



**Auditor of State  
Betty Montgomery**



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

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**Auditor of State  
Betty Montgomery**

**INDEPENDENT ACCOUNTANTS' 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, 2005, which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the District's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*. Those standards require that we plan and perform the audit to 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, 2005, and the respective changes in financial position and cash flows, where applicable, and the 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 February 8, 2006, on our consideration of the District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. While we did not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting and compliance and the results of that testing. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*. You should read it in conjunction with this report in assessing the results of our audit.

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

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We conducted our audit to form opinions on the financial statements that collectively comprise the District's basic financial statements. The Schedule of Federal Awards Receipts and Expenditures is required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the basic financial statements. We subjected the Schedule of Federal Awards Receipts and Expenditures 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.

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

**Betty Montgomery**  
Auditor of State

February 8, 2006

**Management's Discussion and Analysis  
For the Fiscal Year Ended June 30, 2005  
(Unaudited)**

**Financial Highlights**

Overall, net assets decreased slightly by \$38,426. Unrestricted net assets have decreased by \$557,536 and are available to meet the District's ongoing obligations. Restricted net assets have decreased by \$1,220,519 while invested in capital assets, net of related debt increased by \$1,739,629 with the completion of the building project.

**Using This Annual Financial Report**

This annual report consists of a series of financial statements and notes to those statements. These statements are organized so the reader can understand the 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, Debt Service Fund, Permanent Improvement Fund and Building Fund are the only major or significant funds.

**Reporting the District as a Whole**

The Statement of Net Assets and the Statement of Activities reflect how the District did financially during fiscal year 2005. These statements include all assets and liabilities using the accrual basis of accounting similar to that which is used by most private-sector companies. This basis of accounting considers all of the current fiscal year's revenues and expenses regardless of when cash is received or paid.

These statements report the District's net assets and changes in those assets. This change in net assets is important because it tells the reader whether the financial position of the District as a whole has increased or decreased from the prior fiscal year. Over time, these increases and/or decreases are one indicator of whether the financial position is improving or deteriorating. Causes for these changes may be the result of many factors, some financial, some not. Nonfinancial 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.

**Reporting the District's Most Significant Funds**

Fund financial statements provide detailed information about the District's major funds. While the District uses many funds to account for its financial transactions, the fund financial statements focus on the District's most significant funds. The District's major funds are the General Fund, Debt Service Fund, Building Fund and the Permanent Improvement 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

**Management's Discussion and Analysis  
For the Fiscal Year Ended June 30, 2005  
(Unaudited)**

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.

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.

**The District as a Whole**

Table 1 provides a summary of the District's net assets for 2005 compared to 2004.

**Table 1  
Net Assets**

	Governmental Activities	
	2005	2004
Assets		
Current and Other Assets	\$17,561,557	\$20,077,267
Capital Assets	25,884,388	24,504,666
<b>Total Assets</b>	<b>\$43,445,945</b>	<b>\$44,581,933</b>
Liabilities		
Long-Term Liabilities	(\$19,101,115)	(\$19,270,613)
Other Liabilities	(8,271,568)	(9,199,632)
<b>Total Liabilities</b>	<b>(\$27,372,683)</b>	<b>(\$28,470,245)</b>
Net Assets		
Invested in Capital		
Assets Net of Debt	\$8,309,213	\$6,569,584
Restricted	4,616,423	5,836,942
Unrestricted	3,147,626	3,705,162
<b>Total Net Assets</b>	<b>\$16,073,262</b>	<b>\$16,111,688</b>

Total assets decreased \$1,135,988 due to the significant reduction of current and other assets for fiscal year 2005. This reduction involved mostly cash and cash equivalents. Cash was decreased by making payment of liabilities from the prior fiscal years's contracts and retainage. There is a corresponding increase in capital assets for new construction completed during fiscal year 2005 which is offset by current year depreciation.

Total liabilities decreased \$1,097,562 due to a reduction of contracts and retainage payable as construction was completed on the district-wide building project.

The \$38,426 decrease in net assets is related to the District's building project, with a significant amount of non-capitalized construction costs for loose furnishings, etc.



**TRI-VALLEY LOCAL SCHOOL DISTRICT**

**Management's Discussion and Analysis  
For the Fiscal Year Ended June 30, 2005  
(Unaudited)**

Table 2 shows the changes in net assets for fiscal year 2005 compared to 2004.

**Table 2  
Changes in Net Assets**

	<b>Governmental Activities</b>	
	<b>2005</b>	<b>2004</b>
Revenues		
Program Revenues:		
Charges for Services	\$1,255,269	\$953,051
Operating Grants	2,263,394	2,052,621
Capital Grants	36,999	36,999
	<u>3,555,662</u>	<u>3,042,671</u>
General Revenues:		
Property Taxes	8,189,749	7,763,688
Revenue in Lieu of Taxes	1,011,970	0
Grants and Entitlements	12,777,123	12,181,983
Interest	182,597	1,757
Other	151,607	134,785
	<u>22,313,046</u>	<u>20,082,213</u>
Total Revenues	<u>\$25,868,708</u>	<u>\$23,124,884</u>
Program Expenses		
Instruction:		
Regular	\$12,146,703	\$10,947,761
Special	2,245,179	1,610,889
Vocational	397,675	369,639
Support Services:		
Pupils	784,838	669,071
Instructional Staff	1,092,449	816,136
Board of Education	635,519	624,913
Administration	2,200,358	2,003,503
Fiscal	457,952	398,331
Business	18,659	34,598
Operation and Maintenance of Plant	1,721,932	1,499,197
Pupil Transportation	1,559,564	1,253,980
Central	367,121	307,664
Operation of Non-Instructional Services	3,112	10,442
Food Service Operations	1,113,772	1,033,774
Extracurricular Activities	247,001	216,966
Interest and Fiscal Charges	915,300	902,150
	<u>\$25,907,134</u>	<u>\$22,699,014</u>
Total Expenses	<u>\$25,907,134</u>	<u>\$22,699,014</u>
Increase (Decrease) in Net Assets	<u>(\$38,426)</u>	<u>\$425,870</u>

**TRI-VALLEY LOCAL SCHOOL DISTRICT**

**Management's Discussion and Analysis  
For the Fiscal Year Ended June 30, 2005  
(Unaudited)**

Program revenues account for 14% of total revenues and are primarily represented by food service sales, extra curricular charges, fees and restricted intergovernmental revenues.

General revenues represent the remaining 86% of total revenues. Most of this category is attributed to property taxes, grants and entitlements, and revenue in lieu of taxes. The latter is a tax abatement agreement. A comparison from fiscal year 2005 to fiscal year 2004 reveals a healthy 11% increase. The increased tax revenue raised to pay for a district building project accounts for most of this large increase.

Program expenses increased 12% from fiscal year 2004 and can be traced back to the District's emphasis in the instruction category. Instruction makes up 57% of total expenditures. One can see little change in the other categories. One exception being instruction where there was an 13% increase over fiscal year 2004.

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**

	<b>Total Cost of Services 2005</b>	<b>Net Cost of Services 2005</b>	<b>Total Cost of Services 2004</b>	<b>Net Cost of Services 2004</b>
Instruction:				
Regular	\$12,146,703	\$11,679,150	\$10,947,761	\$10,684,708
Special	2,245,179	724,847	1,610,889	481,953
Vocational	397,675	334,382	369,639	307,186
Support Services:				
Pupils	784,838	784,838	669,071	396,122
Instructional Staff	1,092,449	1,092,449	816,136	816,136
Board of Education	635,519	635,519	624,913	624,913
Administration	2,200,358	2,200,358	2,003,503	2,003,503
Fiscal	457,952	457,952	398,331	398,331
Business	18,659	18,659	34,598	34,598
Operation and Maintenance of Plant	1,721,932	1,718,408	1,499,197	1,498,102
Pupil Transportation	1,559,564	1,522,565	1,253,980	1,216,981
Central	367,121	367,121	307,664	307,664
Operation of Non-Instructional Services	3,112	3,112	10,442	10,442
Food Service Operations	1,113,772	48,596	1,033,774	58,852
Extracurricular Activities	247,001	(151,784)	216,966	(85,208)
Interest and Fiscal Charges	915,300	915,300	902,150	902,150
<b>Total Expenses</b>	<b>\$25,907,134</b>	<b>\$22,351,472</b>	<b>\$22,699,014</b>	<b>\$19,656,343</b>

The dependence upon tax revenues and state subsidies for governmental activities is apparent. Over 86% of instruction activities are supported through taxes and other general revenues. For all governmental activities, general revenue support is 86%.

