VALLEY VIEW LOCAL SCHOOL DISTRICT
MONTGOMERY COUNTY

REGULAR AUDIT

FOR THE YEAR ENDED JUNE 30, 1999

JIM PETRO
AUDITOR OF STATE
STATE OF OHIO

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REPORT OF INDEPENDENT ACCOUNTANTS

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

To the Board of Education:

We have audited the accompanying general-purpose financial statements of the Valley View Local School District, Montgomery County (the School District), as of and for the year ended June 30, 1999, as listed in the table of contents. These general-purpose financial statements are the responsibility of the School District's management. Our responsibility is to express an opinion on these general-purpose financial statements based on our audit.

We conducted our audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards,* issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about 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 that our audit provides a reasonable basis for our opinion.

In our opinion, the general-purpose financial statements referred to above present fairly, in all material respects, the financial position of the Valley View Local School District, Montgomery County, as of June 30, 1999, and the results of its operations and the cash flows of its proprietary fund types for the year then ended in conformity with generally accepted accounting principles.

In accordance with *Government Auditing Standards*, we have also issued our report dated January 14, 2000, on our consideration of the School District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants.

Jim Petro
Auditor of State

January 14, 2000

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COMBINED BALANCE SHEET
ALL FUND TYPES AND ACCOUNT GROUPS
JUNE 30, 1999

	Governmental Fund Types		
	General	**Special Revenue**	**Capital Projects**
ASSETS AND OTHER DEBITS			
Assets:			
Equity in Pooled Cash, Cash Equivalents and Investments	$788,752	$169,395	$124,974
Receivables (net of allowance of uncollectibles):			
Taxes – Current & Delinquent	3,997,980		
Accounts	1,080	105	
Accrued Interest	4,252		
Interfund Loan Receivable	23,696		
Due from Other Governments	800	48,032	
Prepayments	14,616		
Materials and Supplies Inventory	9,368		
Restricted Assets:			
Equity in Pooled Cash and Cash Equivalents	125,286		
Property, Plant and Equipment (net of accumulated depreciation where applicable)			
Other Debits:			
Amount to be Provided for Retirement of General Long-Term Obligations			
Total Assets and Other Debits	$4,965,830	$217,532	$124,974
LIABILITIES, EQUITY AND OTHER CREDITS			
Liabilities:			
Accounts Payable	$72,263	$19,960	$2,285
Accrued Wages and Benefits	975,566	14,814	
Compensated Absences Payable	95,927		
Pension Obligation Payable	154,145	17,127	
Interfund Loan Payable		8,338	
Deferred Revenue	3,038,221		
Due to Students			
Retirement Incentive Payable			
Tax Anticipation Note Payable	310,000		
General Obligation Bonds Payable			
Energy Conservation Bonds Payable			
Obligation Under Capital Lease			
Total Liabilities	4,646,122	60,239	2,285
Equity and Other Credits:			
Investment in General Fixed Assets			
Retained Earnings – Unreserved			
Fund Balances:			
Reserved for Encumbrances	16,308	33,440	74,652
Reserved for Supplies Inventory	9,368		
Reservied for Prepayments	14,616		
Reserved for Tax Revenue Unavailable for Appropriation	86,864		
Reserved for Budget Stabilization	125,286		
Unreserved-Undesignated	67,266	123,853	48,037
Total Equity and Other Credits	319,708	157,293	122,689
Total Liabilities, Equity and Other Credits	$4,965,830	$217,532	$124,974

The notes to the general-purpose financial statements are an integral part of this statement.

Proprietary Fund Types		Fiduciary Fund Types	Account Groups		
Enterprise	Internal Service	Trust and Agency	General Fixed Assets	General Long-Term Obligations	Total (Memorandum Only)
$139,003	$27	$65,134			$1,287,285
					3,997,980
441					1,626
					4,252
					23,696
					48,832
					14,616
5,014					14,382
					125,286
46,836			$7,826,551		7,873,387
				$1,631,494	1,631,494
$191,294	$27	$65,134	$7,826,551	$1,631,494	$15,022,836
$3,332					$97,840
27,643					1,018,023
25,593				$551,936	673,456
44,298				80,706	296,276
6,235		$9,123			23,696
2,896					3,041,117
		36,256			36,256
				80,155	80,155
					310,000
				86,000	86,000
				830,000	830,000
				2,697	2,697
109,997		45,379		1,631,494	6,495,516
			$7,826,551		7,826,551
81,297	$27				81,324
					124,400
					9,368
					14,616
					86,864
					125,286
		19,755			258,911
81,297	27	19,755	7,826,551		8,527,320
$191,294	$27	$65,134	$7,826,551	$1,631,494	$15,022,836

COMBINED STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES
ALL GOVERNMENTAL FUND TYPES AND EXPENDABLE TRUST FUND
FOR THE YEAR ENDED JUNE 30, 1999

	Governmental Fund Types			Fiduciary Fund Type	
	General	**Special Revenue**	**Capital Projects**	**Expendable Trust**	**Total (Memorandum Only)**
Revenues:					
From Local Sources:					
Taxes	$5,220,798				$5,220,798
Tuition	11,496				11,496
Earnings on Investments	98,514			$1,408	99,922
Other Local Revenues	149,039	$241,495	$13,440	5,159	409,133
Intergovernmental - State	5,438,334	41,408	9,542		5,489,284
Intergovernmental - Federal		208,148			208,148
Total Revenue	10,918,181	491,051	22,982	6,567	11,438,781
Expenditures:					
Current:					
Instruction:					
Regular	5,074,518	61,636	49,249		5,185,403
Special	865,846	104,089			969,935
Vocational	366,517				366,517
Other	82,940	3,208			86,148
Support Services:					
Pupil	524,974	48,587			573,561
Instructional Staff	170,845	19,008		3,170	193,023
Board of Education	9,520				9,520
Administration	1,180,767	26,240			1,207,007
Fiscal	181,323	695			182,018
Business	5,406	2,384			7,790
Operations and Maintenance	1,155,172	1,900			1,157,072
Pupil Transportation	629,815	160			629,975
Central	51,066	3,657			54,723
Extracurricular Activities	273,254	175,015		12,600	460,869
Facilities Services	9,405		19,585		28,990
Debt Service:					
Principal Retirement	163,664				163,664
Interest and Fiscal Charges	80,583				80,583
Total Expenditures	10,825,615	446,579	68,834	15,770	11,356,798
Excess (Deficiency) of Revenues over/ (under) Expenditures	92,566	44,472	(45,852)	(9,203)	81,983
Other Financing Sources/(Uses):					
Operating Transfers In		5,727	3,920		9,647
Operating Transfers Out	(9,647)				(9,647)
Proceeds from Sale of Assets	200	2,849			3,049
Total Other Financing Sources/(Uses)	(9,447)	8,576	3,920		3,049
Excess (Deficiency) of Revenues and Other Financing Sources over/(under) Expenditures and Other Financing (Uses)	83,119	53,048	(41,932)	(9,203)	85,032
Fund Balance, July 1	237,433	104,245	164,621	28,958	535,257
Decrease in Reserve for Inventory	(844)				(844)
Fund Balance, June 30	$319,708	$157,293	$122,689	$19,755	$619,445

The notes to the general-purpose financial statements are an integral part of this statement.

