



**Mary Taylor, CPA**  
Auditor of State



**INDIAN VALLEY LOCAL SCHOOL DISTRICT  
TUSCARAWAS COUNTY**

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# Mary Taylor, CPA

Auditor of State

## INDEPENDENT ACCOUNTANTS' REPORT

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

To the Board of Education:

We have audited the accompanying financial statements of the governmental activities, each major fund and the aggregate remaining fund information of the Indian Valley Local School District, Tuscarawas County, Ohio (the District), as of and for the year ended June 30, 2008, which collectively comprise the District's basic financial statements as listed in the Table of Contents. These financial statements are the responsibility of the District's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund and the aggregate remaining fund information of the Indian Valley Local School District, Tuscarawas County, Ohio, as of June 30, 2008, and the respective changes in financial position and where applicable, cash flows, thereof, and the budgetary comparison for the General Fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated January 5, 2009, on our consideration of the District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. While we did not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting and compliance and the results of that testing. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*. You should read it in conjunction with this report in assessing the results of our audit.

Management's Discussion and Analysis is not a required part of the basic financial statements but is supplementary information accounting principles generally accepted in the United States of America 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.

We conducted our audit to opine on the financial statements that collectively comprise the District's basic financial statements. The Federal Awards Receipts and Expenditures Schedule is required by the U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the basic financial statements. We subjected the Federal Awards Receipts and Expenditures Schedule to the auditing procedures applied in the audit of the basic financial statements. In our opinion, this information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.



**Mary Taylor, CPA**  
Auditor of State

January 5, 2009

## INDIAN VALLEY LOCAL SCHOOL DISTRICT

### *Management's Discussion and Analysis For the Fiscal Year Ended June 30, 2008*

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The discussion and analysis of the Indian Valley Local School District financial performance provides an overall review of the School District's financial activities for the fiscal year ended June 30, 2008. The intent of this discussion and analysis is to look at the School District's performance as a whole; readers should also review the basic financial statements and the notes to the financial statements to enhance their understanding of the School District's financial performance.

#### ***Financial Highlights***

Key financial highlights for 2008 are as follows:

- General revenues accounted for \$13,886,323 in revenue or 77 percent of all revenues. Program specific revenues in the form of charges for services and sales, grants, and contributions accounted for \$4,056,948 or 23 percent of total revenues of \$17,943,271.
- Total program expenses were \$20,432,083.
- In total, net assets decreased \$2,488,812. This represents a 7 percent decrease in net assets from 2007.
- Outstanding debt, excluding capital lease liability, decreased from \$14,343,769 to \$13,778,318 through the payment of debt.

#### ***Using this Annual Report***

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

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

#### ***Reporting the School District as a Whole***

##### *Statement of Net Assets and the Statement of Activities*

A question typically asked about the School District's finances is "How did we do financially during fiscal year 2008?" The Statement of Net Assets and the Statement of Activities answer this question. These statements include *all non-fiduciary assets and liabilities* using the *accrual basis of accounting* similar to the accounting used by most private-sector companies. This basis of accounting takes into account all of the current year's revenues and expenses regardless of when cash is received or paid.

## INDIAN VALLEY LOCAL SCHOOL DISTRICT

### *Management's Discussion and Analysis For the Fiscal Year Ended June 30, 2008*

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

In the Statement of Net Assets and the Statement of Activities, the School District is reported as a governmental activity.

- Governmental Activities - The School District's programs and services are reported here, including instruction, support services, operation and maintenance of plant, pupil transportation, extracurricular activities, and food services.

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

#### *Fund Financial Statements*

The analysis of the School District's major funds begins on page 13. Fund financial reports provide detailed information about the School District's major funds. The School District uses many funds to account for financial transactions. However, these fund financial statements focus on the School District's most significant funds. The School District's major governmental funds are the general fund, bond retirement debt service fund and classroom facilities capital projects fund.

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

Proprietary Funds – Proprietary funds have historically operated as *enterprise* and *internal service funds* using the same basis of accounting as business-type activities. The internal service fund accounts for the self-insurance fund for health insurance coverage and is reported separately as the School District's only proprietary fund.

Fiduciary Funds – The School District's fiduciary funds are for a Private Purpose Trust and Student Managed Activities. The School District's fiduciary activities are reported in the Statement of Fiduciary Net Assets. We exclude those activities from the School District's other financial statements because the assets can't be used by the School District to finance operations.



**INDIAN VALLEY LOCAL SCHOOL DISTRICT**

*Management's Discussion and Analysis  
For the Fiscal Year Ended June 30, 2008*

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**The School District as a Whole**

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

Table 1 provides a summary of the School District's net assets for 2008 compared to 2007:

**(Table 1)  
Net Assets**

	<u>Governmental Activities</u>	
	<u>2008</u>	<u>2007</u>
<b>Assets</b>		
Current and Other Assets	\$ 11,410,501	\$ 26,180,112
Capital Assets	<u>46,611,963</u>	<u>36,125,661</u>
Total Assets	<u>58,022,464</u>	<u>62,305,773</u>
<b>Liabilities</b>		
Long-Term Liabilities:		
Due Within One Year	732,429	737,553
Due in More Than One Year	14,356,293	14,717,663
Other Liabilities	<u>8,103,649</u>	<u>9,531,652</u>
Total Liabilities	<u>23,192,371</u>	<u>24,986,868</u>
<b>Net Assets</b>		
Invested in Capital		
Assets Net of Related Debt	33,263,685	26,840,348
Restricted for:		
Capital Projects	890,188	7,941,380
Debt Service	1,145,833	1,226,461
Other Purposes	384,330	269,649
Unrestricted	<u>(853,943)</u>	<u>1,041,067</u>
Total Net Assets	<u>\$ 34,830,093</u>	<u>\$ 37,318,905</u>

Total assets decreased by \$4,283,309. The decrease can be attributed to a decrease in intergovernmental receivables and cash and cash equivalents from expenses increasing at a greater rate than revenues. Total liabilities decreased by \$1,794,497 due to the payment of contracts comprising the majority of that amount.

**INDIAN VALLEY LOCAL SCHOOL DISTRICT**

*Management's Discussion and Analysis  
For the Fiscal Year Ended June 30, 2008*

Table 2 shows the changes in net assets for fiscal year 2008. This table presents two fiscal years in side-by-side comparisons. This enables the reader to draw further conclusion about the School District's financial status and possibly project future problems.

**(Table 2)  
Governmental Activities**

	<u>2008</u>	<u>2007</u>
<b>Revenues:</b>		
<i>Program Revenues:</i>		
Charges for Services	\$ 1,875,424	\$ 1,790,561
Operating Grants	2,153,884	2,069,961
Capital Grants and Contributions	27,640	25,805
<i>General Revenue:</i>		
Property Taxes	4,167,523	5,680,009
Grants and Entitlements	9,265,187	7,940,885
Other	453,613	1,175,098
<i>Total Revenues</i>	<u>17,943,271</u>	<u>18,682,319</u>
 <i>Program Expenses:</i>		
Instruction	10,875,713	9,952,441
Support Services	7,091,582	4,890,024
Operation of Non-Instructional Services	851,750	723,348
Extracurricular Activities	484,344	421,063
Interest and Fiscal Charges	568,673	578,163
Refund to Grantor Agency	560,021	0
<i>Total Expenses</i>	<u>20,432,083</u>	<u>16,565,039</u>
 Increase (Decrease) in Net Assets	 <u>\$ (2,488,812)</u>	 <u>\$ 2,117,280</u>

**Governmental Activities**

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

**INDIAN VALLEY LOCAL SCHOOL DISTRICT**

*Management's Discussion and Analysis  
For the Fiscal Year Ended June 30, 2008*

**(Table 3)  
Total and Net Cost of Program Services  
Governmental Activities**

	2008		2007	
	Total Cost of Service	Net Cost of Service	Total Cost of Service	Net Cost of Service
Instruction	\$ 10,875,713	\$ (7,999,987)	\$ 9,952,441	\$ (7,092,743)
Support Services:				
Pupil and Instructional Staff	1,040,462	(905,727)	907,648	(785,670)
Board of Education, Administration, Fiscal and Business	1,797,168	(1,778,647)	1,676,242	(1,623,776)
Operation and Maintenance of Plant	3,080,535	(3,023,648)	1,171,822	(1,166,774)
Pupil Transportation	1,145,921	(1,130,281)	1,110,726	(1,088,439)
Central	27,496	(8,995)	23,586	(9,395)
Operation of Non-Instructional Extracurricular Activities	851,750	(101,422)	723,348	(65,073)
Interest and Fiscal Charges	484,344	(297,734)	421,063	(268,679)
Refund to Grantor Agency	568,673	(568,673)	578,163	(578,163)
	560,021	(560,021)	0	0
<b>Total</b>	<b>\$ 20,432,083</b>	<b>\$ (16,375,135)</b>	<b>\$ 16,565,039</b>	<b>\$ (12,678,712)</b>

Instruction and student support services comprise 58 percent of governmental program expenses. Other support services such as board of education, administration, fiscal, business and central were 9 percent of governmental program expenses. Interest and fiscal charges and refund to grantor agency were 6 percent. Interest expense was attributable to the outstanding bonds. Pupil transportation and the operation and maintenance of facilities accounts for 21 percent of governmental program expenses. Operation of non-instructional services, consisting primarily of food service operations, comprises 4 percent of governmental program expenses. Extracurricular activities comprise 2 percent of total expenses

The dependence upon tax revenues for governmental activities is apparent. The community, as a whole, is a significant support for Indian Valley Local School District (30 percent of total general revenues). Nonspecific state support, however, was the primary support of the School District at 67 percent of total general revenues.

***The School District's Funds***

Information about the School District's major funds starts on page 13. These funds are accounted for using the modified accrual basis of accounting. All governmental funds had total revenues and other financing sources of \$19,149,962 and expenditures of \$31,329,319. The net change in fund balance for the year was a decrease of \$12,179,357. The general fund balance decreased by \$1,215,610. The bond retirement fund and the classroom facilities fund decreased by \$89,303 and \$10,922,225, respectively. The School District understands that it needs to continue to monitor expenditures to ensure that the School District's current obligations will continue to be met without the requirement of additional tax levies.

**INDIAN VALLEY LOCAL SCHOOL DISTRICT**

*Management's Discussion and Analysis  
For the Fiscal Year Ended June 30, 2008*

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***General Fund Budgeting Highlights***

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

During the course of fiscal year 2008, the School District did modify its general fund budget. The School District uses site-based budgeting and budgeting systems are designed to tightly control total site budgets but provide flexibility for site management. However, the general fund original budget was increased by 1 percent during the year as additional revenues became available.

For the general fund, budget basis revenue was \$79,000 over the original budget estimates of \$13,852,000. This \$79,000 variance was attributable to increased intergovernmental revenue.

Final appropriations of \$15,911,932 (including other financing sources) were \$810,784 higher than the \$15,101,148 in the original budget. The majority of the increase is due to higher fuel and utilities prices. Actual expenditures and encumbrances of \$14,764,834 were \$1,147,098 lower than the final appropriations. Actual expenditures were lower than anticipated.

