



Mary Taylor, CPA
Auditor of State

**TRI VILLAGE LOCAL SCHOOL DISTRICT
DARKE COUNTY**

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Mary Taylor, CPA

Auditor of State

INDEPENDENT ACCOUNTANTS' REPORT

Tri Village Local School District
Darke County
PO Box 31
New Madison, OH 45346

To the Members of the Board:

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Tri Village Local School District, Darke County, (the School District), as of and for the years ended June 30, 2008 and 2007, which collectively comprise the School District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the School District's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective cash basis financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Tri Village Local School District, Darke County, as of June 30, 2008 and 2007, and the respective changes in the cash basis financial position and the respective budgetary comparisons for the General Fund thereof for the years then ended in conformity with the basis of accounting Note 2 describes.

In accordance with *Government Auditing Standards*, we have also issued our report dated April 7, 2009, on our consideration of the School District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. 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.

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

Mary Taylor, CPA
Auditor of State

April 7, 2009

**TRI VILLAGE LOCAL SCHOOL DISTRICT
DARKE COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEARS ENDED JUNE 30, 2008 and 2007
UNAUDITED
(Continued)**

This discussion and analysis of the Tri-Village Local School District's financial performance provides an overall review of the School District's financial activities for the fiscal year ended June 30, 2008, within the limitations of the School District's cash basis accounting. Readers should also review the basic financial statements and notes to enhance their understanding of the School District's financial performance.

Highlights

Key highlights for fiscal year 2008 are as follows:

- Net assets of governmental activities increased \$439,947, or 27 percent, a significant change from the prior year.
- The School District's general receipts are primarily property and income taxes and grants and entitlements not restricted to specific programs. These receipts represent respectively 37.9 and 39.0 percent of the total cash received for governmental activities during the fiscal year.
- Fund balance of governmental funds increased \$439,947, of which, \$351,927 was due to an increase in the General Fund balance.
- Actual receipts for fiscal year 2008 in the General Fund were \$241,136 higher than in fiscal year 2007. Overall, school income tax collections increased \$147,731 from the previous fiscal year. In addition, cash receipts for open enrollment increased \$83,404.

Key highlights for fiscal year 2007 are as follows:

- Net assets of governmental activities increased \$295,599, or 22 percent, a significant change from the prior year.
- The School District's general receipts are primarily property and income taxes and grants and entitlements not restricted to specific programs. These receipts represent respectively 38 and 39 percent of the total cash received for governmental activities during the fiscal year.
- Fund balance of the General Fund was the major fund leading to an overall increase of fund balance of \$295,599. For the General Fund, the School District was fiscally able to record \$176,309 of receipts over disbursements for the fiscal year.
- Actual receipts for fiscal year 2007 in the General Fund were \$157,358 higher than in fiscal year 2006. Overall, property tax collections increased \$30,805 and school income tax collections increased \$32,803 from the previous fiscal year. Other increases in cash receipts included collections for open enrollment students, interest allocations and repayment of an advance from the Food Service fund.

Using the Basic Financial Statements

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

**TRI VILLAGE LOCAL SCHOOL DISTRICT
DARKE COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEARS ENDED JUNE 30, 2008 and 2007
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Report Components

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

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

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

Basis of Accounting

The basis of accounting is a set of guidelines that determine when financial events are recorded. The School District has elected to present its financial statements on a cash basis of accounting. This basis of accounting is a basis of accounting other than generally accepted accounting principles. Under the School District's cash basis of accounting, receipts and disbursements are recorded when cash is received or paid. The School District also reports long-term investments as assets, valued at cost.

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

Reporting the School District as a Whole

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

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

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

**TRI VILLAGE LOCAL SCHOOL DISTRICT
DARKE COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEARS ENDED JUNE 30, 2008 and 2007
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(Continued)**

Reporting the School District's Most Significant Funds

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

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

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

The School District as a Whole

Table 1 provides a summary of the School District's net assets comparing fiscal years 2008, 2007 and 2006 on cash basis:

(Table 1)			
Net Assets			
Governmental Activities			
	2008	2007	2006
Assets			
Equity in Pooled Cash and Cash Equivalents	\$2,061,440	\$1,621,493	\$1,325,894
Net Assets			
Restricted for:			
Capital Projects	\$17,144	\$17,497	\$20,968
Debt Service	371,384	330,265	272,193
Other Purposes	273,343	226,089	208,121
Set-Asides	43,523	26,071	21,013
Bus Purchases	4,149	8,587	
Unrestricted	1,351,897	1,012,984	803,599
Total Net Assets	\$2,061,440	\$1,621,493	\$1,325,894

During fiscal year 2008, net assets of governmental activities increased \$439,947 or 27 percent. At June 30, 2008, the School District had \$4,149 in unexpended revenue received for bus purchases. The School District's unrestricted fund balance increased \$338,913 during fiscal year 2008 which is 62% over the increase during fiscal year 2007 of \$209,385.

**TRI VILLAGE LOCAL SCHOOL DISTRICT
DARKE COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEARS ENDED JUNE 30, 2008 and 2007
UNAUDITED
(Continued)**

During fiscal year 2007, net assets of governmental activities increased \$295,599 or 22 percent. At June 30, 2007, the School District had \$8,587 in unexpended revenue received for bus purchases. The School District's unrestricted fund balance increased \$209,385 during fiscal year 2007 which is 65% over the increase during fiscal year 2006 of \$136,146

Table 2 reflects the changes in net assets for fiscal years 2008 and 2007:

**(Table 2)
Changes in Net Assets**

	Activities Activities 2008	Activities Activities 2007
Receipts:		
Program Receipts:		
Charges for Services and Sales	\$1,231,560	\$1,064,730
Operating Grants and Contributions	509,197	547,074
Capital Grants and Contributions	5,094	21,083
Total Program Receipts	1,745,851	1,632,887
General Receipts:		
Property Taxes	1,912,905	2,006,951
Income Taxes	1,136,434	988,703
Grants and Entitlements Not Restricted to Specific Programs	3,139,898	3,033,923
Interest	98,321	101,694
Proceeds from Sale of Capital Assets		5
Miscellaneous	18,239	18,309
Total General Receipts	6,305,797	6,149,585
Total Receipts	8,051,648	7,782,472
Disbursements:		
Instruction	3,759,912	3,711,122
Support Services:		
Pupils and Instructional Staff	692,712	778,484
Board of Education, Administration and Fiscal	754,911	749,066
Operation and Maintenance of Plant	514,444	503,500
Pupil Transportation	559,262	513,487
Central	28,344	25,612
Operation of Non-Instructional Services	295,910	284,423
Extracurricular Activities	395,181	304,217
Capital Outlay		4,922
Debt Service	611,025	612,040
Total Disbursements	7,611,701	7,486,873
Increase in Net Assets	439,947	295,599
Net Assets, Beginning of Year	1,621,493	1,325,894
Net Assets, Ending of Year	\$2,061,440	\$1,621,493

**TRI VILLAGE LOCAL SCHOOL DISTRICT
DARKE COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEARS ENDED JUNE 30, 2008 and 2007
UNAUDITED
(Continued)**

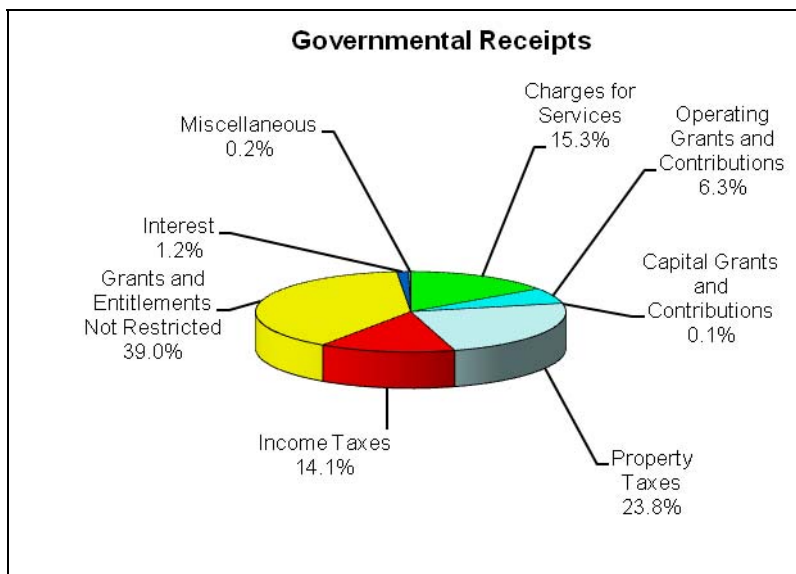
In fiscal year 2008, the decrease in capital grants and contributions was the result of not receiving School Net monies as well as a 63% decrease in the state bus purchase allowance program payment. Property taxes decreased due to the phase out of tangible personal property tax taking place. This tax is replaced by monies from the State that are shown with grants and entitlements not restricted to specific programs. Income taxes increased \$147,731, or 15% as the result of payments of assessments from back periods. These assessment collections will likely not recur. Also, taxpayers filed their returns earlier than normal to ensure receiving their federal rebates in regards to the economic stimulus package. This, in part, contributed to an increase in the April distribution. Interest received during fiscal year 2008 was less than fiscal year 2007 due to lower interest rates. Disbursements increased as a result of a 2% negotiated salary increase. Purchased services costs were higher due to increases in utilities, repair/maintenance expenditures, and community school enrollments as compared to the previous fiscal year.