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COMBINED STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
BUDGET AND ACTUAL COMPARISON (NON-GAAP BUDGETARY BASIS)
ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED JUNE 30,1999

	General Fund			Special Revenue		
	Revised Budget	Actual	Variance: Favorable (Unfavorable)	Revised Budget	Actual	Variance: Favorable (Unfavorable)
Revenues:						
From Local Sources:						
Taxes	$5,265,078	$5,265,078	$0			
Tuition	11,058	11,058	0			
Earnings on Investments	89,469	89,469	0	$5,728	$5,728	$0
Other Local Revenues	153,643	153,643	0	242,459	242,459	0
Intergovernmental - State	5,437,934	5,437,934	0	41,409	41,409	0
Intergovernmental - Federal				145,305	145,305	0
Total Revenues	10,957,182	10,957,182	0	434,901	434,901	0
Expenditures:						
Current:						
Instruction:						
Regular	5,105,960	5,105,960	0	61,841	61,841	0
Special	865,001	865,001	0	93,183	93,183	0
Vocational	363,820	363,820	0			
Other	86,033	86,033	0	3,200	3,200	0
Support Services:						
Pupil	519,767	519,767	0	51,466	51,466	0
Instructional Staff	175,289	175,289	0	18,838	18,838	0
Board of Education	9,523	9,523	0			
Administration	1,220,441	1,220,441	0	37,639	37,639	0
Fiscal	179,823	179,823	0	2,385	2,385	0
Business	5,406	5,406	0			
Operations and Maintenance	1,201,961	1,201,961	0	1,900	1,900	0
Pupil Transportation	623,515	623,515	0	160	160	0
Central	44,025	44,025	0	4,076	4,076	0
Extracurricular Activities	242,326	242,326	0	204,755	204,755	0
Facilities Services	37,935	37,935	0			
Debt Service:						
Principal Retirement	264,000	264,000	0			
Interest and Fiscal Chartges	107,143	107,143	0			
Total Expenditures	11,051,968	11,051,968	0	479,443	479,443	0
Deficiency of Revenues under Expenditures	(94,786)	(94,786)	0	(44,542)	(44,542)	0
Other Financing Sources/(Uses):						
Refund of Prior Year's Expenditures	469	469	0			
Refund of Prior Year's (Receipts)	(342)	(342)	0			
Operating Transfers (Out)				(1,000)	(1,000)	0
Advances In	29,809	29,809	0	31,571	31,571	0
Advances (Out)	(48,866)	(48,866)	0	(26,727)	(26,727)	0
Proceeds from Sale of Fixed Assets	200	200	0	2,849	2,849	0
Total Other Financing Sources/(Uses)	(18,730)	(18,730)	0	6,693	6,693	0
Deficiency of Revenues and Other Financing Sources under Expenditures and Other Financing (Uses)	(113,516)	(113,516)	0	(37,849)	(37,849)	0
Fund Balance, July 1	526,487	526,487	0	102,099	102,099	0
Prior Year Encumbrances Appropriated	412,496	412,496	0	51,745	51,745	0
Fund Balance, June 30	$825,467	$825,467	$0	$115,995	$115,995	$0

The notes to the general-purpose financial statements are an integral part of this statement.

Capital Projects			Total (Memorandum only)		
Budget Revised	Actual	Variance: Favorable (Unfavorable)	Budget Revised	Actual	Variance: Favorable (Unfavorable)
			$5,265,078	$5,265,078	$0
			11,058	11,058	0
$3,920	$3,920	$0	99,117	99,117	0
13,440	13,440	0	409,542	409,542	0
9,542	9,542	0	5,488,885	5,488,885	0
			145,305	145,305	0
26,902	26,902	0	11,418,985	11,418,985	0
113,901	113,901	0	5,281,702	5,281,702	0
			958,184	958,184	0
			363,820	363,820	0
			89,233	89,233	0
			571,233	571,233	0
			194,127	194,127	0
			9,523	9,523	0
			1,258,080	1,258,080	0
			182,208	182,208	0
			5,406	5,406	0
			1,203,861	1,203,861	0
			623,675	623,675	0
			48,101	48,101	0
			447,081	447,081	0
43,025	43,025	0	80,960	80,960	0
			264,000	264,000	0
			107,143	107,143	0
156,926	156,926	0	11,688,337	11,688,337	0
(130,024)	(130,024)	0	(269,352)	(269,352)	0
			469	469	0
			(342)	(342)	0
			(1,000)	(1,000)	0
			61,380	61,380	0
			(75,593)	(75,593)	0
			3,049	3,049	0
0	0	0	(12,037)	(12,037)	0
(130,024)	(130,024)	0	(281,389)	(281,389)	0
167,806	167,806	0	796,392	796,392	0
10,255	10,255	0	474,496	474,496	0
$48,037	$48,037	$0	$989,499	$989,499	$0

COMBINED STATEMENT OF REVENUES, EXPENSES,
AND CHANGES IN RETAINED EARNINGS
ALL PROPRIETARY FUND TYPES
FOR THE YEAR ENDED JUNE 30, 1999

	Proprietary Fund Types		
	Enterprise	**Internal Service**	**Total (Memorandum Only)**
Operating Revenues:			
Tuition and Fees	$49,724		$49,724
Sales/Charges for Services	576,214		576,214
Total Operating Revenues	625,938		625,938
Operating Expenses:			
Personal Services	301,727		301,727
Contract Services	54,109		54,109
Materials and Supplies	321,247		321,247
Depreciation	3,429		3,429
Total Operating Expenses	680,512		680,512
Operating Loss	(54,574)		(54,574)
Nonoperating Revenues			
Operating Grants	49,594		49,594
Federal Commodities	35,940		35,940
Interest Revenue	3,103		3,103
Total Nonoperating Revenues	88,637		88,637
Net Income	34,063		34,063
Retained Earnings, July 1	47,234	$27	47,261
Retained Earnings, June 30	$81,297	$27	$81,324

The notes to the general-purpose financial statements are an integral part of this statement.

COMBINED STATEMENT OF CASH FLOWS
ALL PROPRIETARY FUND TYPES
FOR THE YEAR ENDED JUNE 30, 1999

	Proprietary Fund Types		
	Enterprise	Internal Service	Total (Memorandum Only)
Cash Flows from Operating Activities:			
Cash Received from Tuition and Fees	$49,779		$49,779
Cash Received from Sales/Service Charges	576,756		576,756
Cash Payments for Personal Services	(310,008)		(310,008)
Cash Payments for Contract Services	(54,109)		(54,109)
Cash Payments for Supplies and Materials	(274,408)		(274,408)
Net Cash Used in Operating Activities	(11,990)		(11,990)
Cash Flows from Noncapital Financing Activites:			
Cash Received from Operating Grants	49,594		49,594
Cash Received from Interfund Loans	6,235		6,235
Net Cash Provided by Noncapital Financing Activities	55,829		55,829
Cash Flows from Capital and Related Financing Activities:			
Acquisition of Capital Assets	(7,448)		(7,448)
Net Cash Used in Capital and Related Financing Activites	(7,448)		(7,448)
Cash Flows from Investing Activities:			
Interest Received	3,103		3,103
Net Cash Provided by Investing Activities	3,103		3,103
Net Increase in Cash and Cash Equivalents	39,494		39,494
Cash and Cash Equivalents at Beginning of Year	99,509	$27	99,536
Cash and Cash Equivalents at End of Year	$139,003	$27	$139,030
Reconciliation of Operating Income to Net Cash Used in Operating Activites:			
Operating Loss	($54,574)		($54,574)
Adjustments to Reconcile Operating Loss to Net Cash Used in Operating Activities:			
Depreciation	3,429		3,429
Federal Donated Commodities	35,940		35,940
Changes in Assets and Liabilities:			
Decrease in Supplies Inventory	11,463		11,463
Decrease in Accounts Receivable	597		597
Increase in Accounts Payable	3,332		3,332
Decrease in Accrued Wages & Benefits	(4,149)		(4,149)
Decrease in Compensated Absences Payable	(332)		(332)
Decrease in Pension Obligation Payable	(1,990)		(1,990)
Decrease in Retirement Incentive Payable	(1,810)		(1,810)
Decrease in Deferred Revenue	(3,896)		(3,896)
Net Cash Used in Operating Activities	($11,990)	$0	($11,990)

The notes to the general-purpose financial statements are an integral part of this statement.

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NOTE 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 289th largest by enrollment among the 612 districts in the State, and 12th in Montgomery County. It currently operates two elementary schools, one middle school, and one comprehensive high school. The District employs 85 non-certified and 131 certified employees to provide services to 1,943 students in grades K through 12 and various community groups.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

A. Reporting Entity

The District's reporting entity has been defined in accordance with Governmental Accounting Standards Board (GASB) Statement No. 14, The Financial Reporting Entity, effective for financial statements for periods beginning after December 15, 1992. Component units are legally separate organizations for which the District is financially accountable. The District is financially accountable for an organization if the District appoints a voting majority of the organization's governing board and (1) the District is able to significantly influence the programs or services performed or provided by the organization; or (2) the District is legally entitled to or can otherwise access the organization's resources; the District is legally obligated or has otherwise assumed the responsibility to finance the deficits of, or provide financial support to, the organization or 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 for the organization. The financial statements of the reporting entity include only those of the District (the primary government). The District has no component units. The following organizations are described due to their relationship to the District.

