



Balestra, Harr & Scherer, CPAs, Inc.

Accounting, Auditing and Consulting Services for Federal, State and Local Governments

www.bhscpas.com

Valley Local School District
Scioto County

Single Audit

For the Year Ended June 30, 2011
Fiscal Year Audited Under GAGAS: 2011



Dave Yost • Auditor of State

Members of the Board of Education
Valley Local School District
P. O. Box 888
Lucasville, Ohio 45648

We have reviewed the *Independent Auditor's Report* of the Valley Local School District, Scioto County, prepared by Balestra, Harr & Scherer, CPAs, Inc., for the audit period July 1, 2010 through June 30, 2011. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

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

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

Dave Yost
Auditor of State

April 5, 2012

This page intentionally left blank.

Valley Local School District
Scioto County, Ohio

Table of Contents

Independent Auditor’s Report..... 1

Management’s Discussion and Analysis..... 3

Basic Financial Statements:

 Government-Wide Financial Statements:

 Statement of Net Assets – Modified Cash Basis 10

 Statement of Activities – Modified Cash Basis..... 11

 Fund Financial Statements:

 Statement of Assets and Fund Balances – Modified Cash
 Basis – Governmental Funds..... 12

 Statement of Cash Receipts, Disbursements and Changes in
 Fund Balances – Modified Cash Basis – Governmental Funds 13

 Statement of Receipts, Disbursements and Changes in Fund
 Balance – Budget (Budgetary Basis) and Actual – General Fund..... 14

 Statement of Fiduciary Net Assets – Modified Cash
 Basis – Fiduciary Fund..... 15

 Notes to the Basic Financial Statements..... 16

Schedule of Receipts and Expenditures of Federal Awards..... 35

Notes to Schedule of Receipts and Expenditures of Federal Awards 36

Report on Internal Control Over Financial Reporting and on Compliance and Other
Matters Required by *Government Auditing Standards*..... 37

Report on Compliance With Requirements Applicable to Each Major Federal Program and on
Internal Control over Compliance Required by OMB Circular A-133 39

Schedule of Findings OMB Circular A-133 section.505 41

Schedule of Prior Audit Findings OMB Circular A-133 section .315(b)..... 43

Independent Accountant’s Report on Applying Agreed-Upon Procedure 44

This page intentionally left blank.



Balestra, Harr & Scherer, CPAs, Inc.

Accounting, Auditing and Consulting Services for Federal, State and Local Governments

www.bhscpas.com

Independent Auditor's Report

Valley Local School District
Scioto County
P.O. Box 888
Lucasville, Ohio 45648

To the Board of Education:

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Valley Local School District, Scioto County, Ohio, (the School District) as of and for the year ended June 30, 2011, which collectively comprise the School District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the School 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.

Ohio Administrative Code § 117-2-03 (B) requires the School District to prepare its annual financial report in accordance with accounting principles generally accepted in the United States of America. However, as discussed in Note 2, the accompanying financial statements and notes follow the modified cash accounting basis. This is a comprehensive accounting basis other than generally accepted accounting principles. The accompanying financial statements and notes omit assets, liabilities, fund equities, and disclosures that, while material, we cannot determine at this time.

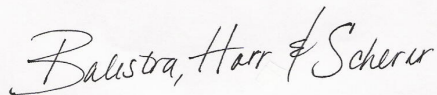
In our opinion, the financial statements referred to above present fairly, in all material respects, the respective modified cash financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Valley Local School District, Scioto County, Ohio, as of June 30, 2011, and the respective changes in modified cash financial position and the budgetary comparison for the General Fund thereof for the year then ended in conformity with the basis of accounting Note 2 describes.

In accordance with *Government Auditing Standards*, we have also issued our report dated January 27, 2012, 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 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.

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

We conducted our audit to opine on the financial statements that collectively comprise the School District's basic financial statements taken as a whole. The Schedule of Receipts and Expenditures of Federal Awards provides additional information required by the *U.S. Office of Management and Budget Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the basic financial statements. The Schedule of Receipts and Expenditures of Federal Awards is management's responsibility, and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial. This schedule was subject to the auditing procedures we applied to the basic financial statements. We also applied certain additional procedures, including comparing and reconciling this information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, in accordance with auditing standards generally accepted in the United States of America. In our opinion, this information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

As described in Note 17, the School District has implemented Governmental Accounting Standards Board (GASB) Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*.



Balestra, Harr & Scherer, CPAs, Inc.

January 27, 2012

Valley Local School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2011

As management of the Valley Local School District, we offer the readers of the School District's financial statements this narrative overview and analysis of the financial activities for the fiscal year ended June 30, 2011, within the limitations of the School District's modified cash basis of accounting. We encourage readers to consider the information presented here in conjunction with the additional information that we have provided in the basic financial statements and the notes to the basic financial statements to enhance their understanding of the School District's performance.

Financial Highlights

Net assets of governmental activities increased \$182,907.

General cash receipts accounted for \$10,162,750 or 71 percent of all total revenues. Program specific cash receipts in the form of charges for services and sales, grants, and contributions accounted for \$4,070,339 or 29 percent of total cash receipts of \$14,233,089.

The School District had \$14,050,182 in expenses related to governmental activities; only \$4,070,339 of these cash disbursements were offset by program specific charges for services and sales, grants, and contributions. General cash receipts (primarily grants, entitlements, and property taxes) of \$10,162,750 were adequate to provide for these programs.

USING THE BASIC FINANCIAL STATEMENTS

This annual report is presented in a format consistent with the presentation requirements of the Governmental Accounting Standards Board (GASB) Statement No. 34, as applicable to the School District's modified cash basis of accounting.

REPORT COMPONENTS

The *statement of net assets- modified cash basis* and *statement of activities – modified cash basis* provide information about the modified cash basis activities of the School District as a whole.

Fund financial statements provide a greater level of detail. Funds are created and maintained in the financial records of the School District as a way to segregate money whose use is restricted to a particular specific purpose. These statements present financial information by fund, presenting funds with the largest balances or most activity in separate columns.

The notes to the basic financial statements are an integral part of the government-wide and fund financial statements and provide expanded explanation and detail regarding the information reported in the basic financial statements.

BASIS OF ACCOUNTING

The basis of accounting is a set of guidelines that determine when financial events are recorded. The School District has elected to present its financial statements on a modified cash basis of accounting. This basis of accounting is a basis of accounting other than accounting principles generally accepted in the United States of America. Under the School District's modified cash basis of accounting, receipts and disbursements are recorded when cash is received or paid.

As a result of using the modified cash basis of accounting, certain assets and their related revenues (such as accounts receivable) and certain liabilities and their related expenses (such as accounts payable) are not recorded in the financial statements. Therefore, when reviewing the financial information and discussion within this report, the reader must keep in mind the limitations resulting from the use of the modified cash basis of accounting.

Valley Local School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2011

REPORTING THE DISTRICT AS A WHOLE

Statement of Net Assets and Statement of Activities

The statement of net assets and the statement of activities reflect how the School District did financially during 2011, within the limitations of the modified cash basis of accounting. The statement of net assets presents the cash balances and investments of the governmental activities of the School District at year end. The statement of activities compares cash disbursements with program receipts for each governmental program. Program receipts include charges paid by the recipient of the program's goods or services and grants and contributions restricted to meeting the operational or capital requirements of a particular program. General receipts are all receipts not classified as program receipts. The comparison of cash disbursements with program receipts identifies how each governmental function draws from the School District's general receipts.

These statements report the School District's cash position and the changes in cash position. Keeping in mind the limitations of the modified cash basis of accounting, you can think of these changes as one way to measure the School District's financial health. Over time, increases or decreases in the School District's cash position is one indicator of whether the School District's financial health is improving or deteriorating. When evaluating the School District's financial condition, you should also consider other non-financial factors as well, such as the School District's property tax base, the condition of the School District's capital assets and infrastructure, the extent of the School District's debt obligations, the reliance on non-local financial resources for operations and the need for continued growth in the major local revenue sources such as property taxes.

In the statement of net assets and the statement of activities, the School District has one type of activity: governmental.

Reporting the School District's Most Significant Funds

Fund Financial Statements

Fund financial statements provide detailed information about the School District's major funds – not the School District as a whole. The School District uses many funds to account for a multitude of financial transactions. However, these fund financial statements focus on the School District's most significant funds. The School District's major governmental funds are the General Fund, the Bond Retirement Fund, and the Classroom Facilities Fund.

Governmental Funds Most of the School District's activities are reported in governmental funds, which focus on how money flows into and out of those funds and the balances left at fiscal year end available for spending in future periods. These funds are reported using the modified cash basis of accounting, which is a basis of accounting other than accounting principles generally accepted in the United States of America. The governmental fund statements provide a detailed short-term view of the School District's general governmental operations and the basic services it provides. Governmental fund information helps you determine whether there are more or fewer modified cash basis financial resources that can be spent in the near future to finance educational programs. Since the School District is reporting on the modified cash basis of accounting, there are no differences in the net assets and fund cash balances or changes in net assets and changes in fund cash balances. Therefore, no reconciliation is necessary between such financial statements. However, differences will be apparent when comparing gross receipts and disbursements on the fund financial statements to the statement of activities due to transfers and advances netted on the statement of activities. See Note 2 to the basic financial statements for more information.