In fiscal year 2007, the increase in capital grants and contributions was the result of receiving School Net monies. Property taxes increased due to an additional \$.12 mill being collected for fiscal year 2007. Interest received was up 57% as a result of favorable interest rates and increased fund balances. Disbursements increased as a result of a 3% negotiated salary increase. Purchased services costs were higher due to increases in utilities, repair/maintenance expenditures, and community school enrollments as compared to the previous fiscal year

Governmental Activities

Fiscal Year 2008

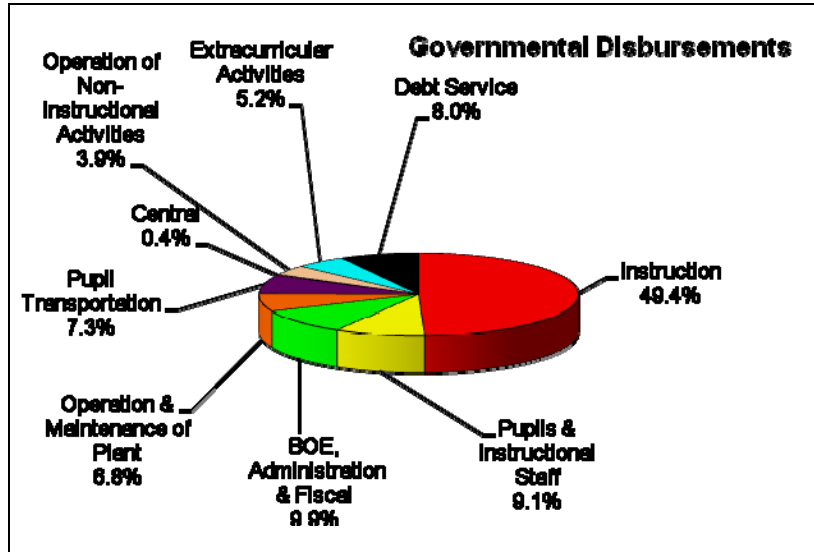
The unique nature of property taxes in Ohio creates the need to routinely seek voter approval for the School District Operations. Property taxes make up 23.8% of receipts while income taxes add an additional 14.1% of receipts. Grants and entitlements not restricted, the School District's largest source of receipts consists largely of state foundation monies and make up 39.0% of receipts.



**TRI VILLAGE LOCAL SCHOOL DISTRICT
DARKE COUNTY**

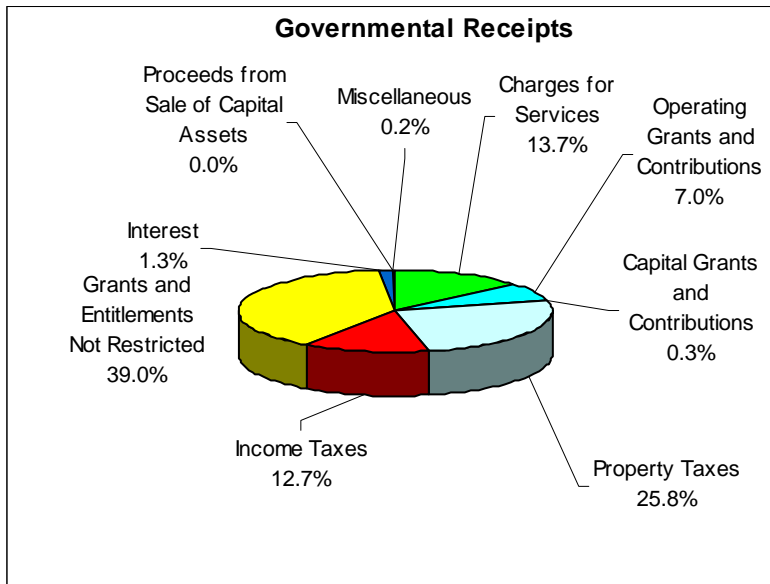
**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEARS ENDED JUNE 30, 2008 and 2007
UNAUDITED
(Continued)**

Instruction comprises 49.4% of the School District's disbursements. Support services make up 33.5% of disbursements.



Fiscal Year 2007

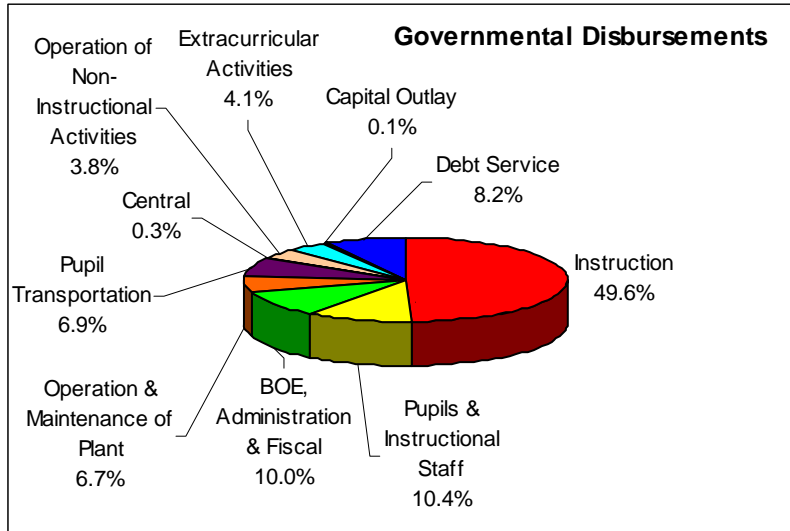
The unique nature of property taxes in Ohio creates the need to routinely seek voter approval for the School District Operations. Property taxes make up 25.8% of receipts while income taxes add an additional 12.7% of receipts. Grants and entitlements not restricted, the School District's largest source of receipts consists largely of state foundation monies and make up 39.0% of receipts.



Instruction comprises 49.6% of the School District's disbursements. Support services make up 34.3% of disbursements.

**TRI VILLAGE LOCAL SCHOOL DISTRICT
DARKE COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEARS ENDED JUNE 30, 2008 and 2007
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If you look at the Statement of Activities on pages 14 and 20, you will see that the first column lists the major services provided by the School District. The next column identifies the costs of providing these services. The next three columns of the Statement entitled Program Receipts identify amounts paid by people who are directly charged for the service and grants received by the School District that must be used to provide a specific service. The Net Receipt (Disbursement) column compares the program receipts to the cost of the service. This "net cost" amount represents the cost of the service which ends up being paid from money provided by local taxpayers. These net costs are paid from the general receipts which are presented at the bottom of the statement. A comparison between the total cost of services and the net cost is presented in Table 3.

(Table 3)

Governmental Activities

	Total Cost Of Services 2008	Net Cost Of Services 2008	Total Cost Of Services 2007	Net Cost Of Services 2007
Instruction	\$3,759,912	(\$2,958,715)	\$3,711,122	(\$2,959,624)
Support Services:				
Pupils and Instructional Staff	692,712	(457,188)	778,484	(503,070)
Board of Education, Administration and Fiscal	754,911	(742,508)	749,066	(747,176)
Operation and Maintenance of Plant	514,444	(512,745)	503,500	(502,860)
Pupil Transportation	559,262	(424,282)	513,487	(367,784)
Central	28,344	(17,344)	25,612	(14,612)
Operation of Non-Instructional Services	295,910	11,436	284,423	(5,669)
Extracurricular Activities	395,181	(153,479)	304,217	(136,229)
Capital Outlay	0	0	4,922	(4,922)
Debt Service	611,025	(611,025)	612,040	(612,040)
Total Expenses	\$7,611,701	(\$5,865,850)	\$7,486,873	(\$5,853,986)

The dependence upon property and income tax receipts is apparent as governmental activities were supported through these general receipts: 77% for fiscal year 2008 and 78% for fiscal year 2007.

**TRI VILLAGE LOCAL SCHOOL DISTRICT
DARKE COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEARS ENDED JUNE 30, 2008 and 2007
UNAUDITED
(Continued)**

The School District's Funds

During fiscal year 2008, total governmental funds had receipts of \$8,019,818 and disbursements of \$7,607,675. The greatest change within governmental funds occurred within the General Fund as a result of increased school income tax collections and student open enrollment receipts.

During fiscal year 2007, total governmental funds had receipts of \$7,754,235 and disbursements of \$7,478,012. The greatest change within governmental funds occurred within the General Fund as a result of increases in real estate tax and school income tax collections as well as interest revenue.

General Fund Budgeting Highlights

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

During fiscal year 2008, the School District amended its General Fund budget several times to reflect changing circumstances. Final budgeted receipts were slightly above original budgeted receipts. Income taxes receipts were 21% over the original projected estimates. Tuition and fees receipts were 30% higher than originally estimated due to an increase in the education of open enrollment and special education students. Final disbursements were budgeted at \$6,336,979 while actual disbursements were \$6,149,134. The School District monitored spending closely during the fiscal year. The result was an increase in the fund balance of \$263,504 for fiscal year 2008.

During fiscal year 2007, the School District amended its General Fund budget several times to reflect changing circumstances. Final budgeted receipts were slightly above original budgeted receipts. Income taxes receipts were 7% over the original projected estimates. Tuition and fees receipts were 28% higher than originally estimated due to an increase in the education of open enrollment and special education students. Final disbursements were budgeted at \$6,223,900 while actual disbursements were \$6,031,225. The School District monitored spending closely during the fiscal year; however, the result was an increase in the fund balance of \$163,234 for fiscal year 2007.