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 vocational and special education needs of the students. The Board 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 a separate political subdivision and is not considered to be part of the District.

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

A. Reporting Entity (Continued)

Jointly Governed Organizations (Continued)

Southwestern Ohio Educational Purchasing Cooperative (SOEPC)
SOEPC is a purchasing cooperative made up of nearly one hundred 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's prior notice is necessary for withdrawal from the group. During this time, the withdrawing member is liable for all member organizations. Payments to SOEPC are made from the District's General fund. Financial information may be obtained from SOEPC by contacting Robert Brown, Director, at 1831 Harshman Road, Dayton, Ohio 45424.

Metropolitan Dayton Educational Cooperative (MDECA)
The District is a participant in MDECA which is a computer consortium. MDECA is an association 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; this fee totaled $20,672 for fiscal 1999. Financial information can be obtained from Jerry C. Woodyard, Executive Director of MDECA at 201 Riverside Drive, Dayton, Ohio 45405.

B. Fund Accounting

The District uses funds and account groups to report its financial position and the results of its operations. A fund is a separate accounting entity with a self-balancing set of accounts. An account group, on the other hand, is a financial reporting device designed to provide accountability for certain assets and liabilities that are not recorded in the funds because they do not directly affect net expendable available financial resources. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain school district activities or functions. Funds are classified into three categories: Governmental, Proprietary and Fiduciary. Each category is divided into separate fund types.

Governmental Funds

Governmental funds are those through which most governmental functions of the District are financed. The acquisition, use and balances of the District's expendable financial resources and the related liabilities (except those accounted for in Proprietary Funds) are accounted for through Governmental Funds. The following are the District's Governmental Fund Types:

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

B. Fund Accounting (Continued)

Governmental Funds (Continued)

General Fund - The General Fund is the general operating fund of the District and is used to account for all financial resources except those required to be accounted for in another fund.

Special Revenue Funds - Special Revenue Funds are used to account for the proceeds of specific revenue sources (other than expendable trusts, or major capital projects) that are legally restricted to expenditures for specified purposes.

Capital Projects Funds - Capital Projects Funds are used to account for financial resources to be used for the acquisition of construction of major capital facilities (other than those financed by Proprietary Funds and Trust Funds).

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 where the determination of net income is necessary or useful to sound financial administration. The following are the District's Proprietary Fund Types:

Enterprise Funds - Enterprise Funds are used to account for operations that (a) are financed and operated in a manner similar to private business enterprises--where the intent of the governing body is that the costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges; or (b) where the governing body has decided that periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability, or other purposes.

Internal Service Fund - The Internal Service Fund is used to account for the financing of goods or services provided by one department or agency to other departments or agencies of the District, or to other governments, on a cost-reimbursement basis.

Fiduciary Funds

Trust and Agency Funds - These funds are used to account for assets held by the District in a trustee capacity or as an agent for individuals, private organizations, other governmental units, and/or other funds. These include Expendable Trust and Agency Funds. Expendable Trust funds are accounted for in essentially the same manner as Governmental funds. Agency Funds are presented on a budgetary basis, with note disclosure, if applicable, regarding items which, in other funds, would be subject to accrual.

Account Groups

To make a clear distinction between fixed assets related to specific funds and those of general government, and between long-term liabilities related to specific funds and those of general nature, the following account groups are used.

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

B. Fund Accounting (Continued)

Account Groups (Continued)

General Fixed Assets Account Group - This group of accounts is established to account for all fixed assets of the District, other than those accounted for in the Proprietary Funds.

General Long-Term Obligations Account Group - This group of accounts is established to account for all long-term obligations of the District, other than those accounted for in the Proprietary Funds.

C. Measurement Focus/Basis of Accounting

The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. All Governmental funds and the Expendable Trust fund are accounted for using a current financial resources measurement focus. With this measurement focus, only current assets and current liabilities generally are included on the balance sheet. Operating statements of these funds present increases (revenues and other financing sources) and decreases (expenditures and other financing uses) in net current assets.

All Proprietary funds are accounted for on a flow of economic resources measurement focus. With this measurement focus, all assets and all liabilities associated with the operations of these funds are included on the balance sheet. Proprietary Fund Type operating statements present increases (revenues) and decreases (expenses) in net total assets.

The modified accrual basis of accounting is followed for Governmental and Expendable Trust funds. Under the modified accrual basis of accounting, revenues are recognized when they become both measurable and available to finance expenditures of the current period, which for the District is sixty days after the June 30 year-end. Revenues accrued at the end of the year include interest, tuition, grants and entitlements (to the extent they are intended to finance the current fiscal year), and accounts (student fees and rent). Current property taxes measurable as of June 30, 1999, and which are intended to finance fiscal 2000 operations, have been recorded as deferred revenues. Delinquent property taxes measurable and available (received within 60 days) and amounts available as an advance on future tax settlements are recognized as revenue at year-end. Taxes available for advance and recognized as revenue but not received by the District prior to June 30, 1999, are reflected as a reservation of fund balance for future appropriations. The District is prohibited by law from appropriating this revenue in accordance with ORC Section 5705.35, since an advance of revenue was not requested or received prior to the fiscal year-end.

The District reports deferred revenue on its combined balance sheet. Deferred revenues arise when a potential revenue does not meet both the "measurable" and "available" criteria for recognition in the current period. Deferred revenues also arise when resources are received by the District before it has a legal claim to them, as when grant monies are received prior to the recognition of qualifying expenditures. In subsequent periods, when both revenue recognition criteria are met, or when the government has a legal claim to the resources, the liability for deferred revenue is removed from the combined balance sheet and revenue is recognized.

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

C. Measurement Focus/Basis of Accounting (Continued)

Expenditures (decreases in net financial resources) are recognized in the period in which the fund liability is incurred with the following exceptions: general long-term obligation principal and interest are reported only when due; and costs of accumulated unpaid vacation and sick leave are reported as expenditures in the period in which they will be liquidated with available financial resources rather than in the period earned by employees.

The Proprietary funds are accounted for on the accrual basis of accounting. Under the accrual basis of accounting, revenues are recorded when earned and expenses are recorded at the time liabilities are incurred.

D. Budgets

The District is required by state statute to adopt an annual appropriated cash basis budget for all funds. The specific timetable for fiscal year 1999 is as follows:

1. Prior to January 15 of the preceding year, 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 expressed purpose of this budget document is to reflect the need for existing (or increased) tax rates.

2. By no later than January 20, the Board-adopted budget is filed with the Montgomery County Budget Commission for tax rate determination.

3. Prior to April 1, the Board of Education accepts, by formal resolution, the tax rates as determined by the Budget Commission and receives the Commission's Certificate of Estimated Resources which states the projected revenue of each fund. Prior to 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 a basis for the appropriation measure. On or about July 1, the Certificate is amended to include any unencumbered balances from the preceding year as reported by the District Treasurer. The Certificate may be further amended during the year if projected increases or decreases in revenue are identified by the District Treasurer. The amounts reported in the budgetary statement reflect the amounts set forth in the final Amended Certificate issued for fiscal year 1999.

4. By July 1, the annual appropriation resolution is legally enacted by the Board of Education at the fund, function, and object level of expenditures, which are the legal levels of budgetary control. (State statute permits a temporary appropriation to be effective until no later than October 1 of each year.) Resolution appropriations by fund must be within the estimated resources as certified by the County Budget Commission and the total of expenditures and encumbrances may not exceed the appropriation totals.

5. Any revisions that alter the total of any fund appropriation or alter total function appropriations within a fund, or alter object appropriations within functions must be approved by the Board of Education.

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

D. Budgets (Continued)

6. Formal budgetary integration is employed as a management control device during the year for all funds consistent with the general obligation bond indenture and other statutory provisions. All departments/functions and funds completed the year within the amount of their legally authorized cash basis appropriation.

