



**VALLEY VIEW LOCAL SCHOOL DISTRICT  
MONTGOMERY COUNTY**

**SINGLE AUDIT**

**FOR THE YEAR ENDED JUNE 30, 2006**



**Auditor of State  
Betty Montgomery**





Mary Taylor, CPA  
Auditor of State

January 19, 2007

The attached audit report was completed and prepared for release prior to the commencement of my term of office on January 8, 2007. Thus, I am certifying this audit report for release under the signature of my predecessor.

*Mary Taylor*

MARY TAYLOR, CPA  
Auditor of State

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**VALLEY VIEW LOCAL SCHOOL DISTRICT  
MONTGOMERY COUNTY**

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## Auditor of State Betty Montgomery

### INDEPENDENT ACCOUNTANTS' REPORT

Valley View Local School District  
Montgomery County  
64 Comstock Avenue  
Germantown, Ohio 45327

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 Valley View Local School District, Montgomery County, (the District), as of and for the fiscal year ended June 30, 2006, 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 District, as of June 30, 2006, and the respective changes in financial position thereof and the respective budgetary comparison for the General Fund, for the fiscal 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 December 21, 2006, on our consideration of the District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. While we did not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting and compliance and the results of that testing. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*. You should read it in conjunction with this report in assessing the results of our audit.

Management's Discussion and Analysis is not a required part of the basic financial statements but is supplementary information 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 Schedule of Federal Awards Receipts and Expenditures (the Schedule) is required by *U.S. Office of Management and Budget Circular A-133, Audits of States, Local Government, and Non-Profit Organizations*, and is not a required part of the basic financial statements. We subjected the 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 black ink that reads "Betty Montgomery". The signature is written in a cursive, flowing style.

**Betty Montgomery**  
Auditor of State

December 21, 2006



**VALLEY VIEW LOCAL SCHOOL DISTRICT  
MONTGOMERY COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2006**

The discussion and analysis of the Valley View 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, 2006. 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 2006 are as follows:

- In total, net assets of governmental activities increased \$1,740,354 which represents a 32.57% increase from 2005.
- General revenues accounted for \$16,540,159 in revenue or 89.03% of all revenues. Program specific revenues in the form of charges for services and sales, grants and contributions accounted for \$2,038,492 or 10.97% for total revenues of \$18,578,651.
- The District had \$16,838,297 in expenses related to governmental activities; only \$2,038,492 of these expenses was offset by program specific charges for services, grants or contributions. General revenues supporting governmental activities (primarily taxes and unrestricted grants and entitlements) of \$16,540,159 were adequate to provide for these programs.
- The District's major governmental funds are the General Fund and the Dursch Jackson scholarship permanent fund. The General Fund had \$16,916,094 in revenues and \$15,002,451 in expenditures and other financing uses. During fiscal 2006, the general fund's fund balance, increased \$1,913,643 from \$1,816,310 to \$3,729,953.
- The Dursch Jackson scholarship permanent fund had \$14,235 in revenues and \$15,304 in expenditures. During fiscal 2006, the Dursch Jackson scholarship permanent fund's fund balance, decreased \$1,069 from \$1,071,992 to \$1,070,923.

**Using the 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 non-major funds presented in total in one column. In the case of the District, the general fund and Dursch Jackson scholarship permanent fund are by far the most significant funds, and the only governmental funds reported as major funds.

**VALLEY VIEW LOCAL SCHOOL DISTRICT  
MONTGOMERY COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2006  
(Continued)**

**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 2006?" 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, 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 of non-instructional services, extracurricular activities, latchkey and food service operations.

The District's statement of net assets and statement of activities can be found on pages 13-14 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 9. 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 Dursch Jackson scholarship permanent 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* than 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 15-19 of this report.

**VALLEY VIEW LOCAL SCHOOL DISTRICT  
MONTGOMERY COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2006  
(Continued)**

**Reporting the District's Fiduciary Responsibilities**

The District is the trustee, or fiduciary, for 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. These activities are reported in an agency fund. All of the District's fiduciary activities are reported in separate Statements of Fiduciary Net Assets and Changes in Fiduciary Net Assets on pages 20 and 21. 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 23-46 of this report.

**The District as a Whole**

The Statement of Net Assets provides the perspective of the District as a whole.

The table below provides a summary of the District's net assets for 2006 and 2005.

<b>Net Assets</b>		
	<b>Governmental Activities 2006</b>	<b>Governmental Activities 2005</b>
<b>Assets</b>		
Current and other assets	\$12,253,960	\$9,491,119
Capital assets	3,819,868	4,099,212
<b>Total assets</b>	<b>16,073,828</b>	<b>13,590,331</b>
<b>Liabilities</b>		
Current liabilities	7,104,135	6,176,632
Long-term liabilities	1,885,743	2,070,103
<b>Total liabilities</b>	<b>8,989,878</b>	<b>8,246,735</b>
<b>Net Assets</b>		
Invested in capital assets, net of related debt	2,902,287	3,975,572
Restricted	1,204,607	1,177,487
Unrestricted	2,977,056	190,537
<b>Total net assets</b>	<b>\$7,083,950</b>	<b>\$5,343,596</b>

Over time, net assets can serve as a useful indicator of a government's financial position. At June 30, 2006, the District's assets exceeded liabilities by \$7,083,950. At year-end, restricted net assets were \$1,204,607.

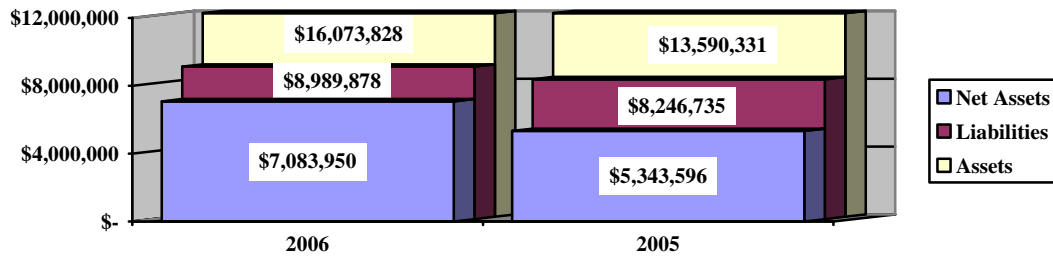
**VALLEY VIEW LOCAL SCHOOL DISTRICT  
MONTGOMERY COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2006  
(Continued)**

At year-end, capital assets represented 23.76% of total assets. Capital assets include land, land improvements, buildings and improvements, furniture and equipment and vehicles. Capital assets, net of related debt to acquire the assets at June 30, 2006, were \$2,902,287. 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.

The remaining balance of unrestricted net assets of \$2,977,056 may be used to meet the District's ongoing obligations to the students and creditors.

**Governmental Activities**



The table below shows the change in net assets for fiscal years 2006 and 2005.

**Change in Net Assets**

	<b>Governmental Activities 2006</b>	<b>Governmental Activities 2005</b>
<b>Revenues</b>		
<b>Program revenues:</b>		
Charges for services and sales	\$1,318,217	\$1,182,748
Operating grants and contributions	696,595	698,691
Capital grants and contributions	23,680	
<b>General revenues:</b>		
Property taxes	7,529,117	6,970,702
Grants and entitlements	8,798,327	8,345,795
Investment earnings	190,348	121,919
Other	22,367	210,882
<b>Total revenues</b>	<b>\$18,578,651</b>	<b>\$17,530,737</b>

**VALLEY VIEW LOCAL SCHOOL DISTRICT  
MONTGOMERY COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2006  
(Continued)**

**Change in Net Assets  
(Continued)**

	<b>Governmental Activities 2006</b>	<b>Governmental Activities 2005</b>
<b>Expenses</b>		
<b>Program expenses:</b>		
Instruction:		
Regular	\$7,094,381	\$6,839,881
Special	1,308,642	1,186,247
Vocational	375,518	338,113
Other	315,542	238,138
<b>Support services:</b>		
Pupil	1,028,346	1,006,477
Instructional staff	681,937	554,683
Board of education	21,248	12,184
Administration	1,558,043	1,388,856
Fiscal	252,534	248,646
Business	17,843	12,664
Operations and maintenance	1,390,296	1,362,690
Pupil transportation	947,471	837,098
Central	385,402	417,580
Extracurricular activities	588,038	617,652
Food service operations	720,102	716,215
Latchkey operations	83,372	74,500
Interest and fiscal charges	69,582	88,267
<b>Total expenses</b>	<b>16,838,297</b>	<b>15,939,891</b>
<b>Change in net assets</b>	<b>1,740,354</b>	<b>1,590,846</b>
<b>Net assets at beginning of year</b>	<b>5,343,596</b>	<b>3,752,750</b>
<b>Net assets at end of year</b>	<b>\$7,083,950</b>	<b>\$5,343,596</b>

**Governmental Activities**

Net assets of the District's governmental activities increased \$1,740,354. Total governmental expenses of \$16,838,297 were offset by program revenues of \$2,038,492 and general revenues of \$16,540,159. Program revenues supported 12.11% of the total governmental expenses.

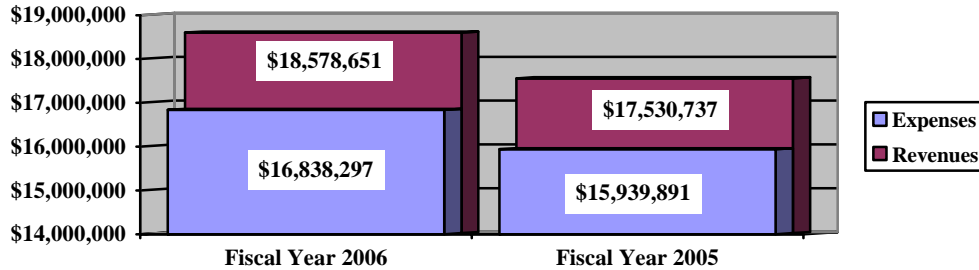
The primary sources of revenue for governmental activities are derived from property taxes, a school district income tax, and grants and entitlements. These revenue sources represent 87.88% of total governmental revenue. Real estate property is reappraised every six years and the school district income tax rate is 1.25%

**VALLEY VIEW LOCAL SCHOOL DISTRICT  
MONTGOMERY COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2006  
(Continued)**

The graph below presents the District's governmental activities revenue and expenses for fiscal year 2006 and 2005.