Capital Assets and Debt Administration

Capital Assets

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

Debt

At June 30, 2008, the School District's outstanding debt included \$4,740,000 in general obligation bonds issued for improvements to buildings and structures, and \$1,559,000 in capital leases for facilities. For further information regarding the School District's debt and leases, refer to Notes 9 and 10 to the basic financial statements.

At June 30, 2007, the School District's outstanding debt included \$4,975,000 in general obligation bonds issued for improvements to buildings and structures, and \$1,706,000 in capital leases for facilities. For further information regarding the School District's debt and leases, refer to Notes 9 and 10 to the basic financial statements.

**TRI VILLAGE LOCAL SCHOOL DISTRICT
DARKE COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEARS ENDED JUNE 30, 2008 and 2007
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(Continued)**

Current Issues

The challenge for all school districts is to provide quality services to the public while staying within the restrictions imposed by limited, and in some cases shrinking, funding. The School District relies heavily on local taxes and state funding.

In fiscal year 2008, the School District was able to maintain receipts over disbursements by \$351,927 in the General Fund. In future years, the prepared five year forecast is projecting spending deficits for each year through fiscal year 2013. Even though the School District was able to end fiscal year 2008 with excess revenues over expenditure, it is still faced with some challenging issues; most importantly the impact of declining student resident enrollment. Currently, the School District is experiencing a positive open enrollment trend with 50% more students coming into the School District rather than leaving. These open enrollment students help offset the decline in the resident enrollments. Another challenge is a reduction in the School District's valuation due to the phase out of taxes on tangible personal property. Also, the State of Ohio's revenues are coming in under budget which is causing budget reductions across the board for all agencies. It is unclear at this time how these reductions will affect Tri-Village but the assumption is that the State's shortfall on revenues will have an impact on the per pupil amount that will be approved for the next biennium budget. A reasonable approach might be to assume no growth in state funds or to even assume a reduction of 5%. Finally, the weakening labor market could have a negative effect on the collections of school income taxes.

In fiscal year 2007, the School District was able to maintain receipts over disbursements by \$216,743 in the General Fund. In future years, the prepared five year forecast is projecting spending deficits for each year through fiscal year 2012. Even though the District was able to end fiscal year 2007 with excess revenues over expenditure, it is still faced with some challenging issues; most importantly the impact of declining student resident enrollment. Currently, the District is experiencing a positive open enrollment trend with 50% more students coming into the District rather than leaving. These open enrollment students help offset the decline in the resident enrollments. Another challenge is a reduction in the District's valuation due to the phase out of taxes on tangible personal property. ANR pipeline is also appealing their public utility valuations. There is a possibility that the School District could lose over \$1.5 million in valuation. If the decision is in ANR's favor, the District would see a reduction of over \$50,000 in its personal property tax settlements.

Contacting the School District's Financial Management

This financial report is designed to provide our citizens, taxpayers, investors, and creditors with a general overview of the School District's finances and to reflect the School District's accountability for the monies it receives. Questions concerning any of the information in this report or requests for additional information should be directed to Kimberly Chowning, Treasurer at P.O. Box 31, New Madison, Ohio 45346.

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

**STATEMENT OF NET ASSETS - CASH BASIS
JUNE 30, 2008**

	<u>Governmental Activities</u>
Assets	
Equity in Pooled Cash and Cash Equivalents	<u><u>\$2,061,440</u></u>
Net Assets	
Restricted for:	
Capital Projects	17,144
Debt Service	371,384
Other Purposes	273,343
Set Asides	43,523
Bus Purchases	4,149
Unrestricted	<u>1,351,897</u>
Total Net Assets	<u><u>\$2,061,440</u></u>

See accompanying notes to the basic financial statements.

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

**STATEMENT OF ACTIVITIES - CASH BASIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008**

	<u>Program Cash Receipts</u>			Net (Disbursements) Receipts and Changes in Net Assets	
	<u>Cash Disbursements</u>	<u>Charges for Services and Sales</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>	<u>Total Governmental Activities</u>
Governmental Activities					
Instruction:					
Regular	\$3,193,110	\$555,889	\$81,810		(\$2,555,411)
Special	534,945	102,784	56,185		(375,976)
Vocational	19,173		4,529		(14,644)
Other	12,684				(12,684)
Support Services:					
Pupil	216,149		37,804		(178,345)
Instructional Staff	476,563	14,402	183,318		(278,843)
Board of Education	16,501				(16,501)
Administration	518,390		12,403		(505,987)
Fiscal	220,020				(220,020)
Operation and Maintenance of Plant	514,444	1,699			(512,745)
Pupil Transportation	559,262	129,422	464	\$5,094	(424,282)
Central	28,344		11,000		(17,344)
Operation of Non-Instructional Services	295,910	185,662	121,684		11,436
Extracurricular Activities	395,181	241,702			(153,479)
Principal Retirement	235,000				(235,000)
Interest and Fiscal Charges	376,025				(376,025)
Total Governmental Activities	<u>\$7,611,701</u>	<u>\$1,231,560</u>	<u>\$509,197</u>	<u>\$5,094</u>	<u>(5,865,850)</u>
General Receipts					
Property Taxes Levied for:					
General Purposes					1,416,532
Capital Outlay					31,792
Debt Service					464,581
Income Taxes Levied for General Purposes					1,136,434
Grants and Entitlements not Restricted to Specific Programs					3,139,898
Interest					98,321
Miscellaneous					18,239
Total General Receipts					<u>6,305,797</u>
Change in Net Assets					439,947
Net Assets Beginning of Year					<u>1,621,493</u>
Net Assets End of Year					<u>\$2,061,440</u>

See accompanying notes to the basic financial statements.

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

**STATEMENT OF ASSETS AND FUND BALANCES - CASH BASIS
GOVERNMENTAL FUNDS
JUNE 30, 2008**

	<u>General</u>	<u>Bond Retirement</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
Assets				
Equity in Pooled Cash and Cash Equivalents	\$1,351,897	\$371,384	\$290,487	\$2,013,768
Restricted Assets:				
Equity in Pooled Cash and Cash Equivalents	47,672			47,672
Total Assets	<u>1,399,569</u>	<u>371,384</u>	<u>290,487</u>	<u>2,061,440</u>
Fund Balances				
Reserved for Encumbrances	88,423		10,178	98,601
Reserved for Bus Purchases	4,149			4,149
Reserved for Budget Stabilization	21,013			21,013
Reserved for Textbooks and Instructional Materials	22,510			22,510
Designated for Budget Stabilization	14,662			14,662
Unreserved, Undesignated, Reported in:				
General Fund	1,248,812			1,248,812
Special Revenue Funds			263,165	263,165
Debt Service Fund		371,384		371,384
Capital Projects Funds			17,144	17,144
Total Fund Balances	<u>\$1,399,569</u>	<u>\$371,384</u>	<u>\$290,487</u>	<u>\$2,061,440</u>

See accompanying notes to the basic financial statements.

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

**STATEMENT OF CASH RECEIPTS, DISBURSEMENTS AND CHANGES IN FUND BALANCES - CASH BASIS
GOVERNMENTAL FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008**

	<u>General</u>	<u>Bond Retirement</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
Receipts				
Property Taxes	\$1,416,532	\$464,581	\$31,792	\$1,912,905
Income Taxes	1,136,434			1,136,434
Intergovernmental	3,088,823	56,352	508,370	3,653,545
Interest	82,973	15,271	721	98,965
Tuition and Fees	663,984		4,601	668,585
Extracurricular Activities			232,373	232,373
Charges for Services			290,156	290,156
Miscellaneous	6,415		20,440	26,855
Total Receipts	<u>6,395,161</u>	<u>536,204</u>	<u>1,088,453</u>	<u>8,019,818</u>
Disbursements				
Current:				
Instruction:				
Regular	3,002,450		186,634	3,189,084
Special	483,199		51,746	534,945
Vocational	19,173			19,173
Other	12,578		106	12,684
Support Services:				
Pupil	207,743		8,406	216,149
Instructional Staff	249,277		227,286	476,563
Board of Education	16,501			16,501
Administration	518,390			518,390
Fiscal	206,509	12,643	868	220,020
Operation and Maintenance of Plant	505,195		9,249	514,444
Pupil Transportation	548,043		11,219	559,262
Central	17,344		11,000	28,344
Operation of Non-Instructional Services			295,910	295,910
Extracurricular Activities	145,726		249,455	395,181
Debt Service:				
Principal Retirement	45,000	190,000		235,000
Interest and Fiscal Charges	83,583	292,442		376,025
Total Disbursements	<u>6,060,711</u>	<u>495,085</u>	<u>1,051,879</u>	<u>7,607,675</u>
Excess of Receipts Over Disbursements	<u>334,450</u>	<u>41,119</u>	<u>36,574</u>	<u>412,143</u>
Other Financing Sources (Uses)				
Other Financing Uses			(638)	(638)
Refund of Prior Year Expenditures	29,642		2,188	31,830
Advance In			9,602	9,602
Advance Out	(9,602)			(9,602)
Refund of Prior Year Receipts	(2,563)		(825)	(3,388)
Total Other Financing Sources (Uses)	<u>17,477</u>		<u>10,327</u>	<u>27,804</u>
Net Change in Fund Balances	351,927	41,119	46,901	439,947
Fund Balances Beginning of Year	<u>1,047,642</u>	<u>330,265</u>	<u>243,586</u>	<u>1,621,493</u>
Fund Balances End of Year	<u>\$1,399,569</u>	<u>\$371,384</u>	<u>\$290,487</u>	<u>\$2,061,440</u>

See accompanying notes to the basic financial statements.

