

**TEAYS VALLEY LOCAL SCHOOL DISTRICT
PICKAWAY COUNTY, OHIO
BASIC FINANCIAL STATEMENTS
(AUDITED)**

*FOR THE FISCAL YEAR ENDED
JUNE 30, 2014*

STACY OVERLY, TREASURER



Dave Yost • Auditor of State

Board of Education
Teays Valley Local School District
385 Viking Way
Ashville, OH 43103

We have reviewed the *Independent Auditor's Report* of the Teays Valley Local School District, Pickaway County, prepared by Julian & Grube, Inc., for the audit period July 1, 2013 through June 30, 2014. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

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

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

Dave Yost
Auditor of State

December 19, 2014

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**TEAYS VALLEY LOCAL SCHOOL DISTRICT
PICKAWAY COUNTY, OHIO**

**BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

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Julian & Grube, Inc.

Serving Ohio Local Governments

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Independent Auditor's Report

Teays Valley Local School District
Pickaway County
385 Viking Way
Ashville, OH 43103

To the Board of Education:

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Teays Valley Local School District, Pickaway County, Ohio, as of and for the fiscal year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the Teays Valley Local School District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for preparing and fairly presenting these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes designing, implementing, and maintaining internal control relevant to preparing and fairly presenting financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to opine on these financial statements based on our audit. We audited in accordance with auditing standards generally accepted in the United States of America and the financial audit standards in the Comptroller General of the United States' *Government Auditing Standards*. Those standards require us to plan and perform the audit to reasonably assure the financial statements are free from material misstatement.

An audit requires obtaining evidence about financial statement amounts and disclosures. The procedures selected depend on our judgment, including assessing the risks of material financial statement misstatement, whether due to fraud or error. In assessing those risks, we consider internal control relevant to the Teays Valley Local School District's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not to the extent needed to opine on the effectiveness of the Teays Valley Local School District's internal control. Accordingly, we express no opinion. An audit also includes evaluating the appropriateness of management's accounting policies and the reasonableness of their significant accounting estimates, as well as our evaluation of the overall financial statement presentation.

We believe the audit evidence we obtained is sufficient and appropriate to support our audit opinions.

Opinion

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 Teays Valley Local School District, Pickaway County, Ohio, as of June 30, 2014, and the respective changes in financial position and the budgetary comparison for the General fund thereof for the fiscal year then ended in accordance with the accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require this presentation to include *Management's discussion and analysis*, listed in the table of contents, to supplement the basic financial statements. Although this information is not part of the basic financial statements, the Governmental Accounting Standards Board considers it essential for placing the basic financial statements in an appropriate operational, economic, or historical context. We applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, consisting of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, to the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not opine or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to opine or provide any other assurance.

Supplementary and Other Information

Our audit was conducted to opine on the Teays Valley Local School District's basic financial statements taken as a whole.

The Schedule of Receipts and Expenditures of Federal Awards (the "Schedule") presents additional analysis as required by the U.S. Office of Management and Budget Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations and is also not a required part of the financial statements.

The Schedule is management's responsibility, and derives from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. We subjected this Schedule to the auditing procedures we applied to the basic financial statements. We also applied certain additional procedures, including comparing and reconciling the Schedule directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves in accordance with auditing standards generally accepted in the United States of America. In our opinion, this Schedule is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated November 21, 2014, on our consideration of the Teays Valley Local School District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. That report describes the scope of our internal control testing over financial reporting and compliance, and the results of that testing, and does not opine on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Teays Valley Local School District's internal control over financial reporting and compliance.



Julian & Grube, Inc.
November 21, 2014

**TEAYS VALLEY LOCAL SCHOOL DISTRICT
PICKAWAY COUNTY, OHIO**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

The management discussion and analysis of the Teays Valley Local School District's (the "District") financial performance provides an overall review of the District's financial activities for the fiscal year ended June 30, 2014. The intent of this discussion and analysis is to look at the District's financial performance as a whole; readers should also review the basic financial statements and the notes to the basic financial statements to enhance their understanding of the District's financial performance.

Financial Highlights

Key financial highlights for fiscal year 2014 are as follows:

- In total, net position of governmental activities increased \$584,303 which represents a 0.87% increase from June 30, 2013's net position.
- General revenues accounted for \$35,997,315 in revenue or 86.60% of all revenues. Program specific revenues in the form of charges for services and sales, grants and contributions accounted for \$5,571,842 or 13.40% for total revenues of \$41,569,157.
- The District had \$40,984,854 in expenses related to governmental activities; \$5,571,842 of these expenses were offset by program specific charges for services, grants or contributions. General revenues supporting governmental activities (primarily taxes and unrestricted grants and entitlements) of \$35,997,315 were adequate to provide for these programs.
- The District has two major funds which include the general fund and debt service fund. The general fund had \$33,949,432 in revenues and other financing sources and \$29,779,170 in expenditures. The general fund's fund balance increased \$4,203,333 from \$4,415,048 to \$8,618,381.
- The debt service fund had \$3,283,005 in revenues and \$3,087,833 in expenditures. The debt service fund's fund balance increased \$195,172 from \$2,418,122 to \$2,613,294.
- The District has \$91,907,733 in capital assets at June 30, 2014. This amount is net of accumulated depreciation in the amount of \$42,098,287. Fiscal year 2014 depreciation expense was \$4,740,489. Net investment in capital assets was \$58,169,461 at June 30, 2014.
- The District has \$38,550,387 in long-term liabilities outstanding at June 30, 2014. Of this total, \$1,865,318 is due within one year and \$36,685,069 is due in greater than one year.

Using these Basic Financial Statements

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

The *statement of net position* and *statement of activities* provide information about the activities of the whole District, presenting both an aggregate view of the District's finances and a longer-term view of those finances. Fund financial statements provide the next level of detail. For governmental 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 District's most significant funds with all other nonmajor funds presented in total in one column. The District has two major funds: the general fund and the debt service fund.

**TEAYS VALLEY LOCAL SCHOOL DISTRICT
PICKAWAY COUNTY, OHIO**

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014

Reporting the District as a Whole

Statement of Net Position and the Statement of Activities

While this document contains the large number of funds used by the District to provide programs and activities, the view of the District as a whole looks at all financial transactions and asks the question, "How did we do financially during 2014?" The statement of net position and the statement of activities answer this question. These statements include *all assets, deferred outflows of resources, liabilities, deferred inflows of resources, revenues and expenses* using the *accrual basis of accounting* similar to the accounting used by most private-sector companies. This basis of accounting will take into account all of the current year's revenues and expenses regardless of when cash is received or paid.

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

In the statement of net position and the statement of activities, the Governmental Activities include the District's programs and services, including instruction, support services, operation and maintenance of plant, pupil transportation, extracurricular activities, and food service operations.

The District's statement of net position and statement of activities can be found on pages 17-18 of this report.

Reporting the District's Most Significant Funds

Fund Financial Statements

The analysis of the District's major governmental funds begins on page 11. Fund financial reports provide detailed information about the District's major funds. The District uses many funds to account for a multitude of financial transactions. However, these fund financial statements focus on the District's most significant funds. The District's major governmental funds are the general fund and debt service fund.

Governmental Funds

Most of the District's activities are reported in governmental funds, which focus on how money flows into and out of those funds and the balances left at year-end available for spending in future periods. These funds are reported using an accounting method called *modified accrual* accounting, which measures cash and all other *financial assets* that can readily be converted to cash. The governmental fund financial statements provide a detailed *short-term* view of the District's general government operations and the basic services it provides. Governmental fund information helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance educational programs. The relationship (or differences) between governmental *activities* (reported in the statement of net position and the statement of activities) and governmental *funds* is reconciled in the basic financial statements. The basic governmental fund financial statements can be found on pages 19-23 of this report.

Reporting the District's Fiduciary Responsibilities

The District is the trustee, or fiduciary, for some of its scholarship programs. This activity is presented as a private-purpose trust fund. The District also acts in a trustee capacity as an agent for individuals, private organizations, other governmental units and/or other funds. These activities are reported in an agency fund. The District's fiduciary activities are reported in separate statements of fiduciary net position and changes in fiduciary net position on pages 24 and 25. These activities are excluded from the District's other financial statements because the assets cannot be utilized by the District to finance its operations.

**TEAYS VALLEY LOCAL SCHOOL DISTRICT
PICKAWAY COUNTY, OHIO**

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014

Notes to the Basic Financial Statements

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. These notes to the basic financial statements can be found on pages 27-58 of this report.

The District as a Whole

The statement of net position provides the perspective of the District as a whole.

The table below provides a summary of the District's net position at June 30, 2014 and 2013.

	Net Position		
	Governmental Activities 2014	Governmental Activities 2013	Percentage Change
<u>Assets</u>			
Current and other assets	\$ 28,812,277	\$ 25,169,535	14.47 %
Capital assets, net	<u>91,907,733</u>	<u>96,341,334</u>	(4.60) %
Total assets	<u>120,720,010</u>	<u>121,510,869</u>	(0.65) %
<u>Deferred Outflows of Resources</u>			
Deferred outflows of resources	<u>867,786</u>	<u>932,465</u>	(6.94) %
<u>Liabilities</u>			
Current liabilities	3,823,808	3,985,201	(4.05) %
Long-term liabilities	<u>38,550,387</u>	<u>39,838,956</u>	(3.23) %
Total liabilities	<u>42,374,195</u>	<u>43,824,157</u>	(3.31) %
<u>Deferred Inflows of Resources</u>			
Deferred inflows of resources	<u>11,195,908</u>	<u>11,185,787</u>	0.09 %
<u>Net Position</u>			
Net investment in capital assets	58,169,461	60,956,823	(4.57) %
Restricted	2,033,304	2,430,631	(16.35) %
Unrestricted	<u>7,814,928</u>	<u>4,045,936</u>	93.16 %
Total net position	<u>\$ 68,017,693</u>	<u>\$ 67,433,390</u>	0.87 %

Over time, net position can serve as a useful indicator of a government's financial position. At June 30, 2014 and June 30, 2013, the District's assets plus deferred outflows of resources exceeded liabilities plus deferred inflows of resources by \$68,017,693 and \$67,433,390, respectively. Net position increased \$584,303 from June 30, 2013.

Assets of the District decreased \$790,859 or 0.65%. Current and other assets increased \$3,642,742 or 14.47%. This increase is due mainly to an increase in equity in pooled cash and investments and income taxes receivable. Equity in pooled cash and investments increased primarily due to increases in general fund revenues such as income taxes and intergovernmental revenues. Income taxes receivable increased due to the full realization of the income tax levy passed by District voters in a previous year. Capital assets decreased \$4,433,601 or 4.60% which is primarily a result of current year depreciation of \$4,740,489.

**TEAYS VALLEY LOCAL SCHOOL DISTRICT
PICKAWAY COUNTY, OHIO**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

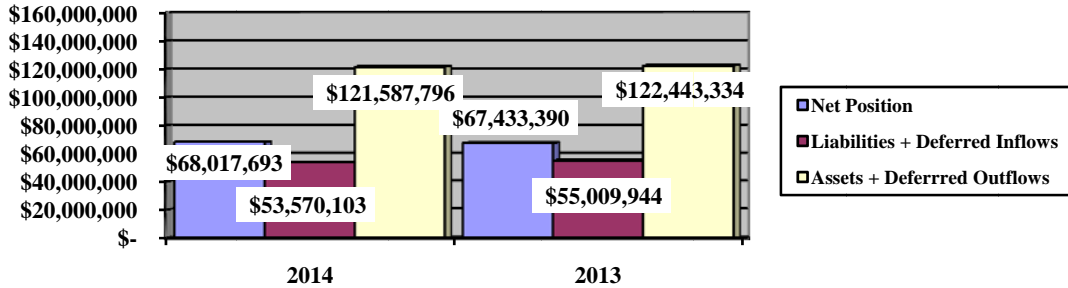
Total liabilities decreased \$1,449,962 or 3.31%. Current liabilities of the District decreased \$161,393 or 4.05%. This decrease is due to a decrease in accrued wages and benefits liability and pension obligation payable compared to June 30, 2013's liabilities. The decrease of \$1,288,569 in long term liabilities is due primarily to the District retiring \$1,205,000 in bonds and \$355,000 in bond anticipation notes during the year.

At year-end, capital assets represented 75.59% of total assets. Capital assets include land, land improvements, buildings and improvements, furniture and equipment, vehicles and infrastructure. Net investment in capital assets at June 30, 2014 and June 30, 2013, were \$58,169,461 and \$60,956,823, respectively. These capital assets are used to provide services to the students and are not available for future spending. Although the District's investment in capital assets is reported net of related debt, it should be noted that the resources to repay the debt must be provided from other sources, since capital assets may not be used to liquidate these liabilities.

A portion of the District's net position, \$2,033,304, represents resources that are subject to external restriction on how they may be used. Of the restricted net position, \$289,121 is restricted for capital projects and \$1,004,340 is restricted for debt service. The remaining balance of unrestricted net position of \$7,814,928 may be used to meet the District's ongoing obligations to the students and creditors.

The graph below shows the District's assets, deferred outflows of resources, liabilities, deferred inflows of resources and net position at June 30, 2014 and June 30, 2013.

Governmental Activities



**TEAYS VALLEY LOCAL SCHOOL DISTRICT
PICKAWAY COUNTY, OHIO**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

The table below shows the change in net position for fiscal years 2014 and 2013.

	Change in Net Position		
	Governmental Activities <u>2014</u>	Governmental Activities <u>2013</u>	<u>Percentage Change</u>
<u>Revenues</u>			
Program revenues:			
Charges for services and sales	\$ 1,861,560	\$ 2,090,667	(10.96) %
Operating grants and contributions	3,710,282	3,424,419	8.35 %
General revenues:			
Taxes	18,706,229	16,120,257	16.04 %
Grants and entitlements not restricted	17,217,628	16,442,881	4.71 %
Investment earnings	45,747	45,206	1.20 %
Other	<u>27,711</u>	<u>10,183</u>	172.13 %
Total revenues	<u>41,569,157</u>	<u>38,133,613</u>	9.01 %

(Continued)

**TEAYS VALLEY LOCAL SCHOOL DISTRICT
PICKAWAY COUNTY, OHIO**

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014

Change in Net Position (Continued)

	Governmental Activities <u>2014</u>	Governmental Activities <u>2013</u>	Percentage <u>Change</u>
<u>Expenses</u>			
Program expenses:			
Instruction:			
Regular	\$ 18,495,828	\$ 18,516,358	(0.11) %
Special	4,259,794	4,202,518	1.36 %
Vocational	375,167	416,734	(9.97) %
Other	1,637,732	749,028	118.65 %
Support services:			
Pupil	1,258,542	1,296,906	(2.96) %
Instructional staff	561,424	532,048	5.52 %
Board of education	258,928	204,812	26.42 %
Administration	2,209,745	3,068,977	(28.00) %
Fiscal	930,215	738,093	26.03 %
Business	321,212	303,703	5.77 %
Operations and maintenance	3,733,632	3,856,257	(3.18) %
Pupil transportation	2,174,159	2,264,060	(3.97) %
Central	558,916	570,043	(1.95) %
Operations of non-instructional services			
Other non-instructional services	31,415	21,998	42.81 %
Food service operations	1,449,035	1,411,162	2.68 %
Extracurricular activities	930,398	912,495	1.96 %
Interest and fiscal charges	<u>1,798,712</u>	<u>1,794,812</u>	0.22 %
Total expenses	<u>40,984,854</u>	<u>40,860,004</u>	0.31 %
Change in net position	584,303	(2,726,397)	(121.43) %
Net position, beginning of year	<u>67,433,390</u>	<u>70,159,787</u>	(3.89) %
Net position, end of year	<u><u>\$ 68,017,693</u></u>	<u><u>\$ 67,433,390</u></u>	0.87 %

Governmental Activities

Net position of the District's governmental activities increased \$584,303 in fiscal year 2014 and decreased \$2,726,397 in fiscal year 2013. The overall increase in net position in fiscal year 2014 can be attributed mainly to increases in revenues out-pacing a slight increase in expenses. Total governmental expenses of \$40,984,854 were offset by program revenues of \$5,571,842 and general revenues of \$35,997,315 during fiscal year 2014. Program revenues supported 13.59% of the total governmental expenses during fiscal year 2014 and 13.50% during fiscal year 2013. Operating grants and contributions increased due to increases in special education funding from the State.