**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.

	<b>Governmental Activities</b>			
	<b>Total Cost of Services 2006</b>	<b>Net Cost of Services 2006</b>	<b>Total Cost of Services 2005</b>	<b>Net Cost of Services 2005</b>
<b>Program expenses</b>				
<b>Instruction:</b>				
Regular	\$7,094,381	\$6,710,352	\$6,839,881	\$6,521,440
Special	1,308,642	1,002,643	1,186,247	885,759
Vocational	375,518	375,394	338,113	338,095
Other	315,542	311,542	238,138	203,165
<b>Support services:</b>				
Pupil	1,028,346	785,269	1,006,477	857,154
Instructional staff	681,937	660,990	554,683	548,866
Board of education	21,248	21,248	12,184	12,184
Administration	1,558,043	1,557,071	1,388,856	1,384,340
Fiscal	252,534	251,134	248,646	246,883
Business	17,843	17,843	12,664	12,664
Operations and maintenance	1,390,296	1,377,362	1,362,690	1,362,620
Pupil transportation	947,471	888,644	837,098	791,498
Central	385,402	378,657	417,580	399,369
Extracurricular activities	588,038	359,024	617,652	329,647
Food service operations	720,102	28,378	716,215	2,001
Latchkey operations	83,372	4,672	74,500	74,500
Interest and fiscal charges	69,582	69,582	88,267	88,267
<b>Total expenses</b>	<b>\$16,838,297</b>	<b>\$14,799,805</b>	<b>\$15,939,891</b>	<b>\$14,058,452</b>

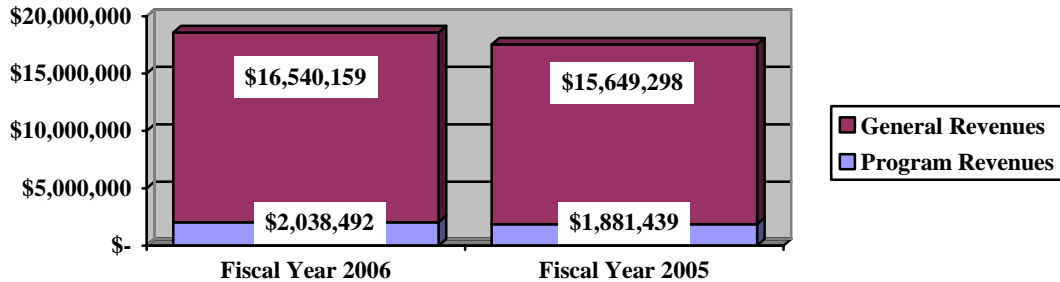
The dependence upon tax and other general revenues for governmental activities is apparent, 92.37% of instruction activities are supported through taxes and other general revenues. For all governmental activities, general revenue support is 87.89%. The District's taxpayers, as a whole, are by far the primary support for District's students.

**VALLEY VIEW LOCAL SCHOOL DISTRICT  
MONTGOMERY COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2006  
(Continued)**

The graph below presents the District's governmental activities revenue for fiscal years 2006 and 2005.

**Governmental Activities - General and Program Revenues**



**The District's Funds**

The District's governmental funds (as presented on page 16) reported a combined fund balance of \$4,861,871, which is higher than last year's total of \$2,950,595. The schedule below indicates the fund balance and the total change in fund balance as of June 30, 2006 and 2005.

	<u>Fund Balance June 30, 2006</u>	<u>Fund Balance June 30, 2005</u>	<u>Increase Decrease</u>
General	\$3,729,953	\$1,816,310	\$1,913,643
Dursch Jackson Scholarship	1,070,923	1,071,992	(1,069)
Other Governmental	60,995	62,293	(1,298)
<b>Total</b>	<u><u>\$4,861,871</u></u>	<u><u>\$2,950,595</u></u>	<u><u>\$1,911,276</u></u>

**General Fund**

The District's general fund's fund balance increased \$1,913,643. The table that follows assists in illustrating the financial activities and fund balance of the general fund.

	<u>2006 Amount</u>	<u>2005 Amount</u>	<u>Percentage Change</u>
<b>Revenues</b>			
Taxes	\$7,541,572	\$7,076,983	6.56 %
Tuition	179,590	147,463	21.79 %
Earnings on investments	168,159	80,603	108.63 %
Intergovernmental	8,798,327	8,345,795	5.42 %
Other revenues	228,446	271,490	(15.85) %
<b>Total</b>	<u><u>16,916,094</u></u>	<u><u>15,922,334</u></u>	6.24 %
<b>Expenditures</b>			
Instruction	8,551,182	8,150,804	4.91 %
Support services	5,874,856	5,534,430	6.15 %
Extracurricular activities	340,966	396,495	(14.00) %
Debt Service	195,447	380,803	(48.68) %
<b>Total</b>	<u><u>\$14,962,451</u></u>	<u><u>\$14,462,532</u></u>	3.46 %

**VALLEY VIEW LOCAL SCHOOL DISTRICT  
MONTGOMERY COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2006  
(Continued)**

**Dursch Jackson Scholarship Fund**

The Dursch Jackson Scholarship Permanent Fund had \$14,235 in revenues and \$15,304 in expenditures. During fiscal 2006, the Dursch Jackson scholarship permanent fund's fund balance, decreased \$1,069 from \$1,071,992 to \$1,070,923.

**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 2006, the District amended its general fund budget numerous times. For the general fund, final budgeted revenues and other financing sources were \$17,201,691, which is greater than the original budgeted revenues estimate of \$16,089,601. Actual revenues and other financing sources for fiscal 2006 was \$17,201,691, which was the same as the final budgeted revenues and other financing sources.

General fund original appropriations (appropriated expenditures plus other financing uses) of \$15,417,479 were decreased to \$15,065,788 in the final budget. The actual budget basis expenditures and other financing uses for fiscal year 2006 totaled \$15,065,788, which was the same as the final budget appropriations.

**Capital Assets and Debt Administration**

**Capital Assets**

At the end of fiscal 2006, the District had \$3,819,868 invested in land, land improvements, buildings and improvements, furniture and equipment, and vehicles. This entire amount is reported in governmental activities. The following table shows fiscal 2006 balances compared to 2005:

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

	<b>Governmental Activities</b>	
	<b>2006</b>	<b>2005</b>
Land	\$436,936	\$419,243
Land improvements	255,405	277,920
Building and improvements	2,514,713	2,631,820
Furniture and equipment	464,006	575,676
Vehicles	148,808	194,553
Total	\$3,819,868	\$4,099,212

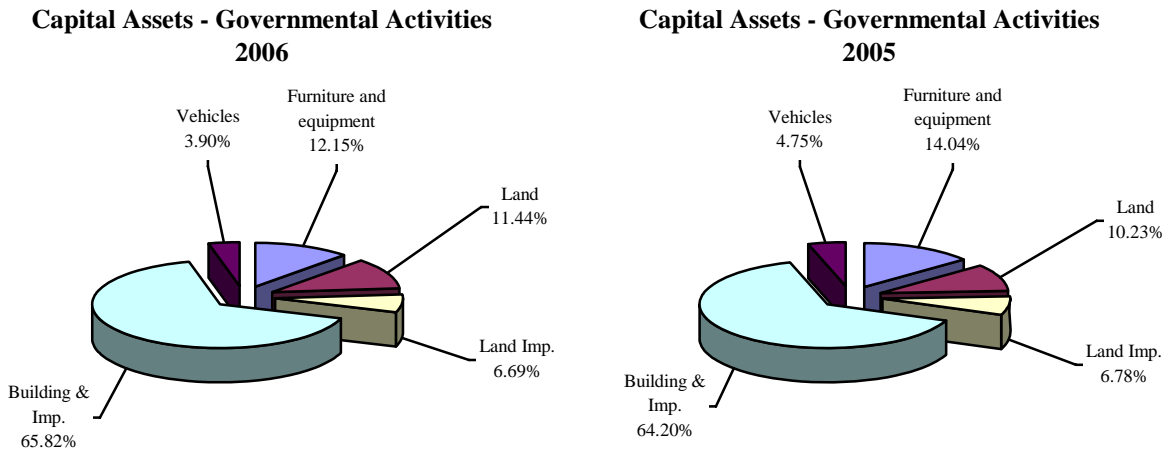
Total additions to capital assets for 2006 were \$42,693. The District recorded \$322,037 in depreciation expense for fiscal 2006.



**VALLEY VIEW LOCAL SCHOOL DISTRICT  
MONTGOMERY COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2006  
(Continued)**

The following graphs show the breakdown governmental activities capital assets by category for 2006 and 2005.



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

**Debt Administration**

At June 30, 2006, the District had \$114,743 in general obligation bonds outstanding. Of this total, \$9,531 is due within one year and \$105,212 is due within greater than one year.

The following table summarizes the bonds and notes outstanding.

**Outstanding Debt, at Year End**

	<b>Governmental Activities 2006</b>	<b>Governmental Activities 2005</b>
General obligation bonds	<u>\$114,743</u>	<u>\$123,640</u>
Total	<u><u>\$114,743</u></u>	<u><u>\$123,640</u></u>

The general obligation bonds are scheduled to mature in fiscal year 2015 and bear an interest rate of 6.90%. Payment of principal and interest on the general obligation bonds are being made from the general fund.

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

**VALLEY VIEW LOCAL SCHOOL DISTRICT  
MONTGOMERY COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2006  
(Continued)**

**Current Financial Related Activities**

The Valley View Local School District continued to provide excellent services to our students, parents and community in fiscal year 2006 while spending less than the average Ohio school district. The Board of Education and management team have carefully managed General Fund budgets in order to minimize the need for additional local support. Prior to fiscal year 2006, an Emergency Levy of an additional 5.25 mills was approved in August, 2004. The prudent management of district funds had allowed the District to fund student achievement without levying additional taxes to the local community for over nine years.

The District demonstrated continued success in fiscal year 2006 as indicated by the "effective" designation of our District on the Ohio Department of Education district report card. We maintained our effective rating with a combination of performance indicators (22 out of 25) and the performance index score (98.7). The District was able to provide the services necessary to obtain the student achievement while spending \$1,034 less than the average Ohio school district.

The District has a low industry base and relies heavily on residential support for local funding. The District operated at the 20 mill floor in fiscal year 2005, effectively collecting only 20 mills of property taxes on a total millage rate of 38.66 mills. The District also relies on two school district income tax levies that total 1.25%. A five-year .75% income tax levy was renewed on May 3, 2005 for calendar years 2006-2010 and a five-year .50% income tax levy was renewed in May, 2006 for calendar years 2007-2011. The passage of the .50% income tax renewal levy in 2006 was critical to the continued successful operations of the District.

The District relies significantly on funding from the State of Ohio due to the low local valuation of primarily residential development. The primary source of state funding is the state foundation program, which funded the District at a state funding share of 59.02% in fiscal year 2006. The District experienced a state budget cut to the foundation program of \$97,038.95 in March of 2003 for fiscal year 2003 that reduced the payments in April, May and June of 2003. The district also suffered losses due to several legislative actions, including HB 95 that reduced revenue for fiscal year 2005 and beyond and HB 66, which overhauled the business taxation system for the State beginning 07/01/05 and initiated the phase out of the collection of tangible personal property taxes for the district. Due to HB 66, the district was slated to receive no revenue growth for the next two years based on the state's projected enrollment for the district. The district is anticipating some revenue growth from the state foundation program due to escalating enrollment for fiscal year 2006 and beyond as new housing developments continue in the community. Federal funding was reduced in fiscal year 2005 and in all but one program in fiscal year 2006. The future of both State and Federal funding has been difficult to predict and the future of both is unknown.