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

**STATEMENT OF RECEIPTS, DISBURSEMENTS AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL - BUDGET BASIS
GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2008**

	<u>Budgeted Amounts</u>			Variance with Final Budget
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	Positive (Negative)
Receipts				
Property Taxes	\$1,442,646	\$1,442,646	\$1,416,532	(\$26,114)
Income Taxes	940,000	975,000	1,136,434	161,434
Intergovernmental	3,052,648	2,963,602	3,088,823	125,221
Interest	50,000	75,000	82,973	7,973
Tuition and Fees	509,651	629,651	663,984	34,333
Miscellaneous	1,000	1,550	6,415	4,865
Total Receipts	<u>5,995,945</u>	<u>6,087,449</u>	<u>6,395,161</u>	<u>307,712</u>
Disbursements				
Current:				
Instruction:				
Regular	3,003,126	3,074,693	3,039,636	35,057
Special	491,887	502,910	489,999	12,911
Vocational	19,294	19,381	19,173	208
Other	23,528	23,538	12,972	10,566
Support Services:				
Pupil	218,351	221,651	209,347	12,304
Instructional Staff	263,191	264,291	249,977	14,314
Board of Education	21,830	21,851	16,531	5,320
Administration	539,556	542,417	522,773	19,644
Fiscal	204,968	210,273	207,454	2,819
Operation and Maintenance of Plant	529,063	579,963	534,417	45,546
Pupil Transportation	512,661	566,628	555,002	11,626
Central	19,600	19,600	17,544	2,056
Extracurricular Activities	150,448	150,499	145,726	4,773
Capital Outlay	1,168	10,700		10,700
Debt Service:				
Principal Retirement	36,000	36,000	45,000	(9,000)
Interest and Fiscal Charges	92,584	92,584	83,583	9,001
Total Disbursements	<u>6,127,255</u>	<u>6,336,979</u>	<u>6,149,134</u>	<u>187,845</u>
Excess of Receipts Over (Under) Disbursements	<u>(131,310)</u>	<u>(249,530)</u>	<u>246,027</u>	<u>495,557</u>
Other Financing Sources (Uses)				
Refund of Prior Year Expenditures	30,000	30,000	29,642	(358)
Advances Out		(9,602)	(9,602)	
Refund of Prior Year Receipts	(10,000)	(10,000)	(2,563)	7,437
Total Other Financing Sources (Uses)	<u>20,000</u>	<u>10,398</u>	<u>17,477</u>	<u>7,079</u>
Net Change in Fund Balance	(111,310)	(239,132)	263,504	502,636
Fund Balance Beginning of Year	994,134	994,134	994,134	
Prior Year Encumbrances Appropriated	53,508	53,508	53,508	
Fund Balance End of Year	<u>\$936,332</u>	<u>\$808,510</u>	<u>\$1,311,146</u>	<u>\$502,636</u>

See accompanying notes to the basic financial statements.

TRI-VILLAGE LOCAL SCHOOL DISTRICT
DARKE COUNTY

STATEMENT OF FIDUCIARY NET ASSETS - CASH BASIS
FIDUCIARY FUNDS
JUNE 30, 2008

	<u>Agency</u>
Assets	
Equity in Pooled Cash and Cash Equivalents	<u>\$38,972</u>
Net Asset	
Held for Students	<u>\$38,972</u>

See accompanying notes to the basic financial statements.

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

**STATEMENT OF NET ASSETS - CASH BASIS
JUNE 30, 2007**

	<u>Governmental Activities</u>
Assets	
Equity in Pooled Cash and Cash Equivalents	<u><u>\$1,621,493</u></u>
Net Assets	
Restricted for:	
Capital Projects	\$17,497
Debt Service	330,265
Other Purposes	226,089
Set Asides	26,071
Bus Purchases	8,587
Unrestricted	<u>1,012,984</u>
Total Net Assets	<u><u>\$1,621,493</u></u>

See accompanying notes to the basic financial statements.

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

**STATEMENT OF ACTIVITIES - CASH BASIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2007**

	<u>Program Cash Receipts</u>			Net (Disbursements) Receipts and Changes in Net Assets	
	<u>Cash Disbursements</u>	<u>Charges for Services and Sales</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>	<u>Total Governmental Activities</u>
Governmental Activities					
Instruction:					
Regular	\$3,125,680	\$475,731	\$93,037	\$7,296	(\$2,549,616)
Special	498,814	112,911	53,757		(332,146)
Vocational	66,520		8,766		(57,754)
Other	20,108				(20,108)
Support Services:					
Pupil	261,052		11,571		(249,481)
Instructional Staff	517,432	15,148	248,695		(253,589)
Board of Education	18,280				(18,280)
Administration	516,603		1,331		(515,272)
Fiscal	214,183		559		(213,624)
Operation and Maintenance of Plant	503,500	640			(502,860)
Pupil Transportation	513,487	131,615	301	13,787	(367,784)
Central	25,612		11,000		(14,612)
Operation of Non-Instructional Services	284,423	166,032	112,722		(5,669)
Extracurricular Activities	304,217	162,653	5,335		(136,229)
Capital Outlay	4,922				(4,922)
Principal Retirement	259,000				(259,000)
Interest and Fiscal Charges	353,040				(353,040)
Total Governmental Activities	<u><u>\$7,486,873</u></u>	<u><u>\$1,064,730</u></u>	<u><u>\$547,074</u></u>	<u><u>\$21,083</u></u>	<u><u>(5,853,986)</u></u>
General Receipts					
Property Taxes Levied for:					
General Purposes					1,486,442
Capital Outlay					33,197
Debt Service					487,312
Income Taxes Levied for General Purposes					988,703
Grants and Entitlements not Restricted to Specific Programs					3,033,923
Interest					101,694
Proceeds from Sale of Capital Assets					5
Miscellaneous					18,309
Total General Receipts					<u><u>6,149,585</u></u>
Change in Net Assets					295,599
Net Assets Beginning of Year					<u><u>1,325,894</u></u>
Net Assets End of Year					<u><u>\$1,621,493</u></u>

See accompanying notes to the basic financial statements.

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

**STATEMENT OF ASSETS AND FUND BALANCES - CASH BASIS
GOVERNMENTAL FUNDS
JUNE 30, 2007**

	<u>General</u>	<u>Bond Retirement</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
Assets				
Equity in Pooled Cash and Cash Equivalents	\$1,012,984	\$330,265	\$243,586	\$1,586,835
Restricted Assets:				
Equity in Pooled Cash and Cash Equivalents	34,658			34,658
Total Assets	<u>1,047,642</u>	<u>330,265</u>	<u>243,586</u>	<u>1,621,493</u>
Fund Balances				
Reserved for Encumbrances	53,508		31,498	85,006
Reserved for Bus Purchases	8,587			8,587
Reserved for Budget Stabilization	21,013			21,013
Reserved for Textbooks and Instructional Materials	5,058			5,058
Designated for Budget Stabilization	14,662			14,662
Unreserved, Undesignated, Reported in:				
General Fund	944,814			944,814
Special Revenue Funds			197,253	197,253
Debt Service Fund		330,265		330,265
Capital Projects Funds			14,835	14,835
Total Fund Balances	<u>\$1,047,642</u>	<u>\$330,265</u>	<u>\$243,586</u>	<u>\$1,621,493</u>

See accompanying notes to the basic financial statements.

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

**STATEMENT OF CASH RECEIPTS, DISBURSEMENTS AND CHANGES IN FUND BALANCES - CASH BASIS
GOVERNMENTAL FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2007**

	<u>General</u>	<u>Bond Retirement</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
Receipts				
Property Taxes	\$1,486,442	\$487,312	\$33,197	\$2,006,951
Income Taxes	988,703			988,703
Intergovernmental	2,990,196	49,377	555,947	3,595,520
Interest	85,395	16,175	1,348	102,918
Tuition and Fees	585,856			585,856
Extracurricular Activities			169,748	169,748
Charges for Services			273,222	273,222
Miscellaneous	17,433		13,884	31,317
Total Receipts	<u>6,154,025</u>	<u>552,864</u>	<u>1,047,346</u>	<u>7,754,235</u>
Disbursements				
Current:				
Instruction:				
Regular	2,939,848		176,971	3,116,819
Special	444,791		54,023	498,814
Vocational	66,520			66,520
Other	17,411		2,697	20,108
Support Services:				
Pupil	249,481		11,571	261,052
Instructional Staff	258,562		258,870	517,432
Board of Education	18,280			18,280
Administration	515,257		1,346	516,603
Fiscal	201,792	11,131	1,260	214,183
Operation and Maintenance of Plant	477,843		25,657	503,500
Pupil Transportation	501,974		11,513	513,487
Central	14,612		11,000	25,612
Operation of Non-Instructional Services			284,423	284,423
Extracurricular Activities	142,966		161,251	304,217
Capital Outlay			4,922	4,922
Debt Service:				
Principal Retirement	34,000	225,000		259,000
Interest and Fiscal Charges	94,379	258,661		353,040
Total Disbursements	<u>5,977,716</u>	<u>494,792</u>	<u>1,005,504</u>	<u>7,478,012</u>
Excess of Receipts Over Disbursements	<u>176,309</u>	<u>58,072</u>	<u>41,842</u>	<u>276,223</u>
Other Financing Sources (Uses)				
Sale of Fixed Assets	5			5
Refund of Prior Year Expenditures	27,984		248	28,232
Advance In	21,306			21,306
Advance Out			(21,306)	(21,306)
Refund of Prior Year Receipts	(8,861)			(8,861)
Total Other Financing Sources (Uses)	<u>40,434</u>		<u>(21,058)</u>	<u>19,376</u>
Net Change in Fund Balances	216,743	58,072	20,784	295,599
Fund Balances Beginning of Year - Restated (Note 17)	<u>830,899</u>	<u>272,193</u>	<u>222,802</u>	<u>1,325,894</u>
Fund Balances End of Year	<u>\$1,047,642</u>	<u>\$330,265</u>	<u>\$243,586</u>	<u>\$1,621,493</u>

See accompanying notes to the basic financial statements.

