfund Receivable	582,591	0	0
Prepaid Items	38,677	0	998
Materials and Supplies Inventory	75,038	0	10,314
Restricted Assets:			
Cash and Cash Equivalents	76,359	0	0
Total Assets	\$10,718,599	\$16,841,935	\$4,570,116
<i>Liabilities and Fund Equity:</i>			
<i>Liabilities:</i>			
Accounts Payable	\$86,470	\$ 0	\$17,560
Contracts Payable	0	1,002,428	0
Accrued Wages and Benefits	1,970,758	0	47,830
Retainage Payable	0	12,839	0
Interfund Payable	120,840	0	588,951
Intergovernmental Payable	188,665	0	9,899
Deferred Revenue	4,232,317	0	1,389,976
Total Liabilities	\$6,599,050	\$1,015,267	\$2,054,216
<i>Fund Equity</i>			
Fund Balances:			
Reserved for Encumbrances	\$579,882	\$12,776,055	\$46,320
Reserved for Budget Stabilization	76,359	0	0
Reserved for Property Taxes	2,020,660	0	463,170
Unreserved:			
Designated for Budget Stabilization	614,685	0	0
Undesignated reported in:			
General Fund	827,963	0	0
Special Revenue Funds	0	0	139,059
Debt Service Fund	0	0	302,604
Capital Projects Funds	0	3,050,613	1,564,747
Total Fund Equity	\$4,119,549	\$15,826,668	\$2,515,900
Total Liabilities and Fund Equity	\$10,718,599	\$16,841,935	\$4,570,116

See accompanying notes to the basic financial statements.

TRI-VALLEY LOCAL SCHOOL DISTRICT

**Reconciliation of Total Governmental Fund Balances
to Net Assets of Governmental Activities
June 30, 2003**

	Total Governmental Fund Balances	\$22,462,117
Total Governmental Funds	<i>Amounts reported for governmental activities in the statement of net assets are different because</i>	
\$23,123,410	Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.	\$11,112,586
12,839	Other long-term assets are not available to pay for current- period expenditures and therefore are deferred in the funds.	
7,568,640	Taxes	\$310,705
621,452	Intergovernmental	<u>537,483</u>
20,332		
582,591	Total	848,188
39,675		
85,352		
76,359	An internal service fund is used by management to charge the costs of insurance to individual funds. The assets and liabilities of the internal service fund are included in governmental activities in the statement of net assets.	148,497
\$32,130,650		
	Unamortized issuance costs are reported as deferred charges on the Statement of Net Assets but as an expenditure on the fund financial statements which do not provide current financial resources and, therefore, are not reported in the funds.	87,459
\$104,030	Intergovernmental payable includes contractually required pension contributions not expected to be paid with available resources and, therefore, are not reported in the funds.	(170,374)
1,002,428	Long-term liabilities and accrued interest are not due and payable in the current period and therefore are not reported in the funds.	
2,018,588	General Obligation Bonds	\$18,367,272
12,839	Compensated Absences	1,086,840
709,791	Accrued Interest Payable	64,163
198,564	Asbestos Loan	27,446
5,622,293	Capital Leases	<u>110,217</u>
\$9,668,533	Total	<u>(19,655,938)</u>
	Net Assets of Governmental Activities	<u>\$14,832,535</u>
\$13,402,257		
76,359		
2,483,830		
614,685		
827,963		
139,059		
302,604		
4,615,360		
\$22,462,117		
\$32,130,650		

TRI-VALLEY LOCAL SCHOOL DISTRICT

**Statement of Revenues, Expenditures,
and Changes in Fund Balances
Governmental Funds**

For the Fiscal Year Ended June 30, 2003

	<u>General Fund</u>	<u>Building Fund</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
Revenues:				
Taxes	\$5,887,816	\$ 0	\$1,243,886	\$7,131,702
Intergovernmental	11,766,074	0	1,049,469	12,815,543
Interest	129,830	345,322	0	475,152
Tuition and Fees	32,080	0	0	32,080
Extracurricular Activities	109,387	0	229,257	338,644
Charges for Services	0	0	584,959	584,959
Miscellaneous	112,656	0	37,179	149,835
Total Revenues	\$18,037,843	\$345,322	\$3,144,750	\$21,527,915
Expenditures:				
Current:				
Instruction:				
Regular	\$9,361,772	\$ 0	\$390,744	\$9,752,516
Special	1,207,325	0	456,890	1,664,215
Vocational	306,944	0	0	306,944
Adult/Continuing	1,256	0	0	1,256
Support Services:				
Pupils	471,084	0	79,625	550,709
Instructional Staff	680,374	0	95	680,469
Board of Education	490,256	0	65,413	555,669
Administration	1,819,587	0	63,957	1,883,544
Fiscal	383,318	0	0	383,318
Business	4,022	0	13,840	17,862
Operation and Maintenance of Plant	1,333,679	0	495,689	1,829,368
Pupil Transportation	1,360,556	0	15,192	1,375,748
Central	174,079	0	220	174,299
Operation of Non-Instructional Services	0	0	24,225	24,225
Food Service Operations	0	0	890,082	890,082
Extracurricular Activities	27,993	0	162,550	190,543
Capital Outlay	141,658	2,820,896	0	2,962,554
Debt Service:				
Principal	30,243	0	288,053	318,296
Interest and Fiscal Charges	10,125	0	922,080	932,205
Total Expenditures	\$17,804,271	\$2,820,896	\$3,868,655	\$24,493,822
Net Change in Fund Balances	\$233,572	(\$2,475,574)	(\$723,905)	(\$2,965,907)
Fund Balances at Beginning of Year – Restated (See Note 3)	3,885,977	18,302,242	3,239,805	25,428,024
Fund Balances at End of Year	\$4,119,549	\$15,826,668	\$2,515,900	\$22,462,117

See accompanying notes to the basic financial statements.

TRI-VALLEY LOCAL SCHOOL DISTRICT

**Reconciliation of the Statement of Revenues, Expenditures,
and Changes in Fund Balances of Governmental Funds
to the Statement of Activities
For the Fiscal Year Ended June 30, 2003**

Net Change in Fund Balances - Total Governmental Funds		(\$2,965,907)
<i>Amounts reported for governmental activities in the statement of activities are different because</i>		
Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which depreciation exceeded capital outlay in the current period.		
Fixed Assets Additions	\$2,962,554	
Current Year Depreciation	(586,156)	
Total		2,376,398
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the fund.		
Taxes	(\$193,002)	
Intergovernmental	138,349	
Total Revenues		(54,653)
Repayments of principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets.		
Asbestos Loan	\$8,053	
Capital Leases	30,243	
General Obligation Bonds	280,000	
Total		318,296
Interest is reported as an expenditure when due in the governmental funds, but is accrued on outstanding debt on the statement of activities. The amortization of premiums and discounts are reported on the statement of activities:		
Discount Amortization	(\$2,643)	
Premium Amortization	8,148	
Accrued Interest Payable	(29,951)	
Total		(24,446)
Issuance costs are reported as an expenditure when paid in the governmental funds, but are deferred and amortized on the statement of activities:		
Issuance Costs		(3,269)
Some expenses reported in the statement of activities, such as compensated absences and intergovernmental payables representing contractually required pension contributions, do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds.		
Intergovernmental Payable	(\$24,240)	
Compensated Absences Payable	(151,420)	
Total		(175,660)
The internal service fund used by management to charge the costs of insurance to individual funds is not reported in the district-wide statement of activities. Governmental fund expenditures and the related internal service fund revenues are eliminated. The net revenue of the internal service fund is allocated among the governmental activities.		
		56,670
Change in Net Assets of Governmental Activities		<u>(\$472,571)</u>

See accompanying notes to the basic financial statements.

TRI-VALLEY LOCAL SCHOOL DISTRICT

**Statement of Revenues, Expenditures, and Changes
In Fund Balance—Budget (Non-GAAP Basis) and Actual
General Fund**

For the Fiscal Year Ended June 30, 2003

	Budgeted Amounts		Actual	Variance with Final Budget Over (Under)
	Original	Final		
Revenues				
Taxes	\$5,819,573	\$5,728,059	\$5,728,059	\$0
Intergovernmental	10,200,000	11,766,074	11,766,074	0
Interest	100,000	138,475	129,830	(8,645)
Tuition and Fees	50,000	31,970	32,080	110
Extracurricular Activities	180,000	109,359	109,387	28
Rentals	500	1,900	1,900	0
Miscellaneous	89,500	93,306	94,540	1,234
Total Revenues	\$16,439,573	\$17,869,143	\$17,861,870	(\$7,273)
Expenditures				
<i>Current:</i>				
<i>Instruction:</i>				
Regular	\$9,112,641	\$9,738,930	\$9,185,100	\$553,830
Special	880,000	1,220,627	1,270,788	(50,161)
Vocational	331,000	327,756	327,757	(1)
Other	5,000	1,732	1,732	0
<i>Support Services:</i>				
Pupil	440,601	495,842	495,842	0
Instructional Staff	634,310	661,529	661,529	0
Board of Education	849,020	547,050	547,169	(119)
Administration	1,761,050	1,807,948	1,808,269	(321)
Fiscal	360,000	380,396	380,722	(326)
Business	0	12,742	12,742	0
Operation and Maintenance of Plant	1,385,000	1,375,564	1,375,618	(54)
Pupil Transportation	1,330,000	1,323,139	1,329,026	(5,887)
Central	124,500	175,444	175,444	0
Extracurricular Activities	28,000	28,965	28,964	1
Capital Outlay	250,000	438,684	444,188	(5,504)
Total Expenditures	\$17,491,122	\$18,536,348	\$18,044,890	\$491,458
Excess of Revenues Under Expenditures	(\$1,051,549)	(\$667,205)	(\$183,020)	\$484,185

(Continued)

TRI-VALLEY LOCAL SCHOOL DISTRICT

**Statement of Revenues, Expenditures, and Changes
In Fund Balance—Budget (Non-GAAP Basis) and Actual
General Fund (Continued)
For the Fiscal Year Ended June 30, 2003**

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget Over (Under)</u>
	<u>Original</u>	<u>Final</u>		
<i>Other Financing Sources (Uses):</i>				
Refund of Prior Year Expenditures	\$0	\$16,216	\$16,216	\$ 0
Operating Transfers Out	(500,000)	0	0	0
<i>Total Other Financing Sources (Uses)</i>	(\$500,000)	\$16,216	\$16,216	\$ 0
Net Change in Fund Balance	(\$1,551,549)	(\$650,989)	(\$166,804)	\$484,185
Fund Balance at Beginning of Year	1,955,689	3,028,168	3,028,168	0
Prior Year Encumbrances Appropriated	824,194	824,194	824,194	0
<i>Fund Balance at End of Year</i>	\$1,228,334	\$3,201,373	\$3,685,558	\$484,185

See accompanying notes to the basic financial statements.

TRI-VALLEY LOCAL SCHOOL DISTRICT

**Statement of Fund Net Assets
Proprietary Fund
June 30, 2003**

	Governmental Activity - Internal Service Fund
<i>Current Assets:</i>	
Equity in Pooled Cash and Cash Equivalents	\$559,679
Interfund Receivable	127,200
<hr/> <i>Total Current Assets</i>	<hr/> \$686,879
<i>Current Liabilities:</i>	
Accounts Payable	\$55,526
Claims Payable	482,856
<hr/> <i>Total Current Liabilities</i>	<hr/> \$538,382
<i>Net Assets:</i>	
Unrestricted	\$148,497
<hr/> <i>Total Net Assets</i>	<hr/> \$148,497

See accompanying notes to the basic financial statements.

TRI-VALLEY LOCAL SCHOOL DISTRICT

**Statement of Revenues, Expenses
and Changes in Fund Net Assets
Proprietary Fund**
For the Fiscal Year Ended June 30, 2003

	Governmental Activity - Internal Service Fund
<i>Operating Revenues:</i>	
Charges for Services	\$2,084,950
<i>Total Operating Revenues</i>	\$2,084,950
<i>Operating Expenses:</i>	
Purchased Services	\$244,398
Claims	1,783,882
<i>Total Operating Expenses</i>	\$2,028,280
Operating Income	\$56,670
Net Assets at Beginning of Year	91,827
<i>Net Assets at End of Year</i>	\$148,497

See accompanying notes to the basic financial statements.

Statement of Cash Flows
Proprietary Fund
 For the Fiscal Year Ended June 30, 2003

**Governmental Activity -
 Internal Service Fund**

Increase (Decrease) in Cash and Cash Equivalents

Cash Flows from Operating Activities:

Cash Received from	
Transactions with Other Funds	\$1,957,750
Cash Payments for Services	(199,628)
Cash Payments for Claims	(1,776,889)
<hr/>	
Net Cash Used In Operating Activities	(\$18,767)
<hr/>	
Net Decrease in Cash and Cash Equivalents	(\$18,767)
Cash and Cash Equivalents at Beginning of Year	578,446
<hr/>	
Cash and Cash Equivalents at End of Year	\$559,679
<hr/>	

**Reconciliation of Operating Income to
 Net Cash Used In Operating Activities**

Operating Income	\$56,670
<i>Changes in Assets and Liabilities:</i>	
Increase in Interfund Receivable	(\$127,200)
Increase in Accounts Payable	44,770
Increase in Claims Payable	6,993
<hr/>	
Total Adjustments	(\$75,437)
<hr/>	
Net Cash Used In Operating Activities	(\$18,767)
<hr/>	

See accompanying notes to the basic financial statements.

TRI-VALLEY LOCAL SCHOOL DISTRICT

Statement of Fiduciary Net Assets
Fiduciary Funds
June 30, 2003

	Investment Trust Fund	
	Coalition	Agency
Assets		
Equity in Pooled Cash and Cash Equivalents	\$155,307	\$96,646
Liabilities		
Due to Students	0	\$96,646
<i>Total Liabilities</i>	0	\$96,646
Net Assets		
Held in Trust for Pool Participants	\$155,307	
<i>Total Net Assets</i>	\$155,307	

See accompanying notes to the basic financial statements.

TRI-VALLEY LOCAL SCHOOL DISTRICT

**Statement of Changes in Fiduciary Net Assets
Fiduciary Fund**

For the Fiscal Year Ended June 30, 2003

	Investment Trust Fund
	Coalition
<i>Additions:</i>	
Interest	\$1,632
<i>Deductions:</i>	
Transactions	\$49,678
Changes in Net Assets	\$51,310
Net Assets at Beginning of Year	\$103,997
<i>Net Assets at End of Year</i>	<i>\$155,307</i>

See accompanying notes to the basic financial statements.

**Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2003**

Note 1—Description of the School District and Reporting Entity

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

The District was established in 1966. The District serves an area of approximately 230 square miles. It is located in Muskingum and Coshocton Counties and includes all of Adams, Jefferson, Salem, Jackson, Muskingum, and Madison Townships. Only a portion of Licking, Virginia, and Washington Townships are included. The District is the 155 largest in the State of Ohio (among 613 school districts) in terms of enrollment. It is staffed by 131 classified employees, 192 certified teaching personnel, and 16 administrative employees who provide services to 3,073 students and other community members. The District currently operates 13 instructional/support buildings.

Reporting Entity

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

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

The District participates in the Licking Area Computer Association (LACA), the Mid-East Ohio Career and Technology Centers, and the East Central Ohio Special Education Regional Resource Center (ECOSERRC), which are defined as jointly governed organizations and the Ohio School Boards Association Workers’ Compensation Group Rating Plan, which is defined as a group insurance purchasing pool. Additional information concerning these organizations is presented in Note 19.