**Contacting the District's Financial Management**

This financial report is designed to provide our citizen's taxpayers, and investors and creditors with a general overview of the District's finances and to show the District's accountability for the money it receives. If you have questions about this report or need additional financial information contact Ms. Carolyn Garver, Treasurer, Valley View Local School District, 64 Comstock Ave., Germantown, Ohio 45327.

**VALLEY VIEW LOCAL SCHOOL DISTRICT  
MONTGOMERY COUNTY**

**STATEMENT OF NET ASSETS  
JUNE 30, 2006**

	<b>Governmental Activities</b>
<b>Assets:</b>	
Equity in pooled cash and cash equivalents	\$4,892,265
Investments	1,021,002
<b>Receivables:</b>	
Taxes	6,242,552
Accounts	45,762
Accrued interest	16,855
Intergovernmental	23,424
Prepayments	7,463
Materials and supplies inventory	4,637
Capital assets:	
Land	436,936
Depreciable capital assets, net	3,382,932
Total capital assets, net	3,819,868
 Total assets	 16,073,828
 <b>Liabilities:</b>	
Accounts payable	204,878
Accrued wages and benefits	1,546,288
Pension obligation payable	364,489
Intergovernmental payable	94,379
Deferred revenue	4,894,101
Long-term liabilities:	
Due within one year	270,325
Due within more than one year	1,615,418
Total liabilities	8,989,878
 <b>Net Assets:</b>	
Invested in capital assets, net of related debt	2,902,287
Restricted for:	
Scholarships:	
Nonexpendable	1,044,984
Expendable	32,092
Capital projects	243
Locally funded programs	7,454
State funded programs	13,541
Federally funded programs	8,705
Student activities	76,958
Other purposes	20,630
Unrestricted	2,977,056
 Total net assets	 \$7,083,950

*See accompanying notes to the basic financial statements.*

**VALLEY VIEW LOCAL SCHOOL DISTRICT  
MONTGOMERY COUNTY**

**STATEMENT OF ACTIVITIES  
FOR THE FISCAL YEAR ENDED JUNE 30, 2006**

		Program Revenues			<b>Net (Expense) Revenue and Changes in Net Assets</b>
	Expenses	Charges for Services and Sales	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities
<b>Governmental activities:</b>					
<b>Instruction:</b>					
Regular	\$7,094,381	\$290,022	\$70,327	\$23,680	(\$6,710,352)
Special	1,308,642		305,999		(1,002,643)
Vocational	375,518		124		(375,394)
Other	315,542		4,000		(311,542)
<b>Support services:</b>					
Pupil	1,028,346	105,855	137,222		(785,269)
Instructional staff	681,937		20,947		(660,990)
Board of education	21,248				(21,248)
Administration	1,558,043		972		(1,557,071)
Fiscal	252,534		1,400		(251,134)
Business	17,843				(17,843)
Operations and maintenance	1,390,296	200	12,734		(1,377,362)
Pupil transportation	947,471	58,827			(888,644)
Central	385,402		6,745		(378,657)
Extracurricular activities	588,038	221,624	7,390		(359,024)
Food service operations	720,102	562,989	128,735		(28,378)
Latchkey operations	83,372	78,700			(4,672)
Interest and fiscal charges	69,582				(69,582)
<b>Total governmental activities</b>	<b>\$16,838,297</b>	<b>\$1,318,217</b>	<b>\$696,595</b>	<b>\$23,680</b>	<b>(14,799,805)</b>
<b>General Revenues:</b>					
Taxes levied for:					
					7,529,117
					8,798,327
					190,348
					22,367
					<b>16,540,159</b>
					1,740,354
					<b>5,343,596</b>
					<b>\$7,083,950</b>

See accompanying notes to the basic financial statements.

**VALLEY VIEW LOCAL SCHOOL DISTRICT  
MONTGOMERY COUNTY**

**BALANCE SHEET  
GOVERNMENTAL FUNDS  
JUNE 30, 2006**

	<u>General</u>	<u>Dursch Jackson Scholarship</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
<b>Assets:</b>				
Equity in pooled cash and cash equivalents	\$4,642,685	\$49,921	\$199,659	\$4,892,265
Investments		1,021,002		1,021,002
<b>Receivables:</b>				
Taxes	6,242,552			6,242,552
Accounts	44,272		1,490	45,762
Intergovernmental			23,424	23,424
Accrued interest	10,702	6,153		16,855
Interfund loans	29,482			29,482
Prepayments	7,463			7,463
Materials and supplies inventory			4,637	4,637
<b>Total assets</b>	<u>10,977,156</u>	<u>1,077,076</u>	<u>229,210</u>	<u>12,283,442</u>
<b>Liabilities:</b>				
Accounts payable	201,606		3,272	204,878
Accrued wages and benefits	1,453,606		92,682	1,546,288
Compensated absences payable	104,923			104,923
Interfund loans payable			29,482	29,482
Pension obligation payable	326,546		37,943	364,489
Intergovernmental payable	92,723		1,656	94,379
Deferred revenue	5,067,799	6,153	3,180	5,077,132
<b>Total liabilities</b>	<u>7,247,203</u>	<u>6,153</u>	<u>168,215</u>	<u>7,421,571</u>
<b>Fund Balances:</b>				
Reserved for encumbrances	137,860		30,695	168,555
Reserved for materials and supplies inventory			4,637	4,637
Reserved for property tax unavailable for appropriation	175,128			175,128
Reserved for prepayments	7,463			7,463
Reserved for scholarships		1,044,984		1,044,984
Reserved for unclaimed monies	9,630			9,630
<b>Unreserved, undesignated, reported in:</b>				
General fund	3,399,872			3,399,872
Special revenue funds			25,420	25,420
Capital project funds			243	243
Permanent fund		25,939		25,939
<b>Total fund balances</b>	<u>3,729,953</u>	<u>1,070,923</u>	<u>60,995</u>	<u>4,861,871</u>
<b>Total liabilities and fund balances</b>	<u>\$10,977,156</u>	<u>\$1,077,076</u>	<u>\$229,210</u>	<u>\$12,283,442</u>

See accompanying notes to the basic financial statements.

**VALLEY VIEW LOCAL SCHOOL DISTRICT  
MONTGOMERY COUNTY**

**RECONCILIATION OF TOTAL GOVERNMENTAL FUND BALANCES TO  
NET ASSETS OF GOVERNMENTAL ACTIVITIES  
JUNE 30, 2006**

<b>Total governmental fund balances</b>		<b>\$4,861,871</b>
<b>Amounts reported for governmental activities in the statement of net assets are different because:</b>		
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.		3,819,868
Other long-term assets are not available to pay for current-period expenditures and therefore are deferred in the funds.		
Taxes	\$169,374	
Intergovernmental	3,180	
Accrued interest	10,477	
	<hr/>	
Total		183,031
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	114,743	
Capital lease obligation	802,838	
Compensated absences	863,239	
	<hr/>	
Total		<u>(1,780,820)</u>
<b>Net assets of governmental activities</b>		<b><u><u>\$7,083,950</u></u></b>

*See accompanying notes to the basic financial statements.*

**VALLEY VIEW LOCAL SCHOOL DISTRICT  
MONTGOMERY COUNTY**

**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES  
GOVERNMENTAL FUNDS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2006**

	<u>General</u>	<u>Dursch Jackson Scholarship</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
<b>Revenues:</b>				
<b>From local sources:</b>				
Taxes	\$7,541,572			\$7,541,572
Tuition	179,590			179,590
Earnings on investments	168,159	14,235	3,265	185,659
Charges for services			562,989	562,989
Transportation fees	58,827			58,827
Classroom materials and fees	110,432			110,432
Extracurricular	39,787		288,630	328,417
Other local revenues	19,400		99,610	119,010
Intergovernmental - State	8,798,327		53,429	8,851,756
Intergovernmental - Federal			644,985	644,985
<b>Total revenue</b>	<b>16,916,094</b>	<b>14,235</b>	<b>1,652,908</b>	<b>18,583,237</b>
<b>Expenditures:</b>				
<b>Current:</b>				
<b>Instruction:</b>				
Regular	6,928,475		86,394	7,014,869
Special	976,635		304,015	1,280,650
Vocational	334,505		75	334,580
Other	311,567		3,975	315,542
<b>Support Services:</b>				
Pupil	806,139		227,461	1,033,600
Instructional staff	645,066		23,728	668,794
Board of education	21,248			21,248
Administration	1,544,825		1,004	1,545,829
Fiscal	253,667		1,500	255,167
Business	17,843			17,843
Operations and maintenance	1,403,782		12,734	1,416,516
Pupil transportation	883,656			883,656
Central	298,630		50,420	349,050
Extracurricular activities	340,966	15,304	194,567	550,837
Food service operations			704,413	704,413
Latchkey operations			83,372	83,372
<b>Debt service:</b>				
Principal retirement	125,865			125,865
Interest and fiscal charges	69,582			69,582
<b>Total expenditures</b>	<b>14,962,451</b>	<b>15,304</b>	<b>1,693,658</b>	<b>16,671,413</b>
Revenues over (under) expenditures.	1,953,643	(1,069)	(40,750)	1,911,824
<b>Other financing sources (uses):</b>				
Transfers in			40,000	40,000
Transfers (out)	(40,000)			(40,000)
<b>Total other financing sources (uses)</b>	<b>(40,000)</b>		<b>40,000</b>	
Net change in fund balances	1,913,643	(1,069)	(750)	1,911,824
<b>Fund balances at beginning of year</b>	<b>1,816,310</b>	<b>1,071,992</b>	<b>62,293</b>	<b>2,950,595</b>
<b>Decrease in reserve for inventory</b>			<b>(548)</b>	<b>(548)</b>
<b>Fund balances at end of year</b>	<b>\$3,729,953</b>	<b>\$1,070,923</b>	<b>\$60,995</b>	<b>\$4,861,871</b>

See accompanying notes to the basic financial statements.

**VALLEY VIEW LOCAL SCHOOL DISTRICT  
MONTGOMERY 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, 2006**

**Net change in fund balances - total governmental funds** \$1,911,824

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

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

Capital asset additions	\$42,693	
Current year depreciation	<u>(322,037)</u>	
Total		(279,344)

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

Taxes	(12,455)	
Intergovernmental	3,180	
Accrued interest	<u>4,689</u>	
Total		(4,586)

Repayment of bonds and capital lease obligations are expenditures  
in the governmental funds, but these repayments reduce long-term  
liabilities on the statement of net assets.

125,865

Governmental funds report expenditures for inventory when  
purchased, however, in the statement of activities, they are  
reported as expenses when consumed.

(548)

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.