7. Appropriation amounts are as originally adopted, or as amended by the Board of Education through the year by supplemental appropriations which either reallocated or increased the original appropriated amounts. All supplemental appropriations were legally enacted by the Board during fiscal 1999, in the following (net) amounts:

	Increase
General Fund	$1,245,454
Special Revenue Funds	293,597
Capital Projects Funds	79,990
Enterprise Funds	47,301
Expendable Trust Fund	11,137
Agency Funds	18,256

8. Unencumbered appropriations lapse at year end. Encumbered appropriations are carried forward to the succeeding fiscal year and need not be reappropriated. Expenditures plus encumbrances may not legally exceed budgeted appropriations at the fund, function and/or object level.

   Encumbrance accounting is utilized with District funds in the normal course of operations, for purchase orders and contract related expenditures. An encumbrance is a reserve on the available spending authority due to commitment for a future expenditure and does not represent a liability. For Governmental Fund Types, encumbrances outstanding at year end appear as a reserve to the fund balance on a GAAP basis and as the equivalent of expenditures on a non-GAAP budgetary basis in order to demonstrate legal compliance. Note 17 provides a reconciliation of the budgetary and GAAP basis of accounting. Encumbrances for Enterprise funds are disclosed in Note 14.

E. Cash and Investments

To improve cash management, cash received by the District is pooled. Monies for all funds, including Proprietary funds, are maintained in this pool. Individual fund integrity is maintained through the District's records. Each fund's interest in the pool is presented as "Equity in Pooled Cash and Cash Equivalents" (both unrestricted and restricted) on the combined balance sheet.

During 1999, investments were limited to repurchase agreements, certificates of deposit, commercial paper and Federal Agency securities.

Except for nonparticipating investment contracts and investment contracts that have a remaining maturity of one year or less at the time of purchase, investments are reported at fair value, which is based on quoted market prices. Nonparticipating investment contracts such as repurchase agreements and nonnegotiable certificates of deposit and investment contracts that had a remaining maturity of one year or less at the time of purchase are reported at cost.

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

E. Cash and Investments (Continued)

Calculation of the Net Decrease in the Fair Value of Investments - Aggregate Method

Fair value at June 30, 1999	$ 100,000
Add: Proceeds of investments matured during fiscal 1999	0
Less: Cost of investments purchased	(100,000)
Fair value at June 30, 1998	0
Change in fair value of investments	$ 0

Under existing Ohio statutes, 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 1999 totaled $98,514, which included $31,668 assigned from other funds of the District.

An analysis of the Treasurer's investment account at year end is provided in Note 4.

F. Inventory

Inventories for all Governmental funds are valued at cost (first-in/first-out method). The purchase method is used to account for inventories. Under the purchase method, inventories are recorded as expenditures when purchased; however, material amounts of inventories at period end are reported as assets of the respective fund, which are equally offset by a fund balance reserve which indicates they are unavailable for appropriation even though they are a component of reported assets.

Inventories of Proprietary funds are valued at the lower of cost (first-in/first-out method) or market and expensed when used rather than when purchased.

G. Prepaids

Prepayments for Governmental funds represent cash disbursements which have occurred and are therefore not current expendable resources. These items are reported as fund assets on the balance sheet using the allocation method, which amortizes their cost over the periods benefitting from the advance payment. At period end, because prepayments are not available to finance future Governmental fund expenditures, the fund balance is reserved by an amount equal to the carrying value of the asset.

H. Fixed Assets and Depreciation

1. **General Fixed Assets Account Group**

   General fixed assets are capitalized at cost or estimated historical cost. Donated fixed assets are recorded at their fair market values as of the date donated. The District follows the policy of not capitalizing assets with a cost of less than $500 and a useful life of less than one year. No depreciation is recognized for assets in the General Fixed Assets Account Group. The District has not included infrastructure in the General Fixed Assets Account Group. The District capitalized no interest during the fiscal year.

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

H. Fixed Assets and Depreciation (Continued)

2. Proprietary Funds

Equipment reflected in these funds are stated at historical cost or estimated historical cost and updated for the cost of additions and retirements during the year. Donated fixed assets are recorded at their fair market values as of the date donated. A 10% salvage value is used for Proprietary fixed assets. Depreciation has been provided, where appropriate, on a straight-line basis over the following estimated useful lives:

Asset	Life (years)
Buildings	25-50
Furniture, Fixtures and Minor Equipment	5-20
Vehicles	4-6

I. Intergovernmental Revenues

In Governmental funds, entitlements and non-reimbursable grants (to the extent such grants and entitlements relate to the current fiscal year) are recorded as receivables and revenue when measurable and available. Reimbursement type grants are recorded as receivables and revenues when the related expenditures are incurred. Grants for Proprietary fund operations are recognized as revenue when measurable and earned. The District currently participates in various state and federal programs categorized as follows:

Entitlements

General Fund
- State Foundation Program
- State Property Tax Relief

Special Revenue Funds
- Disadvantaged Pupil Impact Aid

Non-Reimbursable Grants

Special Revenue Funds
- Management Information Systems
- Title VI-B
- Professional Development
- Vocational Education
- Title I
- Title VI
- Drug-Free School
- Pre-School for the Handicapped
- Instructional Materials Subsidy

Non-Reimbursable Grants - (Continued)

Capital Projects Funds
- SchoolNet
- Vocational Education Equipment
- Video Distance Learning

Reimbursable Grants

General Fund
- Driver Education
- School Bus Purchases

Proprietary
- National School Lunch Program

Grants and entitlements amounted to over 47% of the District's operating revenue during the 1999 fiscal year.

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

J. Compensated Absences

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

In accordance with the provisions of GASB Statement No. 16, Accounting for Compensated Absences, a liability for vacation leave is accrued if a) the employees' rights to payment are attributable to services already rendered; and b) it is probable that the employer will compensate the employees for the benefits through paid time off or other means, such as cash payment at termination or retirement. A liability for sick leave is accrued using the vesting method; i.e., the liability 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 severance on employees expected to become eligible to retire in the future, all employees age fifty (50) or greater with at least ten (10) years of service and all employees with at least twenty (20) years of service regardless of their age were considered expected to become eligible to retire in accordance with GASB Statement No. 16.

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

Accumulated vacation and severance of Governmental Fund Type employees meeting the above requirements have been recorded in the appropriate Governmental fund as a current liability to the extent that the amounts are expected to be payable within the current available period. The balance of the liability is recorded in the General Long-Term Obligations Account Group. Vacation and sick leave for employees meeting the above requirements who are paid from Proprietary funds is recorded as an expense when earned.

K. Other Employee Benefits

The District has entered into a Retirement Incentive whereby, upon election, an employee reaching his/her first year of retirement eligibility (with a minimum of thirty years of service credit with one or more of Ohio’s public employees retirement systems and no less than ten years of service with the District by the effective date of retirement) is entitled to receive, in lieu of the retirement pay currently provided under Article 23 of the labor agreement, an amount equal to his/her per diem rate times 3/8 of his/her total accumulated and unused sick leave days (302 maximum for 1995-1996; 305 maximum for 1996-1997; 308 maximum for 1997-1998; and 310 maximum for 1998-1999). An employee must retire under any of Ohio’s public employee retirement systems by no later than the year he/she first becomes eligible for full retirement or forfeit any claim to the Retirement Incentive. The corresponding liability for employees who are eligible and have currently elected to participate in the Retirement Incentive has been recorded in the General Long-Term Obligations Account Group for employees who are paid from Governmental funds; and as a fund liability for employees paid from Proprietary funds.

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

L. Long-Term Obligations

Long-term debt is recognized as a liability of a Governmental fund when due, or when resources have been accumulated in the Debt Service fund for payment early in the following year. For other long-term obligations, only that portion expected to be financed from expendable available financial resources is reported as a fund liability of a Governmental fund. The remaining portion of such obligations is reported in the General Long-Term Obligations Account Group.

Long-term liabilities expected to be financed from Proprietary fund operations are accounted for in those funds.

M. Fund Equity

Reserved fund balances indicate that portion of fund equity which is not available for current appropriation or is legally segregated for a specific use. Fund balances are reserved for encumbrances, materials and supplies inventory, tax advance unavailable for appropriation, prepaids, and budget stabilization. The unreserved portions of fund equity reflected for the Governmental funds are available for use within the specific purposes of those funds.