Valley Local School District
Management's Discussion and Analysis
 For the Fiscal Year Ended June 30, 2011

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. The School District's only fiduciary fund is an agency fund. Agency funds are custodial in nature (assets equal net assets) and do not involve measurement of results of operations. In accordance with GASB 34, fiduciary funds are not included in the government-wide statements.

The School District's agency fund is used to maintain financial activity of the School District's student managed activities.

THE SCHOOL DISTRICT AS A WHOLE

Recall that the statement of net assets provides the perspective of the School District as a whole. Table 1 provides a summary of the School District's net assets for 2011 compared to 2010.

(Table 1)
 Net Assets

	Governmental Activities	
	2011	2010
Assets		
Current and Other Assets	\$ 2,758,799	\$ 2,575,892
Total Assets	2,758,799	2,575,892
Net Assets		
Restricted	1,797,021	1,945,329
Unrestricted	961,778	630,563
Total Net Assets	\$ 2,758,799	\$ 2,575,892

The most significant change from the prior year is due to an increase in cash and cash equivalents, which resulted from receipts in excess of disbursements. Investments with escrow agents also increased due to continued deposits into the School District's sinking fund account for the future repayment of its capital lease.

Table 2 shows the highlights of the School District's cash receipts and cash disbursements. These two main components are subtracted to yield the change in net assets.

Cash receipts are further divided into two major components: program cash receipts and general cash receipts. Program cash receipts are defined as charges for services and sales, operating grants, and contributions. General cash receipts include property taxes, unrestricted grants, such as State foundation support, unrestricted contributions, investment earnings and miscellaneous receipts.

Cash disbursements are shown in programs that are easily identifiable utilizing the current Uniform School Accounting System (USAS) coding structure.

Valley Local School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2011

(Table 2)
Change in Net Assets

Cash Receipts	Governmental Activities	
	2011	2010
Program Cash Receipts:		
Charges for Services and Sales	\$ 1,607,208	\$ 1,615,664
Operating Grants and Contributions	2,463,131	1,829,870
Total Program Cash Receipts	4,070,339	3,445,534
General Cash Receipts:		
Property Taxes	1,446,121	1,418,869
Grants and Entitlements not Restricted to Specific Programs	7,067,442	7,129,357
Gifts and Donations not Restricted	14,178	12,821
Grants restricted for Classroom Facilities	1,556,005	0
Interest	42,123	37,366
Proceeds from Sale of Capital Assets	46	30
Miscellaneous	36,835	34,092
Total General Cash Receipts	10,162,750	8,632,535
Total Cash Receipts	\$ 14,233,089	\$ 12,078,069

Valley Local School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2011

(Table 2)
Change in Net Assets
(continued)

	Governmental Activities	
	2011	2010
Program Cash Disbursements		
Instruction:		
Regular	\$ 5,320,613	\$ 5,337,924
Special	1,348,815	1,350,315
Vocational	141,199	133,795
Other	218,420	122,814
Support Services:		
Pupils	586,116	520,215
Instructional Staff	666,879	804,936
Board of Education	38,704	70,333
Administration	729,209	714,383
Fiscal	249,740	240,634
Operation and Maintenance of Plant	994,120	1,153,857
Pupil Transportation	790,739	753,443
Central	335,509	402,053
Operation of Non-Instructional Services	452,481	466,416
Extracurricular Activities	246,269	255,276
Capital Outlay	1,707,869	78,498
Debt Service:		
Principal	200,000	190,000
Interest and Fiscal Charges	23,500	31,300
Total Cash Disbursements	<u>14,050,182</u>	<u>12,626,192</u>
Change in Net Assets	182,907	(548,123)
Net Assets, Beginning of the Year	<u>2,575,892</u>	<u>3,124,015</u>
Net Assets, End of the Year	<u>\$ 2,758,799</u>	<u>\$ 2,575,892</u>

Total Program Cash receipts increased by \$624,805 due mainly to an increase in operating grants and contributions, which was due to the School District receiving approximately \$430,000 from the Education Jobs program. Cash disbursements increased \$1,423,990 due mainly to an increase in capital outlay expenditures for a roof replacement project. Other instruction increased primarily due to increased community school tuition and increased expenditures for intervention. Instructional Staff and Operation of Maintenance of Plant decreased due to the School District reducing the number of positions and the use of substitutes. Board of Education expenditures decreased due to a decrease in legal fees as compared to the prior year.

Valley Local School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2011

Governmental Activities

Grants and entitlements not restricted to specific programs made up 50 percent of cash receipts for governmental activities of the School District for fiscal year 2011. Property tax receipts made up 10 percent of the total cash receipts for governmental activities for a total of 60 percent of all cash receipts coming from property taxes and grants and entitlements not restricted to specific programs.

Regular instruction comprises 38 percent of governmental program cash disbursements. Support services disbursements make up 31 percent of governmental cash disbursements.

The statement of activities shows the cost of program services and the charges for services and sales, grants and contributions offsetting those services. In Table 3, the total cost of services column contains all costs related to the programs and the net cost column shows how much of the total amount is not covered by program cash receipts. Net costs are costs that must be covered by general receipts, such as unrestricted State aid (State Foundation) or local taxes. The difference in these two columns would represent charges for services and sales, restricted grants, fees and donations.

(Table 3)
Governmental Activities

	Total Cost of Services 2011	Net Cost of Services 2011	Total Cost of Services 2010	Net Cost of Services 2010
Instruction	\$ 7,029,047	\$ 4,772,583	\$ 6,944,848	\$ 5,091,869
Support Services	4,391,016	3,071,434	4,659,854	3,553,860
Operation of Non-Instructional Services	452,481	(4,199)	466,416	16,024
Extracurricular Activities	246,269	208,656	255,276	219,107
Capital Outlay	1,707,869	1,707,869	78,498	78,498
Principal	200,000	200,000	190,000	190,000
Interest and Fiscal Charges	23,500	23,500	31,300	31,300
Total Cash Disbursements	<u>\$ 14,050,182</u>	<u>\$ 9,979,843</u>	<u>\$ 12,626,192</u>	<u>\$ 9,180,658</u>

The School District's Funds

The School District's major funds are accounted for using the modified cash basis of accounting. All governmental funds had total cash receipts and other financing sources of \$14,233,089 and cash disbursements and other financing uses of \$14,050,182.

The most significant change in fund balance was in the General Fund where the fund balance increased by \$171,699. This increase was due to receipts exceeding disbursements for the current year. The increase was also partially due to a decrease in expenditures for regular instruction since they were paid from the Education Jobs Grant Fund.

For the Bond Retirement Fund, the fund balance increased \$108,765, which is a result of higher tax revenues than principal payments on bonds.

For the Classroom Facilities Fund, cash disbursements exceeded cash receipts resulting in a decrease in the fund balance in the amount of \$150,907, which is due to expenditures for a roof replacement project.

Valley Local School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2011

General Fund - Budget Highlights

The School District's budget is prepared according to Ohio law and is based on accounting for certain transactions on a basis of cash receipts, disbursements and encumbrances. The most significant budgeted fund is the General Fund. During the course of fiscal year 2011, the School District revised its budget as it attempted to deal with unexpected changes in receipts and disbursements. A summary of the General Fund's original and final budgeted amounts are listed on page 14, as well as the actual amounts. A variance comparison is presented between the final budgeted amounts and the actual amounts.

For fiscal year 2011, the School District filed an amended certificate of estimated receipts. For the General Fund, final estimated receipts were \$9,553,543, with original estimated receipts of \$9,579,093, a decrease of \$25,550. Actual receipts were \$9,553,981, \$438 above final estimated receipts.

At the end of fiscal year 2011, the School District filed an amended appropriations resolution. This resulted in the General Fund's final appropriations decreasing \$241,105 from the original appropriations due mainly to lower than expected instruction disbursements. Actual disbursements were \$9,527,234, which were below final estimated disbursements.

Capital Assets

The School District does not record capital assets in the accompanying basic financial statements, but records payments for capital assets as disbursements. The School District had capital outlay disbursements of \$1,707,869 during fiscal year 2011.

Debt

Under the modified cash basis of accounting the School District does not report bonds or capital leases in the accompanying modified cash basis financial statements. However, in order to provide information to the readers of this report, we are providing the following detailed information about bonds and capital leases. At June 30, 2011, the School District had \$1,095,000 in outstanding bonds and capital leases. For additional information regarding debt, please see notes 8 and 9 to the basic financial statements. Table 4 summarizes the outstanding debt:

(Table 4)
Outstanding Debt, at Year End
Governmental Activities

	2011	2010
2001 General Obligation Refunding Bonds	\$ 95,000	\$ 295,000
Capital Lease	1,000,000	1,000,000
Totals	<u>\$ 1,095,000</u>	<u>\$ 1,295,000</u>

The School District's overall legal debt margin was \$5,161,488 with an unvoted debt margin of \$69,517 at June 30, 2011.

CONTACTING THE SCHOOL DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, investors and creditors with a general overview of the School District's finances and to show the School District's accountability for the money it receives. If you have any questions about this report or need additional information, contact Michael Bennett, Treasurer at Valley Local School District, P.O. Box 888, Lucasville, Ohio 45648, or email mike.bennett@valleyls.org.