(12,857)

**Change in net assets of governmental activities**

\$1,740,354

*See accompanying notes to the basic financial statements.*



**VALLEY VIEW LOCAL SCHOOL DISTRICT  
MONTGOMERY 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, 2006**

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
<b>Revenues:</b>				
<b>From local sources:</b>				
Taxes	\$7,229,423	\$7,729,110	\$7,729,110	
Tuition	167,494	179,071	179,071	
Transportation fees	46,017	49,198	49,198	
Earnings on investments	137,987	147,524	147,524	
Extracurricular Activities	42,604	45,549	45,549	
Classroom materials and fees	103,362	110,506	110,506	
Other local revenues	17,635	18,854	18,854	
Intergovernmental - State	8,229,515	8,798,327	8,798,327	
<b>Total Revenue</b>	<u>15,974,037</u>	<u>17,078,139</u>	<u>17,078,139</u>	
<b>Expenditures:</b>				
<b>Current:</b>				
<b>Instruction:</b>				
Regular	7,184,564	7,020,677	7,020,677	
Special	1,038,120	1,014,439	1,014,439	
Vocational	342,765	334,946	334,946	
Other	307,123	300,117	300,117	
<b>Support Services:</b>				
Pupil	784,602	766,704	766,704	
Instructional staff	654,111	639,190	639,190	
Board of education	19,445	19,001	19,001	
Administration	1,609,162	1,572,455	1,572,455	
Fiscal	266,951	260,862	260,862	
Business	18,260	17,843	17,843	
Operations and maintenance	1,471,915	1,438,339	1,438,339	
Pupil transportation	882,597	862,464	862,464	
Central	292,326	285,658	285,658	
Extracurricular activities	380,022	371,353	371,353	
<b>Debt service:</b>				
Principal retirement	56,905	55,607	55,607	
Interest and fiscal charges	52,857	51,651	51,651	
<b>Total Expenditures</b>	<u>15,361,725</u>	<u>15,011,306</u>	<u>15,011,306</u>	
Excess of revenues over expenditures	<u>612,312</u>	<u>2,066,833</u>	<u>2,066,833</u>	
<b>Other financing sources (uses):</b>				
Refund of prior year expenditure	102,937	110,052	110,052	
Transfers out	(40,934)	(40,000)	(40,000)	
Advances in	12,627	13,500	13,500	
Advances out	(14,820)	(14,482)	(14,482)	
<b>Total other financing sources (uses)</b>	<u>59,810</u>	<u>69,070</u>	<u>69,070</u>	
Net change in fund balance	672,122	2,135,903	2,135,903	
<b>Fund balance at beginning of year</b>	2,271,234	2,271,234	2,271,234	
<b>Prior year encumbrances appropriated</b>	<u>74,395</u>	<u>74,395</u>	<u>74,395</u>	
<b>Fund balance at end of year</b>	<u>\$3,017,751</u>	<u>\$4,481,532</u>	<u>\$4,481,532</u>	<u>\$0</u>

See accompanying notes to the basic financial statements.

**VALLEY VIEW LOCAL SCHOOL DISTRICT  
MONTGOMERY COUNTY**

**STATEMENT OF FIDUCIARY NET ASSETS  
FIDUCIARY FUNDS  
JUNE 30, 2006**

	<b>Private-Purpose Trust</b>		<b>Agency</b>
	<b>Scholarship</b>		<b>Agency</b>
<b>Assets:</b>			
Equity in pooled cash and cash equivalents	\$75,509		\$53,532
<b>Receivables:</b>			
Accounts			56
Total assets	75,509		53,588
<b>Liabilities:</b>			
Accounts payable			320
Due to students			53,268
Total liabilities			\$53,588
<b>Net Assets:</b>			
Held in trust for scholarships	75,509		
Total net assets	\$75,509		

*See accompanying notes to the basic financial statements.*

VALLEY VIEW LOCAL SCHOOL DISTRICT  
MONTGOMERY COUNTY

STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS  
FIDUCIARY FUND  
FOR THE FISCAL YEAR ENDED JUNE 30, 2006

	<u>Private-Purpose Trust</u>	<u>Scholarship</u>
<b>Additions:</b>		
Interest	\$2,153	
Gifts and contributions	<u>3,320</u>	
Total additions	<u>5,473</u>	
<b>Deductions:</b>		
Scholarships awarded	<u>5,450</u>	
Change in net assets	23	
<b>Net assets at beginning of year</b>	<u>75,486</u>	
<b>Net assets at end of year</b>	<u><u>\$75,509</u></u>	

*See accompanying notes to the basic financial statements.*

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**VALLEY VIEW LOCAL SCHOOL DISTRICT  
MONTGOMERY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2006**

**1. DESCRIPTION OF THE SCHOOL DISTRICT**

The Valley View Local School District (the "District") is located in Montgomery County and encompasses the Villages of Germantown, Carlisle and Farmersville and the Townships of German, Jackson, Jefferson, Miami and Gratis. The District serves an area of approximately 68 square miles.

The District was established through the consolidation of existing land areas and school districts and is organized under Section 2 and 3, Article VI of the Constitution of the State of Ohio. Under such laws there is no authority for a school district to have a charter or adopt local laws. The legislative power of the District is vested in the Board of Education, consisting of five members elected at large for staggered four-year terms.

The District ranks as the 268<sup>th</sup> largest by enrollment among the 613 public school districts in the state. It currently operates two elementary schools, one middle school, and one comprehensive high school. The District employs 105 non-certified and 132 certified employees to provide services to 2,079 students in grades K through 12 and various community groups.

**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 activities 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", and as amended by GASB Statement No. 39, "Determining Whether Certain Organizations Are Component Units". The reporting entity is comprised of the primary government, component units and other organization's that are included to ensure that the basic financial statements of the District are not misleading. 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, foods 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 organizations 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. 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). The following organizations are described due to their relationship to the District:

**VALLEY VIEW LOCAL SCHOOL DISTRICT  
MONTGOMERY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2006  
(Continued)**

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**1. Jointly Governed Organizations**

**Miami Valley Career Tech Vocational School**

The vocational school district is a separate body politic and corporate, established by the Ohio Revised Code (ORC) to provide for the vocational and special education needs of its students. The Board of Education is comprised of 17 members elected from the 27 participating school districts. The school accepts non-tuition students from the District as a member school, however, it is considered to be a separate political subdivision and not part of the District. Financial information is available from Debbie Whitton, Treasurer, at 6800 Hoke Road, Clayton, Ohio 45315.

**Southwestern Ohio Educational Purchasing Cooperative (SOEPC)**

SOEPC is a purchasing cooperative made up of nearly 100 school districts in Montgomery and surrounding counties. The Montgomery County Educational Service Center acts as fiscal agent for the group. The purpose of the cooperative is to obtain lower prices for supplies and materials commonly used by the member districts. The members are obligated to pay all fees, charges, and assessments as established by SOEPC. Each member district has one voting representative. Title to any and all equipment and supplies purchased by SOEPC is held in trust for the member districts by the fiscal agent. Any district withdrawing from SOEPC shall forfeit its claim to any and all SOEPC assets. One year of prior notice is necessary for withdrawal from the group. During this time, the withdrawing member is liable for all member obligations. Payments to SOEPC are made from the District's General fund. Financial information is available from SOEPC by contacting Robert Brown, Director, at 1831 Harshman Road, Dayton, Ohio 45424.

**Metropolitan Dayton Educational Cooperative Association (MDECA)**

The District is a participant in MDECA, which is a computer consortium of 25 public school districts within the boundaries of Darke, Greene, Miami, and Montgomery Counties. The organization was formed for the purpose of applying modern technology (with the aid of computers and other electronic equipment) to administrative and instructional functions among member school districts. The governing board of MDECA consists of one representative from each district plus one representative from the fiscal agent. The District pays MDECA an enrollment based fee for services provided during the year. Financial information is available from Jerry C. Woodyard, Executive Director, at 201 Riverside Drive, Dayton, Ohio 45405.

**2. Related Organization**

**Germantown Public Library**

The Germantown Public Library is a distinct political subdivision of the State of Ohio, created in accordance with Chapter 3375, ORC. The Board of Education is responsible for appointing the trustees of the Library; however, the Board cannot influence the Library's operation, nor does the Library represent a potential financial benefit or burden to the District. Although the District does serve as the taxing authority and may issue tax related debt on behalf of the Library, its role is limited to a ministerial function. Once the Library determines to present a levy to the voters, including the determination of the rate and duration, the District must place the levy on the ballot. The Library may issue debt and determines its own budget. The Library did not receive any funding from the District during fiscal year 2006.

**VALLEY VIEW LOCAL SCHOOL DISTRICT  
MONTGOMERY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2006  
(Continued)**

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**3. Insurance Purchasing Pool**

**Ohio Association of School Business Officials Workers' Compensation Group Rating Plan**

The District participates in a group rating plan for workers' compensation as established under Section 4123.29 of the Ohio Revised Code. The Ohio Association of School Business Officials Workers' Compensation Group Rating Plan (the Plan) was established through the Ohio Association of School Business Officials (OASBO) as a group purchasing pool.

The Executive Director of the OASBO, or his designee, serves as coordinator of the Plan. Each year, the participating school district pays an enrollment fee to the Plan to cover the costs of administering the program.

**B. Fund Accounting**

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

**1. Governmental Funds**

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

**Dursch Jackson Scholarship Fund** – The Dursch Jackson Scholarship Fund is a permanent fund used to account for monies which have been set aside as an investment for the District in order to provide a scholarship program for students. The income from this fund may be expended, but the principal must remain intact.

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; (b) for food service, latchkey and uniform school supplies operations; and (c) for grants and other resources whose use is restricted to a particular purpose.

**2. Proprietary Funds**

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 proprietary funds.

**VALLEY VIEW LOCAL SCHOOL DISTRICT  
MONTGOMERY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2006  
(Continued)**

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**3. Fiduciary Funds**

Fiduciary fund reporting focuses on net assets and changes in net assets. The fiduciary fund category is split into four classifications: pension trust funds, investment trust funds, private-purpose trust funds and agency funds. Trust funds are used to account for assets held by the 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 a scholarship program 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**

**1. Government-wide Financial Statements**

The statement of net assets and the statement of activities display information about the District as a whole. These statements include the financial activities of the primary government, except for fiduciary funds.

The 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 economic resources measurement focus. All assets and all liabilities associated with the operation of the District are included on the statement of net assets.

**2. 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 non-major funds are aggregated into one column. Fiduciary funds are reported by fund type.

All governmental funds are accounted for using a flow of current financial resources measurement focus. With this measurement focus, only current assets 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.

The private-purpose trust fund is reported using the economic resources measurement focus. Agency funds do not report a measurement focus as they do not report operations.



**VALLEY VIEW LOCAL SCHOOL DISTRICT  
MONTGOMERY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2006  
(Continued)**

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**D. Basis of Accounting**

Basis of accounting determines when transactions are recorded in the financial records and reported on the financial statements. Government-wide financial statements are prepared using the accrual basis of accounting. Governmental funds use the modified accrual basis of accounting. Fiduciary funds also use the accrual basis of accounting.

**1. Revenues – Exchange and Non-exchange Transactions**

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

Non-exchange transactions, in which the District receives value without directly giving equal value in return, include property taxes, grants, entitlements and donations. On 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 non-exchange transactions must also be available before it can be recognized.

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

**2. Deferred Revenue**

Deferred revenue arises when assets are recognized before revenue recognition criteria have been satisfied. Property taxes for which there is an enforceable legal claim as of June 30, 2006, but which were levied to finance fiscal year 2007 operations, have been recorded as deferred revenue. Grants and entitlements received before the eligibility requirements are met are also recorded as deferred revenue.