The primary sources of revenue for governmental activities are derived from property taxes, income taxes and grants and entitlements. These revenue sources account for 86.42% of total governmental revenue. Real estate property is reappraised every six years. The latest reappraisal by Pickaway County was in 2011. Property tax and income tax revenue increased \$2,585,978 or 16.04% during fiscal year 2014. The increase in income tax revenues is the result of the new income tax levy passed in 2013 which is close to its full realization of collection based on projections.

**TEAYS VALLEY LOCAL SCHOOL DISTRICT
PICKAWAY COUNTY, OHIO**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

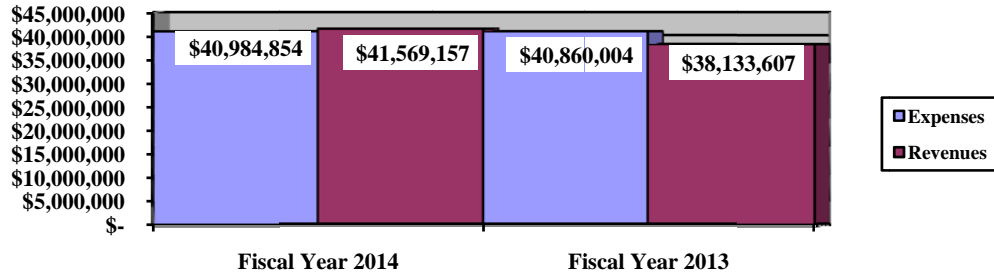
Overall, expenses increased by 0.31% or \$124,850. The District was able to control spending due to decreases related to fringe benefit costs, mainly medical and dental costs through the Consortium.

Voters approved a \$22,850,666 bond levy in November 1999. This levy, which generates approximately \$1,787,838 per year for 28 years, is expected to provide revenue for debt service through fiscal year 2028. The bond issue allowed for construction of 3 new elementary schools as well as major renovations and additions at the District's High School and Middle School instructional facilities. During fiscal year 2006, this bond issue was refunded to decrease the District's interest costs for the original bond issue through fiscal year 2028.

In addition, voters approved a \$21,500,000 bond levy in November 2006. The proceeds of this levy, represents the District's local share of a state assisted \$82 million overall construction project. The local levy will generate approximately \$1,819,566 per year for 28 years and is expected to provide revenue for debt service through fiscal year 2035. The bond issue allowed for construction of 1 new elementary school, 2 new middle schools as well as major renovations and additions at the current District's high school / middle school instructional facilities

The graph below presents the District's governmental activities revenues and expenses for fiscal years 2014 and 2013.

Governmental Activities - Revenues and Expenses



**TEAYS VALLEY LOCAL SCHOOL DISTRICT
PICKAWAY COUNTY, OHIO**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

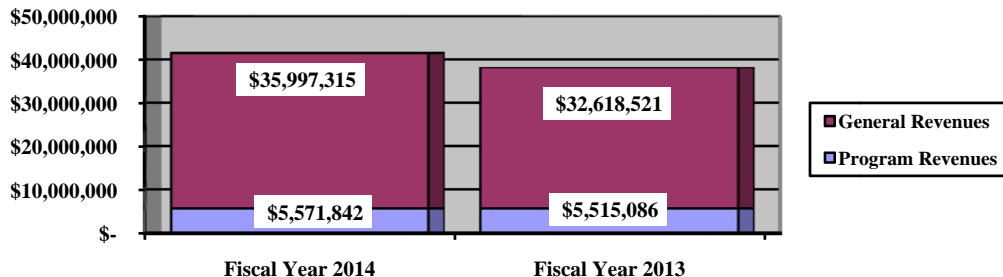
The statement of activities shows the cost of program services and the charges for services and grants offsetting those services. The following table shows, for governmental activities, the total cost of services and the net cost of services. That is, it identifies the cost of these services supported by tax revenue and unrestricted state grants and entitlements.

	Total Cost of Services <u>2014</u>	Net Cost of Services <u>2014</u>	Total Cost of Services <u>2013</u>	Net Cost of Services <u>2013</u>
Governmental Activities				
Program expenses				
Instruction:				
Regular	\$ 18,495,828	\$ 17,499,672	\$ 18,516,358	\$ 17,290,433
Special	4,259,794	2,009,077	4,202,518	2,293,418
Vocational	375,167	111,197	416,734	174,136
Other	1,637,732	1,602,667	749,028	663,674
Support services:				
Pupil	1,258,542	1,203,419	1,296,906	1,225,650
Instructional staff	561,424	534,748	532,048	508,080
Board of education	258,928	258,928	204,812	204,812
Administration	2,209,745	1,986,786	3,068,977	2,874,813
Fiscal	930,215	927,079	738,093	736,500
Business	321,212	321,212	303,703	303,703
Operations and maintenance	3,733,632	3,706,952	3,856,257	3,784,418
Pupil transportation	2,174,159	2,174,159	2,264,060	2,205,729
Central	558,916	546,316	570,043	557,443
Operations of non-instructional services:				
Other non-instructional services	31,415	31,415	21,998	21,998
Food service operations	1,449,035	95,506	1,411,162	106,417
Extracurricular activities	930,398	605,167	912,495	598,882
Interest and fiscal charges	<u>1,798,712</u>	<u>1,798,712</u>	<u>1,794,812</u>	<u>1,794,812</u>
Total	<u>\$ 40,984,854</u>	<u>\$ 35,413,012</u>	<u>\$ 40,860,004</u>	<u>\$ 35,344,918</u>

The dependence upon tax and other general revenues for governmental activities is apparent; 85.68% of instruction activities were supported through taxes and other general revenues during fiscal year 2014. For all governmental activities, general revenue support was 86.41% in fiscal year 2014. The District's taxpayers and grants and entitlements are by far the primary support for District students.

The graph below presents the District's governmental activities revenues for fiscal years 2014 and 2013.

Governmental Activities - General and Program Revenues



**TEAYS VALLEY LOCAL SCHOOL DISTRICT
PICKAWAY COUNTY, OHIO**

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014

The District's Funds

The District's governmental funds (as presented on the balance sheet on page 19) reported a combined fund balance of \$12,729,409, which is higher than last year's total of \$8,918,062. The schedule below indicates the fund balance and the total change in fund balance as of June 30, 2014 and 2013.

	Fund Balance <u>June 30, 2014</u>	Fund Balance <u>June 30, 2013</u>	<u>Change</u>	Percentage <u>Change</u>
General	\$ 8,618,381	\$ 4,415,048	\$ 4,203,333	95.20 %
Debt Service	2,613,294	2,418,122	195,172	8.07 %
Other Governmental	<u>1,497,734</u>	<u>2,084,892</u>	<u>(587,158)</u>	(28.16) %
Total	<u>\$ 12,729,409</u>	<u>\$ 8,918,062</u>	<u>\$ 3,811,347</u>	42.74 %

General Fund

During fiscal year 2014, the District's general fund balance increased by \$4,203,333. The District has maintained a judicious approach to spending which has helped the District achieve modest reserves. These reserves become critical as continued growth within the District is expected. Tax revenues increased by \$2,192,649. This increase can be attributed to a recently passed income tax levy taking effect. Intergovernmental revenues increased \$1,016,723 or 5.90% due to higher state foundation revenue in the general fund primarily for special education funding.

Expenditures of the general fund decreased \$203,823. The most significant decrease was in the area of support services which decreased \$631,518. This decrease was the result of recording Pickaway County Educational Service Center expenditures differently from fiscal year 2013. The District received guidance from the Auditor of State's office to record these expenditures under special instruction.

**TEAYS VALLEY LOCAL SCHOOL DISTRICT
PICKAWAY COUNTY, OHIO**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

The table that follows assists in illustrating the financial activities and fund balance of the general fund.

	<u>2014</u> <u>Amount</u>	<u>2013</u> <u>Amount</u>	<u>Change</u>	<u>Percentage</u> <u>Change</u>
<u>Revenues</u>				
Taxes	\$ 14,641,998	\$ 12,449,349	\$ 2,192,649	17.61 %
Tuition	684,987	673,812	11,175	1.66 %
Earnings on investments	32,268	51,593	(19,325)	(37.46) %
Intergovernmental	18,250,736	17,234,013	1,016,723	5.90 %
Other revenues	<u>322,134</u>	<u>494,284</u>	<u>(172,150)</u>	(34.83) %
Total	<u>\$ 33,932,123</u>	<u>\$ 30,903,051</u>	<u>\$ 3,029,072</u>	9.80 %
<u>Expenditures</u>				
Instruction	\$ 19,150,276	\$ 18,753,122	\$ 397,154	2.12 %
Support services	9,958,897	10,590,415	(631,518)	(5.96) %
Operation of non-instructional services	31,415	21,998	9,417	42.81 %
Extracurricular activities	530,692	529,054	1,638	0.31 %
Capital outlay	15,336	-	15,336	100.00 %
Debt service	<u>92,554</u>	<u>88,404</u>	<u>4,150</u>	4.69 %
Total	<u>\$ 29,779,170</u>	<u>\$ 29,982,993</u>	<u>\$ (203,823)</u>	(0.68) %

Debt Service Fund

During fiscal year 2014, the debt service fund had revenues of \$3,283,005 and expenditures of \$3,087,833. During fiscal year 2014, the debt service fund balance increased \$195,172 due to revenues exceeding scheduled principal and interest payments during the fiscal year.

General Fund Budgeting Highlights

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

During the course of fiscal year 2014, the District amended its general fund budget several times. For the general fund, final budgeted revenues and other financing sources of \$32,734,960 were \$908,489 higher than the original budgeted revenues and other financing sources estimate of \$31,826,471. Actual revenues and other financing sources were \$33,490,385.

General fund original appropriations (appropriated expenditures plus other financing uses) were \$35,466,284. Final appropriations and other financing uses were \$30,622,949 which was \$4,843,335 lower than original appropriations.

**TEAYS VALLEY LOCAL SCHOOL DISTRICT
PICKAWAY COUNTY, OHIO**

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014

Capital Assets and Debt Administration

Capital Assets

At the end of fiscal year 2014, the District had \$91,907,733 invested in land, land improvements, buildings and improvements, furniture and equipment, vehicles and infrastructure. This entire amount is reported in governmental activities. The following table shows June 30, 2014 balances compared to June 30, 2013.

Capital Assets at June 30 (Net of Depreciation)		
<u>Governmental Activities</u>		
	<u>2014</u>	<u>2013</u>
Land	\$ 3,020,415	\$ 3,020,415
Land improvements	7,756,997	8,340,252
Buildings and improvements	75,764,402	79,021,850
Furniture and equipment	4,476,565	5,081,322
Vehicles	710,875	687,781
Infrastructure	<u>178,479</u>	<u>189,714</u>
Total	<u>\$ 91,907,733</u>	<u>\$ 96,341,334</u>

The capital assets decreased \$4,433,601. This is due to depreciation expense of \$4,740,489 and disposals (net of accumulated depreciation) of \$13,993 exceeding current year additions of \$320,881.

See Note 9 to the basic financial statements for detail on the District's capital assets.

Debt Administration

At June 30, 2014 the District had \$35,009,556 in general obligation bonds and capital lease obligations outstanding. The general obligation bond issues are comprised of current issue bonds and capital appreciation bonds. Of this total, \$1,545,890 is due within one year and \$33,463,666 is due in greater than one year.

**TEAYS VALLEY LOCAL SCHOOL DISTRICT
PICKAWAY COUNTY, OHIO**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

The following table summarizes the bonds and capital lease obligations outstanding.

Outstanding Debt, at Year End

	Governmental Activities <u>2014</u>	Governmental Activities <u>2013</u>
Current interest refunding bonds - Series 2006	\$ 14,705,000	\$ 15,615,000
Capital appreciation bonds - Series 2006	274,995	274,995
Accreted interest - Series 2006	1,285,636	1,007,486
Current interest bonds - Series 2007A	9,680,000	9,705,000
Capital appreciation bonds - Series 2007A	69,996	69,996
Accreted interest - Series 2007A	188,904	145,895
Current interest bonds - Series 2007B	8,350,000	8,620,000
Capital appreciation bonds - Series 2007B	79,997	79,997
Accreted interest - Series 2007B	151,600	119,355
Bond anticipation notes	-	355,000
Capital lease obligations	<u>223,428</u>	<u>288,586</u>
Total	<u>\$ 35,009,556</u>	<u>\$ 36,281,310</u>

During fiscal year 2006, the District refunded a portion of the 2000 series general obligation bonds on July 28, 2006. The annual interest rate ranges from 3.00% to 5.00% and the bonds are scheduled to mature in fiscal year 2028.

On March 22, 2007 and April 24, 2007, the District issued Series 2007 A and Series 2007 B general obligation bonds for a classroom facilities project. The annual interest rates range from 4.00% to 4.30% and the bonds are scheduled to mature in fiscal year 2035.

The District's most recent bond issue maintained a Moody's Investors Service rating and a Fitch IBCA, Inc. rating of Aaa and AAA respectively on the understanding that the Bonds would be insured by Financial Guaranty Insurance Company upon their issuance. The District has received an underlying rating of A1 from Moody's.

See Note 11 to the basic financial statements for detail on the District's debt administration.

Current Financial Related Activities

The District's financial outlook has evolved over the past few fiscal years and there have been a number of significant financial events that have gradually bent back the negative trends that emerged after the 2008 recession. Many of the financial events that have occurred post-recession have been a direct result of action taken by the Board and administration to address the negative trajectory of the financial condition of the school district. The District proactively implemented a \$2 million budget response plan in February 2011, which impacted the fiscal year 2012 forecast. Elements of that plan included staff reductions, a two year base wage freeze and other spending cutbacks. The Board approved a second budget reduction plan in March 2012 affecting fiscal year 2013 spending. That plan included staff reductions through attrition and an increase in the pay-to-participate fee.