***Capital Assets and Debt Administration***

**Capital Assets**

At the end of fiscal year 2008, the School District had \$46,611,963 invested in land, buildings and improvements, improvements other than buildings, furniture and equipment and vehicles. Table 4 shows fiscal year 2008 balances compared with 2007.

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

	<u>Governmental Activities</u>	
	<u>2008</u>	<u>2007</u>
Land	\$ 91,144	\$ 91,144
Construction in progress	0	28,976,924
Buildings and Improvements	45,110,451	5,986,936
Improvements Other Than Buildings	170,385	263,928
Furniture and Equipment	869,365	397,287
Vehicles	370,618	409,442
Totals	<u>\$ 46,611,963</u>	<u>\$ 36,125,661</u>

The \$10,486,302 increase in capital assets was attributable to the completion of several new buildings. See Note 8 for additional information.

**INDIAN VALLEY LOCAL SCHOOL DISTRICT**

*Management's Discussion and Analysis  
For the Fiscal Year Ended June 30, 2008*

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**Capital Assets (Continued)**

Senate Bill 345 requires the School District to set aside \$162.09 per pupil of certain general fund revenues in each of two areas, one for the purchase of textbooks and instructional materials and the other for capital improvements. For fiscal year 2008, this amounted to \$280,886 for each set aside. The School District had qualifying disbursements or offsets exceeding the requirement for both set asides. See Note 18 for additional set-aside information.

**Debt**

At June 30, 2008, the School District had \$13,729,318 in bonds outstanding with \$675,000 due within one year. The School District also has an installment loan agreement of which \$12,000 was paid during 2008 resulting in a balance of \$49,000, of which \$12,000 will be due within one year. Table 5 summarizes debt outstanding.

**(Table 5)  
Outstanding Debt, at June 30**

	Governmental Activities 2008	Governmental Activities 2007
	<u>2008</u>	<u>2007</u>
General Obligation Bonds	\$ 13,729,318	\$ 14,282,769
Installment Loan	49,000	61,000
Totals	<u>\$ 13,778,318</u>	<u>\$ 14,343,769</u>

In 1995, the School District passed a bond issue providing \$7,430,000 for school building construction issues. During fiscal year 2005, refunding bonds were issued to retire this debt. In 2005, the School District also issued \$5,924,989 in general obligation bonds to construct new school buildings. In 2002, the School District entered into an installment loan for \$120,000 to purchase land and a bus garage. See Note 12 for additional information.

***Economic Factors***

The Indian Valley Local School District continues to receive strong support from the residents of the School District. The last operating levies passed by the residents of the District were a renewal in November, 2008, which will generate revenue of \$573,000 per year, for a period of five years and a renewal in November, 2006, which will generate revenue of \$600,000 per year, for a period of five years. Also, in May 2005, the District residents passed an \$8,483,000 Bond Issue as their local share in an Ohio School Facilities Commission (OSFC) Classroom Facilities Assistance Program. The total project cost of \$42,474,000, will provide the District with two (2) new elementary schools, a new middle school, and a 30,000 square foot addition and renovations to the high school. All of the schools were opened in September 2007.

## INDIAN VALLEY LOCAL SCHOOL DISTRICT

*Management's Discussion and Analysis  
For the Fiscal Year Ended June 30, 2008*

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### ***Economic Factors (Continued)***

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

Property tax revenue makes up only 30 percent of revenues for governmental activities for the Indian Valley Local School District in fiscal year 2008. Unlike many other school districts, the Indian Valley Local School District is not primarily dependent upon revenues generated from property taxes.

From a State funding perspective, the State of Ohio was found by the Ohio Supreme Court in March, 1997 to be operating an unconstitutional education system, one that was neither "adequate" nor "equitable". Since 1997, the State has directed its tax revenue growth toward school districts with little property tax wealth. It is still undetermined whether the State has met the standards of the Ohio Supreme Court.

The Indian Valley Local School District has not anticipated any meaningful growth in State revenue. The concern is that, to meet the requirements of the Court, the State may require redistribution of state funding based upon each district's property wealth. This could have a significant impact on the School District. Another School District concern will be the State Legislative approval of the biennial budget, effective July 1, 2009. How the legislature plans to fund education programs during a weakened economy remains a concern.

All scenarios require management to plan carefully and prudently to provide the resources to meet student needs over the next several years.

All of the School District's financial abilities will be needed to meet the challenges of the future.

### ***Contacting the School District's Financial Management***

This financial report is designed to provide our citizens, taxpayers, investors, and creditors with a general overview of the School District's finances and to show the School District's accountability for the money it receives. If you have any questions about this report or need additional financial information, contact Brad Maholm, Treasurer of Indian Valley Local School District, 100 N. Walnut Street, Gnadenhutten, Ohio 44629, e-mail [iv\\_brad@omersa.net](mailto:iv_brad@omersa.net).

**INDIAN VALLEY LOCAL SCHOOL DISTRICT**

*Statement of Net Assets*

*June 30, 2008*

	<u>Governmental Activities</u>
<b>Assets</b>	
Equity in Pooled Cash and Cash Equivalents	\$ 5,638,739
Receivables:	
Taxes	5,111,866
Accounts	8,184
Intergovernmental	394,274
Prepaid Items	40,089
Inventory Held For Resale	13,471
Materials and Supplies Inventory	2,702
Deferred Charges	201,176
Nondepreciable Capital Assets	91,144
Depreciable Capital Assets, Net	<u>46,520,819</u>
<i>Total Assets</i>	<u>58,022,464</u>
<b>Liabilities</b>	
Accounts Payable	203,228
Contracts Payable	559,032
Retained Payable	80,200
Accrued Wages and Benefits	1,560,103
Accrued Vacation Payable	54,737
Matured Compensated Absences Payable	132,231
Accrued Interest Payable	36,327
Intergovernmental Payable	967,205
Deferred Revenue	4,510,586
Long Term Liabilities:	
Due Within One Year	732,429
Due In More Than One Year	<u>14,356,293</u>
<i>Total Liabilities</i>	<u>23,192,371</u>
<b>Net Assets</b>	
Invested in Capital Assets, Net of Related Debt	33,263,685
Restricted for:	
Capital Outlay	890,188
Debt Service	1,145,833
Other Purposes	384,330
Unrestricted	<u>(853,943)</u>
<i>Total Net Assets</i>	<u>\$ 34,830,093</u>

See accompanying notes to the financial statements.

**INDIAN VALLEY LOCAL SCHOOL DISTRICT**

*Statement of Activities*

*For the Fiscal Year Ended June 30, 2008*

	Program Revenues			Net (Expense) Revenue and Changes in Net Assets	
	Charges for Services and Sales	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	
Expenses					
<b>Governmental Activities</b>					
Instruction:					
Regular	\$ 7,568,939	\$ 1,313,812	\$ 68,968	\$ 0	\$ (6,186,159)
Special	1,574,163	0	1,373,705	0	(200,458)
Vocational	278,309	0	47,277	0	(231,032)
Other	1,454,302	0	71,964	0	(1,382,338)
Support Services:					
Pupils	509,696	0	15,210	0	(494,486)
Instructional Staff	530,766	0	119,525	0	(411,241)
Board of Education	48,076	0	0	0	(48,076)
Administration	1,225,753	0	18,521	0	(1,207,232)
Fiscal	398,145	0	0	0	(398,145)
Business	125,194	0	0	0	(125,194)
Operation and Maintenance of Plant	3,080,535	2,215	54,672	0	(3,023,648)
Pupil Transportation	1,145,921	0	0	15,640	(1,130,281)
Central	27,496	0	6,501	12,000	(8,995)
Operation of Non-Instructional Services:					
Food Service Operations	840,250	369,020	369,808	0	(101,422)
Community Services	11,500	11,500	0	0	0
Extracurricular Activities	484,344	178,877	7,733	0	(297,734)
Interest and Fiscal Charges	568,673	0	0	0	(568,673)
Refund to Grantor Agency	560,021	0	0	0	(560,021)
<i>Total Governmental Activities</i>	<u>\$ 20,432,083</u>	<u>\$ 1,875,424</u>	<u>\$ 2,153,884</u>	<u>\$ 27,640</u>	<u>(16,375,135)</u>
<b>General Revenues</b>					
Property Taxes Levied for:					
General Purposes					3,225,200
Debt Service					882,393
Other Purposes					59,930
Grants and Entitlements Not Restricted to Specific Programs					9,265,187
Investment Earnings					443,545
Miscellaneous					10,068
<i>Total General Revenues</i>					<u>13,886,323</u>
Change in Net Assets					(2,488,812)
<i>Net Assets Beginning of Year</i>					<u>37,318,905</u>
<i>Net Assets End of Year</i>					<u>\$ 34,830,093</u>

See accompanying notes to the financial statements.



**INDIAN VALLEY LOCAL SCHOOL DISTRICT**

*Balance Sheet  
Governmental Funds  
June 30, 2008*

	General	Bond Retirement	Classroom Facilities	Other Governmental Funds	Total Governmental Funds
<b>Assets</b>					
Equity in Pooled Cash and Cash Equivalents	\$ 2,189,720	\$ 1,014,278	\$ 1,911,332	\$ 460,894	\$ 5,576,224
Receivables:					
Taxes	3,998,025	1,040,223	0	73,618	5,111,866
Accounts	8,000	0	0	184	8,184
Interfund	16,052	0	0	0	16,052
Intergovernmental	0	0	191,341	202,933	394,274
Prepaid Items	39,084	0	1,005	0	40,089
Inventory Held For Resale	0	0	0	13,471	13,471
Materials and Supplies Inventory	0	0	0	2,702	2,702
<i>Total Assets</i>	<u>\$ 6,250,881</u>	<u>\$ 2,054,501</u>	<u>\$ 2,103,678</u>	<u>\$ 753,802</u>	<u>\$ 11,162,862</u>
<b>Liabilities and Fund Balances</b>					
<b>Liabilities</b>					
Accounts Payable	153,302	0	23,361	26,565	203,228
Contracts Payable	45,451	0	513,581	0	559,032
Accrued Wages and Benefits	1,335,769	0	0	224,334	1,560,103
Retainage Payable	0	0	80,200	0	80,200
Interfund Payable	0	0	0	16,052	16,052
Intergovernmental Payable	363,301	0	560,021	43,883	967,205
Deferred Revenue	3,757,928	970,364	174,259	177,995	5,080,546
Matured Compensated Absences Payable	132,231	0	0	0	132,231
<i>Total Liabilities</i>	<u>5,787,982</u>	<u>970,364</u>	<u>1,351,422</u>	<u>488,829</u>	<u>8,598,597</u>
<b>Fund Balances</b>					
Fund Balance:					
Reserved for Encumbrances	175,950	0	32,589	16,183	224,722
Reserved for Prepaid Items	39,084	0	1,005	0	40,089
Reserved for Property Taxes	240,097	69,859	0	4,746	314,702
Unreserved, Undesignated Reported in:					
General Fund	7,768	0	0	0	7,768
Special Revenue Funds	0	0	0	244,044	244,044
Debt Service Fund	0	1,014,278	0	0	1,014,278
Capital Projects Funds	0	0	718,662	0	718,662
<i>Total Fund Balances</i>	<u>462,899</u>	<u>1,084,137</u>	<u>752,256</u>	<u>264,973</u>	<u>2,564,265</u>
<i>Total Liabilities and Fund Balances</i>	<u>\$ 6,250,881</u>	<u>\$ 2,054,501</u>	<u>\$ 2,103,678</u>	<u>\$ 753,802</u>	<u>\$ 11,162,862</u>

See accompanying notes to the financial statements.