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

**STATEMENT OF RECEIPTS, DISBURSEMENTS AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL - BUDGET BASIS
GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2007**

	<u>Budgeted Amounts</u>			Variance with
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	Final Budget Positive (Negative)
Receipts				
Property Taxes	\$1,470,294	\$1,470,294	\$1,486,442	\$16,148
Income Taxes	925,000	925,000	988,703	63,703
Intergovernmental	2,996,229	3,015,079	2,990,196	(24,883)
Interest	37,500	70,000	85,395	15,395
Tuition and Fees	456,000	521,000	585,856	64,856
Miscellaneous	1,000	1,500	17,433	15,933
Total Receipts	<u>5,886,023</u>	<u>6,002,873</u>	<u>6,154,025</u>	<u>151,152</u>
Disbursements				
Current:				
Instruction:				
Regular	2,969,869	2,995,984	2,944,145	51,839
Special	443,769	467,443	449,791	17,652
Vocational	68,802	71,302	66,520	4,782
Other	27,480	24,980	17,429	7,551
Support Services:				
Pupil	286,747	277,247	249,919	27,328
Instructional Staff	256,584	262,217	258,958	3,259
Board of Education	21,060	21,060	18,280	2,780
Administration	514,280	540,888	520,972	19,916
Fiscal	203,436	208,936	202,791	6,145
Operation and Maintenance of Plant	474,730	523,062	503,278	19,784
Pupil Transportation	504,687	539,637	513,185	26,452
Central	16,000	16,000	14,612	1,388
Extracurricular Activities	146,049	146,765	142,966	3,799
Capital Outlay				
Debt Service:				
Principal Retirement	34,000	34,000	34,000	
Interest and Fiscal Charges	94,379	94,379	94,379	
Total Disbursements	<u>6,061,872</u>	<u>6,223,900</u>	<u>6,031,225</u>	<u>192,675</u>
Excess of Receipts Over (Under) Disbursements	<u>(175,849)</u>	<u>(221,027)</u>	<u>122,800</u>	<u>343,827</u>
Other Financing Sources (Uses)				
Proceeds from Sale of Fixed Assets			5	5
Refund of Prior Year Expenditures	30,000	30,000	27,984	(2,016)
Advance In	20,306	21,306	21,306	
Advances Out				
Refund of Prior Year Receipts	(15,000)	(15,000)	(8,861)	6,139
Total Other Financing Sources (Uses)	<u>35,306</u>	<u>36,306</u>	<u>40,434</u>	<u>4,128</u>
Net Change in Fund Balance	(140,543)	(184,721)	163,234	347,955
Fund Balance Beginning of Year	800,526	800,526	800,526	
Prior Year Encumbrances Appropriated	<u>30,374</u>	<u>30,374</u>	<u>30,374</u>	
Fund Balance End of Year	<u>\$690,357</u>	<u>\$646,179</u>	<u>\$994,134</u>	<u>\$347,955</u>

See accompanying notes to the basic financial statements.

TRI-VILLAGE LOCAL SCHOOL DISTRICT
DARKE COUNTY

STATEMENT OF FIDUCIARY NET ASSETS - CASH BASIS
FIDUCIARY FUNDS
JUNE 30, 2007

	<u>Agency</u>
Assets	
Equity in Pooled Cash and Cash Equivalents	<u>\$40,343</u>
Net Asset	
Held for Students	<u>\$40,343</u>

See accompanying notes to the basic financial statements.

**TRI VILLAGE LOCAL SCHOOL DISTRICT
DARKE COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEARS ENDED JUNE 30, 2008 and 2007**

1. DESCRIPTION OF THE SCHOOL DISTRICT AND REPORTING ENTITY

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

The School District was established in 1972 through the consolidation of existing land areas and school districts. The School District serves an area of approximately 82 square miles. It is located in Darke County, and includes the Village of New Madison and portions of Butler, Harrison, Liberty, Neave and Washington Townships. The Board of Education controls the School District's instructional building and administrative building which are staffed by 33 classified employees and 60 certificated full-time personnel who provide services to 688 students.

A. Primary Government

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

B. Component Units

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

The School District participates in three jointly governed organizations, one related organization and three insurance purchasing pools. Note 12 to the basic financial statements provides additional information for these entities. These organizations are:

Jointly Governed Organizations:

Metropolitan Dayton Education Cooperative Association
Southwestern Ohio Educational Purchasing Council
Southwestern Ohio Instructional Technology Association

Related Organization:

New Madison Public Library

Insurance Purchasing Pools:

Southwestern Ohio Educational Purchasing Council Workers' Compensation
Group Rating Plan
Southwestern Ohio Educational Purchasing Council Medical Benefits Plan
Schools of Ohio Risk Sharing Authority

**TRI VILLAGE LOCAL SCHOOL DISTRICT
DARKE COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEARS ENDED JUNE 30, 2008 and 2007
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

A. Basis of Presentation

The School District's basic financial statements consist of 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.

1. Government-wide Financial Statement:

The statement of net assets and the statement of activities display information about the School District as a whole. These statements include the financial activities of the primary government, except for the fiduciary funds. The statements distinguish between those activities that are governmental in nature and those that are considered business-type. Governmental activities generally are financed through taxes, intergovernmental receipts or other non-exchange transactions. Business-type activities are financed in whole or in part by fees charged to external parties for goods or services. The School District does not have any business-type activities.

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

2. Fund Financial Statements:

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

**TRI VILLAGE LOCAL SCHOOL DISTRICT
DARKE COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEARS ENDED JUNE 30, 2008 and 2007
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

B. Fund Accounting

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

1. Governmental

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

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

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

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

2. Fiduciary Funds

Fiduciary funds account for cash and investments where the District is acting as trustee or fiscal agent for other entities or individuals. The School District's only fiduciary fund is its agency fund which is custodial in nature, where the School District deposits and pays cash as directed by another entity or individual. The School District's agency fund accounts for student activities' cash.

C. Basis of Accounting

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

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

**TRI VILLAGE LOCAL SCHOOL DISTRICT
DARKE COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEARS ENDED JUNE 30, 2008 and 2007
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Cash, Cash Equivalents and Investments

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

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

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

The School District invested funds in STAR Ohio during fiscal years 2008 and 2007. STAR Ohio is an investment pool, managed by the State Treasurer's Office, which allows governments within the State to pool their funds for investment purposes. STAR Ohio is not registered with the SEC as an investment company, but does operate in a manner consistent with Rule 2a7 of the Investment Company Act of 1940. Investments in STAR Ohio are valued at STAR Ohio's share price, which is the price the investment could be sold for on June 30th.

Following Ohio statutes, the Board of Education specified the funds to receive an allocation of interest earnings. Interest revenue credited to the general fund during fiscal year 2008 was \$82,973, including \$25,581 assigned from other School District funds. While interest revenue credited to the general fund during fiscal year 2007 was \$85,395, including \$27,786 assigned from other School District funds.

E. Restricted Assets

Assets are reported as restricted when limitations on their use change the nature or normal understanding of the availability of the asset. Such constraints are either imposed by creditors, contributors, grantors, or laws of other governments, or imposed by law through constitutional provisions or enabling legislation. Restricted cash in the General Fund include amounts State statute requires to be set aside for budget stabilization, textbooks and instructional materials, and unexpended revenues restricted for the purchase of school buses. See note 11 for additional information regarding set-asides.

F. Inventory and Prepaid Items

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

G. Capital Assets

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

H. Interfund Receivables/Payables

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

**TRI VILLAGE LOCAL SCHOOL DISTRICT
DARKE COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEARS ENDED JUNE 30, 2008 and 2007
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

I. Accumulated Leave

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

J. Employer Contributions to Cost-Sharing Pension Plans

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

K. Long-term Obligations

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

L. Fund Balance Reserves and Designations

The School District reserves those portions of fund equity which are legally segregated for a specific future use or which are not available for appropriation or expenditure. The School District also designates a portion of fund balance to indicate tentative plans for future financial resource uses that reflect managerial intent. Fund equity reserves have been established for encumbrances, bus purchases, budget stabilization and textbooks and instructional materials. The reserve for budget stabilization represents Bureau of Workers' Compensation Refunds that are required to be reserved in accordance with State statute.

M. Net Assets

Net assets are reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the School District or through external restrictions imposed by creditors, grantors or laws or regulations of other governments. Net assets restricted for other purposes include resources for food service operations, music and athletic programs, and federal and state grants restricted to cash disbursement for specified purposes. The School District first applies restricted resources when a cash disbursement is incurred for purposes for which both restricted and unrestricted net assets are available. The School District did not have any assets restricted by enabling legislation at fiscal years ending June 30, 2008 and June 30, 2007.