**TEAYS VALLEY LOCAL SCHOOL DISTRICT
PICKAWAY COUNTY, OHIO**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

Despite all of the effort described in the preceding paragraph, the District continued to anticipate operating deficits by fiscal year 2016. Therefore, the District continued its work to address those future deficits as it entered fiscal year 2014. Of particular significance, the District concluded work in December 2013 on a collaborative bargaining agreement that will have a positive impact on the District's financial stability. Elements of that agreement included adjustments to the District's health insurance program that enabled affordable base wage increases for employees. Additionally, the District has committed to offering the community an All-Day Kindergarten program beginning in fiscal year 2015. While it may seem counterintuitive, this option will actually have a positive net impact on state funding and in turn a positive impact on the District's financial bottom line. More importantly though, the program will have a positive educational impact on the services the District is able to offer its students and community.

While the District's financial outlook and health has improved significantly, the Board and District leadership team understand the District's finances must be continually monitored. Achieving financial sustainability is a continual work-in-progress and the goal should always be to provide the best possible education for the District's children. That effort must continue to be managed and directed because there will always be challenges and obstacles to overcome.

Some of the primary factors currently influencing the financial outlook of the District are recapped below:

Overall Revenue:

Following the 2008 recession, fiscal year 2009 to fiscal year 2013 revenue grew by an average increase of only 1.7%. Revenue estimates are beginning to reflect an uptick after years of minimal growth. Revenue is expected to be boosted by higher state funding collections (due to continued enrollment growth and the addition of All-Day Kindergarten – discussed later), as well as increasing income tax collections.

Replacement Income Tax Issue:

In an effort to preserve programming and educational opportunities, the Board proposed and passed a 1.5% replacement income tax issue in March 2012. The issue replaced a continuing 0.75% traditional income tax levy. The replacement issue will generate an additional \$2.3 million in revenue which represents an increase of approximately \$3.52 per student per day. Fiscal year 2014 reflects near full collection of the 1.5% tax. The ramp up cycle to full collection will complete itself with the July 2014 settlement (which is part of the fiscal year 2015 reporting year). Fiscal year 2014 also reflects a boost in traditional tax collections related to the calendar 2012 "fiscal cliff" issue as many taxpayers chose to recognize as much income as possible in 2012 due to uncertainty regarding federally imposed tax rates for 2013 and beyond.

Student Enrollment:

Prior to the 2008 economic downturn, enrollment within the District had been growing by approximately a hundred students per year. Since 2008, enrollment has slowed tremendously, which correlates directly to subdued residential housing growth. Birth rate data obtained from the 2010 census combined with grade-level retention trends indicate the District can expect small enrollment gains through fiscal year 2018, accounting for a total increase of an estimated 50 to 100 students. The forecast assumes additional staff to address projected enrollment growth. The additional staff is reflected in the salary and fringe benefits line items of the forecast.

State Budget:

The State recently approved a new biennial budget, which includes school funding provisions for fiscal years 2014 and 2015. The new formula includes both cap and guarantee provisions. The funding cap limits state funding growth in fiscal year 2014 to no more than 6.5% above fiscal year 2013, whereas the guarantee ensures a district received no less than it received in fiscal year 2013. The cap increases to 10.5% in fiscal year 2015. While many districts will be funded at one of the two extremes in fiscal year 2014, Teays Valley is neither capped nor guaranteed, which means the funding it receives is based upon current formula provisions. Therefore, formula components such as enrollment, valuation, income levels and a range of other factors are extremely important to the funding calculations.

**TEAYS VALLEY LOCAL SCHOOL DISTRICT
PICKAWAY COUNTY, OHIO**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

All Day Kindergarten:

Beginning in fiscal year 2015, Teays Valley will offer a full-day, every-day Kindergarten program for its students. Historically, the District has offered a half-day Kindergarten program. That is due to the fact a full-day, every-day Kindergarten program would have added expense without providing additional funding, something the District could have ill afforded. Under the new state formula components, offering a full-day Kindergarten program will enable the District to fully count each student enrolled in the program for funding purposes. In other words, the new state formula supplies the full per-pupil funding amount for students enrolled in a full-day program, whereas only half of the per-pupil amount is supplied for students enrolled in a half-day program. Since Teays Valley's funding is not anticipated to be limited by the cap in either fiscal year 2014 (6.5% cap) or fiscal year 2015 (10.5% cap), counting the additional students is expected to generate enough funds to basically offset the cost of implementing the full-day program. Further, if the current formula remains in place in future biennials, adding the extra FTE's to the District's student count will reduce Teays Valley's future per-pupil wealth measurements, which will benefit state share percentage calculations. In other words, less wealth means more funding as calculated in the current funding formula.

Staffing & Collective Bargaining:

The Board and TVCTA ratified an agreement to increase base wages in fiscal year 2014 – fiscal year 2016 (base salaries are scheduled to increase 1.5% in fiscal year 2014, 1.75% in fiscal year 2015 and 2% in fiscal year 2016). To a large extent, base wage increases were achievable as a result of the implementation of a new high deductible health insurance plan. The new health plan was essential to restoring a measure of fiscal stability to the District.

Health Insurance:

As mentioned, effective January 1, 2014, the District implemented a new high deductible health insurance program combined with a health savings account (HSA) for employees. Changes to the District's health insurance plan are anticipated to have a positive impact on the District's overall budget. The District also offered a financial incentive to eligible employees who opted out of District provided health coverage. Moving to the new funding arrangement combined with the newly offered financial incentive resulted in a reduction in the total number of individuals who previously accepted District provided health insurance. This obviously added to the overall financial benefit of moving to a new plan.

Contacting the District's Financial Management

This financial report is designed to provide our citizens, taxpayers, investors and creditors with a general overview of the District's finances and to show the District's accountability for the money it receives. If you have questions about this report or need additional financial information contact Mr. Stacy Overly, Treasurer, Teays Valley Local School District, 385 Circleville Avenue, Ashville, OH 43103-9417.

**TEAYS VALLEY LOCAL SCHOOL DISTRICT
PICKAWAY COUNTY, OHIO**

STATEMENT OF NET POSITION
JUNE 30, 2014

	Governmental Activities
Assets:	
Equity in pooled cash and investments	\$ 13,085,115
Receivables:	
Property taxes	13,026,433
Income taxes	2,314,738
Payment in lieu of taxes	13,122
Accounts	18,290
Accrued interest	19,817
Intergovernmental	180,647
Prepayments	11,109
Materials and supplies inventory	143,006
Capital assets:	
Nondepreciable capital assets	3,020,415
Depreciable capital assets, net	88,887,318
Capital assets, net	91,907,733
Total assets	120,720,010
 Deferred outflows of resources:	
Unamortized deferred charges on debt refunding	867,786
Total deferred outflows of resources	867,786
 Liabilities:	
Accounts payable	153,870
Accrued wages and benefits payable	2,689,550
Pension obligation payable	566,817
Intergovernmental payable	299,569
Accrued interest payable	114,002
Long-term liabilities:	
Due within one year	1,865,318
Due in more than one year	36,685,069
Total liabilities	42,374,195
 Deferred inflows of resources:	
Property taxes levied for the next fiscal year	11,182,786
Payment in lieu of taxes levied for the next fiscal year	13,122
Total deferred inflows of resources	11,195,908
 Net position:	
Net investment in capital assets	58,169,461
Restricted for:	
Capital projects	289,121
Classroom facilities maintenance	341,025
Debt service	1,004,340
Locally funded programs	9,247
Student activities	85,761
Other purposes	303,810
Unrestricted	7,814,928
Total net position	\$ 68,017,693

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**TEAYS VALLEY LOCAL SCHOOL DISTRICT
PICKAWAY COUNTY, OHIO**

STATEMENT OF ACTIVITIES
FOR THE FISCAL YEAR ENDED JUNE 30, 2014

	<u>Expenses</u>	<u>Program Revenues</u>		<u>Net (Expense) Revenue and Changes in Net Position Governmental Activities</u>
		<u>Charges for Services and Sales</u>	<u>Operating Grants and Contributions</u>	
Governmental activities:				
Instruction:				
Regular	\$ 18,495,828	\$ 814,105	\$ 182,051	\$ (17,499,672)
Special	4,259,794	28,691	2,222,026	(2,009,077)
Vocational	375,167	-	263,970	(111,197)
Other	1,637,732	-	35,065	(1,602,667)
Support services:				
Pupil	1,258,542	15,313	39,810	(1,203,419)
Instructional staff	561,424	13,139	13,537	(534,748)
Board of education	258,928	-	-	(258,928)
Administration	2,209,745	24	222,935	(1,986,786)
Fiscal	930,215	-	3,136	(927,079)
Business	321,212	-	-	(321,212)
Operations and maintenance	3,733,632	20,076	6,604	(3,706,952)
Pupil transportation	2,174,159	-	-	(2,174,159)
Central	558,916	-	12,600	(546,316)
Operation of non-instructional services:				
Other non-instructional services	31,415	-	-	(31,415)
Food service operations	1,449,035	701,468	652,061	(95,506)
Extracurricular activities	930,398	268,744	56,487	(605,167)
Interest and fiscal charges	1,798,712	-	-	(1,798,712)
Total governmental activities	<u>\$ 40,984,854</u>	<u>\$ 1,861,560</u>	<u>\$ 3,710,282</u>	<u>(35,413,012)</u>

General revenues:

Property taxes levied for:	
General purposes	8,624,822
Debt service	2,875,672
Capital projects	970,523
Payments in lieu of taxes	3,142
Income taxes levied for:	
General purposes	6,063,715
Classroom facilities maintenance	168,355
Grants and entitlements not restricted	
to specific programs	17,217,628
Investment earnings	45,747
Miscellaneous	27,711
Total general revenues	<u>35,997,315</u>
Change in net position	584,303
Net position at beginning of year	<u>67,433,390</u>
Net position at end of year	<u>\$ 68,017,693</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**TEAYS VALLEY LOCAL SCHOOL DISTRICT
PICKAWAY COUNTY, OHIO**

BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2014

	General	Debt Service	Nonmajor Governmental Funds	Total Governmental Funds
Assets:				
Equity in pooled cash and investments.	\$ 9,282,394	\$ 2,317,852	\$ 1,484,869	\$ 13,085,115
Receivables:				
Property taxes.	8,948,420	2,961,158	1,116,855	13,026,433
Income taxes	2,314,738	-	-	2,314,738
Payment in lieu of taxes	13,122	-	-	13,122
Accounts	18,290	-	-	18,290
Accrued interest	19,738	-	79	19,817
Interfund loans	32,681	-	-	32,681
Intergovernmental.	171,647	-	9,000	180,647
Prepayments.	11,109	-	-	11,109
Materials and supplies inventory.	87,435	-	55,571	143,006
Total assets	<u>\$ 20,899,574</u>	<u>\$ 5,279,010</u>	<u>\$ 2,666,374</u>	<u>\$ 28,844,958</u>
Liabilities:				
Accounts payable	\$ 139,238	\$ -	\$ 14,632	\$ 153,870
Accrued wages and benefits payable	2,637,875	-	51,675	2,689,550
Compensated absences payable	68,813	-	-	68,813
Interfund loans payable.	-	-	32,681	32,681
Intergovernmental payable	290,602	-	8,967	299,569
Pension obligation payable	532,137	-	34,680	566,817
Total liabilities.	<u>3,668,665</u>	<u>-</u>	<u>142,635</u>	<u>3,811,300</u>
Deferred inflows of resources:				
Property taxes levied for the next fiscal year.	7,680,812	2,534,528	967,446	11,182,786
Delinquent property tax revenue not available.	396,442	131,188	49,480	577,110
Accrued interest not available.	17,625	-	79	17,704
Other nonexchange transactions not available.	-	-	9,000	9,000
Miscellaneous revenue not available.	147,045	-	-	147,045
Income tax revenue not available	357,482	-	-	357,482
Payment in lieu of taxes levied for the next fiscal year	13,122	-	-	13,122
Total deferred inflows of resources	<u>8,612,528</u>	<u>2,665,716</u>	<u>1,026,005</u>	<u>12,304,249</u>
Fund balances:				
Nonspendable:				
Materials and supplies inventory.	87,435	-	55,571	143,006
Prepays.	11,109	-	-	11,109
Unclaimed monies	6,466	-	-	6,466
Restricted:				
Debt service	-	2,613,294	-	2,613,294
Capital improvements	-	-	289,121	289,121
Classroom facilities maintenance	-	-	341,025	341,025
Food service operations	-	-	252,954	252,954
Other purposes.	-	-	48,567	48,567
Extracurricular activities	-	-	85,761	85,761
Committed:				
Capital improvements	-	-	459,177	459,177
Underground storage tank	11,000	-	-	11,000
Assigned:				
Student instruction	21,068	-	-	21,068
Student and staff support.	153,779	-	-	153,779
Extracurricular activities	715	-	-	715
Subsequent year's appropriations	5,899,738	-	-	5,899,738
Unassigned (deficit).	2,427,071	-	(34,442)	2,392,629
Total fund balances	<u>8,618,381</u>	<u>2,613,294</u>	<u>1,497,734</u>	<u>12,729,409</u>
Total liabilities, deferred inflows and fund balances	<u>\$ 20,899,574</u>	<u>\$ 5,279,010</u>	<u>\$ 2,666,374</u>	<u>\$ 28,844,958</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**TEAYS VALLEY LOCAL SCHOOL DISTRICT
PICKAWAY COUNTY, OHIO**

RECONCILIATION OF TOTAL GOVERNMENTAL FUND BALANCES TO
NET POSITION OF GOVERNMENTAL ACTIVITIES
JUNE 30, 2014

Total governmental fund balances		\$ 12,729,409
<i>Amounts reported for governmental activities on the statement of net position are different because:</i>		
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.		91,907,733
Other long-term assets are not available to pay for current-period expenditures and therefore are deferred inflows in the funds.		
Property taxes receivable	\$ 577,110	
Income taxes receivable	357,482	
Accrued interest receivable	17,704	
Intergovernmental receivable	156,045	
Total	1,108,341	1,108,341
Unamortized premiums on bonds issued are not recognized in the funds.		(1,222,642)
Unamortized amounts on refundings are not recognized in the funds.		867,786
Accrued interest payable is not due and payable in the current period and therefore is not reported in the funds.		(114,002)
Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds.		
General obligation bonds	(34,786,128)	
Capital lease obligations	(223,428)	
Compensated absences	(2,249,376)	
Total	(37,258,932)	(37,258,932)
Net position of governmental activities		\$ 68,017,693