**INDIAN VALLEY LOCAL SCHOOL DISTRICT**  
*Reconciliation of Total Governmental Fund Balances to  
 Net Assets of Governmental Activities  
 June 30, 2008*

<b>Total Governmental Fund Balances</b>		\$ 2,564,265
 <i>Amounts reported for governmental activities in the statement of net assets are different because:</i>		
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.		46,611,963
Other long-term assets are not available to pay for current-period expenditures and therefore are deferred in the funds.		
Grants	\$ 283,382	
Delinquent Property Taxes	<u>286,578</u>	
Total		569,960
In the statement of activities, bond issuance costs are amortized over the term of the bonds, whereas in governmental funds a bond issuance expenditure is reported when bonds are issued.		201,176
In the statement of activities, interest is accrued on outstanding bonds, whereas in governmental funds, an interest expenditure is reported when due.		(36,327)
An internal service fund is used by management to charge the costs of insurance to individual funds. The assets and liabilities of the internal service fund are included in the governmental activities in the statement of net assets.		62,515
Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds.		
Accrued Vacation Payable	(54,737)	
General Obligation Bonds	(11,935,000)	
Capital Appreciation Bonds	(1,147,983)	
Bond Accretion	(321,151)	
Unamortized Bond Premium	(503,727)	
Refunding Loss	178,543	
Installment Loan	(49,000)	
Capital Leases Payable	(92,287)	
Compensated Absences	<u>(1,218,117)</u>	
Total		<u>(15,143,459)</u>
<i>Net Assets of Governmental Activities</i>		<u><u>\$ 34,830,093</u></u>

See accompanying notes to the financial statements.

**INDIAN VALLEY LOCAL SCHOOL DISTRICT**  
*Statement of Revenues, Expenditures and Changes in Fund Balances*  
*Governmental Funds*  
*For the Fiscal Year Ended June 30, 2008*

	General	Bond Retirement	Classroom Facilities	Other Governmental Funds	Total Governmental Funds
<b>Revenues:</b>					
Taxes	\$ 3,183,120	\$ 873,718	\$ 0	\$ 59,238	\$ 4,116,076
Intergovernmental	8,568,812	169,435	1,859,532	1,657,803	12,255,582
Investment Income	190,159	0	253,309	77	443,545
Tuition and Fees	1,313,811	0	0	0	1,313,811
Extracurricular Activities	0	0	0	178,877	178,877
Rentals	2,216	0	0	0	2,216
Charges for Services	0	0	0	369,020	369,020
Gifts and Donations	43,298	0	0	20,993	64,291
Miscellaneous	10,068	0	0	0	10,068
<i>Total Revenues</i>	<u>13,311,484</u>	<u>1,043,153</u>	<u>2,112,841</u>	<u>2,286,008</u>	<u>18,753,486</u>
<b>Expenditures:</b>					
Current:					
Instruction:					
Regular	6,151,674	0	36,614	111,639	6,299,927
Special	692,775	0	0	764,275	1,457,050
Vocational	194,271	0	0	74,507	268,778
Other	1,359,998	0	0	86,907	1,446,905
Support Services:					
Pupils	478,067	0	0	18,720	496,787
Instructional Staff	388,434	0	0	123,087	511,521
Board of Education	48,076	0	0	0	48,076
Administration	1,142,364	0	0	43,489	1,185,853
Fiscal	376,670	24,788	0	1,717	403,175
Business	117,384	0	0	0	117,384
Operation and Maintenance of Plant	1,663,252	0	918,429	3,369	2,585,050
Pupil Transportation	1,075,648	0	0	0	1,075,648
Central	10,620	0	0	16,876	27,496
Operation of Non-Instructional Services:					
Food Service Operations	0	0	0	788,717	788,717
Community Services	0	0	0	11,500	11,500
Extracurricular Activities	258,485	0	0	193,424	451,909
Capital Outlay	376,827	0	11,784,843	0	12,161,670
Debt Service:					
Principal Retirement	53,279	650,000	0	0	703,279
Interest and Fiscal Charges	6,064	457,668	0	0	463,732
<i>Total Expenditures</i>	<u>14,393,888</u>	<u>1,132,456</u>	<u>12,739,886</u>	<u>2,238,227</u>	<u>30,504,457</u>
<i>Excess of Revenues Over (Under) Expenditures</i>	(1,082,404)	(89,303)	(10,627,045)	47,781	(11,750,971)
<b>Other Financing Sources (Uses):</b>					
Inception of Capital Lease	39,333	0	0	0	39,333
Proceeds from Sale of Capital Assets	92,302	0	0	0	92,302
Transfers In	0	0	264,841	0	264,841
Transfers Out	(264,841)	0	0	0	(264,841)
Refund to Grantor Agency	0	0	(560,021)	0	(560,021)
<i>Total Financing Sources and (Uses)</i>	<u>(133,206)</u>	<u>0</u>	<u>(295,180)</u>	<u>0</u>	<u>(428,386)</u>
<i>Net Change in Fund Balance</i>	(1,215,610)	(89,303)	(10,922,225)	47,781	(12,179,357)
<i>Fund Balance Beginning of Year</i>	<u>1,678,509</u>	<u>1,173,440</u>	<u>11,674,481</u>	<u>217,192</u>	<u>14,743,622</u>
<i>Fund Balance End of Year</i>	<u>\$ 462,899</u>	<u>\$ 1,084,137</u>	<u>\$ 752,256</u>	<u>\$ 264,973</u>	<u>\$ 2,564,265</u>

See accompanying notes to the financial statements.

**INDIAN VALLEY LOCAL SCHOOL DISTRICT**  
*Reconciliation of the Statement of Revenues, Expenditures and Changes  
in Fund Balances of Governmental Funds to the Statement of Activities  
For the Fiscal Year Ended June 30, 2008*

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**Net Change in Fund Balances - Total Governmental Funds** \$ (12,179,357)

*Amounts reported for governmental activities in the  
statement of activities are different because:*

Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which capital outlay exceeded depreciation in the current period.

Capital Asset Additions	\$ 12,257,787	
Current Year Depreciation	<u>(1,169,452)</u>	11,088,335

Governmental funds only report the disposal of capital assets to the extent proceeds are received from the sale. In the statement of activities, a gain or loss is reported for each disposal.

(602,033)

Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.

Grants	175,871	
Delinquent Property Taxes	<u>51,447</u>	227,318

In the prior year, grant revenues were reported on the Statement of Activities but were excluded from the Statement of Revenues, Expenditures and Changes in Fund Balances because it had not met the availability criteria. For the current year, these grant revenues are included on the Statement of Revenues, Expenditures, and Changes in Fund Balance but are not included on the Statement of Activities.

(1,037,533)

Repayment of principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets.

General Obligation Bonds	650,000	
Installment Loan	12,000	
Capital Leases	<u>41,279</u>	703,279

In the statement of activities, interest is accrued on outstanding bonds, whereas in governmental funds, an interest expenditure is reported when due. The governmental report the effects of premiums and issuance costs when debt is first issued, whereas these amounts are deferred and amortized in the statement activities.

Accrued Interest	2,625	
Refunding Loss Amortization	(14,878)	
Accretion on Capital Appreciation Bonds	(112,337)	
Bond Issuance Costs	(11,017)	
Bond Premium Amortization	<u>30,666</u>	(104,941)

Proceeds from lease in the governmental funds that increase long-term liabilities in the statement of net assets are not reported as revenues.

(39,333)

Some expenses reported in the statement of net activities do not use the current financial resources and therefore are not reported as expenditures in governmental funds.

Compensated Absences	(200,903)	
Accrued Vacation Payable	<u>(7,826)</u>	(208,729)

The internal service fund used by management to charge the costs of insurance to individual funds is not reported in the district-wide statement of activities.

Governmental fund expenditures and related internal service revenues are eliminated. The net revenue (expense) of the internal service fund is reported with governmental activities.

(335,818)

*Change in Net Assets of Governmental Activities*

\$ (2,488,812)

See accompanying notes to the financial statements.

**INDIAN VALLEY LOCAL SCHOOL DISTRICT**  
*Statement of Revenues, Expenditures, and Changes in Fund Balance -  
 Budget (Non-GAAP Basis) and Actual*  
 General Fund  
 For the Fiscal Year Ended June 30, 2008

	Budgeted Amounts			Variance with Final Budget Positive (Negative)
	Original	Final	Actual	
<b>Revenues</b>				
Taxes	\$ 3,810,000	\$ 3,822,000	\$ 3,822,081	\$ 81
Intergovernmental	8,451,000	8,518,000	8,568,812	50,812
Investment Income	245,000	245,000	190,159	(54,841)
Tuition and Fees	1,290,000	1,290,000	1,313,866	23,866
Rentals	3,000	3,000	2,216	(784)
Gifts and Donations	51,000	51,000	43,298	(7,702)
Miscellaneous	2,000	2,000	2,661	661
<i>Total Revenues</i>	<u>13,852,000</u>	<u>13,931,000</u>	<u>13,943,093</u>	<u>12,093</u>
<b>Expenditures</b>				
Current:				
Instruction:				
Regular	6,386,422	6,426,406	6,122,993	303,413
Special	785,110	811,210	746,061	65,149
Vocational	272,765	274,765	207,970	66,795
Other	1,436,825	1,436,825	1,344,281	92,544
Support Services:				
Pupils	519,835	519,835	475,414	44,421
Instructional Staff	392,765	416,765	379,825	36,940
Board of Education	50,850	54,350	48,796	5,554
Administration	1,208,386	1,208,386	1,140,035	68,351
Fiscal	386,727	409,727	384,777	24,950
Business	129,550	129,650	120,138	9,512
Operation and Maintenance of Plant	1,603,220	1,818,320	1,668,200	150,120
Pupil Transportation	1,202,424	1,366,424	1,225,060	141,364
Central	23,000	23,000	11,915	11,085
Extracurricular Activities	314,178	329,178	259,437	69,741
Capital Outlay	347,091	385,091	337,039	48,052
Debt Service:				
Principal Retirement	12,000	12,000	12,000	0
<i>Total Expenditures</i>	<u>15,071,148</u>	<u>15,621,932</u>	<u>14,483,941</u>	<u>1,137,991</u>
<i>Excess of Revenues Over (Under) Expenditures</i>	(1,219,148)	(1,690,932)	(540,848)	1,150,084
<b>Other Financing Sources (Uses)</b>				
Proceeds from Sale of Assets	82,000	82,000	92,302	10,302
Refund of Prior Year Expenditures	0	0	9,908	9,908
Advances In	25,000	25,000	0	(25,000)
Advances Out	(25,000)	(25,000)	(16,052)	8,948
Transfers Out	(5,000)	(265,000)	(264,841)	159
<i>Total Other Financing Sources (Uses)</i>	<u>77,000</u>	<u>(183,000)</u>	<u>(178,683)</u>	<u>4,317</u>
<i>Net Change in Fund Balance</i>	(1,142,148)	(1,873,932)	(719,531)	1,154,401
<i>Fund Balance Beginning of Year</i>	2,262,316	2,262,316	2,262,316	0
Prior Year Encumbrances Appropriated	322,379	322,379	322,379	0
<i>Fund Balance End of Year</i>	<u>\$ 1,442,547</u>	<u>\$ 710,763</u>	<u>\$ 1,865,164</u>	<u>\$ 1,154,401</u>

See accompanying notes to the financial statements.