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

**3. Expenses/Expenditures**

On the accrual basis of accounting, expenses are recognized at the time they are incurred. The fair value of donated commodities received during the year is reported in the fund financial statements as an expenditure with a like amount reported as intergovernmental revenue.

**VALLEY VIEW LOCAL SCHOOL DISTRICT  
MONTGOMERY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2006  
(Continued)**

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

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. Allocation of cost, such as depreciation and amortization, are not recognized in governmental funds.

**E. Budgets**

The budgetary process is prescribed by provisions of the Ohio Revised Code and entails the preparation of budgetary documents within an established timetable. The major documents prepared are the tax budget, the certificate of estimated resources, and the appropriation resolution, all of which are prepared on the budgetary basis of accounting. The Certificate of Estimated Resources and the Appropriations Resolution are subject to amendment throughout the year with the legal restriction that appropriations cannot exceed estimated resources, as certified. All funds, other than agency funds, are legally required to be budgeted and appropriated. The legal level of budgetary control has been established at the fund level of expenditures for all funds. Any budgetary modifications at this level may only be made by resolution of the Board of Education.

**1. Tax Budget:**

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 express purpose of this budget document is to reflect the need for existing (or increased) tax rates. By no later than January 20, the Board-adopted budget is filed with Montgomery County Budget Commission for rate determination.

**2. Estimated Resources:**

By April 1, the Board of Education accepts, by formal resolution, the tax rates as determined by the Budget Commission and receives the Commissions' certificate of estimated resources, which states the projected revenue of each fund. Prior to June 30, 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 the basis for the appropriation measure. On or about July 1, the certificate is amended to include any unencumbered cash balances from the preceding year. 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 in the budgetary statements reflect the amounts from the certificate of amended resources that was in effect at the time the original and final appropriations were passed by the Board of Education.

**3. Appropriations:**

Upon receipt from the County Auditor of an amended certificate of estimated resources based on final assessed values and tax rates or a certificate saying no new certificate is necessary, the annual appropriation resolution is enacted by the Board of Education. Prior to the passage of the annual appropriation measure, the Board may pass a temporary appropriation measure to meet the ordinary expenses of the District. The appropriation resolution, at the fund level for all funds, must be within the estimated resources as certified by the County Budget Commission and the total of expenditures may not exceed the appropriation totals at any level of control. Any revisions that alter the level of budgetary control must be approved by the Board of Education.

**VALLEY VIEW LOCAL SCHOOL DISTRICT  
MONTGOMERY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2006  
(Continued)**

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

The Board may pass supplemental fund appropriations so long as the total appropriations by fund do not exceed the amounts set forth in the most recent certificate of estimated resources. During the year, all supplemental appropriations were legally enacted.

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

**4. Lapsing of Appropriations:**

At the close of each fiscal year, the unencumbered balance of each appropriation reverts to the respective fund from which it was appropriated and becomes subject to future appropriation. Encumbered appropriations are carried forward to the succeeding fiscal year and are not reappropriated.

**F. Cash and Investments**

To improve cash management, cash received by the District is pooled in a central bank account. Monies for all funds are maintained in this pool. Individual fund integrity is maintained through the District's records. Each fund's interest in the pool is presented as "Equity in Pooled Cash and Cash Equivalents" on the basic financial statements.

During fiscal year 2006, investments were limited to nonnegotiable certificates of deposits, federal agency securities, and a U.S. Government money market mutual fund. 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.

Under existing Ohio statutes all investment earning are assigned to the general fund unless statutorily required to be credited to a specific fund. The Board of Education has, by resolution, specified the funds to receive an allocation of interest earnings. Interest revenue credited to the General Fund during fiscal year 2006 amounted to \$168,159, which includes \$11,697 assigned from other District funds.

For presentation on the basic 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 investment account at fiscal year-end is provided in Note 4.

**G. Inventory**

On government-wide and fund financial statements, inventories are presented at the lower of cost or market on a first-in, first-out basis and are expensed when used. Inventories are accounted for using the consumption method which means that the costs of inventory items are recorded as expenditure in the governmental funds when consumed.

**VALLEY VIEW LOCAL SCHOOL DISTRICT  
MONTGOMERY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2006  
(Continued)**

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

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

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

**H. Capital Assets**

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

All capital assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the year. Donated capital assets are recorded at their fair market values as of the date received. The District maintains a capitalization threshold of \$5,000. The District does not possess any infrastructure. Improvements are capitalized; the costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not.

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

<u>Description</u>	<u>Governmental Activities Estimated Lives</u>
Land improvements	7 - 30 years
Buildings and improvements	7 - 40 years
Furniture and equipment	5 - 30 years
Vehicles	7 - 15 years

**I. Interfund Balances**

On fund financial statements, receivables and payables resulting from short-term interfund loans are classified as "interfund receivables/payables." These amounts are eliminated in the governmental activities column on the statement of net assets except for interfund balances between the governmental and agency funds.

**J. Compensated Absences**

The District reports compensated absences in accordance with the provisions of GASB No. 16, "Accounting for Compensated Absences". Vacation benefits are accrued as a liability as the benefits are earned if the employee's rights to receive compensation are attributable to services already rendered and it is probable that the District will compensate the employees for the benefits through paid time off or some other means. Sick leave benefits are accrued as a liability using the "vesting method". A liability for sick leave is based on the sick leave accumulated at the balance sheet date 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 this future severance eligibility, all employees at least fifty (50) years of age with at least ten (10) years of service or twenty (20) years of service at any age were included.

**VALLEY VIEW LOCAL SCHOOL DISTRICT  
MONTGOMERY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2006  
(Continued)**

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

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

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

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

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

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

**L. 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, materials and supplies inventory, property tax unavailable for appropriation, prepayments, scholarships, and unclaimed monies. The reserve for property taxes unavailable for appropriation represents taxes recognized as revenue under GAAP but not available for appropriation under state statute.

**M. Net Assets**

Net assets represent the difference between assets and liabilities. Net assets invested in capital assets, net of related debt consist 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. At of June 30, 2006, no net assets were restricted by enabling legislation.

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

**N. 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 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. At fiscal year-end, because prepayments are not available to finance future governmental fund expenditures, the fund balance is reserved on the fund financial statements by an amount equal to the carrying value of the asset.

**VALLEY VIEW LOCAL SCHOOL DISTRICT  
MONTGOMERY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2006  
(Continued)**

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**O. Estimates**

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

**P. Interfund Activity**

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

Interfund activity between governmental funds are eliminated in the statement of activities.

**Q. Extraordinary and Special Items**

Extraordinary items are transactions or events that are both unusual in nature and infrequent in occurrence. Special items are transactions or events that are within the control of the Board of Education and that are either unusual in nature or infrequent in occurrence. Neither type of transaction occurred during fiscal 2006.

**3. ACCOUNTABILITY AND COMPLIANCE**

**Changes in Accounting Principles**

For fiscal year 2006, the District has implemented GASB Statement No. 42, "Accounting and Financial Reporting for Impairment of Capital Assets and for Insurance Recoveries", GASB Statement No. 46, "Net Assets Restricted by Enabling Legislation" and GASB Statement No. 47, "Accounting for Termination Benefits".

GASB Statement No. 42 amends GASB Statement No. 34 and establishes accounting and financial reporting standards for impairment of capital assets and accounting requirements for insurance recoveries.

GASB Statement No. 46 defines enabling legislation and specifies how net assets should be reported in the financial statements when there are changes in such legislation. The Statement also requires governments to disclose in the notes to the financial statements the amount of net assets restricted by enabling legislation.

GASB Statement No. 47 establishes accounting standards for termination benefits.

The implementation of these GASB Statements did not have an effect on the fund balances/net assets of the District as previously reported at June 30, 2005.

**VALLEY VIEW LOCAL SCHOOL DISTRICT  
MONTGOMERY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2006  
(Continued)**

**3. ACCOUNTABILITY AND COMPLIANCE (Continued)**

**Deficit Fund Balances**

Fund balances at June 30, 2006 included the following individual fund deficits:

<b>Non-major Funds</b>	<b>Deficit</b>
Food Service	\$ 62,063
Latchkey Program	15,911
Management Information System	4,607
Entry Year Program	1,283
Ohio Reads	3
Title VI-B	638
Title VI	7
Reducing Class Size	3,943

These funds complied with Ohio state law, which does not permit a cash basis deficit at year-end. The general fund is liable for any deficits in these funds and provides transfers when cash is required, not when accruals occur. These deficit fund balances are the result of adjustments for accrued liabilities.

**4. DEPOSITS 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 moneys 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.

Protection of 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.

**VALLEY VIEW LOCAL SCHOOL DISTRICT  
MONTGOMERY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2006  
(Continued)**

**4. DEPOSITS AND INVESTMENTS (Continued)**

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

1. United States Treasury Notes, Bills, Bonds, or any other obligation or security issued by the United States Treasury or any other obligation guaranteed as to principal and interest by the United States;
2. Bonds, notes, debentures, or any other obligations or securities issued by any federal government agency or instrumentality, including but not limited to, the Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, Government National Mortgage Association, and Student Loan Marketing Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
3. Written repurchase agreements in the securities listed above provided that the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least two percent and be marked to market daily, and that the term of the agreement must not exceed thirty days;
4. Bonds and other obligations of the State of Ohio;
5. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2) of this section and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions;
6. The State Treasury Asset Reserve of Ohio (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.

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.

**Deposits with Financial Institutions**

At June 30, 2006, the carrying amount of all District deposits was \$4,962,001. Based on the criteria described in GASB Statement No. 40, "Deposits and Investment Risk Disclosures", as of June 30, 2006, \$3,929,380 of the District's bank balance of \$5,042,714 was exposed to custodial risk as discussed below, while \$1,113,334 was covered by Federal Deposit Insurance Corporation.



**VALLEY VIEW LOCAL SCHOOL DISTRICT  
MONTGOMERY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2006  
(Continued)**

**4. DEPOSITS AND INVESTMENTS (Continued)**

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.

**Investments**

As of June 30, 2006, the District had the following investments and maturities:

<u>Investment type</u>	<u>Balance at Fair Value</u>	<u>Investment Maturities</u>		
		<u>6 months or less</u>	<u>13 to 18 months</u>	<u>19 to 24 months</u>
FHLMC	\$971,580		\$971,580	
FNMA	49,422			\$49,422
U.S. Government money market fund	59,305	\$59,305		
	<u>\$1,080,307</u>	<u>\$59,305</u>	<u>\$971,580</u>	<u>\$49,422</u>

The weighted average maturity of investments is 1.27 years.

**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:** The District's investments were rated AAA and Aaa by Standard & Poor's and Moody's Investor Services, respectively.

