

Mary Taylor, CPA
Auditor of State

**TEAYS VALLEY LOCAL SCHOOL DISTRICT
PICKAWAY COUNTY**

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Mary Taylor, CPA

Auditor of State

INDEPENDENT ACCOUNTANTS' REPORT

Teays Valley Local School District
Pickaway County
385 Circleville Avenue
Ashville, Ohio 43103

To the Board of Education:

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Teays Valley Local School District, Pickaway County, Ohio (the District), as of and for the year ended June 30, 2009, which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the District's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Teays Valley Local School District, Pickaway County, Ohio, as of June 30, 2009, and the respective changes in financial position and where applicable, cash flows, thereof and the budgetary comparison for the General Fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated January 21, 2010, on our consideration of the District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. While we did not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting and compliance and the results of that testing. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*. You should read it in conjunction with this report in assessing the results of our audit.

Management's Discussion and Analysis is not a required part of the basic financial statements but is supplementary information accounting principles generally accepted in the United States of America requires. We have applied certain limited procedures, consisting principally of inquiries of management regarding the methods of measuring and presenting the required supplementary information. However, we did not audit the information and express no opinion on it.

We conducted our audit to opine on the financial statements that collectively comprise the District's basic financial statements. The Federal Awards Receipts and Expenditures Schedule is required by 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 basic financial statements. We subjected the Federal Awards Receipts and Expenditures Schedule to the auditing procedures applied in the audit of the basic financial statements. In our opinion, this information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

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

Mary Taylor, CPA
Auditor of State

January 21, 2010

**TEAYS VALLEY LOCAL SCHOOL DISTRICT
PICKAWAY COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2009**

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, 2009. 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 2009 are as follows:

- In total, net assets of governmental activities increased \$444,679 which represents a 0.52% increase from June 30, 2008.
- General revenues accounted for \$30,840,543 in revenue or 87.27% of all revenues. Program specific revenues in the form of charges for services and sales, grants and contributions accounted for \$4,499,121 or 12.73% for total revenues of \$35,339,664.
- The District had \$34,894,985 in expenses related to governmental activities; \$4,499,121 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 \$30,840,543 were adequate to provide for these programs.
- The District has two major funds which include the general fund and the classroom facilities fund. The general fund had \$27,757,438 in revenues and other financing sources and \$27,478,332 in expenditures and other financing uses. The general fund's fund balance increased \$366,338 from \$5,664,261 to \$6,030,599.
- The classroom facilities fund had \$33,734,152 in revenues and \$39,295,685 in expenditures. The classroom facilities fund's fund balance decreased \$5,561,533 from \$26,398,404 to \$20,836,871.
- The District has \$90,253,047 in capital assets at June 30, 2009. This amount is net of accumulated depreciation in the amount of \$17,226,051. Fiscal year 2009 depreciation expense was \$2,172,153. Total capital assets, net of related debt to acquire or construct the assets, were \$63,085,406 at June 30, 2009.
- The District has \$42,355,095 in long-term liabilities outstanding at June 30, 2009. Of this total, \$1,401,098 is due within one year and \$40,953,997 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 assets* and *statement of activities* provide information about the activities of the whole District, presenting both an aggregate view of the District's finances and a longer-term view of those finances. Fund financial statements provide the next level of detail. For governmental 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 classroom facilities fund.

**TEAYS VALLEY LOCAL SCHOOL DISTRICT
PICKAWAY COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2009**

Reporting the District as a Whole

Statement of Net Assets and the Statement of Activities

While this document contains the large number of funds used by the District to provide programs and activities, the view of the District as a whole looks at all financial transactions and asks the question, "How did we do financially during 2009?" The statement of net assets and the statement of activities answer this question. These statements include *all assets, liabilities, 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 assets* and changes in those assets. This change in net assets is important because it tells the reader that, for the District as a whole, 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 assets 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 assets 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 the classroom facilities 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 assets 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.

**TEAYS VALLEY LOCAL SCHOOL DISTRICT
PICKAWAY COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2009**

Proprietary Funds

The District maintains a proprietary fund. Internal service funds are an accounting device used to accumulate and allocate costs internally among the District's various functions. The District's internal service fund accounts for health/medical and dental benefits self-insurance. The basic proprietary fund financial statements can be found on pages 24-26 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 assets and changes in fiduciary net assets on pages 27 and 28. These activities are excluded from the District's other financial statements because the assets cannot be utilized by the District to finance its operations.

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 29-61 of this report.

The District as a Whole

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

**TEAYS VALLEY LOCAL SCHOOL DISTRICT
PICKAWAY COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2009**

The table below provides a summary of the District's net assets at June 30, 2009 and 2008.

Net Assets			
	Governmental Activities <u>2009</u>	Governmental Activities <u>2008</u>	Percentage Change
<u>Assets</u>			
Current and other assets	\$ 58,141,856	\$ 97,570,336	(40.41) %
Capital assets, net	<u>90,253,047</u>	<u>49,560,976</u>	82.11 %
Total assets	<u>148,394,903</u>	<u>147,131,312</u>	0.86 %
<u>Liabilities</u>			
Current liabilities	19,908,716	18,341,513	8.54 %
Long-term liabilities	<u>42,355,095</u>	<u>43,103,386</u>	(1.74) %
Total liabilities	<u>62,263,811</u>	<u>61,444,899</u>	1.33 %
<u>Net Assets</u>			
Invested in capital assets, net of related debt	63,085,406	27,813,223	126.82 %
Restricted	16,313,566	52,306,361	(68.81) %
Unrestricted	<u>6,732,120</u>	<u>5,566,829</u>	20.93 %
Total net assets	<u>\$ 86,131,092</u>	<u>\$ 85,686,413</u>	0.52 %

Over time, net assets can serve as a useful indicator of a government's financial position. At June 30, 2009 and June 30, 2008, the District's assets exceeded liabilities by \$86,131,092 and \$85,686,413, respectively. Net assets increased \$444,679 from June 30, 2008.

Assets of the District increased \$1,263,591 or 0.86%. Current and other assets decreased \$39,428,480 or 40.41%. This decrease is due mainly to a decrease in intergovernmental receivables related to the collection of an Ohio School Facility Commission (OSFC) grant and a decrease in equity in pooled cash and investments which went to pay for capital assets. Capital assets increased \$40,692,071 or 82.11% which is primarily a result of an addition to construction in progress of \$42,171,227 related to the OSFC project. Total liabilities increased \$818,912 or 1.31%. Current liabilities of the District increased \$1,567,203 or 8.54%. This increase is primarily due to an increase in contracts payable related to the OSFC project. The decrease of \$748,291 in long term liabilities is due primarily to the District retiring \$1,040,000 in bonds during the year.

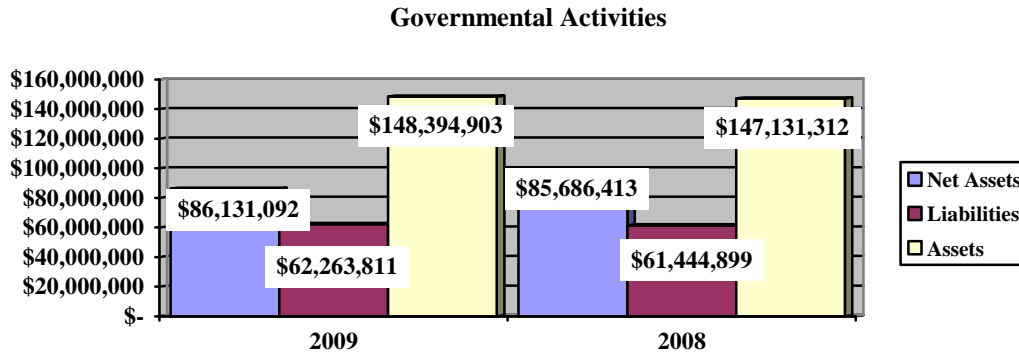
At year-end, capital assets represented 60.82% of total assets. Capital assets include land, construction in progress, land improvements, buildings and improvements, furniture and equipment, vehicles and infrastructure. Capital assets, net of related debt to acquire the assets at June 30, 2009 and June 30, 2008, were \$63,085,406 and \$27,813,223, 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.

**TEAYS VALLEY LOCAL SCHOOL DISTRICT
PICKAWAY COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2009**

A portion of the District's net assets, \$16,313,566, represents resources that are subject to external restriction on how they may be used. Of the restricted net assets, \$12,524,645 is restricted for capital projects and \$2,805,309 is restricted for debt service. The remaining balance of unrestricted net assets of \$6,732,120 may be used to meet the District's ongoing obligations to the students and creditors.

The graph below shows the District's assets, liabilities and net assets at June 30, 2009 and June 30, 2008:



The table below shows the change in net assets for fiscal years 2009 and 2008.

	Change in Net Assets		
	Governmental Activities 2009	Governmental Activities 2008	Percentage Change
Revenues			
Program revenues:			
Charges for services and sales	\$ 1,241,518	\$ 1,211,839	2.45 %
Operating grants and contributions	3,217,695	3,119,562	3.15 %
Capital grants and contributions	39,908	19,097	108.98 %
General revenues:			
Taxes	13,228,011	12,543,479	5.46 %
Grants and entitlements not restricted	16,430,408	16,226,873	1.25 %
Investment earnings	996,643	1,705,322	(41.56) %
Other	185,481	122,716	51.15 %
Total revenues	35,339,664	34,948,888	1.12 %

**TEAYS VALLEY LOCAL SCHOOL DISTRICT
PICKAWAY COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2009**

Change in Net Assets

	Governmental Activities <u>2009</u>	Governmental Activities <u>2008</u>	<u>Percentage Change</u>
<u>Expenses</u>			
Program expenses:			
Instruction:			
Regular	\$ 15,664,344	\$ 14,793,532	5.89 %
Special	3,039,962	2,818,539	7.86 %
Vocational	789,747	894,003	(11.66) %
Adult/continuing	-	181	(100.00) %
Other	245,995	260,275	(5.49) %
Support services:			
Pupil	1,172,275	1,005,187	16.62 %
Instructional staff	1,666,783	1,535,250	8.57 %
Board of education	140,426	102,158	37.46 %
Administration	3,007,602	2,809,851	7.04 %
Fiscal	686,778	733,484	(6.37) %
Business	359,063	174,726	105.50 %
Operations and maintenance	2,746,575	2,834,880	(3.11) %
Pupil transportation	1,364,535	1,958,299	(30.32) %
Central	152,883	144,627	5.71 %
Operations of non-instructional services			
Non-instructional services	18,656	10,287	81.36 %
Food service operations	1,116,790	1,099,920	1.53 %
Extracurricular activities	762,505	712,773	6.98 %
Intergovernmental	18,912	14,441	30.96 %
Interest and fiscal charges	<u>1,941,154</u>	<u>2,065,140</u>	(6.00) %
Total expenses	<u>34,894,985</u>	<u>33,967,553</u>	2.73 %
Change in net assets	444,679	981,335	(54.69) %
Net assets, beginning of year	<u>85,686,413</u>	<u>84,705,078</u>	1.16 %
Net assets, end of year	<u>\$ 86,131,092</u>	<u>\$ 85,686,413</u>	0.52 %

Governmental Activities

Net assets of the District's governmental activities increased \$444,679 in fiscal year 2009 and increased \$981,335 in fiscal year 2008. The overall increase in net assets in fiscal year 2009 can be attributed to an increase in operating grants and a slight increase in tax revenue. Total governmental expenses of \$34,894,985 were offset by program revenues of \$4,499,121 and general revenues of \$30,840,543 during fiscal year 2009. Program revenues supported 12.89% of the total governmental expenses during fiscal year 2009 and 12.81% during fiscal year 2008. In the general revenues area, investment earnings decreased as the interest rates on the District's investments decreased from 2008.

The primary sources of revenue for governmental activities are derived from property taxes, income taxes and grants and entitlements. These revenue sources account for 83.92% of total governmental revenue. Real estate property is reappraised every six years. The latest reappraisal by Pickaway County was in 2006. Property tax and income tax revenue increased 5.46% during fiscal year 2009.

**TEAYS VALLEY LOCAL SCHOOL DISTRICT
PICKAWAY COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2009**

Overall, expenses increased by 2.73% or \$927,432. Instructional and pupil support spending increased due to the addition of personnel required to accommodate an increasing student base. In addition to personnel costs, the District also realized an increase in supply costs. As a result, regular instruction expenditures increased by \$870,812 and special instruction spending increased \$221,423. The most significant decrease was in the area of pupil transportation which decreased \$593,764.