**INDIAN VALLEY LOCAL SCHOOL DISTRICT**

*Statement of Fund Net Assets*

*Proprietary Fund*

*June 30, 2008*

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	Governmental Activities - Internal Service Fund
<b>Assets</b>	
Equity in Pooled Cash and Cash Equivalents	\$ 62,515
<b>Net Assets</b>	
Unrestricted	\$ 62,515

See accompanying notes to the financial statements.

**INDIAN VALLEY LOCAL SCHOOL DISTRICT**  
*Statement of Revenues, Expenses, and Changes in Fund Net Assets*  
*Proprietary Fund*  
*For the Fiscal Year Ended June 30, 2008*

	<u>Governmental Activities - Internal Service Fund</u>
<b>Operating Revenues</b>	
Other Operating Revenues	<u>\$ 2,823</u>
<b>Operating Expenses</b>	
Purchased Services	1,750
Claims	<u>336,891</u>
<i>Total Operating Expenses</i>	<u>338,641</u>
<i>Change in Net Assets</i>	(335,818)
<i>Net Assets Beginning of Year</i>	<u>398,333</u>
<i>Net Assets End of Year</i>	<u><u>\$ 62,515</u></u>

See accompanying notes to the financial statements.

INDIAN VALLEY LOCAL SCHOOL DISTRICT

Statement of Cash Flows

Proprietary Fund

For the Fiscal Year Ended June 30, 2008

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	Governmental Activities - Internal Service Fund
<b><i>Decrease in Cash and Cash Equivalents</i></b>	
<b>Cash Flows From Operating Activities</b>	
Cash Payments for Purchased Services	(1,750)
Cash Payments for Claims	(498,074)
Other Cash Receipts	2,823
	<hr/>
<i>Net Cash Used for Operating Activities</i>	(497,001)
	<hr/>
<i>Net Decrease in Cash and Cash Equivalents</i>	(497,001)
	<hr/>
<i>Cash and Cash Equivalents Beginning of Year</i>	559,516
	<hr/>
<i>Cash and Cash Equivalents End of Year</i>	\$ 62,515
	<hr/> <hr/>
<b>Reconciliation of Operating Loss to Net Cash Used for Operating Activities</b>	
<i>Operating Loss</i>	\$ (335,818)
Adjustment:	
Decrease in Claims Payable	(161,183)
	<hr/>
<i>Net Cash Used for Operating Activities</i>	\$ (497,001)
	<hr/> <hr/>

See accompanying notes to the financial statements.



**INDIAN VALLEY LOCAL SCHOOL DISTRICT**

*Statement of Fiduciary Net Assets*

*Fiduciary Funds*

*June 30, 2008*

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	<u>Private Purpose Trust</u>	
	<u>Scholarship</u>	<u>Agency</u>
<b>Assets</b>		
Equity in Pooled Cash and Cash Equivalents	<u>\$ 10,193</u>	<u>\$ 46,376</u>
<b>Liabilities</b>		
Due to Students	<u>0</u>	<u>\$ 46,376</u>
<b>Net Assets</b>		
Held in Trust for Scholarships	<u>10,193</u>	
<i>Total Net Assets</i>	<u>\$ 10,193</u>	

See accompanying notes to the financial statements.

**INDIAN VALLEY LOCAL SCHOOL DISTRICT**

*Statement of Changes in Fiduciary Net Assets*

*Private Purpose Trust Fund*

*For the Fiscal Year Ended June 30, 2008*

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	<u>Private Purpose Trust</u>
	<u>Scholarship</u>
<b>Additions</b>	
Interest	<u>\$ 395</u>
<b>Deductions</b>	
Payments in Accordance with Trust Agreements	<u>742</u>
<i>Change in Net Assets</i>	(347)
<i>Net Assets Beginning of Year</i>	<u>10,540</u>
<i>Net Assets End of Year</i>	<u><u>\$ 10,193</u></u>

See accompanying notes to the financial statements.

**INDIAN VALLEY LOCAL SCHOOL DISTRICT  
TUSCARAWAS COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
JUNE 30, 2008**

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

The Indian Valley Local School District (the "School District") was established for the purpose of exercising the rights and privileges conveyed to it by the constitution and laws of the State of Ohio. The School District is a school district as defined by Section 3311.03 of the Ohio Revised Code. The School District operates under an elected Board of Education, consisting of five members, and is responsible for providing public education to residents of the School District. Average daily membership on October 1, 2007, was 1,787. The School District employs 125 certificated and 84 non-certificated employees.

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

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

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

**NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The financial statements of the School District have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to local governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The School District also applies Financial Accounting Standards Board (FASB) Statements and Interpretations issued on or before November 30, 1989, to its governmental type activities and to its internal service fund provided they do not conflict with or contradict GASB pronouncements. The most significant of the School District's accounting policies are described below.

***A. Basis of Presentation***

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

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

INDIAN VALLEY LOCAL SCHOOL DISTRICT

NOTES TO THE BASIC FINANCIAL STATEMENTS (Continued)  
JUNE 30, 2008

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**NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

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

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

**B. Fund Accounting**

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

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

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

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

**Classroom Facilities Fund** The classroom facilities capital projects fund accounts for monies received and expended in connection with contracts entered into by the School District and the Ohio Department of Education for the building and equipping of classroom facilities.

**INDIAN VALLEY LOCAL SCHOOL DISTRICT**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS (Continued)**  
**JUNE 30, 2008**

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**NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

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

**Proprietary Funds** Proprietary funds focus on the determination of changes in net assets, financial position and cash flows and are classified as either enterprise or internal service. The School District's only proprietary fund is an internal service fund.

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

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

**C. Measurement Focus**

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

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

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

**INDIAN VALLEY LOCAL SCHOOL DISTRICT**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS (Continued)**  
**JUNE 30, 2008**

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**NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

***D. Basis of Accounting***

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

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

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

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

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

Property taxes for which there is an enforceable legal claim as of June 30, 2008, but which were levied to finance fiscal year 2009 operations, have been recorded as deferred revenue. Grants and entitlements received before the eligibility requirements are met are also recorded as deferred revenue.

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

INDIAN VALLEY LOCAL SCHOOL DISTRICT

NOTES TO THE BASIC FINANCIAL STATEMENTS (Continued)  
JUNE 30, 2008

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**NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

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

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

*E. Cash and Cash Equivalents*

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

During fiscal year 2008, investments were limited to STAROhio, Federal Home Loan Bank Bonds, Federal Home Loan Mortgage Corp. Notes, Federal National Mortgage Association, mutual funds, and certificates of deposit.

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

STAROhio is an investment pool managed by the State Treasurer's Office which allows governments within the State to pool their funds for investment purposes. STAROhio is not registered with the SEC as an investment company, but does operate in a manner consistent with Rule 2a7 of the Investment Company Act of 1940. Investments in STAROhio are valued at STAROhio's share price which is the price the investment could be sold for on June 30, 2008. Certificates of deposit are reported at cost.

Following Ohio statutes, the Board of Education has, by resolution, identified the funds to receive an allocation of interest. Interest revenue credited to the general fund during fiscal year 2008 amounted to \$190,159, which includes \$77,047 assigned from other School District funds.

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

**INDIAN VALLEY LOCAL SCHOOL DISTRICT**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS (Continued)**  
**JUNE 30, 2008**

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**NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

***F. Prepaid Items***

Payments made to vendors for services that will benefit periods beyond June 30, 2008, are recorded as prepaid items using the consumption method. A current asset for the prepaid amount is recorded at the time of the purchase and an expenditure/expense is reported in the year in which services are consumed.

***G. Inventory***

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

***H. Deferred Charges***

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

***I. Capital Assets***

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

All capital assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the year. Donated capital assets are recorded at their fair market values as of the date received. The School District's capitalization threshold is \$2,500 for its general capital assets. The School District does not possess any infrastructure. Improvements are capitalized; the costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not.

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

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



**INDIAN VALLEY LOCAL SCHOOL DISTRICT**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS (Continued)**  
**JUNE 30, 2008**

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**NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

***J. Compensated Absences***

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

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

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

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

***K. Bond Premiums***

Bond premiums are recorded as another financing source on the governmental fund statements. On the government-wide financial statements, bond premiums are deferred and amortized over the term of the bond using the effective interest method. Bond premiums are presented as an increase of the face amount of the bonds payable.

***L. Accrued Liabilities and Long-Term Obligations***

All payables, accrued liabilities and long-term obligations are reported in the government-wide financial statements and all payables, accrued liabilities and long-term obligations from the internal service fund are reported on the proprietary fund financial statements.

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

**INDIAN VALLEY LOCAL SCHOOL DISTRICT**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS (Continued)**  
**JUNE 30, 2008**

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**NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

***M. Net Assets***

Net assets represent the difference between assets and liabilities. Net assets invested in capital assets, net of related debt consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction, or improvement of those assets. Net assets are reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the School District or through external restrictions imposed by creditors, grantors, or laws or regulations of other governments. Net assets restricted for other purposes include instructional activities, grants and extracurricular activities. At June 30, 2008, none of the School District's net assets were restricted by enabling legislation.

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

***N. Fund Balance Reserves***

The School District reserves those portions of fund equity which are legally segregated for specific future use or which do not represent available expendable resources and therefore are not available for appropriations for expenditures. Unreserved fund balance indicates that portion of fund equity, which is available for appropriation, in future periods. Fund balance reserves are established for encumbrances, property taxes and prepaid items.

The reserve for property taxes represents taxes recognized as revenue under generally accepted accounting principles but not available for appropriations under State statute.

***O. Operating Revenues and Expenses***

Operating revenues are those revenues that are generated directly from the primary activity of the proprietary fund. For the School District, these revenues are charges for services for self-insurance programs. Operating expenses are necessary costs incurred to provide the goods or service that is the primary activity of the fund.

***P. Interfund Activity***

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

***Q. Extraordinary and Special Items***

Extraordinary items are transactions or events that are both unusual in nature and infrequent in occurrence. Special items are transactions or events that are within the control of the Board of Education and that are either unusual in nature or infrequent in occurrence. Neither type of transaction occurred during fiscal 2008.