**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, 2006:

<u>Investment type</u>	<u>Fair Value</u>	<u>% of Total</u>
FHLMC	\$971,580	5.49
FNMA	49,422	89.94
U.S. Government money market fund	59,305	4.57
	<u>\$1,080,307</u>	<u>100.00</u>

**Reconciliation of Cash and Investment to the Statement of Net Assets**

The following is a reconciliation of cash and investments as reported in the footnote above to cash and investments as reported on the statement of net assets as of June 30, 2006:

**VALLEY VIEW LOCAL SCHOOL DISTRICT  
MONTGOMERY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2006  
(Continued)**

**4. DEPOSITS AND INVESTMENTS (Continued)**

**Cash and Investments per footnote**

Carrying amount of deposits	\$4,962,001
Investments	1,080,307
Total	<u><u>\$6,042,308</u></u>

**Cash and investments per Statement of Net Assets**

Governmental activities	\$5,913,267
Private-purpose trust funds	75,509
Agency funds	53,532
Total	<u><u>\$6,042,308</u></u>

**5. INTERFUND TRANSACTIONS**

Interfund loans receivable/payable consisted of the following at June 30, 2006, as reported on the fund statements:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General	Non-major governmental funds	<u><u>\$29,482</u></u>

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

Interfund transfers for the year ended June 30, 2006, consisted of the following, as reported on the fund statements:

	<u><b>Amount</b></u>
<b>Transfers from general fund to:</b>	
Non-major governmental funds	<u><u>\$40,000</u></u>

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.

**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.

**VALLEY VIEW LOCAL SCHOOL DISTRICT  
MONTGOMERY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2006  
(Continued)**

**6. PROPERTY TAXES (Continued)**

Property taxes include amounts levied against all real, public utility and tangible personal property (used in business) located in the District. Real property tax revenue received during calendar 2006 represents collections of calendar year 2005 taxes. Real property taxes received during calendar year 2006 were levied after April 1, 2005, on the assessed value listed as of January 1, 2005, the lien date. Assessed values for real property taxes are established by state law at thirty-five percent of appraised market value. Real property taxes are payable annually or semi-annually. If paid annually, payment is due December 31; if paid semi-annually, the first payment is due December 31 with the remainder payable by June 20. Under certain circumstances, state statute permits alternate payment dates to be established.

Public utility property tax revenue received during calendar 2006 represents collections of calendar year 2005 taxes. Public utility real and tangible personal property taxes received during calendar year 2006 became a lien December 31, 2004, were levied after April 1, 2005 and are collected in 2006 with real property taxes. Public utility real property is assessed at thirty-five percent of true value; public utility tangible personal property currently is assessed at varying percentages of true value.

Tangible personal property tax revenue received during calendar 2006 (other than public utility property) represents the collection of 2006 taxes. Tangible personal property taxes received in calendar year 2006 were levied after April 1, 2005, on the value as of December 31, 2004. Tangible personal property is currently assessed at twenty-five percent of true value for capital assets and twenty-four percent of true value for inventory. Payments by multi-county taxpayers are due September 20. Single county taxpayers may pay annually or semi-annually. If paid annually, payment is due April 30; if paid semi-annually, the first payment is due April 30, with the remainder payable by September 20. Tangible personal property taxes paid by April 30 are usually received by the District prior to June 30.

House Bill No. 66 was signed into law on June 30, 2005. House Bill No. 66 phases out the tax on tangible personal property of general businesses, telephone and telecommunications companies, and railroads. The tax on general business and railroad property will be eliminated by calendar year 2009, and the tax on telephone and telecommunications property will be eliminated by calendar year 2011. The tax is phased out by reducing the assessment rate on the property each year. The bill replaces the revenue lost by the District due to the phasing out of the tax. In calendar years 2006-2010, the District will be fully reimbursed for the lost revenue. During calendar years 2011-2017, the reimbursements will be phased out.

The District receives property taxes from Montgomery County. The County Auditor periodically advances to the District the portion of the taxes collected. Second-half real property tax payments collected by the County Auditor by June 30, 2006, are available to finance fiscal year 2007 operations. The amount available as an advance at June 30, 2006 was \$175,128 in the general fund. This amount has been recorded as revenue. The amount that was available as advance at June 30, 2005 was \$447,223 in the general fund. Accrued property taxes receivable includes real property, public utility property and tangible personal property taxes which are measurable as of June 30, 2006 and for which there is an enforceable legal claim. Although total property tax collections for the next fiscal year are measurable, only the amount of real property taxes available as an advance at June 30 was levied to finance current fiscal year operations and is reported as revenue at fiscal year-end. The portion of the receivable not levied to finance current fiscal year operations is offset by a credit to deferred revenue.

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

**VALLEY VIEW LOCAL SCHOOL DISTRICT  
MONTGOMERY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2006  
(Continued)**

**6. PROPERTY TAXES (Continued)**

The assessed values upon which the fiscal year 2006 taxes were collected are:

	<b>2005 Second Half Collections</b>		<b>2006 First Half Collections</b>	
	<u>Amount</u>	<u>Percent</u>	<u>Amount</u>	<u>Percent</u>
Agricultural/Residential and Other Real Estate	\$166,821,160	89.16	\$197,405,260	91.46
Public Utility Personal	14,874,020	7.95	13,753,270	6.37
Tangible Personal Property	<u>5,415,728</u>	<u>2.89</u>	<u>4,673,917</u>	<u>2.17</u>
Total	<u>\$187,110,908</u>	<u>100.00</u>	<u>\$215,832,447</u>	<u>100.00</u>
Tax rate per \$1,000 of assessed valuation	\$46.89		\$46.89	

**7. SCHOOL DISTRICT INCOME TAX**

In fiscal 1991 the voters of the District passed a .50% income tax, effective for five years. This income tax was renewed by the voters in 2006 for calendar years 2007-2011. During fiscal year 1995, voters of the District passed an additional .75% income tax, and renewed it in fiscal 2005 for calendar years 2006 – 2010. The tax is collected by the State of Ohio and remitted to the District quarterly. Total income tax revenue for fiscal 2006 credited to the general fund was \$2,699,107.

**8. RECEIVABLES**

Receivables at June 30, 2006 consisted of taxes (both property taxes and income taxes), accounts (billings for user charged services and student fees), accrued interest, loans, 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:

<b>Governmental Activities:</b>	
Taxes	\$6,242,552
Accounts	45,762
Accrued interest	16,855
Intergovernmental	<u>23,424</u>
Total	<u>\$6,328,593</u>

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

**VALLEY VIEW LOCAL SCHOOL DISTRICT  
MONTGOMERY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2006  
(Continued)**

**9. CAPITAL ASSETS**

Capital asset activity for the fiscal year ended June 30, 2006 was as follows:

	<u>Balance 06/30/05</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance 06/30/06</u>
<b>Governmental Activities</b>				
<b>Capital assets, not being depreciated:</b>				
Land	\$419,243	\$17,693	\$0	\$436,936
Total capital assets, not being depreciated	<u>419,243</u>	<u>17,693</u>		<u>436,936</u>
<b>Capital assets, being depreciated:</b>				
Land improvements	822,655			822,655
Buildings and improvements	6,550,723			6,550,723
Furniture and equipment	2,098,127	13,000		2,111,127
Vehicles	1,047,952	12,000		1,059,952
Total capital assets, being depreciated	<u>10,519,457</u>	<u>25,000</u>		<u>10,544,457</u>
<b>Less: accumulated depreciation</b>				
Land improvements	(544,735)	(22,515)		(567,250)
Buildings and improvements	(3,918,903)	(117,107)		(4,036,010)
Furniture and equipment	(1,522,451)	(124,670)		(1,647,121)
Vehicles	(853,399)	(57,745)		(911,144)
Total accumulated depreciation	<u>(6,839,488)</u>	<u>(322,037)</u>		<u>(7,161,525)</u>
Governmental activities capital assets, net	<u>\$4,099,212</u>	<u>(\$279,344)</u>	<u>\$0</u>	<u>\$3,819,868</u>

Depreciation expense was charged to governmental functions as follows:

<b>Instruction:</b>	
Regular	\$124,228
Special	10,705
Vocational	6,458
<b>Support Services:</b>	
Pupil	2,700
Instructional staff	3,657
Administration	1,645
Fiscal	174
Operations and maintenance	18,681
Pupil transportation	66,985
Central	36,631
Extracurricular activities	36,713
Food service operations	<u>13,460</u>
Total depreciation expense	<u>\$322,037</u>

**VALLEY VIEW LOCAL SCHOOL DISTRICT  
MONTGOMERY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2006  
(Continued)**

**10. CAPITALIZED LEASES – LESSEE DISCLOSURE**

In prior fiscal years, the District entered into a lease for a building and copiers. These leases meet the criteria of a capital lease as defined by FASB Statement No. 13, "Accounting for Leases", which defines a capital lease generally as one that transfers benefits and risks of ownership to the lessee at the conclusion of the lease term.

Capital lease payments have been reclassified and are reflected as debt service expenditures in the statement of revenues, expenditures and changes in fund balances – general fund. These expenditures are reflected as program/function expenditures on a budgetary basis. Capital assets acquired by lease and the related lease obligation liability have been reported on the statement of net assets. Principal payments for fiscal year 2006 totaled \$70,258. This amount is reflected as debt service principal retirement in the general fund.

The following is a schedule of the future minimum lease payments required under the capital leases and the present value of the future minimum lease payments as of June 30, 2006:

<u>Year Ending</u>	<u>Building</u>	<u>Copiers</u>	<u>Total</u>
2007	\$90,038	\$88,189	\$178,227
2008	90,039	88,190	178,229
2009	90,037	44,075	134,112
2010	90,042		90,042
2011	90,041		90,041
2012 - 2015	360,251		360,251
Total future minimum lease payments	810,448	220,454	1,030,902
Less: amount representing interest	(208,050)	(20,014)	(228,064)
Present value of future minimum lease payments	<u>\$602,398</u>	<u>\$200,440</u>	<u>\$802,838</u>

**11. LONG-TERM OBLIGATIONS**

During the fiscal year 2006, the following changes occurred in governmental activities long-term obligations:

	<u>Issued</u>	<u>Due</u>	<u>Interest Rate</u>	<u>Balance 06/30/05</u>	<u>Increase</u>	<u>Decrease</u>	<u>Balance 06/30/06</u>	<u>Amount Due in One Year</u>
<b>G.O. Bonds Payable</b>								
Facility acquisition	2000	2015	6.9%	\$123,640	\$0	(\$8,897)	\$114,743	\$9,531
Total G.O. bonds				123,640		(8,897)	114,743	9,531
<b>Other Long-Term Obligations</b>								
Capital lease obligation				919,806		(116,968)	802,838	125,752
Compensated absences				1,026,657	14,372	(72,867)	968,162	135,042
Total other long-term obligations				1,946,463	14,372	(189,835)	1,771,000	260,794
Total governmental activities				<u>\$2,070,103</u>	<u>\$14,372</u>	<u>(\$198,732)</u>	<u>\$1,885,743</u>	<u>\$270,325</u>

**VALLEY VIEW LOCAL SCHOOL DISTRICT  
MONTGOMERY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2006  
(Continued)**

**11. LONG-TERM OBLIGATIONS (Continued)**

During fiscal 2000, the District issued un-voted general obligation bonds to provide funds for the acquisition of a new building. These bonds are general obligations of the District for which the full faith and credit of the District are pledged for repayment. Accordingly, such unmatured obligations of the District are accounted for in the statement of net assets.