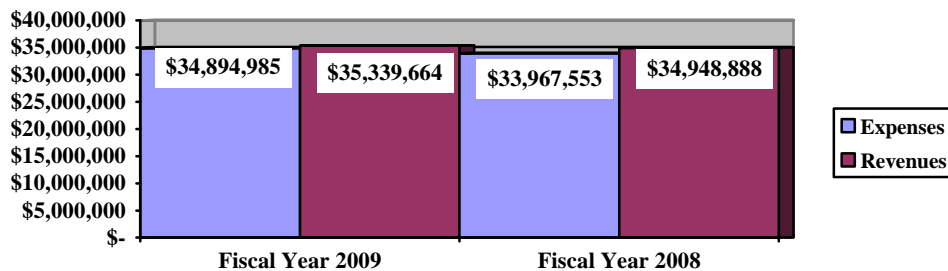
Voters approved a \$22,850,666 bond levy in November 1999. This levy, which generates approximately \$1,787,838 per year for 28 years, is expected to provide revenue for debt service through fiscal year 2027. The bond issue allowed for construction of 3 new elementary schools as well as major renovations 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 2027.

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 2034. The bond issue will allow 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 District's financial condition has remained stable in recent years. The District has benefited from the fact that its effective millage rate for local taxation purposes is at the twenty mill floor. As a result, the District has enjoyed growth in local property tax collections related to both new construction and re-appraisal activity. In addition, the District has a .75% school income tax that is rapidly growing in connection with new construction growth and the growth of the adjusted gross incomes of existing residents.

The graph below presents the District's governmental activities revenues and expenses for fiscal years 2009 and 2008.

Governmental Activities - Revenues and Expenses



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.

**TEAYS VALLEY LOCAL SCHOOL DISTRICT
PICKAWAY COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2009**

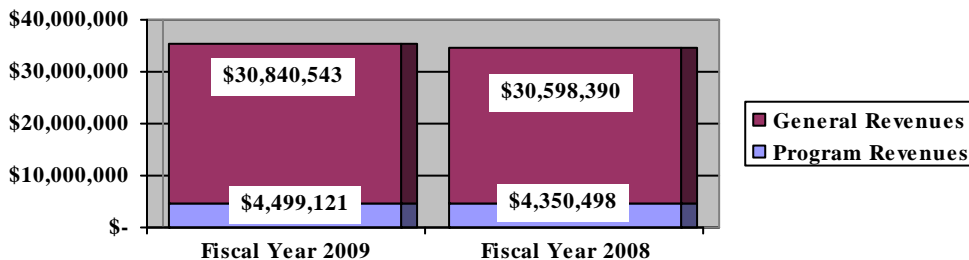
Governmental Activities

	Total Cost of Services 2009	Net Cost of Services 2009	Total Cost of Services 2008	Net Cost of Services 2008
Program expenses				
Instruction:				
Regular	\$ 15,664,344	\$ 15,131,147	\$ 14,793,532	\$ 14,319,310
Special	3,039,962	1,567,317	2,818,539	1,275,356
Vocational	789,747	550,748	894,003	659,625
Adult/continuing	-	-	181	181
Other	245,995	29,582	260,275	149,306
Support services:				
Pupil	1,172,275	1,119,332	1,005,187	963,102
Instructional staff	1,666,783	1,390,187	1,535,250	1,138,451
Board of education	140,426	140,426	102,158	102,158
Administration	3,007,602	2,830,303	2,809,851	2,609,630
Fiscal	686,778	682,804	733,484	731,897
Business	359,063	359,063	174,726	174,726
Operations and maintenance	2,746,575	2,733,173	2,834,880	2,818,167
Pupil transportation	1,364,535	1,281,134	1,958,299	1,899,978
Central	152,883	137,497	144,627	129,232
Operations of non-instructional services:				
Non-instructional services	18,656	18,656	10,287	10,287
Food service operations	1,116,790	(27,136)	1,099,920	39,128
Extracurricular activities	762,505	513,036	712,773	526,274
Intergovernmental	18,912	(2,559)	14,441	5,107
Interest and fiscal charges	1,941,154	1,941,154	2,065,140	2,065,140
Total	\$ 34,894,985	\$ 30,395,864	\$ 33,967,553	\$ 29,617,055

The dependence upon tax and other general revenues for governmental activities is apparent, 87.53% of instruction activities were supported through taxes and other general revenues during fiscal year 2009 and 87.41% in fiscal year 2008. For all governmental activities, general revenue support was 87.11% in fiscal year 2009 and 87.19% in fiscal year 2008. 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 2009 and 2008.

Governmental Activities - General and Program Revenues



**TEAYS VALLEY LOCAL SCHOOL DISTRICT
PICKAWAY COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2009**

The District's Funds

The District's governmental funds (as presented on the balance sheet on page 19) reported a combined fund balance of \$32,694,626, which is lower than last year's total of \$40,941,788. The schedule below indicates the fund balance and the total change in fund balance as of June 30, 2009 and 2008.

	Fund Balance <u>June 30, 2009</u>	Fund Balance <u>June 30, 2008</u>	Increase/ <u>(Decrease)</u>	Percentage <u>Change</u>
General	\$ 6,030,599	\$ 5,664,261	\$ 366,338	6.47 %
Classroom Facilities	20,836,871	26,398,404	(5,561,533)	(21.07) %
Other Governmental	<u>5,827,156</u>	<u>8,879,123</u>	<u>(3,051,967)</u>	(34.37) %
Total	<u>\$32,694,626</u>	<u>\$40,941,788</u>	<u>\$ (8,247,162)</u>	(20.14) %

General Fund

During fiscal year 2009, the District's general fund balance increased by \$366,338. 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 \$462,153. This increase can be attributed to an increase in the amount of tax advance that was available to the District from the county auditors at June 30, 2009 versus June 30, 2008 and a decrease in first half tangible personal property tax receipts. This variance resulted in more tax revenue being reported in fiscal year 2009. The amount of tax advances available from the county auditors can vary depending upon when tax bills are mailed. Earnings on investments decreased as the District earned lower interest rates on investments.

Expenditures of the general fund increased \$298,900 or 1.10%. The largest expenditure, instructional, increased \$414,564. This increase can primarily be attributed to scheduled wage increases to teaching staff.

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

	2009 <u>Amount</u>	2008 <u>Amount</u>	Increase/ <u>(Decrease)</u>	Percentage <u>Change</u>
<u>Revenues</u>				
Taxes	\$ 9,821,728	\$ 9,359,575	\$ 462,153	4.94 %
Tuition	107,823	109,777	(1,954)	(1.78) %
Earnings on investments	403,940	677,775	(273,835)	(40.40) %
Intergovernmental	17,248,612	17,098,580	150,032	0.88 %
Other revenues	<u>158,485</u>	<u>145,684</u>	<u>12,801</u>	8.79 %
Total	<u>\$ 27,740,588</u>	<u>\$ 27,391,391</u>	<u>\$ 349,197</u>	1.27 %
<u>Expenditures</u>				
Instruction	\$ 17,140,629	\$ 16,726,065	\$ 414,564	2.48 %
Support services	9,532,302	9,684,501	(152,199)	(1.57) %
Operation of non-instructional services	19,877	11,063	8,814	79.67 %
Extracurricular activities	504,344	476,624	27,720	5.82 %
Debt service	<u>185,260</u>	<u>185,259</u>	<u>1</u>	0.00 %
Total	<u>\$ 27,382,412</u>	<u>\$ 27,083,512</u>	<u>\$ 298,900</u>	1.10 %

**TEAYS VALLEY LOCAL SCHOOL DISTRICT
PICKAWAY COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2009**

Classroom Facilities Fund

During fiscal year 2009, the classroom facilities fund had revenues of \$33,734,152 and expenditures of \$39,295,685. During fiscal year 2009, the classroom facilities fund balance decreased \$5,561,533 due to costs incurred from the District's OSFC project.

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 2009, the District amended its general fund budget several times. For the general fund, final budgeted and actual revenues and other financing sources of \$27,582,666 were \$915,925 lower than the original budgeted revenues and other financing sources estimate of \$28,498,591. Actual revenues and other financing sources of \$27,582,666 were the same as the final budgeted amounts.

General fund original appropriations (appropriated expenditures plus other financing uses) were \$34,288,566. Final appropriations of \$28,151,234 were \$6,137,332 lower than original budgeted expenditures. Actual expenditures and other financing uses of \$28,173,090 were \$21,856 higher than the final budgeted amounts.

Capital Assets and Debt Administration

Capital Assets

At the end of fiscal year 2009, the District had \$90,253,047 invested in land, construction in progress, 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, 2009 balances compared to June 30, 2008:

Capital Assets at June 30 (Net of Depreciation)		
<u>Governmental Activities</u>		
	<u>2009</u>	<u>2008</u>
Land	\$ 3,020,415	\$ 3,020,415
Construction in progress	47,625,466	5,454,239
Land improvements	2,831,169	3,002,156
Buildings and improvements	33,438,081	34,787,921
Furniture and equipment	2,244,702	2,407,552
Vehicles	941,431	888,693
Infrastructure	<u>151,783</u>	<u>-</u>
Total	<u>\$90,253,047</u>	<u>\$49,560,976</u>

The capital assets increased \$40,692,071. This is due to additions of \$42,896,123 exceeding depreciation expense of \$2,172,153 and disposals (net of accumulated depreciation) of \$31,899.

**TEAYS VALLEY LOCAL SCHOOL DISTRICT
PICKAWAY COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2009**

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

Debt Administration

At June 30, 2009 the District had \$39,313,345 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, \$1,209,158 is due within one year and \$38,104,187 is due within greater than one year.

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

Outstanding Debt, at Year End

	Governmental Activities <u>2009</u>	Governmental Activities <u>2008</u>
Current interest bonds - Series 2000	\$ 665,000	\$ 665,000
Capital appreciation bonds - Series 2000	220,926	469,842
Accreted interest - Series 2000	405,571	712,705
Current interest refunding bonds - Series 2006	17,630,000	17,760,000
Capital appreciation bonds - Series 2006	274,995	274,995
Accreted interest - Series 2006	309,869	205,628
Current interest bonds - Series 2007A	9,805,000	9,830,000
Capital appreciation bonds - Series 2007A	69,996	69,996
Accreted interest - Series 2007A	34,390	17,049
Current interest bonds - Series 2007B	9,600,000	9,820,000
Capital appreciation bonds - Series 2007B	79,997	79,997
Accreted interest - Series 2007B	29,444	14,207
Capital lease obligations	<u>188,157</u>	<u>353,832</u>
Total	<u>\$ 39,313,345</u>	<u>\$ 40,273,251</u>

The District issued the 2000 series general obligation bonds on September 5, 2000 for building construction and improvements. The annual interest rate ranges from 4.30% to 5.50% and the bonds are scheduled to mature in fiscal year 2011.

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 schedule 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.

**TEAYS VALLEY LOCAL SCHOOL DISTRICT
PICKAWAY COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2009**

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

Current Financial Related Activities

Overall, the District has remained financially stable the past few years. The District's financial stability is primarily attributable to a growing revenue base tied to a growing enrollment and increasing local tax collections combined with prudent and targeted spending. Meeting the demands of growth encompasses a number of areas each of which presents its own set of challenges. The Board and administration have maintained a proactive stance in managing and planning the District's finances. Some of the primary factors currently influencing the financial outlook of the District are recapped below:

State Budget:

The outlook for State aid incorporates the provisions of the recently approved biennial budget (HB1). This budget includes an entirely new Evidence Based Model (EBM) approach for distributing funds to schools. The severe economic crisis made it impossible for the state to consider a more aggressive phase-in and implementation of the new EBM funding model. As a result, gain caps and funding guarantees are incorporated in the model so the State could operate within its budgetary capacity. It is also important to keep in mind a significant portion of the overall dollars allocated by the state during this biennium are being supplied by one-time Federal Stabilization funds.

Student Enrollment:

The forecast anticipates enrollment to increase by approximately 400 students over the course of the next five years (fiscal year 2009 to fiscal year 2013). Under the new State funding system, it is unlikely the District will receive any meaningful State funding increases as a result of student enrollment growth in the near future. Nevertheless, enrollment growth will require additional resources if the expectation is simply to maintain the level of opportunities that now exist. Currently, the District has sufficient cash reserves to afford it the time it needs to identify enrollment trends and make appropriate adjustments, but the sooner adjustments are made the less painful those adjustments may have to be in the future.

Construction:

Enrollment increases (as described above) have led to the need for additional buildings. The District broke ground in the spring of 2008 to construct two new middle school buildings, a new elementary building and renovation of the high school/middle school complex (which when complete will serve only high school students). About 70% of the cost of the project is being financed by the Ohio School Facilities Commission. The remainder of the project cost is supported by a 3.9 mill Bond issue passed by District voters in Nov. 2006. Therefore, the general fund will not absorb any of the pure construction costs related to the project. Additional Staff, utility expenses and classroom supply expenditures have all been considered in the development of projections beginning in fiscal year 2010 when new facilities first come on-line.