N. Interfund Transactions

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

**TRI VILLAGE LOCAL SCHOOL DISTRICT
DARKE COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEARS ENDED JUNE 30, 2008 and 2007
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

O. Budgetary Data

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

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

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

3. DEPOSITS AND INVESTMENTS

A. Investment Policies

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

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

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

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

**TRI VILLAGE LOCAL SCHOOL DISTRICT
DARKE COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEARS ENDED JUNE 30, 2008 an 2007
(Continued)**

3. DEPOSITS AND INVESTMENTS (Continued)

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

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

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

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

**TRI VILLAGE LOCAL SCHOOL DISTRICT
DARKE COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEARS ENDED JUNE 30, 2008 and 2007
(Continued)**

3. DEPOSITS AND INVESTMENTS (Continued)

B. Deposits

At fiscal year-end June 30, 2008, the carrying amount of the School District's deposits was \$47,657 and the bank balance was \$76,312. The entire bank balance was insured by federal depository insurance.

At fiscal year-end June 30, 2007, the carrying amount of the School District's deposits was \$52,013 and the bank balance was \$107,507. \$100,000 of the School District's deposits was insured by federal depository insurance. Based on the criteria described in GASB Statement No. 40, "Deposits and Investment Risk Disclosures", as of June 30, 2007, \$7,507 of the School District's bank balance was exposed to custodial risk and was uninsured and uncollateralized.

C. Investments

The School District investment in STAR Ohio, an investment pool operated by the Ohio State Treasurer, had a fair value of \$2,052,755 at June 30, 2008 and \$1,609,823 at June 30, 2007.

Interest Rate Risk – Interest rate risk arises because the potential purchasers of debt securities will not agree to pay face value for those securities if interest rates subsequently increase. The Ohio Revised Code generally limits security purchases to those that mature within five years of the settlement date. The School District's investment policy does not further limit its investment choices. The average days to maturity of the STAR Ohio portfolio at June 30, 2008, was 53.8 days. While the average days to maturity of the STAR Ohio portfolio at June 30, 2007, was 38.9 days.

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

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

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

**TRI VILLAGE LOCAL SCHOOL DISTRICT
DARKE COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEARS ENDED JUNE 30, 2008 and 2007
(Continued)**

4. PROPERTY TAXES

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

Property taxes include amounts levied against all real, public utility and tangible personal property (used in business) located in the School District. Real property tax revenue received in calendar 2008 represents collections of calendar year 2007 taxes. Real property taxes received in calendar year 2008 were levied after April 1, 2007, on the assessed value listed as of January 1, 2007, the lien date.

Assessed values for real property taxes are established by State law at thirty-five percent of appraised market value. Real property taxes are payable annually or semi-annually. If paid annually, payment is due December 31; if paid 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 2008 represents collections of calendar year 2007 taxes. Public utility real and tangible personal property taxes received in calendar year 2008 became a lien December 31, 2006, were levied after April 1, 2007, and are collected in 2008 with real property taxes. Public utility real property is assessed at thirty-five percent of true value; public utility tangible personal property currently is assessed at varying percentages of true value.

Tangible personal property tax revenue received during calendar 2008 (other than public utility property) represents the collection of 2008 taxes. Tangible personal property taxes received in calendar year 2008 were levied after October 1, 2007, on the value as of December 31, 2007. Tangible personal property tax is currently being phased out. Tangible personal property is currently assessed at 6.25 percent of true value. For tax year 2009, tangible personal property tax will be reduced to 0 percent.

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 School District prior to June 30.

The School District receives property taxes from Darke County. The County Auditor periodically advances to the School District its portion of the taxes collected. Second-half real property tax payments collected by the County by June 30, 2008, are available to finance fiscal year 2008 operations. The amount available to be advanced can vary based on the date the tax bills are sent.

The assessed values upon which the fiscal year 2008 taxes were collected are:

	2007 Second- Half Collections		2008 First- Half Collections	
	Amount	Percent	Amount	Percent
Agricultural/Residential and Other Real Estate	\$59,887,070	77.9%	\$60,525,370	80.0%
Public Utility Personal	15,779,180	20.5	14,108,860	18.6
Tangible Personal Property	1,261,840	1.6	1,052,580	1.4
Total	<u>\$76,928,090</u>	<u>100.0%</u>	<u>\$75,686,810</u>	<u>100.0%</u>
Tax rate per \$1,000 of assessed valuation	\$35.15		\$35.05	

**TRI VILLAGE LOCAL SCHOOL DISTRICT
DARKE COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEARS ENDED JUNE 30, 2008 and 2007
(Continued)**

5. INCOME TAX

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

6. RISK MANAGEMENT

A. Property and Liability

The School District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees and natural disasters. During fiscal year 2008, the School District participated in the Schools of Ohio Risk Sharing Authority for property, fleet coverage, and liability insurance.

Coverage provided is as follows:

Building and Contents – replacement cost (\$500 deductible)	\$24,472,202
Crime (\$500 deductible)	50,000
Automobile Liability (per occurrence)	2,000,000
Uninsured/Underinsured Motorists	1,000,000
Education General Liability:	
Bodily Injury and Property Damage	2,000,000
Personal Injury and Advertising Liability	2,000,000
Products/Completed Operations	2,000,000
Employee Benefits Liability	2,000,000
General Aggregate Limit	4,000,000
Fire Legal Liability	500,000
Medical Payments Occurrence/Aggregate	5,000/25,000
Educator's Legal Liability (\$4,000 deductible)	2,000,000

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

B. Workers' Compensation

The School District participated in the Southwestern Ohio Educational Purchasing Council Workers' Compensation Group Rating Program (GRP), an insurance purchasing pool (Note 12). The intent of the GRP is to achieve the benefit of a reduced premium for the School District by virtue of its grouping and representation with other participants in the GRP. The workers' compensation experience of the participating school districts is calculated as one experience and a common premium rate is applied to all school districts in the GRP. Each participant pays its workers' compensation premium to the State based on the rate for the GRP rather than its individual rate. Total savings are then calculated and each participant's individual performance is compared to the overall savings percentage of the GRP. A participant will then either receive money from or be required to contribute to the "equity pooling fund." This "equity pooling" arrangement insures that each participant shares equally in the overall performance of the GRP. Participation in the GRP is limited to school districts that can meet the GRP's selection criteria. The firm of Integrated Comp, Inc. provides administrative, cost control and actuarial services to the GRP.

**TRI VILLAGE LOCAL SCHOOL DISTRICT
DARKE COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEARS ENDED JUNE 30, 2008 and 2007
(Continued)**

6. RISK MANAGEMENT (Continued)

C. Employee Medical Benefits

The School District participated in the Southwestern Ohio Educational Purchasing Council Medical Benefits Plan (MBP), an insurance purchasing pool (Note 12). The intent of the MBP is to achieve the benefit of reduced health insurance premiums for the School District by virtue of its grouping and representation with other participants in the MBP. The health insurance experience of the participating school districts is calculated and a premium rate is applied to all school districts in the MBP. Each participant pays its health insurance premiums to Southwestern Ohio Educational Purchasing Council Medical Benefits Plan. Participation in the MBP is limited to school districts that can meet the MBP's selection criteria.

7. DEFINED BENEFIT PENSION PLANS

A. School Employees Retirement System

Plan Description - The School District contributes to the School Employees Retirement System (SERS), a cost-sharing multiple employer pension plan. SERS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Authority to establish and amend benefits is provided by Chapter 3309 of the Ohio Revised Code. SERS issues a publicly available, stand-alone financial report that includes financial statements and required supplementary information. That report may be obtained by writing to the School Employees Retirement System, 300 East Broad Street, Suite 100, Columbus, Ohio 43215-3746 or by calling (800) 878-5853. It is also posted on the SERS website, www.ohsers.org, under Forms and Publications.

Funding Policy - Plan members are required to contribute 10 percent of their annual covered salary and the School District is required to contribute at an actuarially determined rate. The current School District rate is 14 percent of annual covered payroll. A portion of the School District's contribution is used to fund pension obligations with the remainder being used to fund health care benefits; for fiscal year 2008, 9.16 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 by the SERS' Retirement Board up to a statutory maximum amount of 10 percent for plan members and 14 percent for employers. Chapter 3309 of the Ohio Revised Code provides statutory authority for member and employer contributions. The School District's required contributions for pension obligations to SERS for the fiscal years ended June 30, 2008, 2007 and 2006 were \$87,045, \$91,351 and \$93,604 respectively; 49.52 percent has been contributed for fiscal year 2008 and 100 percent for fiscal years 2007 and 2006.

B. State Teachers Retirement System of Ohio

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

**TRI VILLAGE LOCAL SCHOOL DISTRICT
DARKE COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEARS ENDED JUNE 30, 2008 and 2007
(Continued)**

7. DEFINED BENEFIT PENSION PLANS (Continued)

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

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

Funding Policy - For the fiscal year ended June 30, 2008, plan members were required to contribute 10 percent of their annual covered salaries. The School District was required to contribute 14 percent; 13 percent was the portion used to fund pension obligations. For fiscal year 2007, the portion used to fund pension obligations was also 13 percent. Contribution rates are established by the State Teachers Retirement Board, upon recommendations of its consulting actuary, not to exceed statutory maximum rates of 10 percent for members and 14 percent for employers. Chapter 3307 of the Ohio Revised Code provides statutory authority for member and employer contributions.