**Management's Discussion and Analysis  
For the Fiscal Year Ended June 30, 2005  
(Unaudited)**

**The District's Funds**

The District's governmental funds are accounted for using the modified accrual basis of accounting. A review of the major funds demonstrated a slight decrease in fund balance. Completion of the District's building project inflates the expenditures and increased instructional personnel cost, along with decreased state funding levels, are responsible for fund balance decreases.

**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 2005, the District amended its General Fund budget 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.

For the General Fund, budgetary basis revenue was \$67,120 below original budget estimates of \$20,565,973. The original appropriations of \$20,535,217 were \$989,944 below actual expenditures. This reflects a 5% variance.

**Capital Assets and Debt Administration**

**Capital Assets**

At the end of fiscal 2005, the District had \$25,884,388 invested in capital assets (net of accumulated depreciation) for governmental activities, a difference of \$1,379,722 from 2004, representing less than a 1 percent increase. This increase is small and represents normal purchases including buses, computers, athletic equipment and other miscellaneous purchases.

**Debt**

At June 30, 2005, the District had \$17,812,602 in bonds and notes outstanding, \$368,053 due within one year.

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 14 for additional information regarding debt.)

**Current Issues**

Although the School Board and Administration have positioned themselves well for projected upcoming revenue cutbacks, they will still face necessary expenditure reductions. In a time when operating issues are hard to pass, a pro-active effort in curbing expenditures is critical to the District's fiscal stability. The District Administration will take a look at staffing levels in all areas during fiscal year 2006 to see where they might save enough dollars to re-align expenditures to stay within revenue streams for future fiscal years.

**Management's Discussion and Analysis  
For the Fiscal Year Ended June 30, 2005  
(Unaudited)**

Phase II of a major District building project is underway as the School Board was notified this year that the District was included with the next schools whose projects would be funded. The scope of the project will be to build four new elementaries and renovate the existing high school. The total project budget is \$68,760,780 with the state's share being \$49,507,762 and the District share being \$19,253,018 of which \$18,979,064 has already been spent during phase I.

Tri-Valley will need to spend an additional \$273,954 to fulfill its obligation to the project. Money has been set aside in the permanent improvement fund so there should be no impact on the District's operating budget. See subsequent event note 19 for further details.

**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@tvschools.org](mailto:mmaley@tvschools.org).

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**TRI-VALLEY LOCAL SCHOOL DISTRICT**

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**Statement of Net Assets**

June 30, 2005

	<b>Governmental Activities</b>
<b>Assets:</b>	
Equity in Pooled Cash and Cash Equivalents	\$8,183,819
Intergovernmental Receivable	182,231
Materials and Supplies Inventory	83,749
Prepaid Items	36,365
Property Taxes Receivable	8,462,209
Revenue in Lieu of Taxes Receivable	505,985
Cash and Cash Equivalents	
With Escrow Agents	26,278
Deferred Charges	80,921
Nondepreciable Capital Assets	807,422
Depreciable Capital Assets, Net	25,076,966
<hr/>	
<b>Total Assets</b>	<b>\$43,445,945</b>
<hr/>	
<b>Liabilities:</b>	
Accounts Payable	\$298,307
Accrued Wages and Benefits	2,242,278
Intergovernmental Payable	316,887
Matured Compensated Absence Payable	36,810
Accrued Interest Payable	47,187
Retainage Payable	26,278
Claims Payable	211,083
Deferred Revenue	5,092,738
Long-Term Liabilities:	
Due Within One Year	527,117
Due in More Than One Year	18,573,998
<hr/>	
<b>Total Liabilities</b>	<b>\$27,372,683</b>
<hr/>	
<b>Net Assets:</b>	
Invested in Capital Assets, Net of Related Debt	\$8,309,213
Restricted for:	
Capital Projects	3,435,250
Debt Service	838,247
Other Purposes	342,926
Unrestricted	3,147,626
<hr/>	
<b>Total Net Assets</b>	<b>\$16,073,262</b>
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See accompanying notes to the basic financial statements.

**TRI-VALLEY LOCAL SCHOOL DISTRICT**

**Statement of Activities**  
For the Fiscal Year Ended June 30,2005

	<b>Program Revenues</b>			
	<b>Expenses</b>	<b>Charges for Services and Sales</b>	<b>Operating Grants, Contributions and Interest</b>	<b>Capital Grants and Contributions</b>
<b>Governmental Activities</b>				
Instruction:				
Regular	\$12,146,703	\$215,220	\$252,333	\$ 0
Special	2,245,179	0	1,520,332	0
Vocational	397,675	0	63,293	0
Support Services:				
Pupils	784,838	0	0	0
Instructional Staff	1,092,449	0	0	0
Board of Education	635,519	0	0	0
Administration	2,200,358	0	0	0
Fiscal	457,952	0	0	0
Business	18,659	0	0	0
Operation and Maintenance of Plant	1,721,932	3,524	0	0
Pupil Transportation	1,559,564	0	0	36,999
Central	367,121	0	0	0
Operation of Non-Instructional Services	3,112	0	0	0
Food Service Operations	1,113,772	637,740	427,436	0
Extracurricular Activities	247,001	398,785	0	0
Interest	915,300	0	0	0
<b>Total Governmental Activities</b>	<b>\$25,907,134</b>	<b>\$1,255,269</b>	<b>\$2,263,394</b>	<b>\$36,999</b>
		<b>General Revenues</b>		
		Property Taxes Levied for:		
		General Purposes		
		Building Maintenance		
		Debt Service		
		Grants and Entitlements not Restricted to Specific Programs		
		Investment Earnings		
		Revenue in Lieu of Taxes		
		Miscellaneous		
		<b>Total General Revenues</b>		
		Change in Net Assets		
		Net Assets at Beginning of Year-Restated (Note 3)		
		Net Assets at End of Year		

See accompanying notes to the basic financial statements.

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**TRI-VALLEY LOCAL SCHOOL DISTRICT**

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

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**Total  
Governmental Activities**

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(\$11,679,150)  
(724,847)  
(334,382)

(784,838)  
(1,092,449)  
(635,519)  
(2,200,358)  
(457,952)  
(18,659)

(1,718,408)  
(1,522,565)  
(367,121)  
(3,112)  
(48,596)  
151,784  
(915,300)

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(\$22,351,472)

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6,766,153  
134,093  
1,289,503  
12,777,123  
182,597  
1,011,970  
151,607

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\$22,313,046

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(38,426)

16,111,688

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\$16,073,262

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**TRI-VALLEY LOCAL SCHOOL DISTRICT**