Inside Millage:

The Board took action in August 2007 to reallocate 2.3 of its total 3.7 inside mills to permanent improvements. At the same time, the District reduced its existing bond millage by 2.3 mills, so that no net tax increase resulted. The dollars generated for permanent improvements is an essential piece of the District's overall strategy to protect and maintain the large investment the community will have made in its school facilities when current construction is complete.

**TEAYS VALLEY LOCAL SCHOOL DISTRICT
PICKAWAY COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2009**

Local Valuations:

The forecast assumes that new residential and commercial real estate growth will slow as compared to the prior three to four year period. However, new growth is still expected to average over 3% per year over the forecasted period. In addition, the District will undergo a valuation update in calendar year 2011, which is expected to add another 4% to residential values this year. Valuation growth drives local tax collection growth. However, it has the opposite effect on unrestricted State aid disbursements due to the valuation charge off included in the State funding formula. This is one reason the Board recently adopted a tax incentive plan (TIFF) with the Columbus Port Authority for commercial development locating in the Rickenbacker area. Keeping valuation "off the books" for local taxation purposes preserves State Aid, while payments in lieu of taxes provides additional local revenue to the District. The net effect for both the participating companies and the District is positive.

Income Tax Collections:

Income tax collections are a function of economic conditions and new residential housing growth. Income tax growth has averaged 12% per year over the past three years. However, in light of the recent economic downturn, the forecast anticipates a drop in income tax collections in fiscal year 2010. Fiscal year 2011 includes a 4% rebound and then a modest 6.5% increase (based upon historical trend) for fiscal year 2012 & fiscal year 2013.

Staffing & Negotiated Increases:

The Board recently ratified a new contract with certified staff covering the upcoming 3 year period (August 2008 – July 2011). The contract specifies a 3% base salary increase each year. The Board extended the same 3% annual increase to other staff employed by the District. Although not yet negotiated, the projection assumes a consistent 2% increase for the three remaining years of the forecast (fiscal year 2012 and fiscal year 2014). Additionally, staffing plans call for realignment as new buildings are opened. For example, while there is a need to add selected staff in fiscal year 2010 when the two new middle schools open, a significant reduction in the net number of building aide positions is also planned.

Health Insurance:

The District recently opted to change insurance consortiums. This change has had an immediate positive impact on assessment levels for fiscal year 2010. Health insurance costs in subsequent years are still anticipated to return to an average 10% annual trend assuming no plan design modifications. There are number of possible approaches to mitigate the large increases projected. A couple would include: reducing benefit levels, increasing co-pays and deductibles... or do nothing and absorb the increased cost of health insurance, but consider lower base wage increases as a way to offset those increases. The District has established a labor/management committee to study this issue.

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.

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**TEAYS VALLEY LOCAL SCHOOL DISTRICT
PICKAWAY COUNTY**

**STATEMENT OF NET ASSETS
JUNE 30, 2009**

	Governmental Activities
Assets:	
Equity in pooled cash and cash equivalents	\$ 41,959,132
Cash with fiscal agent	1,320,908
Cash in segregated accounts	500,867
Receivables:	
Property taxes	10,721,111
Income taxes	993,019
Accounts	46,612
Intergovernmental	1,857,857
Accrued interest	178,515
Prepayments	5,972
Materials and supplies inventory	105,775
Unamortized bond issue costs	452,088
Capital assets:	
Land and construction in progress	50,645,881
Depreciable capital assets, net	39,607,166
Total capital assets, net	90,253,047
 Total assets	 148,394,903
 Liabilities:	
Accounts payable	122,149
Contracts payable	5,206,463
Retainage payable	500,867
Accrued wages and benefits	2,721,760
Pension obligation payable	704,138
Intergovernmental payable	238,982
Unearned revenue	8,513,767
Accrued interest payable	146,662
Claims payable	353,928
Bond anticipation note payable	1,400,000
Long-term liabilities:	
Due within one year	1,401,098
Due in more than one year	40,953,997
 Total liabilities	 62,263,811
 Net Assets:	
Invested in capital assets, net of related debt	63,085,406
Restricted for:	
Capital projects	12,524,645
Debt service	2,805,309
Classroom facilities maintenance	649,357
Locally funded programs	5,289
State funded programs	630
Student activities	52,283
Underground storage tank	11,000
Other purposes	265,053
Unrestricted	6,732,120
 Total net assets	 \$ 86,131,092

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**TEAYS VALLEY LOCAL SCHOOL DISTRICT
PICKAWAY COUNTY**

**STATEMENT OF ACTIVITIES
FOR THE FISCAL YEAR ENDED JUNE 30, 2009**

	Expenses	Program Revenues			Net (Expense)
		Charges for Services and Sales	Operating Grants and Contributions	Capital Grants and Contributions	Revenue and Changes in Net Assets
					Governmental Activities
Governmental activities:					
Instruction:					
Regular	\$ 15,664,344	\$ 326,340	\$ 206,857	\$ -	\$ (15,131,147)
Special	3,039,962	5,057	1,467,588	-	(1,567,317)
Vocational	789,747	-	238,999	-	(550,748)
Other	245,995	-	216,413	-	(29,582)
Support services:					
Pupil	1,172,275	5,470	47,473	-	(1,119,332)
Instructional staff	1,666,783	28,591	248,005	-	(1,390,187)
Board of education	140,426	-	-	-	(140,426)
Administration	3,007,602	89	177,210	-	(2,830,303)
Fiscal	686,778	-	3,974	-	(682,804)
Business	359,063	-	-	-	(359,063)
Operations and maintenance	2,746,575	13,402	-	-	(2,733,173)
Pupil transportation	1,364,535	-	43,493	39,908	(1,281,134)
Central	152,883	-	15,386	-	(137,497)
Operation of non-instructional services:					
Other instructional services	18,656	-	-	-	(18,656)
Food service operations	1,116,790	639,938	503,988	-	27,136
Extracurricular activities	762,505	222,631	26,838	-	(513,036)
Intergovernmental	18,912	-	21,471	-	2,559
Interest and fiscal charges	1,941,154	-	-	-	(1,941,154)
Totals	\$ 34,894,985	\$ 1,241,518	\$ 3,217,695	\$ 39,908	(30,395,864)

General Revenues:

Property taxes levied for:		
General purposes		7,145,372
Capital projects		815,840
Debt service		2,347,233
Income taxes levied for:		
General purposes		2,751,211
Classroom facilities maintenance		168,355
Grants and entitlements not restricted to specific programs		16,430,408
Investment earnings		996,643
Payment in lieu of taxes		135,743
Miscellaneous		49,738
Total general revenues		30,840,543
Change in net assets		444,679
Net assets, July 1		85,686,413
Net assets, June 30		\$ 86,131,092

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**TEAYS VALLEY LOCAL SCHOOL DISTRICT
PICKAWAY COUNTY**

**BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2009**

	<u>General</u>	<u>Classroom Facilities</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
Assets:				
Equity in pooled cash and cash equivalents . . .	\$ 7,120,873	\$ 25,772,977	\$ 7,246,801	\$ 40,140,651
Cash in segregated accounts	-	500,867	-	500,867
Receivables:				
Property taxes	7,387,375	-	3,333,736	10,721,111
Income taxes	993,019	-	-	993,019
Accounts	41,159	-	5,453	46,612
Intergovernmental	90,629	1,645,903	121,325	1,857,857
Accrued interest	110,285	57,945	10,285	178,515
Interfund loans	51,536	-	-	51,536
Materials and supplies inventory	87,232	-	18,543	105,775
Prepayments.	5,972	-	-	5,972
Restricted assets:				
Equity in pooled cash and investments.	-	-	59,005	59,005
Total assets	<u>\$ 15,888,080</u>	<u>\$ 27,977,692</u>	<u>\$ 10,795,148</u>	<u>\$ 54,660,920</u>
Liabilities:				
Accounts payable	\$ 118,537	\$ -	\$ 3,612	\$ 122,149
Contracts payable	-	4,962,460	244,003	5,206,463
Retainage payable	-	500,867	-	500,867
Accrued wages and benefits	2,516,036	-	205,724	2,721,760
Compensated absences payable	28,386	-	-	28,386
Pension obligation payable	603,810	-	100,328	704,138
Intergovernmental payable.	228,079	-	10,903	238,982
Interfund loan payable	-	-	51,536	51,536
Accrued interest payable.	-	-	16,921	16,921
Bond anticipation notes	-	-	1,400,000	1,400,000
Deferred revenue.	494,631	1,677,494	289,200	2,461,325
Unearned revenue.	5,868,002	-	2,645,765	8,513,767
Total liabilities	<u>9,857,481</u>	<u>7,140,821</u>	<u>4,967,992</u>	<u>21,966,294</u>
Fund Balances:				
Reserved for encumbrances	539,013	21,146,862	1,915,676	23,601,551
Reserved for prepayments	5,972	-	-	5,972
Reserved for materials and supplies inventory.	87,232	-	18,543	105,775
Reserved for property tax unavailable for appropriation	1,167,158	-	529,170	1,696,328
Reserved for debt service.	-	-	2,421,866	2,421,866
Reserved for school bus purchases	-	-	59,005	59,005
Unreserved, undesignated (deficit), reported in:				
General fund.	4,231,224	-	-	4,231,224
Special revenue funds	-	-	857,271	857,271
Capital projects funds	-	(309,991)	25,625	(284,366)
Total fund balances.	<u>6,030,599</u>	<u>20,836,871</u>	<u>5,827,156</u>	<u>32,694,626</u>
Total liabilities and fund balances	<u>\$ 15,888,080</u>	<u>\$ 27,977,692</u>	<u>\$ 10,795,148</u>	<u>\$ 54,660,920</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**TEAYS VALLEY LOCAL SCHOOL DISTRICT
PICKAWAY COUNTY**

**RECONCILIATION OF TOTAL GOVERNMENTAL FUND BALANCES TO
NET ASSETS OF GOVERNMENTAL ACTIVITIES
JUNE 30, 2009**

Total governmental fund balances		\$ 32,694,626
 <i>Amounts reported for governmental activities on the statement of net assets are different because:</i>		
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.		90,253,047
Other long-term assets are not available to pay for current-period expenditures and therefore are deferred in the funds.		
Property taxes receivable	\$ 506,785	
Intergovernmental receivable	1,806,523	
Accrued interest receivable	148,017	
Total	2,461,325	2,461,325
An internal service fund is used by management to charge the costs of insurance to individual funds. The assets and liabilities of the internal service fund are included in governmental activities in the statement of net assets.		2,726,456
Unamortized deferred charges on refundings are not recognized in the funds.		1,191,184
Unamortized premiums on bond issuances are not recognized in the funds.		(1,651,441)
Unamortized bond issuance costs are not recognized in the funds.		452,088
Long-term accrued interest payable is not due and payable in the current period and therefore is not reported in the funds.		(129,741)
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	(39,125,188)	
Capital lease obligation	(188,157)	
Compensated absences payable	(2,553,107)	
Total	(41,866,452)	(41,866,452)
Net assets of governmental activities		\$ 86,131,092

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**TEAYS VALLEY LOCAL SCHOOL DISTRICT
PICKAWAY COUNTY**

**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2009**

	<u>General</u>	<u>Classroom Facilities</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
Revenues:				
From local sources:				
Property taxes	\$ 7,070,517	\$ -	\$ 3,189,133	\$ 10,259,650
Income taxes.	2,751,211	-	168,355	2,919,566
Tuition.	107,823	-	-	107,823
Charges for services	-	-	639,938	639,938
Classroom materials and fees	95,345	-	6,120	101,465
Earnings on investments.	403,940	630,482	219,367	1,253,789
Extracurricular.	-	-	378,890	378,890
Rental income	13,402	-	-	13,402
Contributions and donations	-	-	140,567	140,567
Other local revenues.	49,738	-	18,629	68,367
Intergovernmental - intermediate.	97,095	-	40,793	137,888
Intergovernmental - state	17,015,696	33,103,670	788,348	50,907,714
Intergovernmental - federal.	135,821	-	1,432,371	1,568,192
Total revenues.	<u>27,740,588</u>	<u>33,734,152</u>	<u>7,022,511</u>	<u>68,497,251</u>
Expenditures:				
Current:				
Instruction:				
Regular	13,872,576	-	434,923	14,307,499
Special.	2,515,933	-	552,220	3,068,153
Vocational.	725,328	-	9,697	735,025
Other	26,792	-	219,203	245,995
Support Services:				
Pupil.	1,082,488	-	81,216	1,163,704
Instructional staff	1,366,097	-	292,655	1,658,752
Board of education	138,455	-	-	138,455
Administration.	2,720,908	-	290,590	3,011,498
Fiscal	620,219	-	59,037	679,256
Business	77,517	-	398,933	476,450
Operations and maintenance.	2,073,081	-	585,415	2,658,496
Pupil transportation	1,328,690	-	197,327	1,526,017
Central.	124,847	-	18,956	143,803
Operation of non-instructional services:				
Other non-instructional services.	19,877	-	-	19,877
Food service operations	-	-	1,082,368	1,082,368
Extracurricular activities.	504,344	-	239,851	744,195
Intergovernmental	-	-	18,912	18,912
Facilities acquisition and construction	-	39,295,685	2,969,891	42,265,576
Debt service:				
Principal retirement	165,675	-	1,040,000	1,205,675
Interest and fiscal charges	19,585	-	1,677,238	1,696,823
Total expenditures	<u>27,382,412</u>	<u>39,295,685</u>	<u>10,168,432</u>	<u>76,846,529</u>
Excess (deficiency) of revenues over (under) expenditures	358,176	(5,561,533)	(3,145,921)	(8,349,278)
Other financing sources (uses):				
Sale of capital assets.	16,850	-	2,835	19,685
Transfers in.	-	-	446,637	446,637
Transfers (out)	(95,920)	-	(350,717)	(446,637)
Total other financing sources (uses)	<u>(79,070)</u>	<u>-</u>	<u>98,755</u>	<u>19,685</u>
Net change in fund balances	279,106	(5,561,533)	(3,047,166)	(8,329,593)
Fund balances, July 1	5,664,261	26,398,404	8,879,123	40,941,788
Increase (decrease) in reserve for inventory	87,232	-	(4,801)	82,431
Fund balances, June 30	<u>\$ 6,030,599</u>	<u>\$ 20,836,871</u>	<u>\$ 5,827,156</u>	<u>\$ 32,694,626</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**TEAYS VALLEY LOCAL SCHOOL DISTRICT
PICKAWAY COUNTY**