Note 2—Summary of Significant Accounting Policies

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

**Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2003**

Note 2—Summary of Significant Accounting Policies (Continued)

A. Basis of Presentation

The District's basic financial statements consist of government-wide statements, including a statement of net assets and a statement of activities, and fund financial statements, which provide a more detailed level of financial information.

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

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

Fund Financial Statements. During the fiscal year, the District segregates transactions related to certain 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 District at this more detailed level. The focus of governmental and enterprise fund financial statements is on major funds. Each major fund is presented in a separate column. Nonmajor funds are aggregated and presented in a single column. The internal service fund is presented in a single column on the face of the proprietary fund statements. Fiduciary funds are reported by type.

B. Fund Accounting

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

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

General Fund. The general fund is the operating fund of the District and is used to account for all financial resources except those required to be accounted for in another fund.

Building Fund. The building fund is used to account for the receipts and expenditures related to the construction and renovations of facilities of the District being financed through bonds.

**Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2003**

Note 2—Summary of Significant Accounting Policies (Continued)

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

Proprietary Fund Type. Proprietary fund reporting focuses on the determination of operating income, changes in net assets, financial position, and cash flows. Proprietary funds are classified as enterprise or internal service; the District has no enterprise funds.

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

Fiduciary Fund Type. Fiduciary fund reporting focuses on net assets and changes in net assets. The fiduciary fund category is split into four classifications; pension trust funds, investment trust funds, private-purpose trust funds, and agency funds. Trust funds are used to account for assets held by the District under a trust agreement for individuals, private organizations, or other governments and are therefore not available to support the District's own programs. The District's only trust fund is an investment trust fund that accounts for all fiscal activities of the "Ohio Coalition for Equity and Adequacy of School Funding." Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. The District's only agency fund accounts for student managed activities.

C. Measurement Focus

Government-wide Financial Statements. The government-wide financial statements are prepared using the economic resources measurement focus. All assets and all liabilities associated with the operation of the District are included on the statement of net assets. The statement of activities presents increases (i.e. revenues) and decreases (i.e. expenses) in total net assets.

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

The investment trust fund is accounted for using a flow of economic resources measurement focus.

Like the government-wide statements, the internal service fund is accounted for on a flow of economic resources measurement focus. All assets and all liabilities associated with the operation of this fund are included on the statement of net assets. The statement of changes in fund net assets presents increases (i.e., revenues) and decreases (i.e., expenses) in net total assets. The statement of cash flows provides information about how the District finances and meets the cash flow needs of its proprietary activity.

**Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2003**

Note 2—Summary of Significant Accounting Policies (Continued)

D. Basis of Accounting

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

Revenues - Exchange and Non-Exchange Transactions. Revenue resulting from exchange transactions, in which each party gives and receives essentially equal value, is recorded on the accrual basis when the exchange takes place. On a modified accrual basis, revenue is recorded in the fiscal year in which the resources are measurable and become available. Available means that the resources will be collected within the current fiscal year or are expected to be collected soon enough thereafter to be used to pay liabilities of the current fiscal year. For the District, available means expected to be received within 60 days of fiscal year end.

Non-exchange transactions, in which the District receives value without directly giving equal value in return, include property taxes, grants, entitlements, and donations. On the accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied (See Note 6). Revenue from grants, entitlements, and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the year when use is first permitted, matching requirements, in which the District must provide local resources to be used for a specified purpose, and expenditure requirements, in which the resources are provided to the District on a reimbursement basis. On a modified accrual basis, revenue from non-exchange transactions must also be available before it can be recognized.

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

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

Property taxes for which there is an enforceable legal claim as of June 30, 2003, but which were levied to finance fiscal year 2004 operations, have been recorded as deferred revenue. Grants and entitlements received before the eligibility requirements are met are also recorded as deferred revenue.

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

Expenses/Expenditures. On the accrual basis of accounting, expenses are recognized at the time they are incurred.

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

**Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2003**

Note 2—Summary of Significant Accounting Policies (Continued)

E. Cash and Cash Equivalents

Cash received by the District is pooled for investment purposes. Interest in the pool is presented as “equity in pooled cash and cash equivalents” on the financial statements.

During the fiscal year 2003, investments were limited to Federal Home Loan Bank Notes, Money Market Mutual Funds, Federal National Mortgage Association Notes, and STAROhio.

Investments are reported at fair value, which is based on quoted market prices.

The District has invested funds in the State Treasury Asset Reserve of Ohio (STAROhio) during fiscal year 2003. STAROhio is an investment pool managed by the State Treasurer’s Office, which allows governments within the State to pool their funds for investment purposes. STAROhio is not registered with the SEC as an investment company, but does operate in a manner consistent with Rule 2a7 of the Investment Company Act of 1940. Investments in STAROhio are valued at STAROhio’s share price, which is the price the investment could be sold for on June 30, 2003.

Following Ohio statutes, the Board of Education has, by resolution, specified the funds to receive an allocation of interest earnings. Interest revenue credited to the general fund during fiscal year 2003 amounted to \$129,830.

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

F. Restricted Assets

Assets are reported as restricted assets when limitations on their use change the normal understanding of the availability of the asset. Such constraints are either imposed by creditors, contributors grantors, or laws of other government or enabling legislation. Restricted assets in the General Fund represent cash and cash equivalents required by State statute to be set aside to create a reserve for budget stabilization. See Note 20 for additional information regarding set asides.

G. Prepaid Items

Payments made to vendors for services that will benefit periods beyond June 30, 2003, are recorded as prepaid items using the consumption method. A current asset for the prepaid amount is recorded at the time of the purchase and an expenditure/expense is reported in the year in which services are consumed.

H. Inventory

Inventories are presented at cost on a first-in, first-out basis and are expended/expensed when used.

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

**Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2003**

Note 2—Summary of Significant Accounting Policies (Continued)

I. Capital Assets

The District's only capital assets are general capital assets. General capital assets are those assets not specifically related to activities reported in the proprietary funds. These assets generally result from expenditures in the governmental funds. These assets are reported in the governmental activities column of the government-wide statement of net assets but are not reported in the fund financial statements.

All capital assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the year. Donated fixed assets are recorded at their fair market values as of the date received. The District maintains a capitalization threshold of \$5,000. The District does not possess any infrastructure. Improvements are capitalized; the costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not.

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

Description	Governmental Activities Estimated Lives
Land Improvements	30 years
Buildings and Improvements	10-30 years
Furniture and Equipment	5-10 years
Vehicles	5-9 years

J. Interfund Balances

On fund financial statements, receivables and payables resulting from short-term interfund loans are classified as "interfund receivables/payables." These amounts are eliminated in the governmental activities columns of the statement of net assets.

K. Compensated Absences

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

Sick leave benefits are accrued as a liability using the vesting method. The liability includes the employees who are currently eligible to receive termination benefits and those the District has identified as probable of receiving payment in the future. The amount is based on accumulated sick leave and employees' wage rate at fiscal year end, taking into consideration any limits specified in the District's termination policy. The District records a liability for accumulated unused sick leave for all employees within ten years of retirement.

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

**Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2003**

Note 2—Summary of Significant Accounting Policies (Continued)

On governmental fund financial statements, compensated absences are recognized as liabilities and expenditures to the extent payments come due each period upon the occurrence of employee resignations and retirements. These amounts are recorded in the account "matured severance payable" in the fund from which the employees will be paid. The remaining portion of the liability is not reported. There are no such amounts as of June 30, 2003.

L. Accrued Liabilities and Long-term Obligations

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

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

M. Unamortized Issuance Costs/Bond Premium and Discount

In the government-wide financial statements, and proprietary fund types in the fund financial statements, long term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net assets. Bond issuance costs, bond premium and discounts are deferred and amortized over the term of the bonds using the bonds-outstanding method, which approximates the effective interest method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are recorded as deferred charges and amortized over the term of the related debt.

On the governmental fund financial statements, governmental fund types recognize issuance costs, bond premiums and bond discounts in the current period. The face amount of the debt issue is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources, while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures. No debt was issued during fiscal year 2003.

N. Interfund Activity

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

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

O. Fund Balance Reserves and Designations

**Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2003**

Note 2—Summary of Significant Accounting Policies (Continued)

The District reserves those portions of fund balance which are legally segregated for a specific future use or which do not represent available expendable resources and therefore are not available for appropriation or expenditure. Unreserved fund balance indicates that portion of fund equity which is available for appropriation in future periods. Fund equity reserves have been established for encumbrances, budget stabilization, and property taxes.

The reserve for property taxes represents taxes recognized as revenue under generally accepted accounting principles but not available for appropriation under State statute. The reserve for budget stabilization represents money required to be set-aside by statute to protect against cyclical changes in revenues and expenditures.

The District has a fund balance designation on the balance sheet for additional money set-aside by the Board for budget stabilization above the reserve for budget stabilization required by State statute.

P. Net Assets

Net assets represent the difference between assets and liabilities. Net assets invested in capital assets, net of related debt consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction, or improvement of those assets. Net assets are reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the District or through external restrictions imposed by creditors, grantors, or laws or regulations of other governments. Net assets restricted for other purposes include amounts restricted for grants.

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

Q. Operating Revenues and Expenses

Operating revenues are those revenues that are generated directly from the primary activity of the proprietary fund. For the District, these revenues are charges for services for self-insurance programs. Operating expenses are necessary costs incurred to provide the good or service that is the primary activity of the fund. Revenues and expenses not meeting this definition are reported as nonoperating.

R. Extraordinary and Special Items

Extraordinary items are transactions or events that are both unusual in nature and infrequent in occurrence. Special items are transactions or events that are within the control of the Board of Education and that are either unusual in nature or infrequent in occurrence. No such items were reported for fiscal year 2003.

S. Estimates

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

T. Budgetary Data

All funds, other than the investment trust fund and agency fund, are legally required to be budgeted and appropriated. The major documents prepared are the tax budget, the appropriation resolution, and the certificate of estimated resources, which are prepared on the budgetary basis of accounting. The tax budget demonstrates a need

**Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2003**

Note 2—Summary of Significant Accounting Policies (Continued)

for existing or increased tax rates. The certificate of estimated resources establishes a limit on the amounts that the Board of Education may appropriate. The appropriation resolution is the Board’s authorization to spend resources and sets annual limits on expenditures plus encumbrances at a level of control selected by the Board. The legal level of control has been established by the Board of Education at the fund level and the authority to allocate at the function/object level is delegated to the District’s Treasurer.

The certificate of estimated resources may be amended during the fiscal year if projected increases or decreases in revenue are identified by the District Treasurer. The amounts reported as the original budgeted amounts in the budgetary statement represent the amounts in the amended official certificate of estimated resources in place at the time original appropriations were adopted. The amounts reported as the final budgeted amounts in the budgetary statement reflect the amounts in the final amended official certificate of estimated resources in effect at the time the final appropriations were adopted by the Board.

The appropriation resolution is subject to amendment by the Board throughout the fiscal year with the restriction that appropriations may not exceed estimated revenues. The amounts reported as the original budgeted amounts reflect the first appropriation for that fund that covered the entire fiscal year, including amounts automatically carried over from prior fiscal years. The amounts reported as the final budgeted amounts represent the final appropriation amounts passed by the Board during the fiscal year. Prior to June 30, the Board passed an appropriation resolution which matched actual expenditures plus encumbrances during the fiscal year.

Note 3—Restatement of Fund Balances

	General	Building	Nonmajor	Total
Fund Balances, June 30, 2002	\$2,813,496	\$18,302,242	\$4,312,286	\$25,428,024
Federal Program Cash Adjustments	1,072,481	0	(1,072,481)	0
Restated Fund Balances, June 30, 2002	\$3,885,977	\$18,302,242	\$3,239,805	\$25,428,024

As more fully explained in Note 4, federal program expenditures were not recognized in the proper year, resulting in the restatement of the cash and fund balances of these funds. There was no effect on the full accrual statement as the affected funds were all governmental.

Note 4—Accountability and Compliance

At June 30, 2003, the following funds had deficit fund balances:

Special Revenue Funds:	Deficit Fund Balance
Title VI-B	\$201,256
Title I	\$214,017
Federal	\$125,152

Federal program expenditures were originally made from the General Fund since the federal funds lacked the resources from which to make expenditures. Once adjustments were made to recognize federal program expenditures within the federal program funds, deficit balances resulted since federal funds had not yet been received by the District and formal advances had not been approved by the District. In the future, the District intends to make advances from the General Fund to the federal program funds, rather than first reflecting federal program expenditures in the General Fund and later adjusting them to the federal program funds.

**Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2003**

Note 5—Budgetary Basis of Accounting

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

- A. Revenues are recorded when received in cash (budget) as opposed to when susceptible to accrual (GAAP.)
- B. Expenditures are recorded when paid in cash (budget) as opposed to when the fund liability is incurred (GAAP.)
- C. Encumbrances are treated as expenditures (budget) rather than as a reservation of fund balance (GAAP.)

The following table summarize the adjustments necessary to reconcile the GAAP basis statements to the budgetary basis statements for the general fund.

Net Change in Fund Balance

GAAP Basis	\$233,572
Net Adjustment for Revenue Accruals	(159,757)
Net Adjustment for Expenditure Accruals	425,730
Adjustment for Encumbrances	(666,349)
Budget Basis	(\$166,804)

Note 6—Property Taxes

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

Property taxes include amounts levied against all real, public utility, and tangible personal property (used in business) located in the District. Real property tax revenue received in calendar year 2003 represents collections of calendar year 2002 taxes. Real property taxes received in calendar year 2003 were levied after April 1, 2002, on the assessed value listed as of January 1, 2002, the lien date. Assessed values for real property taxes are established by State law at 35 percent of appraised market value. Real property taxes are payable annually or semi-annually. If paid annually, payment is due December 31; if paid semi-annually, the first payment is due December 31 with the remainder payable by June 20. Under certain circumstances, State statute permits alternate payment dates to be established.

Public utility property tax revenue received in calendar year 2003 represents collections of calendar year 2002 taxes. Public utility real and tangible personal property taxes received in calendar year 2003 became a lien December 31, 2001, were levied after April 1, 2002, and are collected in 2003 with real property taxes. Public utility real property is assessed at 35 percent of true value; public utility tangible personal property currently is assessed at varying percentages of true value.

Tangible personal property tax revenue received during calendar year 2003 (other than public utility property) represents the collection of 2003 taxes. Tangible personal property taxes received in calendar year 2003 were levied after April 1, 2002, on the value as of December 31, 2002. Tangible personal property is currently assessed at 25 percent of true value for capital assets and 24 percent of true value for inventory. Payments by multi-county taxpayers are due September 20. Single county taxpayers may pay annually or semi-annually. If paid annually, payment is due April 30; if paid semi-annually, the first payment is due April 30, with the remainder payable by September 20. Tangible personal property taxes paid by April 30 are usually received by the District prior to June 30.

**Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2003**

Note 6—Property Taxes (Continued)

The District receives property taxes from Muskingum and Coshocton counties. The county auditors periodically advance to the District its portion of the taxes collected. Second half real property tax payments collected by the county by June 30, 2003, are available to finance fiscal year 2003 operations. The amount available to be advanced can vary based on the date the tax bills are sent.

Accrued property taxes receivable include real property, public utility property, and tangible personal property taxes, which are measurable as of June 30, 2003, and for which there is an enforceable legal claim. Although total property tax collection for the next fiscal year are measurable, only the amount of real property taxes available as an advance at June 30 was levied to finance current fiscal year operations and is reported as revenue at fiscal year end. The portion of the receivable not levied to finance current fiscal year operations is offset by a credit to deferred revenue.