Valley Local School District
Statement of Net Assets - Modified Cash Basis
June 30, 2011

	Governmental Activities
ASSETS:	
Equity in pooled cash, cash equivalents, and investments	\$ 1,822,386
Cash and cash equivalents in segregated accounts	7,307
Investments in segregated accounts	48,996
Investments with escrow agents	880,110
<i>Total Assets</i>	2,758,799
NET ASSETS:	
Restricted for debt service	1,264,934
Restricted for capital outlay	297,239
Restricted for other purposes	198,796
Restricted for set-asides	36,052
Unrestricted	961,778
<i>Total Net Assets</i>	\$ 2,758,799

The notes to the basic financial statements are an integral part of this statement.

Valley Local School District
Statement of Activities - Modified Cash Basis
For the Fiscal Year Ended June 30, 2011

	Cash Disbursements	Program Cash Receipts		Net (Disbursement) Receipt and Changes in Net Assets
		Charges for Services and Sales	Operating Grants and Contributions	Governmental Activities
Governmental Activities:				
Instruction:				
Regular	\$ 5,320,613	\$ 732,219	\$ 810,120	\$ (3,778,274)
Special	1,348,815	160,027	463,278	(725,510)
Vocational	141,199	21,565	-	(119,634)
Other	218,420	29,404	39,851	(149,165)
Support Services:				
Pupils	586,116	89,376	1,434	(495,306)
Instructional staff	666,879	82,744	192,535	(391,600)
Board of education	38,704	5,911	-	(32,793)
Administration	729,209	105,683	57,330	(566,196)
Fiscal	249,740	36,999	554	(212,187)
Operation and maintenance of plant	994,120	116,976	351,202	(525,942)
Pupil transportation	790,739	112,256	105,421	(573,062)
Central	335,509	50,032	11,129	(274,348)
Operation of non-instructional services	452,481	26,403	430,277	4,199
Extracurricular activities	246,269	37,613	-	(208,656)
Capital outlay	1,707,869	-	-	(1,707,869)
Debt service:				
Principal	200,000	-	-	(200,000)
Interest and fiscal charges	23,500	-	-	(23,500)
<i>Total Governmental Activities</i>	<u>\$ 14,050,182</u>	<u>\$ 1,607,208</u>	<u>\$ 2,463,131</u>	<u>(9,979,843)</u>
General Cash Receipts:				
Property taxes levied for:				
General purposes				1,169,526
Classroom facilities maintenance				20,840
Debt service				255,755
Grants and entitlements, not restricted to specific programs				7,067,442
Grants for classroom facilities projects				1,556,005
Gifts and donations, not restricted to specific programs				14,178
Interest				42,123
Proceeds from sale of capital assets				46
Miscellaneous				36,835
<i>Total General Cash Receipts</i>				<u>10,162,750</u>
<i>Change in Net Assets</i>				182,907
<i>Net Assets Beginning of Year</i>				<u>2,575,892</u>
<i>Net Assets End of Year</i>				<u>\$ 2,758,799</u>

The notes to the basic financial statements are an integral part of this statement.

Valley Local School District
Statement of Assets and Fund Balances - Modified Cash Basis
Governmental Funds
June 30, 2011

	<u>General</u>	<u>Bond Retirement</u>	<u>Classroom Facilities</u>	<u>All Other Governmental Funds</u>	<u>Total Governmental Funds</u>
ASSETS:					
Equity in pooled cash, cash equivalents, and investments	\$ 905,475	\$ 384,824	\$ 296,807	\$ 199,228	\$ 1,786,334
Cash and cash equivalents in segregated accounts	7,307	-	-	-	7,307
Investments in segregated accounts	48,996	-	-	-	48,996
Investments with escrow agents	-	880,110	-	-	880,110
Restricted Assets:					
Equity in pooled cash, cash equivalents, and investments	36,052	-	-	-	36,052
<i>Total Assets</i>	<u>\$ 997,830</u>	<u>\$ 1,264,934</u>	<u>\$ 296,807</u>	<u>\$ 199,228</u>	<u>\$ 2,758,799</u>
FUND BALANCES:					
Restricted	\$ 47,527	\$ 1,264,934	\$ 296,807	\$ 199,228	\$ 1,808,496
Assigned	166,177	-	-	-	166,177
Unassigned	784,126	-	-	-	784,126
<i>Total Fund Balances</i>	<u>\$ 997,830</u>	<u>\$ 1,264,934</u>	<u>\$ 296,807</u>	<u>\$ 199,228</u>	<u>\$ 2,758,799</u>

The notes to the basic financial statements are an integral part of this statement.

Valley Local School District
Statement of Cash Receipts, Disbursements and Changes in Fund Balances - Modified Cash Basis
 Governmental Funds
 For the Fiscal Year Ended June 30, 2011

	<u>General</u>	<u>Bond Retirement</u>	<u>Classroom Facilities</u>	<u>All Other Governmental Funds</u>	<u>Total Governmental Funds</u>
CASH RECEIPTS:					
Property taxes	\$ 1,169,526	\$ 255,755	\$ -	\$ 20,840	\$ 1,446,121
Intergovernmental	7,034,501	48,781	1,556,005	2,446,791	11,086,078
Interest	6,366	34,853	574	330	42,123
Tuition and fees	1,247,644	-	-	-	1,247,644
Rent	280	-	-	-	280
Extracurricular activities	102,630	-	-	-	102,630
Gifts and donations	14,178	-	-	500	14,678
Customer sales and services	107,729	-	-	148,925	256,654
Miscellaneous	36,835	-	-	-	36,835
<i>Total Cash Receipts</i>	<u>9,719,689</u>	<u>339,389</u>	<u>1,556,579</u>	<u>2,617,386</u>	<u>14,233,043</u>
CASH DISBURSEMENTS:					
Current:					
Instruction:					
Regular	4,470,889	-	-	849,724	5,320,613
Special	862,889	-	-	485,926	1,348,815
Vocational	141,199	-	-	-	141,199
Other	176,621	-	-	41,799	218,420
Support Services:					
Pupils	584,612	-	-	1,504	586,116
Instructional staff	464,931	-	-	201,948	666,879
Board of education	38,704	-	-	-	38,704
Administration	669,076	-	-	60,133	729,209
Fiscal	242,034	7,124	-	582	249,740
Operation and maintenance of plant	625,749	-	-	368,371	994,120
Pupil transportation	700,753	-	-	89,986	790,739
Central	323,141	-	695	11,673	335,509
Operation of non-instructional services	1,169	-	-	451,312	452,481
Extracurricular activities	246,269	-	-	-	246,269
Capital outlay	-	-	1,706,791	1,078	1,707,869
Debt service:					
Principal	-	200,000	-	-	200,000
Interest and fiscal charges	-	23,500	-	-	23,500
<i>Total Cash Disbursements</i>	<u>9,548,036</u>	<u>230,624</u>	<u>1,707,486</u>	<u>2,564,036</u>	<u>14,050,182</u>
<i>Excess of Cash Receipts Over (Under) Cash Disbursements</i>	<u>171,653</u>	<u>108,765</u>	<u>(150,907)</u>	<u>53,350</u>	<u>182,861</u>
OTHER FINANCING SOURCES (USES):					
Proceeds from sale of capital assets	46	-	-	-	46
<i>Total Other Financing Sources (Uses)</i>	<u>46</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>46</u>
<i>Net Change in Fund Balances</i>	171,699	108,765	(150,907)	53,350	182,907
<i>Fund Balances at Beginning of Year</i>	<u>826,131</u>	<u>1,156,169</u>	<u>447,714</u>	<u>145,878</u>	<u>2,575,892</u>
<i>Fund Balances at End of Year</i>	<u>\$ 997,830</u>	<u>\$ 1,264,934</u>	<u>\$ 296,807</u>	<u>\$ 199,228</u>	<u>\$ 2,758,799</u>

The notes to the basic financial statements are an integral part of this statement.

Valley Local School District
Statement of Receipts, Disbursements and Changes
In Fund Balance - Budget (Budgetary Basis) and Actual
General Fund
For the Fiscal Year Ended June 30, 2011

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
Total receipts and other financing sources	\$ 9,579,093	\$ 9,553,543	\$ 9,553,981	\$ 438
Total disbursements and other financing uses	<u>9,770,219</u>	<u>9,529,114</u>	<u>9,527,234</u>	<u>1,880</u>
Net Change in Fund Balance	(191,126)	24,429	26,747	2,318
Fund Balance at Beginning of Year - As Restated, See Note 17	576,750	576,750	576,750	-
Prior Year Encumbrances Appropriated	<u>159,571</u>	<u>159,571</u>	<u>159,571</u>	<u>-</u>
Fund Balance at End of Year	<u><u>\$ 545,195</u></u>	<u><u>\$ 760,750</u></u>	<u><u>\$ 763,068</u></u>	<u><u>\$ 2,318</u></u>

The notes to the basic financial statements are an integral part of this statement.

Valley Local School District
Statement of Fiduciary Net Assets - Modified Cash Basis
Fiduciary Fund
June 30, 2011

	<u>Agency Fund</u>
ASSETS:	
Equity in Pooled Cash, Cash Equivalents, and Investments	<u>\$ 8,692</u>
<i>Total Assets</i>	<u><u>\$ 8,692</u></u>
NET ASSETS:	
Unrestricted	<u>\$ 8,692</u>
<i>Total Net Assets</i>	<u><u>\$ 8,692</u></u>

The notes to the basic financial statements are an integral part of this statement.