By agreement with the County Budget Commission, and in accordance with Ohio law, the District has converted a portion of its "inside", or un-voted millage to provide the source of repayment for these bonds. Ohio statutes allow for the issuance of un-voted general obligation debt to the extent that the par amount of said debt does not exceed 1/10 of 1% of the valuation (at issuance date) of the District.

Principal and interest requirements to for general obligation bonds outstanding at June 30, 2006, are as follows:

<u>Fiscal Year</u> <u>Ending June 30</u>	<u>General Obligation Bonds</u>		
	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2007	\$9,531	\$7,620	\$17,151
2008	10,210	6,941	17,151
2009	10,937	6,214	17,151
2010	11,716	5,435	17,151
2011	12,550	4,600	17,150
2012 - 2015	59,799	8,802	68,601
Total	<u>\$114,743</u>	<u>\$39,612</u>	<u>\$154,355</u>

**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 effects of these debt limitations at June 30, 2006 are a voted debt margin of \$19,424,920, and an unvoted debt margin of \$101,089 and an unvoted energy conservation debt margin of \$1,942,492.

**12. OTHER EMPLOYEE BENEFITS**

**A. Compensated Absences**

The criteria for determining vacation and sick leave components are derived from negotiated agreements and State laws. Classified employees earn ten to twenty days of vacation per fiscal year, depending upon length of service. Accumulated, unused vacation time is paid to classified employees and administrators upon termination of employment. Teachers do not earn vacation time. Teachers, administrators, and classified employees earn sick leave at the rate of one and one-fourth days per month. Upon retirement, payment is made to certified and classified employees for one-fourth of accrued, but unused, sick leave credit.

**VALLEY VIEW LOCAL SCHOOL DISTRICT  
MONTGOMERY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2006  
(Continued)**

**12. OTHER EMPLOYEE BENEFITS (Continued)**

**B. Insurance Benefits**

The District provides life insurance and accidental death and dismemberment insurance to most employees through Horace Mann Life Insurance Company.

**13. RISK MANAGEMENT**

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 carries general liability insurance coverage through a commercial carrier. Absent the deductible, the risk of loss transfers entirely to the commercial carrier.

The District purchases health and dental insurance through the Southwestern Ohio Educational Purchasing Cooperative Benefit Plan Trust (the "Trust"). The Trust is a public entity risk pool currently operating as a common risk management and insurance program. The intent of the Trust is to achieve the benefit of a reduced premium for the District by virtue of its grouping and representation with other participants in the Trust.

The District purchases workers' compensation insurance through Sheakley UniService, Inc. via the Ohio Association of School Business Officials Group Rating Plan.

Post employment health care is provided to plan participants or their beneficiaries through the respective retirement systems discussed in Note 15. As such, no funding provisions are required by the District.

The District continues to carry commercial insurance for all other risks of loss. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years. There has been no significant reduction in amounts of insurance coverage from fiscal 2006.

**14. PENSION PLANS**

**A. School Employees Retirement System**

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



**VALLEY VIEW LOCAL SCHOOL DISTRICT  
MONTGOMERY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2006  
(Continued)**

**14. PENSION PLANS (Continued)**

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 2006, 10.58 percent of annual covered salary was the portion used to fund pension obligations. For fiscal year 2005, 10.57 percent of annual covered salary was the portion used to fund pension obligations. For fiscal year 2004, 9.09 percent of annual covered salary was the portion used to fund pension obligations. The contribution requirements of plan members and employers are established and may be amended, up to statutory maximum amounts, by the SERS' Retirement Board. The District's required contribution for pension obligations to SERS for fiscal years ended 2006, 2005, and 2004 were \$229,314, \$219,983, and \$213,708; 46.61 percent has been contributed for fiscal year 2006 and 100 percent for fiscal years 2005 and 2004. \$122,299 represents the unpaid pension contribution for fiscal year 2006 and is recorded as a liability within the respective funds.

**B. State Teachers Retirement System**

The District participates in the State Teachers Retirement System of Ohio (STRS Ohio), a cost-sharing, multiple-employer public employee retirement system. STRS Ohio provides retirement and disability benefits to members and death and survivor benefits to beneficiaries. STRS Ohio issues a stand-alone financial report that may be obtained by writing to STRS Ohio, 275 E. Broad St., Columbus, OH 43215-3371 or by calling (614) 227-4090.

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

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

**VALLEY VIEW LOCAL SCHOOL DISTRICT  
MONTGOMERY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2006  
(Continued)**

**14. PENSION PLANS (Continued)**

For the fiscal year ended June 30, 2006, 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 recommendation 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 fund pension obligations to the DB Plan for the fiscal years ended June 30, 2006, 2005, and 2004 were \$970,650, \$966,329 and \$987,854; 83.94 percent has been contributed for fiscal year 2006 and 100 percent for fiscal years 2005 and 2004. \$157,590 represents the unpaid pension contribution for fiscal year 2006 and is recorded as a liability within the respective funds. Contributions to the DC and Combined Plans for fiscal year 2006 were \$2,523 made by the District and \$8,460 made by plan members.

**15. POST-EMPLOYMENT BENEFITS**

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

STRS retirees who participated in the DB or combined plans and their dependents are eligible for health care coverage. The STRS Board has statutory authority over how much, if any, of the health care costs will be absorbed by STRS. All benefit recipients pay a portion of health care cost in the form of a monthly premium. By law, the cost of coverage paid from STRS funds is included in the employer contribution rate, currently 14 percent of covered payroll. For the fiscal year ended June 30, 2006, the STRS Board allocated employer contributions equal to 1 percent of covered payroll to the Health Care Reserve Fund. For the District, this amount equaled \$74,665 for fiscal year 2006.

STRS pays health care benefits from the Health Care Stabilization Fund. At June 30, 2005 (the latest information available), the balance in the Health Care Stabilization Fund was \$3.3 billion. For the fiscal year ended June 30, 2005 (the latest information available), net health care costs paid by STRS were \$254.780 million and STRS had 115,395 eligible benefit recipients.

For SERS, coverage is made available to service retirees with ten or more fiscal years of qualifying service credit, and to disability and survivor benefit recipients. All retirees and beneficiaries are required to pay a portion of their premium for health care. The portion is based on years of service, Medicare eligibility, and retirement status. Premiums may be reduced for retirees whose household income falls below the poverty level.

After the allocation for basic benefits, the remainder of the employer's 14 percent contribution is allocated to providing health care benefits. For the fiscal year ended June 30, 2006, employer contributions to fund health care benefits were 3.42 percent of covered payroll. In addition, SERS levies a surcharge to fund health care benefits equal to 14 percent of the difference between a minimum pay and the member's pay, pro-rated for partial service credit. For fiscal year 2006, the minimum pay was established at \$35,800. However, the surcharge is capped at 2 percent of each employer's SERS salaries. For the 2006 fiscal year, District paid \$107,068 to fund health care benefits, including the surcharge.

**VALLEY VIEW LOCAL SCHOOL DISTRICT  
MONTGOMERY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2006  
(Continued)**

**15. POST-EMPLOYMENT BENEFITS (Continued)**

The surcharge, added to the unallocated portion of the 14 percent employer contribution rate, provides for maintenance of the asset target level for the health care fund. The target level for the health care reserve is 150 percent of annual health care expenses. Expenses for health care for the fiscal year ended June 30, 2005 (the latest information available) were \$178.221 million. At June 30, 2005 (the latest information available), SERS had net assets available for payment of health care benefits of \$267.5 million, which is about 168 percent of next years projected net health care costs of \$158.776 million. On the basis of actuarial projections, the allocated contributions will be insufficient in the long term, to provide for a health care reserve equal to at least 150 percent of estimated annual net claim costs. SERS has 58,123 participants currently receiving health care benefits.

**16. BUDGETARY BASIS OF ACCOUNTING**

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

The Statement of Revenue, Expenditures, and Changes in Fund Balance – Budget and Actual (Non-GAAP Budgetary Basis) presented for the general fund is presented on the budgetary basis to provide a meaningful comparison of actual results with the budget. The major differences between the budget basis and the GAAP basis are that:

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);

(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).

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:

<b>Net Change in Fund Balance</b>	
	<b>General Fund</b>
Budget basis	\$2,135,903
Net adjustment for revenue accruals	(162,045)
Net adjustment for expenditure accruals	(98,041)
Net adjustment for other sources/uses	(109,070)
Adjustment for encumbrances	146,896
GAAP basis	\$1,913,643

**VALLEY VIEW LOCAL SCHOOL DISTRICT  
MONTGOMERY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2006  
(Continued)**

**17. CONTINGENCIES**

**A. Grants**

The District receives significant financial assistance from numerous federal, state and local agencies in the form of grants. The disbursement of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and are subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the District. However in the opinion of management, any such disallowed claims will not have a material effect on the financial position of the District.

**B. Litigation**

The District is defendant in a lawsuit. Although the outcome of this suit is not presently determinable, management believes that the resolution of these matters will not materially adversely affect the District's financial condition.

**C. Accountability**

Contrary to Ohio law, the District did not always properly certify the availability of funds prior to purchase commitments.

**18. STATUTORY RESERVES**

The Districts 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.

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

	<b>Textbooks/ Instructional Materials</b>	<b>Capital Acquisition</b>
Set-aside cash balance as of June 30, 2005	(\$410,997)	
Current year set-aside requirement	286,307	\$286,307
Qualifying disbursements	(293,320)	(305,825)
Total	(\$418,010)	(\$19,518)
Balance carried forward to FY 2007	(\$418,010)	\$0

The District had qualifying disbursements during the year that reduced the textbooks/instructional materials set-aside amount below zero, this extra amount may be used to reduce the set-aside requirements of future years.

Although the District had qualifying disbursements during the year that reduced the capital acquisition set-aside amount to below zero, this extra amount may not be carried forward to future years.