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**TEAYS VALLEY LOCAL SCHOOL DISTRICT
PICKAWAY COUNTY, OHIO**

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014

	General	Debt Service	Nonmajor Governmental Funds	Total Governmental Funds
Revenues:				
From local sources:				
Property taxes	\$ 8,768,696	\$ 2,925,317	\$ 989,415	\$ 12,683,428
Income taxes	5,870,160	-	168,355	6,038,515
Payment in lieu of taxes	3,142	-	-	3,142
Tuition	684,987	-	-	684,987
Earnings on investments	32,268	-	224	32,492
Charges for services	-	-	719,060	719,060
Extracurricular	89,710	-	215,392	305,102
Classroom materials and fees	138,111	-	-	138,111
Rental income	14,300	-	-	14,300
Contributions and donations	46,361	-	88,919	135,280
Other local revenues	33,652	-	17,340	50,992
Intergovernmental - intermediate	60,229	20,180	19,867	100,276
Intergovernmental - state	17,970,719	337,508	237,572	18,545,799
Intergovernmental - federal	219,788	-	1,895,681	2,115,469
Total revenues	<u>33,932,123</u>	<u>3,283,005</u>	<u>4,351,825</u>	<u>41,566,953</u>
Expenditures:				
Current:				
Instruction:				
Regular	13,842,951	-	586,500	14,429,451
Special	3,369,717	-	872,914	4,242,631
Vocational	334,923	-	73	334,996
Other	1,602,685	-	35,047	1,637,732
Support services:				
Pupil	1,213,270	-	56,836	1,270,106
Instructional staff	438,621	-	29,995	468,616
Board of education	256,495	-	-	256,495
Administration	1,988,343	-	240,006	2,228,349
Fiscal	823,749	67,490	27,382	918,621
Business	178,996	-	60,035	239,031
Operations and maintenance	2,894,264	-	747,903	3,642,167
Pupil transportation	1,776,790	-	345,956	2,122,746
Central	388,369	-	157,262	545,631
Operation of non-instructional services:				
Other non-instructional services	31,415	-	-	31,415
Food service operations	-	-	1,365,562	1,365,562
Extracurricular activities	530,692	-	306,921	837,613
Facilities acquisition and construction	-	-	112,789	112,789
Capital outlay	15,336	-	-	15,336
Debt service:				
Principal retirement	80,494	1,560,000	-	1,640,494
Interest and fiscal charges	12,060	1,460,343	-	1,472,403
Total expenditures	<u>29,779,170</u>	<u>3,087,833</u>	<u>4,945,181</u>	<u>37,812,184</u>
Excess (deficiency) of revenues over (under) expenditures	<u>4,152,953</u>	<u>195,172</u>	<u>(593,356)</u>	<u>3,754,769</u>
Other financing sources:				
Sale/loss of assets	1,973	-	-	1,973
Capital lease transaction	15,336	-	-	15,336
Total other financing sources	<u>17,309</u>	<u>-</u>	<u>-</u>	<u>17,309</u>
Net change in fund balances	4,170,262	195,172	(593,356)	3,772,078
Fund balances at beginning of year	4,415,048	2,418,122	2,084,892	8,918,062
Increase in reserve for inventory	33,071	-	6,198	39,269
Fund balances at end of year	<u>\$ 8,618,381</u>	<u>\$ 2,613,294</u>	<u>\$ 1,497,734</u>	<u>\$ 12,729,409</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**TEAYS VALLEY LOCAL SCHOOL DISTRICT
PICKAWAY COUNTY, OHIO**

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, 2014

Net change in fund balances - total governmental funds	\$	3,772,078
<i>Amounts reported for governmental activities in the statement of activities are different because:</i>		
Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense.		
Capital asset additions	\$ 320,881	
Current year depreciation	(4,740,489)	
Total		(4,419,608)
The net effect of various miscellaneous transactions involving capital assets (i.e., sales, disposals, trade-ins, and donations) is to decrease net position.		
		(13,993)
Governmental funds report expenditures for inventory when purchased. However, in the statement of activities, they are reported as an expense when consumed.		
		39,269
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.		
Property taxes	(212,411)	
Income taxes	193,555	
Earnings on investments	13,443	
Intergovernmental	7,617	
Total		2,204
Repayment of bond, notes and capital lease principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities on the statement of net position. Principal payments during the year were:		
Bonds	1,205,000	
Bond anticipation notes	355,000	
Capital leases	80,494	
Total		1,640,494
Issuances of capital leases are recorded as other financing sources in the funds; however, in the statement of activities, they are not reported as other financing sources as they increase liabilities on the statement of net position.		
		(15,336)
In the statement of activities, interest is accrued on outstanding bonds, whereas in governmental funds, an interest expenditure is reported when due. The following items resulted in additional interest being reported in the statement of activities:		
Accrued interest payable	6,014	
Accreted interest on capital appreciation bonds	(353,404)	
Amortization of bond premiums	85,760	
Amortization of deferred charges	(64,679)	
Total		(326,309)
Some expenses reported in the statement of activities, such as compensated absences, do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds.		
		(94,496)
Change in net position of governmental activities	\$	584,303

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**TEAYS VALLEY LOCAL SCHOOL DISTRICT
PICKAWAY COUNTY, OHIO**

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCE - BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)
GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2014

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Revenues:				
From local sources:				
Property taxes	\$ 8,103,502	\$ 8,323,677	\$ 8,601,428	\$ 277,751
Income taxes	4,863,092	4,995,224	5,631,076	635,852
Payment in lieu of taxes	3,142	3,142	3,142	-
Tuition	697,390	716,338	685,112	(31,226)
Earnings on investments	25,312	26,000	31,374	5,374
Classroom materials and fees	141,457	145,300	131,851	(13,449)
Rental income	15,187	15,600	14,300	(1,300)
Other local revenues	36,053	37,033	27,711	(9,322)
Intergovernmental - intermediate	84,833	87,223	60,229	(26,994)
Intergovernmental - state	17,590,706	18,068,652	17,946,117	(122,535)
Intergovernmental - federal	170,371	175,000	219,661	44,661
Total revenues	31,731,045	32,593,189	33,352,001	758,812
Expenditures:				
Current:				
Instruction:				
Regular	14,737,203	14,301,441	14,301,441	-
Special	3,103,421	3,477,893	3,477,893	-
Vocational	329,413	339,053	339,053	-
Other	609,773	1,635,637	1,635,637	-
Support services:				
Pupil	1,251,847	1,202,743	1,202,743	-
Instructional staff	452,816	432,627	432,627	-
Board of education	47,640	166,737	166,737	-
Administration	2,691,805	2,047,364	2,047,364	-
Fiscal	844,432	864,285	864,285	-
Business	244,254	281,883	281,883	-
Operations and maintenance	2,950,718	2,974,759	2,974,759	-
Pupil transportation	1,809,081	1,912,933	1,912,933	-
Central	259,770	348,654	348,654	-
Other operation of non-instructional services	27,554	31,371	31,371	-
Extracurricular activities	492,763	526,543	526,543	-
Total expenditures	29,852,490	30,543,923	30,543,923	-
Excess of revenues over expenditures	1,878,555	2,049,266	2,808,078	758,812
Other financing sources (uses):				
Refund of prior year's expenditures	88,191	88,191	90,066	1,875
Transfers (out)	(15,000)	(46,345)	(46,345)	-
Advances (out)	-	(32,681)	(32,681)	-
Other sources (uses)	(5,598,794)	46,345	46,345	-
Sale of capital assets	7,235	7,235	1,973	(5,262)
Total other financing sources (uses)	(5,518,368)	62,745	59,358	(3,387)
Net change in fund balance	(3,639,813)	2,112,011	2,867,436	755,425
Fund balance at beginning of year	3,366,009	3,366,009	3,366,009	-
Prior year encumbrances appropriated	273,805	273,805	273,805	-
Fund balance at end of year	\$ 1	\$ 5,751,825	\$ 6,507,250	\$ 755,425

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**TEAYS VALLEY LOCAL SCHOOL DISTRICT
PICKAWAY COUNTY, OHIO**

STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUNDS
JUNE 30, 2014

	Private-Purpose Trust	
	Scholarship	Agency
Assets:		
Equity in pooled cash and investments	\$ 16,313	\$ 95,520
Receivables:		
Accrued interest.	55	-
Total assets.	16,368	\$ 95,520
Liabilities:		
Accounts payable.	-	\$ 8,659
Due to students.	-	86,549
Due to others	-	312
Total liabilities	-	\$ 95,520
Net position:		
Held in trust for scholarships	16,368	
Total net position.	\$ 16,368	

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**TEAYS VALLEY LOCAL SCHOOL DISTRICT
PICKAWAY COUNTY, OHIO**

STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
FIDUCIARY FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2014

	Private-Purpose Trust
	Scholarship
Additions:	
Interest	\$ 96
Total additions.	96
Deductions:	
Scholarships awarded	101
Change in net position	(5)
Net position at beginning of year.	16,373
Net position at end of year	\$ 16,368

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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**TEAYS VALLEY LOCAL SCHOOL DISTRICT
PICKAWAY COUNTY, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

NOTE 1 - DESCRIPTION OF THE SCHOOL DISTRICT

The Teays Valley Local School District (the "District") is a body politic and corporate established for the purpose of exercising the rights and privileges conveyed to it by the constitution and laws of the State of Ohio. The District is a local school district as defined by Section 3311.03 of the Ohio Revised Code. The District operates under an elected Board of Education (five members) and is responsible for the provision of public education to residents of the District.

The District ranks as the 117th largest by total enrollment among the 1,001 public school districts and community schools in the State. The District employed 230 certified employees and 108 non-certified employees who provided services to 3,891 students. The District is supported by the Pickaway County Educational Service Center, a separate entity.

The District provides regular, vocational, special and adult/continuing instruction. The District also provides support services for the pupils, instructional staff, general and school administration, business and fiscal services, facilities acquisition and construction services, operation and maintenance of plant, student transportation, food services, extracurricular activities and non-programmed services.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The basic financial statements of the District have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The District's significant accounting policies are described below.

A. Reporting Entity

The reporting entity has been defined in accordance with GASB Statement No. 14, "The Financial Reporting Entity" as amended by GASB Statement No. 39, "Determining Whether Certain Organizations Are Component Units" and GASB Statement No. 61, "The Financial Reporting Entity: Omnibus an Amendment of GASB Statements No. 14 and No. 34". The reporting entity is composed of the primary government and component units. The primary government consists of all funds, departments, boards and agencies that are not legally separate from the District. For the District, this includes general operations, food service, and student related activities of the District.

Component units are legally separate organizations for which the District is financially accountable. The District is financially accountable for an organization if the District appoints a voting majority of the organization's Governing Board and (1) the District is able to significantly influence the programs or services performed or provided by the organization; or (2) the District is legally entitled to or can otherwise access the organization's resources; or (3) the District is legally obligated or has otherwise assumed the responsibility to finance the deficits of, or provide financial support to, the organization; or (4) the District is obligated for the debt of the organization. Component units may also include organizations that are fiscally dependent on the District in that the District approves the budget, the issuance of debt or the levying of taxes. Certain organizations are also included as component units if the nature and significance of the relationship between the primary government and the organization is such that exclusion by the primary government would render the primary government's financial statements incomplete or misleading. Based upon the application of these criteria, the District has no component units. The basic financial statements of the reporting entity include only those of the District (the primary government).

**TEAYS VALLEY LOCAL SCHOOL DISTRICT
PICKAWAY COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

The following organizations are described due to their relationship to the District:

JOINTLY GOVERNED ORGANIZATION

Metropolitan Education Council (MEC)

The Metropolitan Education Council is a not for profit educational council whose primary purpose and objective is to contribute to the educational services available to school districts in Franklin County and surrounding areas by cooperative action membership. The governing board consists of a representative from each of the Franklin County districts. Districts outside of Franklin County are associate members and each county selects a single district to represent them on the Governing Board. MEC is its own fiscal agent. The District paid \$150,543 to MEC for services provided during fiscal year 2014.

Central Ohio Special Education Regional Resource Center

The Central Ohio Special Education Regional Resource Center (COSERRC) is a jointly governed organization operated by a Governing Board that is composed of superintendents of member school districts in central Ohio which comprise sixty percent of the Board, two parents of children with disabilities, one representative of a chartered nonpublic school, one representative of a county board of Development Disabilities, representatives of universities and students and persons with disabilities representations. COSERRC assists the District in complying with mandates of Public Law 99-456 for educating children with disabilities. There is no financial commitment made by the districts involved in COSERRC. COSERRC is not dependent upon the continued participation of the District and the District does not maintain an equity interest in or financial responsibility for the Council.

PUBLIC ENTITY RISK POOL

Pickaway County Public Employer Benefits Program (PCPEBP)

During fiscal year 2010, the District joined together with Circleville City School District, Logan Elm Local School District and Westfall Local School District to form the PCPEBP, a new insurance consortium. The PCPEBP is a public entity shared risk pool organized to provide health care and dental insurance benefits to its member organizations. The Board of Directors exercises control over the operation of the PCPEBP. Each member school district is represented on the Board of Directors by their superintendent or superintendent designee.

Westfall Local School District serves as fiscal agent for the PCPEBP. To obtain financial information, write Brian Ramsay, Treasurer, Westfall Local School District, 19463 Pherson Pike, OH 43164.

**TEAYS VALLEY LOCAL SCHOOL DISTRICT
PICKAWAY COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

B. Fund Accounting

The District uses funds to report its financial position and the results of its operations. A fund is a separate accounting entity with a self-balancing set of accounts. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain school district activities or functions. Funds are classified into three categories: governmental, proprietary and fiduciary. Each category is divided into separate fund types. The District has no proprietary funds.

GOVERNMENTAL FUNDS

Governmental funds focus 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 plus deferred outflows of resources and liabilities plus deferred inflows of resources is reported as fund balance.

The following are the District's major governmental funds:

General fund -The general fund is used to account for and report all financial resources not accounted for and reported in another fund. The general fund balance is available for any purpose provided it is expended or transferred according to the general laws of Ohio.

Debt service fund - The debt service fund is used to account for and report the accumulation of resources that are restricted for payment of general obligation bond and principal and interest payable from governmental resources when the government is obligated in some manner for payment.

Other governmental funds of the District are used to account for (a) financial resources that are restricted, committed, or assigned to expenditures for capital outlays including the acquisition or construction of capital facilities and other capital assets and (b) specific revenue sources that are restricted or committed to an expenditure for specified purposes other than debt service or capital projects.

FIDUCIARY FUNDS

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

**TEAYS VALLEY LOCAL SCHOOL DISTRICT
PICKAWAY COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

C. Basis of Presentation and Measurement Focus

Government-Wide Financial Statements - The statement of net position and the statement of activities display information about the District as a whole. These statements include the financial activities of the primary government, except for fiduciary funds.

The government-wide statement of activities presents a comparison between direct expenses and program revenues for each function or program of the governmental activities of the District. 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 amounts paid by the recipient of goods or services offered by the program and grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues not classified as program revenues are presented as general revenues of the District.