**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, 2009**

Net change in fund balances - total governmental funds \$ (8,329,593)

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

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

Capital asset additions	\$ 42,896,123	
Current year depreciation	<u>(2,172,153)</u>	
Total		40,723,970

The net effect of various miscellaneous transactions involving capital assets (i.e., sales, disposals, trade-ins, and donations) is to decrease net assets. (31,899)

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

Property taxes	48,795	
Intergovernmental revenue	(32,954,237)	
Earnings on investments	<u>(252,145)</u>	
Total		(33,157,587)

Governmental funds report expenditures for inventory when purchased. However, in the statement of activities, they are reported as an expense when consumed. 82,431

Repayment of bond and capital lease obligations is an expenditure in the governmental funds, but the repayment reduces long-term liabilities on the statement of net assets.

Principal payments during the year were:

Bonds	1,040,000	
Capital lease	<u>165,675</u>	
Total		1,205,675

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 more interest being reported on the statement of activities.

Decrease in accrued interest payable	1,117	
Accreted interest on "capital appreciation" bonds	(245,769)	
Amortization of bond issue costs	(20,759)	
Amortization of bond premiums	85,760	
Amortization of deferred charges on refundings	<u>(64,680)</u>	
Total		(244,331)

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. (226,748)

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

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

422,761

Change in net assets of governmental activities \$ 444,679

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**TEAYS VALLEY LOCAL SCHOOL DISTRICT
PICKAWAY COUNTY**

**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, 2009**

	<u>Budgeted Amounts</u>			Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
Revenues:				
From local sources:				
Property taxes	\$ 7,005,778	\$ 6,782,286	\$ 6,782,286	\$ -
Income taxes	2,961,862	2,867,375	2,867,375	-
Tuition	109,899	106,393	106,393	-
Classroom materials and fees	95,328	92,287	92,287	-
Earnings on investments	432,762	418,956	418,956	-
Rental income	12,864	12,454	12,454	-
Other local revenues	30,838	29,854	29,854	-
Intergovernmental - intermediate	89,997	87,126	87,126	-
Intergovernmental - state	17,561,795	17,001,553	17,001,553	-
Intergovernmental - federal	128,011	123,927	123,927	-
Total revenues	<u>28,429,134</u>	<u>27,522,211</u>	<u>27,522,211</u>	<u>-</u>
Expenditures:				
Current:				
Instruction:				
Regular	16,880,081	13,858,688	13,858,688	-
Special	3,106,864	2,550,761	2,550,761	-
Vocational	923,483	758,187	758,187	-
Other	33,769	27,725	27,725	-
Support services:				
Pupils	1,330,060	1,091,990	1,091,990	-
Instructional staff	1,628,780	1,337,242	1,337,242	-
Board of education	174,404	143,187	143,187	-
Administration	3,362,607	2,760,728	2,760,728	-
Fiscal	783,848	643,546	643,546	-
Business	357,498	293,509	293,509	-
Operations and maintenance	2,908,012	2,387,502	2,387,502	-
Pupil transportation	1,811,889	1,487,576	1,487,576	-
Central	156,841	128,768	128,768	-
Other non-instructional services	23,267	19,102	19,102	-
Extracurricular activities	627,603	515,267	515,267	-
Total expenditures	<u>34,109,006</u>	<u>28,003,778</u>	<u>28,003,778</u>	<u>-</u>
Excess of expenditures over revenues	<u>(5,679,872)</u>	<u>(481,567)</u>	<u>(481,567)</u>	<u>-</u>
Other financing sources (uses):				
Advances (out)	(51,536)	(51,536)	(51,536)	-
Transfers (out)	(97,167)	(95,920)	(95,920)	-
Sale of capital assets	54,774	54,774	54,774	-
Refund of prior year's expenditures	14,683	5,681	5,681	-
Miscellaneous uses of funds	(30,857)	-	(21,856)	(21,856)
Total other financing sources (uses)	<u>(110,103)</u>	<u>(87,001)</u>	<u>(108,857)</u>	<u>(21,856)</u>
Net change in fund balance	(5,789,975)	(568,568)	(590,424)	(21,856)
Fund balance, July 1	6,300,174	6,300,174	6,300,174	-
Prior year encumbrances appropriated	747,526	747,526	747,526	-
Fund balance, June 30	<u>\$ 1,257,725</u>	<u>\$ 6,479,132</u>	<u>\$ 6,457,276</u>	<u>\$ (21,856)</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**TEAYS VALLEY LOCAL SCHOOL DISTRICT
PICKAWAY COUNTY**

**STATEMENT OF NET ASSETS
INTERNAL SERVICE FUND
JUNE 30, 2009**

	Governmental Activities - Internal Service Fund
Assets:	
Equity in pooled cash and cash equivalents . . .	\$ 1,759,476
Cash with fiscal agent	1,320,908
Total assets	3,080,384
Liabilities:	
Claims payable.	353,928
Total liabilities.	353,928
Net assets:	
Unrestricted	2,726,456
Total net assets.	\$ 2,726,456

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**TEAYS VALLEY LOCAL SCHOOL DISTRICT
PICKAWAY COUNTY**

**STATEMENT OF REVENUES, EXPENSES AND
CHANGES IN NET ASSETS
INTERNAL SERVICE FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2009**

	Governmental Activities - Internal Service Fund
Operating revenues:	
Charges for services	\$ 3,729,312
	3,729,312
Operating expenses:	
Claims and administrative services	3,306,551
	3,306,551
Total operating expenses	3,306,551
Change in net assets/operating income.	422,761
Net assets, July 1.	2,303,695
Net assets, June 30.	\$ 2,726,456

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**TEAYS VALLEY LOCAL SCHOOL DISTRICT
PICKAWAY COUNTY**

**STATEMENT OF CASH FLOWS
INTERNAL SERVICE FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2009**

	Governmental Activities - Internal Service Fund
Cash flows from operating activities:	
Cash received from charges for services	\$ 3,729,312
Cash payments for claims and administrative services	(3,274,395)
	454,917
Net cash provided by operating activities.	454,917
Net increase in cash and cash equivalents	454,917
Cash and cash equivalents, July 1	2,625,467
Cash and cash equivalents, June 30	\$ 3,080,384
 Reconciliation of operating income to net cash provided by operating activities:	
Operating income.	\$ 422,761
Changes in assets and liabilities:	
Decrease in accounts payable	(3,352)
Increase in claims payable	35,508
	35,508
Net cash provided by operating activities	\$ 454,917

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**TEAYS VALLEY LOCAL SCHOOL DISTRICT
PICKAWAY COUNTY**

**STATEMENT OF FIDUCIARY NET ASSETS
FIDUCIARY FUNDS
JUNE 30, 2009**

	Private-Purpose Trust	
	Scholarship	Agency
Assets:		
Equity in pooled cash and cash equivalents	\$ 15,971	\$ 78,294
Receivables:		
Accrued interest	261	-
Total assets	16,232	\$ 78,294
Liabilities:		
Accounts payable	-	\$ 37
Due to students	-	78,257
Total liabilities	-	\$ 78,294
Net Assets:		
Held in trust for scholarships	16,232	
Total net assets	\$ 16,232	

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**TEAYS VALLEY LOCAL SCHOOL DISTRICT
PICKAWAY COUNTY**

**STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS
FIDUCIARY FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2009**

	Private-Purpose Trust
	Scholarship
Additions:	
Interest	\$ 592
Total additions.	592
Deductions:	
Scholarships awarded	491
Change in net assets	101
Net assets, July 1	16,131
Net assets, June 30	\$ 16,232

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**TEAYS VALLEY LOCAL SCHOOL DISTRICT
PICKAWAY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2009**

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 122nd largest by total enrollment among the 922 public school districts and community schools in the State. The District employed 239 certified employees and 112 non-certified employees who provided services to 3,440 students. The District is supervised 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 also applies Financial Accounting Standards Board (FASB) Statements and Interpretations issued on or before November 30, 1989, to its governmental type activity and to its proprietary fund provided they do not conflict with or contradict GASB pronouncements. 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". 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 governments 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**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2009
(Continued)**

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 \$296,910 to MEC for services provided during fiscal year 2009.

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 Mental Retardation and 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 POOLS

Ohio School Boards Association Workers' Compensation Group Rating Program

The District participates in a group rating plan for workers' compensation as established in Section 4123.29 of the Ohio Revised Code. The Ohio School Boards Association Workers' Compensation Group Rating Program (GRP) was established as an insurance purchasing pool and is governed by a three-member Board of Directors. The Executive Director of the Ohio School Boards Association, or his/her designee, serves as coordinator of the program. Each year, the participating districts pay an enrollment fee to the GRP to cover the costs of administering the program. Refer to Note 14.B. for further information on this group rating plan.

Ross County School Employees Insurance Consortium

The District was a member of the Ross County School Employees Insurance Consortium (the "Consortium"), a claims servicing pool consisting of fourteen school districts within Ross County and its surrounding area, during fiscal year 2009. Medical/surgical insurance is administered through a third party administrator, Medical Mutual of Ohio. The Consortium's business and affairs are managed by a Council consisting of one representative for each participating school. The participating school districts pay an administrative fee to the fiscal agent to cover the costs of administering the Consortium. To obtain financial information, write to Erin Kirby, Ross-Pike Educational Service District, 475 Western Ave. Suite E, Chillicothe, OH 45601.

**TEAYS VALLEY LOCAL SCHOOL DISTRICT
PICKAWAY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2009
(Continued)**

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.

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 and liabilities is reported as fund balance.

The following are the District's major governmental funds:

General fund - The general fund is used to account for all financial resources except those required to be accounted for 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.

Classroom facilities fund - The classroom facilities capital projects fund is used to account for financial resources and expenditures related to the school facilities construction project.

Other governmental funds of the District are used to account for (a) financial resources to be used for the acquisition, construction, or improvement of capital facilities other than those financed by trust funds; (b) for grants and other resources whose use is restricted to a particular purpose; (c) the repayment of general obligation bonds; and (d) for food service and uniform school supplies operations.

PROPRIETARY FUND

Proprietary funds are used to account for the District's ongoing activities which are similar to those often found in the private sector. The District has no enterprise funds. The following is a description of the District's internal service fund:

Internal service fund - The internal service fund is used to account for the financing of goods or services provided by one department or agency to other departments or agencies of the district, or to other governments, on a cost-reimbursement basis. The internal service fund accounts for the District's self-insurance program which provides health/medical and dental benefits to employees.

**TEAYS VALLEY LOCAL SCHOOL DISTRICT
PICKAWAY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2009
(Continued)**

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

FIDUCIARY FUNDS

Fiduciary fund reporting focuses on net assets and changes in net assets. 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.

C. Basis of Presentation and Measurement Focus

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

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 and all liabilities associated with the operation of the District are included on the statement of net assets.

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. The internal service fund is presented in a single column on the face of the proprietary fund statements. 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 and current liabilities generally are included on the balance sheet. The statement of revenues, expenditures and changes in fund balances reports on the sources (i.e., revenues and other financing sources) and uses (i.e., expenditures and other financing uses) of current financial resources. This approach differs from the manner in which the governmental activities of the government-wide financial statements are prepared. Governmental fund financial statements therefore include a reconciliation with brief explanations to better identify the relationship between the government-wide statements and the statements for governmental funds.