The School District's required contributions for pension obligations to STRS Ohio for the fiscal years ended June 30, 2008, 2007, and 2006 were \$388,362, \$377,000, and \$361,009 respectively; 79.22 percent has been contributed for fiscal year 2008 and 100 percent for fiscal years 2007 and 2006. Contributions to the DC and Combined Plans for fiscal year 2008 were \$155 made by the School District and \$3,163 made by the plan members.

C. Social Security System

Effective July 1, 1991, all employees not otherwise covered by the School Employees Retirement System or State Teachers Retirement System of Ohio have an option to choose social security or the School Employees Retirement System. As of June 30, 2008, two members of the Board of Education have elected Social Security. The Board's liability is 6.2 percent of wages paid.

**TRI VILLAGE LOCAL SCHOOL DISTRICT
DARKE COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEARS ENDED JUNE 30, 2008 and 2007
(Continued)**

8. POST-EMPLOYMENT BENEFITS

A. School Employees Retirement System

Plan Description – The School District participates in two cost-sharing multiple employer defined benefit OPEB plans administered by the School Employees Retirement System for non-certificated retirees and their beneficiaries, a Health Care Plan and a Medicare Part B Plan. The Health Care Plan includes hospitalization and physicians' fees through several types of plans including HMO's, PPO's and traditional indemnity plans as well as a prescription drug program. The Medicare Part B Plan reimburses Medicare Part B premiums paid by eligible retirees and beneficiaries up to a statutory limit. Benefit provisions and the obligations to contribute are established by the System based on authority granted by State statute. The financial reports of both Plans are included in the SERS Comprehensive Annual Financial Report which is available by contacting SERS at 300 East Broad St., Suite 100, Columbus, Ohio 43215-3746.

Funding Policy – State statute permits SERS to fund the health care benefits through employer contributions. Each year, after the allocation for statutorily required benefits, the Retirement Board allocates the remainder of the employer contribution of 14 percent of covered payroll to the Health Care Fund. The Health Care Fund was established and is administered in accordance with Internal Revenue Code Section 401h. For 2008, 4.18 percent of covered payroll was allocated to health care. In addition, employers pay a surcharge for employees earning less than an actuarially determined amount; for 2008, this amount was \$17,477.

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

The School District's contributions for health care for the fiscal years ended June 30, 2008, 2007, and 2006 were \$51,545, \$41,715, and \$43,568 respectively; 27.2 percent has been contributed for fiscal year 2008 and 100 percent for fiscal years 2007 and 2006.

The Retirement Board, acting with advice of the actuary, allocates a portion of the employer contribution to the Medicare B Fund. For 2008, this actuarially required allocation was 0.66 percent of covered payroll. The School District's contributions for Medicare Part B for the fiscal years ended June 30, 2008, 2007, and 2006 were \$5,379, \$5,816, and \$6,016 respectively; 49.52 percent has been contributed for fiscal year 2008 and 100 percent for fiscal years 2007 and 2006.

B. State Teachers Retirement System of Ohio

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

**TRI VILLAGE LOCAL SCHOOL DISTRICT
DARKE COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEARS ENDED JUNE 30, 2008 an 2007
(Continued)**

8. POST-EMPLOYMENT BENEFITS (Continued)

Funding Policy – Ohio law authorizes STRS Ohio to offer the Plan and gives the Retirement Board authority over how much, if any, of the health care costs will be absorbed by STRS Ohio. Active employee members do not contribute to the Plan. All benefit recipients pay a monthly premium. Under Ohio law, funding for post-employment health care may be deducted from employer contributions. For 2008, STRS Ohio allocated employer contributions equal to 1 percent of covered payroll to the Health Care Stabilization Fund. The School District's contributions for health care for the fiscal years ended June 30, 2008, 2007, and 2006 were \$29,874, \$29,000, and \$27,770, respectively; 79.22 percent has been contributed for fiscal year 2008 and 100 percent for fiscal years 2007 and 2006.

9. LEASES

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

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

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

The lease payments have been classified as debt service expenditures in the financial statements in the General Fund. These expenditures amounted to \$128,583. The following is a schedule of the future minimum lease payments required under the lease and the present value of the minimum lease payments as of June 30, 2008:

Year ending June 30:	Amount
2009	\$ 127,423
2010	128,409
2011	127,192
2012	126,976
2013	127,371
2014-2018	631,126
2019-2023	621,143
2024-2028	611,370
2029-2032	350,261
Total	2,851,271
Less: Amount Representing Interest	(1,292,271)
Present Value of Minimum Lease Payments	\$1,559,000

**TRI VILLAGE LOCAL SCHOOL DISTRICT
DARKE COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEARS ENDED JUNE 30, 2008 and 2007
(Continued)**

10. LONG-TERM LIABILITIES

The changes in the School District's long-term obligations during fiscal year 2008 consist of the following:

	Principal Outstanding 6/30/07	Additions	Reductions	Principal Outstanding 6/30/08	Amounts Due in One year
Governmental Activities					
General Obligation Bonds:					
1988 School Improvement Bonds	\$ 180,000		\$ 45,000	\$ 135,000	\$ 45,000
2001 School Improvement Bonds	4,795,000		190,000	4,605,000	195,000
Total Governmental Activities					
Long-Term Liabilities	<u>\$4,975,000</u>	<u>\$0</u>	<u>\$235,000</u>	<u>\$4,740,000</u>	<u>\$240,000</u>

The changes in the School District's long-term obligations during fiscal year 2007 consist of the following:

	Principal Outstanding 6/30/06	Additions	Reductions	Principal Outstanding 6/30/07	Amounts Due in One year
Governmental Activities					
General Obligation Bonds:					
1988 School Improvement Bonds	\$225,000		\$45,000	\$180,000	\$45,000
2001 School Improvement Bonds	4,975,000		180,000	4,795,000	190,000
Total Governmental Activities					
Long-Term Liabilities	<u>\$5,200,000</u>	<u>\$0</u>	<u>\$225,000</u>	<u>\$4,975,000</u>	<u>\$235,000</u>

School Improvement Bonds were issued February 1, 1988, in the amount of \$910,000, for the purpose of school improvements. The bonds interest rate is 7.25%. The bonds will mature December 1, 2010, and will be retired from the Bond Retirement Debt Service Fund.

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

At June 30, 2008, the School District's overall legal debt margin was \$2,443,197 with an un-voted debt margin of \$75,687. While at June 30, 2007, the School District's overall legal debt margin was \$2,278,793 with an unvoted debt margin of \$76,928.

Principal and interest requirements to retire long-term liabilities outstanding at June 30, 2008, are as follows:

**TRI VILLAGE LOCAL SCHOOL DISTRICT
DARKE COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEARS ENDED JUNE 30, 2008 and 2007
(Continued)**

10. LONG-TERM LIABILITIES (Continued)

Fiscal Year Ending June 30,	General Obligation Bonds		Total
	Principal	Interest	
2009	\$ 240,000	\$ 235,861	\$ 475,861
2010	250,000	224,045	474,045
2011	260,000	211,594	471,594
2012	220,000	200,393	420,393
2013	230,000	188,998	418,998
2014-2018	1,375,000	728,352	2,103,352
2019-2023	1,760,000	333,694	2,093,694
2024	405,000	10,378	415,378
Total	<u>\$4,740,000</u>	<u>\$2,133,315</u>	<u>\$6,873,315</u>

11. SET-ASIDE CALCULATIONS

State statute annually requires the School District set aside in the general fund an amount based on a statutory formula to purchase textbooks and other instructional materials and an equal amount to acquire and construct capital improvements. Amounts not spent by fiscal year-end or offset by similarly restricted resources received during the fiscal year must be held in cash at fiscal year-end and carried forward to be used for the same purposes in future fiscal years. The amount reserved for budget stabilization represents refunds received from the Bureau of Workers' Compensation. Based on legislative changes, this is the only money still required to be set aside for this purpose.

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

	Budget Stabilization	Textbooks & Instructional Materials	Capital Improvements
Set-aside Reserve Balance as of June 30, 2007	\$21,013	\$ 5,058	(\$7,234,841)
Current Year Set-aside Requirement		118,588	118,588
Current Year Offsets			(48,542)
Qualifying Disbursements		(101,136)	(29,771)
Total	<u>21,013</u>	<u>22,510</u>	<u>(7,194,566)</u>
Total Set-aside Carried Forward to Future Years	<u>\$21,013</u>	<u>\$22,510</u>	<u>(\$7,194,566)</u>

	Budget Stabilization	Textbooks & Instructional Materials	Capital Improvements
Set-aside Reserve Balance as of June 30, 2006	\$21,013	(\$12,213)	(\$7,283,907)
Current Year Set-aside Requirement		115,886	115,886
Current Year Offsets			(50,099)
Qualifying Disbursements		(98,615)	(16,721)
Total	<u>21,013</u>	<u>5,058</u>	<u>(7,234,841)</u>
Total Set-aside Carried Forward to Future Years	<u>\$21,013</u>	<u>\$ 5,058</u>	<u>(\$7,234,841)</u>

The School District had offsets and qualifying disbursements during the fiscal year that reduced the amount below zero for the capital improvement set-aside. This amount may be used to reduce the set aside requirement of future fiscal years.