**Balance Sheet  
Governmental Funds  
June 30, 2005**

	<b>General Fund</b>	<b>Debt Service Fund</b>	<b>Permanent Improvement Fund</b>	<b>Building Fund</b>
<b>Assets:</b>				
Equity in Pooled Cash and Cash Equivalents	\$2,549,808	\$538,909	\$2,764,538	\$164,727
<b>Receivables:</b>				
Property Taxes	6,989,020	1,334,328	0	0
Intergovernmental	0	0	0	0
Revenue in Lieu of Taxes	0	0	505,985	0
Prepaid Items	35,949	0	0	0
Materials and Supplies Inventory	63,191	0	0	0
<b>Restricted Assets:</b>				
Cash and Cash Equivalents with Escrow Agents	0	0	0	26,278
Equity in Pooled Cash and Cash Equivalents	76,359	0	0	0
<b>Total Assets</b>	<b>\$9,714,327</b>	<b>\$1,873,237</b>	<b>\$3,270,523</b>	<b>\$191,005</b>
<b>Liabilities and Fund Equity:</b>				
<b>Liabilities:</b>				
Accounts Payable	\$230,693	\$0	\$0	\$0
Accrued Wages and Benefits	2,112,413	0	0	0
Matured Compensated Absences Payable	36,810	0	0	0
Retainage Payable	0	0	0	26,278
Intergovernmental Payable	266,635	0	0	0
Deferred Revenue	4,831,385	884,896	505,985	0
<b>Total Liabilities</b>	<b>\$7,477,936</b>	<b>\$884,896</b>	<b>\$505,985</b>	<b>\$26,278</b>
<b>Fund Equity</b>				
<b>Fund Balances(Deficit):</b>				
Reserved for Encumbrances	\$247,880	\$0	\$16,585	\$72,895
Reserved for Budget Stabilization	76,359	0	0	0
Reserved for Property Taxes	2,157,635	449,432	0	0
<b>Unreserved:</b>				
Undesignated reported in:				
General Fund	(245,483)	0	0	0
Special Revenue Funds	0	0	0	0
Debt Service Fund	0	538,909	0	0
Capital Projects Funds	0	0	2,747,953	91,832
<b>Total Fund Equity</b>	<b>\$2,236,391</b>	<b>\$988,341</b>	<b>\$2,764,538</b>	<b>\$164,727</b>
<b>Total Liabilities and Fund Equity</b>	<b>\$9,714,327</b>	<b>\$1,873,237</b>	<b>\$3,270,523</b>	<b>\$191,005</b>

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, 2005**

<b>Other Governmental Funds</b>	<b>Total Governmental Funds</b>		
		<b>Total Governmental Fund Balances</b>	\$7,123,763
		<i>Amounts reported for governmental activities in the statement of net assets are different because</i>	
		Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.	\$25,884,388
		Other long-term assets are not available to pay for current-period expenditures and therefore are deferred in the funds.	
\$959,526	\$6,977,508	Taxes	\$714,798
138,861	8,462,209	Revenue in Lieu of Taxes	505,985
182,231	182,231	Intergovernmental	38,471
0	505,985	Total	\$1,259,254
416	36,365	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.	873,238
20,558	83,749	Unamortized issuance costs are reported as deferred charges on the Statement of Net Assets but as an expenditure on the fund financial statements.	80,921
0	26,278	Long-term liabilities and accrued interest are not due and payable in the current period and therefore are not reported in the funds.	
0	76,359	General Obligation Bonds	\$17,801,262
\$1,301,592	\$16,350,684	Compensated Absences	1,243,347
		Accrued Interest Payable	47,187
\$21,983	\$252,676	Asbestos Loan	11,340
129,865	2,242,278	Capital Leases	45,166
0	36,810	Total	(19,148,302)
0	26,278	<b>Net Assets of Governmental Activities</b>	\$16,073,262
50,252	316,887		
\$331,826	\$9,226,921		
\$31,509	\$368,869		
0	76,359		
47,606	2,654,673		
0	(245,483)		
890,651	890,651		
0	538,909		
0	2,839,785		
\$969,766	\$7,123,763		
\$1,301,592	\$16,350,684		

**TRI-VALLEY LOCAL SCHOOL DISTRICT**

**Statement of Revenues, Expenditures,  
and Changes in Fund Balances  
Governmental Funds  
For the Fiscal Year Ended June 30,2005**

	<u>General Fund</u>	<u>Debt Service Fund</u>	<u>Permanent Improvement Fund</u>	<u>Building Fund</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
Revenues:						
Property Taxes	\$6,460,645	\$1,246,818	\$0	\$0	\$132,905	\$7,840,368
Intergovernmental	13,460,646	115,838	0	0	1,462,561	15,039,045
Interest	182,140	0	0	0	457	182,597
Revenue in Lieu of Taxes	0	0	505,985	0	0	505,985
Tuition and Fees	215,220	0	0	0	0	215,220
Extracurricular Activities	139,248	0	0	0	259,537	398,785
Charges for Services	0	0	0	0	637,740	637,740
Miscellaneous	99,015	0	0	0	56,116	155,131
<b>Total Revenues</b>	<b>\$20,556,914</b>	<b>\$1,362,656</b>	<b>\$505,985</b>	<b>\$0</b>	<b>\$2,549,316</b>	<b>\$24,974,871</b>
Expenditures:						
Current:						
Instruction:						
Regular	\$10,651,050	\$0	\$71,040	\$0	\$241,702	\$10,963,792
Special	1,719,989	0	0	0	466,019	2,186,008
Vocational	362,175	0	0	0	0	362,175
Support Services:						
Pupils	479,824	0	0	0	287,230	767,054
Instructional Staff	1,033,618	0	0	0	3,784	1,037,402
Board of Education	605,727	25,886	0	0	2,764	634,377
Administration	1,988,455	0	0	0	60,000	2,048,455
Fiscal	468,221	0	0	0	0	468,221
Business	0	0	0	0	18,659	18,659
Operation and Maintenance of Plant	1,699,827	0	0	0	35,650	1,735,477
Pupil Transportation	1,597,440	0	0	0	21,015	1,618,455
Central	308,121	0	0	0	38,692	345,813
Operation of Non-Instructional Services	0	0	0	0	3,112	3,112
Food Service Operations	0	0	0	0	1,111,060	1,111,060
Extracurricular Activities	33,140	0	0	0	153,310	186,450
Capital Outlay	155,406	0	196,360	2,648,987	0	3,000,753
Debt Service:						
Principal	37,766	328,053	0	0	0	365,819
Interest and Fiscal Charges	5,266	909,430	0	0	0	914,696
<b>Total Expenditures</b>	<b>\$21,146,025</b>	<b>\$1,263,369</b>	<b>\$267,400</b>	<b>\$2,648,987</b>	<b>\$2,442,997</b>	<b>\$27,768,778</b>
<b>Excess of Revenues Over(Under) Expenditures</b>	<b>(589,111)</b>	<b>99,287</b>	<b>238,585</b>	<b>(2,648,987)</b>	<b>106,319</b>	<b>(2,793,907)</b>
Other Financing Sources (Uses):						
Transfers In	0	0	500,000	0	0	500,000
Transfers Out	(500,000)	0	0	0	0	(500,000)
<b>Total Other Financing Sources (Uses)</b>	<b>(500,000)</b>	<b>0</b>	<b>500,000</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>Net Change in Fund Balances</b>	<b>(1,089,111)</b>	<b>99,287</b>	<b>738,585</b>	<b>(2,648,987)</b>	<b>106,319</b>	<b>(2,793,907)</b>
Fund Balances at Beginning of Year (Restated - See Note 3)	3,325,502	889,054	2,025,953	2,813,714	863,447	9,917,670
<b>Fund Balances at End of Year</b>	<b>\$2,236,391</b>	<b>\$988,341</b>	<b>\$2,764,538</b>	<b>\$164,727</b>	<b>\$969,766</b>	<b>\$7,123,763</b>