Valley Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2011

NOTE 1 - DESCRIPTION OF THE SCHOOL DISTRICT AND REPORTING ENTITY

Valley Local School District (the "School District") is organized under Article VI, Sections 2 and 3 of the Constitution of the State of Ohio. The School District operates under a locally-elected Board form of government consisting of five members elected at-large for staggered four year terms. The School District provides educational services as authorized by State statute and federal guidelines.

The School District was established in 1888 through the consolidation of existing land areas and school districts. The School District serves an area of approximately 48 square miles. It is located in Scioto County, and includes all of Valley Township and portions of Jefferson, Rush, Madison, and Morgan Townships. It is staffed by 51 non-certificated employees and 84 certificated full-time teaching personnel who provide services to 1,144 students and other community members. The School District currently operates three instructional buildings and one garage.

Reporting Entity:

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

Component units are legally separate organizations for which the School District is financially accountable. The School District is financially accountable for an organization if the School District appoints a voting majority of the organization's governing board and (1) the School District is able to significantly influence the programs or services performed or provided by the organization; or (2) the School District is legally entitled to or can otherwise access the organization's resources; the School District is legally obligated or has otherwise assumed the responsibility to finance the deficits of, or provide financial support to, the organization; or the School District is obligated for the debt of the organization. Component units may also include organizations that are fiscally dependent on the School District in that the School District approves the budget, the issuance of debt, or the levying of taxes. The School District has no component units.

The School District participates in three organizations, one of which is defined as a jointly governed organization, one as a public entity shared risk pool, and one as an insurance purchasing pool. These organizations are the South Central Ohio Computer Association (SCOCA), the Scioto County Schools Council, and the Ohio School Boards Association Workers' Compensation Group Rating Plan. These organizations are presented in Notes 10, 11 and 12 to the basic financial statements.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Basis of Presentation

The School District uses the provisions of GASB 34 for financial reporting on a modified cash basis, which is a basis of accounting other than accounting principles generally accepted in the United States of America and GASB 38, for certain financial statement note disclosures. The School District's basic financial statements consist of government-wide statements, including a statement of net assets and a statement of activities, and fund financial statements that provide a more detailed level of financial information.

Government-wide Financial Statements

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

Valley Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2011

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

The statement of net assets-modified cash basis presents the cash and investment balance of the governmental activities of the School District at year-end. The statement of activities-modified cash basis presents a comparison between direct cash disbursements and program cash receipts for each program or function of the School District's governmental activities. Direct cash disbursements are those that are specifically associated with a service, program or department and are therefore clearly identifiable to a particular function. Program cash receipts include charges paid by the recipient of the 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. Cash receipts which are not classified as program cash receipts are presented as general cash receipts of the School District. The comparison of direct cash disbursements with program cash receipts identifies the extent to which each governmental function is self-financing on a modified cash basis or draws from the general cash receipts of the School District.

Fund Financial Statements

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

B. Fund Accounting

The School District uses funds to maintain its financial records during the fiscal year. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts. All funds of the School District fall within two categories: governmental and fiduciary.

Governmental Funds:

Governmental funds are those through which most governmental functions of the School District 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. On the modified cash basis of accounting governmental fund assets equal fund balance. The following are the School District's major governmental funds:

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

Bond Retirement Fund – The Bond Retirement Fund is a debt service fund used to account for the accumulation of financial resources restricted, committed, or assigned for the payment of general long-term debt. The major source of revenue for this fund is tax levy proceeds.

Classroom Facilities Fund – The Classroom Facilities Fund is a capital projects fund used to account for all intergovernmental monies, debt proceeds and interest received and expended in connection with the contracts entered into by the School District and the Ohio School Facilities Commission for the building and equipping of new classroom facilities. The major source of revenue for this fund is grant monies received from the Ohio School Facilities Commission.

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

Valley Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2011

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Fiduciary Funds:

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

C. Basis of Accounting

Although required by Ohio Administrative Code Section 117-2-03(B) to prepare its annual financial report in accordance with accounting principles generally accepted in the United States of America (GAAP), the School District chooses to prepare its financial statements and notes in accordance with the modified cash basis of accounting. Except for modifications having substantial support, receipts are recognized when received in cash rather than when earned, and disbursements are recognized when paid rather than when a liability is incurred. Budgetary presentations report budgetary disbursements when a commitment is made (i.e. when an encumbrance is approved). These statements include adequate disclosure of material matters, in accordance with the basis of accounting described above. Any such modifications made by the School District are described in the appropriate section in this note.

As a result of the use of the modified cash basis of accounting, certain assets and their related revenues (such as accounts receivable and revenue for billed or provided services not yet collected) and liabilities and their related expenses (such as accounts payable and expenses for goods or services received but not yet paid, and accrued expenses and liabilities) are not recorded in these financial statements. Therefore, when reviewing the financial information and discussion within this annual report, the reader should keep in mind the limitations resulting from the use of the modified cash basis of accounting.

Cash Receipts - Exchange and Non-exchange Transactions

Cash receipts resulting from exchange transactions, in which each party gives and receives essentially equal value, is recorded on the modified cash basis when the exchange takes place. On a modified cash basis, receipts are recorded in the fiscal year in which the resources are received.

Cash Disbursements

On the modified cash basis of accounting, disbursements are recognized at the time payments are made.

D. Budgetary Process

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

Valley Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2011

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

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

E. Cash, Cash Equivalents, and Investments

To improve cash management, all cash received by the School District is pooled. Monies for all funds are maintained in this pool. Individual fund integrity is maintained through the School District's records. Interest in the pool is presented as "Equity in Pooled Cash, Cash Equivalents, and Investments" on the financial statements. The School District holds a donation of a money market trust account and common stock, which are shown on the financial statements as "Cash and Cash Equivalents in Segregated Accounts" and "Investments in Segregated Accounts," respectively. The School District holds money in a sinking fund to be used for payment of the capital lease for the building renovation project. The monies are presented as "Investments with Escrow Agents" on the financial statements.

During fiscal year 2011, the School District's investments were limited to the State Treasury Assets Reserve of Ohio (STAR Ohio), commercial paper, repurchase agreements, money market accounts, and donated common stock. Investments are reported at fair value, which is based on quoted market prices.

STAROhio is an investment pool managed by the State Treasurer's Office which allows governments within the State to pool their funds for investment purposes. STAROhio is not registered with the SEC as an investment company, but does operate in a manner consistent with Rule 2a7 of the Investment Company Act of 1940. Investments in STAROhio are valued at STAROhio's share price which is the price the investment could be sold for on June 30, 2011.

Following 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, the Bond Retirement Fund, the Classroom Facilities Capital Projects Fund, and All Other Governmental Funds during fiscal year 2011 amounted to \$6,366, \$34,853, \$574, and \$330, respectively.

Investments of the cash management pool and investments with an original maturity of three months or less at the time they are purchased by the School District are presented on the financial statements as cash equivalents.

F. Capital Assets

Capital assets acquired or constructed for the School District are recorded as disbursements at the time of acquisition. Under the modified cash basis of accounting, capital assets and the related depreciation are not reported on the financial statements.

G. Compensated Absences

Vacation and sick leave benefits are not accrued under the modified cash basis of accounting as previously described. All leave will either be absorbed by time off from work or, within certain limitations, be paid to the employees.

Valley Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2011

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

H. Long-Term Obligations

The School District's modified cash basis financial statements do not report liabilities for bonds and other long-term obligations. Proceeds of debt are reported when cash is received and principal and interest payments are reported when paid. Since recording a capital asset when entering into a capital lease is not the result of a cash transaction, neither an other financing source nor a capital outlay expenditure are reported at inception. Lease payments are reported when paid.

I. Restricted Assets

Assets are reported as restricted when limitations on their use change the nature or normal understanding of the availability of the asset. Such constraints are either imposed by creditors, contributors, grantors, laws of other governments, or imposed by law through constitutional provisions or enabling legislation. Restricted assets in the General Fund represent cash and cash equivalents legally required to be set-aside by the School District for budget stabilization.

J. Fund Balance

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

Nonspendable The nonspendable fund balance classification includes amounts that cannot be spent because they are not in the spendable form, or legally or contractually required to be maintained intact. The "not in spendable form" criterion includes items that are not expected to be converted to cash.

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

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

Assigned Amounts in the assigned fund balance classification are intended to be used by the School District for specific purposes but do not meet the criteria to be classified as restricted or committed. In governmental funds other than the General Fund, assigned fund balance represents the remaining amount that is not restricted or committed. In the General Fund, assigned amounts represent intended uses established by policies of the School District Board of Education.

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

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

Valley Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2011

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

K. Net Assets

Net cash assets represent the cash assets held by the School District at year end. Net assets are reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the School District or through external restrictions imposed by creditors, grantors, or laws or regulations of other governments. Restricted for Other Purposes is comprised of net assets restricted for state and federal programs. The School District applies restricted resources when a cash disbursement is made for purposes for which both restricted and unrestricted net assets are available. As of June 30, 2011, of the School District's \$1,797,021 in restricted net assets, none was restricted by enabling legislation.