**INDIAN VALLEY LOCAL SCHOOL DISTRICT**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS (Continued)**  
**JUNE 30, 2008**

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**NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

***R. Estimates***

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

***S. Budgetary Data***

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

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

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

***T. Implementation of New Accounting Policies***

For the year ended June 30, 2008, the School District has implemented GASB Statement No. 45, "*Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*", GASB Statement No. 48, "*Sales and Pledges of Receivables and Future Revenues and Intra-Entity Transfers of Assets and Future Revenues*", GASB Statement No. 49, "*Accounting and Financial Reporting for Pollution Remediation Obligations*", and GASB Statement No. 50, "*Pension Disclosures – An Amendment of GASB Statements No. 25 and No. 27.*"

GASB Statement No. 45 provides guidance on all aspects of OPEB reporting by employers. This Statement establishes standards for the measurement, recognition, and display of OPEB expense/expenditures and related liabilities (assets), note disclosures, and, if applicable, required supplementary information (RSI) in the financial reports of state and local governmental employers.

**INDIAN VALLEY LOCAL SCHOOL DISTRICT**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS (Continued)**  
**JUNE 30, 2008**

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**NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

GASB Statement No. 48 provides guidance on accounting for sales and pledges of receivables and future revenues. The Statement also requires governments to disclose in the notes to the financial statements the amount of future revenues that have been pledged or sold.

GASB Statement No. 49 provides guidance on how to calculate and report the costs and obligations associated with pollution cleanup efforts.

GASB Statement No. 50 more closely aligns the financial reporting requirements for pensions with those for other postemployment benefits (OPEB) and, in doing so, enhances information disclosed in notes to financial statements or presented as required supplementary information (RSI) by pension plans and by employers that provide pension benefits. The reporting changes required by this Statement amend applicable note disclosure and RSI requirements of GASB Statement No. 25, *“Financial Reporting for defined Benefit Pension Plans and Note Disclosures for defined Contribution Plans,”* and GASB Statement No. 27, *“Accounting for Pensions by State and Local Governmental Employers,”* to conform with requirements of GASB Statement No. 43, *“Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans,”* and GASB Statement No. 45, *“Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions.”*

Implementation of these GASB Statements did not affect the presentation of the financial statements of the School District.

**NOTE 3: FUND DEFICITS**

Fund balances at June 30, 2008 included the following individual fund deficits:

	Deficit
<i>Non-Major Special Revenue Funds:</i>	
Food Service	\$ 23,416
Title VI	8,606
Title I	10,287
Title VIR	1,551
Miscellaneous Grants	2,121
Athletic Fund	6,115

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

**INDIAN VALLEY LOCAL SCHOOL DISTRICT**

**NOTES TO THE BASIC FINANCIAL STATEMENTS (Continued)**  
**JUNE 30, 2008**

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**NOTE 4: BUDGETARY BASIS OF ACCOUNTING**

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

1. Revenues and other sources are recorded when received in cash (budget) as opposed to when susceptible to accrual (GAAP).
2. Expenditures/expenses and other uses are recorded when paid in cash (budget) as opposed to when the liability is incurred (GAAP).
3. Encumbrances are treated as expenditures (budget) rather than as a reservation of fund balance (GAAP).
4. Advances in and advances out are operating transactions (budget) as opposed to balance sheet transactions (GAAP).

The following table summarizes the adjustments necessary to reconcile the GAAP basis statement to the budgetary basis statement for the general fund.

**Net Change in Fund Balance**

	<u>General</u>
GAAP Basis	\$ (1,215,610)
Net Adjustment for Revenue Accruals	602,184
Advances Out	(16,052)
Net Adjustment for Expenditure Accruals	234,503
Adjustment for Encumbrances	<u>(324,556)</u>
Budget Basis	<u><u>\$ (719,531)</u></u>

**NOTE 5: DEPOSITS AND INVESTMENTS**

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

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

**INDIAN VALLEY LOCAL SCHOOL DISTRICT**

**NOTES TO THE BASIC FINANCIAL STATEMENTS (Continued)**  
**JUNE 30, 2008**

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**NOTE 5: DEPOSITS AND INVESTMENTS (Continued)**

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

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

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

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

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

**INDIAN VALLEY LOCAL SCHOOL DISTRICT**

**NOTES TO THE BASIC FINANCIAL STATEMENTS (Continued)  
JUNE 30, 2008**

**NOTE 5: DEPOSITS AND INVESTMENTS (Continued)**

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

According to state law, public depositories must give security for all uninsured public funds on deposit. These institutions may either specifically collateralize individual accounts in lieu of amounts insured by FDIC, or may pledge a pool of government securities valued at least 105 percent of the total value of uninsured public monies on deposit at the institution. Repurchase agreements must be secured by the specific government securities upon which the repurchase agreements are based. These securities must be obligations of or guaranteed by the United States and mature or be redeemable within five years of the date of the related repurchase agreement. State law does not require security for public deposits and investments to be maintained in the School District's name. During 2008, the School District and public depositories complied with the provisions of these statutes.

**Deposits with Financial Institutions**

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

At fiscal year-end, the carrying amount of the School District's deposits was \$11,889, which includes \$155 cash on hand. Based on the criteria described in GASB Statement No. 40, "Deposits and Investment Risk Disclosures," as of June 30, 2008, \$180,595 of the School District's bank balance of \$290,787 was exposed to custodial risk as discussed above, while \$110,192 was covered by Federal Deposit Insurance Corporation, and \$0 was uninsured and uncollateralized, contrary to Ohio law.

**Investments**

As of June 30, 2008, the School District had the following investments and maturities:

Investment Type	Maturities	
	Fair Value	6 Months or Less
Government & Agency Mutual Fund	\$ 649,686	\$ 649,686
STAROhio	5,033,733	5,033,733
Total	\$ 5,683,419	\$ 5,683,419

**Interest Rate Risk** As a means of limiting its exposure to fair value losses arising from rising interest rates and according to state law, the School District's investment policy limits investment portfolio maturities to five years or less for investments.

**Credit Risk** The mutual fund was rated AAA by Standard & Poor's. STAROhio was rated AAAM by Standard & Poor's.

INDIAN VALLEY LOCAL SCHOOL DISTRICT

NOTES TO THE BASIC FINANCIAL STATEMENTS (Continued)  
JUNE 30, 2008

**NOTE 5: DEPOSITS AND INVESTMENTS (Continued)**

*Concentration of Credit Risk* The School District places no limit on the amount that may be invested in any one issuer. The following table includes the percentage to total of each investment type held by the School District at June 30, 2008:

<u>Investment Type</u>	<u>Fair Value</u>	<u>Percent of Total</u>
Government & Agency Mutual Fund	649,686	11.43%
STAROhio	5,033,733	88.57%
Total	<u>\$ 5,683,419</u>	<u>100.00%</u>

**NOTE 6: RECEIVABLES**

Receivables at June 30, 2008 consisted of taxes, accounts (customer services and student fees), accrued interest and intergovernmental grants. All receivables are considered collectible in full due to the ability to foreclose for the nonpayment of taxes, the stable condition of State programs, and the current year guarantee of federal funds. All are expected to be collected within one year.

**NOTE 7: PROPERTY TAXES**

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

Property taxes include amounts levied against all real, 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 semiannually, the first payment is due December 31 with the remainder payable by June 20. Under certain circumstances, State statute permits alternate payment dates to be established.

Public utility property tax revenue received in calendar 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.



**INDIAN VALLEY LOCAL SCHOOL DISTRICT**

**NOTES TO THE BASIC FINANCIAL STATEMENTS (Continued)**  
**JUNE 30, 2008**

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**NOTE 7: PROPERTY TAXES (Continued)**

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 April 1, 2008, on the value as of December 31, 2007. For 2007, tangible personal property was assessed at 12.5 percent for property including inventory. This percentage will be reduced to 6.25 percent for 2008 and zero for 2009. 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.

House Bill No. 66 was signed into law on June 30, 2005. House Bill No. 66 phases out the tax on tangible personal property of general businesses, telephone and telecommunications companies, and railroads. The tax on general business and railroad property will be eliminated by calendar year 2009, and the tax on telephone and telecommunications property will be eliminated by calendar year 2011. The tax is phased out by reducing the assessment rate on the property each year. The bill replaced the revenue lost by the School District due to the phasing out of the tax. In calendar years 2007-2010, the School District will be fully reimbursed for the lost revenue. In calendar years 2011-2017, the reimbursements will be phased out.

The School District receives property taxes from Tuscarawas County. The County Auditor periodically advance to the School District its portion of the taxes collected. Second-half real property tax payments collected by the Counties 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.

Accrued property taxes receivable includes real property, public utility property and tangible personal property taxes which are measurable as of June 30, 2008, and for which there is an enforceable legal claim. Although total property tax collections for the next fiscal year are measurable, only the delayed personal property tax and the amount of real property taxes available as an advance at June 30 was levied to finance current fiscal year operations and is reported as revenue at fiscal year end. The portion of the receivable not levied to finance current fiscal year operations is offset by a credit to deferred revenue.

The amount available as an advance at June 30, 2008, was \$240,097 in the general fund, \$4,746 in the classroom facilities maintenance special revenue fund and \$69,859 in the bond retirement debt service fund.

The amount available as an advance at June 30, 2007, was \$879,058 in the general fund, \$16,133 in the classroom facilities maintenance special revenue fund and \$242,317 in the bond retirement debt service fund.