The government-wide financial statements are prepared using the full accrual economic resources measurement focus. All assets, deferred outflows of resources, all liabilities and all deferred inflows of resources associated with the operation of the District are included on the statement of net position.

Fund Financial Statements - Fund financial statements report detailed information about the District. The focus of governmental fund financial statements is on major funds rather than reporting funds by type. Each major fund is presented in a separate column, and all nonmajor funds are aggregated into one column. Fiduciary funds are reported by fund type.

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

The private-purpose trust fund is reported using the economic resources measurement focus. The agency fund does not report a measurement focus as it does not report operations.

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. Fiduciary funds also use the accrual basis of accounting.

**TEAYS VALLEY LOCAL SCHOOL DISTRICT
PICKAWAY COUNTY, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

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

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

Deferred Inflows of Resources and Deferred Outflows of Resources - A deferred inflow of resources is an acquisition of net position by the District that is applicable to a future reporting period. A deferred outflow of resources is a consumption of net position by the District that is applicable to a future reporting period.

Property taxes for which there is an enforceable legal claim as of June 30, 2014, but which were levied to finance fiscal year 2015 operations, and other revenues received in advance of the fiscal year for which they were intended to finance, have been recorded as deferred inflows. Income taxes, payment in lieu of taxes and grants not received within the available period, grants and entitlements received before the eligibility requirements are met, and delinquent property taxes due at June 30, 2014, are recorded as deferred inflows on the governmental fund financial statements.

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

Expenses/Expenditures - On the accrual basis of accounting, expenses are recognized at the time they are incurred. The entitlement value of donated commodities used during the year is reported in the statement of revenues, expenditures and changes in fund balances as an expenditure with a like amount reported as intergovernmental revenue. Unused donated commodities are 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.

**TEAYS VALLEY LOCAL SCHOOL DISTRICT
PICKAWAY COUNTY, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

E. Budgets

The District is required by State statute to adopt an annual appropriated cash basis budget for all funds (except agency funds). The specific timetable for fiscal year 2014 is as follows.

1. Prior to January 15, the Superintendent and Treasurer submit to the Board of Education a proposed operating budget for the fiscal year commencing the following July 1. The budget includes proposed expenditures and the means of financing for all funds. Public hearings are publicized and conducted to obtain taxpayers' comments. The purpose of this budget document is to reflect the need for existing (or increased) tax rates.
2. By no later than January 20, the Board-adopted budget is filed with the Pickaway County Budget Commission for tax rate determination.
3. Prior to April 1, the Board of Education accepts, by formal resolution, the tax rates as determined by the Budget Commission and receives the Commission's certificate of estimated resources which states the projected revenue of each fund. Prior to July 1, the District must revise its budget so that total contemplated expenditures from any fund during the ensuing year will not exceed the amount stated in the certificate of estimated resources. The revised budget then serves as a basis for the appropriation measure. On or about July 1, the certificate is amended to include any unencumbered balances from the preceding year as reported by the District Treasurer. The certificate may be further amended during the year if projected increases or decreases in revenue are identified by the District Treasurer. The amounts reported as the original and final budgeted revenues in the budgetary statement reflect the amounts set forth in the original and final certificates of estimated resources issued for fiscal year 2014.
4. By July 1, the annual appropriation resolution is legally enacted by the Board of Education at the fund level for all funds, which is the legal level of budgetary control. (State statute permits a temporary appropriation to be effective until no later than October 1 of each year). Although the legal level of budgetary control was established at the fund level of expenditures, the District has elected to present budgetary statement comparisons at the fund and function level of expenditures.

Resolution appropriations by fund must be within the estimated resources as certified by the County Budget Commission and the total of expenditures and encumbrances may not exceed appropriations totals.

5. Any revisions that alter the total of any fund appropriation at the legal level of control must be approved by the Board of Education.
6. Formal budgetary integration is employed as a management control device during the year for all funds consistent with statutory provisions.
7. Appropriation amounts are as originally adopted, or as amended by the Board of Education throughout the year by supplemental appropriations, which either reallocated or increased the original appropriated amounts. The original and final budget figures, which appear in the statement of budgetary comparisons, represent the permanent appropriation (original budget) amounts plus all supplemental appropriations legally enacted during the year (final budget amounts).

**TEAYS VALLEY LOCAL SCHOOL DISTRICT
PICKAWAY COUNTY, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

8. At the close of each year, the unencumbered balance of each appropriation reverts to the respective fund from which it was appropriated and becomes subject to future appropriations. The encumbered appropriation balance is carried forward to the succeeding fiscal year and need not be reappropriated.

F. Cash and Investments

To improve cash management, cash received by the District is pooled. Monies for all funds are maintained in this pool. Individual fund integrity is maintained through the District's records. Each fund's interest in the pool is presented as "equity in pooled cash and investments" on the basic financial statements.

During fiscal year 2014, investments were limited to nonnegotiable certificates of deposits and investments in the State Treasury Asset Reserve of Ohio (STAR Ohio). Except for nonparticipating investment contracts, investments are reported at fair value, which is based on quoted market prices. Nonparticipating investment contracts, such as nonnegotiable certificates of deposit, are reported at amortized cost.

The District has invested funds in STAR Ohio during fiscal year 2014. STAR Ohio is an investment pool managed by the State Treasurer's Office, which allows governments within the State to pool their funds for investment purposes. STAR Ohio is not registered with the SEC as an investment company, but does operate in a manner consistent with Rule 2a7 of the Investment Company Act of 1940. Investments in STAR Ohio are valued at STAR Ohio's shares price, which is the price the investment could be sold for on June 30, 2014.

Following Ohio statutes, the Board of Education has, by resolution, specified the funds to receive an allocation of interest earnings. Interest revenues credited to the general fund during fiscal year 2014 amounted to \$32,268 which includes \$17,486 assigned from other District funds.

For presentation on the financial statements, investments of the cash management pool and investments with original maturities of three months or less at the time they are purchased by the District are considered to be cash equivalents. Investments with an initial maturity of more than three months are reported as investments.

An analysis of the District's investments at year end is provided in Note 4.

G. Inventory

On government-wide financial statements, inventories are presented at the lower of cost or market on a first-in, first-out basis and are expensed when used. Donated commodities are presented at their entitlement value. Inventories are accounted for using the purchase method on the fund financial statements and using the consumption method on the government-wide statements.

On the fund financial statements, reported material and supplies inventory is equally offset by a nonspendable fund balance in the governmental funds which indicates that it does not constitute available spendable resources even though it is a component of net position.

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

**TEAYS VALLEY LOCAL SCHOOL DISTRICT
PICKAWAY COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

H. Capital Assets

General capital assets are those assets not specifically related to activities reported in the proprietary funds. These assets generally result from expenditures in the governmental funds. These assets are reported in the governmental activities column of the government-wide statement of net position, 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 disposals during the year. Donated capital assets are recorded at their fair market values as of the date received. The District maintains a capitalization threshold of \$1,000. 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 life are not. Interest incurred during the construction of capital assets is also capitalized.

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>Governmental Activities Estimated Lives</u>
Land improvements	20 years
Buildings and improvements	20 - 50 years
Furniture and equipment	5 - 20 years
Vehicles	8 - 10 years
Infrastructure	20 years

I. Interfund Balances

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

J. Compensated Absences

Compensated absences of the District consist of vacation leave and sick leave to the extent that payments to the employee for these absences are attributable to services already rendered and are not contingent on a specific event that is outside the control of the District and the employee.

**TEAYS VALLEY LOCAL SCHOOL DISTRICT
PICKAWAY COUNTY, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

In accordance with the provisions of GASB Statement No. 16, "Accounting for Compensated Absences", a liability for vacation leave is accrued if a) the employees' rights to payment are attributable to services already rendered; and b) it is probable that the employer will compensate the employees for the benefits through paid time off or other means, such as cash payment at termination or retirement. An accrual for earned sick leave is made to the extent that it is probable that the benefits will result in termination (severance) payments. A liability for severance is accrued using the vesting method; i.e., the liability is based on the sick leave accumulated at June 30, 2014, by those employees who are currently eligible to receive termination (severance) payments, as well as those employees expected to become eligible in the future. For purposes of establishing a liability for sick leave on employees expected to become eligible to retire in the future, all employees with at least ten years of service were considered expected to become eligible to retire in accordance with GASB Statement No. 16.

The total liability for vacation and sick leave payments has been calculated using pay rates in effect at June 30, 2014 and reduced to the maximum payment allowed by labor contract and/or statute, plus any applicable additional salary related payments.

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

For governmental fund financial statements, compensated absences are recognized as liabilities and expenditures as payments come due each period upon the occurrence of employee resignations and retirements.

K. Issuance Costs/Unamortized Bond Premium and Discount/Unamortized Accounting Gain or Loss

On government-wide financial statements, bond issuance costs are expensed in the year they occur.

Bond premiums are deferred and amortized over the term of the bonds using the straight-line method, which approximates the effective interest method. Bond premiums are presented as an addition to the face amount of the bonds.

For bond refunds resulting in the defeasance of the debt reported in the government-wide financial statements, the difference between the reacquisition price and the net carrying amount of the old debt is deferred and amortized as a component of interest expense. This accounting gain or loss is amortized over the remaining life of the old debt or the life of the new debt, whichever is shorter and is presented as a deferred outflow of resources.

On the governmental fund financial statements, bond issuance costs and bond premiums are recognized in the current period. A reconciliation between the bonds face value and the amount reported on the statement of net position is presented in Note 11.A.

**TEAYS VALLEY LOCAL SCHOOL DISTRICT
PICKAWAY COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

L. Prepayments

Certain payments to vendors reflect the costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements. These items are reported as assets on the balance sheet using the consumption method. A current asset for the prepaid amounts is recorded at the time of the purchase and the expenditure/expense is reported in the year in which services are consumed. On the fund financial statements, reported prepayments are equally offset by a nonspendable fund balance.

M. Accrued Liabilities and Long-Term Obligations

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

In general, governmental fund payables and accrued liabilities that, once incurred, are paid in a timely manner and in full from current financial resources, are reported as obligations of the funds. However, claims and judgments 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 year. Bonds are recognized as a liability on the fund financial statements when due.

N. Fund Balance

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

Nonspendable - The nonspendable fund balance classification includes amounts that cannot be spent because they are not in spendable form or legally required to be maintained intact. The “not in spendable form” criterion includes items that are not expected to be converted to cash. It also includes the long-term amount of loans receivable.

Restricted - Fund balance is reported as restricted when constraints are placed on the use of resources that are either externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments, or imposed by law through constitutional provisions or enabling legislation.

Committed - The committed fund balance classification includes amounts that can be used only for the specific purposes imposed by a formal action (resolution) of the District Board of Education (the highest level of decision making authority). Those committed amounts cannot be used for any other purpose unless the District Board of Education removes or changes the specified use by taking the same type of action (resolution) it employed to previously commit those amounts. Committed fund balance also incorporates contractual obligations to the extent that existing resources in the fund have been specifically committed for use in satisfying those contractual requirements.

**TEAYS VALLEY LOCAL SCHOOL DISTRICT
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**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

Assigned - Amounts in the assigned fund balance classification are intended to be used by the District for specific purposes but do not meet the criteria to be classified as restricted nor committed. In governmental funds other than the general fund, assigned fund balance represents the remaining amount that is not restricted or committed. In the general fund, assigned amounts represent intended uses established by policies of the District Board of Education, which includes giving the Treasurer the authority to constrain monies for intended purposes.

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

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

O. Estimates

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

P. Net Position

Net position represents the difference between assets and deferred outflows and liabilities and deferred inflows. The net position component "net investment in capital assets," consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowing used for the acquisition, construction or improvement of those assets. Deferred outflows of resources and deferred inflows of resources that are attributable to the acquisition, construction or improvement of those assets or related debt also should be included in this component of net position. Net position is reported as restricted when there are limitations imposed on its use either through the enabling legislation adopted by the District or through external restrictions imposed by creditors, grantors or laws or regulations of other governments. The amount restricted for other purposes represents amounts restricted for food service and a special trust.

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

Q. 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.

**TEAYS VALLEY LOCAL SCHOOL DISTRICT
PICKAWAY COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014

NOTE 3 - ACCOUNTABILITY AND COMPLIANCE

A. Change in Accounting Principles

For fiscal year 2014, the District has implemented GASB Statement No. 70, "Accounting and Financial Reporting for Nonexchange Financial Guarantees".

GASB Statement No. 70 improves the recognition, measurement, and disclosures for state and local governments that have extended or received financial guarantees that are nonexchange transactions. The implementation of GASB Statement No. 70 did not have an effect on the financial statements of the District.

B. Deficit Fund Balances

Fund balances at June 30, 2014 included the following individual fund deficits:

<u>Nonmajor fund</u>	<u>Deficit</u>
Title VI-B	\$ 1,761
Building	32,681

The general fund is liable for any deficits in this fund and provides transfers when cash is required, not when accruals occur. The deficit fund balances resulted from adjustments for accrued liabilities and from reporting short-term interfund loans as a fund liability rather than as an other financing source.

NOTE 4 - EQUITY IN POOLED CASH AND INVESTMENTS

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

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

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

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

Interim 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 and interest by the United States;

**TEAYS VALLEY LOCAL SCHOOL DISTRICT
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**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

NOTE 4 - EQUITY IN POOLED CASH AND INVESTMENTS - (Continued)

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

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

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

**TEAYS VALLEY LOCAL SCHOOL DISTRICT
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NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014

NOTE 4 - EQUITY IN POOLED CASH AND INVESTMENTS - (Continued)

A. Deposits with Financial Institutions

At June 30, 2014, the carrying amount of all District deposits was \$11,937,377. Based on the criteria described in GASB Statement No. 40, “Deposits and Investment Risk Disclosures”, as of June 30, 2014, \$7,386,736 of the District’s bank balance of \$12,111,691 was exposed to custodial risk as discussed below, while \$4,724,955 was covered by the FDIC.

Custodial credit risk is the risk that, in the event of bank failure, the District’s deposits may not be returned. All deposits are collateralized with eligible securities in amounts equal to at least 105% of the carrying value of the deposits. Such collateral, as permitted by the Ohio Revised Code, is held in single financial institution collateral pools at Federal Reserve Banks, or at member banks of the federal reserve system, in the name of the respective depository bank and pledged as a pool of collateral against all of the public deposits it holds or as specific collateral held at the Federal Reserve Bank in the name of the District. The District has no deposit policy for custodial credit risk beyond the requirements of State statute. Although the securities were held by the pledging institutions’ trust department and all statutory requirements for the deposit of money had been followed, noncompliance with federal requirements could potentially subject the District to a successful claim by the FDIC.

B. Investments

As of June 30, 2014, the District had the following investments and maturities:

<u>Investment type</u>	<u>Fair Value</u>	<u>6 months or less</u>
STAR Ohio	\$ 1,259,571	\$ 1,259,571

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 District’s investment policy limits investment portfolio maturities to five years or less.