N. Statutory Reserves

The District is required by State law to set-aside certain General fund revenue amounts, as defined by statute, into various reserves. These reserves are calculated and presented on a cash basis. During the fiscal year ended June 30, 1999, the reserve activity was as follows:

	Textbooks	Capital Acquisition	Budget Stabilization	Totals
Set-aside cash balance as of June 30, 1998	$ 0	$ 0	$ 34,428	$ 34,428
Current year set-aside requirement	174,940	174,940	90,858	440,738
Current year offsets	(26,907)	0	0	(26,907)
Qualifying disbursements	(446,530)	(531,858)	0	(978,388)
Total	(298,497)	(356,918)	125,286	(530,129)
Cash balance carried forward to FY 2000	$ 0	$ 0	$125,286	$125,286

Although the District had offsets and qualifying disbursements during the year that reduced the set-aside amounts below zero, these extra amounts may not be used to reduce the set-aside requirements of future years. Negative amounts are therefore not presented as being carried forward to the next fiscal year.

A schedule of the restricted assets at June 30, 1999 follows:

Amount restricted for budget stabilization	$125,286
Total restricted assets	$125,286

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

O. Interfund Transactions

During the course of normal operations, the District has numerous transactions between funds. The most significant include:

1. Transfers of resources from one fund to another fund. The resources transferred are to be expended for operations by the receiving fund and are recorded as operating transfers, with the exception of Agency funds, which do not report transfers of resources as operating transfers.

2. Reimbursements from one fund to another are treated as expenditures/expenses in the reimbursing fund and a reduction in expenditures/expenses in the reimbursed fund.

3. Short-term interfund loans made pursuant to Board of Education Resolution are reflected as "interfund loans receivable or payable." Such interfund loans are repaid in the following fiscal year.

4. Quasi-external transactions are similar to the purchase of goods or services from a vendor; i.e., the fund which provides a service records revenue, and the fund which receives that service records an expenditure/expense.

5. Residual equity transfers are non-recurring or non-routine permanent transfers of equity, generally made when a fund is closed.

6. Long-term interfund loans that will not be repaid within the next year are termed "advances" and are shown as reservations of fund balances on the combined balance sheet for those funds that report advances to other funds as assets because they are not spendable, available resources.

An analysis of the District's interfund transactions for fiscal year 1999 is presented in Note 5.

P. Statement of Cash Flows

In September 1989, GASB issued Statement No. 9, <u>Reporting Cash Flows of Proprietary and Nonexpendable Trust Funds and Governmental Entities That Use Proprietary Fund Accounting</u>. The District has presented a statement of cash flows for its Enterprise and Internal Service funds. For purposes of the statement of cash flows, the District considers cash equivalents to include all short term investments (maturity of 90 days or less from date of purchase).

Q. Financial Reporting for Proprietary and Similar Fund Types

The District's financial statements have been prepared in accordance with GASB Statement No. 20, <u>Accounting and Financial Reporting for Proprietary Funds and Other Governmental Entities That Use Proprietary Fund Accounting</u>. This Statement is effective for financial statements beginning after December 15, 1993. The District accounts for its proprietary activities in accordance with all applicable GASB pronouncements, as well as pronouncements of the Financial Accounting Standards Board (FASB) and its predecessors issued on or before November 30, 1989, unless those pronouncements conflict with or contradict GASB pronouncements.

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

R. Restricted Assets

Certain assets of the General Fund are classified as restricted assets because their use is completely restricted by State legislation. The General fund balance has been reserved for the amount of restricted assets.

S. Estimates

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

T. Memorandum Only - Total Columns

Total columns on the General Purpose Financial Statements are captioned (Memorandum Only) to indicate that they are presented only to facilitate financial analysis. Data in these columns do not present financial position, results of operations, or changes in financial position in conformity with generally accepted accounting principles. Neither is such data comparable to a consolidation. Interfund eliminations have not been made in the aggregation of this data.

NOTE 3 - ACCOUNTABILITY AND COMPLIANCE

Fund balances at June 30, 1999 included the following individual fund deficit:

	Deficit Balance
Special Revenue Funds	
Title VI	$(2)

This deficit, caused by the application of generally accepted accounting principles, will be funded by anticipated future intergovernmental revenues or other subsidies not recognized and recorded at June 30.

NOTE 4 - EQUITY IN POOLED CASH AND INVESTMENTS

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

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

Inactive deposits are public deposits the Board of Education has identified as not required for use within the current two 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.

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

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

Protection of the District's deposits is provided by the Federal Deposit Insurance Corporation, 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 moneys deposited with the institution.

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

1. United States Treasury Notes, Bills, Bonds, or any other obligation or security issued by the United States Treasury or any other obligation guaranteed as to principal and interest by the United States;

2. Bonds, Notes, Debentures, or any other obligations or securities issued by any federal government agency or instrumentality, including but not limited to, the Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, Government National Mortgage Association, and Student Loan Marketing Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;

3. Written repurchase agreements in the securities listed above provided that the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least two percent and be marked to market daily, and that the term of the agreement must not exceed thirty days;

4. Bonds and other obligations of the State of Ohio;

5. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2) and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions;

6. The State Treasurer's investment pool (STAR Ohio);

7. Certain bankers' acceptances and commercial paper notes for a period not to exceed one hundred and eighty days from the date of purchase in an amount not to exceed twenty-five percent of the interim moneys available for investment at any one time; and,

8. Under limited circumstances, corporate debt instruments rated in either of the two highest rating classifications by at least two nationally recognized rating agencies.

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

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 qualified trustee or, if the securities are not represented by a certificate, upon receipt of confirmation of transfer from the custodian.

The following information classifies deposits and investments by categories of risk as defined in GASB Statement No. 3, Deposits with Financial Institutions, Investments (including Repurchase Agreements), and Reverse Repurchase Agreements.

Deposits: At year-end the carrying amount of the District's deposits was $745,640 and the bank balance was $837,355 (both amounts include $689,000 in non-negotiable certificates of deposit, but are exclusive of payroll clearance accounts). Of the bank balance:

1. $737,355 was covered by federal deposit insurance.

2. $100,000 was uninsured and uncollateralized. Although all statutory requirements for the deposit of money had been followed, noncompliance with federal requirements could potentially subject the District held to a successful claim by the FDIC.

Investments: The District's investments are required to be categorized to give an indication of the level of risk assumed by the District at year end. Category 1 includes investments that are insured or registered or for which the securities are held by the District or its agent in the District's name. Category 2 includes uninsured and unregistered investments for which the securities are held by the counterparty's trust department or agent in the District's name. Category 3 includes uninsured and unregistered investments for which the securities are held by the counterparty, or by its trust department or agent but not in the District's name.

	Category of Risk		
	1	3	Fair Value
Repurchase Agreement		$469,181	$469,181
Commercial Paper		97,750	97,750
Federal Agency Security	$100,000		100,000
Total Investments	$100,000	$566,931	$666,931

The classification of cash and cash equivalents, and investments on the combined balance sheet is based on criteria set forth in GASB Statement No. 9 entitled, Reporting Cash Flows of Proprietary and NonExpendable Trust Funds and Governmental Entities That Use Proprietary Fund Accounting.