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

**INDIAN VALLEY LOCAL SCHOOL DISTRICT**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS (Continued)**  
**JUNE 30, 2008**

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**NOTE 7: PROPERTY TAXES (Continued)**

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	\$ 116,245,580	74.23%	\$ 123,887,990	77.02%
Commercial Industrial	14,200,100	9.07%	14,244,600	8.86%
Tangible Personal Property	8,617,560	5.50%	5,840,170	3.62%
Personal Public Utility	17,533,650	11.20%	16,883,180	10.50%
	\$ 156,596,890	100.00%	\$ 160,855,940	100.00%
 Tax rate per \$1,000 assessed valuation	 \$ 45.11		 \$ 44.40	

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**INDIAN VALLEY LOCAL SCHOOL DISTRICT**

**NOTES TO THE BASIC FINANCIAL STATEMENTS (Continued)**  
**JUNE 30, 2008**

**NOTE 8: CAPITAL ASSETS**

Capital asset activity for the fiscal year ended June 30, 2008, was as follows:

	Balance 6/30/2007	Additions	Reductions	Balance 6/30/2008
<b>Governmental Activities</b>				
<b>Capital Assets, Not Being Depreciated:</b>				
Land	\$ 91,144	\$ 0	\$ 0	\$ 91,144
Construction in Progress	28,976,924	0	(28,976,924)	0
<i>Total Capital Assets, Not Being Depreciated</i>	29,068,068	0	(28,976,924)	91,144
<b>Capital Assets, Being Depreciated:</b>				
Buildings and Improvements	11,146,319	40,543,906	(921,641)	50,768,584
Improvements Other Than Buildings	900,876	4,045	(182,243)	722,678
Furniture and Equipment	1,458,487	619,902	(175,417)	1,902,972
Vehicles	1,644,422	66,858	(5,500)	1,705,780
<i>Total Capital Assets, Being Depreciated</i>	15,150,104	41,234,711	(1,284,801)	55,100,014
<b>Less Accumulated Depreciation:</b>				
Buildings and Building Improvements	(5,159,383)	(875,015)	376,265	(5,658,133)
Improvements Other Than Buildings	(636,948)	(50,440)	135,095	(552,293)
Furniture and Equipment	(1,061,200)	(138,315)	165,908	(1,033,607)
* Vehicles	(1,234,980)	(105,682)	5,500	(1,335,162)
<i>Total Accumulated Depreciation</i>	(8,092,511)	(1,169,452) *	682,768	(8,579,195)
<i>Total Capital Assets Being Depreciated, Net</i>	7,057,593	40,065,259	(602,033)	46,520,819
<i>Governmental Activities Capital Assets, Net</i>	\$ 36,125,661	\$ 40,065,259	\$ (29,578,957)	\$ 46,611,963

Depreciation expense was charged to governmental functions as follows:

Instruction:	
Regular	\$ 954,410
Special	32,167
Vocational	2,023
Support Services:	
Instructional Staff	1,268
Administration	3,325
Fiscal	355
Business	1,694
Operation and Maintenance of Plant	11,350
Pupil Transportaion	104,804
Operation of Non-Instructional Services:	
Food Service Operations	25,621
Extracurricular Activities	32,435
Total Depreciation	\$ 1,169,452

**INDIAN VALLEY LOCAL SCHOOL DISTRICT**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS (Continued)**  
**JUNE 30, 2008**

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**NOTE 9: RISK MANAGEMENT**

***A. General Insurance***

The School District is exposed to various risks of loss related to torts, theft of, damage to, and destruction of assets, errors and omissions, injuries to employees and natural disasters. The School District has a comprehensive property and casualty policy with a deductible of \$2,500 per incident on property and equipment. The School District's comprehensive property and casualty policy aggregate limit is approximately \$48,255,000. The School District's vehicle insurance policy limit is \$1,000,000 with a \$500 collision and comprehensive deductible. All board members, administrators, and employees are covered under a school district liability policy. Additionally, the School District carries an excess (umbrella) liability policy. The limits of this coverage are \$3,000,000 per occurrence and \$3,000,000 in aggregate. Claims did not exceed coverage in the past three years. There has not been a significant reduction in coverage from the prior year.

***B. Fidelity Bond***

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

***C. Workers' Compensation***

The School District pays the State Workers' Compensation System, a premium based on a rate per \$100 of salaries. The School District is a member of the Ohio Association of School Business Officials, an insurance purchasing pool. This rate is calculated based on accident history and administrative costs.

***D. Employee Health Insurance***

The School District established a limited risk management program for its medical insurance program in 2000. Premiums are paid into the self-insurance fund and are available to pay claims and administrative costs. A stop-loss insurance contract with a private insurance carrier covers specific liability claims in excess of \$50,000. The claims liability of \$-0- reported in the internal service fund at June 30, 2008 is based on an estimate provided by the third party administrator and the requirements of Governmental Accounting Standards Board Statement No. 10, which requires that a liability for unpaid claim costs, including estimates of costs relating to incurred but not reported claims, be reported. The estimate was not affected by incremental claim adjustment expenses and does not include other allocated or unallocated claim adjustment expenses.

The School District paid medical and prescription drug claims for fiscal year 2007, which exceeded the Stop Loss Reinsurance Aggregate Attachment Point. The School District may be entitled to a reimbursement of approximately \$158,000 from the Stop Loss carrier.

**INDIAN VALLEY LOCAL SCHOOL DISTRICT**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS (Continued)**  
**JUNE 30, 2008**

**NOTE 9: RISK MANAGEMENT (Continued)**

Changes in the fund's claims liability amount in 2008 and 2007 were:

	<u>Balance</u> <u>Beginning of Year</u>	<u>Current</u> <u>Year Claims</u>	<u>Claims</u> <u>Payments</u>	<u>Balance</u> <u>End of Year</u>
2007	\$ 244,094	\$ 1,898,032	\$ 1,980,943	\$ 161,183
2008	\$ 161,183	\$ 336,891	\$ 498,074	\$ 0

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

**NOTE 10: DEFINED BENEFIT PENSION PLANS**

***A. School Employees Retirement System***

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

Plan members are required to contribute 10 percent of their annual covered salary and the School District is required to contribute at an actuarially determined rate. The current rate is 14 percent of annual covered payroll. The contribution requirements of plan members and employers are established and may be amended, up to statutory maximum amounts, by the SERS' Retirement Board. The School District's contributions to SERS for the years ended June 30, 2008, 2007 and 2006 were \$252,456, \$249,432 and \$255,588, respectively; 49 percent has been contributed for fiscal year 2008 and 100 percent for the fiscal years 2007 and 2006.

**INDIAN VALLEY LOCAL SCHOOL DISTRICT**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS (Continued)**  
**JUNE 30, 2008**

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**NOTE 10 – DEFINED BENEFIT PENSION PLANS (Continued)**

***B. State Teachers Retirement System***

The School District participates in the State Teachers Retirement System of Ohio (“STRS Ohio”), a cost-sharing, multiple-employer defined benefit pension plan. STRS Ohio provides retirement and disability benefits to members and death and survivor benefits to beneficiaries. STRS Ohio issues a publicly-available, stand-alone financial report that includes financial statements and required supplementary information. That report may be obtained by writing to STRS Ohio, 275 East Broad Street, Columbus, Ohio 43215-3371, by calling (888) 227-7877, or by visiting the STRS Ohio website at [www.strsoh.org](http://www.strsoh.org).

New members have a choice of three retirement plans, a Defined Benefit (DB) Plan, a Defined Contribution (DC) Plan and a Combined Plan. The DB Plan offers an annual retirement allowance based on final average salary times a percentage that varies based on years of service, or an allowance based on member contributions and earned interest matched by STRS Ohio funds divided by an actuarially determined annuity factor. The DC Plan allows members to allocate their member contributions and employer contributions equal to 10.5 percent of earned compensation among various investment accounts. Investment decisions are made by the member. A member is eligible to receive a retirement benefit at age 50 and termination of employment. The Combined Plan offers features of both the DC Plan and the DB Plan. In the Combined Plan, member contributions are invested by the member, and employer contributions are used to fund the defined benefit payment at a reduced level from the regular DB Plan. DC and Combined Plan members will transfer to the DB Plan during their fifth year of membership unless they permanently select the DC or Combined Plan. Existing members with less than five years of service credit as of June 30, 2001 were given the option of making a one time irrevocable decision to transfer their account balances from the existing DB Plan into the DC Plan or the Combined Plan. This option expired on December 31, 2001. Benefits are established by Chapter 3307 of the Ohio Revised Code.

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

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 latest information available), 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 employer contributions.

The School District’s required contributions for pension obligations to the DB Plan for the fiscal years ended June 30, 2008, 2007 and 2006 were \$874,296, \$848,508 and \$873,228, respectively; 83 percent has been contributed for fiscal year 2008 and 100 percent for the fiscal years 2007 and 2006.

**INDIAN VALLEY LOCAL SCHOOL DISTRICT**

**NOTES TO THE BASIC FINANCIAL STATEMENTS (Continued)**  
**JUNE 30, 2008**

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**NOTE 10 – DEFINED BENEFIT PENSION PLANS (Continued)**

***C. Social Security System***

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

**NOTE 11 - POSTEMPLOYMENT BENEFITS**

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

All STRS Ohio retirees who participated in the DB or Combined Plans and their dependents are eligible for health care coverage. The STRS Ohio Board has statutory authority over how much, if any, of the health care costs will be absorbed by STRS Ohio. All benefit recipients pay a portion of the health care cost in the form of a monthly premium. Of the 14 percent employer contribution rate, 1 percent of covered payroll was allocated to post-employment health care for the years ended June 30, 2008, 2007 and 2006. The School District's contributions for fiscal years ended June 30, 2008, 2007 and 2006 were \$62,450, \$60,608 and \$62,373, respectively.

STRS Ohio pays health care benefits from the Health Care Stabilization Fund. At June 30, 2007 (the latest information available), the balance in the Fund was \$4.1 billion. For the fiscal year ended June 30, 2007, net health care costs paid by STRS Ohio were \$265,558,000 and STRS Ohio had 122,934 eligible benefit recipients.

In addition to a cost-sharing multiple-employer defined benefit pension plan, SERS administers two postemployment benefit plans, the Medicare Part B Plan and the Health Care Plan. The Medicare B plan reimburses Medicare Part B premiums paid by eligible retirees and beneficiaries as set forth in Ohio Revised Code (ORC) 3309.69. Qualified benefit recipients who pay Medicare Part B premiums may apply for and receive a monthly reimbursement from SERS. The reimbursement amount is limited by statute to the lesser of the January 1, 1999 Medicare Part B premium or the current premium. The Medicare Part B premium for calendar year 2007 was \$93.50; SERS' reimbursement to retirees was \$45.50. The Retirement Board, acting with the advice of the actuary, allocates a portion of the current employer contribution rate to the Medicare B Fund. For fiscal year 2007 (the latest information available), the actuarially required allocation was .68 percent. The School District's contributions for the year ended June 30, 2008 were \$12,262, which equaled the required contributions for the year.

INDIAN VALLEY LOCAL SCHOOL DISTRICT

NOTES TO THE BASIC FINANCIAL STATEMENTS (Continued)  
JUNE 30, 2008

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**NOTE 11 - POSTEMPLOYMENT BENEFITS (Continued)**

ORC 3309.375 and 3309.69 permit SERS to offer health care benefits to eligible retirees and beneficiaries. SERS' Retirement Board reserves the right to change or discontinue any health plan or program. SERS offers several types of health plans from various vendors, including HMO's, PPO's and traditional indemnity plans. A prescription drug program is also available to those who elect health coverage. SERS employs two third-party administrators and a pharmacy benefit manager to manage the self-insurance and prescription drug plans, respectively. The ORC provides the statutory authority to fund SERS' postemployment benefits through employer contributions. Active members do not make contributions to the postemployment benefit plans.

The Health Care Fund was established under, and is administered in accordance with Internal Revenue Code 401(h). Each year after the allocation for statutorily required benefits, the Retirement Board allocates the remainder of the employer 14 percent contribution to the Health Care Fund. At June 30, 2008, the health care allocation was 4.18 percent. The actuarially required contribution (ARC), as of the December 31, 2006 annual valuation (the latest information available), was 11.50 percent of covered payroll. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities of the plan over a period not to exceed thirty years. The School District's contributions for the years ended June 30, 2008, 2007 and 2006 were \$88,081, \$87,229 and \$89,469, respectively.