Credit Risk: Standard & Poor’s has assigned STAR Ohio an AAAM money market rating. Ohio law requires that STAR Ohio maintain the highest rating provided by at least one nationally recognized rating agency. The District’s investment policy does not specifically address credit risk beyond requiring the District to only invest in securities authorized by State statute.

Custodial Credit Risk: For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the District will not be able to recover the value of its investment or collateral securities that are in the possession of an outside party. The District’s investment policy does not specifically address custodial credit risk beyond the adherence to all relevant sections of the Ohio Revised Code.

Concentration of Credit Risk: The District places no limit on the amount that may be invested in any one issuer. The following table includes the percentage of each investment type held by the District at June 30, 2014:

<u>Investment type</u>	<u>Fair Value</u>	<u>% of Total</u>
STAR Ohio	\$ 1,259,571	100.00

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NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014

NOTE 4 - EQUITY IN POOLED CASH AND INVESTMENTS - (Continued)

C. Reconciliation of Cash and Investments to the Statement of Net Position

The following is a reconciliation of cash and investments as reported in the note above to cash and investments as reported on the statement of net position as of June 30, 2014:

<u>Cash and investments per note</u>	
Carrying amount of deposits	\$ 11,937,377
Investments	<u>1,259,571</u>
 Total	 <u>\$ 13,196,948</u>
 <u>Cash and investments per statement of net position</u>	
Governmental activities	\$ 13,085,115
Private-purpose trust funds	16,313
Agency funds	<u>95,520</u>
 Total	 <u>\$ 13,196,948</u>

NOTE 5 - INTERFUND TRANSACTIONS

Interfund loans receivable/payable consisted of the following at June 30, 2014, as reported on the fund statement:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General fund	Nonmajor governmental fund	<u>\$ 32,681</u>

The primary purpose of the interfund balances is to cover costs in specific funds where revenues were not received by June 30. These interfund balances will be repaid once the anticipated revenues are received.

Interfund balances between governmental funds are eliminated on the government-wide statement of net position.

NOTE 6 - PROPERTY TAXES

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

**TEAYS VALLEY LOCAL SCHOOL DISTRICT
PICKAWAY COUNTY, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

NOTE 6 - PROPERTY TAXES - (Continued)

Property taxes include amounts levied against all real property and public utility property. Real property tax revenues received in calendar year 2014 represent the collection of calendar year 2013 taxes. Real property taxes received in calendar year 2014 were levied after April 1, 2013, on the assessed values as of January 1, 2013, the lien date. Assessed values for real property taxes are established by State statute at 35 percent of appraised market value. Real property taxes are payable annually or semiannually. If paid annually, payment is due December 31; if paid semiannually, the first payment is due December 31, with the remainder payable by June 20. Under certain circumstances, State statute permits alternate payment dates to be established. Public utility property tax revenues received in calendar year 2014 represent the collection of calendar year 2013 taxes. Public utility real and personal property taxes received in calendar year 2014 became a lien on December 31, 2012, were levied after April 1, 2013, and are collected with real property taxes. Public utility real property is assessed at 35 percent of true value; public utility tangible personal property is currently assessed at varying percentages of true value.

The District receives property taxes from Pickaway, Franklin and Fairfield Counties. The County Auditors periodically advance to the District its portion of the taxes collected. Second-half real property tax payments collected by the Counties by June 30, 2014, are available to finance fiscal year 2014 operations. The amount available as an advance at June 30, 2014 was \$871,166 in the general fund, \$295,442 in the bond retirement fund and \$99,929 in the permanent improvement fund (a nonmajor governmental fund). This amount is recorded as revenue. The amount available for advance at June 30, 2013 was \$703,898 in the general fund, \$237,307 in the bond retirement fund and \$80,298 in the permanent improvement fund (a nonmajor governmental fund). The amount of second-half real property taxes available for advance at fiscal year-end can vary based on the date the tax bills are sent.

Accrued property taxes receivable includes real property, public utility property and delinquent tangible personal property taxes which are measurable as of June 30, 2014 and for which there is an enforceable legal claim. Although total property tax collections for the next fiscal year are measurable, only the amount of real property taxes available as an advance at June 30 was levied to finance current fiscal year operations and is reported as revenue at fiscal year end. The portion of the receivable not levied to finance current fiscal year operations is offset by a credit to deferred inflows.

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

**TEAYS VALLEY LOCAL SCHOOL DISTRICT
PICKAWAY COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014

NOTE 6 - PROPERTY TAXES - (Continued)

The assessed values upon which the fiscal year 2014 taxes were collected are:

	2013 Second Half Collections		2014 First Half Collections	
	<u>Amount</u>	<u>Percent</u>	<u>Amount</u>	<u>Percent</u>
Agricultural/residential and other real estate	\$ 382,668,890	84.32	\$ 389,319,520	84.58
Public utility personal	<u>71,167,990</u>	<u>15.68</u>	<u>70,952,040</u>	<u>15.42</u>
Total	<u>\$ 453,836,880</u>	<u>100.00</u>	<u>\$ 460,271,560</u>	<u>100.00</u>
Tax rate per \$1,000 of assessed valuation for:				
General	\$22.70		\$22.70	
Bond	6.80		6.80	
Permanent improvement	2.30		2.30	

NOTE 7 - RECEIVABLES

Receivables at June 30, 2014 consisted of property taxes, income taxes, payment in lieu of taxes (PILOTs), accounts (billings for user charged services and student fees), accrued interest and intergovernmental grants and entitlements. 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. A summary of the principal items of receivables reported on the statement of net position follows:

Governmental activities:	
Property taxes	\$ 13,026,433
Income taxes	2,314,738
PILOTs receivable	13,122
Accounts	18,290
Accrued interest	19,817
Intergovernmental	<u>180,647</u>
Total	<u>\$ 15,573,047</u>

Receivables have been disaggregated on the face of the financial statements. All receivables are expected to be collected within one year.

**TEAYS VALLEY LOCAL SCHOOL DISTRICT
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NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014

NOTE 8 - INCOME TAX

The District levies a voted tax of .75 percent for general operations on the income of residents and of estates. The tax was effective on January 1, 1992 and is a continuing tax. In March 2012, the District voters passed a 1.50 percent earned income tax levy. Collections were gradually ramped up in calendar year 2013 with full collection expected by the end of calendar year 2014. Employers of residents are required to withhold income tax on compensation and remit the tax to the State. Taxpayers are required to file an annual return. The State makes quarterly distributions to the District after withholding amounts for administrative fees and estimated refunds. Income tax revenue is credited to the general fund and the classroom facilities fund (a nonmajor governmental fund). Total income tax revenue on a modified accrual basis during fiscal year 2014 was \$6,038,515.

NOTE 9 - CAPITAL ASSETS

Capital asset activity for the fiscal year ended June 30, 2014, was as follows:

	Balance <u>June 30, 2013</u>	<u>Additions</u>	<u>Disposals</u>	Balance <u>June 30, 2014</u>
Governmental activities:				
<i>Capital assets, not being depreciated:</i>				
Land	\$ 3,020,415	\$ -	\$ -	\$ 3,020,415
Total capital assets, not being depreciated	<u>3,020,415</u>	<u>-</u>	<u>-</u>	<u>3,020,415</u>
<i>Capital assets, being depreciated:</i>				
Land improvements	12,419,265	4,929	-	12,424,194
Buildings and improvements	105,486,371	22,758	-	105,509,129
Furniture and equipment	10,017,266	89,157	(34,921)	10,071,502
Vehicles	2,608,014	204,037	(68,155)	2,743,896
Infrastructure	<u>236,884</u>	<u>-</u>	<u>-</u>	<u>236,884</u>
Total capital assets, being depreciated	<u>130,767,800</u>	<u>320,881</u>	<u>(103,076)</u>	<u>130,985,605</u>
<i>Less: accumulated depreciation:</i>				
Land improvements	(4,079,013)	(588,184)	-	(4,667,197)
Buildings and improvements	(26,464,521)	(3,280,206)	-	(29,744,727)
Furniture and equipment	(4,935,944)	(679,921)	20,928	(5,594,937)
Vehicles	(1,920,233)	(180,943)	68,155	(2,033,021)
Infrastructure	<u>(47,170)</u>	<u>(11,235)</u>	<u>-</u>	<u>(58,405)</u>
Total accumulated depreciation	<u>(37,446,881)</u>	<u>(4,740,489)</u>	<u>89,083</u>	<u>(42,098,287)</u>
Governmental activities capital assets, net	<u>\$ 96,341,334</u>	<u>\$ (4,419,608)</u>	<u>\$ (13,993)</u>	<u>\$ 91,907,733</u>

**TEAYS VALLEY LOCAL SCHOOL DISTRICT
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NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014

NOTE 9 - CAPITAL ASSETS - (Continued)

Depreciation expense was charged to governmental functions as follows:

<u>Instruction:</u>	
Regular	\$ 4,063,282
Special	4,840
Vocational	36,668
<u>Support services:</u>	
Pupil	8,031
Instructional staff	88,483
Board of education	2,433
Administration	20,735
Fiscal	3,769
Business	94,065
Operations and maintenance	32,674
Pupil transportation	185,763
Central	799
Extracurricular activities	113,018
Food service operations	<u>85,929</u>
Total depreciation expense	<u>\$ 4,740,489</u>

NOTE 10 - CAPITALIZED LEASE - LESSEE DISCLOSURE

In the current fiscal year and in prior fiscal years, the District entered into capitalized leases for copier equipment and a postage meter. These lease agreements meet the criteria of capital lease which defines a capital lease generally as one which transfers benefits and risks of ownership to the lessee. Capital lease payments have been reclassified and are reflected as debt service expenditures in the financial statements for the governmental funds. These expenditures are reported as function expenditures on the budgetary statements.

Capital assets consisting of equipment have been capitalized in the amount of \$417,634 on the statement of net position. This amount represents the present value of the minimum lease payments at the time of acquisition. Accumulated depreciation as of June 30, 2014 was \$202,684 leaving a current book value of \$214,950. A corresponding liability is recorded in the government-wide financial statements. Principal payments in fiscal year 2014 totaled \$80,494 paid by the general fund.

**TEAYS VALLEY LOCAL SCHOOL DISTRICT
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NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014

NOTE 10 - CAPITALIZED LEASE - LESSEE DISCLOSURE - (Continued)

The following is a schedule of the future long-term minimum lease payments required under the capital lease and the present value of the future minimum lease payments as of June 30, 2014:

<u>Fiscal Year Ending June 30,</u>	<u>Amount</u>
2015	\$ 93,384
2016	93,037
2017	48,494
2018	4,980
2019	<u>830</u>
Total minimum lease payments	240,725
Less: amount representing interest	<u>(17,297)</u>
Total	<u>\$ 223,428</u>

NOTE 11 - LONG-TERM OBLIGATIONS

A. During the fiscal year 2014, the following changes occurred in governmental activities long-term obligations:

	<u>Balance</u>	<u>Increase</u>	<u>Decrease</u>	<u>Balance</u>	<u>Amounts</u>
	<u>June 30, 2013</u>			<u>June 30, 2014</u>	<u>Due in</u>
					<u>One Year</u>
General obligation bonds	\$ 35,637,724	\$ 353,404	\$ (1,205,000)	\$ 34,786,128	\$ 1,461,659
Bond anticipation notes	355,000	-	(355,000)	-	-
Capital lease obligation	288,586	15,336	(80,494)	223,428	84,231
Compensated absences	<u>2,249,244</u>	<u>329,703</u>	<u>(260,758)</u>	<u>2,318,189</u>	<u>319,428</u>
Total	<u>\$ 38,530,554</u>	<u>\$ 698,443</u>	<u>\$ (1,901,252)</u>	37,327,745	<u>\$ 1,865,318</u>
Add: Unamortized premium on refunding				<u>1,222,642</u>	
Total on statement of net position				<u>\$ 38,550,387</u>	

General Obligation Bonds: See Note 11.B. through Note 11.D. for details.

Bond Anticipation Notes: See Note 11.E. for details.

Capital Lease Obligation: The capital lease obligation will be paid from the general fund. See Note 10 for details.

Compensated Absences: Compensated absences will be paid from the fund from which the employee's salaries are paid which, for the District is the general fund, food service fund (a nonmajor governmental fund), the Title VI-B fund (a nonmajor governmental fund) and the Title I fund (a nonmajor governmental fund).

**TEAYS VALLEY LOCAL SCHOOL DISTRICT
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NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014

NOTE 11 - LONG-TERM OBLIGATIONS - (Continued)

B. *General Obligation Bonds - Series 2006 Refunding Bonds:* On July 28, 2005, the District issued general obligation bonds (Series 2006 Refunding Bonds) to advance refund a portion of the Series 2000 current interest general obligation bonds (principal \$20,360,000). The issuance proceeds of \$18,444,995 were used to purchase securities which were placed in an irrevocable trust to provide resources for all future debt service payments on the refunded debt. This refunded debt is considered defeased (in-substance) and accordingly, has been removed from the statement of net position.

The refunding issue is comprised of both current interest bonds, par value \$17,760,000, and capital appreciation bonds, par value \$274,995. The interest rates on the current interest bonds range from 3.00% to 5.00%. The capital appreciation bonds mature December 1, 2014 (stated interest rate 19.79%) and December 1, 2015 (stated interest rate 19.791%) at a redemption price equal to 100% of the principal, plus accrued interest to the redemption date. The accreted value at maturity for the capital appreciation bonds is \$1,890,000. Total accreted interest of \$1,285,636 has been included in the statement of net position at June 30, 2014.

These bonds are general obligations of the District for which the full faith and credit of the District is pledged for repayment. Accordingly, such unmatured obligations of the District are accounted for in the statement of net position. Payments of principal and interest relating to this bond are recorded as an expenditure in the debt service fund.

Interest payments on the current interest bonds are due on June 1 and December 1 of each year. The final maturity stated in the issues is December 1, 2027.