**TEAYS VALLEY LOCAL SCHOOL DISTRICT
PICKAWAY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2009
(Continued)**

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

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

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operation. The principal operating revenue of the District's internal service fund is charges for services. Operating expenses for the internal service fund include the cost of service and administrative expenses. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

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 on the fund financial statements. Governmental funds use the modified accrual basis of accounting. Proprietary and fiduciary funds also use the accrual basis of accounting.

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.

**TEAYS VALLEY LOCAL SCHOOL DISTRICT
PICKAWAY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2009
(Continued)**

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

Unearned Revenue and Deferred Revenue - Unearned revenue and deferred revenue arise when assets are recognized before revenue recognition criteria have been satisfied.

Property taxes for which there is an enforceable legal claim as of June 30, 2009, but which were levied to finance fiscal year 2010 operations, and other revenues received in advance of the fiscal year for which they are intended to finance, have been recorded as unearned revenue. Grants and entitlements received before the eligibility requirements are met and delinquent property taxes at June 30, 2009 are recorded as deferred revenue 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 revenue.

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.

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 2009 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 2009.

**TEAYS VALLEY LOCAL SCHOOL DISTRICT
PICKAWAY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2009
(Continued)**

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

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).
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, including proprietary 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 2009, 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 cost.

The District has invested funds in STAR Ohio during fiscal year 2009. 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, 2009.

**TEAYS VALLEY LOCAL SCHOOL DISTRICT
PICKAWAY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2009
(Continued)**

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

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 2009 amounted to \$403,940 which includes \$300,125 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 and fund financial statements, purchased inventories are presented at the lower of cost or market and donated commodities are presented at their entitlement value. Inventories are recorded on a first-in, first-out basis and are expensed when used. Inventories are accounted for using the consumption method. On fund financial statements inventories of governmental funds are stated at cost. Cost is determined on a first-in, first out basis and is expensed when purchased.

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

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 assets, but are not reported in the fund financial statements.

All capital assets are capitalized at cost (or estimated historical cost) and updated for additions and 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 and construction in progress are depreciated. Improvements are depreciated over the remaining useful lives of the related capital assets.

**TEAYS VALLEY LOCAL SCHOOL DISTRICT
PICKAWAY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2009
(Continued)**

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

Depreciation is computed using the straight-line method over the following useful lives:

Description	Governmental Activities Estimated Lives	
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 assets.

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.

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, 2009, 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, 2009 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.

**TEAYS VALLEY LOCAL SCHOOL DISTRICT
PICKAWAY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2009
(Continued)**

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

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

On government-wide financial statements, issuance costs are defined and amortized over the term of the bonds using the straight-line method, which approximates the effective interest method. Unamortized bond issuance costs are recorded as a separate line item on the statement of net assets.

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 an addition to or reduction of the face amount of the new debt.

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 assets is presented in Note 11.A.

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.

M. Accrued Liabilities and Long-Term Obligations

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

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

**TEAYS VALLEY LOCAL SCHOOL DISTRICT
PICKAWAY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2009
(Continued)**

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

N. Fund Balance Reserves

The District reserves those portions of fund equity which are legally segregated for a specific future use or which do not represent available expendable resources and therefore are not available for appropriation or expenditure. Unreserved fund balance indicates that portion of fund equity which is available for appropriation in future periods. Fund equity reserves have been established for encumbrances, inventories of materials and supplies, prepayments, property tax unavailable for appropriation, debt service and school bus purchases. The reserve for property taxes unavailable for appropriation represents taxes recognized as revenue under GAAP, but not available for appropriation under State statute.

O. Restricted Assets

Assets are reported as restricted assets when limitations on their use change the normal understanding of the availability of the asset. Such constraints are either imposed by creditors, contributors, grantors, or laws of other governments or imposed by enabling legislation. Restricted assets in the permanent improvement fund (a nonmajor governmental fund) represent cash and cash equivalents set-aside to establish a school bus purchase reserve.

P. 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.

Q. Net Assets

Net assets represent the difference between assets and liabilities. Net assets invested in capital assets, net of related debt consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction or improvement of those assets. Net assets are reported as restricted when there are limitations imposed on their use either through the enabling legislation or through external restrictions imposed by creditors, grantors or laws or regulations of other governments. Net assets restricted for other purposes includes amounts restricted for the following nonmajor governmental funds: The food service fund, the special trust fund and the underground storage tank fund.

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

R. 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 and after nonoperating revenues/expenses in proprietary 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**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2009
(Continued)**

NOTE 3 - ACCOUNTABILITY AND COMPLIANCE

A. Change in Accounting Principles

For fiscal year 2009, the District has implemented GASB Statement No. 49, "Accounting and Financial Reporting for Pollution Remediation Obligations", GASB Statement No. 52, "Land and Other Real Estate Held as Investments by Endowments", GASB Statement No. 55, "The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments", and GASB Statement No. 56 "Codification of Accounting and Financial Reporting Guidance Contained in the AICPA Statements on Auditing Standards".

GASB Statement No. 49 addresses accounting and financial reporting standards for pollution remediation obligations, which are obligations to address the current or potential detrimental effects of existing pollution by participating in pollution remediation activities such as site assessments and cleanups. The implementation of GASB Statement No. 49 did not have an effect on the financial statements of the District.

GASB Statement No. 52 establishes consistent standards for the reporting of land and other real estate held as investments by essentially similar entities. It requires endowments to report their land and other real estate investments at fair value. The implementation of GASB Statement No. 52 did not have an effect on the financial statements of the District.

GASB Statement No. 55 incorporates the hierarchy of generally accepted accounting principles (GAAP) for state and local governments into the GASB's authoritative literature. The implementation of GASB Statement No. 55 did not have an effect on the financial statements of the District.

GASB Statement No. 56 incorporates into the GASB's authoritative literature certain accounting and financial reporting guidance presented in the American Institute of Certified Public Accountants' (AICPA) Statements on Auditing Standards. The implementation of GASB Statement No. 56 did not have an effect on the financial statements of the District.

B. Deficit Fund Balances

Fund balances at June 30, 2009 included the following individual fund deficits:

<u>Nonmajor funds</u>	<u>Deficit</u>
Management information systems	\$ 11,728
DPIA	6,535
Title VI-B	60,868
Title I	84,142
Preschool for the handicapped	1,298
Reducing class size	45,727
Miscellaneous federal grants	109

The general fund is liable for any deficits in these funds and provides transfers when cash is required, not when accruals occur. The deficit fund balance in the Management information systems fund, the DPIA fund, the Title VI-B fund and the Preschool for the handicapped fund resulted from adjustments for accrued liabilities. The deficit fund balances in the Title-I fund, the Reducing class size fund and the Miscellaneous federal grants fund resulted from both adjustments for accrued liabilities and the reporting of short-term interfund loans as a fund liability rather than as an other financing source.

**TEAYS VALLEY LOCAL SCHOOL DISTRICT
PICKAWAY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2009
(Continued)**

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;
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.

**TEAYS VALLEY LOCAL SCHOOL DISTRICT
PICKAWAY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2009
(Continued)**

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

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.

A. Cash on Hand

At fiscal year end, the District had \$12,500 in undeposited cash on hand which is included on the financial statements of the District as part of "equity in pooled cash and investments."

B. Cash with Fiscal Agent

The District is self-insured through a fiscal agent. The money held by the fiscal agent cannot be identified as an investment or deposit, since it is held in a pool made up of numerous participants. The account held by the fiscal agent at June 30, 2009 was \$1,320,908 and is not included in the "Deposits with Financial Institutions" below.

C. Cash in Segregated Accounts

At fiscal year end, \$500,867 was on deposit with an escrow agent for retainage held as part of the District's construction contracts. This amount is included in the total amount of deposits reported below and is reported on the financial statements as "cash in segregated accounts".

D. Deposits with Financial Institutions

At June 30, 2009, the carrying amount of all District deposits was \$13,543,515. Based on the criteria described in GASB Statement No. 40, "Deposits and Investment Risk Disclosures", as of June 30, 2009, \$10,388,253 of the District's bank balance of \$13,804,708 was exposed to custodial risk as discussed below, while \$3,416,455 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.

**TEAYS VALLEY LOCAL SCHOOL DISTRICT
PICKAWAY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2009
(Continued)**

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

E. Investments

As of June 30, 2009, the District had the following investments and maturities:

<u>Investment type</u>	<u>Fair Value</u>	<u>6 months or less</u>
STAR Ohio	\$ 28,998,249	\$ 28,998,249

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.

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, 2009:

<u>Investment type</u>	<u>Fair Value</u>	<u>% of Total</u>
STAR Ohio	\$ 28,998,249	100

F. Reconciliation of Cash and Investments to the Statement of Net Assets

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 assets as of June 30, 2009:

<u>Cash and investments per note</u>	
Carrying amount of deposits	\$ 13,543,515
Investments	28,998,249
Cash on hand	12,500
Cash with fiscal agent	<u>1,320,908</u>
Total	<u>\$ 43,875,172</u>
<u>Cash and investments per statement of net assets</u>	
Governmental activities	\$ 43,780,907
Private-purpose trust funds	15,971
Agency funds	<u>78,294</u>
Total	<u>\$ 43,875,172</u>

**TEAYS VALLEY LOCAL SCHOOL DISTRICT
PICKAWAY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2009
(Continued)**

NOTE 5 - INTERFUND TRANSACTIONS

- A. Interfund transfers for the year ended June 30, 2009, consisted of the following, as reported on the fund financial statements:

Transfers to nonmajor governmental funds from:

General fund	\$ 95,920	
Nonmajor governmental fund	350,717	350,717
Total	\$ 446,637	\$ 446,637

Transfers are used to move revenues from the fund that statute or budget required to collect them to the fund that statute or budget requires to expend them and to use unrestricted revenues collected in the general fund to finance various programs accounted for in other funds in accordance with budgetary authorizations. The transfer from the debt service fund (a nonmajor governmental fund) to the building fund (a nonmajor governmental fund) is to move the principal, interest payments and note proceeds associated with bond anticipation notes to the fund that recorded the liability. See Note 12 for information regarding the bond anticipation notes.

Interfund transfers between governmental funds are eliminated for reporting purposes in the statement of activities.

All transfers were made in compliance with Ohio Revised Code Sections 5705.14, 5705.15 and 5705.16.

- B. Interfund loans receivable/payable consisted of the following at June 30, 2009, as reported on the fund statement:

<u>Receivable fund</u>	<u>Payable fund</u>	<u>Amount</u>
General	Nonmajor governmental funds	\$ 51,536

The interfund loans were necessitated to cover costs in specific funds where revenues were not received by June 30. These interfund loans will be repaid once the anticipated revenues are received.

Interfund balances between governmental funds are eliminated on the government-wide financial statements; therefore, no internal balances are reported on the statement of net assets.

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**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2009
(Continued)**

NOTE 6 - PROPERTY TAXES - (Continued)

Property taxes include amounts levied against all real property, public utility property and tangible personal (used in business) property located in the District. Real property tax revenues received in calendar year 2009 represent the collection of calendar year 2008 taxes. Real property taxes received in calendar year 2009 were levied after April 1, 2008, on the assessed values as of January 1, 2008, 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 2009 represent the collection of calendar year 2008 taxes. Public utility real and tangible personal property taxes received in calendar year 2009 became a lien on December 31, 2007, were levied after April 1, 2008, 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.

Tangible personal property tax revenues received in calendar year 2009 (other than public utility property) represent the collection of calendar year 2009 taxes levied against local and inter-exchange telephone companies. Tangible personal property tax on business inventory, manufacturing machinery and equipment, and furniture and fixtures is no longer levied and collected. The October 2008 tangible personal property tax settlement was the last property tax settlement for general personal property taxes. Tangible personal property taxes received from telephone companies in calendar year 2009 were levied after October 1, 2008, on the value as of December 31, 2008. Amounts paid by multi-county taxpayers are due September 20. Single county taxpayers may pay annually or semiannually. If paid annually, payment is due April 30; if paid semiannually, the first payment is due April 30, with the remainder payable by September 20. Tangible personal property taxes paid by April 30 are usually received by the District prior to June 30.

The District receives property taxes from 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, 2009, are available to finance fiscal year 2009 operations. The amount available as an advance at June 30, 2009 was \$1,167,158 in the general fund, \$395,424 in the debt service fund (a nonmajor governmental fund) and \$133,746 in the permanent improvement fund (a nonmajor governmental fund). These amounts are recorded as revenue. The amount available for advance at June 30, 2008 was \$857,242 in the general fund, \$290,319 in the debt service fund (a nonmajor governmental fund) and \$98,057 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 tangible personal property taxes which are measurable as of June 30, 2009 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 unearned revenue.

**TEAYS VALLEY LOCAL SCHOOL DISTRICT
PICKAWAY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2009
(Continued)**

NOTE 6 - PROPERTY TAXES - (Continued)

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 deferred.