The amount available as an advance at June 30, 2003, was \$2,020,660 in the general fund, \$416,853 in the bond retirement fund, and \$46,317 in the miscellaneous local fund. The amount available as an advance at June 30, 2002, was \$1,860,903 in the general fund, \$378,603 in the bond retirement fund, and \$43,023 in the miscellaneous local fund.

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

The assessed values upon which fiscal year 2003 taxes were collected are:

	2002		2003	
	Second Half Collections		First Half Collections	
	Amount	%	Amount	%
Real Property	\$211,231,990	80.36 %	\$218,015,220	78.72 %
Public Utility Personal Property	20,736,920	7.89	25,689,070	9.28
Tangible Personal Property	30,886,255	11.75	33,242,720	12.00
Total Assessed Value	\$262,855,165	100.00 %	276,947,010	100.00 %
Tax Rate per \$1000 of Assessed Valuation	\$40.45		\$40.55	

Note 7—Deposits and Investments

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

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

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

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

**Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2003**

Note 7—Deposits and Investments (Continued)

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

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

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

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

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

**Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2003**

Note 7—Deposits and Investments (Continued)

The following information classifies deposits and investments by categories of risk as defined in GASB Statement No. 3, "Deposits with Financial Institutions, Investments (including Repurchase Agreements), and Reverse Repurchase Agreements."

Deposits. At fiscal year end, the carrying amount of the District's deposits was \$5,097,545, and the bank balance was \$5,260,823. Of the bank balance:

1. The amount of \$300,000 was covered by federal depository insurance; and
2. The amount of \$4,960,823 was uninsured and uncollateralized. Although all State statutory requirements for the deposit money had been followed, non-compliance with federal requirements could potentially subject the District to a successful claim by the FDIC.

Investments. The District's investments are required to be categorized to give an indication of the level of risk assumed by the District at year end. Category 1 includes investments that are insured or registered or for which the securities are held by the District or its agent in the District's name. Category 2 includes uninsured and unregistered investments for which securities are held by the counterparty's trust department or an agent in the District's name. Category 3 includes uninsured and unregistered investments for which the securities are held by the counterparty, or by its trust department or agent but not in the District's name. Investments in the STAROhio are unclassified investments since they are not evidenced by securities that exist in physical or book entry form.

	<u>Interest</u>	<u>Maturity Dates</u>	<u>Category 3</u>	<u>FMV and Carrying Value</u>
Money Market Mutual Fund	0%	None	\$ 0	\$5,628
Investment in State Treasurer's Investment Pool (STAR Ohio)	1.13%	None	0	1,149,998
Federal Home Loan Bank Notes	0-2.82%	7/1/03-1/7/05	12,683,775	12,683,775
Federal National Mortgage Association Notes	0-2.18%	1/9/04-11/29/05	5,087,294	5,087,294
Total			<u>\$17,771,069</u>	<u>\$18,926,695</u>

Investments in open-end mutual funds are not categorized by risk because they are not evidenced by securities that exist in physical or book entry form.

The classification of cash and cash equivalents, and investments on the basic financial statements is based on criteria set forth in GASB Statement No. 9. A reconciliation between the classifications of cash and investments on the basic financial statements and the classification per GASB Statement No. 3 is as follows:

TRI-VALLEY LOCAL SCHOOL DISTRICT

**Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2003**

Note 7—Deposits and Investments (Continued)

	Cash and Cash Equivalents/Deposits	Investments
GASB9	\$24,024,240	\$ 0
Federal Home Loan Bank Notes	(12,683,775)	12,683,775
Federal National Mortgage Association Notes	(5,087,294)	5,087,294
Money Market Mutual Fund	(5,628)	5,628
Investment in State Treasurer’s Investment Pool (STAR Ohio)	(1,149,998)	1,149,998
	\$5,097,545	\$18,926,695

Note 8—Interfund Transactions

	Interfund Receivable		
	Major Fund General	Self- Insurance	Totals
Interfund Payable:			
Major Fund:			
General	\$ 0	\$120,840	\$120,840
Other Nonmajor Governmental	582,591	6,360	588,951
	\$582,591	\$127,200	\$709,791

The interfund receivable in the self-insurance internal service fund is for one month premiums that were inadvertently never charged back to the funds during fiscal year 2003.

The interfund receivable in the general fund is for actual cash deficits in several of the federal programs funds due to timing of federal reimbursements.

**Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2003**

Note 9—Capital Assets

Capital asset activity for the fiscal year ended June 30, 2003, was as follows:

	Balance 6/30/02	Additions	Deductions	Balance 6/30/03
Governmental Activities				
<i>Capital Assets, not being depreciated:</i>				
Land	\$297,045	\$ 0	\$ 0	\$297,045
Construction in Progress	358,659	2,820,896	0	3,179,555
Total Capital Assets, not being depreciated:	\$655,704	\$2,820,896	\$ 0	\$3,476,600
<i>Capital Assets, being depreciated:</i>				
Buildings and Improvements	\$11,049,488	\$ 0	\$ 0	\$11,049,488
Furniture and Equipment	1,041,720	33,464	(15,000)	1,060,184
Vehicles	1,791,567	108,194	(84,237)	1,815,524
Total Capital Assets, being depreciated	\$13,882,775	\$141,658	(\$99,237)	\$13,925,196
<i>Less Accumulated Depreciation</i>				
Buildings and Improvements	(4,188,782)	(361,420)	0	(4,550,202)
Furniture and Equipment	(478,804)	(90,373)	15,000	(554,177)
Vehicles	(1,134,705)	(134,363)	84,237	(1,184,831)
Total Accumulated Depreciation	(\$5,802,291)	(\$586,156)	\$99,237	(\$6,289,210)
Total Capital Assets being depreciated, net	\$8,080,484	(\$444,498)	\$ 0	\$7,635,986
Governmental Activities Capital Assets, Net	\$8,736,188	\$2,376,398	\$ 0	\$11,112,586

*Depreciation expense was charged to governmental functions as follows:

Instruction:	
Regular	\$305,974
Special	33,997
Vocational	37,514
Support Services:	
Pupil	14,068
Instructional Staff	22,860
Board of Education	586
Administration	63,891
Fiscal	586
Operation and Maintenance of Plant	21,102
Pupil Transportation	7,620
Central	12,895
Food Service Operations	26,963
Extracurricular Activities	38,100
Total Depreciation Expense	\$586,156

**Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2003**

Note 10—Receivables

Receivables at June 30, 2003, consisted of taxes, intergovernmental grants, and interest. All receivables are considered collectible in full due to the ability to foreclose for the non-payment of taxes, the stable condition of state programs, and the current fiscal year guarantee of federal funds. All receivables are expected to be collected within one year.

A summary of principal items of intergovernmental receivables follows:

	<u>Amounts</u>
Governmental Activities:	
Eisenhower Grant	\$15,775
Title VI Grant	202,696
Chapter I	214,017
Drug Free/Entry Year	10,406
Class Size Reduction	139,979
Technology – Title II - D	5,728
Food Service Subsidy	<u>32,851</u>
Total	<u>\$621,452</u>

Note 11—Risk Management

A. Property and Liability

The District is exposed to various risks of loss related to torts; theft, damage to or destruction of assets; errors and omissions; employee injuries, and natural disasters. During fiscal year 2003 the District contracted with Marsh Insurance Company for property insurance. Professional liability is protected by Marsh Insurance Company with a \$2,000,000 single occurrence limit and a \$4,000,000 aggregate. Settled claims have not exceeded this commercial coverage in any of the last three years. There have been no reductions in coverage from the prior year.

Performance bonds in the amount of \$20,000 are maintained for the superintendent, treasurer, and the board president. All other employees are covered by a \$20,000 blanket bond. All bonds are covered by the Ohio Casualty Insurance Company.

B. Worker's Compensation

For fiscal year 2003 the District participated in the Ohio School Boards Association (OSBA) Workers' Compensation Group Rating Program (GRP), a group insurance purchasing pool (Note 19). The intent of the GRP is to achieve the benefit of a reduced premium for the District by virtue of its grouping and representation with other participants in the GRP. The workers' compensation experience of the participating school districts is calculated 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 participants' individual performance is compared to the overall savings 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 Gates McDonald & Co. provides administrative, cost control, and actuarial services to the GRP.

**Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2003**

Note 11—Risk Management (Continued)

C. Employee Medical Benefits

The District maintains a limited risk health insurance program for employees. Premiums are paid to a third party administrator, Central Benefits. The claims are processed by the third party administrator and monitored by a District insurance administrator in conjunction with the third party administrator.

The District uses an internal service fund to account for and finance its uninsured risks of loss in this program. This plan provides a medical/surgical plan with a \$200 single and \$400 family deductible. The District purchases stop-loss coverage of \$75,000 per individual per year. The District pays into the self-insurance fund \$741 for family coverage or \$294 for individual coverage per month which represents the entire premium required. The premium is paid by the fund that pays the salary for the employee and is based on historical cost information. Dental coverage is also provided on a self-insured basis by the District with CoreSource, Inc., serving as the third party administrator. Premiums for this coverage are \$65 for family coverage or \$25 for individual coverage. The District is responsible for payment of all claim amounts in excess of the employee payment percentages established in the plan document.

The claims liability of \$482,856 reported in the internal service fund at June 30, 2003, is based on an estimate provided by the third party administrator. The requirements of Governmental Accounting Standards Board Statement No. 30 require that a liability for unpaid claims costs, including estimates of costs relating to incurred but not reported claims, be reported. The estimate was not affected by incremental claim adjustment expenses and does not include other allocated or unallocated claim adjustment expenses. Changes in the fund's claims liability amount in 2002 and 2003 were:

	<u>Balance at Beginning of Year</u>	<u>Current Year Claims</u>	<u>Claim Payments</u>	<u>Balance at End of Year</u>
2002	\$453,457	\$1,342,652	\$1,320,246	\$475,863
2003	475,863	1,783,882	1,776,889	482,856

Note 12—Pension Plans

A. School Employees Retirement System

The District contributes to the School Employees Retirement System (SERS), a cost-sharing multiple employer defined benefit 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 43215-3476.

Plan members are required to contribute 9 percent of their annual covered salary and the District is required to contribute at an actuarially determined rate. The current District rate is 14 percent of annual covered payroll. A portion of the District's contribution is used to fund pension obligations with the remainder being used to fund health care benefits; for fiscal year 2003, 8.17 percent of annual covered salary was the portion used to fund pension obligations. For fiscal year 2002, 5.46 percent of annual covered salary was the portion used to fund

**Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2003**

Note 12—Pension Plans (Continued)

pension obligations. The contribution requirements of plan members and employers are established and may be amended, up to a statutory maximum amount, by the SERS Retirement Board. The District's required contributions for pension obligations to SERS for the fiscal years ended June 30, 2003, 2002, and 2001 were \$275,628, \$257,233, and \$231,786 respectively; 51 percent has been contributed for fiscal year 2003 and 100 percent for fiscal years 2002 and 2001.

B. State Teachers Retirement System

The District participates in the State Teachers Retirement System of Ohio (STRS Ohio), a cost-sharing, multiple employer public employee retirement system. STRS Ohio provides retirement and disability benefits to members and death and survivor benefits to beneficiaries. STRS Ohio issues a stand-alone financial report that may be obtained by writing to STRS Ohio, 275 E. Broad Street, Columbus, Ohio 43215-3371 or by calling (614) 227-4090.

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 member contributions and earned interest matched by STRS Ohio funds times 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 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. DC and Combined Plan members will transfer to the Defined Benefit Plan during their fifth year of membership unless they permanently select the DC or Combined Plan. Existing members with less than five years of service credit as of June 30, 2001, were given the option of making a one time irrevocable decision to transfer their account balances from the existing DB Plan into the DC Plan or the Combined Plan. This option expired on December 31, 2001. 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 dies before retirement benefits begin, the member's designated beneficiary is entitled to receive the member's account balance.

For the fiscal year ended June 30, 2003, plan members were required to contribute 9.3 percent of their annual covered salaries. The District was required to contribute 14 percent; 13 percent was the portion used to fund pension obligations. For fiscal year 2002, the portion used to fund pension obligations was 9.5 percent. 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 District's required contributions for pension obligations to the DB Plan for the fiscal years ended June 30, 2003, 2002, and 2001 were \$1,297,194, \$1,158,622, and \$1,124,121 respectively; 93 percent has been contributed for fiscal years 2003 and 100 percent for fiscal years 2002 and 2001. Contributions to the DC and Combined Plans for fiscal year 2003 were \$4,653 made by the District and \$12,776 made by plan members.

**Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2003**

Note 12—Pension Plans (Continued)

The District's required contributions for pension obligations for the fiscal years ended June 30, 2003, 2002, and 2001 were \$1,278,854, \$1,158,622, and \$1,124,121 respectively; 93 percent has been contributed for fiscal years 2003 and 100 percent for fiscal years 2002 and 2001.

C. Social Security System

Effective July 1, 1991, all employees not otherwise covered by the School Employees Retirement System or the State Teachers Retirement System have an option to choose Social Security or the School Employees Retirement System/ State Teachers Retirement System. As of June 30, 2003, three of the members of the Board of Education have elected Social Security. The Boards' liability is 6.2 percent of wages paid.

Note 13—Postemployment Benefits

The District provides comprehensive health care benefits to retired teachers and their dependents through the State Teachers Retirement System (STRS), and to retired non-certified employees and their dependents through the School Employees Retirement System (SERS). Benefits include hospitalization, physicians' fees, prescription drugs, and reimbursement of monthly Medicare premiums. Benefit provisions and the obligations to contribute are established by the Systems based on authority granted by the State statute. Both systems are on a pay-as-you-go basis.

All STRS benefit recipients and sponsored dependents are eligible for health care coverage. The STRS Board has statutory authority over how much, if any, of the health care costs will be absorbed by STRS. Most benefit recipients pay a portion of the health care cost in the form of a monthly premium. By law, the cost of coverage paid from STRS funds is included in the employer contribution rate, currently 14 percent of covered payroll. For the fiscal year ended June 30, 2003, the STRS Board allocated employer contributions equal to 1.0 percent of covered payroll to the Health Care Reserve Fund. For the District, this amount equaled \$98,373 for fiscal year 2003.

STRS pays health care benefits from the Health Care Reserve Fund. At June 30, 2002, (the latest information available) the balance in the Fund was \$3.011 billion. For the year ended June 30, 2002, net health care costs paid by STRS were \$354,697,000 and STRS had 105,300 eligible benefit recipients.

For SERS, coverage is made available to service retirees with ten or more fiscal years of qualifying service credit, and to disability and survivor benefit recipients. Members retiring on or after August 1, 1989, with less than twenty-five years of service credit must pay a portion of their premium for health care. The portion is based on years of service up to a maximum of 75 percent of premium.

After the allocation for basic benefits, the remainder of the employer's 14 percent contribution is allocated to providing health care benefits. For the fiscal year ended June 30, 2003, employer contributions to fund health care benefits were 5.83 percent of covered payroll. In addition, SERS levies a surcharge to fund health care benefits equal to 14 percent of the difference between a minimum pay and the member's pay, prorated for portion service credit. For fiscal year 2003, the minimum pay was established at \$14,500. For the District, the amount contributed to fund health care benefits, including the surcharge, during the 2003 fiscal year equaled \$244,794.

The surcharge, added to the unallocated portion of the 14 percent employer contribution rate, provides for maintenance of the asset target level for the health care fund. The target level for the health care reserve is 150 percent of the annual health care expenses. Expenses for health care for the fiscal year ended June 30, 2002 (the latest information available), were \$182,946,777, and the target level was \$274.4 million. At June 30, 2002, SERS had net assets available for payment of health care benefits of \$335.2 million. SERS has approximately 50,000 participants currently receiving health care benefits.