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, 2005**

Net Change in Fund Balances - Total Governmental Funds		(\$2,793,907)
<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.		
Capital Assets Additions	\$2,550,490	
Current Year Depreciation	<u>(1,142,435)</u>	
Total		1,408,055
Governmental funds only report the disposal of assets to the extent proceeds are received from the sale. In the Statement of Activities a gain or loss is reported for each disposal.		
Loss on Disposal of Capital Assets		(28,333)
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the fund.		
Taxes	\$349,381	
Intergovernmental	38,471	
Revenue in Lieu of Taxes	<u>505,985</u>	
Total Revenues		893,837
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	37,766	
General Obligation Bonds	<u>320,000</u>	
Total		365,819
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	<u>(2,840)</u>	
Total		2,665
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	\$167,317	
Compensated Absences Payable	<u>(201,826)</u>	
Total		(34,509)
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.		
		<u>151,216</u>
Change in Net Assets of Governmental Activities		<u><u>(\$38,426)</u></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, 2005

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget Over (Under)</u>
	<u>Original</u>	<u>Final</u>		
<b>Revenues:</b>				
Property Taxes	\$6,431,309	\$6,529,354	\$6,529,354	\$0
Intergovernmental	13,660,415	13,460,646	13,460,646	0
Interest	60,000	190,000	189,610	(390)
Tuition and Fees	228,174	215,220	215,220	0
Extracurricular Activities	65,075	138,494	139,248	754
Rent	1,000	3,524	3,524	0
Miscellaneous	120,000	95,525	95,491	(34)
<b>Total Revenues</b>	<b>\$20,565,973</b>	<b>\$20,632,763</b>	<b>\$20,633,093</b>	<b>\$330</b>
<b>Expenditures</b>				
Current:				
Instruction:				
Regular	\$10,137,592	\$10,541,844	\$10,805,198	(\$263,354)
Special	1,271,000	1,786,219	1,786,218	1
Vocational	379,000	364,878	364,878	0
Other	5,000	6,157	6,157	0
Support Services:				
Pupil	1,029,200	480,984	480,984	0
Instructional Staff	859,660	1,007,825	1,007,826	(1)
Board of Education	494,000	649,195	649,598	(403)
Administration	2,086,665	1,993,653	1,991,652	2,001
Fiscal	438,500	443,437	443,778	(341)
Business	0	4,416	4,416	0
Operation and Maintenance of Plant	1,713,600	1,811,618	1,764,332	47,286
Pupil Transportation	1,591,500	1,555,849	1,558,073	(2,224)
Central	264,500	321,948	321,947	1
Extracurricular Activities	40,000	33,697	33,697	0
Capital Outlay	225,000	330,859	306,407	24,452
<b>Total Expenditures</b>	<b>\$20,535,217</b>	<b>\$21,332,579</b>	<b>\$21,525,161</b>	<b>(\$192,582)</b>
<b>Excess of Revenues Under Expenditures</b>	<b>(\$30,756)</b>	<b>(\$699,816)</b>	<b>(\$892,068)</b>	<b>(\$192,252)</b>

**(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, 2005

	Budgeted Amounts		Actual	Variance with Final Budget Over (Under)
	Original	Final		
Other Financing Uses:				
Transfers Out	\$(500,000)	\$(500,000)	\$(500,000)	\$0
Total Other Financing Uses	(\$500,000)	(\$500,000)	(\$500,000)	\$ 0
Net Change in Fund Balance	(\$469,244)	(\$1,199,816)	(\$1,392,068)	(\$192,252)
Fund Balance at Beginning of Year	2,943,985	2,943,985	2,943,985	0
Prior Year Encumbrances Appropriated	603,474	603,474	603,474	0
Fund Balance at End of Year	\$3,078,215	\$2,347,643	\$2,155,391	(\$192,252)

See accompanying notes to the basic financial statements.

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**TRI-VALLEY LOCAL SCHOOL DISTRICT**

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**Statement of Fund Net Assets**  
**Proprietary Fund**  
June 30, 2005

	<b>Governmental Activity - Internal Service Fund</b>
Current Assets:	
Equity in Pooled Cash and Cash Equivalents	\$1,129,952
<b>Total Current Assets</b>	<b>\$1,129,952</b>
Current Liabilities:	
Accounts Payable	\$45,631
Claims Payable	211,083
<b>Total Current Liabilities</b>	<b>\$256,714</b>
Net Assets:	
Unrestricted	\$873,238
<b>Total Net Assets</b>	<b>\$873,238</b>

See accompanying notes to the basic financial statements.

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**TRI-VALLEY LOCAL SCHOOL DISTRICT**

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**Statement of Revenues, Expenses  
and Changes in Fund Net Assets  
Proprietary Fund**  
For the Fiscal Year Ended June 30, 2005

	<b>Governmental Activity - Internal Service Fund</b>
Operating Revenues:	
Charges for Services	\$2,690,397
<b>Total Operating Revenues</b>	<b>\$2,690,397</b>
Operating Expenses:	
Purchased Services	\$238,162
Claims	2,301,019
<b>Total Operating Expenses</b>	<b>\$2,539,181</b>
Operating Income	\$151,216
Net Assets at Beginning of Year	722,022
<b>Net Assets at End of Year</b>	<b>\$873,238</b>

See accompanying notes to the basic financial statements.

**Statement of Cash Flows**  
**Proprietary Fund**  
For the Fiscal Year Ended June 30, 2005

**Governmental Activity -  
Internal Service Fund**

**Increase (Decrease) in Cash and Cash Equivalents**

Cash Flows from Operating Activities:

Cash Received from	
Transactions with Other Funds	\$2,690,397
Cash Payments for Services	(245,022)
Cash Payments for Claims	(2,235,752)
<hr/>	
Net Cash Provided By Operating Activities	\$209,623
<hr/>	
Net Increase in Cash and Cash Equivalents	\$209,623
Cash and Cash Equivalents at Beginning of Year	920,329
<hr/>	
Cash and Cash Equivalents at End of Year	\$1,129,952
<hr/>	

**Reconciliation of Operating Income to  
Net Cash Provided By Operating Activities**

Operating Income	\$151,216
Changes in Assets and Liabilities:	
Decrease in Accounts Payable	(\$6,860)
Increase in Claims Payable	65,267
<hr/>	
Total Adjustments	\$58,407
<hr/>	
Net Cash Provided By Operating Activities	\$209,623
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See accompanying notes to the basic financial statements.



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**TRI-VALLEY LOCAL SCHOOL DISTRICT**

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Statement of Fiduciary Assets and Liabilities  
**Fiduciary Fund**  
June 30, 2005

	<u>Agency</u>
<b>Assets</b>	
Equity in Pooled Cash and Cash Equivalents	\$108,189
<hr/>	
<i>Total Assets</i>	\$108,189
<hr/>	
<b>Liabilities</b>	
Due to Students	\$108,189
<hr/>	
<i>Total Liabilities</i>	\$108,189
<hr/>	

*See accompanying notes to the basic financial statements.*

**Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2005**

**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 155th largest in the State of Ohio (among 613 school districts) in terms of enrollment. It is staffed by 133 classified employees, 209 certified teaching personnel, and 16 administrative employees who provide services to 3,147 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 Center, the East Central Ohio Special Education Regional Resource Center (ECOSERRC), and the Metropolitan Educational Council (MEC), which are defined as jointly governed organizations and the Ohio School Boards Association Workers’ Compensation Group Rating Plan, which is defined as a public entity risk pool. Additional information concerning these organizations is presented in Note 17.

**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 District also applies Financial Accounting Standards Board (FASB) statements and interpretations issued on or before November 30, 1989, to its governmental activities and proprietary fund provided they do not conflict with or contradict GASB pronouncements. 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, 2005**

**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.

Debt Service Fund. The Debt Service Fund accounts for the accumulation of resources for, and the payment of general long-term debt principal and interest.

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

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, 2005**

**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, 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. 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.