The assessed values upon which the fiscal year 2009 taxes were collected are:

	2008 Second Half Collections		2009 First Half Collections	
	<u>Amount</u>	<u>Percent</u>	<u>Amount</u>	<u>Percent</u>
Agricultural/residential and other real estate	\$ 340,651,980	93.23	\$ 372,178,920	94.16
Public utility personal	19,320,850	5.29	19,337,110	4.89
Tangible personal property	<u>5,430,012</u>	<u>1.48</u>	<u>3,756,181</u>	<u>0.95</u>
Total	<u>\$ 365,402,842</u>	<u>100.00</u>	<u>\$ 395,272,211</u>	<u>100.00</u>
Tax rate per \$1,000 of assessed valuation for:				
General	\$24.70		\$22.70	
Bond	6.80		6.80	
Permanent improvement	<u>2.30</u>		<u>2.30</u>	
	33.80		31.80	

NOTE 7 - RECEIVABLES

Receivables at June 30, 2009 consisted of taxes, 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 assets follows:

Governmental activities:

Property taxes	\$ 10,721,111
Income taxes	993,019
Accounts	46,612
Intergovernmental	1,857,857
Accrued interest	<u>178,515</u>
Total	<u>\$ 13,797,114</u>

Receivables have been disaggregated on the face of the financial statements. All receivables are expected to be collected within one year except for the OSFC grant of \$1,645,903 which will be collected over the term of the construction project.

**TEAYS VALLEY LOCAL SCHOOL DISTRICT
PICKAWAY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2009
(Continued)**

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. 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 during fiscal year 2009 was \$2,919,566.

NOTE 9 - CAPITAL ASSETS

Capital asset activity for the fiscal year ended June 30, 2009, was as follows:

	Balance <u>June 30, 2008</u>	<u>Additions</u>	<u>Disposals</u>	Balance <u>June 30, 2009</u>
Governmental activities:				
<i>Capital assets, not being depreciated:</i>				
Land	\$ 3,020,415	\$ -	\$ -	\$ 3,020,415
Construction in progress	5,454,239	42,171,227	-	47,625,466
Total capital assets, not being depreciated	<u>8,474,654</u>	<u>42,171,227</u>	<u>-</u>	<u>50,645,881</u>
<i>Capital assets, being depreciated:</i>				
Land improvements	4,362,590	13,919	-	4,376,509
Buildings and improvements	45,012,299	25,312	-	45,037,611
Furniture and equipment	5,264,147	261,739	(359,007)	5,166,879
Vehicles	1,982,562	268,251	(154,270)	2,096,543
Infrastructure	-	155,675	-	155,675
Total capital assets, being depreciated	<u>56,621,598</u>	<u>724,896</u>	<u>(513,277)</u>	<u>56,833,217</u>
<i>Less: accumulated depreciation:</i>				
Land improvements	(1,360,434)	(184,906)	-	(1,545,340)
Buildings and improvements	(10,224,378)	(1,375,152)	-	(11,599,530)
Furniture and equipment	(2,856,595)	(409,485)	343,903	(2,922,177)
Vehicles	(1,093,869)	(198,718)	137,475	(1,155,112)
Infrastructure	-	(3,892)	-	(3,892)
Total accumulated depreciation	<u>(15,535,276)</u>	<u>(2,172,153)</u>	<u>481,378</u>	<u>(17,226,051)</u>
Governmental activities capital assets, net	<u>\$ 49,560,976</u>	<u>\$ 40,723,970</u>	<u>\$ (31,899)</u>	<u>\$ 90,253,047</u>

**TEAYS VALLEY LOCAL SCHOOL DISTRICT
PICKAWAY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2009
(Continued)**

NOTE 9 - CAPITAL ASSETS - (Continued)

Depreciation expense was charged to governmental functions as follows:

<u>Instruction:</u>	
Regular	\$ 1,566,774
Special	2,083
Vocational	66,836
<u>Support services:</u>	
Pupil	8,057
Instructional staff	12,088
Board of education	4,638
Administration	8,016
Fiscal	1,076
Business	171,926
Operations and maintenance	36,269
Pupil transportation	200,660
Central	1,397
Extracurricular activities	51,306
Food service operations	<u>41,027</u>
Total depreciation expense	<u>\$ 2,172,153</u>

NOTE 10 - CAPITALIZED LEASE - LESSEE DISCLOSURE

In prior fiscal years, the District entered into capitalized leases for copier equipment. These lease agreements meet the criteria of capital lease as defined by FASB Statement No. 13, "Accounting for Leases", which defines a capital lease generally as one which transfers benefits and risks of ownership to the lessee. Capital lease payments have been reclassified 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 \$757,353 in the statement of net assets. This amount represents the present value of the minimum lease payments at the time of acquisition. Accumulated depreciation as of June 30, 2009 was \$633,187 leaving a current book value of \$124,166. A corresponding liability is recorded in the government-wide financial statements. Principal payments in fiscal year 2009 totaled \$165,675 paid by the general fund.

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, 2009:

<u>Fiscal Year Ending June 30.</u>	<u>Amount</u>
2010	\$ 185,262
2011	<u>10,594</u>
Total minimum lease payments	195,856
Less: amount representing interest	<u>(7,699)</u>
Total	<u>\$ 188,157</u>

**TEAYS VALLEY LOCAL SCHOOL DISTRICT
PICKAWAY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2009
(Continued)**

NOTE 11 - LONG-TERM OBLIGATIONS

- A. During the fiscal year 2009, the following changes occurred in governmental activities long-term obligations:

	Balance June 30, 2008	Increase	Decrease	Balance June 30, 2009	Amounts Due in One Year
General obligation bonds	\$ 39,919,419	\$ 245,769	\$ (1,040,000)	\$ 39,125,188	\$ 1,031,497
Capital lease obligation	353,832	-	(165,675)	188,157	177,661
Compensated absences	<u>2,348,798</u>	<u>436,498</u>	<u>(203,803)</u>	<u>2,581,493</u>	<u>191,940</u>
Total	<u>\$ 42,622,049</u>	<u>\$ 682,267</u>	<u>\$ (1,409,478)</u>	41,894,838	<u>\$ 1,401,098</u>
Less: Unamortized deferred charge on refunding				(1,191,184)	
Add: Unamortized premium on refunding				<u>1,651,441</u>	
Total on statement of net assets				<u>\$ 42,355,095</u>	

General Obligation Bonds: See Note 11.B. through Note 11.E. for details. Of the original proceeds of \$19,799,993 of the general obligation bonds - series 2007A and general obligation bonds - series 2007B, \$12,071,687 remained unspent at June 30, 2009.

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), poverty based assistance fund (a nonmajor governmental fund) and the Title VI-B fund (a nonmajor governmental fund).

- B. General Obligation Bonds - Series 2000: On September 5, 2000, the District issued general obligation bonds to finance building construction and improvements. This issue is comprised of both current interest bonds, par value \$22,100,000, and capital appreciation bonds, par value \$469,842. The interest rates on the current interest bonds range from 4.30% to 5.50%. During fiscal year 2008, one capital appreciation bond matured at an accreted value at \$665,000. The remaining capital appreciation bonds mature December 1, 2009 (stated interest rate 12.29%) at a redemption price equal to 100% of the principal, plus accrued interest to the redemption date. The accreted value at maturity for the remaining capital appreciation bonds is \$665,000. Total accreted interest of \$405,571 has been included in the statement of net assets at June 30, 2009.

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 assets. Payments of principal and interest relating to this bond are recorded as an expenditure in the debt service fund (a nonmajor governmental 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, 2010.

**TEAYS VALLEY LOCAL SCHOOL DISTRICT
PICKAWAY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2009
(Continued)**

NOTE 11 - LONG-TERM OBLIGATIONS - (Continued)

The following is a schedule of activity for the series 2000 general obligation bonds:

	<u>Balance June 30, 2008</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance June 30, 2009</u>
Current interest bonds -				
2000 series	\$ 665,000	\$ -	\$ -	\$ 665,000
Capital appreciation bonds -				
2000 series	469,842	-	(248,916)	220,926
Capital appreciation bonds -				
Accreted interest	<u>712,705</u>	<u>108,950</u>	<u>(416,084)</u>	<u>405,571</u>
Total	<u>\$ 1,847,547</u>	<u>\$ 108,950</u>	<u>\$ (665,000)</u>	<u>\$ 1,291,497</u>

The following is a summary of the future debt service requirements to maturity for the series 2000 general obligation bonds:

Fiscal Year Ending June 30,	<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>
2010	\$ -	\$ 31,255	\$ 31,255	\$ 220,926	\$ 444,074	\$ 665,000
2011	<u>665,000</u>	<u>31,255</u>	<u>696,255</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total	<u>\$ 665,000</u>	<u>\$ 62,510</u>	<u>\$ 727,510</u>	<u>\$ 220,926</u>	<u>\$ 444,074</u>	<u>\$ 665,000</u>

- C. 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 assets.

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 4.30% to 5.50%. The capital appreciation bonds mature December 1, 2014 (effective 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 \$309,869 has been included in the statement of net assets at June 30, 2009.

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 assets. Payments of principal and interest relating to this bond are recorded as an expenditure in the debt service fund (a nonmajor governmental 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.

**TEAYS VALLEY LOCAL SCHOOL DISTRICT
PICKAWAY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2009
(Continued)**

NOTE 11 - LONG-TERM OBLIGATIONS - (Continued)

The following is a schedule of activity for fiscal year 2009 on the series 2006 refunding bonds:

	<u>Balance June 30, 2008</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance June 30, 2009</u>
Current interest bonds -				
2006 refunding series	\$ 17,760,000	\$ -	\$ (130,000)	\$ 17,630,000
Capital appreciation bonds -				
2006 refunding series	274,995	-	-	274,995
Capital appreciation bonds -				
Accreted interest	<u>205,628</u>	<u>104,241</u>	<u>-</u>	<u>309,869</u>
Total	<u>\$ 18,240,623</u>	<u>\$ 104,241</u>	<u>\$ (130,000)</u>	<u>\$ 18,214,864</u>

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

<u>Fiscal Year Ending 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>
2010	\$ 150,000	\$ 800,245	\$ 950,245	\$ -	\$ -	\$ -
2011	140,000	795,170	935,170	-	-	-
2012	850,000	777,845	1,627,845	-	-	-
2013	875,000	745,470	1,620,470	-	-	-
2014	910,000	709,770	1,619,770	-	-	-
2015 - 2019	2,965,000	3,259,210	6,224,210	-	-	-
2020 - 2024	5,920,000	2,105,615	8,025,615	274,995	1,615,005	1,890,000
2025 - 2028	<u>5,820,000</u>	<u>581,390</u>	<u>6,401,390</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total	<u>\$ 17,630,000</u>	<u>\$ 9,774,715</u>	<u>\$ 27,404,715</u>	<u>\$ 274,995</u>	<u>\$ 1,615,005</u>	<u>\$ 1,890,000</u>

- D. 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 \$34,390 has been included in the statement of net assets at June 30, 2009.

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 assets. Payments of principal and interest relating to this bond are recorded as an expenditure in the debt service fund (a nonmajor governmental 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**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2009
(Continued)**

NOTE 11 - LONG-TERM OBLIGATIONS - (Continued)

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

	<u>Balance</u> <u>June 30, 2008</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance</u> <u>June 30, 2009</u>
Current interest bonds -				
2007 A series	\$ 9,830,000	\$ -	\$ (25,000)	\$ 9,805,000
Capital appreciation bonds -				
2007 A series	69,996	-	-	69,996
Capital appreciation bonds -				
Accreted interest	<u>17,049</u>	<u>17,341</u>	<u>-</u>	<u>34,390</u>
Total	<u>\$ 9,917,045</u>	<u>\$ 17,341</u>	<u>\$ (25,000)</u>	<u>\$ 9,909,386</u>

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

Fiscal Year Ending June 30	<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>
2010	\$ 25,000	\$ 398,060	\$ 423,060	\$ -	\$ -	\$ -
2011	25,000	397,060	422,060	-	-	-
2012	25,000	396,060	421,060	-	-	-
2013	25,000	395,060	420,060	-	-	-
2014	25,000	394,060	419,060	-	-	-
2015 - 2019	1,380,000	1,847,000	3,227,000	69,996	270,004	340,000
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	<u>690,000</u>	<u>14,490</u>	<u>704,490</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total	<u>\$ 9,805,000</u>	<u>\$ 6,847,080</u>	<u>\$ 16,652,080</u>	<u>\$ 69,996</u>	<u>\$ 270,004</u>	<u>\$ 340,000</u>

- E. *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 \$29,444 has been included in the statement of net assets at June 30, 2009.