TRI-VALLEY LOCAL SCHOOL DISTRICT

**Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2003**

Note 14—Other Employee Benefits

District employees may participate in the Ohio Public Employees Deferred Compensation Plan. This plan was created in accordance with Internal Revenue Code Section 457. Participation is on a voluntary payroll deduction basis. The plan permits deferral of compensation until future years. According to the plan, the deferred compensation is not available until termination, retirement, death, or an unforeseeable emergency.

The District provides life insurance and accidental death and dismemberment insurance to its employees. Term life insurance coverage is \$20,000 with an additional \$20,000 of accidental death and dismemberment coverage for certified and non-certified staff. For administrators, coverage is calculated at \$1,000 for every \$1,000 earned with a maximum of \$50,000. Coverage is provided by Guardian Life Insurance Company of America.

An additional employee benefit which is offered through the District is vision insurance coverage through Vision Service Plan, Inc.

Note 15—Long-Term Liabilities

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

	Principal Outstanding 6/30/02	Additions	Reductions	Principal Outstanding 6/30/03	Amounts Due in One Year
General Obligation Bonds:					
2002 School Improvements					
Serial Bonds - 2.00-4.5%	\$ 3,880,000	\$ 0	\$280,000	\$3,600,000	\$235,000
Term Bonds - 5.25-5.75%	14,620,000	0	0	14,620,000	0
Serial/Term Bond Premium	226,116	0	8,148	217,968	0
Term Bond Discount	(73,339)	2,643	0	(70,696)	0
Total General Obligation Bonds	<u>\$18,652,777</u>	<u>\$2,643</u>	<u>\$288,148</u>	<u>\$18,367,272</u>	<u>\$235,000</u>
Note Payables:					
Asbestos Loan, 1989, \$144,946 - 0%	35,499	0	8,053	27,446	8,053
Compensated Absences	935,420	180,271	28,851	1,086,840	87,133
Capital Lease - Copiers	140,460	0	30,243	110,217	32,748
Total Long-Term Liabilities	<u>\$19,764,156</u>	<u>\$182,914</u>	<u>\$355,295</u>	<u>\$19,591,775</u>	<u>\$362,934</u>

The Asbestos Loan was for asbestos abatement projects throughout the District. Compensated absences will be paid from the general fund and the food service special revenue fund. The capital lease is for copiers throughout the District and will be paid from the general fund. The 2002 School Improvement Bonds were issued in the par amount of \$18,500,000 at variable interest rates between 2.00 and 5.75 percent for the purpose of constructing a new middle school and making additions and improvements to the high school. New furnishing and equipment will be part of both projects. These general obligations will be paid from the debt service fund.

**Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2003**

Note 15—Long-Term Liabilities (Continued)

On March 18, 2002, the District issued \$18,500,000 in voted general obligation bonds to pay the local share of the school construction under the state of Ohio Classroom Facilities Assistance Program, as part of the Expedited Local Partnership Program. The bond issue included serial and term bonds in the amount of \$3,880,000 and \$14,620,000 respectively. The bonds are being retired from the Debt Service Fund. The serial and a portion of the term bonds were sold at a premium of \$228,153, with a portion of the term bonds being sold at a discount of \$74,000, both of which will be amortized over the life of the bonds. Issuance costs associated with the bond issue were \$91,545 and are deferred and will be amortized over the life of the bond issue. The bonds were issued for a 28-year period with a final maturity at December 1, 2029. In connection with the passage of the bond issue, the District also passed a half-mill levy for the maintenance of the new building. The District must maintain a maintenance plan and submit it to the Ohio School Facilities Commission every 5 years for the term of the bond.

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

<u>Year</u>	<u>Amount</u>
2014	\$365,000
2015	420,000

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

<u>Year</u>	<u>Amount</u>
2017	\$530,000
2018	595,000

The term bonds maturing on December 1, 2021, are subject to mandatory sinking fund redemption, in part by lot, pursuant to the terms of the mandatory sinking fund redemption requirements of the District. The mandatory redemption is to occur on December 1, 2020 (with the balance of \$815,000 to be paid at stated maturity on December 1, 2021), at a redemption price equal to 100 percent of the principal amount redeemed plus accrued interest to the redemption date, according to the following schedule:

<u>Year</u>	<u>Amount</u>
2020	\$735,000

The term bonds maturing on December 1, 2029, are subject to mandatory sinking fund redemption, in part by lot, pursuant to the terms of the mandatory sinking fund redemption requirements of the District. The mandatory redemption is to occur on December 1 in each of the years 2022 through 2028 (with the balance of \$1,660,000 to be paid at stated maturity on December 1, 2029), at a redemption price equal to 100 percent of the principal amount redeemed plus accrued interest to the redemption date, according to the following schedule:

<u>Year</u>	<u>Amount</u>
2022	\$900,000
2023	985,000
2024	1,080,000
2025	1,180,000
2026	1,290,000
2027	1,405,000
2028	1,530,000

**Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2003**

Note 15—Long-Term Liabilities (Continued)

At June 30, 2003, the District's overall legal debt margin was \$7,432,741, with an unvoted debt margin of \$276,947. Principal and interest requirements to retire long-term liabilities outstanding at June 30, 2003, are as follows:

Fiscal Year	Asbestos Loan	General Obligation Bonds		Total
	Principal	Principal	Interest	
2004	\$8,053	\$235,000	\$916,580	\$1,159,633
2005	8,053	320,000	909,430	1,237,483
2006	8,053	360,000	898,780	1,266,833
2007	3,287	405,000	886,045	1,294,332
2008	0	225,000	874,998	1,099,998
2009-2013	0	1,730,000	4,191,775	5,921,775
2014-2018	0	2,110,000	3,740,454	5,850,454
2019-2023	0	3,705,000	2,949,740	6,654,740
2024-2028	0	5,940,000	1,672,120	7,612,120
2029-2030	0	3,190,000	170,888	3,360,888
<i>Totals</i>	\$27,446	\$18,220,000	\$17,210,810	\$35,458,256

Note 16—Capital Leases—Lessee Disclosure

Capital lease payment have been reclassified and are reflected as general fund debt service expenditures in the financial statements. They are presented as current expenditures in the budgetary statements. Capital Assets acquired by lease have been capitalized in the amount of \$165,974, the fair market value of the assets at the time the lease was entered into. Accumulated depreciation on the assets is \$55,757, leaving a book value of \$110,217. The following is a schedule of the future minimum lease payments required under the capital lease. Principal payments in fiscal year 2003 totaled \$30,243.

Fiscal Year	Principal	Interest
2004	\$32,748	\$7,622
2005	35,460	4,908
2006	42,009	1,997
	\$110,217	\$14,527

TRI-VALLEY LOCAL SCHOOL DISTRICT

**Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2003**

Note 17—Contractual Commitments

As of June 30, 2003, the District had the following contractual purchase commitments:

Project	Fund	Purchase Commitment	Amounts Paid as of June 30, 2003	Amounts Remaining on Contracts
<i>Middle School:</i>				
Clagget and Sons - General Trades	Building	\$5,543,300	\$438,461	\$5,104,839
Claypool Electric - Electrical/Data Cabling	Building	990,000	0	990,000
Crace Construction - Aluminum/Windows	Building	143,919	0	143,919
Gutridge Plumbing - Fire Prot./Plumbing	Building	713,200	75,727	637,473
Metal Masters - HVAC	Building	1,734,000	0	1,734,000
		\$9,124,419	\$514,188	\$8,610,231
<i>High School:</i>				
Branthoover and Johnston - Plumbing	Building	\$304,000	\$ 0	\$304,000
Crace Construction - Aluminum/Windows	Building	148,257	0	148,257
Dalmatian Fire - Fire Protection	Building	94,000	0	94,000
Howards Sheet Metal - HVAC	Building	1,147,500	91,478	1,056,022
Robertson Construction - General Trades	Building	3,066,204	0	3,066,204
Southeastern Electric - Electrical	Building	656,104	0	656,104
		\$5,416,065	\$91,478	\$5,324,587
<i>Combined:</i>				
Farnham Equipment - Casework	Building	\$472,000	\$ 0	\$472,000
Louis Polster - Food Service Equipment	Building	374,890	0	374,890
Quandel Group, Inc. - Construction Mgr.	Building	1,054,000	612,000	442,000
McDonald, Cassell & Bassett - Architects	Building	1,058,542	829,897	228,645
Miscellaneous Contracts - Miscellaneous	Building	129,564	129,564	0
		\$3,088,996	\$1,571,461	\$1,517,535
		\$17,629,480	\$2,177,127	\$15,452,353
Totals		\$17,629,480	\$2,177,127	\$15,452,353

**Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2003**

Note 18—Contingent Liabilities

A. Grants

The District received financial assistance from federal and state agencies in the form of grants. The disbursement of funds received under these programs generally required compliance with terms and conditions specified in the grant agreements and is subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the general fund or other applicable funds. However, in the opinion of management, any such disallowed claims will not have a material adverse effect on the overall financial position of the District at June 30, 2003.

B. Litigation

The District had no pending litigation as of June 30, 2003.

Note 19—Jointly Governed Organizations and Public Entity Risk Pool

A. Jointly Governed Organizations

Licking Area Computer Association — Licking Area Computer Association (LACA) is a jointly governed organization of a two-county consortium of school districts. The jointly governed organization was formed for the purpose of applying modern technology with the aid of computers and other electronic equipment to administrative and instructional functions among member districts. Each of the governments of these schools supports LACA based upon a per pupil charge dependent upon the software package utilized. LACA is governed by a Board of Directors consisting of the superintendents of member school districts. The degree of control exercised by any participating school district is limited to its representation on the Board. The Board consists of one representative from each of the participating 14 school districts. For fiscal year 2003, the District paid \$68,984 for services.

Mid-East Ohio Career and Technology Center—The Mid-East Ohio Career and Technology Center is a distinct political subdivision of the State of Ohio operated under the direction of a Board consisting of one representative from each of the 13 participating school districts' elected boards. The Board possesses its own budgeting and taxing authority. The Board controls the financial activity of the Joint Vocational School District. To obtain financial information, write to the Mid-East Ohio Career and Technology Center, Rick White, Treasurer, at 1965 Chandlersville Road, Zanesville, Ohio 43701.

East Central Ohio Special Education Regional Resource Center—The East Central Ohio Special Education Regional Resource Center is a not-for-profit council of governments of various school districts and other organizations in east central Ohio. The ECOSERRC participates in services that assist the participants in complying with mandates of Public Law 101-476 and Public Law 99-457 for educating children with disabilities. There is no financial commitment made by the School District and the ECOSERRC is not financially dependent upon the continued participation of the School District. The School District does not maintain an equity interest in or financial responsibility for the ECOSERRC.

B. Public Entity Risk Pool

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

**Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2003**

Note 20—Set-Aside Calculations, Restricted Assets, and Fund Reserves

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

In previous fiscal years, the District was also required to set aside money for budget stabilization. Senate Bill 345, effective April 10, 2001, eliminated future set-aside requirements for the budget stabilization, reduced requirements related to the current set-aside, and placed restrictions on current budget stabilization money relating to the worker's compensation refunds.

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

	<u>Instructional Materials Reserve</u>	<u>Capital Improvements</u>	<u>Budget Stabilization</u>
Set-aside Reserve Balances as of June 30, 2002	\$ 0	\$ 0	\$76,359
Current Year Set-aside Requirement	414,652	414,652	0
Qualifying Disbursements	<u>654,024</u>	<u>994,131</u>	<u>0</u>
Current Year Requirement less Qualifying Disbursements	(239,372)	(579,479)	0
Beginning carryover Offsets/Excess Disbursements	0	558,286	0
Current Year Offsets/Excess Disbursements	<u>239,372</u>	<u>1,953,440</u>	<u>0</u>
Total Available as Offsets/Excess Disbursements	239,372	2,511,726	0
Current Year Application of Offsets/Excess Disbursements	<u>0</u>	<u>0</u>	<u>0</u>
Offsets/Excess Disbursements to be Carried Forward to Future Years	239,372	2,511,726	0
Set-aside Reserve Balance as of June 30, 2003	<u>\$0</u>	<u>\$0</u>	<u>\$76,359</u>
Set-aside Cash Balance as of June 30, 2003	<u>\$0</u>	<u>\$0</u>	<u>76,359</u>

Qualifying disbursements in excess of current year set-aside requirements cannot be carried forward as an offset to future set-aside requirements for capital improvements, but can be carried forward for textbooks and other instructional materials. Certain items eligible to be used as offsets to capital improvement set-aside requirements can be carried forward to apply to requirements of future years.

Note 21—School Funding

On December 11, 2002, the Ohio Supreme Court issued its latest opinion regarding the State's school funding plan. The decision reaffirmed earlier decisions that Ohio's current school-funding decision is unconstitutional.

The Supreme Court relinquished jurisdiction over the case and directed "...the Ohio General Assembly to enact a school-funding scheme that is thorough and efficient..."

The District is currently unable to determine what effect, if any, this decision will have on its future State funding and on its financial operations.

Note 22—Investment Trust Fund

The District serves as a fiscal agent for the Ohio Coalition of Equity and Adequacy of School Funding, a legally separate entity. The District pools the moneys of the entity with its own for investment purposes at fair value, along with the pro rata share of the interest that it earns. The investment trust fund is not registered with the SEC as an investment company. The fair value of investments is determined annually. The pool does not issue shares. Each participant is allocated a pro rata share of each investment of the interest that it earns. Condensed financial information for the investment pool follows:

**Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2003**

Note 22—Investment Trust Fund (Continued)

**Statement of Net Assets
June 30, 2003**

<i>Assets:</i>	
Equity in Pooled Cash and Cash Equivalents	\$24,011,401
Accrued Interest Receivable	20,332
	<u>24,031,733</u>
<i>Total Assets</i>	<u>24,031,733</u>
 <i>Net Assets Held in Trust for Pool Participants:</i>	
Internal Portion	23,876,426
External Portion	155,307
	<u>24,031,733</u>
<i>Total Net Assets Held in Trust for Pool Participants</i>	<u>24,031,733</u>

**Statement of Changes in Net Assets
For the Fiscal Year Ended June 30, 2003**

<i>Additions:</i>	
Interest Income	\$476,784
 <i>Deductions:</i>	
Operating Deductions	(1,632)
	<u>475,152</u>
Net Increase in Assets Resulting from Operations	475,152
Distributions Paid to Participants	(528,572)
Capital Transactions	(1,132,222)
	<u>(1,185,642)</u>
Total Decrease in Net Assets	(1,185,642)
Net Assets - Beginning of Year (Restated)	25,217,375
	<u>25,217,375</u>
<i>Net Assets End of Year</i>	<u>24,031,733</u>

Deposits which are not pooled for investment purposes by the District, such as those held by an escrow agent, are excluded from the investment trust fund and captioned on the District's basic financial statements as "Cash and Cash Equivalents with Escrow Agents." A reconciliation between cash and cash equivalents reported for the investment trust fund and total cash and cash equivalents for the District based upon GASB Statement No. 9 is as follows:

Cash and Cash Equivalents in Investment Trust Fund	\$24,011,401
Cash and Cash Equivalents with Escrow Agents	12,839
Cash and Cash Equivalents - GASB Statement 9 (See Note 7)	24,024,240
	<u>24,024,240</u>

In the prior period Cash and Cash Equivalents with Escrow Agents were improperly reported as part of the investment trust pool in the amount of \$558,590. This resulted in the restatement of net assets reported at the beginning of the year from \$25,775,965 to \$25,217,375.