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, 2005**

**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 5). 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, 2005, but which were levied to finance fiscal year 2006 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, 2005**

**Note 2—Summary of Significant Accounting Policies (Continued)**

**E. Cash, Cash Equivalents, and Investments**

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

During fiscal year 2005, investments were limited to non-negotiable certificates of deposit, negotiable certificates of deposit, Federal Home Loan Bank Bonds, Federal Home Loan Mortgage Corporation Notes, Federal Farm Credit Bank Bonds, and State Treasury Asset Reserve of Ohio (STAROhio). Investments are reported at fair value, except for non-negotiable certificates of deposit which are reported at cost. Fair value is based on quoted market price or current share price.

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 at June 30, 2005.

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 2005 amounted to \$182,140.

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.

**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 restricted for retainage payments and amounts required by State statute to be set aside to create a reserve for budget stabilization. See Note 18 for additional information regarding set asides.

**G. Prepaid Items**

Payments made to vendors for services that will benefit periods beyond June 30, 2005, 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, 2005**

**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	10–50 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.

**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

**Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2005**

**Note 2—Summary of Significant Accounting Policies (Continued)**

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 2005.

**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**

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.

**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 resources of other revenues, as well as federal and state grants restricted for specified purposes. The government-wide statement of net assets reports \$4,616,423 of restricted net assets, of which \$1,187,415 has resulted from enabling legislation.



**Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2005**

**Note 2—Summary of Significant Accounting Policies (Continued)**

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 2005.

**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 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.

**Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2005**

**Note 3—Change in Accounting Principles and Restatement of Prior Year Fund Equity**

Change in Accounting Principles. For the fiscal year ended June 30, 2005, the District has implemented GASB Statement No. 40, "Deposit and Investment Risk Disclosures", GASB Technical Bulletin No. 2004-02, "Recognition of Pension and Other Postemployment Benefit Expenditures/Expenses and Liabilities by Cost Sharing Employers", and early-implemented GASB Statement No. 46, "Net Assets Restricted by Enabling Legislation".

GASB Statement No. 40 modifies the disclosures for deposits and investments. See Note 6 "Deposits and Investments" for the required disclosures.

GASB Technical Bulletin No. 2004-02 addresses the amount that should be recognized as an expenditure/expense and as a liability each period by employers participating in a cost-sharing multiple-employer pension and other postemployment benefit (OPEB) plans. The effect of the implementation of this technical bulletin had no material effect on the financial statements.

GASB Statement No. 46 clarifies how legal enforceability should be applied for determining restricted net assets. The effect of the implementation had no material effect on the financial statements.

There is a restatement for retainage payable and construction in progress for an error in the funding of the retainage accounts in the prior year. During fiscal year 2005, the Debt Service Fund became a major fund, and therefore the prior year fund balance is presented as a reconciling item in the table below for comparability between years. The effect on governmental fund balance and governmental net assets is as follows:

	General Fund	Debt Service Fund	Permanent Improvement Fund	Building Fund	Other Governmental Funds	Total Governmental Funds
Beginning Fund Balance at June 30, 2004	\$3,325,502	\$0	\$2,025,953	\$260,128	\$1,752,501	\$7,364,084
Retainage Adjustment	0	0	0	2,553,586	0	2,553,586
Debt Service Fund (Major at June 30, 2005)	0	889,054	0	0	(889,054)	0
Restated Fund Balance at June 30, 2004	<u>\$3,325,502</u>	<u>\$889,054</u>	<u>\$2,025,953</u>	<u>\$2,813,714</u>	<u>\$863,447</u>	<u>\$9,917,670</u>

	Governmental Activities
Net Assets at June 30, 2004	\$15,943,979
Retainage Adjustment	2,553,586
Construction in Progress Adjustment	<u>(2,385,877)</u>
Restated Net Assets at June 30, 2004	<u>\$16,111,688</u>

**Notes to the Basic Financial Statements**  
**For the Fiscal Year Ended June 30, 2005**

**Note 4—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	(\$1,089,111)
Net Adjustment for Revenue Accruals	76,179
Net Adjustment for Expenditure Accruals	99,110
Adjustment for Encumbrances	(478,246)
<hr/>	
Budget Basis	(\$1,392,068)
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**Note 5—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 2005 represents collections of calendar year 2004 taxes. Real property taxes received in calendar year 2005 were levied after April 1, 2004, on the assessed value listed as of January 1, 2004, 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 2005 represents collections of calendar year 2004 taxes. Public utility real and tangible personal property taxes received in calendar year 2005 became a lien December 31, 2003, were levied after April 1, 2004, and are collected in 2005 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 2005 (other than public utility property) represents the collection of 2005 taxes. Tangible personal property taxes received in calendar year 2005 were levied after April 1, 2004,

**Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2005**

**Note 5—Property Taxes (Continued)**

on the value as of December 31, 2004. Tangible personal property is currently assessed at 25 percent of true value for capital assets and 23 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.

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, 2005, are available to finance fiscal year 2005 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, 2005, 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, 2005, was \$2,157,635 in the General Fund, \$449,432 in the Debt Service Fund, and \$47,606 in the Miscellaneous Local Fund. The amount available as an advance at June 30, 2004, was \$2,226,344 in the General Fund, \$453,091 in the Debt Service Fund, and \$47,906 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 2005 taxes were collected are:

	<b>2004</b>		<b>2005</b>	
	<b>Second Half Collections</b>		<b>First Half Collections</b>	
	<b>Amount</b>	<b>%</b>	<b>Amount</b>	<b>%</b>
Real Property	\$238,248,100	80.60%	\$245,148,400	80.30%
Public Utility Personal Property	24,355,410	8.24	22,252,980	7.29
Tangible Personal Property	32,975,398	11.16	37,874,012	12.41
<b>Total Assessed Value</b>	<b>\$295,578,908</b>	<b>100.00%</b>	<b>\$ 305,275,392</b>	<b>100.00%</b>
Tax Rate per \$1000 of Assessed Valuation	\$40.55		\$40.55	

**Note 6—Deposits and Investments**

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

Active monies are public monies determined to be necessary to meet current demands upon the District treasury. Active 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 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.

**Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2005**

**Note 6—Deposits and Investments (Continued)**

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

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

1. United States Treasury bills, bonds, notes, or any other obligation or security issued by the United States Treasury, or any other obligation guaranteed as to principal and interest by the United States;
2. Bonds, notes, debentures, or any other obligation or security issued by any federal government agency or instrumentality including, but not limited to, the Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, Government National Mortgage Association, and Student Loan Marketing Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
3. Written repurchase agreements in the securities listed above;
4. Bonds and other obligations of the State of Ohio or Ohio local governments;
5. Time certificates of deposit or savings or deposit accounts including, but not limited to, passbook accounts;
6. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2) and repurchase agreements secured by such obligations;
7. The State Treasurer's investment pool (STAROhio);
8. Commercial paper and bankers acceptances if training requirements have been met.

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

Deposits. Custodial credit risk for deposits is the risk that in the event of bank failure, the District will not be able to recover deposits or collateral securities that are in the possession of an outside party. At year end, \$6,553,943 of the District's bank balance of \$6,997,543 was exposed to custodial credit risk because it was uninsured and uncollateralized. Although all statutory requirements for the deposit of money had been followed, non-compliance with federal requirements could potentially subject the District to a successful claim by FDIC.