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

A reconciliation between the classifications of cash and cash equivalents and investments per GASB Statement No. 9 on the combined balance sheet and the classifications of deposits and investments presented above per GASB Statement No. 3 is as follows:

	Pooled Cash and Cash Equivalents	Investments
GASB Statement No. 9	$1,412,571	
Investments of the Cash Management Pool:		
Repurchase Agreement	(469,181)	$469,181
Commercial Paper	(97,750)	97,750
Federal Agency Security	(100,000)	100,000
GASB Statement No. 3	$ 745,640	$666,931

NOTE 5 - INTERFUND TRANSACTIONS

A. Interfund balances at June 30, 1999, consist of the following individual interfund loans receivable and payable:

	Interfund Loan Receivable	Interfund Loan (Payable)
General Fund	$23,696	
Special Revenue Fund		
Public School Support		$ (25)
Title I		(8,313)
Agency Fund		
Student Managed Activities		(9,123)
Enterprise Fund		
Uniform School Supplies		(6,235)
Total All Fund Types	$23,696	$(23,696)

B. The following is a summarized reconciliation of the District's operating transfers for fiscal year 1999:

Fund	Transfers In	Transfers (Out)
General Fund		$(9,647)
Special Revenue Funds		
District Managed Student Activity	$ 5,727	
Capital Projects Fund		
Permanent Improvement	3,920	
	$9,647	$(9,647)

NOTE 6 - PROPERTY TAXES

Property taxes are levied and assessed on a calendar year basis. Distributions from the second half of the calendar year occur in a new fiscal year and are intended to finance the operations of that year. Property taxes include amounts levied against all real, public utility and tangible (used in business) property located in the District. Real property taxes and public utility taxes are levied after November 1 on the assessed value listed as of the prior January 1, the lien date. Assessed values are established by State law at 35% of appraised market value.

Public utility property taxes are assessed on tangible personal property, as well as land and improvements. Real property is assessed at 35% of market value and personal property is assessed at 100% of market value except for the personal property of rural electric companies which is assessed 50% of market and railroads which are assessed at 29%. Tangible personal property taxes attach as a lien and are levied on January 1 of the current year. Tangible personal property assessments are 25% of true value.

The assessed value upon which the 1998 taxes were collected was $141,571,712. Agricultural/Residential and public utility real estate represented 77.01% or $109,021,350 of this total; Commercial & Industrial real estate represented 6.91% or $9,785,470 of this total, public utility tangible represented 11.09% or $15,699,220 of this total and general tangible property represented 4.99% or $7,065,672 of this total. The voted tax rate for operations at the fiscal year ended June 30, 1999 was $34.20 per $1,000.00 of assessed valuation.

Real property taxes are payable annually or semi-annually. If paid annually, payment is due January 20; if paid semi-annually, the first payment is due January 20 with the remainder payable by June 20.

The Montgomery County Treasurer collects property tax on behalf of the District. The County Auditor periodically remits to the District its portion of the taxes collected. These tax "advances" are based on statutory cash flow collection rates. Final "settlements" are made each February and August.

Accrued property taxes receivable represent delinquent taxes outstanding and real property, personal property and public utility taxes which became measurable as of June 30, 1999. Although total property tax collections for the next fiscal year are measurable, they are not (exclusive of advances) intended to finance current year operations. The net receivable (total receivable less amount available intended to finance the current year) is therefore offset by a credit to deferred revenue.

NOTE 7 - SCHOOL DISTRICT INCOME TAX

In fiscal 1996, voters of the District passed a .5% income tax, effective for five years. The tax is collected by the State of Ohio and remitted to the District quarterly. Total income tax revenue for fiscal 1999 credited to the General fund was $875,584.

NOTE 8 - RECEIVABLES

Receivables at June 30, 1999 consisted of taxes, interest, interfund loans, accounts, and intergovernmental State and Federal revenue. 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.

NOTE 8 - RECEIVABLES (Continued)

A summary of the principal items of receivables follows:

	Amounts
General Fund	
Taxes - Current & Delinquent	$3,997,980
Interfund loans	23,696
Special Revenue Funds	
Due From Other Governments	48,032

NOTE 9 - FIXED ASSETS

A summary of the changes in the General Fixed Assets Account Group during the fiscal year follows:

	Balance July 1, 1998	Increase	Decrease	Balance June 30, 1999
Land/ Improvements	$ 467,002	$ 67,358		$ 534,360
Buildings/ Improvements	4,565,682	175,729		4,741,411
Furniture/ Equipment	1,435,672	187,916	$(13,150)	1,610,438
Vehicles	802,586	160,828	(23,072)	940,342
Total	$7,270,942	$591,831	$(36,222)	$7,826,551

A summary of the Proprietary fixed assets at June 30, 1999 follows:

Furniture and Equipment	$ 198,206
Less: Accumulated Depreciation	(151,370)
Net Fixed Assets	$ 46,836

NOTE 10 - CAPITALIZED LEASES - LESSEE DISCLOSURE

In prior years, the District entered into a lease for a copier, computer lab equipment and a truck and tractor. These leases meet the criteria of a capital lease as defined by GASB Statement No. 13, Accounting for Leases, which defines a capital lease generally as one which 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 Combined Statement of Revenues, Expenditures and Changes in Fund Balances for the Governmental Fund Types and Expendable Trust Fund. These expenditures are reflected as program/function expenditures on a budgetary basis. General fixed assets acquired by lease have been capitalized in the General Fixed Assets Account Group in an amount equal to the present value of the future minimum lease payments as of the date of their inception.

A corresponding liability was recorded in the General Long-Term Obligations Account Group. Principal payments for fiscal year 1999 were $34,664 and are reflected as debt service principal retirement in the General fund.

NOTE 10 - CAPITALIZED LEASES - LESSEE DISCLOSURE (Continued)

The following is an analysis of the assets acquired by capital lease as of June 30, 1999:

	General Fixed Assets
Copier	$ 12,376
Truck and Tractor	36,294
Computer Equipment	54,494
Total	$103,164
Carrying Value	$103,164

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, 1999.

	General Long-Term Obligations	
June 30 Year Ending	Copier	Total
2000	$ 2,845	$2,845
Total Future Minimum Lease Payments	$ 2,845	2,845
Less: Amount Representing Interest		(148)
Present Value of Future Minimum Lease Payments		$2,697

NOTE 11 - LONG-TERM OBLIGATIONS

The current obligation bonds outstanding, issued to provide funds for school bus purchases and building additions and improvements, are general obligations of the District for which the full faith and credit of the District is pledged for repayment. Accordingly, such unmatured obligations of the District are accounted for in the General Long-Term Obligations Account Group. Payments of principal and interest relating to these liabilities are recorded as expenditures in the General fund.

A. The following is a description of the District's bonds outstanding as of June 30, 1999:

	Interest Rates	Issue Date	Maturity Date	Bonds Outstanding July 1, 1998	Bonds Retired In 1999	Bonds Outstanding June 30, 1999
H.B. 264 - Energy Bonds	5.40%	05/15/96	06/15/05	$ 940,000	$110,000	$830,000
School Bus Bonds	5.49%	05/01/96	04/01/03	105,000	19,000	86,000
				$1,045,000	$129,000	$916,000

NOTE 11 - LONG-TERM OBLIGATIONS - (Continued)

B. The following is a summary of the District's future annual debt service requirements to maturity for general obligation debt:

Year Ending	Principal on Bonds	Interest on Bonds	Total
2000	$130,000	$ 52,134	$ 182,134
2001	141,000	45,114	186,114
2002	152,000	37,370	189,370
2003	163,000	28,868	191,868
2004	155,000	19,315	174,315
2005	175,000	10,325	185,325
Total	$916,000	$193,126	$1,109,126

C. During the year ended June 30, 1999, the following changes occurred in the liabilities reported in the General Long-Term Obligations Account Group. Compensated absences, pension obligation, and the retirement incentive will be paid from the fund in which the employee was paid.

	Balance July 1, 1998	Increase	Decrease	Balance June 30, 1999
Compensated absences:				
Sick leave (severance)	$ 563,857	$ 92,344	$(123,377)	$ 532,824
Vacation	20,047	22,652	(23,587)	19,112
Retirement incentive	66,944	80,155	(66,944)	80,155
Pension obligation payable	77,330	80,706	(77,330)	80,706
General obligation bonds payable	105,000		(19,000)	86,000
H.B. 264 - Energy bonds	940,000		(110,000)	830,000
Obligation under capital lease	37,361		(34,664)	2,697
Total	$1,810,539	$275,857	$(454,902)	$1,631,494

D. 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, 1999 are a voted debt margin of $12,655,454 and an unvoted debt margin of $141,572.