Tri-Valley Local School District

Combining Statements of Nonmajor Governmental Funds

Fund Descriptions

Nonmajor Special Revenue Funds

The special revenue funds are used to account for the proceeds of specific revenue sources that are legally restricted to expenditures for specific purposes. Following is a description of the District's nonmajor special revenue funds:

Local Fund

These funds account for monies received to promote community involvement and to support activities between the school and the community.

State Fund

These funds are used to account for development of certified staff, peer assistance review plans, research and demonstration projects established by the State of Ohio, Department of Education, services to disadvantaged pupils, and reading proficiency.

Title VI-B Fund

This federal program assists schools in the identification of handicapped children, development of procedural safeguards, implementation of least restrictive alternative service patterns, and provision of full educational opportunities to handicapped children at the preschool, elementary, and secondary levels.

Title I Fund

This fund accounts for federal monies used to assist the School District in meeting the special needs of educationally deprived children.

Federal Fund

These funds account for monies used to improve the skills of teachers, increase the access of all students to instruction, assistance in the identification of handicapped children, implementation of alternative service patterns, assistance in meeting the special needs of educationally deprived children, implementation of gifted and talented programs, support of education improvement goals, and implementation and operation of drug abuse prevention programs.

Food Service Fund

This fund accounts for the financial transactions related to the food service operations of the District.

Nonmajor Debt Service Fund

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

(Continued)

Fund Descriptions (Continued)

Nonmajor Capital Projects Funds

Capital projects funds are used to account for financial resources to be used for the acquisition or construction of major capital facilities. Following is a description of the nonmajor capital projects funds:

Permanent Improvement Fund

This fund accounts for the acquisition, construction, or improvement of capital facilities.

State Funded Technology Projects Fund

These funds account for the building and equipping of classroom facilities, the SchoolNet program and the interactive video distance learning project.

TRI-VALLEY LOCAL SCHOOL DISTRICT

**Combining Balance Sheet
Nonmajor Governmental Funds**

June 30, 2003

	Nonmajor Special Revenue Funds	Nonmajor Debt Service Fund	Nonmajor Capital Projects Funds	Total Nonmajor Governmental Funds
<i>Assets:</i>				
Equity in Pooled Cash and Cash Equivalents	\$738,081	\$310,657	\$1,572,951	\$2,621,689
Receivables:				
Taxes	131,814	1,183,849	0	1,315,663
Intergovernmental	621,452	0	0	621,452
Prepaid Items	998	0	0	998
Materials and Supplies Inventory	10,314	0	0	10,314
Total Assets	\$1,502,659	\$1,494,506	\$1,572,951	\$4,570,116
<i>Liabilities and Fund Equity:</i>				
<i>Liabilities:</i>				
Accounts Payable	\$9,356	\$ 0	\$8,204	\$17,560
Accrued Wages and Benefits	47,830	0	0	47,830
Interfund Payable	588,951	0	0	588,951
Intergovernmental Payable	9,899	0	0	9,899
Deferred Revenue	622,980	766,996	0	1,389,976
Total Liabilities	\$1,279,016	\$766,996	\$8,204	\$2,054,216
<i>Fund Equity:</i>				
Fund Balances:				
Reserved for Encumbrances	\$38,267	\$8,053	\$ 0	\$46,320
Reserved for Property Taxes	46,317	416,853	0	463,170
Unreserved, Undesignated, Reported in:				
Special Revenue Funds	139,059	0	0	139,059
Debt Service Funds	0	302,604	0	302,604
Capital Projects Funds	0	0	1,564,747	1,564,747
Total Fund Equity	\$223,643	\$727,510	\$1,564,747	\$2,515,900
Total Liabilities and Fund Equity	\$1,502,659	\$1,494,506	\$1,572,951	\$4,570,116

TRI-VALLEY LOCAL SCHOOL DISTRICT

**Combining Statement of Revenues, Expenditures,
and Changes in Fund Balances
Nonmajor Governmental Funds
For the Fiscal Year Ended June 30, 2003**

	Nonmajor Special Revenue Funds	Nonmajor Debt Service Fund	Nonmajor Capital Projects Funds	Total Nonmajor Governmental Funds
Revenues:				
Taxes	\$124,754	\$1,119,132	\$0	\$1,243,886
Intergovernmental	929,232	120,237	0	1,049,469
Extracurricular Activities	229,257	0	0	229,257
Charges for Services	584,959	0	0	584,959
Miscellaneous	37,179	0	0	37,179
Total Revenues	\$1,905,381	\$1,239,369	\$0	\$3,144,750
Expenditures:				
Current:				
Instruction:				
Regular	\$312,680	\$0	\$78,064	\$390,744
Special	456,890	0	0	456,890
Support Services:				
Pupils	79,625	0	0	79,625
Instructional Staff	95	0	0	95
Board of Education	42,612	22,801	0	65,413
Administration	63,957	0	0	63,957
Business	13,840	0	0	13,840
Operation and Maintenance of Plant	0	0	495,689	495,689
Pupil Transportation	15,192	0	0	15,192
Central	220	0	0	220
Operation of Non-Instructional Services	24,225	0	0	24,225
Food Service Operations	890,082	0	0	890,082
Extracurricular Activities	162,550	0	0	162,550
Debt Service:				
Principal Retirement	0	288,053	0	288,053
Interest and Fiscal Charges	0	922,080	0	922,080
Total Expenditures	\$2,061,968	\$1,232,934	\$573,753	\$3,868,655
Net Change in Fund Balance	(\$156,587)	\$6,435	(\$573,753)	(\$723,905)
Fund Balances at Beginning of Year	380,230	721,075	2,138,500	3,239,805
Fund Balances at End of Year	\$223,643	\$727,510	\$1,564,747	\$2,515,900

TRI-VALLEY LOCAL SCHOOL DISTRICT

**Combining Balance Sheet
Nonmajor Special Revenue Funds**

June 30, 2003

	<u>Local</u>	<u>State</u>	<u>Title VI-B</u>
Assets:			
Equity in Pooled Cash and Cash Equivalents	\$345,470	\$197,034	\$ 0
Taxes Receivable	131,814	0	0
Intergovernmental Receivable	0	0	202,696
Prepaid Items	0	0	0
Materials and Supplies Inventory	0	0	0
Total Assets	\$477,284	\$197,034	\$202,696
Liabilities and Fund Equity:			
Liabilities:			
Accounts Payable	\$ 0	\$404	\$ 0
Accrued Wages and Benefits	0	0	0
Interfund Payable	0	0	201,256
Intergovernmental Payable	0	0	0
Deferred Revenue	85,497	0	202,696
Total Liabilities	\$85,497	\$404	\$403,952
Fund Equity:			
Fund Balance:			
Reserved for Encumbrances	\$33,785	\$4,482	\$ 0
Reserved for Taxes	46,317	0	0
Unreserved	311,685	192,148	(201,256)
Total Fund Equity	\$391,787	\$196,630	(\$201,256)
Total Liabilities and Fund Equity	\$477,284	\$197,034	\$202,696

TRI-VALLEY LOCAL SCHOOL DISTRICT

Title I	Federal	Food Service	Total Nonmajor Special Revenue Funds
\$ 0	\$ 0	\$195,577	\$738,081
0	0	0	131,814
214,017	171,888	32,851	621,452
0	0	998	998
0	0	10,314	10,314
\$214,017	\$171,888	\$239,740	\$1,502,659
\$ 0	\$8,952	\$ 0	\$9,356
0	0	47,830	47,830
214,017	167,318	6,360	588,951
0	0	9,899	9,899
214,017	120,770	0	622,980
\$428,034	\$297,040	\$64,089	\$1,279,016
\$ 0	\$ 0	\$ 0	\$38,267
0	0	0	46,317
(214,017)	(125,152)	175,651	139,059
(\$214,017)	(\$125,152)	\$175,651	\$223,643
\$214,017	\$171,888	\$239,740	\$1,502,659

TRI-VALLEY LOCAL SCHOOL DISTRICT

**Combining Statement of Revenues, Expenditures,
and Changes in Fund Balances
Nonmajor Special Revenue Funds
For the Fiscal Year Ended June 30, 2003**

	<u>Local</u>	<u>State</u>	<u>Title VI-B</u>
Revenues:			
Taxes	\$124,754	\$ 0	\$ 0
Intergovernmental	13,512	97,770	168,516
Extracurricular Activities	229,257	0	0
Charges for Services	0	0	0
Miscellaneous	35,834	0	0
Total Revenues	\$403,357	\$97,770	\$168,516
Expenditures:			
Current:			
Instruction -			
Regular	\$11,028	\$165,487	\$ 0
Special	0	9,273	167,026
Support Services -			
Pupils	900	0	78,722
Instructional Staff	0	0	0
Board of Education	2,562	0	0
Administration	63,957	0	0
Business	13,840	0	0
Pupil Transportation	15,192	0	0
Central	0	220	0
Operation of Non-Instructional Services	0	0	14,200
Food Service Operations	0	0	0
Extracurricular Activities	162,550	0	0
Total Expenditures	\$270,029	\$174,980	\$259,948
Net Change in Fund Balance	\$133,328	(\$77,210)	(\$91,432)
Fund Balances at Beginning of Year	258,459	273,840	(109,824)
Fund Balances at End of Year	\$391,787	\$196,630	(\$201,256)

TRI-VALLEY LOCAL SCHOOL DISTRICT

Title I	Federal	Food Service	Total Nonmajor Special Revenue Funds
\$ 0	\$ 0	\$ 0	\$124,754
211,651	149,871	287,912	929,232
0	0	0	229,257
0	0	584,959	584,959
0	0	1,345	37,179
\$211,651	\$149,871	\$874,216	\$1,905,381
\$0	\$136,165	\$ 0	312,680
250,149	30,442	0	456,890
0	3	0	79,625
0	95	0	95
0	40,050	0	42,612
0	0	0	63,957
0	0	0	13,840
0	0	0	15,192
0	0	0	220
10,025	0	0	24,225
0	0	890,082	890,082
0	0	0	162,550
\$260,174	\$206,755	\$890,082	\$2,061,968
(\$48,523)	(\$56,884)	(\$15,866)	(\$156,587)
(165,494)	(68,268)	191,517	380,230
(\$214,017)	(\$125,152)	\$175,651	\$223,643

TRI-VALLEY LOCAL SCHOOL DISTRICT

**Combining Balance Sheet
Nonmajor Capital Projects Funds
June 30, 2003**

	<u>Permanent Improvement</u>	<u>State Funded Technology Projects</u>	<u>Total Nonmajor Capital Projects Funds</u>
<i>Assets:</i>			
Equity in Pooled Cash and Cash Equivalents	\$1,534,469	\$38,482	\$1,572,951
Total Assets	\$1,534,469	\$38,482	\$1,572,951
<i>Liabilities and Fund Equity:</i>			
<i>Liabilities:</i>			
Accounts Payable	\$ 0	\$8,204	\$8,204
Total Liabilities	\$ 0	\$8,204	\$8,204
<i>Fund Equity:</i>			
Fund Balances:			
Unreserved	\$1,534,469	\$30,278	\$1,564,747
Total Fund Equity	\$1,534,469	\$30,278	\$1,564,747
Total Liabilities and Fund Equity	\$1,534,469	\$38,482	\$1,572,951

TRI-VALLEY LOCAL SCHOOL DISTRICT

**Combining Statement of Revenues, Expenditures,
and Changes in Fund Balances
Nonmajor Capital Projects Funds
For the Fiscal Year Ended June 30, 2003**

	Permanent Improvement	State Funded Technology Projects	Total Nonmajor Capital Projects Funds
<i>Revenues:</i>			
Total Revenues	\$ 0	\$ 0	\$ 0
<i>Expenditures:</i>			
<i>Current:</i>			
<i>Instruction-</i>			
Regular	\$ 0	\$78,064	\$78,064
<i>Support Services-</i>			
Operation and Maintenance of Plant	495,689	0	495,689
Total Expenditures	\$495,689	\$78,064	\$573,753
Net Change in Fund Balances	(\$495,689)	(\$78,064)	(\$573,753)
Fund Balances at Beginning of Year	2,030,158	108,342	2,138,500
Fund Balances at End of Year	\$1,534,469	\$30,278	\$1,564,747

TRI-VALLEY LOCAL SCHOOL DISTRICT

Statement of Changes in Assets and Liabilities
Agency Fund
For the Fiscal Year Ended June 30, 2003

	Beginning Balance 7/1/02	Additions	Reductions	Ending Balance 6/30/02
<hr/> <i>Student Managed Activities</i>				
<i>Assets:</i>				
Equity in Pooled Cash and Cash Equivalents	\$84,749	\$171,097	\$159,200	\$96,646
<i>Total Assets</i>	\$84,749	\$171,097	\$159,200	\$96,646
<hr/>				
<i>Liabilities:</i>				
Due to Students	\$84,749	\$171,097	\$159,200	\$96,646
<i>Total Liabilities</i>	\$84,749	\$171,097	\$159,200	\$96,646
<hr/> <hr/>				

Tri-Valley Local School District

Individual Fund Schedules of Revenues, Expenditures/Expenses and
Changes in Fund Balances—Budget (Non-GAAP Basis) and Actual

TRI-VALLEY LOCAL SCHOOL DISTRICT

**Schedule of Revenues, Expenditures and Changes
in Fund Balance - Budget (Non-GAAP Basis) and Actual
General Fund**

For the Fiscal Year Ended June 30, 2003

	Final Budget	Actual	Variance Over (Under)
Revenues:			
Taxes	5,728,059	5,728,059	0
Intergovernmental	\$11,766,074	\$11,766,074	\$ 0
Interest	138,475	129,830	(8,645)
Tuition and Fees	31,970	32,080	110
Extracurricular Activities	109,359	109,387	28
Rentals	1,900	1,900	0
Miscellaneous	93,306	94,540	1234
Total Revenues	\$17,869,143	\$17,861,870	(\$7,273)
Expenditures:			
Current:			
Instruction-			
Regular:			
Salaries and Wages	\$6,959,299	\$6,404,810	\$554,489
Fringe Benefits	1,661,336	1,661,336	0
Purchased Services	158,485	158,485	0
Materials and Supplies	646,676	647,334	(658)
Other	109,615	109,616	(1)
Capital Outlay - New	185,604	185,604	0
Capital Outlay - Replacement	17,915	17,915	0
Total Regular	\$9,738,930	\$9,185,100	\$553,830
Special:			
Salaries and Wages	\$869,596	\$869,596	\$ 0
Fringe Benefits	202,209	202,209	0
Purchased Services	112,904	162,970	(50,066)
Materials and Supplies	32,511	32,606	(95)
Capital Outlay - New	3,407	3,407	0
Total Special	\$1,220,627	\$1,270,788	(\$50,161)
Vocational:			
Salaries and Wages	\$210,863	\$210,863	\$ 0
Fringe Benefits	64,523	64,523	0
Purchased Services	16,009	16,009	0
Materials and Supplies	18,159	18,160	(1)
Capital Outlay - New	18,202	18,202	0
Total Vocational	\$327,756	\$327,757	(\$1)

TRI-VALLEY LOCAL SCHOOL DISTRICT

**Schedule of Revenues, Expenditures and Changes
in Fund Balance - Budget (Non-GAAP Basis) and Actual
General Fund (Continued)**