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

**Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2005**

**Note 6—Deposits and Investments (Continued)**

Investments. As of June 30, 2005, the District had the following investments, which are in an internal investment pool:

	<u>Fair Value</u>	<u>Maturity</u>	<u>Percent of Total Investment By Issuer</u>
Federal Home Loan Mortgage Corp. Notes	\$99,419	7/28/2009	6.49%
Federal Farm Credit Banks Bonds	147,750	1/29/2007	9.65%
Federal Home Loan Banks Bonds	98,000	1/23/2007	
Federal Home Loan Banks Bonds	248,985	9/17/2009	
Federal Home Loan Banks Bonds	199,688	9/30/2009	
Federal Home Loan Banks Bonds	299,250	10/28/2009	55.25%
Negotiable Certificate of Deposit	96,852	1/22/2007	6.33%
Negotiable Certificate of Deposit	95,951	9/10/2007	6.27%
STAROhio	<u>245,143</u>	30 Days	<u>16.01%</u>
Totals	<u><u>\$1,531,038</u></u>		<u><u>100.00%</u></u>

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

**Credit Risk.** The Federal Home Loan Mortgage Corporation Notes carry a rating of Aaa by Moody's, the Federal Farm Credit Bank Bonds carry a rating of Aaa by Moody's, the Federal Home Loan Banks Bonds carry a rating of Aaa by Moody's, STAR Ohio carries a rating of AAAM by Standard and Poor's, and the negotiable certificates of deposit are not rated. Ohio law requires that STAR Ohio maintain the highest rating provided by at least one nationally recognized standard rating service and that the money market mutual fund be rated in the highest category at the time of purchase by at least one nationally recognized standard rating service. The District has no investment policy that would further limit its investment choices.

**Custodial Credit Risk.** For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the District will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The District's investments in the Federal Home Loan Mortgage Corporation, Federal Farm Credit Bank, Federal Home Loan Bank, and negotiable certificates of deposit are all uninsured, unregistered investments that are held by the counterparty's trust department or agent but not in the government's name. The District has no investment policy dealing with investment custodial risk beyond the requirement in state statute that prohibits payment for investments prior to the delivery of the securities representing such investments to the treasurer or qualified trustee.

**Concentration of Credit Risk.** The District places no limit on the amount it may invest in any one issuer.

**Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2005**

**Note 7—Interfund Transactions**

	<b>Transfers In</b>
	<b>Permanent Improvement</b>
Transfers Out:	
Major Fund:	
General	\$500,000

The interfund transfer into the permanent improvement fund represents the funding of future building projects.

**Note 8—Capital Assets**

Capital asset activity for the fiscal year ended June 30, 2005, was as follows:

	<b>Balance 6/30/04</b>	<b>Additions</b>	<b>Deductions</b>	<b>Balance 6/30/05</b>
Governmental Activities				
Capital Assets, not being depreciated:				
Land	\$807,422	\$0	\$0	\$807,422
Construction in Progress	16,353,746	0	(16,353,746)	0
<b>Total Capital Assets, not being depreciated:</b>	<b>\$17,161,168</b>	<b>\$0</b>	<b>(\$16,353,746)</b>	<b>\$807,422</b>
Capital Assets, being depreciated:				
Land Improvements	\$361,542	\$163,524	\$0	\$525,066
Buildings and Improvements	10,728,698	18,490,309	(32,033)	29,186,974
Furniture and Equipment	1,074,132	104,193	(13,852)	1,164,473
Vehicles	1,931,337	146,210	(135,296)	1,942,251
<b>Total Capital Assets, being depreciated</b>	<b>\$14,095,709</b>	<b>\$18,904,236</b>	<b>(\$181,181)</b>	<b>\$32,818,764</b>
Less Accumulated Depreciation				
Land Improvements	(\$92,783)	(\$17,601)	\$0	(\$110,384)
Buildings and Improvements	(4,896,959)	(881,621)	6,229	(5,772,351)
Furniture and Equipment	(632,377)	(88,121)	13,852	(706,646)
Vehicles	(1,130,092)	(155,092)	132,767	(1,152,417)
<b>Total Accumulated Depreciation</b>	<b>(\$6,752,211)</b>	<b>(\$1,142,435)</b>	<b>\$152,848</b>	<b>(\$7,741,798)</b>
<b>Total Capital Assets being depreciated, net</b>	<b>\$7,343,498</b>	<b>\$17,761,801</b>	<b>(\$28,333)</b>	<b>\$25,076,966</b>
Governmental Activities Capital Assets, Net	<b>\$24,504,666</b>	<b>\$17,761,801</b>	<b>(\$16,382,079)</b>	<b>\$25,884,388</b>

**Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2005**

**Note 8—Capital Assets (Continued)**

\*Depreciation expense was charged to governmental functions as follows:

Instruction:	
Regular	\$659,185
Special	94,822
Vocational	37,700
Support Services:	
Pupil	21,706
Instructional Staff	71,973
Board of Education	1,142
Administration	94,822
Fiscal	1,142
Operation and Maintenance of Plant	36,558
Pupil Transportation	5,712
Central	20,564
Food Service Operations	36,558
Extracurricular Activities	60,551
	<hr/>
Total Depreciation Expense	\$1,142,435
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**Note 9—Receivables**

Receivables at June 30, 2005, consisted of taxes, revenue in lieu 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:	
IDEA - Part B	\$89,657
Title I	27,395
Class Size Reduction	22,509
School Net	2,119
Food Service Subsidy	40,551
	<hr/>
Total	\$182,231
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In prior years, tax abatement agreements were entered into between the District and local businesses to encourage economic growth in the County. In addition to the abatements, the businesses also agreed to make revenue in lieu of taxes payments. Each agreement states a specified percentage that the businesses will pay based on what the property taxes would normally have been. The receivables have been recorded in the permanent improvement fund pursuant to the agreements. The District is not able to record a receivable for the entire amount of all payments because the payments are based upon projected collections.



**Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2005**

**Note 10—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 2005 the District contracted with Kennedy Insurance Company for property and fleet insurance. Professional liability is protected by Kennedy Insurance Company with a \$3,000,000 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.

A performance bond in the amount of \$20,000 is maintained for the treasurer. All other employees are covered by a \$10,000 blanket bond. All bonds are covered by the Ohio Casualty Insurance Company.

**B. Worker’s Compensation**

For fiscal year 2005 the District participated in the Ohio School Boards Association (OSBA) Workers’ Compensation Group Rating Plan (GRP), a group insurance purchasing pool (Note 17). 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.

**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 \$858 for family coverage or \$316 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 \$74 for family coverage or \$28 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 \$211,083 reported in the Internal Service Fund at June 30, 2005, 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 2004 and 2005 were:

	<u>Balance at Beginning of Year</u>	<u>Current Year Claims</u>	<u>Claim Payments</u>	<u>Balance at End of Year</u>
2004	\$157,555	\$1,978,194	\$1,989,933	\$145,816
2005	145,816	2,301,019	2,235,752	211,083

**Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2005**

**Note 11—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 10 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 2005, 10.57 percent of annual covered salary was the portion used to fund pension obligations. For fiscal year 2004, 9.09 percent of annual covered salary was the portion used to fund 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, 2005, 2004, and 2003 were \$346,531, \$229,411, and \$275,628 respectively; 53 percent has been contributed for fiscal year 2005 and 100 percent for fiscal years 2004 and 2003.

**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 or by visiting the STRS Ohio web site at [www.strsoh.org](http://www.strsoh.org).

New members have a choice of three retirement plans, a Defined Benefit (DB) Plan, a Defined Contribution (DC) Plan and a Combined Plan. The DB Plan offers an annual retirement allowance based on final average salary times a percentage that varies based on years of service, or an allowance based on 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.

**Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2005**

**Note 11—Pension Plans (Continued)**

For the fiscal year ended June 30, 2005, plan members were required to contribute 10 percent of their annual covered salaries. The District was required to contribute 14 percent; 13 percent was the portion used to fund pension obligations. Contribution rates are established by the State Teachers Retirement Board, upon recommendations of its consulting actuary, not to exceed statutory maximum rates of 10 percent for members and 14 percent for employers. Chapter 3307 of the Ohio Revised Code provides statutory authority for member and employer contributions.

The District's required contributions for pension obligations to the DB Plan for the fiscal years ended June 30, 2005, 2004, and 2003 were \$1,454,765, \$1,355,417, and \$1,297,194 respectively; 95 percent has been contributed for fiscal years 2005 and 100 percent for fiscal years 2004 and 2003. Contributions to the DC and Combined Plans for fiscal year 2005 were \$5,888 made by the District and \$19,751 made by plan members.