NOTE 12 - NOTES PAYABLE

A. In a prior period the District issued tax anticipation notes for the purpose of paying current expenses. These notes are general obligations of the District for which the full faith and credit of the District is pledged for repayment. These notes are liabilities of the General Fund, which received the proceeds upon issuance. The following is a description of the District's notes outstanding as of June 30, 1998:

Purpose	Interest Rate	Issue Date	Maturity Date	Original Amount	Outstanding 07/01/98	Notes Retired In 1999	Outstanding 06/30/99
Tax Anticipation Note	5.12%	05/01/95	12/15/00	$ 550,000	$445,000	$135,000	$310,000
Totals				$ 550,000	$445,000	$135,000	$310,000

B. The following is a summary of the District's future annual debt service requirements to maturity for the tax anticipation notes:

Year Ending June 30	Principal on Tax Anticipation Note	Interest on Tax Anticipation Note	Total
2000	$150,000	$12,183	$162,183
2001	160,000	4,160	164,160
	$310,000	$16,343	$326,343

NOTE 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 employee health and general liability insurance coverage through a commercial carrier. Absent the deductible, the risk of loss transfers entirely to the commercial carrier.

The District purchases dental and workers compensation 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 workers compensation experience of the participating school districts is calculated as one experience and the common premium rate is applied to all districts in the Trust. The Trust is self-sustaining through member premiums and will reinsure through commercial coverage for claims in excess of the pooling level per year.

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.

NOTE 14 - SEGMENT INFORMATION - ENTERPRISE FUNDS

The District maintains three Enterprise funds to account for the operations of Food Service, Uniform School Supplies, and the Latchkey program. The table below reflects, in a summarized format, the more significant financial data relating to the Enterprise Funds of the District as of and for the year ended June 30, 1999.

	Food Service	Uniform School Supplies	Latchkey Programs	Total
Operating revenue	$517,052	$49,724	$59,162	$625,938
Depreciation	3,402		27	3,429
Operating income (loss)	(58,264)	606	3,084	(54,574)
Federal and state grants	49,594			49,594
Net income	30,373	606	3,084	34,063
Net working capital	(1,394)	11,858	35,569	46,033
Total assets	125,434	21,425	44,435	191,294
Long-Term Liabilities Payable from Fund Revenues	11,572			11,572
Total liabilities	92,053	9,567	8,377	109,997
Total equity	33,381	11,858	36,058	81,297
Encumbrances at 6/30/99		5,865		5,865

NOTE 15 - DEFINED BENEFIT PENSION PLANS

A. School Employees Retirement System

The District contributes to the School Employees Retirement System of Ohio (SERS), a cost-sharing multiple employer public employee retirement system administered by the School Employees Retirement Board. SERS provides basic retirement benefits, disability, survivor, and health care benefits based on eligible service credit to members and beneficiaries. Benefits are established by Chapter 3309 of the Ohio Revised Code. SERS issues a publicly available financial report that includes financial statements and required supplementary information for SERS. The report may be obtained by writing to the School Employees Retirement System, 45 North Fourth Street, Columbus, Ohio 43215-3634.

NOTE 15 - DEFINED BENEFIT PENSION PLANS (Continued)

Plan members are required to contribute 9 percent of their annual covered salary and the District is required to contribute 14 percent for 1999; 9.02 percent was the portion to fund pension obligations. The contribution rates are not determined actuarially, but are established by the School Employees Retirement Board within the rates allowed by State statute. The adequacy of the contribution rates is determined annually. The District's required contributions for pension obligations to SERS for the fiscal years ended June 30, 1999, 1998, and 1997 were $196,415 and $185,464, and $201,048 respectively; 38 percent has been contributed for fiscal year 1999 and 100 percent for the fiscal years 1998 and 1997. $121,764, which represents the unpaid contribution for fiscal year 1999, is recorded as a liability within the respective funds and the General Long-Term Obligations Account Group.

B. State Teachers Retirement System

The District contributes to the State Teachers Retirement System of Ohio (STRS), a cost-sharing multiple employer public employee retirement system administered by the State Teachers Retirement Board. STRS provides basic retirement benefits, disability, survivor, and health care benefits based on eligible service credit to members and beneficiaries. Benefits are established by Chapter 3307 of the Ohio Revised Code. STRS issues a publicly available financial report that includes financial statements and required supplementary information for STRS. The report may be obtained by writing to the State Teachers Retirement System, 275 East Broad Street, Columbus, Ohio 43215-3771.

Plan members are required to contribute 9.3 percent of their annual covered salary and the District is required to contribute 14 percent; 6 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. The District's required contributions for pension obligations to STRS for the fiscal years ended June 30, 1999, 1998 and 1997 were $844,970 and $733,116, and $716,424 respectively; 84 percent has been contributed for fiscal year 1999 and 100 percent for the fiscal years 1998 and 1997. $138,276, which represents the unpaid contribution for fiscal year 1999, is recorded as a liability within the respective funds.

C. Social Security System

Effective July 1, 1991, all employees not otherwise covered by the SERS or the STRS have an option to choose Social Security or the SERS/STRS. As of June 30, 1999, members of the Board of Education have elected Social Security. The Board's liability is 6.2 percent of wages paid.

NOTE 16 - POSTEMPLOYMENT BENEFITS

The District provides comprehensive health care benefits to retired teachers and their dependents through the STRS, and to retired non-certified employees and their dependents through the 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.

NOTE 16 - POSTEMPLOYMENT BENEFITS (Continued)

The State Teachers Retirement Board has statutory authority over how much, if any, of the health care costs will be absorbed by STRS. Most benefit recipients are required to pay a portion of health care cost in the form of a monthly premium. By Ohio law, the cost of coverage paid from STRS funds shall be included in the employer contribution rate, currently 14 percent of covered payroll. Through June 30, 1998, the Board allocated employer contributions equal to 3.5 percent of covered payroll to the Health Care Reserve Fund. Beginning July 1, 1998, this allocation was increased to 8 percent. For the District, this amount equaled $482,480 during the 1999 fiscal year.

STRS pays health care benefits from the Health Care Reserve Fund. The balance in the Fund was $2.156 million at June 30, 1998. As of July 1, 1998, eligible benefit recipients totaled 91,999. For the fiscal year ended June 30, 1998, net health care costs paid by STRS were $219,224,000.

For SERS, coverage is made available to service retirees with ten or more fiscal years of qualifying service credit, disability, and survivor benefit recipients. Members retiring on or after August 1, 1989, with less than twenty-five years of service credit must pay a portion of their premium for health care. The portion is based on years of service up to a maximum of 75 percent of the premium.

For this fiscal year, employer contributions to fund health care benefits were 4.98 percent of covered payroll, an increase from 4.21 percent for fiscal year 1998. 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 1999, the minimum pay has been established at $12,400. 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 125 percent of annual health care expenses. Expenses for health care at June 30, 1998, were $111,900,575 and the target level was $139.9 million. At June 30, 1998 SERS had net assets available for payment of health care benefits of $160.3 million. SERS has approximately 50,000 participants currently receiving health care benefits. For the District, the amount to fund health care benefits, including the surcharge, equaled $109,732 during the 1999 fiscal year.

NOTE 17 - BUDGETARY BASIS OF ACCOUNTING

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

The Combined Statement of Revenue, Expenditures, and Changes in Fund Balances -Budget and Actual - All Governmental Fund Types is presented on the budgetary basis to provide a meaningful comparison of actual results with the budget. The major differences between the budget basis and the GAAP basis are that:

(a) Revenues are recorded when received in cash (budget basis) as opposed to when susceptible to accrual (GAAP basis);

(b) Expenditures 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, encumbrances are recorded as the equivalent of an expenditure (budget basis) as opposed to a reservation of fund balance for Governmental funds (GAAP basis).

NOTE 17 - BUDGETARY BASIS OF ACCOUNTING (Continued)

The adjustments necessary to convert the results of operations for the year on the budget basis to the GAAP basis for the Governmental funds are as follows:

Excess of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses

Governmental Fund Types

	General Fund	Special Revenue Funds	Capital Projects Funds
Budget Basis	$(113,516)	$(37,849)	$(130,024)
Net Adjustment for Revenue Accruals	(39,001)	56,150	(3,920)
Net Adjustment for Expenditure Accruals	137,782	(20,536)	11,155
Net adjustment for other Financing Sources (Uses)	9,283	1,883	3,920
Encumbrances	88,571	53,400	76,937
GAAP Basis	$ 83,119	$ 53,048	$ (41,932)

NOTE 18 - CONTINGENT LIABILITIES

A. Grants

The District receives significant financial assistance from numerous federal, state and local agencies in the form of grants. The disbursement of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and is subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the General fund or other applicable funds. However, in the opinion of management, any such disallowed claims will not have a material effect on any of the financial statements of the individual fund types included herein or on the overall financial position of the District at June 30, 1999.