**TRI VILLAGE LOCAL SCHOOL DISTRICT
DARKE COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEARS ENDED JUNE 30, 2008 and 2007
(Continued)**

**12. JOINTLY GOVERNED ORGANIZATIONS, RELATED ORGANIZATION AND INSURANCE
PURCHASING POOLS**

A. Jointly Governed Organizations

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

The governing board of MDECA consists of seven Superintendents of member school districts, with six of the Superintendents elected by majority vote of all member school districts except Montgomery County Educational Service Center. The seventh Superintendent is from the Montgomery County Educational Service Center. The School District paid MDECA \$34,228 for services provided during the fiscal year. Financial information can be obtained from Jerry Woodyard, who serves as Executive Director, at 225 Linwood Street, Dayton, Ohio 45405.

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

During this time, the withdrawing member is liable for all member obligations. Payments to SOEPC are made from the general fund. During fiscal year 2008, the School District paid \$51,253 to SOEPC. To obtain financial information, write to the Southwestern Ohio Educational Purchasing Council, Ken Swink, who serves as Director, at 303 Corporate Center Drive, Suite 208, Vandalia, OH 45377.

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

All member districts are obligated to pay all fees, charges, or other assessments as established by the SOITA. Upon dissolution, the net assets shall be distributed to the federal government, or to a state or local government, for a public purpose. Payments to SOITA are made from the general fund. During fiscal year 2008, the School District paid \$1,697 to SOITA. To obtain financial information, write to the Southwestern Ohio Instructional Technology Association, Larry Pogue, who serves as Executive Director, at 150 East Sixth Street, Franklin, Ohio 45005.

**TRI VILLAGE LOCAL SCHOOL DISTRICT
DARKE COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEARS ENDED JUNE 30, 2008 and 2007
(Continued)**

12. JOINTLY GOVERNED ORGANIZATIONS, RELATED ORGANIZATION AND INSURANCE PURCHASING POOLS (Continued)

B. Related Organization

New Madison Public Library – The New Madison Public Library is a distinct political subdivision of the State of Ohio created under Chapter 3375 of the Ohio Revised Code. The Library is governed by a Board of Trustees appointed by the Tri-Village Local School District Board of Education. The Board of Trustees possesses its own contracting and budgeting authority, hires and fires personnel and does not depend on the School District for operational subsidies. Although the School District does serve as the taxing authority and may issue tax related debt on behalf of the Library, its role is limited to a ministerial function. The determination to request approval of a tax, the rate, and the purpose are discretionary decisions made solely by the Board of Trustees. The School District did not make any contributions to the New Madison Public Library during fiscal year 2008. Financial information can be obtained from the New Madison Public Library, Kim Chowning, Clerk/Treasurer, at 142 South Main, New Madison, Ohio 45346.

C. Insurance Purchasing Pools

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

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

Schools of Ohio Risk Sharing Authority– The School District participates in the Schools of Ohio Risk Sharing Authority, an insurance purchasing pool. The Schools of Ohio Risk Sharing Authority (SORSA) is created and organized pursuant to and as authorized by Section 2744.081 of the Ohio Revised Code. SORSA is an incorporated, non-profit association of its members and an instrumentality for each member for the purpose of enabling members of SORSA to provide for a formalized, joint insurance purchasing program to maintain adequate insurance protection, risk management programs and other administrative services. The SORSA's business and affairs are conducted by a nine member Board of Directors consisting of school district superintendents, treasurers, and business managers. Willis Pooling is contracted to provide reinsurance, brokerage, underwriting, rating, billing and consulting services. The Verhoff Group provides bookkeeping, payroll, consulting, and accounting services to SORSA. The Frank Gates Service Company provides insurance claims settlement and adjustment services to SORSA. Financial information can be obtained from Patrick Shaver, the Executive Director at 8050 N. High Street Suite 160, Columbus, Ohio 43215-6483.

**TRI VILLAGE LOCAL SCHOOL DISTRICT
DARKE COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEARS ENDED JUNE 30, 2008 and 2007
(Continued)**

13. CONTINGENCIES

A. Grants

The School District receives financial assistance from federal and State agencies in the form of grants. Disbursing grant funds generally requires compliance with terms and conditions specified in the grant agreements and are 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 School District at fiscal years ending June 30, 2008 and June 30, 2007.

B. Litigation

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

14. BUDGETARY BASIS OF ACCOUNTING

While the School District is reporting financial position, results of operations and changes in fund balance on the cash basis, the budgetary basis as provided by law is based upon accounting for certain transactions on a basis of cash receipts, disbursements and encumbrances. The Statement of Receipts, Disbursements and Changes in Fund Balances - Budget and Actual – Budget Basis presented for the general fund is presented on the budgetary basis to provide a meaningful comparison of actual results with the budget. The difference between the budget basis and cash basis is encumbrances are treated as cash disbursements (budget) rather than as a reservation of fund balance (cash basis).

The following table summarizes the adjustments necessary to reconcile the cash basis statements to the budgetary basis statements for the general fund.

Fiscal Year 2008 Net Change in Fund Balance	
Cash Basis	\$351,927
Adjustment for Encumbrances	(88,423)
Budget Basis	<u>\$263,504</u>
Fiscal Year 2007 Net Change in Fund Balance	
Cash Basis	\$216,742
Adjustment for Encumbrances	(53,508)
Budget Basis	<u>\$163,234</u>

15. INTERFUND BALANCES

During fiscal year 2008, the General Fund advanced \$9,602 to the E-Tech E-Portfolios, a non-major special revenue fund. The interfund transaction is due to the timing of the receipt of grants.

During fiscal year 2007, the Learn & Serve Fund, a nonmajor special revenue fund, returned an advance outstanding at June 30, 2006, to the General Fund of \$21,306. The interfund transaction is due to the timing of the receipt of grants.

**TRI VILLAGE LOCAL SCHOOL DISTRICT
DARKE COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEARS ENDED JUNE 30, 2008 an 2007
(Continued)**

16. COMPLIANCE

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



Mary Taylor, CPA

Auditor of State

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

Tri Village Local School District
Darke County
PO Box 31
New Madison, OH 45346

To the Members of the Board:

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Tri Village Local School District, Darke County, (the School District) as of and for the years ended June 30, 2008 and 2007, which collectively comprise the School District's basic financial statements and have issued our report thereon dated April 7, 2009, wherein, we noted the School District prepared its financial statements using a comprehensive accounting basis other than generally accepted accounting principles. 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 School District's internal control over financial reporting as a basis for designing our audit procedures for expressing our opinion on the financial statements, but not to opine on the effectiveness of the School District's internal control over financial reporting. Accordingly, we have not opined on the effectiveness of the School District's internal control over financial reporting.

A control deficiency exists when the design or operation of a control does not allow management or employees, in performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the School District's ability to initiate, authorize, record, process, or report financial data reliably in accordance with its applicable accounting basis, such that there is more than a remote likelihood that the School District's internal control will not prevent or detect a more-than-inconsequential financial statement misstatement.

A material weakness is a significant deficiency, or combination of significant deficiencies resulting in more than a remote likelihood that the School District's internal control will not prevent or detect a material financial statement misstatement.

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

We noted certain matters that we reported to the School District's management in a separate letter dated April 7, 2009.

One First National Plaza / 130 W. Second St. / Suite 2040 / Dayton, OH 45402
Telephone: (937) 285-6677 (800) 443-9274 Fax: (937) 285-6688
www.auditor.state.oh.us

Compliance and Other Matters

As part of reasonably assuring whether the School District's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and accordingly, we do not express an opinion. The results of our tests disclosed an instance of noncompliance or other matters that we must report under *Government Auditing Standards* which is described in the accompanying schedule of findings as item 2008-001.

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

We intend this report solely for the information and use of the audit committee, management and Board of Education. We intend it for no one other than these specified parties.

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

Mary Taylor, CPA
Auditor of State

April 7, 2009

**TRI VILLAGE LOCAL SCHOOL DISTRICT
DARKE COUNTY**

**SCHEDULE OF FINDINGS
FISCAL YEAR END JUNE 30, 2008 AND 2007**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS
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FINDING NUMBER 2008-001

MATERIAL NONCOMPLIANCE

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

Ohio Admin Code Section 117-2-03 (B) requires Tri Village Local School District to prepare its annual financial report in accordance with generally accepted accounting principles (GAAP). However, Tri Village Local School District prepared its financial statements in accordance with standards established by the Auditor of State for governmental entities not required to prepare annual reports in accordance with generally accepted accounting principles. The accompanying financial statements omit assets, liabilities, fund equities, and disclosures that, while material, cannot be determined at this time. Pursuant to Ohio Rev Code Section 117.38, Tri Village Local School District may be fined and subject to various other administrative remedies for its failure to file the required financial report.

Tri Village Local School District should prepare the financial statements in accordance with GAAP to present an accurate picture of its assets, liabilities, and other disclosures.

Officials Response:

The Tri-Village Board of Education supports preparing financial statements on the OCBOA basis rather than GAAP due to the costs associated with the state auditors reviewing the GAAP report. Due to tight budget restraints and the economy's downward trend into a recession, it is my belief, that in future years as well, the Board of Education will continue to support the idea of preparing OCBOA financial statements rather than GAAP.

**TRI VILLAGE LOCAL SCHOOL DISTRICT
DARKE COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008 AND 2007**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain</i>
2006-001	Ohio Rev. Code Section 117.38 & Ohio Admin Code Section 117-2-03(B) Not reporting GAAP	No	Not Corrected – Repeated as Finding 2008-001



Mary Taylor, CPA
Auditor of State

TRI VILLAGE LOCAL SCHOOL DISTRICT
DARKE COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

CERTIFIED
MAY 7, 2009