**C. Social Security System**

Effective July 1, 1991, all employees not otherwise covered by the School Employees Retirement System or the State Teachers Retirement System have an option to choose Social Security or the School Employees Retirement System/State Teachers Retirement System. As of June 30, 2005, two of the members of the Board of Education have elected Social Security. The Boards' liability is 6.2 percent of wages paid.

**Note 12—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, 2005, 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 \$104,882 for fiscal year 2005.

STRS pays health care benefits from the Health Care Reserve Fund. At June 30, 2004, (the latest information available) the balance in the Fund was \$3.1 billion. For the year ended June 30, 2004, net health care costs paid by STRS were \$268,739,000 and STRS had 111,853 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, 2005, employer contributions to fund health care benefits were 3.43 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 2005, the minimum pay was established at \$27,400. For the District, the amount contributed to fund health care benefits, including the surcharge, during the 2005 fiscal year equaled \$155,103.

**Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2005**

**Note 12—Postemployment Benefits (Continued)**

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, 2004 (the latest information available), were \$223,443,805, and the target level was \$335.2 million. At June 30, 2004, SERS had net assets available for payment of health care benefits of \$300.8 million. SERS has approximately 62,000 participants currently receiving health care benefits.

**Note 13—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 American United Insurance Company of America.

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

**Note 14—Long-Term Liabilities**

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

	<u>Principal Outstanding 6/30/04</u>	<u>Additions</u>	<u>Reductions</u>	<u>Principal Outstanding 6/30/05</u>	<u>Amounts Due in One Year</u>
General Obligation Bonds:					
2002 School Improvements					
Serial Bonds - 2.00-4.5%, \$3,880,000	\$ 3,365,000	\$ 0	\$320,000	\$3,045,000	\$360,000
Term Bonds - 5.25-5.75%, \$14,620,000	14,620,000	0	0	14,620,000	0
Serial/Term Bond Premium, \$228,153	209,820	0	8,148	201,672	0
Term Bond Discount, \$74,000	(68,053)	2,643	0	(65,410)	0
Total General Obligation Bonds	<u>\$18,126,767</u>	<u>\$2,643</u>	<u>\$328,148</u>	<u>\$17,801,262</u>	<u>\$360,000</u>
Note Payables:					
Asbestos Loan, 1989, \$144,946 - 0%	19,393	0	8,053	11,340	8,053
Compensated Absences	1,041,521	307,983	106,157	1,243,347	114,525
Capital Lease - Copiers	82,932	0	37,766	45,166	44,539
Total Long-Term Liabilities	<u>\$19,270,613</u>	<u>\$310,626</u>	<u>\$480,124</u>	<u>\$19,101,115</u>	<u>\$527,117</u>

**Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2005**

**Note 14—Long-Term Liabilities (Continued)**

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 through a bond levy.

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:

**Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2005**

**Note 14—Long-Term Liabilities (Continued)**

<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

At June 30, 2005, the District's overall legal debt margin was \$10,798,126, with an unvoted debt margin of \$305,275. Principal and interest requirements to retire long-term liabilities outstanding at June 30, 2005, are as follows:

<u>Fiscal Year</u>	<u>Asbestos Loan</u>	<u>General Obligation Bonds</u>		<u>Total</u>
	<u>Principal</u>	<u>Principal</u>	<u>Interest</u>	
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	0	260,000	865,636	1,125,636
2010	0	300,000	854,061	1,154,061
2011–2015	0	1,860,000	4,035,154	5,895,154
2016–2020	0	2,675,000	3,479,588	6,154,588
2021–2025	0	4,515,000	2,500,261	7,015,261
2026–2030	0	7,065,000	990,274	8,055,274
<b>Totals</b>	<b>\$11,340</b>	<b>\$17,665,000</b>	<b>\$15,384,797</b>	<b>\$33,061,137</b>

**Note 15—Capital Leases—Lessee Disclosure**

In prior years the District has entered into capitalized leases for copying equipment. The leases meet the criteria of a capital lease as defined by Statement of Financial Accounting Standards No. 13, "Accounting for Leases," which defines a capital lease generally as one which transfers benefits and risks of ownership to the lessee. Capital lease payments have been reclassified from functional expenditures and are reflected as debt service expenditures in the basic financial statements for the governmental funds.

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 \$173,048 which is equal to the present value of the minimum lease payments at the time of acquisition. Accumulated depreciation on the assets is \$127,814 leaving a book value of \$45,234. The following is a schedule of the future minimum lease payments required under the capital lease. Principal payments in fiscal year 2005 totaled \$37,766.

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>
2006	\$44,539	\$2,161
2007	627	9
	<u>\$45,166</u>	<u>\$2,170</u>



**Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2005**

**Note 16—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, 2005.

**B. Litigation**

The District had no pending litigation as of June 30, 2005.

**Note 17—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 2005, the District paid \$93,319 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.

**Metropolitan Educational Council (MEC)**--The Metropolitan Educational Council is a consortium of school districts and related agencies in Ohio. The organization is composed of over 135 members. The governing board is comprised of either the superintendent or his designated representative from each participating school district in Franklin County and one representative from each county outside of Franklin County. Each year the participating school districts pay a membership fee to MEC to cover the costs of administering the program. The District's membership payment to MEC for fiscal year 2005 was \$1,223. Financial information may be obtained from the Metropolitan Educational Council, Denise Music, who serves as fiscal officer, at 6100 Channingway Blvd., Suite 604, Columbus, OH 43232.

**Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2005**

**Note 17—Jointly Governed Organizations and Public Entity Risk Pool (Continued)**

**B. Public Entity Risk Pool**

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

**Note 18—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, 2004	\$ 0	\$ 0	\$76,359
Current Year Set-aside Requirement	459,872	459,872	0
Qualifying Disbursements	480,455	412,131	0
Transfer to Permanent Improvement Fund	<u>0</u>	<u>500,000</u>	<u>0</u>
Current Year Requirement less Qualifying Disbursements	(20,583)	(452,259)	0
Beginning carryover Offsets/Excess Disbursements	457,024	18,572,731	0
Current Year Offsets/Excess Disbursements	<u>0</u>	<u>1,152,450</u>	<u>0</u>
Total Available as Offsets/Excess Disbursements	457,024	19,725,181	
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	477,607	19,725,181	0
Set-aside Reserve Balance as of June 30, 2005	<u>\$0</u>	<u>\$0</u>	<u>\$76,359</u>
Set-aside Cash Balance as of June 30, 2005	<u>\$0</u>	<u>\$0</u>	<u>\$76,359</u>

The District had qualifying disbursements during the fiscal year that reduced the textbook set-aside amount below zero. This extra amount may be used to reduce the set-aside requirement of future years. The District had offsets and qualifying disbursements during the fiscal year that reduced the set-aside amount to below zero for the capital acquisition set-aside. The District also had current year and prior year capital expenditures in connection with a school facilities project that may be carried forward to offset future set-aside requirements. The total reserve balance for the three set-asides at the end of the fiscal year was \$76,359.



**Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2005**

**Note 19 Subsequent Events**

At the August 2005 board meeting, the Board of Education approved a Project Agreement with the Ohio School Facilities Commission, the "Commission", for the Classroom Facilities Assistance Program. The District is currently awaiting final approval and signature from the Commission. The agreement provides for a project budget of \$68,760,780, comprised of the state share of \$49,507,762 and the local share of \$19,253,018.

A portion of the local share, \$18,979,064, has already been provided for from Phase I of the District's overall facilities plan that was completed during 2005. That phase was completed from a local bond levy that was approved by voters and issued on March 18, 2002 in the amount of \$18,500,000 and was approved through the Ohio Classroom Facilities Assistance Program as part of the Expedited Local Partnership Program. As part of that phase a half-mill maintenance levy was also passed to meet the Classroom Facilities Assistance Program requirements.