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 assets. Payments of principal and interest relating to this bond are recorded as an expenditure in the debt service fund (a nonmajor governmental 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
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**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2009
(Continued)**

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, 2008</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance</u> <u>June 30, 2009</u>
Current interest bonds -				
2007 B series	\$ 9,820,000	\$ -	\$ (220,000)	\$ 9,600,000
Capital appreciation bonds -				
2007 B series	79,997	-	-	79,997
Capital appreciation bonds -				
Accreted interest	<u>14,207</u>	<u>15,237</u>	<u>-</u>	<u>29,444</u>
Total	<u>\$ 9,914,204</u>	<u>\$ 15,237</u>	<u>\$ (220,000)</u>	<u>\$ 9,709,441</u>

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

Fiscal Year Ended June 30,	<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>
2010	\$ 230,000	\$ 391,188	\$ 621,188	\$ -	\$ -	\$ -
2011	240,000	381,787	621,787	-	-	-
2012	250,000	371,988	621,988	-	-	-
2013	260,000	361,788	621,788	-	-	-
2014	270,000	351,187	621,187	-	-	-
2015 - 2019	1,185,000	1,625,237	2,810,237	79,997	210,003	290,000
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>\$ 9,600,000</u>	<u>\$ 6,162,673</u>	<u>\$ 15,762,673</u>	<u>\$ 79,997</u>	<u>\$ 210,003</u>	<u>\$ 290,000</u>

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.

**TEAYS VALLEY LOCAL SCHOOL DISTRICT
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**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2009
(Continued)**

NOTE 11 - LONG-TERM OBLIGATIONS - (Continued)

The Ohio Revised Code further provides that when a Board of Education declares a resolution that the student population is not adequately served by existing facilities, and that insufficient capacity exists within the 9% limit to finance additional facilities, the State Department of Education may declare that district a "special needs" district. This permits the incurrence of additional debt based upon projected 5-year growth of the school district's assessed valuation. The Teays Valley Local District was determined to be a "special needs" district by the State Superintendent on August 18, 2006.

NOTE 12 - SHORT-TERM NOTES PAYABLE

A summary of the governmental activities short-term notes payable transactions for fiscal year 2009 follows:

	<u>Issue Date</u>	<u>Maturity Date</u>	<u>Interest Rate (%)</u>	<u>Balance June 30, 2008</u>	<u>Increase</u>	<u>Decrease</u>	<u>Balance June 30, 2009</u>
Bond Anticipation Notes:							
Notes Series 2008	3/11/08	3/9/09	3.00	\$ 1,700,000	\$ -	\$ (1,700,000)	\$ -
Notes Series 2009	3/5/09	3/5/10	3.75	-	<u>1,400,000</u>	-	<u>1,400,000</u>
Total				<u>\$ 1,700,000</u>	<u>\$ 1,400,000</u>	<u>\$ (1,700,000)</u>	<u>\$ 1,400,000</u>

On March 11, 2008, the District issued \$1,700,000 in notes in anticipation of the issuance of bonds for the purpose of improving facilities. The notes bore an interest rate of 3.00% and matured on March 9, 2009.

On March 5, 2009, the District issued \$1,400,000 in notes in anticipation of the issuance of bonds for the purpose of improving facilities. The notes bear an interest rate of 3.75% and mature on March 5, 2010. The notes are booked as a fund liability in the building fund (a nonmajor governmental fund).

NOTE 13 - 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. Any vacation time which is unused as of the employee's anniversary date is expired and not available for use in a subsequent year unless approved by the Superintendent. 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

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**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2009
(Continued)**

NOTE 13 - COMPENSATED ABSENCES - (Continued)

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 administrators and 260 day and classified employees is 220 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 220 days of sick leave for 185 days of service.

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 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 55 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. The superintendent is entitled to one half of all accumulated sick leave.

NOTE 14 - 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 \$1,000,000 umbrella.

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

The District maintains replacement cost insurance on buildings and contents in the amount of \$64,926,404. 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

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

The intent of the GRP is to achieve the benefit of a reduced premium for the District by virtue of its grouping and representation with other participants in the GRP. The workers' compensation experience of the participating school districts is calculated. Each district is then placed at one of fourteen separate levels based on that district's experience. Each participant pays its workers' compensation premium to the State based on the rate for the group level rather than its individual rate.

**TEAYS VALLEY LOCAL SCHOOL DISTRICT
PICKAWAY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2009
(Continued)**

NOTE 14 - RISK MANAGEMENT - (Continued)

Total savings are then calculated and each participant's individual performance is compared to the overall savings percentage of the GRP.

Participation in the GRP is limited to school districts that can meet the GRP's selection criteria. The firm of Gates McDonald & Co. provides administrative, cost control and actuarial services to the GRP.

C. Health Insurance

In October, 1994, the District joined the Ross County School Employees Insurance Consortium (the "Consortium") to self-insure its medical claims. The Consortium currently includes 14 member school districts. Contributions are determined by the consortium's board of directors and are remitted monthly to the consortium's fiscal agent, who then pays all incurred claims. Thus actual cash "reserves" are held by the fiscal agent. Settlements have never exceeded insurance coverage.

Medical Mutual of Ohio, a third party administrator, services all health/medical claims and Professional Risk Management, Inc., a third party administrator, services all dental claims submitted by employees. An excess coverage insurance policy covers individual medical claims in excess of \$100,000 per employee consortium wide.

The District utilizes a self-insurance fund for the purpose of tracking the fund's balance as held by the fiscal agent. Amounts are paid into this fund from the general fund, food service fund (a nonmajor governmental fund), and certain special revenue funds (grants). Expenses for claims are recorded as other expenses when it is probable that an asset has been impaired or a liability has been incurred and the amount of loss can be reasonably estimated. The basis for estimating the liability for unpaid claims is based on documentation obtained by the insurance carrier. A summary of changes in self-insurance claims for the years ended June 30, 2009 and June 30, 2008:

	<u>June 30, 2009</u>	<u>June 30, 2008</u>
Claims liabilities at beginning of fiscal year	\$ 318,420	\$ 379,829
Incurred claims	2,952,697	2,609,450
Claims paid	<u>(2,917,189)</u>	<u>(2,670,859)</u>
Claims liabilities at end of fiscal year	<u>\$ 353,928</u>	<u>\$ 318,420</u>

NOTE 15 - 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 and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Authority to establish and amend benefits is provided by Chapter 3309 of the Ohio Revised Code. SERS issues a publicly available, stand-alone financial report that includes financial statements and required supplementary information. That report may be obtained by writing to the School Employees Retirement System, 300 East Broad Street, Suite 100, Columbus, Ohio 43215-3746. It is also posted on the SERS' Ohio website, www.ohsers.org, under *Forms and Publications*.

**TEAYS VALLEY LOCAL SCHOOL DISTRICT
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**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2009
(Continued)**

NOTE 15 - 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 2009, 9.09 percent of annual covered salary was the portion used to fund pension obligations. The contribution requirements of plan members and employers are established and may be amended by the SERS' Retirement Board up to a statutory maximum amount of 10 percent for plan members and 14 percent for employers. Chapter 3309 of the Ohio Revised Code provides statutory authority for member and employer contributions. The District's required contributions for pension obligations to SERS for the fiscal years ended June 30, 2009, 2008 and 2007 were \$365,154, \$338,528 and \$339,528, respectively; 53.07 percent has been contributed for fiscal year 2009 and 100 percent for fiscal years 2008 and 2007.

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.

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.

**TEAYS VALLEY LOCAL SCHOOL DISTRICT
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**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2009
(Continued)**

NOTE 15 - PENSION PLANS - (Continued)

Funding Policy - For fiscal year 2009, plan members were required to contribute 10 percent of their annual covered salaries. The District was required to contribute 14 percent; 13 percent was the portion used to fund pension obligations. Contribution rates are established by the State Teachers Retirement Board, upon recommendations of its consulting actuary, not to exceed statutory maximum rates of 10 percent for members and 14 percent for employers. Chapter 3307 of the Ohio Revised Code provides statutory authority for member and employer contributions.

The District's required contributions for pension obligations to STRS Ohio for the fiscal years ended June 30, 2009, 2008 and 2007 were \$1,950,282, \$1,862,357 and \$1,772,285, respectively; 82.87 percent has been contributed for fiscal year 2009 and 100 percent for fiscal years 2008 and 2007. Contributions to the DC and Combined Plans for fiscal year 2009 were \$15,509 made by the District and \$47,346 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, 2009, certain members of the Board of Education have elected Social Security. The District's liability is 6.2 percent of wages paid.

NOTE 16 - 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 and traditional indemnity plans as well as a prescription drug program. The Medicare Part B Plan reimburses Medicare Part B premiums paid by eligible retirees and beneficiaries up to a statutory limit. Benefit provisions and the obligations to contribute are established by the System based on authority granted by State statute. The financial reports of both Plans are included in the SERS Comprehensive Annual Financial Report which is available by contacting SERS at 300 East Broad St., Suite 100, Columbus, Ohio 43215-3746.

Funding Policy - State statute permits SERS to fund the health care benefits through employer contributions. Each year, after the allocation for statutorily required benefits, the Retirement Board allocates the remainder of the employer contribution of 14 percent of covered payroll to the Health Care Fund. The Health Care Fund was established and is administered in accordance with Internal Revenue Code Section 105(e). For 2009, 4.16 percent of covered payroll was allocated to health care. In addition, employers pay a surcharge for employees earning less than an actuarially determined amount; for 2009, the actuarially determined amount was \$35,800.

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

**TEAYS VALLEY LOCAL SCHOOL DISTRICT
PICKAWAY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2009
(Continued)**

NOTE 16 - POSTEMPLOYMENT BENEFITS - (Continued)

The District's contributions for health care (including surcharge) for the fiscal years ended June 30, 2009, 2008, and 2007 were \$240,825, \$222,343 and \$160,942, respectively; 53.07 percent has been contributed for fiscal year 2009 and 100 percent for fiscal years 2008 and 2007.

The Retirement Board, acting with advice of the actuary, allocates a portion of the employer contribution to the Medicare B Fund. For fiscal year 2009, this actuarially required allocation was 0.75 percent of covered payroll. The District's contributions for Medicare Part B for the fiscal years ended June 30, 2009, 2008, and 2007 were \$30,128, \$24,392 and \$23,120, respectively; 53.07 percent has been contributed for fiscal year 2009 and 100 percent for fiscal years 2008 and 2007.

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 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 2009, 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, 2009, 2008, and 2007 were \$150,022, \$143,258 and \$136,330, respectively; 82.87 percent has been contributed for fiscal year 2009 and 100 percent for fiscal years 2008 and 2007.

NOTE 17 - BUDGETARY BASIS OF ACCOUNTING

While reporting financial position, results of operations, and changes in fund balance on the basis of GAAP, the budgetary basis as provided by law is based upon accounting for certain transactions on a basis of cash receipts and disbursements.

The combined statement of revenues, 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**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2009
(Continued)**

NOTE 17 - 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 a reservation of fund balance for that portion of outstanding encumbrances not already recognized as an account payable (GAAP basis); and
- (d) Advances in and advances out are operating transactions (budget basis) as opposed to balance sheet transactions (GAAP 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	\$ (590,424)
Net adjustment for revenue accruals	218,377
Net adjustment for expenditure accruals	(41,117)
Net adjustment for other sources/uses	29,787
Adjustment for encumbrances	<u>662,483</u>
GAAP basis	<u>\$ 279,106</u>

NOTE 18 - 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 is subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the general fund or other applicable funds; however, in the opinion of management, any such disallowed claims will not have a material effect on the financial position of the District at June 30, 2009.

B. Litigation

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

**TEAYS VALLEY LOCAL SCHOOL DISTRICT
PICKAWAY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2009
(Continued)**

NOTE 19 - STATUTORY RESERVES

The District is required by State statute to annually set-aside in the general fund an amount based on a statutory formula for the purchase of textbooks and other instructional materials and an equal amount for the acquisition and construction of capital improvements. Amounts not spent by the end of the fiscal year or offset by similarly restricted resources received during the year must be held in cash at year end. These amounts must be carried forward to be used for the same purposes in future years. During the fiscal year ended June 30, 2009, the reserve activity was as follows:

	<u>Textbooks/ Instructional Materials</u>	<u>Capital Maintenance</u>
Set-aside balance as of June 30, 2008	\$ (213,501)	\$ -
Current year set-aside requirement	565,541	565,541
Current year offsets	-	(772,657)
Qualifying disbursements	<u>(556,308)</u>	<u>(803,334)</u>
Total	<u>\$ (204,268)</u>	<u>\$ (1,010,450)</u>
Balance carried forward to fiscal year 2010	<u>\$ (204,268)</u>	<u>\$ -</u>

Although the District had offsets and qualifying disbursements during the year that reduced the capital maintenance set-aside amount below zero, this extra amount may not be used to reduce the set-aside requirement for future years. The District had offsets and qualifying disbursements during the year that reduced the textbooks/instructional materials set-aside amount below zero which may be used to reduce the set-aside requirement for future years.