B. Litigation

As of the balance sheet date, the District is involved in no litigation as either plaintiff or defendant.

NOTE 18 - CONTINGENT LIABILITIES (Continued)

C. School Funding Decision

On March 24, 1997, the Ohio Supreme Court rendered a decision declaring certain portions of the Ohio school funding plan unconstitutional. The Court stayed the effect of its ruling for one year to allow the State's legislature to design a plan to remedy the perceived defects in that system. Declared unconstitutional was the State's "school foundation program", which provides significant amounts of monetary support to this District. During the fiscal year ended June 30, 1999, the District received $4,779,572 of school foundation support.

Since the Supreme Court ruling, numerous pieces of legislation have been passed by the State legislature in an attempt to address the issues identified by the Court. The Court of Common Pleas in Perry County has reviewed the new laws and, in a decision issued on February 26, 1999, determined they are not sufficiently responsive to the constitutional issues raised under the "thorough and efficient" clause of the Ohio Constitution. The State has appealed the decision made by the Court of Common Pleas to the Ohio Supreme Court. As of June 30, 1999, the Ohio Supreme Court has not rendered an opinion on this issue. The decision of the Court of Common Pleas in Perry County has been stayed by the Ohio Supreme Court, and, as such, school districts are still operating under the laws that the Common Pleas Court declared unconstitutional.

As of the date of these financial statements, the District is unable to determine what effect, if any, this ongoing litigation will have on its future State funding under this program and on its financial operations.

NOTE 19 -YEAR 2000 ISSUE

The Year 2000 issue is the result of shortcomings in many electronic data processing systems and other equipment that may adversely affect the District's operations.

The District has completed an inventory of computer systems and other equipment necessary to conducting District operations and has identified such systems as being financial reporting, payroll and employee benefits, and educational statistics reporting (through the State's Education Management and Information System [EMIS]).

The District uses the State of Ohio Uniform School Accounting System software for its financial reporting, the State of Ohio Uniform School Payroll System software for its payroll and employee benefits and the State of Ohio Equipment Inventory System for its fixed assets accounting. The State is responsible for remediating these systems.

A letter dated February 19, 1998, from the Ohio Department of Education, Division of Information Management Services, State Software Development Team, addressed to All Users of the OECN State Software and Interested Parties, provided the following concerning the status of the OECN State Software in regards to the compliance requirements for the Year 2000.

- The payroll processing software supported with the OECN State Software is compliant with the Year 2000 beginning with the September 1997 release of USPS V4.0.

- The accounting software supported with the OECN State Software will be compliant with the Year 2000, beginning with the June 1998 release of USAS V6.1.

- The education management information system software supported with the OECN State Software will be compliant with the Year 2000 beginning with the September 1998 release of EMIS V1.7.

NOTE 19 -YEAR 2000 ISSUE (Continued)

Montgomery County collects property taxes for distribution to the District. Montgomery County is responsible for remediating its tax collection system.

The State of Ohio distributes a substantial sum of money to the District in the form of basic state aid "school foundation" and federal and state grant payments. Further, the State processes a significant amount of financial and non-financial information about the District through EMIS. The State is responsible for remediating these systems.

To the best of management's knowledge and belief, as of January 14, 2000, the District experienced no significant interruption of mission-critical operations or services related to the Year 2000 issue. However, because of the unprecedented nature of the Year 2000 issue, matters may yet arise, and parties with whom the District does business may also experience Year 2000 readiness issues that are as yet, unknown.

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REPORT ON COMPLIANCE AND ON INTERNAL CONTROL REQUIRED BY *GOVERNMENT AUDITING STANDARDS*

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

To the Board of Education:

We have audited the financial statements of the Valley View Local School District, Montgomery County (the School District), as of and for the year ended June 30, 1999, and have issued our report thereon dated January 14, 2000. We conducted our audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards,* issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the School District 's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on 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 such an opinion. The results of our tests disclosed an instance of noncompliance that is required to be reported under *Government Auditing Standards* which is described in the accompanying schedule of findings as item 1999-10357-002. We also noted an immaterial instance of noncompliance that we have reported to management of the School District in a separate letter dated January 14, 2000.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the School District's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. However, we noted a matter involving the internal control over financial reporting and its operation that we consider to be 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 School District's ability to record, process, summarize and report financial data consistent with the assertions of management in the financial statements. The reportable condition is described in the accompanying schedule of findings as item 1998-10357-001.

A material weakness is a 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 in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of 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 to be material weaknesses. However, we do not believe the reportable condition described above is a material weakness. We also noted other matters involving the internal control over financial reporting that do not require inclusion in this report, that we have reported to management of the School District in a separate letter dated January 14, 2000.

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

JIM PETRO
Auditor of State

January 14, 2000

SCHEDULE OF FINDINGS
FOR THE YEAR ENDED JUNE 30, 1999

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

Finding Number	1999-10357-001

Fixed Assets

The School District had established a board policy which required the Treasurer to develop and maintain a fixed asset accounting system, and in conjunction with the Superintendent, to develop and maintain procedures to insure compliance with this policy. The policy also stated that the principal or his/her designee in each building would be assigned fixed asset responsibilities and be designated to work with the Treasurer and Superintendent.

The School District has not yet developed a fixed asset accounting system which maintains total fixed asset listings by location with tag identification numbers and other supplemental information for the District. It was also noted that the District has not developed procedures to account for additions and deletions of fixed assets throughout the year nor has the District performed periodic physical inventories of the fixed assets. Failure to obtain timely records or employ adequate controls over the acquisition and disposal of fixed assets could result in misappropriation of assets and misstatements of recorded assets.

To assist the School District is maintaining adequate safeguards over their fixed assets, and reduce the risk that the District's fixed assets will be materially misstated, District management should develop and implement appropriate procedures as required by the Board's fixed asset policy. These procedures should include the development of addition and disposal forms to be completed by the buildings when assets are acquired or disposed, and perform periodic physical inventories by location. In addition, the School District should maintain a fixed asset accounting system which accurately represents all fixed assets owned by the School District.

Finding Number	1999-10357-002

Ohio Rev. Code Section 5705.41(B) outlines the restrictions on the appropriation and expenditure of money by the District. The requirement establishes that no subdivision or taxing unit is to expend money unless it has been appropriated. The Ohio Revised Code further outlines that appropriations should not be exceeded by expenditures and purchase commitments.

Budgetary laws and regulations were tested throughout the audit period at the legal level of control, which is the level at which the appropriation resolution is adopted by the Board of Education. The School District's legal level of control was determined to be at the fund, function, object level.

The following material variances were identified where budgetary expenditures (cash disbursements plus outstanding encumbrances) exceeded appropriations during our review of budgetary amounts at a legal level of control and at the fund level when testing appropriations versus budgetary expenditures at February 28, 1999:

Finding Number	**1999-10357-002 (Continued)**

Variances at the Legal Level of Control:

Fund/Function/ Object:	**Budgetary Expenditures:**	**Appropriations:**	**Variance:**
003-5600-700	40,286	10,000	30,286

Variances at the Fund Level:

Fund:	**Budgetary Expenditures:**	**Appropriations:**	**Variance:**
Special Revenue:			
Fund 300	154,598	129,053	25,545
Fund 516	19,335	2,784	16,551
Fund 572	69,095	152	64,942
Capital Projects:			
Fund 003	43,025	10,000	33,025
Fund 450	47,205	255	46,950

Other immaterial instances of noncompliance with this Section of Code were also identified.

To help ensure compliance with the above referenced legal requirements, the School District should monitor financial reports to ensure budgetary expenditures do not exceed appropriations. In instances where appropriations are insufficient to meet projected needs, the Board should review the account involved and if additional funds are available, pass a resolution to amend appropriations. Accordingly, if funds are not available, such expenditures should not be aproved.

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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
MARCH 9, 2000