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

**SCHEDULE OF FEDERAL AWARDS RECEIPTS AND EXPENDITURES  
FOR THE YEAR ENDED JUNE 30, 2005**

<b>FEDERAL GRANTOR</b> <i>Pass-Through Grantor</i> Program Title	Federal CFDA Number	Grant Number	Receipts	Noncash Receipts	Disbursements	Noncash Disbursements
<b>UNITED STATES DEPARTMENT OF AGRICULTURE</b> <i>Passed through Ohio Department of Education:</i>						
Nutrition Cluster:						
Food Donation	10.550	N/A	\$0	\$109,257	\$0	\$109,257
School Breakfast Program	10.553	048876-05PU-04	8,342		8,342	
School Breakfast Program	10.553	048876-05PU-05	30,905		30,905	
Total School Breakfast Program			39,247	0	39,247	0
National School Lunch Program	10.555	048876-LLP4-04	59,590		59,590	
National School Lunch Program	10.555	048876-LLP4-04	196,112		196,112	
Total National School Lunch Program			255,702	0	255,702	0
Total Nutrition Cluster			294,949	109,257	294,949	109,257
Total United States Department of Agriculture			294,949	109,257	294,949	109,257
<b>UNITED STATES DEPARTMENT OF EDUCATION</b> <i>Passed Through Ohio Department of Education:</i>						
Title I Grants to Local Educational Agencies	84.010	048876-C1S1-04	38,959		38,959	
	84.010	048876-C1S1-05	202,010		189,031	
Total Title I Grants to Local Educational Agencies			240,969	0	227,990	0
Special Education Grants to States	84.027	048876-6BSF-04	41,043		41,043	
	84.027	048876-6BSF-05	422,199		393,221	
Total Special Education Grants to States			463,242	0	434,264	0
Safe and Drug-Free Schools and Communities: State Grants	84.186	048876-DRS1-05	11,451		11,451	
State Grants for Innovative Programs	84.298	048876-C2S1-05	13,540		13,540	
Education Technology State Grants	84.318	048876-TJS1-04	1,349		1,349	
	84.318	048876-TJS1-05	3,980		216	
Total Education Technology State Grants			5,329	0	1,565	0
Improving Teacher Quality State Grants	84.367	048876-TRS1-04	12,553		12,553	
	84.367	048876-C2S1-05	83,611		78,908	
Total Improving Teacher Quality State Grants			96,164	0	91,461	0
Total United States Department of Education			830,695	0	780,271	0
<b>Total Federal Awards Receipts and Expenditures</b>			<b>\$1,125,644</b>	<b>\$109,257</b>	<b>\$1,075,220</b>	<b>\$109,257</b>

*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 YEAR ENDED JUNE 30, 2005**

**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 award 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.



## Auditor of State Betty Montgomery

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

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

To the Board of Education:

We have audited the financial statements of the governmental activities, each major fund and the aggregate remaining fund information of Tri-Valley Local School District, Muskingum County, Ohio (the District), as of and for the year ended June 30, 2005, which collectively comprise the District's basic financial statements and have issued our report thereon dated February 8, 2006. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*.

#### Internal Control Over Financial Reporting

In planning and performing our audit, we considered the District's internal control over financial reporting to determine our auditing procedures in order to express our opinions on the basic financial statements and not to opine on the internal control over financial reporting. Our consideration of the internal control would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a reportable 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 caused by error or fraud in amounts material to the financial statements we audited may occur and not be timely detected by employees when performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider material weaknesses. In a separate letter to the District's management dated February 8, 2006, we reported an other matter involving internal control over financial reporting we did not deem reportable conditions.

#### Compliance and Other Matters

As part of reasonably assuring whether the District's basic financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express an opinion. The results of our tests disclosed no instances of noncompliance or other matters we must report under *Government Auditing Standards*. In a separate letter to the District's management dated February 8, 2006, we reported other matters related to noncompliance we deemed immaterial.

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Tri-Valley Local School District  
Muskingum County

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

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We intend this report solely for the information and use of the audit committee, management, the Board of Education, federal awarding agencies, and pass-through entities. It is not intended for 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

February 8, 2006



## Auditor of State Betty Montgomery

### INDEPENDENT ACCOUNTANTS' REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH MAJOR FEDERAL PROGRAM AND ON 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 apply to each of its major federal programs for the year ended June 30, 2005. The Summary of Auditor's Results section of the accompanying Schedule of Findings identifies the District's major federal programs. The District's management is responsible for complying with the requirements of laws, regulations, contracts, and grants applicable to each major federal program. Our responsibility is to express an opinion on the District's compliance based on our audit.

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 reasonably assure whether noncompliance occurred with the types of compliance requirements referred to above that could directly and materially affect a major federal program. An audit includes examining, on a test basis, evidence about the District's compliance with those requirements and performing other procedures we considered necessary in the circumstances. We believe our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the District's compliance with those requirements.

In our opinion, the District complied, in all material respects, with the requirements referred to above that apply to each of its major federal programs for the year ended June 30, 2005.

#### Internal Control Over Compliance

The District's management 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 directly and materially affect a major federal program 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.

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Tri-Valley Local School District  
Muskingum County  
Independent Accountants' Report on Compliance with Requirements Applicable to  
Each Major Federal Program and on Internal Control over Compliance in Accordance  
with OMB Circular A-133  
Page 2

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a reportable 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 noncompliance with applicable requirements of laws, regulations, contracts and grants caused by error or fraud that would be material in relation to a major federal program being audited may occur and not be timely detected by employees when performing their assigned functions. We noted no matters involving the internal control over compliance and its operation what we consider to be material weaknesses.

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



**Betty Montgomery**  
Auditor of State

February 8, 2006



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

**SCHEDULE OF FINDINGS  
OMB CIRCULAR A -133 § .505  
FOR THE YEAR ENDED JUNE 30, 2005**

<b>1. SUMMARY OF AUDITOR'S RESULTS</b>
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<b>(d)(1)(i)</b>	<b>Type of Financial Statement Opinion</b>	Unqualified
<b>(d)(1)(ii)</b>	<b>Were there any material control weakness conditions reported at the financial statement level (GAGAS)?</b>	No
<b>(d)(1)(ii)</b>	<b>Were there any other reportable control weakness conditions reported at the financial statement level (GAGAS)?</b>	No
<b>(d)(1)(iii)</b>	<b>Was there any reported material non-compliance at the financial statement level (GAGAS)?</b>	No
<b>(d)(1)(iv)</b>	<b>Were there any material internal control weakness conditions reported for major federal programs?</b>	No
<b>(d)(1)(iv)</b>	<b>Were there any other reportable internal control weakness conditions reported for major federal programs?</b>	No
<b>(d)(1)(v)</b>	<b>Type of Major Programs' Compliance Opinion</b>	Unqualified
<b>(d)(1)(vi)</b>	<b>Are there any reportable findings under § .510?</b>	No
<b>(d)(1)(vii)</b>	<b>Major Programs (list):</b>	Nutrition Cluster - CFDA #10.550;#10.553;and #10.555 Title I Grants to Local Educational Agencies – CFDA #84.010
<b>(d)(1)(viii)</b>	<b>Dollar Threshold: Type A\B Programs</b>	Type A: > \$ 300,000 Type B: all others
<b>(d)(1)(ix)</b>	<b>Low Risk Auditee?</b>	No

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

**SCHEDULE OF FINDINGS  
*OMB CIRCULAR A-133 §.505*  
FOR THE YEAR ENDED JUNE 30, 2005  
(Continued)**

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

None.

**3. FINDINGS FOR FEDERAL AWARDS**

None.



**Auditor of State  
Betty Montgomery**

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800-282-0370

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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  
MARCH 14, 2006**