L. Interfund Transactions

Exchange transactions between funds are reported as cash receipts in the seller funds and as cash disbursements 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 cash disbursements to the funds that initially paid for them are not presented on the basic financial statements. In the government-wide financial statements transfers within governmental activities are eliminated. Flows of cash from one fund to another with a requirement for repayment are reported as advances in and out. Advances between governmental activities are eliminated in the statement of activities. The School District had no transfers or advances during the fiscal year.

NOTE 3 - BUDGETARY BASIS OF ACCOUNTING

The budgetary basis as provided by law is based upon accounting for certain transactions on a basis of cash receipts, disbursements, and encumbrances. The statement of receipts, disbursements and changes in fund balance - budget (budgetary basis) and actual for the General Fund is presented on the budgetary basis to provide a meaningful comparison of actual results with the budget.

The following table summarizes the adjustments necessary to reconcile the modified cash basis and the budgetary basis statements for the General Fund.

Net Change in Fund Balance	
	General Fund
Modified Cash Basis (as reported)	\$171,699
Perspective Difference:	
Activity of Funds Reclassified for Cash Reporting Purposes	(3,386)
Encumbrances	(141,566)
Budget Basis	<u>\$26,747</u>

Valley Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2011

NOTE 4 – DEPOSITS AND INVESTMENTS

State statutes classify monies held by the School 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 School 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 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 monies may be deposited or invested in the following securities:

1. United States treasury notes, bills, bonds, or other obligations of or securities issued by the United States treasury or any other obligation guaranteed as to the payment of principal and interest by the United States;
2. Bonds, notes, debentures, or 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. Interim deposits in the eligible institutions applying for interim money as provided in section 135.08 of the Revised Code;
6. 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;
7. The State Treasurer's investment pool (STAR Ohio);
8. Certain bankers' acceptances for a period not to exceed one hundred eighty days and commercial paper notes for a period not to exceed one hundred eighty days in an amount not to exceed twenty-five percent of the interim moneys available for investment at any one time;
9. Linked deposits as authorized by ordinance adopted pursuant to section 135.80 of the Revised Code;
10. Commercial paper notes issued by any entity that is defined in division (D) of section 1705.01 of the Revised Code and has assets exceeding five hundred million dollars, and to which notes are rated at the time of purchase in the highest classification established by at least two standard rating services; the aggregate value of the notes does not exceed ten percent of the aggregate value of the outstanding commercial paper of the issuing corporation; the notes mature no later than one hundred eighty days after purchase; and

Valley Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2011

NOTE 4 - DEPOSITS AND INVESTMENTS (continued)

11. Bankers' acceptances of banks that are members of the federal deposit insurance corporation to which obligations both the following apply: obligations are eligible for purchase by the federal reserve system and the obligations mature no later than one hundred eighty days after purchase.

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

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

Deposits: Custodial credit risk is the risk that in the event of a bank failure, the School District's deposits may not be returned to it. According to state law, public depositories must give security for all public funds on deposit in excess of those funds that are insured by the Federal Deposit Insurance Corporation (FDIC) or by any other agency or instrumentality of the federal government. These institutions may either specifically collateralize individual accounts in lieu of amounts insured by the FDIC, or may pledge a pool of government securities valued at least 105% of the total value of public monies on deposit at the institution. The School District's policy is to deposit money with financial institutions that are able to abide by the laws governing insurance and collateral of public funds.

As of June 30, 2011, the School District's bank balance of \$828,585 was either covered by FDIC or collateralized by the financial institution's public entity deposit pool in the manner described above.

Investments: As of June 30, 2011, the School District had the following investments:

	Fair Value	Weighted Average Maturity
STAR Ohio	\$1,044,651	< 1 Year
Donated Common Stock	48,996	N/A
American Express Credit Corporation		
Discount Commercial Paper	803,556	< 1 Year
US Gov't Money Market	76,554	< 1 Year
Total Investments	\$1,973,757	

Interest rate risk – Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. In accordance with the investment policy, the School District manages its exposure to declines in fair values by limiting the weighted average maturity of its investment portfolio.

Valley Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2011

NOTE 4 - DEPOSITS AND INVESTMENTS (continued)

Credit risk – Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The School District’s investment policy limits their investments to STAR Ohio, donated common stock, discount commercial paper, repurchase agreements, and money market accounts, and states that investments in common stock should be rated “A” or better by Moody’s or S&P at the time of purchase. Investments in STAR Ohio and US Government Money Market were rated AAAM by Standard & Poor’s. Investments in the American Express Credit Corporation Discount Commercial Paper were rated AAA by Standard & Poor’s and Aa3 by Moody’s. Investment ratings for the donated common stock and repurchase agreement accounts were not available.

Concentration of credit risk – Concentration of credit risk is the risk of loss attributed to the magnitude of a government’s investment in a single issuer. 52.9% of the School District’s investments are in STAROhio, 40.7% are in American Express discount commercial paper, 3.9% are in US Governmental Money Market Funds, and 2.5% are in common stock.

Custodial credit risk – Custodial credit risk is the risk that in the event of the failure of the counterparty, the School District will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The School District’s investment policy does not address this risk beyond the requirements of the Ohio Revised Code. All of the School District’s investments are held in the name of the School District, other than the School District’s repurchase agreement which is exposed to custodial credit risk in that it is uninsured, unregistered, and held by the counterparty’s trust department or agency but not in the School District’s name.

NOTE 5 - PROPERTY TAXES

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

Property taxes include amounts levied against all real, public utility and tangible personal property (used in business) located in the School District. Real property tax revenue received in calendar year 2011 represents collections of calendar year 2010 taxes. Real property taxes received in calendar year 2011 were levied after April 1, 2010, on the assessed value listed as of January 1, 2010, 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 in calendar year 2011 represents collections of calendar year 2010 taxes. Public utility real and tangible personal property taxes received in calendar year 2011 became a lien December 31, 2010, were levied after April 1, 2011, and are collected in 2011 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 year 2011 (other than public utility property tax) represents the collection of 2011 taxes levied against local and inter-exchange telephone companies. Tangible personal property tax on business inventory, manufacturing machinery and equipment, and furniture and fixtures is no longer levied and collected. The October 2008 tangible personal property tax settlement was the last property tax settlement for general personal property taxes. Tangible personal property taxes received from telephone companies in calendar year 2011 were levied after April 1, 2010, on the value as of December 31, 2010. Payments by multi-county taxpayers are due September 20. Single county taxpayers may pay annually or semi-annually. If paid annually, payment is due April 30; if paid semi-annually, the first payment is due April 30, with the remainder payable by September 20. Tangible personal property taxes paid by April 30 are usually received by the School District prior to June 30.

The Scioto County Treasurer collects property taxes on behalf of all taxing districts within the County. The Scioto County Auditor periodically remits to the taxing districts their portion of the taxes collected.

Valley Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2011

NOTE 5 - PROPERTY TAXES (continued)

The assessed values upon which fiscal year 2011 taxes were collected are:

	2010 Second- Half Collections		2011 First- Half Collections	
	Amount	Percent	Amount	Percent
Agricultural/Residential and Other Real Estate	\$60,218,100	92.87%	\$59,793,550	86.00%
Public Utility	114,250	0.18%	4,824,400	6.94%
Tangible Personal Property	4,505,420	6.95%	4,898,580	7.05%
Total Assessed Value	\$64,837,770	100.00%	\$69,516,530	100.00%
 Tax rate per \$1,000 of assessed valuation	 \$30.21		 \$30.21	

NOTE 6 - RISK MANAGEMENT

The School District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During fiscal year 2011, the School District contracted with Governmental Underwriters of America for property and fleet insurance, inland marine coverage, and general liability insurance. Insurance coverage provided includes the following:

Property - including inland marine, miscellaneous equipment, and automobile physical damage catastrophic coverage (\$1,000 deductible)	\$36,798,300
Automobile liability (zero deductible)	1,000,000
Uninsured Motorists (zero deductible)	1,000,000
General Liability:	
Per occurrence	1,000,000
Annual Aggregate	3,000,000

Settled claims have not exceeded this commercial coverage in any of the past three years. There has been no significant change in insurance coverage from last year.

The School District is a member of the Scioto County Schools Council, a public entity shared risk pool (Note 11), offering medical and dental insurance to the employees of participating school districts. Monthly premiums are paid to the South Central Ohio Educational Service Center as fiscal agent, who in turn pays the claims on the School District's behalf. The Council is responsible for the management and operations of the program. Upon termination from the Council, for any reason, the School District shall have no obligation under the plan beyond paying the difference between the claims incurred (even though later filed) and expenses of the plan due up to the date of termination plus extended benefits, if any, provided under the plan. All claims and expenses shall be paid from the funds of the Council.

For fiscal year 2011, the School District participated in the Ohio School Boards Association Workers' Compensation Group Rating Plan (GRP), an insurance purchasing pool (Note 12). The intent of the GRP is to achieve the benefit of a reduced premium for the School District by virtue of its grouping and representation with other participants in the GRP. The workers' compensation experience of the participating school districts is calculated as one experience and a common premium rate is applied to all school districts in the GRP. Each participant pays its workers' compensation premium to the State based on the rate for the GRP rather than its individual rate. Total savings are then calculated and each participant's individual performance is compared to the overall savings percentage of the GRP. A participant will then either receive money from or be required to contribute to the "Equity Pooling Fund." This "equity pooling" arrangement ensures that each participant shares equally in the overall performance of the GRP. Participation in the GRP is limited to school districts that can meet the GRP's selection criteria. The firm of CompManagement, Inc. provides administrative, cost control and actuarial services to the GRP. Each year, the School District pays an enrollment fee to the GRP to cover the costs of administering the program.