A schedule of the restricted assets at June 30, 2009 follows:

Amount restricted for school bus purchases	<u>\$ 59,005</u>
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**TEAYS VALLEY LOCAL SCHOOL DISTRICT
PICKAWAY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2009
(Continued)**

NOTE 20 - CONTRACTUAL COMMITMENTS

As a result of the Ohio School Facilities Project that was in progress at June 30, 2009, the District had the following outstanding contractual commitments at fiscal year end:

<u>Vendor</u>	<u>Contract Amount</u>	<u>Amount Expended</u>	<u>Amount Outstanding</u>
Monarch	\$ 11,153,991	\$ (10,285,498)	\$ 868,493
TP Mechanical	1,164,587	(765,452)	399,135
General Temperature	5,878,955	(3,842,144)	2,036,811
Gutridge	3,261,733	(3,015,657)	246,076
Royal Electric	2,896,918	(2,520,134)	376,784
Tri-M Group	311,448	(155,641)	155,807
Industrial Communications	1,058,355	(386,200)	672,155
Crawford	449,678	(360,629)	89,049
LEPI	233,030	(191,529)	41,501
Summit	9,045,060	(5,517,569)	3,527,491
Claypool	1,895,869	(1,160,222)	735,647
Allman Brothers	1,482,864	(666,300)	816,564
Gutknecht	4,467,552	(1,152,367)	3,315,185
H&A Mechanical	1,352,559	(431,420)	921,139
Accurate	1,010,810	(302,445)	708,365
Mark Alland	1,052,603	(549,968)	502,635
Ruscilli Construction	<u>3,304,380</u>	<u>(2,145,518)</u>	<u>1,158,862</u>
Total Contractual Commitments	<u>\$ 50,020,392</u>	<u>\$ (33,448,693)</u>	<u>\$ 16,571,699</u>

NOTE 21 - SUBSEQUENT EVENT

On July 1, 2009, the District entered the Pickaway County Public Employees Benefit Program (the "PCPEB") to self insure its medical claims. The PCPEB's fiscal agent is Circleville CSD.

**TEAYS VALLEY LOCAL SCHOOL DISTRICT
PICKAWAY COUNTY**

**FEDERAL AWARDS RECEIPTS AND EXPENDITURES SCHEDULE
FOR THE YEAR ENDED JUNE 30, 2009**

Federal Grantor/ Pass Through Grantor Program Title	Grant Year	Federal CFDA Number	Receipts	Expenditures
<u>U.S. DEPARTMENT OF AGRICULTURE</u>				
<i>Passed Through Ohio Department of Education:</i>				
Child Nutrition Cluster:				
Non-Cash Assistance (Food Distribution):				
School Breakfast Program	2009	10.553	\$12,591	\$12,591
National School Lunch Program	2009	10.555	106,991	106,991
Cash Assistance:				
School Breakfast Program	2009	10.553	38,589	38,589
National School Lunch Program	2009	10.555	327,871	327,871
<i>Total Child Nutrition Cluster</i>			<u>486,042</u>	<u>486,042</u>
TOTAL U.S. DEPARTMENT OF AGRICULTURE			<u>486,042</u>	<u>486,042</u>
<u>U.S. DEPARTMENT OF EDUCATION</u>				
<i>Passed Through Ohio Department of Education:</i>				
Title I Grants to Local Educational Agencies				
Title I Grants to Local Educational Agencies	2008	84.010	50,666	59,246
Title I Grants to Local Educational Agencies	2009	84.010	297,970	325,867
<i>Total Title I Grants to Local Educational Agencies</i>			<u>348,636</u>	<u>385,113</u>
Special Education Grants to States:				
Special Education Grants to States	2008	84.027	76,904	79,032
Special Education Grants to States	2009	84.027	504,987	504,159
<i>Total Special Education Grants to States</i>			<u>581,891</u>	<u>583,191</u>
Special Education-Preschool Grants				
Special Education-Preschool Grants	2009	84.173	13,397	13,397
<i>Total Special Education-Preschool Grants</i>			<u>13,397</u>	<u>13,397</u>
<i>Total Special Education Cluster</i>			<u>595,288</u>	<u>596,588</u>
Safe and Drug-Free Schools and Communities State Grants				
Safe and Drug-Free Schools and Communities State Grants	2009	84.186	9,228	9,228
<i>Total Safe and Drug-Free Schools and Communities State Grants</i>			<u>9,228</u>	<u>9,228</u>
State Grants for Innovative Programs				
State Grants for Innovative Programs	2009	84.298	2,695	2,695
<i>Total State Grants for Innovative Programs</i>			<u>2,695</u>	<u>2,695</u>
Education Technology State Grants				
Education Technology State Grants	2008	84.318	2,626	2,970
Education Technology State Grants	2009	84.318	3,944	4,031
<i>Total Education Technology State Grants</i>			<u>6,570</u>	<u>7,001</u>
Improving Teacher Quality State Grants				
Improving Teacher Quality State Grants	2008	84.367	15,187	18,316
Improving Teacher Quality State Grants	2009	84.367	111,481	135,032
<i>Total Improving Teacher Quality State Grants</i>			<u>126,668</u>	<u>153,348</u>
Medical Assistance Grant				
Medical Assistance Grant	2009	93.778	123,927	0
<i>Total Medical Assistance Grant</i>			<u>123,927</u>	<u>0</u>
TOTAL U.S. DEPARTMENT OF EDUCATION			<u>1,213,012</u>	<u>1,153,973</u>
TOTALS			<u>\$1,699,054</u>	<u>\$1,640,015</u>

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

**TEAYS VALLEY LOCAL SCHOOL DISTRICT
PICKAWAY COUNTY**

**NOTES TO THE FEDERAL AWARDS RECEIPTS AND EXPENDITURES SCHEDULE
FISCAL YEAR ENDED JUNE 30, 2009**

NOTE A - SIGNIFICANT ACCOUNTING POLICIES

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

NOTE B - CHILD NUTRITION CLUSTER

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

NOTE C – FOOD DONATION PROGRAM

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

NOTE D – TRANSFERS

The District generally must spend Federal assistance within 15 months of receipt (funds must be obligated by June 30th and spent by September 30th). However, with approval of the Ohio Department of Education (ODE), the District can transfer unspent Federal assistance to the succeeding year, thus allowing the District a total of 27 months to spend the assistance. During fiscal year 2009, ODE authorized the following transfers from fiscal year 2008 grants to fiscal year 2009 grants:

CFDA		
<u>Number</u>	<u>Program Title</u>	<u>Amount</u>
84.318	Education Technology State Grants	\$501



Mary Taylor, CPA

Auditor of State

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

Teays Valley Local School District
Pickaway County
385 Circleville Avenue
Ashville, Ohio 43103

To the Board of Education:

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Teays Valley Local School District, Pickaway County, Ohio (the District) as of and for the year ended June 30, 2009, which collectively comprise the District's basic financial statements and have issued our report thereon dated January 21, 2010. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*.

Internal Control Over Financial Reporting

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

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

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

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

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We noted a certain internal control matter that we reported to the District's management in a separate letter dated January 21, 2010.

Compliance and Other Matters

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

We also noted certain noncompliance or other matters that we reported to the District's management in a separate letter dated January 21, 2010.

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

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

Mary Taylor, CPA
Auditor of State

January 21, 2010



Mary Taylor, CPA

Auditor of State

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

Teays Valley Local School District
Pickaway County
385 Circleville Avenue
Ashville, Ohio 43103

To the Board of Education:

Compliance

We have audited the compliance of the Teays Valley Local School District, Pickaway County, Ohio (the District) with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133, Compliance Supplement* that apply to each of its major federal programs for the year ended June 30, 2009. The summary of auditor's results section of the accompanying schedule of findings identifies the District's major federal programs. The District's management is responsible for complying with the requirements of laws, regulations, contracts, and grants applicable to each major federal program. Our responsibility is to express an opinion on the District's compliance based on our audit.

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

In our opinion, the Teays Valley Local School District complied, in all material respects, with the requirements referred to above that apply to each of its major federal programs for the year ended June 30, 2009.

Internal Control Over Compliance

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

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

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

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

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



Mary Taylor, CPA
Auditor of State

January 21, 2010

**TEAYS VALLEY LOCAL SCHOOL DISTRICT
PICKAWAY COUNTY**

**SCHEDULE OF FINDINGS
OMB CIRCULAR A -133 § .505
JUNE 30, 2009**

1. SUMMARY OF AUDITOR'S RESULTS

<i>(d)(1)(i)</i>	Type of Financial Statement Opinion	Unqualified
<i>(d)(1)(ii)</i>	Were there any material control weaknesses reported at the financial statement level (GAGAS)?	No
<i>(d)(1)(ii)</i>	Were there any other significant deficiencies in internal control reported at the financial statement level (GAGAS)?	No
<i>(d)(1)(iii)</i>	Was there any reported material noncompliance at the financial statement level (GAGAS)?	No
<i>(d)(1)(iv)</i>	Were there any material internal control weaknesses reported for major federal programs?	No
<i>(d)(1)(iv)</i>	Were there any other significant deficiencies in internal control reported for major federal programs?	No
<i>(d)(1)(v)</i>	Type of Major Programs' Compliance Opinion	Unqualified
<i>(d)(1)(vi)</i>	Are there any reportable findings under § .510?	No
<i>(d)(1)(vii)</i>	Major Programs (list):	Title I Grants to Local Education Agencies (CFDA #84.010) Special Education Grants to States (CFDA #84.027 and CFDA #84.173)
<i>(d)(1)(viii)</i>	Dollar Threshold: Type A\B Programs	Type A: > \$ 300,000 Type B: all others
<i>(d)(1)(ix)</i>	Low Risk Auditee?	No

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

None.

3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS

None.

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Mary Taylor, CPA

Auditor of State

Independent Accountant's Report on Applying Agreed-Upon Procedures

Teays Valley Local School District
Pickaway County
385 Circleville Avenue
Ashville, Ohio 43103

To the Board of Education:

Ohio Rev. Code Section 117.53 states "the auditor of state shall identify whether the school district or community school has adopted an anti-harassment policy in accordance with Section 3313.666 of the Revised Code. This determination shall be recorded in the audit report. The Auditor of State shall not prescribe the content or operation of any anti-harassment policy adopted by a school district or community school."

Accordingly, we have performed the procedures enumerated below, which were agreed to by the Board, solely to assist the Board in evaluating whether Teays Valley Local School District (The District) has adopted an anti-harassment policy in accordance with Ohio Rev. Code Section 3313.666. Management is responsible for complying with this requirement. This agreed-upon procedures engagement was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants. The sufficiency of these procedures is solely the responsibility of the Board. Consequently, we make no representation regarding the sufficiency of the procedures described below either for the purpose for which this report has been requested or for any other purpose.

1. We noted the Board adopted an anti-harassment policy at its meeting on April 23, 2007.
2. We read the policy, noting it included the following requirements from Ohio Rev. Code Section 3313.666(B):
 - (1) A procedure for reporting prohibited incidents;
 - (2) A statement prohibiting harassment, intimidation, or bullying of any student on school property or at school-sponsored events;
 - (3) A definition of harassment, intimidation, or bullying that shall include the definition in division (A) of Ohio Rev. Code Section 3313.666;
 - (4) A requirement that school personnel report prohibited incidents of which they are aware to the school principal or other administrator designated by the principal;

- (5) A requirement that the district administration semiannually provide the president of the district board a written summary of all reported incidents and post the summary on its web site, if the district has a web site, to the extent permitted by section 3319.321 of the Revised Code and the "Family Educational Rights and Privacy Act of 1974," 88 Stat. 571, 20 U.S.C. 1232q, as amended.
- (6) A procedure for documenting any prohibited incident that is reported.
- (7) A procedure for responding to and investigating any reported incident;
- (8) A strategy for protecting a victim from additional harassment, intimidation, or bullying, and from retaliation following a report;
- (9) A disciplinary procedure for any student guilty of harassment, intimidation, or bullying, which shall not infringe on any student's rights under the first amendment to the Constitution of the United States;
- (10) A requirement that parents or guardians of any student involved in a prohibited incident be notified and, to the extent permitted by Section 3319.321 of the Revised Code and the "Family Educational Rights and Privacy Act of 1974," 88 Stat. 571, 20 U.S.C. 1232q, as amended, have access to any written reports pertaining to the prohibited incident;

We were not engaged to and did not conduct an examination, the objective of which would be the expression of an opinion on compliance with the anti-harassment policy. Accordingly, we do not express such an opinion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

This report is intended solely for the information and use of the Board of Education and is not intended to be and should not be used by anyone other than these specified parties.



Mary Taylor, CPA
Auditor of State

January 21, 2010



Mary Taylor, CPA
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
FEBRUARY 9, 2010