For the Fiscal Year Ended June 30, 2003

	Final Budget	Actual	Variance Over (Under)
<i>Instruction (Continued)</i>			
<i>Other:</i>			
Fringe Benefits	\$1,732	\$1,732	\$ 0
<i>Total Other</i>	\$1,732	\$1,732	\$ 0
<i>Total Instruction</i>	\$11,289,045	\$10,785,377	\$503,668
<i>Support Services -</i>			
<i>Pupils:</i>			
Salaries and Wages	\$343,111	\$343,111	\$ 0
Fringe Benefits	79,031	79,031	0
Purchased Services	35,068	35,068	0
Materials and Supplies	37,682	37,682	0
Other	950	950	0
<i>Total Pupils</i>	\$495,842	\$495,842	\$ 0
<i>Instructional Staff:</i>			
Salaries and Wages	\$486,076	\$486,076	\$ 0
Fringe Benefits	103,535	103,535	0
Purchased Services	13,523	13,523	0
Materials and Supplies	40,760	40,760	0
Other	1,983	1,983	0
Capital Outlay - New	12,765	12,765	0
Capital Outlay - Replacement	2,887	2,887	0
<i>Total Instructional Staff</i>	\$661,529	\$661,529	\$ 0
<i>Board of Education:</i>			
Salaries and Wages	\$6,240	\$6,240	\$ 0
Purchased Services	70,690	70,689	1
Other	426,666	426,786	(120)
Capital Outlay - Replacement	43,454	43,454	0
<i>Total Board of Education</i>	\$547,050	\$547,169	(\$119)

TRI-VALLEY LOCAL SCHOOL DISTRICT

**Schedule of Revenues, Expenditures and Changes
in Fund Balance - Budget (Non-GAAP Basis) and Actual
General Fund (Continued)
For the Fiscal Year Ended June 30, 2003**

	Final Budget	Actual	Variance Over (Under)
<i>Administration:</i>			
Salaries and Wages	\$1,200,772	\$1,200,772	\$ 0
Fringe Benefits	454,043	454,043	0
Purchased Services	98,751	99,073	(322)
Materials and Supplies	17,998	17,997	1
Capital Outlay - New	21,670	21,670	0
Capital Outlay - Replacement	14,714	14,714	0
Total Administration	\$1,807,948	\$1,808,269	(\$321)
<i>Fiscal:</i>			
Salaries and Wages	\$190,282	\$190,282	\$ 0
Fringe Benefits	169,239	169,239	0
Purchased Services	12,095	12,421	(326)
Materials and Supplies	5,337	5,337	0
Capital Outlay - New	3,443	3,443	0
Total Fiscal	\$380,396	\$380,722	(\$326)
<i>Business:</i>			
Salaries and Wages	\$12,742	\$12,742	\$ 0
Total Business	\$12,742	\$12,742	\$ 0
<i>Operation and Maintenance of Plant:</i>			
Salaries and Wages	\$505,568	\$505,568	\$ 0
Fringe Benefits	244,249	244,249	0
Purchased Services	445,021	445,021	0
Materials and Supplies	163,863	163,917	(54)
Capital Outlay - New	14,865	14,865	0
Capital Outlay - Replacement	1,998	1,998	0
Total Operation and Maintenance of Plant	\$1,375,564	\$1,375,618	(\$54)

TRI-VALLEY LOCAL SCHOOL DISTRICT

**Schedule of Revenues, Expenditures and Changes
in Fund Balance - Budget (Non-GAAP Basis) and Actual
General Fund (Continued)**

For the Fiscal Year Ended June 30, 2003

	Final Budget	Actual	Variance Over (Under)
<i>Pupil Transportation:</i>			
Salaries and Wages	\$608,214	\$608,214	\$ 0
Fringe Benefits	304,774	304,774	0
Purchased Services	60,170	60,070	100
Materials and Supplies	225,243	231,230	(5,987)
Capital Outlay - New	1,338	1,338	0
Capital Outlay - Replacement	123,400	123,400	0
Total Pupil Transportation	\$1,323,139	\$1,329,026	(\$5,887)
<i>Central:</i>			
Salaries and Wages	\$76,045	\$76,045	\$ 0
Fringe Benefits	9,312	9,312	0
Purchased Services	3,387	3,386	1
Materials and Supplies	2,469	2,469	0
Capital Outlay - New	84,231	84,232	(1)
Total Central	\$175,444	\$175,444	\$ 0
Total Support Services	\$6,779,654	\$6,786,361	(\$6,707)
<i>Extracurricular Activities- Sports Oriented Activities:</i>			
Other	\$28,965	\$28,964	\$1
Total Extracurricular Activities	\$28,965	\$28,964	\$1
<i>Capital Outlay-</i>			
<i>Site Improvement Services:</i>			
Capital Outlay - New	\$438,684	\$444,188	(\$5,504)
Total Capital Outlay	\$438,684	\$444,188	(\$5,504)
Total Expenditures	\$18,536,348	\$18,044,890	\$491,458
Excess of Revenues Over (Under) Expenditures	(\$667,205)	(\$183,020)	\$484,185

TRI-VALLEY LOCAL SCHOOL DISTRICT

**Schedule of Revenues, Expenditures and Changes
in Fund Balance - Budget (Non-GAAP Basis) and Actual
General Fund (Continued)**
For the Fiscal Year Ended June 30, 2003

	Final Budget	Actual	Variance Over (Under)
<i>Other Financing Sources (Uses):</i>			
Refund of Prior Year Expenditures	\$16,216	\$16,216	\$ 0
<hr/>			
<i>Total Other Financing Sources (Uses)</i>	\$16,216	\$16,216	\$ 0
<hr/>			
Net Change in Fund Balance	(\$650,989)	(\$166,804)	\$484,185
Fund Balance at Beginning of Year	3,028,168	3,028,168	0
Prior Year Encumbrances Appropriated	824,194	824,194	0
<hr/>			
<i>Fund Balance at End of Year</i>	\$3,201,373	\$3,685,558	\$484,185
<hr/>			

TRI-VALLEY LOCAL SCHOOL DISTRICT

**Schedule of Revenues, Expenditures, and Changes
In Fund Balance - Budget (Non-GAAP Basis) and Actual
Building Fund**

For the Fiscal Year Ended June 30, 2003

	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Over (Under)</u>
<i>Revenues</i>			
Interest	\$336,956	\$348,023	\$11,067
Total Revenues	\$336,956	\$348,023	\$11,067
<i>Expenditures</i>			
<i>Capital Outlay:</i>			
Facilities Acquisition and Construction Services:			
Construction Services:			
<i>Site Improvement Services:</i>			
Purchased Services	\$22,120	\$22,120	\$ 0
Capital Outlay-New	\$15,574,731	\$15,574,831	(\$100)
Total Site Improvement Services	\$15,596,851	\$15,596,951	(\$100)
Total Capital Outlay	\$15,596,851	\$15,596,951	(\$100)
Total Expenditures	\$15,596,851	\$15,596,951	(\$100)
Net Change in Fund Balance	(\$15,259,895)	(\$15,248,928)	\$10,967
Fund Balance at Beginning of Year	17,232,816	17,232,816	0
Prior Year Encumbrances Appropriated	876,879	876,879	0
Fund Balance at End of Year	\$2,849,800	\$2,860,767	\$10,967

TRI-VALLEY LOCAL SCHOOL DISTRICT

**Schedule of Revenues, Expenditures and Changes
in Fund Balance - Budget (Non-GAAP Basis) and Actual
Local Fund**

For the Fiscal Year Ended June 30, 2003

	Final Budget	Actual	Variance Over (Under)
Revenues:			
Intergovernmental	\$13,512	\$13,512	\$ 0
Extracurricular Activities	237,963	\$229,257	(8,706)
Property and Other Local Taxes	121,460	121,460	0
Miscellaneous	35,834	35,834	0
Total Revenues	\$408,769	\$400,063	(\$8,706)
Expenditures:			
<i>Current:</i>			
<i>Instruction-</i>			
<i>Regular:</i>			
Materials and Supplies	\$3,204	\$3,204	\$ 0
Other	7,824	7,824	0
Capital Outlay - New	550	550	0
Total Regular	\$11,578	\$11,578	\$ 0
<i>Special:</i>			
Materials and Supplies	\$625	\$625	\$ 0
Total Special	\$625	\$625	\$ 0
Total Instruction	\$12,203	\$12,203	\$ 0
<i>Support Services -</i>			
<i>Pupils:</i>			
Other	\$900	\$900	\$ 0
Total Pupils	\$900	\$900	\$ 0
<i>Board of Education:</i>			
Other	\$3,562	\$2,562	\$1,000
Total Board of Education	\$3,562	\$2,562	\$1,000

TRI-VALLEY LOCAL SCHOOL DISTRICT

**Schedule of Revenues, Expenditures and Changes
in Fund Balance - Budget (Non-GAAP Basis) and Actual
Local Fund (Continued)**

For the Fiscal Year Ended June 30, 2003

	Final Budget	Actual	Variance Over (Under)
<i>Administration:</i>			
Other	\$75,626	\$75,624	\$2
<i>Total Administration</i>	\$75,626	\$75,624	\$2
<i>Operation and Maintenance of Plant</i>			
Capital Outlay - New	\$13,840	\$13,840	\$0
<i>Total Operation and Maintenance of Plant</i>	\$13,840	\$13,840	\$0
<i>Central:</i>			
Materials and Supplies	\$9,855	\$9,855	\$0
Other	7,296	7,297	(1)
<i>Total Central</i>	\$17,151	\$17,152	(\$1)
<i>Total Support Services</i>	\$111,079	\$110,078	\$1,001
<i>Extracurricular Activities -</i>			
<i>Academic Oriented Activities</i>			
Other	\$32,890	\$32,890	\$0
<i>Total Academic Oriented Activities</i>	\$32,890	\$32,890	\$0
<i>Occupation Oriented Activities</i>			
Other	\$78	\$78	\$0
<i>Total Occupation Oriented Activities</i>	\$78	\$78	\$0
<i>Sport Oriented Activities</i>			
Other	\$141,788	\$141,789	(\$1)
<i>Total Sport Oriented Activities</i>	\$141,788	\$141,789	(\$1)

TRI-VALLEY LOCAL SCHOOL DISTRICT

**Schedule of Revenues, Expenditures and Changes
in Fund Balance - Budget (Non-GAAP Basis) and Actual
Local Fund (Continued)**

For the Fiscal Year Ended June 30, 2003

	Final Budget	Actual	Variance Over (Under)
<i>School and Public Service Activities</i>			
Other	\$8,717	\$8,717	\$ 0
<i>Total School and Public Service Activities</i>	\$8,717	\$8,717	\$ 0
<i>Total Extracurricular Activities</i>	\$183,473	\$183,474	(\$1)
<i>Total Expenditures</i>	\$306,755	\$305,755	\$1,000
Net Change in Fund Balance	\$102,014	\$94,308	(\$7,706)
Fund Balance at Beginning of Year	167,215	167,215	0
Prior Year Encumbrances Appropriated	54,745	54,745	0
<i>Fund Balance at End of Year</i>	\$323,974	\$316,268	(\$7,706)

TRI-VALLEY LOCAL SCHOOL DISTRICT

**Schedule of Revenues, Expenditures and Changes
in Fund Balance - Budget (Non-GAAP Basis) and Actual
State Fund**

For the Fiscal Year Ended June 30, 2003

	Final Budget	Actual	Variance Over (Under)
Revenues:			
Intergovernmental	\$97,770	\$97,770	\$ 0
Total Revenues	\$97,770	\$97,770	\$ 0
Expenditures:			
<i>Current:</i>			
<i>Instruction-</i>			
<i>Regular:</i>			
Salaries and Wages	\$85,961	\$85,961	\$ 0
Purchased Services	59,313	59,313	0
Materials and Supplies	27,734	27,734	0
Capital Outlay - New	1,620	1,620	0
Total Regular	\$174,628	\$174,628	\$ 0
<i>Special:</i>			
Purchased Services	\$9,272	\$9,272	\$ 0
Total Special	\$9,272	\$9,272	\$ 0
Total Instruction	\$183,900	\$183,900	\$ 0
<i>Support Services-</i>			
<i>Central:</i>			
Purchased Services	\$220	\$220	\$ 0
Total Central	\$220	\$220	\$ 0
Total Support Services	\$220	\$220	\$ 0
Total Expenditures	\$184,120	\$184,120	\$ 0

(Continued)

TRI-VALLEY LOCAL SCHOOL DISTRICT

**Schedule of Revenues, Expenditures and Changes
in Fund Balance - Budget (Non-GAAP Basis) and Actual
State Fund (Continued)**

For the Fiscal Year Ended June 30, 2003

	Final Budget	Actual	Variance Over (Under)
Net Change in Fund Balance	(\$86,350)	(\$86,350)	\$ 0
Fund Balance at Beginning of Year	272,903	272,903	0
Prior Year Encumbrances Appropriated	19,869	19,869	0
<i>Fund Balance at End of Year</i>	\$206,422	\$206,422	\$ 0

TRI-VALLEY LOCAL SCHOOL DISTRICT

**Schedule of Revenues, Expenditures and Changes
in Fund Balance - Budget (Non-GAAP Basis) and Actual
Title VI-B**

For the Fiscal Year Ended June 30, 2003

	Final Budget	Actual	Variance Over (Under)
Revenues:			
Intergovernmental	\$168,516	\$168,516	\$ 0
Total Revenues	\$168,516	\$168,516	\$ 0
Expenditures:			
<i>Current:</i>			
<i>Instruction -</i>			
<i>Special:</i>			
Salaries and Wages	\$99,288	\$99,288	\$ 0
Fringe Benefits	26,738	26,738	0
Purchased Services	38,000	38,000	0
Materials and Supplies	3,000	3,000	0
Total Special Instruction	\$167,026	\$167,026	\$ 0
Total Instruction	\$167,026	\$167,026	\$ 0
<i>Support Services -</i>			
<i>Pupils:</i>			
Salaries	\$1	\$1	\$ 0
Purchased Services	78,721	78,721	0
Total Pupils	\$78,722	\$78,722	\$ 0
Total Support Services	\$78,722	\$78,722	\$ 0
<i>Non-Instructional Services -</i>			
<i>Community Services:</i>			
Purchased Services	\$14,200	\$14,200	\$ 0
Total Community Services	\$14,200	\$14,200	\$ 0
Total Non-Instructional Services	\$14,200	\$14,200	\$ 0
Total Expenditures	\$259,948	\$259,948	\$ 0
Net Change in Fund Balance	(\$91,432)	(\$91,432)	\$ 0
Fund Balance at Beginning of Year	(109,824)	(109,824)	0
Fund Balance at End of Year	(\$201,256)	(\$201,256)	\$ 0

TRI-VALLEY LOCAL SCHOOL DISTRICT

**Schedule of Revenues, Expenditures and Changes
in Fund Balance - Budget (Non-GAAP Basis) and Actual**

Title I

For the Fiscal Year Ended June 30, 2003

	Final Budget	Actual	Variance Over (Under)
Revenues:			
Intergovernmental	\$211,651	\$211,651	\$ 0
Total Revenues	\$211,651	\$211,651	\$ 0
Expenditures:			
<i>Current:</i>			
<i>Instruction -</i>			
<i>Special:</i>			
Salaries and Wages	\$196,466	\$196,466	\$ 0
Fringe Benefits	37,115	37,115	0
Materials and Supplies	16,568	16,568	0
Total Special Instruction	\$250,149	\$250,149	\$ 0
Total Instruction	\$250,149	\$250,149	\$ 0
<i>Non-Instructional Services -</i>			
<i>Community Services:</i>			
Purchased Services	\$10,025	\$10,025	\$ 0
Total Community Services	\$10,025	\$10,025	\$ 0
Total Non-Instructional Services	\$10,025	\$10,025	\$ 0
Total Expenditures	\$260,174	\$260,174	\$ 0
Net Change in Fund Balance	(\$48,523)	(\$48,523)	\$ 0
Fund Balance at Beginning of Year	(165,494)	(165,494)	0
Fund Balance at End of Year	(\$214,017)	(\$214,017)	\$ 0