Valley Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2011

NOTE 7 - DEFINED BENEFIT PENSION PLANS AND OTHER POSTEMPLOYMENT BENEFITS

A. Defined Benefit Pension Plans

School Employees Retirement System

The School District contributes to the School Employees Retirement System of Ohio (SERS), a cost-sharing multiple-employer defined benefit pension plan. SERS provides retirement, disability, and survivor benefits; annual cost-of-living adjustments; and death benefits to plan members and beneficiaries. Authority to establish and amend benefits is provided by State statute per Chapter 3309 of the Ohio Revised Code. SERS issues a publicly available, stand-alone financial report that includes financial statements and required supplementary information. That report can be obtained on SERS' website, at www.ohsers.org, under *Employers/Audit Resources*.

Plan members are required to contribute 10 percent of their annual covered salary and the School District is required to contribute 14 percent of annual covered payroll. The contribution requirements of plan members and employers are established and may be amended, up to statutory maximum amounts, by the SERS' Retirement Board. The Retirement Board acting with the advice of the actuary, allocates the employer contribution rate among four of the funds (Pension Trust Fund, Death Benefit Fund, Medicare B Fund, and Health Care Fund) of the System. For fiscal year 2011, the allocation to pension and death benefits is 11.81 percent. The remaining 2.19 percent of the 14 percent employer contribution rate is allocated to the Health Care and Medicare B Funds. The School District's contributions to SERS for the fiscal years ended June 30, 2011, 2010 and 2009 were \$275,040, \$247,368, and \$246,084, respectively, which equaled the required annual contribution for each year.

State Teachers Retirement System

State Teachers Retirement System of Ohio (STRS Ohio) is a cost-sharing, multiple-employer public employee retirement system.

STRS Ohio is a statewide retirement plan for licensed teachers and other faculty members employed in the public schools of Ohio or any school, community school, college, university, institution or other agency controlled, managed and supported, in whole or in part, by the state or any political subdivision thereof.

Plan Options – New members have a choice of three retirement plan options. In addition to the Defined Benefit (DB) Plan, new members are offered a Defined Contribution (DC) Plan and a Combined Plan. The DC Plan allows members to allocate all their member contributions and employer contributions equal to 10.5 percent of earned compensation among various investment choices. The Combined Plan offers features of the DC Plan and the DB Plan. In the Combined Plan, member contributions are allocated to investment choices by the member, and employer contributions are used to fund a defined benefit payment at a reduced level from the regular DB Plan. Contributions into the DC Plan and the Combined Plan are credited to member accounts as employers submit their payroll information to STRS Ohio, generally on a biweekly basis. DC and Combined Plan members will transfer to the DB Plan during their fifth year of membership unless they permanently select the DC or Combined Plan.

DB Plan Benefits – Plan benefits are established under Chapter 3307 of the Revised Code. Any member may retire who has (i) five years of service credit and attained age 60; (ii) 25 years of service credit and attained age 55; or (iii) 30 years of service credit regardless of age. The annual retirement allowance, payable for life, is the greater of the "formula benefit" or the "money-purchase benefit" calculation. Under the "formula benefit," the retirement allowance is based on years of credited service and final average salary, which is the average of the member's three highest salary years. The annual allowance is calculated by using a base percentage of 2.2% multiplied by the total number of years of service credit (including Ohio-valued purchased credit) times the final average salary. The 31st year of earned Ohio service credit is calculated at 2.5%. An additional one-tenth of a percent is added to the calculation for every year of earned Ohio service over 31 years (2.6% for 32 years, 2.7% for 33 years and so on) until 100% of final average salary is reached. For members with 35 or more years of Ohio contributing service, the first 30 years will be calculated at 2.5% instead of 2.2%. Under the "money-purchase benefit" calculation, a member's lifetime contributions plus interest at specified rates are matched by an equal amount from other STRS Ohio funds. This total is then divided by an actuarially determined annuity factor to determine the maximum annual retirement allowance.

Valley Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2011

NOTE 7 - DEFINED BENEFIT PENSION PLANS AND OTHER POSTEMPLOYMENT BENEFITS (continued)

DC Plan Benefits – Benefits are established under Sections 3307.80 to 3307.89 of the Revised Code. For members who select the DC Plan, all member contributions and employer contributions at a rate of 10.5% are placed in an investment account. The member determines how to allocate the member and employer money among various investment choices. A member is eligible to receive a retirement benefit at age 50 and termination of employment. The member may elect to receive a lifetime monthly annuity or a lump-sum withdrawal. Employer contributions into members' accounts are vested after the first anniversary of the first day of paid service. 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.

Combined Plan Benefits – Member contributions are allocated by the member, and employer contributions are used to fund a defined benefit payment. A member's defined benefit is determined by multiplying 1% of the member's final average salary by the member's years of service credit. The defined benefit portion of the Combined Plan payment is payable to a member on or after age 60. The defined contribution portion of the account may be taken as a lump sum or converted to a lifetime monthly annuity at age 50.

A retiree of STRS Ohio or another Ohio public retirement system is eligible for reemployment as a teacher following the elapse of two months from the date of retirement. Contributions are made by the reemployed member and employer during the reemployment. Upon termination of reemployment or age 65, whichever comes later, the retiree is eligible for an annuity benefit or equivalent lump-sum payment in addition to the original retirement allowance. A reemployed retiree may alternatively receive a refund of only member contributions with interest before age 65, once employment is terminated.

Benefits are increased annually by 3% of the original base amount for DB Plan participants.

The DB and Combined Plans offer access to health care coverage to eligible retirees who participated in the plans and their eligible dependents. Coverage under the current program includes hospitalization, physicians' fees, prescription drugs and partial reimbursement of monthly Medicare Part B premiums. By Ohio law, health care benefits are not guaranteed.

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. A death benefit of \$1,000 is payable to the beneficiary of each deceased retired member who participated in the DB Plan. Death benefit coverage up to \$2,000 can be purchased by participants in the DB, DC or Combined Plans. Various other benefits are available to members' beneficiaries.

Chapter 3307 of the Revised Code provides statutory authority for member and employer contributions. Contribution rates are established by the State Teachers Retirement Board, upon recommendations of its consulting actuary, not to exceed statutory maximum rates of 10% for members and 14% for employers.

For the fiscal years ended June 30, 2011, 2010 and 2009, plan members were required to contribute 10 percent of their annual covered salaries. The School District was required to contribute 14 percent; 13 percent was the portion used fund pension obligations. The School District's required contributions for pension obligations to STRS Ohio for the fiscal years ended June 30, 2011, 2010, and 2009 were \$726,768, \$712,800, and \$698,316, respectively; which were equal to the required amounts for those years.

STRS Ohio issues a stand-alone financial report. Additional information or copies of STRS Ohio's Comprehensive Annual Financial Report can be requested by writing to STRS Ohio, 275 E. Broad St., Columbus, OH 43215-3771, by calling (888) 227-7877, or by visiting the STRS Ohio website at www.strsoh.org.

Valley Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2011

NOTE 7 - DEFINED BENEFIT PENSION PLANS AND OTHER POSTEMPLOYMENT BENEFITS (continued)

Social Security System

Effective July 1, 1991, all employees not otherwise covered by the School Employees Retirement System or the State Teachers Retirement System have an option to choose Social Security or the School Employees Retirement System/State Teachers Retirement System. As of June 30, 2011, one member of the Board of Education has elected Social Security. The Board's liability is 6.2 percent of wages paid.

B. Postemployment Benefits

State Teachers Retirement System

STRS Ohio administers a pension plan that is comprised of: a defined benefit plan; a self-directed defined contribution plan; and a combined plan, which is a hybrid of the defined benefit and defined contribution plan.

Ohio law authorizes STRS Ohio to offer a cost-sharing, multiple-employer health care plan. STRS Ohio provides access to health care coverage to eligible retirees who participated in the defined benefit or combined plans. Coverage under the current program includes hospitalization, physicians' fees, prescription drugs and reimbursement of monthly Medicare Part B premiums. Pursuant to Section 3307 of the Revised Code, the Retirement Board has discretionary authority over how much, if any, of the associated health care costs will be absorbed by STRS Ohio. All benefit recipients, for the most recent year, pay a portion of the health care costs in the form of a monthly premium.

STRS Ohio issues a stand-alone financial report. Interested parties can view the most recent Comprehensive Annual Financial Report by visiting www.strsoh.org or by requesting a copy by calling toll free (888) 227-7877.

Under Ohio law, funding for post-employment health care may be deducted from employer contributions. Of the 14 percent employer contribution rate, 1 percent of covered payroll was allocated to post-employment health care for the years ended June 30, 2011, 2010, and 2009. The 14 percent employer contribution rate is the maximum rate established under Ohio law. For the District, these amounts equaled \$51,912, \$50,914, and \$49,879 for fiscal years 2011, 2010, and 2009, respectively; which is equal to the required amounts for those years.