An additional health care surcharge on employers is collected for employees earning less than an actuarially determined minimum compensation amount, pro-rated according to service credit earned. Statutes provide that no employer shall pay a health care surcharge greater than 2 percent of that employer's SERS-covered payroll; nor may SERS collect in aggregate more than 1.5 percent of the total statewide SERS-covered payroll for the health care surcharge. For fiscal year 2008, the minimum compensation level was established at \$35,800.

The SERS Retirement Board establishes the rules for the premiums paid by the retirees for health care coverage for themselves and their dependents or for their surviving beneficiaries. Premiums vary depending on the plan selected, qualified years of service, Medicare eligibility and retirement status.

The financial reports of SERS' Health Care and Medicare B plans are included in its Comprehensive Annual Financial Report. The report can be obtained by contacting SERS, 300 East Broad Street, Suite 100, Columbus, Ohio 43215-3746 or by calling toll free (800) 878-5853. It is also posted on SERS' website at [www.ohsers.org](http://www.ohsers.org) under Forms and Publications.



**INDIAN VALLEY LOCAL SCHOOL DISTRICT**

**NOTES TO THE BASIC FINANCIAL STATEMENTS (Continued)**  
**JUNE 30, 2008**

**NOTE 12: LONG-TERM OBLIGATIONS**

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

	<u>Outstanding</u> <u>06/30/2007</u>	<u>Additions</u>	<u>Reductions</u>	<u>Outstanding</u> <u>06/30/2008</u>	<u>Due in</u> <u>One Year</u>
<b>Governmental Activities:</b>					
General Obligation Bonds:					
2005 Classroom Facilities and School Improvement Bonds:					
Serial and Term Bonds, \$8,395,000, 3.0%-4.25%	\$ 8,170,000	\$ 0	\$ (235,000)	\$ 7,935,000	\$ 240,000
Capital Appreciation Bonds, 9.555%-9.088%	87,994	0	0	87,994	0
Accretion Capital Appreciation Bonds	49,443	31,048	0	80,491	0
Unamortized Premium	261,780	0	(9,696)	252,084	0
2005 School Improvement					
Refunding Bonds:					
Serial Bonds, 3.0%-4.25%	4,415,000	0	(415,000)	4,000,000	435,000
Capital Appreciation Bonds, 9.555%-9.088%	1,059,989	0	0	1,059,989	0
Accretion Capital Appreciation Bonds	159,371	81,289	0	240,660	0
Unamortized Premium	272,613	0	(20,970)	251,643	0
Refunding Loss	(193,421)	0	14,878	(178,543)	0
2002 Installment Loan:					
\$120,000 0%	61,000	0	(12,000)	49,000	12,000
Compensated Absences	1,017,214	317,828	(116,925)	1,218,117	0
Capital Leases Payable	94,233	39,333	(41,279)	92,287	45,429
	<u>\$ 15,455,216</u>	<u>\$ 469,498</u>	<u>\$ (835,992)</u>	<u>\$ 15,088,722</u>	<u>\$ 732,429</u>

***2005 School Improvement Bonds***

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

**INDIAN VALLEY LOCAL SCHOOL DISTRICT**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS (Continued)**  
**JUNE 30, 2008**

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**NOTE 12: LONG-TERM OBLIGATIONS (Continued)**

The bonds were issued with a premium of \$281,172, which is reported as an increase to bonds payable. The amounts are being amortized to interest expense over the life of the bonds using the straight-line method. The amortization of the premium for fiscal year 2008 was \$9,696. The issuance costs of \$142,862 are reported as deferred charges and are being amortized over the life of the bonds using the straight-line method. The amortization of the issuance costs for fiscal year 2008 was \$4,926.

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

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

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

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

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

The capital appreciation bonds will mature December 1, 2016 through 2019. These bonds were purchased at a discount at the time of issuance and at maturity all compounded interest is paid and the bond holder collects the face value. However, since interest is technically earned and compounded semiannually, the value of the bond increases. Therefore, as the value increases, the accretion is booked as principal. The maturity amount of the bonds is \$1,240,000. The fiscal year 2008 accretion amount was \$31,048.

**INDIAN VALLEY LOCAL SCHOOL DISTRICT**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS (Continued)**  
**JUNE 30, 2008**

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**NOTE 12: LONG-TERM OBLIGATIONS (Continued)**

***2005 School Improvement Refunding General Obligation Bonds***

On June 30, 2005, the School District issued \$5,924,989 of general obligation bonds, which included serial and capital appreciation (deep discount) bonds in the amount of \$4,865,000 and \$1,059,989, respectively. The bonds refunded \$5,925,000 of outstanding 1995 School Improvement General Obligation Bonds. The bonds were issued for a fifteen-year period with final maturity at December 1, 2019. At the date of refunding, \$6,148,177 (including premium and after underwriting fees, and other issuance costs) was received to pay off old debt. As a result, the refunded bonds are considered to be defeased and the liability has been removed from the governmental column of the statement of net assets. The principal balance outstanding on the defeased bonds was \$5,415,000 at June 30, 2008.

These refunding bonds were issued with a premium of \$314,553, which is reported as an increase to bonds payable. The amounts are being amortized to interest expense over the life of the bonds using the straight-line method. The amortization of the premium for fiscal year 2008 was \$20,970. The issuance costs of \$91,365 are reported as deferred charges and are being amortized over the life of the bonds using the straight-line method. The amortization of the issuance costs for fiscal year 2008 was \$6,091. The refunding resulted in a difference between the net carrying amount of the debt and the acquisition price of \$223,177. This difference, reported in the accompanying financial statements as a decrease to bonds payable, is being amortized to interest expense over the life of the bonds using the straight-line method. The amortization of this difference for fiscal year 2008 was \$14,878.

The capital appreciation bonds mature December 1, 2016 through December 1, 2019. These bonds were purchased at a substantial discount at the time of issuance. At maturity, all compounded interest is paid and the bond holder receives the face value of the bond. As the value of the bond increases, the accretion is reflected as principal liability. The maturity amount of the bonds is \$2,465,000. For fiscal year 2008, the accretion amount was \$81,289.

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

***Installment Loan***

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

**INDIAN VALLEY LOCAL SCHOOL DISTRICT**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS (Continued)**  
**JUNE 30, 2008**

**NOTE 12: LONG-TERM OBLIGATIONS (Continued)**

***Other Long-Term Debt***

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

Principal and interest requirements to retire general obligation bonds and the installment loan outstanding at June 30, 2008 are as follows:

Fiscal Year Ending June 30,	General Obligation Bonds		Capital Appreciation Bonds		Installment Loan	Totals	
	Principal	Interest	Principal	Interest	Principal	Principal	Interest
2009	\$ 675,000	\$ 437,793	\$ 0	\$ 0	\$ 12,000	\$ 687,000	\$ 437,793
2010	700,000	417,168	0	0	12,000	712,000	417,168
2011	725,000	395,339	0	0	12,000	737,000	395,339
2012	755,000	371,743	0	0	12,000	767,000	371,743
2013	780,000	346,311	0	0	1,000	781,000	346,311
2014-2018	2,515,000	1,361,074	610,053	1,224,947	0	3,125,053	2,586,021
2019-2023	975,000	1,166,040	537,930	1,332,070	0	1,512,930	2,498,110
2024-2028	1,920,000	824,712	0	0	0	1,920,000	824,712
2029-2033	2,355,000	371,981	0	0	0	2,355,000	371,981
2034	535,000	11,369	0	0	0	535,000	11,369
<b>Total</b>	<b>\$ 11,935,000</b>	<b>\$ 5,703,530</b>	<b>\$ 1,147,983</b>	<b>\$ 2,557,017</b>	<b>\$ 49,000</b>	<b>\$ 13,131,983</b>	<b>\$ 8,260,547</b>

**NOTE 13: CAPITALIZED LEASES**

The School District entered into capitalized leases for copiers on December 13, 2004. The total capitalized cost of the copiers were \$176,347. On August 20, 2007 the School District entered into a lease agreement for a Kyocera copier. The capitalized cost of the copier was \$39,333. All of the leases meet the criteria of a capital lease as defined by Statement of Financial Accounting Standards No. 13, "Accounting for Leases," which defines a capital lease generally as one which transfers benefits and risks of ownership to the lessee. Capital assets acquired by the leases have been capitalized in the Governmental Activities in the amount equal to the present value of the minimum lease payments at the time of acquisition.

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

**INDIAN VALLEY LOCAL SCHOOL DISTRICT**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS (Continued)**  
**JUNE 30, 2008**

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**NOTE 13: CAPITALIZED LEASES (Continued)**

The following summarizes future minimum lease payments made from the general fund under the above capital leases, and the present values of net minimum lease payments at June 30, 2008:

	2009	\$ 49,644
	2010	29,424
	2011	9,204
	2012	9,204
	2013	2,301
Total Minimum Lease Payments		99,777
Less: Amounts Representing Interest		7,490
Present Value of Net Minimum Lease Payments		\$ 92,287

**NOTE 14: RELATED ORGANIZATION**

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

**NOTE 15: JOINTLY GOVERNED ORGANIZATIONS**

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

OME-RESA is a jointly governed organization comprised of 52 school districts, created as a regional council of governments pursuant to state statute. The jointly governed organization was formed for the purpose of applying modern technology with the aid of computers and other electronic equipment to administrative and instructional functions for member districts. Each of the governments of these districts support OME-RESA based on a per pupil charge dependent upon the software package utilized. The OME-RESA assembly consists of a superintendent or designated representative from each participating district and a representative from the fiscal agent. OME-RESA is governed by a board of directors chosen from the general membership of the OME-RESA assembly. The board of directors consists of a representative from the fiscal agent, the chairman of each operating committee, and at least an assembly member from each county from which participating districts are located. Financial information can be obtained by contacting the Treasurer at the Jefferson County Education Services Center, which serves as fiscal agent, located in Steubenville, Ohio. During the year ended June 30, 2008, the School District paid \$52,126 to OME-RESA for basic service charges.

**INDIAN VALLEY LOCAL SCHOOL DISTRICT**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS (Continued)**  
**JUNE 30, 2008**

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**NOTE 15: JOINTLY GOVERNED ORGANIZATIONS (Continued)**

***B. Buckeye Career Center***

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

***C. Tuscarawas County Tax Incentive Review Council***

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

**NOTE 16: INSURANCE PURCHASING POOL**

***A. Portage Area School Consortium***

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

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

**INDIAN VALLEY LOCAL SCHOOL DISTRICT**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS (Continued)**  
**JUNE 30, 2008**

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**NOTE 16: INSURANCE PURCHASING POOL (Continued)**

***B. Ohio School Boards Association Workers' Compensation Group Rating Program***

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

**NOTE 17: CONTINGENCIES**

***A. Grants***

The School District received financial assistance from federal and state agencies in the form of grants. The disbursement of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and is subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the general fund or other applicable funds. 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 June 30, 2008.

***B. Litigation***

The School District is not party to any claims or lawsuits that would have a material effect on the basic financial statements.