TRI-VALLEY LOCAL SCHOOL DISTRICT

**Schedule of Revenues, Expenditures and Changes
in Fund Balance - Budget (Non-GAAP Basis) and Actual
Federal Fund**

For the Fiscal Year Ended June 30, 2003

	Final Budget	Actual	Variance Over (Under)
Revenues:			
Intergovernmental	\$110,681	\$110,681	\$ 0
Total Revenues	\$110,681	\$110,681	\$ 0
Expenditures:			
<i>Current:</i>			
<i>Instruction-</i>			
<i>Regular:</i>			
Salaries and Wages	\$94,371	\$94,371	\$ 0
Fringe Benefits	24,156	24,156	0
Purchased Services	17,638	17,638	0
Total Regular Instruction	\$136,165	\$136,165	\$ 0
<i>Instruction-</i>			
<i>Special:</i>			
Materials and Supplies	\$1,951	\$1,951	\$ 0
Capital Outlay - New	29,049	29,049	0
Total Special Instruction	\$31,000	\$31,000	\$ 0
Total Instruction	\$167,165	\$167,165	\$ 0
<i>Support Services -</i>			
<i>Pupils:</i>			
Purchased Services	\$3	\$3	\$ 0
Total Pupils	\$3	\$3	\$ 0
<i>Support Services -</i>			
<i>Instructional Staff:</i>			
Purchased Services	\$95	\$95	\$ 0
Total Instructional Staff	\$95	\$95	\$ 0
<i>Support Services -</i>			
<i>Board of Education:</i>			
Purchased Services	\$15,142	\$15,142	\$ 0
Other	24,908	24,908	0
Total Board of Education	\$40,050	\$40,050	\$ 0

TRI-VALLEY LOCAL SCHOOL DISTRICT

**Schedule of Revenues, Expenditures and Changes
in Fund Balance - Budget (Non-GAAP Basis) and Actual
Federal Fund (Continued)**

For the Fiscal Year Ended June 30, 2003

	Final Budget	Actual	Variance Over (Under)
<i>Total Support Services</i>	\$40,148	\$40,148	\$ 0
<i>Total Expenditures</i>	\$207,313	\$207,313	\$ 0
Net Change in Fund Balance	(\$96,632)	(\$96,632)	\$ 0
Fund Balance at Beginning of Year	(80,196)	(80,196)	0
<i>Fund Balance at End of Year</i>	(\$176,828)	(\$176,828)	\$ 0

TRI-VALLEY LOCAL SCHOOL DISTRICT

**Schedule of Revenues, Expenditures, and Changes
In Fund Balance - Budget (Non-GAAP Basis) and Actual
Food Service Fund**

For the Fiscal Year Ended June 30, 2003

	Final Budget	Actual	Variance Over (Under)
Revenues			
Intergovernmental	\$218,954	\$218,954	\$ 0
Charges for Services	584,959	584,959	0
Miscellaneous	1,345	1,345	0
Total Revenues	\$805,258	\$805,258	\$ 0
Expenditures			
<i>Current:</i>			
<i>Food Service Operations</i>			
Salaries	\$279,204	\$279,204	\$ 0
Fringe Benefits	127,139	127,139	0
Purchased Services	78,323	78,323	0
Materials and Supplies	394,992	394,992	0
Other	215	215	0
Capital Outlay - New	2,060	2,060	0
Capital Outlay - Replacement	1,743	1,743	0
Total Food Service Operations	\$883,676	\$883,676	\$ 0
Total Expenditures	\$883,676	\$883,676	\$ 0
Net Change in Fund Balance	(\$78,418)	(\$78,418)	\$ 0
Fund Balance at Beginning of Year	156,144	156,144	0
Prior Year Encumbrances Appropriated	47,338	47,338	0
Fund Balance at End of Year	\$125,064	\$125,064	\$ 0

TRI-VALLEY LOCAL SCHOOL DISTRICT

**Schedule of Revenues, Expenditures, and Changes
In Fund Balance - Budget (Non-GAAP Basis) and Actual
Debt Service Fund**

For the Fiscal Year Ended June 30, 2003

	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Over (Under)</u>
<i>Revenues:</i>			
Intergovernmental	\$120,237	\$120,237	\$ 0
Taxes	1,080,882	1,080,882	0
Total Revenues	\$1,201,119	\$1,201,119	\$ 0
<i>Expenditures:</i>			
<i>Current:</i>			
<i>Support Services - Board of Education:</i>			
Other	\$23,301	\$22,801	\$500
Total Support Services	\$23,301	\$22,801	\$500
<i>Debt Service:</i>			
Principal Retirement	\$288,053	\$288,053	\$ 0
Interest and Fiscal Charges	922,080	922,080	0
Total Debt Service	\$1,210,133	\$1,210,133	\$ 0
Total Expenditures	\$1,233,434	\$1,232,934	\$500
Net Change in Fund Balance	(\$32,315)	(\$31,815)	\$500
Fund Balance at Beginning of Year	\$342,472	\$342,472	\$ 0
Fund Balance End of Year	\$310,157	\$310,657	\$500

TRI-VALLEY LOCAL SCHOOL DISTRICT

**Schedule of Revenues, Expenditures, and Changes
In Fund Balance - Budget (Non-GAAP Basis) and Actual
Permanent Improvement Fund
For the Fiscal Year Ended June 30, 2003**

	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Over (Under)</u>
<i>Revenues:</i>			
Total Revenues	\$ 0	\$ 0	\$ 0
<i>Expenditures:</i>			
<i>Capital Outlay-</i>			
<i>Site Improvement Services:</i>			
Capital Outlay - New	\$501,429	\$501,429	\$ 0
Total Site Improvement Services	\$501,429	\$501,429	\$ 0
<i>Building Improvement Services:</i>			
Capital Outlay – New	\$8,100	\$8,100	\$ 0
Total Building Improvement Services	\$8,100	\$8,100	\$ 0
Total Capital Outlay	\$509,529	\$509,529	\$ 0
Total Expenditures	\$509,529	\$509,529	\$ 0
Net Change in Fund Balance	(\$509,529)	(\$509,529)	\$ 0
Fund Balance at Beginning of Year	2,043,998	2,043,998	0
Fund Balance at End of Year	\$1,534,469	\$1,534,469	\$ 0

TRI-VALLEY LOCAL SCHOOL DISTRICT

**Schedule of Revenues, Expenditures, and Changes
In Fund Balance - Budget (Non-GAAP Basis) and Actual
State Funded Technology Projects Fund
For the Fiscal Year Ended June 30, 2003**

	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Over (Under)</u>
<i>Revenues:</i>			
Intergovernmental	\$ 0	\$ 0	\$ 0
<i>Total Revenues</i>	\$ 0	\$ 0	\$ 0
<i>Expenditures:</i>			
<i>Instruction -</i>			
<i>Regular:</i>			
Purchased Services	\$261	\$261	\$ 0
Capital Outlay - New	81,326	81,326	0
<i>Total Instruction</i>	\$81,587	\$81,587	\$ 0
<i>Total Expenditures</i>	\$81,587	\$81,587	\$ 0
Net Change in Fund Balance	(\$81,587)	(\$81,587)	\$ 0
Fund Balance at Beginning of Year	23,640	23,640	0
Prior Year Encumbrances Appropriated	81,363	81,363	0
<i>Fund Balance at End of Year</i>	\$23,416	\$23,416	\$ 0

TRI-VALLEY LOCAL SCHOOL DISTRICT

**Schedule of Revenues, Expenses, and Changes
In Fund Balance - Budget (Non-GAAP Basis) and Actual
Self-Insurance Fund**

For the Fiscal Year Ended June 30, 2003

	Final Budget	Actual	Variance Over (Under)
<i>Revenues:</i>			
Charges for Services	\$1,794,648	\$1,957,751	\$163,103
Total Revenues	\$1,794,648	\$1,957,751	\$163,103
<i>Expenses:</i>			
Purchased Services	\$331,984	\$305,426	\$26,558
Claims	1,776,889	1,776,889	0
Total Expenses	\$2,108,873	\$2,082,315	\$26,558
Net Change in Fund Balance	(\$314,225)	(\$124,564)	\$189,661
Fund Balance at Beginning of Year	529,573	529,573	0
Prior Year Encumbrances Appropriated	48,873	48,873	0
Fund Balance at End of Year	\$264,221	\$453,882	\$189,661

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*Statistical
Section*



Tri-Valley Local School District

The following statistical tables reflect social and economic data, financial trends, and fiscal capacity of the District.

Governmental Expenditures by Function

Last Ten Fiscal Years

	2003(1)	2002(1)	2001	2000	1999
INSTRUCTION:					
Regular	\$9,752,516	\$9,578,384	\$8,123,445	\$7,374,325	\$6,809,933
Special	1,664,215	1,017,015	904,666	1,064,109	900,114
Vocational	306,944	308,644	261,496	249,117	234,097
Other/Unemployment Comp	0	0	1,822	2,536	418
Adult/Continuing	1,256	2,020	0	0	0
SUPPORT SERVICES:					
Pupils	550,709	378,810	402,585	422,657	402,366
Instructional Staff	680,469	493,861	493,723	370,850	330,099
Board of Education	555,669	744,877	127,729	528,181	565,915
Administration	1,883,544	1,756,433	1,770,942	1,592,241	1,338,917
Fiscal	383,318	334,088	305,421	269,636	208,788
Business	17,862	0	0	0	417
Operation & Maintenance of Plant	1,829,368	1,261,563	1,316,552	1,238,350	1,113,100
Pupil Transportation	1,375,748	1,246,696	1,467,757	1,133,924	1,105,310
Central	174,299	66,118	146,204	56,002	58,529
Operation of Non-Instructional Services	24,225	0	151,626	139,017	140,077
Food Service Operations	890,082	735,836	0	0	0
Extracurricular Activities	190,543	183,186	0	0	0
Capital Outlay	2,962,554	526,108	366,729	618,142	749,884
DEBT SERVICE:					
Principal Retirement	318,296	148,518	127,162	122,536	115,791
Bond Issuance Cost	0	90,728	0	0	0
Interest and Fiscal Charges	932,205	416,543	14,039	21,096	27,377
TOTAL	\$24,493,822	\$19,290,428	\$15,481,898	\$15,202,719	\$14,101,132

(1) Includes modified accrual information only. Once sufficient years of full accrual information has been obtained, it will be included in a separate table.

(Continued)

Table 1

TRI-VALLEY LOCAL SCHOOL DISTRICT

S - 1

Governmental Expenditures by Function (Continued)

Last Ten Fiscal Years

	1998	1997	1996	1995	1994
INSTRUCTION					
<i>Regular</i>	\$7,129,041	\$6,949,812	\$6,180,898	\$5,606,230	\$5,414,227
<i>Special</i>	840,905	873,677	775,993	787,532	808,759
<i>Vocational</i>	202,496	223,991	204,934	219,928	210,948
<i>Other/Unemployment Comp</i>	5,391	7,825	2,899	72	41
<i>Adult Continuing</i>	0	0	0	272	0
SUPPORTSERVICES:					
<i>Pupils</i>	338,443	347,628	268,565	320,247	353,972
<i>Instructional Staff</i>	313,226	297,959	283,900	332,918	287,515
<i>Board of Education</i>	351,618	392,108	417,154	379,072	313,152
<i>Administration</i>	1,415,221	1,381,573	1,303,155	1,232,789	1,123,284
<i>Fiscal</i>	244,455	200,979	181,276	175,395	172,479
<i>Business</i>	64	41,769	12,348	34,394	85,466
<i>Operation & Maintenance of Plant</i>	1,003,753	1,028,748	955,318	982,196	916,911
<i>Pupil Transportation</i>	923,733	1,011,664	847,766	916,720	734,262
<i>Central</i>	71,009	61,147	49,470	75,087	30,326
<i>Operation of Non-Instructional Services</i>	111,654	0	0	0	0
<i>Food Service Operations</i>	0	0	0	0	0
<i>Extracurricular</i>	0	97,708	106,934	102,815	101,264
<i>Capital Outlay</i>	176,536	458,820	232,454	484,682	435,946
DEBTSERVICE:					
<i>Principal Retirement</i>	109,227	101,831	86,156	80,362	78,598
<i>Bond Issuance Cost</i>	0	0	0	0	0
<i>Interest and Fiscal Charges</i>	33,940	39,626	35,741	41,042	45,181
TOTAL	\$13,270,712	\$13,516,865	\$11,944,961	\$11,771,753	\$11,112,331

Governmental Revenues By Source
Last Ten Fiscal Years

	2003 (1)	2002 (1)	2001	2000	1999
<i>Taxes</i>	\$7,131,702	\$6,586,011	\$5,642,266	\$4,547,740	\$4,523,395
<i>Intergovernmental</i>	12,815,543	12,633,675	0	0	0
<i>Interest</i>	475,152	417,068	371,823	285,761	237,328
<i>Grants in Air - Federal</i>	0	0	578,701	413,989	553,733
<i>Grants in Aid - State</i>	0	0	10,365,646	9,164,672	8,994,553
<i>Tuition and Fees</i>	32,080	36,724	0	0	0
<i>Extracurricular Activities</i>	338,644	309,450	264,379	224,350	291,665
<i>Other Local Sources</i>	0	0	139,625	244,879	150,561
<i>Gifts and Donations</i>	0	4,300	0	0	0
<i>Charges for Services</i>	584,959	551,223	0	0	0
<i>Rentals</i>	0	355	0	0	0
<i>Miscellaneous</i>	149,835	89,991	0	0	0
<i>Revenue in Lieu of Taxes</i>	0	0	34	38,150	7,976
TOTAL	\$21,527,915	\$20,283,004	\$17,362,474	\$14,919,541	\$14,759,211

(1) Includes modified accrual information only. Once sufficient years of full accrual information has been obtained, it will be included in a separate table.

Source: School District Financial Records

(Continued)

Governmental Revenues By Source (Continued)
Last Ten Fiscal Years

	1998	1997	1996	1995	1994
<i>Taxes</i>	\$4,323,041	\$3,768,933	\$3,746,482	\$3,449,825	\$3,225,330
<i>Intergovernmental</i>	0	0	0	0	0
<i>Interest</i>	290,765	193,483	224,287	196,482	121,448
<i>Grants in Aid - Federal</i>	98,724	332,153	329,770	350,231	354,907
<i>Grants in Aid - State</i>	9,164,763	8,239,458	8,340,899	7,482,857	6,946,342
<i>Tuition</i>	0	0	13,636	16,505	12,418
<i>Extracurricular Activities</i>	251,540	233,272	209,971	232,631	172,529
<i>Other Local Sources</i>	150,825	90,207	95,730	125,523	131,462
<i>Gifts and Donations</i>	0	0	0	0	0
<i>Charges for Services</i>	0	0	0	0	0
<i>Rentals</i>	0	0	0	0	0
<i>Miscellaneous</i>	0	0	0	0	0
<i>Revenue in Lieu of Taxes</i>	19,085	410	410	410	376
TOTAL	\$14,298,743	\$12,857,916	\$12,961,185	\$11,854,464	\$10,964,812

Source: School District Financial Records

**Property Tax Levies and Collections
Last Ten Years**

Collection Year	Current Tax Levy	Current Tax Collection	Percent Collected	Delinquent Tax Collected	Total Tax Collections	Percent of Total Collections to Current Levies	Outstanding Delinquent Taxes	Percent of Outstanding Delinquent Taxes to Current Tax Levy
2003	\$6,348,284	\$5,976,081	94.14%	\$261,625	\$6,237,706	98.26%	\$310,705	4.89%
2002	5,959,139	5,706,268	95.76	177,174	5,883,442	98.73	503,797	8.45
2001	4,997,555	4,299,714	86.04	125,415	4,425,129	97.17	300,577	6.99
2000	4,740,761	4,638,556	97.84	148,336	4,786,892	99.04	194,343	5.35
1999	4,682,349	4,444,745	94.93	132,616	4,577,361	97.76	253,532	5.41
1998	4,486,759	4,480,480	99.86	120,756	4,601,236	102.55	206,833	4.61
1997	3,903,084	3,664,371	93.88	99,159	3,763,530	96.42	231,061	5.92
1996	3,616,738	3,574,101	98.82	99,608	3,673,709	101.57	216,557	5.99
1995	3,594,847	3,453,927	96.08	185,501	3,639,428	101.24	200,406	5.57
1994	3,289,491	3,194,627	97.12	130,179	3,324,806	101.07	216,453	6.58

Source: Muskingum County Auditor and Coshocton County Auditor

Information is presented on a calendar year basis because that is the way it is maintained by the County Auditors.