School Employees Retirement System

In addition to a cost-sharing multiple-employer defined benefit pension plan, the School Employees Retirement System of Ohio (SERS) administers two postemployment benefit plans.

Medicare Part B Plan

The Medicare B plan reimburses Medicare Part B premiums paid by eligible retirees and beneficiaries as set forth in Ohio Revised Code 3309.69. Qualified benefit recipients who pay Medicare Part B premiums may apply for and receive a monthly reimbursement from SERS. The reimbursement amount is limited by statute to the lesser of the January 1, 1999 Medicare Part B premium or the current premium. The Medicare Part B premium for calendar year 2011 was \$96.40 for most participants, but could be as high as \$369.10 per month depending on their income. SERS' reimbursement to retirees was \$45.50.

The Retirement Board, acting with the advice of the actuary, allocates a portion of the current employer contribution rate to the Medicare B Fund. For fiscal years 2011, 2010, and 2009, the actuarially required allocations were 0.76 percent, 0.76 percent, and 0.75 percent, respectively. For the District, contributions for the years ended June 30, 2011, 2010, and 2009, were \$14,931, \$13,429, and \$13,183, which equaled the required contributions for those years.

Valley Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2011

NOTE 7 - DEFINED BENEFIT PENSION PLANS AND OTHER POSTEMPLOYMENT BENEFITS (continued)

Health Care Plan

Ohio Revised Code 3309.375 and 3309.69 permit SERS to offer health care benefits to eligible retirees and beneficiaries. SERS' Retirement Board reserves the right to change or discontinue any health plan or program. SERS offers several types of health plans from various vendors, including HMOs, PPOs, Medicare Advantage, and traditional indemnity plans. A prescription drug program is also available to those who elect health coverage. SERS employs two third-party administrators and a pharmacy benefit manager to manage the self-insurance and prescription drug plans, respectively.

The Ohio Revised Code provides the statutory authority to fund SERS' post-employment benefits through employer contributions. Active members do not make contributions to the post-employment benefit plans.

The Health Care Fund was established under, and is administered in accordance with Internal Revenue Code 105(e).

Each year after the allocation for statutorily required benefits, the Retirement Board allocates the remainder of the employer 14 percent contribution to the Health Care Fund. At June 30, 2011, 2010, and 2009, the health care allocations were 1.43 percent, 0.46 percent, and 4.16 percent, respectively. An additional health care surcharge on employers is collected for employees earning less than an actuarially determined minimum compensation amount, pro-rated according to service credit earned. Statutes provide that no employer shall pay a health care surcharge greater than 2 percent of that employer's SERS-covered payroll; nor may SERS collect in aggregate more than 1.5 percent of the total statewide SERS-covered payroll for the health care surcharge. For fiscal year 2011, the minimum compensation level was established at \$35,800. The surcharge, added to the unallocated portion of the 14% employer contribution rate is the total amount assigned to the Health Care Fund. For the School District, the amounts assigned to health care, including the surcharge, during the 2011, 2010, and 2009 fiscal years equaled \$57,798, \$41,824, and \$108,277, respectively; which is equal to the required amounts for those years.

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

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

NOTE 8 – CAPITAL LEASES - LESSEE DISCLOSURE

In a previous fiscal year, the School District entered into a capital lease. This lease relates to a renovation project involving the buildings of the School District. Five more classrooms were added to the middle school along with other renovations to the building. The elementary and high school buildings were also renovated. As part of the agreement, Banc One Leasing Corporation, as lessor, deposited \$1,000,000 in the School District's name, with an escrow agent for the renovations to the buildings. The renovation work was completed during fiscal year 2008. The School District makes annual interest payments to the lessor and annual sinking fund payments to the escrow agent. The escrow agent is investing the School District's deposits and has guaranteed a return on the investments to meet the School District's lease liability. Banc One will be repaid in fiscal year 2016 when the \$1,000,000 lease payment is due. There are mandatory deposits required to be made with the escrow agent in order to ensure that the lease is paid timely. The School District is current on the deposits.

Valley Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2011

NOTE 8 – CAPITAL LEASES - LESSEE DISCLOSURE (continued)

The following is a schedule of the future minimum lease payments required under the capital lease and the present value of the minimum lease payments as of June 30, 2011:

Fiscal Year Ending June 30,	Total Payments
2012	\$ 19,500
2013	19,500
2014	19,500
2015	19,500
2016	1,019,500
Total	1,097,500
Less: Amount Representing Interest	(97,500)
Present Value of Net Minimum Lease Payments	\$ 1,000,000

The following is a schedule of the interest and sinking fund payments required under the lease and escrow agreements:

Fiscal Year Ending June 30,	Principal	Interest	Sinking Fund Payments	Total Lease Payments
2012	\$ -	\$ 19,500	\$ 36,023	\$ 55,523
2013	-	19,500	-	19,500
2014	-	19,500	-	19,500
2015	-	19,500	-	19,500
2016	1,000,000	19,500	-	1,019,500
	\$ 1,000,000	\$ 97,500	\$ 36,023	\$ 1,133,523

NOTE 9 - LONG-TERM OBLIGATIONS

The changes in the School District's long-term obligations during fiscal year 2011 were as follows:

	Amount Outstanding 6/30/10	Additions	Deductions	Amount Outstanding 6/30/11	Amount Due in One Year
<u>General Obligation Bonds:</u>					
2001 Obligation Refunding					
Bonds 2001 2.05 - 4.00 %					
Serial Bonds	\$ 200,000	\$ -	\$ 200,000	\$ -	\$ -
Capital Appreciation Bonds	95,000	-	-	95,000	40,772
<u>Other Long-Term Obligations:</u>					
Capital Lease	1,000,000	-	-	1,000,000	-
Total Long-Term Obligations	\$ 1,295,000	\$ -	\$ 200,000	\$ 1,095,000	\$ 40,772

On December 1, 2001, the School District issued \$1,660,000 in General Obligation Bonds to advance refund \$1,660,000 of outstanding 1991 Classroom Facilities General Obligation Bonds with an interest rate of 7.08%. \$1,565,000 was issued as serial bonds with interest rates ranging from 2.05% to 4.00%. \$95,000 was issued as capital appreciation bonds. The capital appreciation bonds will mature in fiscal years 2012, 2013, and 2014. The maturity amount of the capital appreciation bonds is \$205,000 in fiscal year 2012, \$210,000 in fiscal year 2013, and \$130,000 in fiscal year 2014, for a total of \$545,000. The accretion of these capital appreciation bonds is not included in the above schedule under the modified cash basis of accounting. The Bond Retirement fund is being used to repay the bonds.

Valley Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2011

NOTE 9 - LONG-TERM OBLIGATIONS (continued)

The total general obligation bond amount outstanding at June 30, 2011 including accretion is \$401,033.

The School District's overall legal debt margin was \$5,161,488 with an unvoted debt margin of \$69,517 at June 30, 2011.

Principal and interest requirements to retire the General Obligation Bonds outstanding at June 30, 2011, are as follows:

Fiscal year Ending June 30,	Capital Appreciation Bonds*
2012	\$ 205,000
2013	210,000
2014	130,000
Total	<u>\$ 545,000</u>

* The amortization schedule does not agree to the balance disclosed in the table on the previous page because that table does not reflect an increase in the balance for accretion.

NOTE 10 - JOINTLY GOVERNED ORGANIZATION

South Central Ohio Computer Association

The School District is a participant in the South Central Ohio Computer Association (SCOCA) which is a computer consortium. SCOCA is an association of public school districts within the boundaries of Pickaway, Gallia, Highland, Adams, Pike, Scioto, Brown, Ross, Jackson, Vinton, and Lawrence 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 SCOCA consists of two representatives from each county in the SCOCA service region designated by the Ohio Department of Education, two representatives of the school treasurers, plus a representative of the fiscal agent. The School District made payments in the amount of \$5,538 to SCOCA during the year. Financial information can be obtained from their fiscal agent, the Pike County Joint Vocational School District, Tonya Cooper who serves as Treasurer, at P. O. Box 577, 175 Beaver Creek Road, Piketon, Ohio 45661.

NOTE 11 - PUBLIC ENTITY SHARED RISK POOL

Scioto County Schools Council

The School District is a member of the Scioto County Schools Council, a public entity shared risk pool. Several Scioto County school districts have entered into an agreement with the South Central Ohio Educational Service Center to form the Scioto County Schools Council. The overall objectives of the Council are to formulate and administer programs of health and dental insurance for the benefit of the Council members' employees and their dependents, to obtain lower costs for health and dental coverage, and to secure cost control by implementing a program of comprehensive loss control. The Council's business and affairs are managed by a Board of Directors, consisting of the superintendents from each of the participating school districts. The School District pays premiums based on what the Council estimates will cover the costs of all claims for which the Council is obligated. If the School District's claims exceed its premiums, there is no individual supplemental assessment; on the other hand, if the School District's claims are low, it will not receive a refund.

The Council views its activities in the aggregate, rather than on an individual entity basis. To obtain financial information, write to the fiscal agent, South Central Ohio Educational Service Center, 411 Court Street, Portsmouth, Ohio 45662.