The following is a schedule of activity for fiscal year 2014 on the series 2006 refunding bonds:

	<u>Balance</u> <u>June 30, 2013</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance</u> <u>June 30, 2014</u>
Current interest bonds - 2006 refunding series	\$ 15,615,000	\$ -	\$ (910,000)	\$ 14,705,000
Capital appreciation bonds - 2006 refunding series	274,995	-	-	274,995
Capital appreciation bonds - Accreted interest	<u>1,007,486</u>	<u>278,150</u>	<u>-</u>	<u>1,285,636</u>
Total	<u>\$ 16,897,481</u>	<u>\$ 278,150</u>	<u>\$ (910,000)</u>	<u>\$ 16,265,631</u>

**TEAYS VALLEY LOCAL SCHOOL DISTRICT
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NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014

NOTE 11 - LONG-TERM OBLIGATIONS - (Continued)

The following is a summary of the future debt service requirements to maturity for the series 2006 refunding bonds:

Fiscal Year Ending June 30,	Current Interest Bonds			Capital Appreciation Bonds		
	Principal	Interest	Total	Principal	Interest	Total
2015	\$ -	\$ 691,570	\$ 691,570	\$ 150,954	\$ 794,046	\$ 945,000
2016	-	691,570	691,570	124,041	820,959	945,000
2017	945,000	667,945	1,612,945	-	-	-
2018	990,000	624,520	1,614,520	-	-	-
2019	1,030,000	583,605	1,613,605	-	-	-
2020 - 2024	5,920,000	2,105,615	8,025,615	-	-	-
2025 - 2028	5,820,000	581,390	6,401,390	-	-	-
Total	<u>\$ 14,705,000</u>	<u>\$ 5,946,215</u>	<u>\$ 20,651,215</u>	<u>\$ 274,995</u>	<u>\$ 1,615,005</u>	<u>\$ 1,890,000</u>

- C. *General Obligation Bonds - Series 2007A:* On March 22, 2007, the District issued general obligation bonds to finance building construction and improvements. This issue is comprised of both current interest bonds, par value \$9,830,000, and capital appreciation bonds, par value \$69,996. The interest rates on the current interest bonds range from 4.00% to 4.20%. The capital appreciation bonds mature on December 1, 2015 (stated interest rate 19.04%) at a redemption price equal to 100% of the principal, plus accrued interest to the redemption date. The accreted value at maturity for the capital appreciation bonds is \$340,000. Total accreted interest of \$188,904 has been included in the statement of net position at June 30, 2014.

These bonds are general obligations of the District for which the full faith and credit of the District is pledged for repayment. Accordingly, such unmatured obligations of the District are accounted for in the statement of net position. Payments of principal and interest relating to this bond are recorded as an expenditure in the debt service fund.

Interest payments on the current interest bonds are due on June 1 and December 1 of each year. The final maturity stated in the issues is December 1, 2034.

The following is a schedule of activity for the series 2007A general obligation bonds:

	Balance June 30, 2013	Additions	Reductions	Balance June 30, 2014
Current interest bonds -				
2007 A series	\$ 9,705,000	\$ -	\$ (25,000)	\$ 9,680,000
Capital appreciation bonds -				
2007 A series	69,996	-	-	69,996
Capital appreciation bonds -				
Accreted interest	145,895	43,009	-	188,904
Total	<u>\$ 9,920,891</u>	<u>\$ 43,009</u>	<u>\$ (25,000)</u>	<u>\$ 9,938,900</u>

**TEAYS VALLEY LOCAL SCHOOL DISTRICT
PICKAWAY COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014

NOTE 11 - LONG-TERM OBLIGATIONS - (Continued)

The following is a summary of the future debt service requirements to maturity for the 2007A series bonds:

Fiscal Year Ending June 30,	Current Interest Bonds			Capital Appreciation Bonds		
	Principal	Interest	Total	Principal	Interest	Total
2015	\$ 325,000	\$ 387,060	\$ 712,060	\$ -	\$ -	\$ -
2016	-	380,560	380,560	69,996	270,004	340,000
2017	340,000	373,760	713,760	-	-	-
2018	350,000	359,960	709,960	-	-	-
2019	365,000	345,660	710,660	-	-	-
2020 - 2024	2,060,000	1,492,400	3,552,400	-	-	-
2025 - 2029	2,500,000	1,037,800	3,537,800	-	-	-
2030 - 2034	3,050,000	475,090	3,525,090	-	-	-
2035	690,000	14,490	704,490	-	-	-
Total	\$ 9,680,000	\$ 4,866,780	\$ 14,546,780	\$ 69,996	\$ 270,004	\$ 340,000

- D. *General Obligation Bonds - Series 2007B:*** On April 24, 2007, the District issued general obligation bonds to finance building construction and improvements. This issue is comprised of both current interest bonds, par value \$9,820,000, and capital appreciation bonds, par value \$79,997. The interest rates on the current interest bonds range from 4.00% to 4.30%. The capital appreciation bonds mature on December 1, 2015 (stated interest rate 15.55%) at a redemption price equal to 100% of the principal, plus accrued interest to the redemption date. The accreted value at maturity for the capital appreciation bonds is \$290,000. Total accreted interest of \$151,600 has been included in the statement of net position at June 30, 2014.

These bonds are general obligations of the District for which the full faith and credit of the District is pledged for repayment. Accordingly, such unmatured obligations of the District are accounted for in the statement of net position. Payments of principal and interest relating to this bond are recorded as an expenditure in the debt service fund.

Interest payments on the current interest bonds are due on June 1 and December 1 of each year. The final maturity stated in the issues is December 1, 2034.

**TEAYS VALLEY LOCAL SCHOOL DISTRICT
PICKAWAY COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014

NOTE 11 - LONG-TERM OBLIGATIONS - (Continued)

The following is a schedule of activity for the series 2007B general obligation bonds:

	<u>Balance</u> <u>June 30, 2013</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance</u> <u>June 30, 2014</u>
Current interest bonds -				
2007 B series	\$ 8,620,000	\$ -	\$ (270,000)	\$ 8,350,000
Capital appreciation bonds -				
2007 B series	79,997	-	-	79,997
Capital appreciation bonds -				
Accreted interest	<u>119,355</u>	<u>32,245</u>	<u>-</u>	<u>151,600</u>
Total	<u>\$ 8,819,352</u>	<u>\$ 32,245</u>	<u>\$ (270,000)</u>	<u>\$ 8,581,597</u>

The following is a summary of the future debt service requirements to maturity for the 2007 B series bonds:

<u>Fiscal Year</u> <u>Ended June 30,</u>	<u>Current Interest Bonds</u>			<u>Capital Appreciation Bonds</u>		
	<u>Principal</u>	<u>Interest</u>	<u>Total</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2015	\$ 280,000	\$ 340,188	\$ 620,188	\$ -	\$ -	\$ -
2016	-	334,587	334,587	79,997	210,003	290,000
2017	290,000	328,787	618,787	-	-	-
2018	300,000	316,988	616,988	-	-	-
2019	315,000	304,687	619,687	-	-	-
2020 - 2024	1,765,000	1,320,838	3,085,838	-	-	-
2025 - 2029	2,155,000	923,747	3,078,747	-	-	-
2030 - 2034	2,645,000	422,013	3,067,013	-	-	-
2035	<u>600,000</u>	<u>12,900</u>	<u>612,900</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total	<u>\$ 8,350,000</u>	<u>\$ 4,304,735</u>	<u>\$ 12,654,735</u>	<u>\$ 79,997</u>	<u>\$ 210,003</u>	<u>\$ 290,000</u>

- E. Series 2012 Bond Anticipation Notes: On February 1, 2012, the District issued \$700,000 in bond anticipation notes for the purpose of improving facilities. The notes bore an interest rate of 1.50% and matured on February 1, 2014. Payments of principal and interest relating to this bond anticipation note were recorded as an expenditure in the debt service fund.

**TEAYS VALLEY LOCAL SCHOOL DISTRICT
PICKAWAY COUNTY, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

NOTE 11 - LONG-TERM OBLIGATIONS - (Continued)

F. Legal Debt Margin

The Ohio Revised Code provides that voted net general obligation debt of the District shall never exceed 9% of the total assessed valuation of the District. The code further provides that unvoted indebtedness shall not exceed 1/10 of 1% of the property valuation of the District. The code additionally states that unvoted indebtedness related to energy conservation debt shall not exceed 9/10 of 1% of the property valuation of the District. The assessed valuation used in determining the District's legal debt margin has been modified by House Bill 530 which became effective March 30, 2006. In accordance with House Bill 530, the assessed valuation used in the District's legal debt margin calculation excluded tangible personal property used in business, telephone or telegraph property, interexchange telecommunications company property and personal property owned or leased by a railroad company and used in railroad operations. The effects of these debt limitations at June 30, 2014, are a voted debt margin of \$10,877,746 (including available funds of \$2,613,294) and an unvoted debt margin of \$460,272.

NOTE 12 - COMPENSATED ABSENCES

The criteria for determining vested vacation and sick leave components are derived from negotiated agreements and State laws. Only administrative and support personnel who are under a full year contract (11 and 12 month) are eligible for vacation time. The administrators are generally granted twenty days of vacation per year.

Classified employees earn ten to twenty days of vacation per year, depending upon length of service. Upon termination, employees are limited to payment of 2 years plus current year accumulation based on the Ohio Revised Code. Accumulated, unused vacation time is paid to classified employees and administrators upon termination of employment.

The classified personnel accumulate vacation based on the following schedule:

<u>Years Service</u>	<u>Vacation Days</u>
0 - 9	10
10 - 19	15
20 - beyond	20

Each employee earns sick leave at the rate of one and one-fourth days per month. Sick leave shall accumulate during active employment on a continuous year-to-year basis. Maximum sick leave accumulation for all employees, except 260 day administrators and classified employees is 240 days; 260 day administrators and classified employees may accumulate 295 days of sick leave. 205 day administrators may accumulate 232 days per year, based on 113 percent of teacher's accumulation of 240 days of sick leave for 185 days of service.

**TEAYS VALLEY LOCAL SCHOOL DISTRICT
PICKAWAY COUNTY, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

NOTE 12 - COMPENSATED ABSENCES - (Continued)

For all employees, retirement severance is paid to each employee retiring from the District at a per diem rate of the annual salary at the time of retirement. Any certified employee receiving retirement severance pay shall be entitled to a dollar amount equivalent to one-fourth of all accumulated sick leave credited to that employee up to a maximum of 60 days. Additionally, the teachers of the District receive an additional retirement severance of \$10,000 if retirement is taken the first year of eligibility. Longevity pay of \$1,000 is granted to certified employees with twenty five or more years of service. Administrators receiving retirement severance pay shall be entitled to a dollar amount equivalent to 30% of all accumulated sick leave credited to that employee up to a maximum of 88.5 days. The superintendent is entitled to one half of all accumulated sick leave.

NOTE 13 - RISK MANAGEMENT

A. General Risk

The 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 District has addressed these various types of risk by purchasing a comprehensive insurance policy through commercial carriers.

General liability insurance is maintained in the amount of \$1,000,000 for each occurrence and \$2,000,000 in the aggregate, plus \$4,000,000 umbrella.

The District maintains fleet insurance in the amount of \$1,000,000 for any one accident or loss, plus \$4,000,000 umbrella.

The District maintains replacement cost insurance on buildings and contents in the amount of \$130,268,778. Settled claims have not exceeded this commercial coverage in any of the past three years. There have been no significant reductions of coverage from the prior years.

B. Workers' Compensation - Public Entity Risk Pool

Beginning January 1, 2012, the District began to participate in the Ohio Association of School Business Officials and the Ohio School Boards Association Workers' Compensation Group Retrospective Rating Program (the "Program"). The Program's third party administrator is CompManagement. Each year, the participating school districts pay an enrollment fee to the Program to cover the costs of administering the Program.

The intent of the Program is to achieve the benefit of a reduced premium for the District by reducing the District's individual rate based on prior claims. The District pays its workers' compensation premium to the State based on the individual rate and may also pay additional workers' compensation assessments. The District may also be available to receive a refund for overpayment of premiums.

**TEAYS VALLEY LOCAL SCHOOL DISTRICT
PICKAWAY COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014

NOTE 13 - RISK MANAGEMENT - (Continued)

C. Health Care and Dental Insurance Benefits

Effective July 1, 2009, the District began offering health care benefits to employees through the PCPEBP, a public entity shared risk pool, currently operating as a common risk management and insurance program for 4 member school districts. Effective July 1, 2011, the District began offering dental benefits to employees through the PCPEBP. The PCPEBP was organized to provide health care benefits and dental insurance benefits to its members.

For the period July 1, 2013 through December 31, 2013, the District paid 75% for family coverage and 95% for single coverage of the health care insurance premiums for all full-time employees. This percentage was pro-rated for part-time employees. Non-certified and administrative employees were given the option of a high deductible/health savings account (HSA) option. The stop-loss coverage is \$175,000 per covered person.

Effective Jan 1, 2014, The District moved all employees to the high deductible health plan which includes an HSA. Specifics on the plan can be found below:

	<u>Rate</u>	<u>Board Share</u>	<u>Board HSA Contribution</u>	<u>Total Out-of-pocket Expense</u>
Medical:				
Single	\$ 596.00	\$ 596.00	\$ 2,500.00	\$ 3,000.00
Family	1,365.00	1,228.50	2,000.00	6,000.00
Dental:				
Single	39.00	39.00	n/a	n/a
Family	90.00	90.00	n/a	n/a

The health care coverage is administered by United Healthcare, a third party administrator. The dental coverage is administered by Meritain Health.

NOTE 14 - PENSION PLANS

A. School Employees Retirement System

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

**TEAYS VALLEY LOCAL SCHOOL DISTRICT
PICKAWAY COUNTY, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

NOTE 14 - PENSION PLANS - (Continued)

Funding Policy - Plan members are required to contribute 10 percent of their annual covered salary and the District is required to contribute at an actuarially determined rate. The current District rate is 14 percent of annual covered payroll. A portion of the District's contribution is used to fund pension obligations with the remainder being used to fund health care benefits. For fiscal year 2014, 13.05 percent and 0.05 percent of annual covered salary was the portion used to fund pension obligations and death benefits, respectively. The contribution requirements of plan members and employers are established and may be amended by the SERS' Retirement Board up to a statutory maximum amount of 14 percent for plan members and 14 percent for employers. Chapter 3309 of the Ohio Revised Code provides statutory authority for member and employer contributions. The District's required contributions for pension obligations and death benefits to SERS for the fiscal years ended June 30, 2014, 2013 and 2012 were \$578,157, \$556,389 and \$545,588, respectively; 84.37 percent has been contributed for fiscal year 2014 and 100 percent for fiscal years 2013 and 2012.

B. State Teachers Retirement System of Ohio

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

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

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

Funding Policy - For fiscal year 2014, plan members were required to contribute 11 percent of their annual covered salaries. The District was required to contribute 14 percent; 13 percent was the portion used to fund pension obligations. Contribution rates are established by the State Teachers Retirement Board, upon recommendations of its consulting actuary, not to exceed statutory maximum rates of 14 percent for members and 14 percent for employers. Chapter 3307 of the Ohio Revised Code provides statutory authority for member and employer contributions.

**TEAYS VALLEY LOCAL SCHOOL DISTRICT
PICKAWAY COUNTY, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

NOTE 14 - PENSION PLANS - (Continued)

The District's required contributions for pension obligations to STRS Ohio for the fiscal years ended June 30, 2014, 2013 and 2012 were \$1,992,442, \$1,987,074 and \$2,071,259, respectively; 82.44 percent has been contributed for fiscal year 2014 and 100 percent for fiscal years 2013 and 2012. Contributions to the DC and Combined Plans for fiscal year 2014 were \$57,743 made by the District and \$45,369 made by the plan members.

C. Social Security System

Effective July 1, 1991, all employees not otherwise covered by the SERS/STRS Ohio have an option to choose Social Security or the SERS/STRS Ohio. As of June 30, 2014 certain members of the Board of Education have elected Social Security. The District's liability is 6.2 percent of wages paid.