**Assessed and Estimated Actual Values of Taxable Property
(Muskingum and Coshocton Counties)
Last Ten Years**

Collection Year	Real Property (1)		Public Utilities - Personal		Tangible Personal Property		Totals		
	Assessed Value	Estimated Actual Value	Assessed Value	Estimated Actual Value	Assessed Value	Estimated Actual Value	Assessed Value	Estimated Actual Value	
2003	\$218,015,220	\$622,900,629	\$25,689,070	\$25,689,070	\$33,242,720	\$132,970,880	\$276,947,010	781,560,579	35%
2002	211,231,990	603,519,971	20,736,920	20,736,920	30,886,255	123,545,020	262,855,165	747,801,911	35
2001	204,726,010	584,931,457	28,338,550	28,338,550	26,512,560	106,050,240	259,577,120	719,320,247	37
2000	156,318,600	446,624,571	26,747,200	26,747,200	21,287,330	85,149,320	204,353,130	558,521,091	37
1999	152,126,620	434,647,486	26,873,090	26,873,090	21,709,255	86,837,020	200,708,965	548,357,596	37
1998	147,804,160	422,297,660	26,002,780	26,002,780	19,473,105	55,637,443	193,280,045	503,937,823	38
1997	123,240,770	352,116,486	25,502,960	25,502,960	17,011,265	48,603,614	165,754,995	426,223,060	39
1996	118,143,760	337,553,600	25,520,140	25,520,140	11,756,440	47,025,760	155,420,340	410,099,500	38
1995	112,128,920	320,368,343	26,435,710	26,435,710	11,147,231	44,588,924	149,711,861	391,392,977	38
1994	91,887,800	262,536,571	25,777,040	25,777,040	7,888,882	31,555,528	125,553,722	319,869,139	39

Source: Muskingum County Auditor and Coshocton County Auditor
(1) Real Property values include Public Utility Real Property

**Property Tax Rates - Direct and All Overlapping Governments
(Per Thousand Dollars of Assessed Value)
Last Ten Years**

School District	1994	1995	1996	1997	1998	1999	2000	2001	2002	2003
Tri-Valley	\$35.55	\$35.55	\$35.55	\$35.55	\$35.55	\$35.55	\$35.55	\$35.55	\$40.45	\$40.55
County Units										
General Fund	2.15	2.15	2.15	2.15	2.15	2.15	2.15	2.15	2.15	2.15
T. B. Clinic	.40	.40	.40	.40	.40	.40	.40	.40	.40	.40
Mental Retardation and Developmental Disabilities	3.00	5.00	5.00	5.00	5.00	5.00	5.00	5.00	5.00	5.00
County Home	2.00	2.00	2.00	2.00	2.00	2.00	2.00	2.00	2.00	2.00
Mental Health	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00
Children Service	2.00	2.00	2.00	2.00	2.00	2.00	2.00	2.00	2.00	2.00
Library Bond	.90	.80	.80	.70	.70	.70	.70	.50	.10	.00
Senior Services	0.00	0.00	0.00	0.00	.50	.50	.50	.50	.50	.50
Sheriffs Operating	0.00	.50	.50	.50	.50	.50	.50	.50	.50	.50
TOTAL COUNTY	11.45	13.85	13.85	13.75	14.25	14.25	14.25	14.05	13.65	13.55
Special Districts										
Muskingum County General Health District	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00
Joint Vocational School Districts										
Mid-East Ohio (1)	3.20	3.20	3.20	3.20	3.20	3.20	3.20	3.20	3.20	3.20

(1) Formerly Muskingum Area Joint Vocational School

(Continued)

Property Tax Rates - Direct and All Overlapping Governments (Continued)
(Per Thousand Dollars of Assessed Value)
Last Ten Years

Corporations	1994	1995	1996	1997	1998	1999	2000	2001	2002	2003
Adamsville	\$2.65	\$2.65	\$2.65	\$2.65	\$2.65	\$2.65	\$2.65	\$2.65	\$2.65	\$2.65
Dresden-										
Cass Township	5.10	4.40	4.30	4.10	3.70	3.70	3.70	4.00	3.90	3.90
Dresden-										
Jefferson Township	6.05	5.35	5.25	5.05	4.65	4.65	4.65	4.95	4.85	4.85
Frazeysburg-										
Jackson Township	8.15	8.15	8.15	5.15	5.15	5.15	5.15	7.15	7.15	7.15
Townships										
Adams	4.35	4.35	4.35	4.35	4.35	4.35	4.35	4.35	4.35	4.35
Cass	3.45	3.45	3.25	3.25	2.00	3.25	3.25	2.75	2.75	3.25
Falls	3.35	3.35	3.35	3.35	3.35	3.65	3.65	3.65	3.65	3.65
Jackson	4.65	4.65	6.65	6.65	6.85	6.85	6.85	6.85	6.85	6.85
Jefferson	3.90	3.90	3.40	3.40	3.40	3.40	3.40	2.40	2.40	2.40
Licking	5.75	5.75	5.75	5.75	6.25	6.25	6.25	6.25	4.75	5.75
Madison	2.40	2.40	2.40	2.40	2.40	2.40	2.40	2.40	2.40	2.40
Muskingum	3.50	3.50	3.50	3.50	3.50	3.50	3.50	3.50	3.50	4.00
Salem	3.55	3.55	3.55	3.55	3.55	3.55	3.55	3.55	3.55	3.55
Washington	4.15	4.15	4.15	4.15	4.15	4.15	4.15	4.15	4.15	4.15
Zanesville	3.40	3.40	3.40	3.40	3.40	3.40	3.40	3.40	3.40	3.40

Source: Muskingum County Auditor and Coshocton County Auditor

TRI-VALLEY LOCAL SCHOOL DISTRICT

**Ratio of Net General Obligation Bonded Debt to Assessed Value
and Net General Obligation Bonded Debt Per Capita
Last Ten Years**

Year	Net General Bonded Debt (1)	Assessed Value (2)	Population (3)	Ratio of Net Debt to Assessed Value	Net Debt Per Capita
2003	\$17,492,490	\$276,947,010	15,446	15.83%	\$2,445.00
2002	17,778,975	262,855,165	15,446	14.78	2,283.00
2001	0	259,577,120	15,446	0.00	0.00
2000	0	204,353,130	15,446	0.00	0.00
1999	0	200,708,965	13,726	0.00	0.00
1998	0	193,280,045	13,726	0.00	0.00
1997	0	165,754,995	13,726	0.00	0.00
1996	0	155,420,340	13,726	0.00	0.00
1995	0	149,711,861	13,726	0.00	0.00
1994	0	125,553,722	13,726	0.00	0.00

(1) Includes all general obligation bonded debt payable from property taxes.

(2) Source: County Auditor

(3) Source: U.S. Bureau of Census, Census of Population.

TRI-VALLEY LOCAL SCHOOL DISTRICT

Computation of Legal Debt Margin

June 30, 2003

Assessed Valuation	\$276,947,010
Bonded Debt Limitation - 9% of Assessed Valuation (1)	24,925,231
Amount of Debt Applicable to Debt Limit	18,220,000
Amount Available in Debt Service Fund	727,510
Overall Debt Margin	<u>\$7,432,741</u>
Bonded Debt Limitation - .10% of Assessed Valuation (1)	\$276,947
Amount of Debt Applicable to Debt Limit	0
Unvoted Debt Margin	<u>\$276,947</u>

(1) Ohio Bond Law sets a limit of 9% of assessed value for all debt (voted and unvoted) and 1/10 of 1% for unvoted debt.

Source: Muskingum County Auditor and School District Financial Records

TRI-VALLEY LOCAL SCHOOL DISTRICT

**Computation of Direct and Overlapping
Net General Obligation Debt
June 30, 2003**

Political Subdivision	Net Debt Outstanding (1)	Percent Applicable to School District	Amount Applicable to School District
Tri-Valley Local School District	\$ 17,492,490	100.00%	\$17,492,490
Muskingum County (2)	15,915,049	20.43	3,251,445
Mid-East Ohio Joint Vocational School	0	0	0
Overlapping Debt	\$15,915,049		\$3,251,445
Total Amount Applicable to School District	\$33,407,539	62.09%	\$20,743,935

Source: Muskingum County Auditor and Coshocton County Auditor

(1) Amount includes only general obligation bonds payable from property taxes.

(2) Outstanding debt balances as of December 31, 2002, the latest information available.

TRI-VALLEY LOCAL SCHOOL DISTRICT

**Ratio of Annual Debt Service Expenditures for General
Obligation Bonded Debt to Total General Fund Expenditures
Last Ten Fiscal Years**

Year	Principal	Interest	Total Debt Service	Total General Fund Expenditures (1)	Ratio of Debt Service to General Fund Expenditures
2003	\$280,000	\$922,080	\$1,202,080	\$17,804,271	6.75%
2002	0	195,326	195,326	17,310,716	1.13
2001	0	0	0	15,419,599	0.00
2000	0	0	0	13,788,433	0.00
1999	0	0	0	13,532,341	0.00
1998	0	0	0	12,199,675	0.00
1997	0	0	0	12,028,363	0.00
1996	0	0	0	11,576,873	0.00
1995	0	0	0	10,581,224	0.00
1994	0	0	0	10,004,424	0.00

(1) Includes Other Financing Uses

Source: School District Financial Records

**Assessed Real Property Values, New Construction
and Bank Deposits**
Last Ten Years

Year	New Construction				Bank Deposits	Real Property Value					
	Agricultural/ Residential	Commercial/ Industrial	Total New Construction			Agricultural/ Residential	Commercial/ Industrial (1)	Public Utility	Total Taxable	Tax Exempt	
2002	\$3,848,990	\$1,080,080	\$4,929,070	\$402,085,000	\$180,218,790	\$37,601,170	\$195,260	\$218,015,220	\$31,248,580		
2001	3,983,330	2,877,950	6,861,280	1,508,212,000	175,453,920	35,588,280	189,790	211,231,990	25,732,980		
2000	5,495,420	8,872,740	14,368,160	1,475,951,000	171,672,280	32,857,360	196,370	204,726,010	18,589,610		
1999	4,463,260	804,780	6,072,820	1,135,931,000	130,662,280	25,423,960	232,360	156,318,600	10,110,400		
1998	4,349,230	1,255,370	5,604,600	1,106,444,000	127,865,690	23,994,370	266,560	152,126,620	7,557,190		
1997	3,787,050	414,320	4,201,370	660,855,000	124,013,390	23,508,290	282,480	147,804,160	7,483,880		
1996	3,587,700	1,620,690	5,208,370	341,890,000	101,840,600	22,034,220	269,050	123,240,770	7,424,330		
1995	3,455,110	1,597,450	5,052,560	289,095,000	96,930,430	21,005,260	208,070	118,143,760	7,381,470		
1994	2,018,600	831,380	2,849,980	300,277,000	93,643,020	18,255,990	229,910	112,128,920	5,897,020		
1993	2,219,720	1,643,260	3,862,980	289,869,000	77,198,660	14,502,750	186,390	91,887,800	6,077,890		

(1) Amount includes mineral lands and rights.
 Note: Table reflects tax year, not collection year.
 Source: Muskingum County Auditor

**Demographic Statistics
Last Ten Years**

Year	Population	Per Capita Income	Median Age	Education Level in Formal Schooling	School Enrollment	Unemployment Rate (%)
2002	15,446	\$22,055	33	12.9	3,073	6.40%
2001	15,446	27,330	33	13.0	3,077	5.90
2000	15,446	27,231	33	12.8	3,068	5.80
1999	13,726	27,445	33	12.9	3,031	6.54
1998	13,726	21,686	33	12.9	2,983	6.97
1997	13,726	18,968	31	12.9	2,977	6.83
1996	13,726	18,204	32	13.0	2,983	7.99
1995	13,726	16,903	31	12.9	2,999	7.70
1994	13,726	15,795	31	12.9	2,930	6.20
1993	13,726	14,832	32	13.0	2,986	10.00

Source: Bureau of the Census, District Records

TRI-VALLEY LOCAL SCHOOL DISTRICT

Principal Property Taxpayers

<u>Real Property</u>	<u>Assessed Valuation (1)</u>	<u>% of Total Assessed Valuation</u>
Longaberger Company	\$15,182,860	6.97%
Ohio Power Company	4,470,380	2.05
Altell	4,360,250	2.00
Columbus Southern	1,986,500	.91
MCI Telecommunications	1,531,830	.70
Ohio Oil Gathering	795,340	.36
Columbia Gas Transmission	733,720	.34
United Telephone	702,710	.32
National Gas and Oil	368,190	.17
Charles Graham	343,150	.16
Total Assessed Value	\$30,474,930	13.98%
<u>Tangible Personal Property</u>		
Ohio Power Company	\$3,625,080	6.15%
DCG Properties LLC	3,244,160	5.50
Longaberger Company	1,794,640	3.05
North Coast Energy	1,307,690	2.22
Ray Thomas Lumbertown	949,270	1.61
Dominion	830,240	1.41
National Gas and Oil	828,290	1.40
Guernsey Muskingum Electric	813,610	1.38
Ohio Bell	776,190	1.31
Ohio Department of Natural Resources	731,680	1.24
Total Assessed Value	\$14,900,850	25.27%

(1) Assessed values are for the 2003 collection year.

Source: Muskingum and Coshocton County Auditors

**Enrollment Statistics
Last Ten Fiscal Years**

Year	General Fund Expenditures (1)	Average Daily Student Enrollment	Per Pupil Cost
2003	\$17,804,271	3,073	\$5,794
2002	17,310,716	3,077	5,626
2001	15,419,599	3,068	5,026
2000	13,788,433	3,031	4,549
1999	13,532,341	2,983	4,536
1998	12,199,675	2,977	4,098
1997	12,028,363	2,983	4,032
1996	11,576,873	2,999	3,860
1995	10,581,224	2,930	3,611
1994	10,004,424	2,986	3,350

Source: School District Financial Records.

(1) All years include other financing uses.

TRI-VALLEY LOCAL SCHOOL DISTRICT

Teacher Education and Experience
 June 30, 2003

Degree	Number of Teachers	Percentage of Total
<i>Bachelor's Degree</i>	51	27%
<i>Bachelors with 150 hours</i>	64	33
<i>Master's Degree</i>	77	40
<i>Total</i>	192	100%

Years of Experience	Number of Teachers	Percentage of Total
<i>0 - 5</i>	57	30%
<i>6 - 10</i>	42	22
<i>11 and over</i>	93	48
<i>Total</i>	192	100%

Source: School District Personnel Records



**Auditor of State
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TRI-VALLEY LOCAL SCHOOL DISTRICT

MUSKINGUM COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
FEBRUARY 5, 2004**