VALLEY VIEW LOCAL SCHOOL DISTRICT  
MONTGOMERY COUNTY

SCHEDULE OF FEDERAL AWARDS RECEIPTS AND EXPENDITURES  
FOR THE YEAR ENDED JUNE 30, 2006

Federal Grantor/ Pass Through Grantor Program Title	Federal CFDA Number	Pass Through Entity Number	Receipts	Non Cash Receipts	Disbursements	Non Cash Disbursements
<b>UNITED STATES DEPARTMENT OF AGRICULTURE</b>						
<i>Passed Through Ohio Department of Education</i>						
Food Distribution Program - Commodities	10.550			\$48,697		\$48,697
National School Lunch	10.555	LLP4 05	10,064		10,064	
		LLP4 06	56,307		56,307	
Total National School Lunch			66,371		66,371	
Conservation Program	10.069		12,734		12,734	
Total United States Department of Agriculture			79,105	48,697	79,105	48,697
<b>UNITED STATES DEPARTMENT OF EDUCATION</b>						
<i>Passed Through Ohio Department of Education</i>						
Title I Grants to Local Educational Agencies	84.010	C1-S1-05			9,294	
		C1-S1-06	67,136		54,882	
Total Title I Grants to Local Educational Agencies			67,136		64,176	
Title II - Part D Education Technology	84.318	TJ-S1-05			63	
		TJ-S1-06	1,222		1,222	
Total Title II - Part D Education Technology			1,222		1,285	
Special Education Cluster:						
Special Education - Grants to States (IDEA Part B)	84.027	6B-SF-05			13,691	
		6B-SF-06	369,104		344,045	
Total Special Education - Grants to States (IDEA Part B)			369,104		357,736	
Special Education -Preschool Grants	84.173	PG-S1-05			1,355	
		PG-S1-06	6,399		4,730	
Total Special Education -Preschool Grants			6,399		6,085	
Total Special Education Cluster			375,503		363,821	
Safe and Drug-Free Schools and Communities -State Grants	84.186	DR-S1-06	2,150			
State Grants for Innovative Programs	84.298	C2-S1-05	5,474		5,474	
Improving Teacher Quality State Grants	84.367	TR-S1-04	45,955		49,465	
Total United States Department of Education			497,440		484,221	
<b>UNITED STATES DEPARTMENT OF HEALTH AND HUMAN SERVICES</b>						
<i>Passed Through Montgomery County Educational Service Center</i>						
CAFS Medical Assistance Program	93.778		7,128		7,128	
<b>Total Federal Assistance</b>			<u>\$583,673</u>	<u>\$48,697</u>	<u>\$570,454</u>	<u>\$48,697</u>

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

**VALLEY VIEW LOCAL SCHOOL DISTRICT  
MONTGOMERY COUNTY**

**NOTES TO THE SCHEDULE OF FEDERAL AWARDS RECEIPTS AND EXPENDITURES  
FOR THE YEAR ENDED JUNE 30, 2006**

**NOTE A -- SIGNIFICANT ACCOUNTING POLICIES**

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

**NOTE B -- MATCHING REQUIREMENTS**

Certain federal programs require the District to contribute non-federal (matching funds) to support the federally-funded programs. The District has complied with the matching requirements. The expenditure of non-federal matching funds is not included on the schedule.

**NOTE C -- NUTRITION CLUSTER**

Program regulations do not require the District to maintain separate inventory records for purchased food and food received from the United States Department of Agriculture. This non-monetary assistance (expenditures) is reported in the Schedule at the fair market value of the commodities received. Cash receipts from the United States Department of Agriculture are commingled with State grants. It is assumed federal monies are expended first.



## Auditor of State Betty Montgomery

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

Valley View Local School District  
Montgomery County  
64 Comstock Avenue  
Germantown, Ohio 45327

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 Valley View Local School District, Montgomery County, (the District), as of and for the year ended June 30, 2006, which collectively comprise the District's basic financial statements and have issued our report thereon dated December 21, 2006. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*.

#### **Internal Control Over Financial Reporting**

In planning and performing our audit, we considered the District's internal control over financial reporting to determine our auditing procedures to express our opinion on the financial statements and not to opine on the internal control over financial reporting. However, we noted a certain matter involving the internal control over financial reporting and its operation that we consider a reportable condition. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect the District's ability to record, process, summarize, and report financial data consistent with management's assertions in the financial statements. A reportable condition is described in the accompanying schedule of findings as item finding reference number 2006-002.

A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts material to the financial statements we audited may occur and not be timely detected by employees when performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered material weaknesses. However, we do not believe the reportable condition described above is a material weakness. In a separate letter to the District's management dated December 21, 2006, we reported other matters involving internal control over financial reporting which we did not deem reportable conditions.

### 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 an instance of noncompliance or other matters that we must report under *Government Auditing Standards* which is described in the accompanying schedule of findings as item 2006-001. In a separate letter to the District's management dated December 21, 2006, we reported other matters related to noncompliance we deemed immaterial.

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



**Betty Montgomery**  
Auditor of State

December 21, 2006





## Auditor of State Betty Montgomery

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

Valley View Local School District  
Montgomery County  
64 Comstock Avenue  
Germantown, Ohio 45327

To the Board of Education:

#### Compliance

We have audited the compliance of Valley View Local School District (the District) with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133, Compliance Supplement* that apply to its major federal program for the year ended June 30, 2006. The summary of auditor's results section of the accompanying schedule of findings identifies the District's major federal program. The District's management is responsible for complying with the requirements of laws, regulations, contracts, and grants applicable to each major federal program. Our responsibility is to express an opinion on the District's compliance based on our audit.

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

In our opinion, the District complied, in all material respects, with the requirements referred to above that apply to its major federal program for the year ended June 30, 2006. In a separate letter to the District's management dated December 21, 2006, we reported a matter related to federal noncompliance not requiring inclusion in this report.

#### Internal Control Over Compliance

The District's management is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the District's internal control over compliance with requirements that could directly and materially affect a major federal program to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133.

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**Internal Control Over Compliance  
(Continued)**

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

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



**Betty Montgomery**  
Auditor of State

December 21, 2006

**VALLEY VIEW LOCAL SCHOOL DISTRICT  
MONTGOMERY COUNTY**

**SCHEDULE OF FINDINGS  
OMB CIRCULAR A -133 § .505  
JUNE 30, 2006**

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

<b>(d)(1)(i)</b>	<b>Type of Financial Statement Opinion</b>	Unqualified
<b>(d)(1)(ii)</b>	<b>Were there any material control weakness conditions reported at the financial statement level (GAGAS)?</b>	No
<b>(d)(1)(ii)</b>	<b>Were there any other reportable control weakness conditions reported at the financial statement level (GAGAS)?</b>	Yes
<b>(d)(1)(iii)</b>	<b>Was there any reported material non-compliance at the financial statement level (GAGAS)?</b>	Yes
<b>(d)(1)(iv)</b>	<b>Were there any material internal control weakness conditions reported for major federal programs?</b>	No
<b>(d)(1)(iv)</b>	<b>Were there any other reportable internal control weakness conditions reported for major federal programs?</b>	No
<b>(d)(1)(v)</b>	<b>Type of Major Programs' Compliance Opinion</b>	Unqualified
<b>(d)(1)(vi)</b>	<b>Are there any reportable findings under § .510?</b>	No
<b>(d)(1)(vii)</b>	<b>Major Programs (list):</b>	Special Education Cluster: CFDA # 84.027: Special Education-Grants To States (Idea, Part B) & CFDA # 84.173: Special Education-Preschool Grants (Idea Preschool)
<b>(d)(1)(viii)</b>	<b>Dollar Threshold: Type A\B Programs</b>	Type A: > \$ 300,000 Type B: all others
<b>(d)(1)(ix)</b>	<b>Low Risk Auditee?</b>	No

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

**FINDING NUMBER 2006-001**

**Ohio Rev. Code Section 5705.41(D)** prohibits a subdivision or taxing entity from making any contract or ordering any expenditure of money unless a certificate signed by the fiscal officer is attached thereto. The fiscal officer must certify that the amount required to meet any such contract or expenditure has been lawfully appropriated and is in the treasury, or is in the process of collection to the credit of an appropriate fund free from any previous encumbrance.

There are several exceptions to the standard requirement stated above that a fiscal officer's certificate must be obtained prior to a subdivision or taxing authority entering into a contract or order involving the expenditure of money. The main exceptions are "then and now" certificates, blanket certificates, and super blanket certificates, which are provided for in Sections 5705.41(D)(1) and 5705.41(D)(3), respectively, of the Ohio Revised Code.

- A. "Then and Now" certificate** – If the fiscal officer can certify that both at the time that the contract or order was made ("then"), and at the time that the fiscal officer is completing the certification ("now"), that sufficient funds were available or in the process of collection, to the credit of a proper fund, properly appropriated and free from any previous encumbrance, the District can authorize the drawing of a warrant for the payment of the amount due. The District has thirty days from the receipt of the "then and now" certificate to approve payment by ordinance or resolution.

Amounts of less than \$3,000 may be paid by the fiscal officer without a resolution or ordinance upon completion of the "then and now" certificate, provided that the expenditure is otherwise lawful. This does not eliminate any otherwise applicable requirement for approval of expenditures by the District.

- B. Blanket certificate** – Fiscal officers may prepare "blanket" certificates not exceeding an amount established by resolution or ordinance adopted by the legislative authority, against any specific line item account, and not running beyond the current year. The blanket certificates may, but need not, be limited to a specific vendor. Only one blanket certificate may be outstanding at one particular time for any one particular line item appropriation.
- C. Super Blanket certificate** – The District may also make expenditures and contracts for any amount from a specific line-item appropriation account in a specified fund upon certification of the fiscal officer for most professional services, fuel, oil, food items, and any other specific recurring and reasonably predictable operating expense. This certification is not to beyond the current year. More than one super blanket certificate may be outstanding at a particular time for any one line item appropriation.

The District did not properly certify the availability of funds prior to purchase commitments for 12 out of the 72 or 16.6% of items or \$275,203 or 67% expenditures tested during the disbursement cycle. There was no evidence that the District followed the aforementioned exceptions. Failure to properly certify the availability of funds can result in overspending and negative cash fund balances.

The District should ensure that all expenditures have been encumbered before an order or contract has been made. Unless the exceptions noted above are used, prior certification is not only required by statute but is a key control in the disbursement process to assure that purchase commitments receive prior approval. To improve controls over disbursements and to help reduce the possibility of the District's fund exceeding budgetary spending limitations, the District's Fiscal Officer should certify that the funds are or will be available prior to the obligation by the District. When prior certification is not possible, "then and now" certification should be used.

**FINDING NUMBER 2006-001  
(Continued)**

The most convenient certification method is to use purchase orders that include the certification language Section 5705.41(D) requires to authorize disbursements. The fiscal officer should sign the certification at the time the District incurs a commitment, and only when the requirements of Section 5705.41(D) are satisfied. The fiscal officer should post approved purchase commitments to the proper appropriation code, to reduce the available appropriation.

**FINDING NUMBER 2006-002**

**Extracurricular Activity Receipt**

The District was unable to provide the underlying support documentation (sales receipt reports) for 33.6% of the Extracurricular Receipts account balance in the Other Governmental Funds, however, the District was able to support the account balance using other means (pay-in documents and bank deposits). Failure to properly account for extracurricular events resulted from the Activity Advisors and the Athletic Supervisors not preparing and/or maintaining sufficient sales receipt documentation to support the monies collected. Failure to properly account for extracurricular activity receipts could result in extracurricular activity revenue being understated in the financial statements and funds being misappropriated and not detected by the District.

The District should adopt and implement a Student Activity Guidelines and Procedures policy and require all sales receipt documentation used to support monies collected, at extracurricular events, be maintained and made available for inspection by the Treasurer. Further, the source documentation supporting extracurricular events monies collected should be attached to the Pay-in Deposit Receipt Forms that is submitted to the District Treasurer.

<b>3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS</b>
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None

**Official's Response:**

I have reviewed the audit results with the State Auditor's representative and I concur with the results.

Carolyn S. Garver  
Treasurer/CFO  
Valley View Local School District





**Mary Taylor, CPA**  
Auditor of State

**VALLEY VIEW LOCAL SCHOOL DISTRICT**

**MONTGOMERY 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 8, 2007**