**NOTE 18: SET-ASIDES**

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

**INDIAN VALLEY LOCAL SCHOOL DISTRICT**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS (Continued)**  
**JUNE 30, 2008**

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**NOTE 18: SET-ASIDES (Continued)**

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

	Textbooks	Capital Acquisition	Total
Set-aside Balance as of June 30, 2007	\$ (926,566)	\$ 0	\$ (926,566)
Current Year Set-Aside Requirement	280,886	280,886	561,772
Current Year Offsets	0	(125,297)	(125,297)
Current Year Qualifying Disbursements	(487,406)	(632,030)	(1,119,436)
 Totals	 \$ (1,133,086)	 \$ (476,441)	 \$ (1,609,527)
 Set-Aside Balance Carried Forward to Future Fiscal Years	 \$ (1,133,086)	 \$ 0	

The School District had qualifying disbursements during the fiscal year that reduced the textbook set-aside amount below zero. This extra amount may be used to reduce the set-aside requirement in future years. Although the School District had qualifying disbursements and offsets during the fiscal year that reduced the set-aside amount below zero for the capital acquisition set-aside, this amount may not be used to reduce the set-aside requirement for future years.

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**INDIAN VALLEY LOCAL SCHOOL DISTRICT**

**NOTES TO THE BASIC FINANCIAL STATEMENTS (Continued)**  
**JUNE 30, 2008**

**NOTE 19: CONTRACTUAL COMMITMENTS**

As of June 30, 2008, the School District had contractual commitments for construction of a new middle school, two new elementary schools, and the renovation of the high school.

	Contractual <u>Commitments</u>	<u>Expended</u>	Balance <u>June 30, 2008</u>
McDonald Cassell Basset Inc.	\$ 2,332,783	\$ (2,230,835)	\$ 101,948
Regency/Ruhlin	2,109,593	(1,918,252)	191,341
Stanley Security Solutions	1,734,025	(1,610,392)	123,633
Hilscher-Clark Electric	267,378	(263,396)	3,982
Johnson Controls	1,672,034	(1,655,695)	16,339
Tom Sexton	622,042	(572,947)	49,095
Cummins Bridgeway	110,032	(98,175)	11,857
Continental	269,438	(256,496)	12,942
Jeffrey Carr	5,018,659	(4,807,688)	210,971
Knoch Construction	5,323,467	(5,042,136)	281,331
Soehnen Plumbing	428,801	(422,352)	6,449
Wood Electric	3,126,040	(3,120,341)	5,699
McClintock Electric	2,147,062	(2,044,379)	102,683
Standard Plumbing	3,468,559	(3,312,753)	155,806
SA Comunale Co.	603,430	(589,723)	13,707
	<u>                    </u>	<u>                    </u>	<u>                    </u>
Totals	<u>\$ 29,233,343</u>	<u>\$ (27,945,560)</u>	<u>\$ 1,287,783</u>

**INDIAN VALLEY LOCAL SCHOOL DISTRICT**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS (Continued)**  
**JUNE 30, 2008**

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**NOTE 20: INTERFUND TRANACTIONS**

***A. Interfund Balances***

Interfund balances at June 30, 2008 consist of the following individual fund receivables and payables:

	Interfund Receivable	Interfund Payable
General Fund	\$ 16,052	\$ 0
Other Governmental Funds:		
Title V	0	7,263
Title IV	0	2,384
Title VI Rural	0	6,405
Totals	\$ 16,052	\$ 16,052

The primary purpose of the interfund loans is to cover costs in specific funds where revenues were not received by June 30. These interfund loans will be repaid one the anticipated revenues are received. All interfund loans are expected to be repaid within one year.

***B. Interfund Transfers***

During the fiscal year 2008, the general fund transferred \$264,841 to the classroom facilities fund to cover the local share of construction costs.

**INDIAN VALLEY LOCAL SCHOOL DISTRICT  
TUSCARAWAS COUNTY  
FEDERAL AWARDS RECEIPTS AND EXPENDITURES SCHEDULE  
FOR THE YEAR ENDED JUNE 30, 2008**

Federal Grantor/ Pass Through Grantor/ Program Title	Pass Through Entity Number	Federal CFDA Number	Receipts	Non-Cash Receipts	Disbursements	Non-Cash Disbursements
<b><u>U.S. DEPARTMENT OF AGRICULTURE</u></b>						
<i>Passed Through Ohio Department of Education:</i>						
Food Distribution Program	N/A	10.550		\$49,139		\$49,139
Child Nutrition Cluster:						
School Breakfast Program	N/A	10.553	\$50,451		\$50,451	
National School Lunch Program	N/A	10.555	294,497		294,497	
Total Child Nutrition Cluster			344,948		344,948	
Total U.S. Department of Agriculture			<b>344,948</b>	<b>49,139</b>	<b>344,948</b>	<b>49,139</b>
<b><u>U.S. DEPARTMENT OF EDUCATION</u></b>						
<i>Passed Through Ohio Department of Education:</i>						
Special Education Grants to States (IDEA Part B)	050286-6B-SF-08 050286-6B-SF-07	84.027	411,984 76,818		375,870 84,152	
Total Special Education Grants to States			<b>488,802</b>		<b>460,022</b>	
Grants to Local Educational Agencies (ESEA Title I)	050286-C1-S1-08 050286-C1-S1-07	84.010	461,911 87,406		416,532 94,235	
Total Grants to Local Educational Agencies			<b>549,317</b>		<b>510,767</b>	
Innovative Educational Program Strategies (Title V)	050286-C2-S1-08	84.298	254		736	
Improving Teacher Quality	050286-TR-S1-08 050286-TR-S1-07	84.367	85,468 15,439		82,613 18,620	
Total Improving Teacher Quality			<b>100,907</b>		<b>101,233</b>	
Education Technology State Grants	050286-ET-S1-08	84.318	1,588		1,410	
Rural Education Grants	050286-RUS1-08	84.358	<b>54,879</b>		<b>51,772</b>	
Drug-Free Schools Program	050286-DF-08	84.186	10,800		13,242	
Total U.S. Department of Education			<b>1,206,547</b>		<b>1,139,182</b>	
<b><u>U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES</u></b>						
<i>Passed Through Ohio Department of Mental Retardation and Developmental Disabilities:</i>						
Temporary Assistance For Needy Families	N/A	93.558	9,299		10,900	
Total U.S. Department of Health and Human Services			9,299		10,900	
<b>Totals</b>			<b>\$1,560,794</b>	<b>\$49,139</b>	<b>\$1,495,030</b>	<b>\$49,139</b>

The accompanying notes to this schedule are an integral part of this schedule.

**INDIAN VALLEY LOCAL SCHOOL DISTRICT  
TUSCARAWAS COUNTY**

**NOTES TO THE FEDERAL AWARDS RECEIPTS AND EXPENDITURES SCHEDULE  
JUNE 30, 2008**

**NOTE A - SIGNIFICANT ACCOUNTING POLICIES**

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

**NOTE B - FOOD DONATION DISTRIBUTION**

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

**NOTE C - CHILD NUTRITION CLUSTER**

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

**NOTE D – TRANSFERS**

The District generally must spend Federal assistance within 15 months of receipt. However, with Ohio Department of Education (ODE) approval, a District can transfer unspent Federal assistance to the succeeding year, thus allowing the District a total of 27 months to spend the assistance. The District tracks this by utilizing special cost centers for each year's activity and transferring the amounts ODE approves between the cost centers. During fiscal year 2009, the Ohio Department of Education authorized the following transfers:

<u>CFDA</u>		<u>Pass-Through</u>		
<u>Number</u>	<u>Program Description</u>	<u>Number</u>	<u>Transfer- In</u>	<u>Transfer-Out</u>
84.010	Title I Grants To States	C1-S1-09	\$58,107	
84.010	Title I Grants To States	C1-S1-08		\$58,107
84.027	Special Education-Grants to States	6B-SF-09	23,947	
84.027	Special Education-Grants to States	6B-SF-08		23,947
84.186	Drug-Free Schools Grant	DR-S1-09	301	
84.186	Drug-Free Schools Grant	DR-S1-08		301
84.367	Improving Teacher Quality	TR-S1-09	2,486	
84.367	Improving Teacher Quality	TR-S1-08		2,486
84.358	Rural Education Grants	RUS-S1-09	1,418	
84.358	Rural Education Grants	RUS-S1-08		1,418



# 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*

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

To the Board of Education:

We have audited the financial statements of the governmental activities, each major fund and the aggregate remaining fund information of the Indian Valley Local School District, Tuscarawas County, Ohio (the District) as of and for the year ended June 30, 2008, which collectively comprise the District's basic financial statements and have issued our report thereon dated January 5, 2009. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*.

### Internal Control Over Financial Reporting

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

A 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 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 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 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 District's management in a separate letter dated January 5, 2009.

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### **Compliance and Other Matters**

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

We did note a certain noncompliance or other matter that we reported to the District's management in a separate letter dated January 5, 2009.

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

A handwritten signature in cursive script that reads "Mary Taylor".

**Mary Taylor, CPA**  
Auditor of State

January 5, 2009



# Mary Taylor, CPA

Auditor of State

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

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

To the Board of Education:

### Compliance

We have audited the compliance of the Indian Valley Local School District, Tuscarawas County, Ohio (the District) with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133, Compliance Supplement* that apply to its major federal programs for the year ended June 30, 2008. The summary of auditor's results section of the accompanying Schedule of Findings identifies the District's major federal programs. The District's management is responsible for complying with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs. Our responsibility is to express an opinion on the District's compliance based on our audit.

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

In our opinion, the Indian Valley Local School District, Tuscarawas County, Ohio, complied, in all material respects, with the requirements referred to above that apply to its major federal programs for the year ended June 30, 2008.

### Internal Control Over Compliance

The District's management is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the District's internal control over compliance with requirements that could directly and materially affect a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the District's internal control over compliance.

A *control deficiency* in internal control over compliance exists when the design or operation of a control does not allow management or employees, when performing their assigned functions, to prevent or detect noncompliance with a federal program compliance requirement on a timely basis. A *significant deficiency* is a control deficiency, or combination of control deficiencies, that adversely affects the District's ability to administer a federal program such that there is more than a remote likelihood that the District's internal control will not prevent or detect more-than-inconsequential noncompliance with a federal program compliance requirement.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that the District's internal control will not prevent or detect material noncompliance with a federal program's compliance requirements.

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

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



**Mary Taylor, CPA**  
Auditor of State

January 5, 2009



**INDIAN VALLEY LOCAL SCHOOL DISTRICT  
TUSCARAWAS COUNTY**

**SCHEDULE OF FINDINGS  
OMB CIRCULAR A -133 § .505  
JUNE 30, 2008**

**1. SUMMARY OF AUDITOR'S RESULTS**

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

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

None.

**3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS**

None.





**Mary Taylor, CPA**  
Auditor of State

**INDIAN VALLEY LOCAL SCHOOL DISTRICT  
TUSCARAWAS COUNTY**

**CLERK'S CERTIFICATION**

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

*Susan Babbitt*

**CLERK OF THE BUREAU**

**CERTIFIED  
FEBRUARY 10, 2009**