NOTE 15 - POSTEMPLOYMENT BENEFITS

A. School Employees Retirement System

Plan Description - The District participates in two cost-sharing, multiple employer postemployment benefit plans administered by the School Employees Retirement System (SERS) for non-certificated retirees and their beneficiaries, a Health Care Plan and a Medicare Part B Plan. The Health Care Plan includes hospitalization and physicians' fees through several types of plans including HMO's, PPO's, Medicare Advantage, and traditional indemnity plans. A prescription drug program is also available to those who elect health coverage. SERS employs two third-party administrators and a pharmacy benefit manager to manage the self-insurance and prescription drug plans, respectively. The Medicare Part B Plan reimburses Medicare Part B premiums paid by eligible retirees and beneficiaries as set forth in Section 3309.69 of the Ohio Revised Code. 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 monthly premium for calendar year 2014 was \$104.90 for most participants, but could be as high as \$335.70 per month depending on their income and the SERS' reimbursement to retirees was \$45.50. Benefit provisions and the obligations to contribute are established by the System based on authority granted by State statute. The financial reports of both Plans are included in the SERS Comprehensive Annual Financial Report which is available by contacting SERS at 300 East Broad St., Suite 100, Columbus, Ohio 43215-3746. It is also posted on the SERS' Ohio website, www.ohsers.org, under "Employers/Audit Resources".

Funding Policy - State statute permits SERS to fund the health care benefits through employer contributions. Each year, after the allocation for statutorily required benefits, the Retirement Board allocates the remainder of the employer contribution of 14 percent of covered payroll to the Health Care Fund. The Health Care Fund was established and is administered in accordance with Internal Revenue Code Section 105(e). For 2014, 0.14 percent of covered payroll was allocated to health care. 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 2.0 percent of that employer's SERS-covered payroll; nor may SERS collect in aggregate more than 1.5 percent of the statewide SERS-covered payroll for the health care surcharge. For fiscal year 2014, the actuarially determined amount was \$20,250.

**TEAYS VALLEY LOCAL SCHOOL DISTRICT
PICKAWAY COUNTY, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

NOTE 15 - POSTEMPLOYMENT BENEFITS - (Continued)

Active members do not contribute to the postemployment benefit plans. The 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 District's contributions for health care (including surcharge) for the fiscal years ended June 30, 2014, 2013 and 2012 were \$76,562, \$67,439 and \$87,578, respectively; 84.37 percent has been contributed for fiscal year 2014 and 100 percent for fiscal years 2013 and 2012.

The Retirement Board, acting with advice of the actuary, allocates a portion of the employer contribution to the Medicare B Fund. For fiscal year 2014, this actuarially required allocation was 0.76 percent of covered payroll. The District's contributions for Medicare Part B for the fiscal years ended June 30, 2014, 2013, and 2012 were \$33,542, \$31,430 and \$32,220, respectively; 84.37 percent has been contributed for fiscal year 2014 and 100 percent for fiscal years 2013 and 2012.

B. State Teachers Retirement System of Ohio

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

Funding Policy - Ohio law authorizes STRS Ohio to offer the Plan and gives the Retirement Board authority over how much, if any, of the health care costs will be absorbed by STRS Ohio. Active employee members do not contribute to the Plan. All benefit recipients pay a monthly premium. Under Ohio law, funding for post-employment health care may be deducted from employer contributions. For 2014, STRS Ohio allocated employer contributions equal to 1 percent of covered payroll to the Health Care Stabilization Fund. The District's contributions for health care for the fiscal years ended June 30, 2014, 2013 and 2012 were \$153,265, \$152,852 and \$159,328, respectively; 82.44 percent has been contributed for fiscal year 2014 and 100 percent for fiscal years 2013 and 2012.

NOTE 16 - BUDGETARY BASIS OF ACCOUNTING

While 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 and disbursements.

The statement of revenue, expenditures and changes in fund balance - budget and actual (non-GAAP budgetary basis) presented for the general fund is presented on the budgetary basis to provide a meaningful comparison of actual results with the budget. The major differences between the budget basis and the GAAP basis are that:

- (a) Revenues and other financing sources are recorded when received in cash (budget basis) as opposed to when susceptible to accrual (GAAP basis);
- (b) Expenditures and other financing uses are recorded when paid in cash (budget basis) as opposed to when the liability is incurred (GAAP basis);

**TEAYS VALLEY LOCAL SCHOOL DISTRICT
PICKAWAY COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014

NOTE 16 - BUDGETARY BASIS OF ACCOUNTING - (Continued)

- (c) In order to determine compliance with Ohio law, and to reserve that portion of the applicable appropriation, total outstanding encumbrances (budget basis) are recorded as the equivalent of an expenditure, as opposed to assigned or committed fund balance for that portion of outstanding encumbrances not already recognized as an account payable (GAAP basis);
- (d) Advances-in and advances-out are operating transactions (budget basis) as opposed to balance sheet transactions (GAAP basis); and,
- (e) Some funds are included in the general fund (GAAP basis), but have separate legally adopted budgets (budget basis).

The adjustments necessary to convert the results of operations for the year on the budget basis to the GAAP basis for the general fund is as follows:

Net Change in Fund Balance

	<u>General fund</u>
Budget basis	\$ 2,867,436
Net adjustment for revenue accruals	431,969
Net adjustment for expenditure accruals	210,927
Net adjustment for other sources/uses	(88,394)
Funds budgeted elsewhere	546,355
Adjustment for encumbrances	201,969
GAAP basis	<u>\$ 4,170,262</u>

Certain funds that are legally budgeted in separate special revenue funds are considered part of the general fund on a GAAP basis. This includes the public school support fund, the District agency fund, the internal service fund and the underground storage tank fund.

NOTE 17 - CONTINGENCIES

A. Grants

The District receives significant financial assistance from numerous federal, State and local 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 are subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the District. However, in the opinion of management, any such disallowed claims will not have a material effect on the financial position of the District.

B. Litigation

The District is involved in no material litigation as either plaintiff or defendant.

**TEAYS VALLEY LOCAL SCHOOL DISTRICT
PICKAWAY COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014

NOTE 18 - SET-ASIDES

The District is required by State law to annually set-aside certain general fund revenue amounts, as defined by statutory formula, for the acquisition and construction of capital improvements. Amounts not spent by the end of the fiscal year or offset by similarly restricted resources received during the year must be held in cash at fiscal year-end. This amount must be carried forward to be used for the same purpose in future years. Expenditures exceeding the set-aside requirement may not be carried forward to the next fiscal year.

The following cash-basis information describes the change in the fiscal year-end set-aside amount for capital improvements. Disclosure of this information is required by State statute.

	<u>Capital Improvements</u>
Set-aside balance June 30, 2013	\$ -
Current year set-aside requirement	632,834
Contributions in excess of the current fiscal year set-aside requirement	-
Current year qualifying expenditures	-
Excess qualified expenditures from prior years	-
Current year offsets	(1,098,061)
Waiver granted by ODE	-
Prior year offset from bond proceeds	<u>-</u>
Total	<u>\$ (465,227)</u>
Balance carried forward to fiscal year 2015	<u>\$ -</u>
Set-aside balance June 30, 2014	<u><u>\$ -</u></u>

NOTE 19 - OTHER COMMITMENTS

The District utilizes encumbrance accounting as part of its budgetary controls. Encumbrances outstanding at year end may be reported as part of restricted, committed, or assigned classifications of fund balance. At year end, the District's commitments for encumbrances in the governmental funds were as follows:

	<u>Year-End Encumbrances</u>
<u>Fund</u>	
General fund	\$ 161,344
Other governmental	<u>320,920</u>
Total	<u><u>\$ 482,264</u></u>

SUPPLEMENTARY DATA

**TEAYS VALLEY LOCAL SCHOOL DISTRICT
SCHEDULE OF RECEIPTS AND EXPENDITURES OF FEDERAL AWARDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

FEDERAL GRANTOR/ SUB GRANTOR/ PROGRAM TITLE	CFDA NUMBER	(A) GRANT NUMBER	(B) CASH FEDERAL RECEIPTS	(B) CASH FEDERAL DISBURSEMENTS
U.S. DEPARTMENT OF AGRICULTURE PASSED THROUGH THE OHIO DEPARTMENT OF EDUCATION				
Child Nutrition Cluster:				
(C) (D) School Breakfast Program	10.553	2014	\$ 69,784	\$ 69,784
(C) (D) National School Lunch Program	10.555	2014	492,150	492,150
(D) (E) National School Lunch Program - Food Donation	10.555	2014	94,233	94,233
Total National School Lunch Program			<u>586,383</u>	<u>586,383</u>
Total U.S. Department of Agriculture and Child Nutrition Cluster			<u>656,167</u>	<u>656,167</u>
U.S. DEPARTMENT OF EDUCATION PASSED THROUGH THE OHIO DEPARTMENT OF EDUCATION				
Title I Grants to Local Educational Agencies	84.010	2014	513,079	513,079
Special Education Cluster:				
(F) Special Education_Grants to States	84.027	2014	599,489	599,489
(F) Special Education_Preschool Grants	84.173	2014	15,828	15,828
Total Special Education Cluster			<u>615,317</u>	<u>615,317</u>
Improving Teacher Quality State Grants	84.367	2014	111,119	111,119
Total U.S. Department of Education			<u>1,239,515</u>	<u>1,239,515</u>
Total Federal Financial Assistance			<u>\$ 1,895,682</u>	<u>\$ 1,895,682</u>

NOTES TO THE SCHEDULE OF RECEIPTS AND EXPENDITURES OF FEDERAL AWARDS

- (A) OAKS did not assign pass-through numbers for fiscal year 2014.
- (B) This schedule was prepared on the cash basis of accounting.
- (C) Commingled with state and local revenue from sales of breakfast and lunches; assumed expenditures were made on a first-in, first-out basis.
- (D) Included as part of the "Child Nutrition Cluster" in determining major programs.
- (E) The Food Donation Program is a non-cash, in kind, federal grant. Commodities are reported at the entitlement value.
- (F) Included as part of the "Special Education Cluster" in determining major programs.



Julian & Grube, Inc.
Serving Ohio Local Governments

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

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

Teays Valley Local School District
Pickaway County
385 Viking Way
Ashville, OH 43103

To the Board of Education:

We have audited, in accordance with auditing standards generally accepted in the United States and the Comptroller General of the United States' *Government Auditing Standards*, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Teays Valley Local School District, Pickaway County, as of and for the fiscal year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the Teays Valley Local School District's basic financial statements and have issued our report thereon dated November 21, 2014.

Internal Control Over Financial Reporting

As part of our financial statement audit, we considered the Teays Valley Local School District's internal control over financial reporting (internal control) to determine the audit procedures appropriate in the circumstances to the extent necessary to support our opinions on the financial statements, but not to the extent necessary to opine on the effectiveness of the Teays Valley Local School District's internal control. Accordingly, we have not opined on it.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, when performing their assigned functions, to prevent, or detect and timely correct misstatements. A *material weakness* is a deficiency, or combination of internal control deficiencies resulting in a reasonable possibility that internal control will not prevent or detect and timely correct a material misstatement of the Teays Valley Local School District's financial statements. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all internal control deficiencies that might be material weaknesses or significant deficiencies. Given these limitations, we did not identify any deficiencies in internal control that we consider material weaknesses. However, unidentified material weaknesses may exist.

Board of Education
Teays Valley Local School District

Compliance and Other Matters

As part of reasonably assuring whether the Teays Valley Local School District's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, opining 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*.

Purpose of this Report

This report only describes the scope of our internal control and compliance testing and our testing results, and does not opine on the effectiveness of the Teays Valley Local School District's internal control or on compliance. This report is an integral part of an audit performed under *Government Auditing Standards* in considering the Teays Valley Local School District's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

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

Julian & Grube, Inc.
November 21, 2014



Julian & Grube, Inc.

Serving Ohio Local Governments

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

**Independent Auditor's Report on Compliance With Requirements Applicable to
Each Major Federal Program and on Internal Control Over Compliance
Required by OMB Circular A-133**

Teays Valley Local School District
Pickaway County
385 Viking Way
Ashville, OH 43103

To the Board of Education:

Report on Compliance for Each Major Federal Program

We have audited the Teays Valley Local School District's compliance with the applicable requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133, Compliance Supplement* that could directly and materially affect each of the Teays Valley Local School District's major federal programs for the fiscal year ended June 30, 2014. The *Summary of Auditor's Results* in the accompanying schedule of findings identifies the Teays Valley Local School District's major federal programs.

Management's Responsibility

The Teays Valley Local School District's Management is responsible for complying with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to opine on the Teays Valley Local School District's compliance for each of the Teays Valley Local School District's major federal programs based on our audit of the applicable compliance requirements referred to above. Our compliance audit followed auditing standards generally accepted in the United States of America; the standards for financial audits included in the Comptroller General of the United States' *Government Auditing Standards*; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. These standards and OMB Circular A-133 require us to plan and perform the audit to reasonably assure whether noncompliance with the applicable compliance requirements referred to above that could directly and materially affect a major federal program occurred. An audit includes examining, on a test basis, evidence about the Teays Valley Local School District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe our audit provides a reasonable basis for our compliance opinion on the Teays Valley Local School District's major programs. However, our audit does not provide a legal determination of the Teays Valley Local School District's compliance.

Board of Education
Teays Valley Local School District

Opinion on Each Major Federal Program

In our opinion, the Teays Valley Local School District complied, in all material respects with the compliance requirements referred to above that could directly and materially affect each of its major federal programs for the fiscal year ended June 30, 2014.

Report on Internal Control Over Compliance

The Teays Valley Local School District's management is responsible for establishing and maintaining effective internal control over compliance with the applicable compliance requirements referred to above. In planning and performing our compliance audit, we considered the Teays Valley Local School District's internal control over compliance with the applicable requirements that could directly and materially affect a major federal program, to determine our auditing procedures appropriate for opining on each major federal program's compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not to the extent needed to opine on the effectiveness of internal control over compliance. Accordingly, we have not opined on the effectiveness of the Teays Valley Local School District's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, when performing their assigned functions, to prevent, or to timely detect and correct, noncompliance with a federal program's applicable compliance requirement. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a federal program compliance requirement will not be prevented, or timely detected and corrected. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with federal program's applicable compliance requirement that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

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

This report only describes the scope of our internal control compliance tests and the results of this testing based on OMB Circular A-133 requirements. Accordingly, this report is not suitable for any other purpose.



Julian & Grube, Inc.
November 21, 2014

**TEAYS VALLEY LOCAL SCHOOL DISTRICT
PICKAWAY COUNTY, OHIO**

**SCHEDULE OF FINDINGS
OMB CIRCULAR A-133 § .505
JUNE 30, 2014**

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

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

None

3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS

None



Dave Yost • Auditor of State

TEAYS VALLEY LOCAL SCHOOL DISTRICT

PICKAWAY 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
DECEMBER 30, 2014