Valley Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2011

NOTE 12 - INSURANCE PURCHASING POOL

Ohio School Boards Association Workers' Compensation Group Rating Plan

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

NOTE 13 - SET-ASIDE CALCULATIONS

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

For the fiscal year ended June 30, 2011, the School District was no longer required to set aside funds in the budget reserve set-aside, with the exception of monies refunded from the Bureau of Workers' Compensation, which must be retained for budget stabilization or spent for specified purposes.

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

	Textbooks	Capital Acquisition	Budget Stablization
Set-aside Balance as of June 30, 2010	\$ 159,516	\$ -	\$ 36,052
Current Year Set-aside Requirement	167,224	167,224	-
Current Year Qualifying Disbursements	(742,391)	(167,224)	-
Totals	<u>\$ (415,651)</u>	<u>\$ -</u>	<u>\$ 36,052</u>
Balance Carried Forward to Fiscal Year 2012	<u>\$ (415,651)</u>	<u>\$ -</u>	<u>\$ 36,052</u>
Set-aside Balance as of June 30, 2011	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 36,052</u>

The School District had qualifying disbursements during the fiscal year that reduced the textbooks set-aside amount to below zero. This extra amount may be used to reduce the set-aside requirement in future fiscal years. Although the School District had qualifying disbursements during the fiscal year that reduced the set-aside amounts to below zero for capital acquisition, this extra amount may not be used to reduce the set-aside requirements of future fiscal years. Negative amounts are therefore not presented as being carried forward to the next fiscal year for the capital acquisition set-aside.

Valley Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2011

NOTE 14 - CONTINGENCIES

A. Grants

The School District received financial assistance from Federal and State agencies in the form of grants. The expenditure of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and is subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the General Fund or other applicable funds. However, in the opinion of management, any such disallowed claims will not have a material adverse effect on the overall financial position of the School District at June 30, 2011.

B. Litigation

The School District is not party to any legal proceedings.

NOTE 15 – CONTRACT COMMITMENTS

The School District entered into a contract with the Ohio School Facilities for the purpose of a roof replacement. The contract was in the amount of \$1,731,210. As of June 30, 2011, \$1,507,716 had been disbursed to contractors.

NOTE 16 – COMPLIANCE

Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03 (B) require the School District to prepare its financial statements in accordance with generally accepted accounting principles. However, the School District opts to prepare its financial statements in accordance with the modified cash basis of accounting.

NOTE 17 - CHANGE IN ACCOUNTING PRINCIPLES AND RESTATEMENT OF BALANCES

For fiscal year 2011, the School District has implemented Governmental Accounting Standard Board (GASB) Statement No. 54, "Fund Balance Reporting and Governmental Fund Type Definitions."

GASB Statement No. 54 enhances the usefulness of fund balance information by providing clearer fund balance classifications that can be more consistently applied and by clarifying the existing governmental fund type definitions. This statement establishes fund balance classifications that comprise a hierarchy based primarily on the extent to which a government is bound to observe constraints imposed upon the use of the resources reported in governmental funds. The implementation of this statement did not result in any fund reclassifications or fund balance or net assets restatements except as noted below.

The implementation of these statements and the removal of certain General Fund equivalents from the budgetary financial statements restated the fund balance as previously stated within the School District's budgetary statement for the General Fund from \$666,560 to \$576,750.

Valley Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2011

NOTE 18 - FUND BALANCES

Fund balance is classified as nonspendable, restricted, committed, assigned and/or unassigned based primarily on the extent to which the School District is bound to observe constraints imposed upon the use of the resources in the government funds. The constraints placed on the fund balance for the major governmental funds and all other governmental funds are presented below:

Fund Balances	General	Bond Retirement	Classroom Facilities	Nonmajor Governmental Funds	Total Governmental Funds
Restricted for					
Other Purposes	0	0	0	60,894	60,894
Construction	0	0	296,807	0	296,807
Food Service Operations	0	0	0	60,391	60,391
Classroom Facilities	0	0	0	77,511	77,511
Budget Stabilization	36,052	0	0	0	36,052
Athletics	11,475	0	0	0	11,475
Debt Services Payments	0	1,264,934	0	0	1,264,934
Capital Projects	0	0	0	432	432
Total Restricted	<u>47,527</u>	<u>1,264,934</u>	<u>296,807</u>	<u>199,228</u>	<u>1,808,496</u>
Assigned to					
Other Purposes	<u>166,177</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>166,177</u>
Unassigned (Deficit)	<u>784,126</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>784,126</u>
Total Fund Balances	<u>\$997,830</u>	<u>\$1,264,934</u>	<u>\$296,807</u>	<u>\$199,228</u>	<u>\$2,758,799</u>

Valley Local School District
Schedule of Receipts and Expenditures of Federal Awards
For the Year Ended June 30, 2011

Federal Grantor/ Pass Through Grantor/ Program Title	Pass Through Entity Number	Federal CFDA Number	Receipts	Non-Cash Receipts	Disbursements	Non-Cash Disbursements
UNITED STATES DEPARTMENT OF AGRICULTURE						
<i>Passed through Ohio Department of Education:</i>						
Nutrition Cluster						
School Breakfast Program	3L70	10.553	\$ 101,667	\$ -	\$ 101,667	\$ -
National School Lunch Program	3L60	10.555	<u>248,252</u>	<u>38,734</u>	<u>248,252</u>	<u>38,734</u>
Total United States Department of Agriculture			349,919	38,734	349,919	38,734
UNITED STATES DEPARTMENT OF EDUCATION						
<i>Passed through Ohio Department of Education</i>						
Title I Grants to Local Educational Agencies Cluster:						
Title I Grants to Local Educational Agencies	3M00	84.010	278,206	-	271,269	-
Title I Grants to Local Educational Agencies - ARRA	3DK0	84.389	<u>-</u>	<u>-</u>	<u>10,648</u>	<u>-</u>
Total Title I Grants to Local Educational Agencies Cluster:			278,206	-	281,917	-
Special Education Cluster:						
Special Education - Grants to States	3M20	84.027	247,719	-	242,346	-
Special Education - Grants to States - ARRA	3DJ0	84.391	<u>29,255</u>	<u>-</u>	<u>57,042</u>	<u>-</u>
Total Special Education Cluster:			276,974	-	299,388	-
Education Technology State Grants Cluster						
Education Technology State Grants	3S20	84.318	45,785	-	35,809	-
Education Technology State Grants - ARRA	3DM0	84.386	<u>225,504</u>	<u>-</u>	<u>225,504</u>	<u>-</u>
Total Education Technology State Grants Cluster:			271,289	-	261,313	-
Safe and Drug-Free Schools and Communities - State Grants	3D10	84.186	1,082	-	1,094	-
Improving Teacher Quality State Grants	3Y60	84.367	99,399	-	89,137	-
Teacher Incentive Fund - ARRA	3EC0	84.385	24,317	-	48,115	-
State Fiscal Stabilization Fund - Education State Grants - ARRA	GRF	84.394	573,022	-	555,022	-
Education Jobs Fund	3ET0	84.410	387,473	-	424,054	-
Total United States Department of Education			<u>1,253,000</u>	<u>-</u>	<u>1,960,040</u>	<u>-</u>
Total Federal Financial Assistance			<u>\$ 1,602,919</u>	<u>\$ 38,734</u>	<u>\$ 2,309,959</u>	<u>\$ 38,734</u>

See Notes to the Schedule of Receipts and Expenditures of Federal Awards.

Valley Local School District
Notes to Schedule of Receipts and Expenditures of Federal Awards
For the Fiscal Year Ended June 30, 2011

NOTE A - SIGNIFICANT ACCOUNTING POLICIES

The accompanying Schedule of Receipts and Expenditures of Federal Awards (the Schedule) is a summary of the activity of the School District's federal award program. The Schedule has been prepared on the cash basis of accounting.

NOTE B –FOOD DISTRIBUTIONS

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

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



Balestra, Harr & Scherer, CPAs, Inc.

Accounting, Auditing and Consulting Services for Federal, State and Local Governments

www.bhscpas.com

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

Valley Local School District
P.O. Box 888
Lucasville, Ohio 45648

To the Board of Education:

We have audited the financial statements of the governmental activities, each major fund and the aggregate remaining fund information of the Valley Local School District, Scioto County (the School District) as of and for the year ended June 30, 2011, which collectively comprise the School District's basic financial statements and have issued our report thereon dated January 27, 2012, wherein, we noted the School District uses a comprehensive accounting basis other than generally accepted accounting principles, wherein we also noted the School District implemented GASB statement No. 54. 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' *Governmental Auditing Standards*.

Internal Control Over Financial Reporting

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

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, when performing their assigned functions, to prevent, or detect and timely correct misstatements. A *material weakness* is a deficiency, or combination of internal control deficiencies resulting in more than a reasonable possibility that a material misstatement of the School District's financial statements will not be prevented, or detected and timely corrected.

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

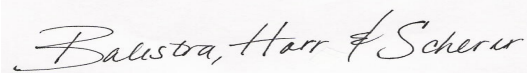
Compliance and Other Matters

As part of reasonably assuring whether the School District's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, 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 we must report under *Government Auditing Standards* which is described in the accompanying schedule of findings as item 2011-01.

Compliance and Other Matters (Continued)

The School District's response to the finding identified in our audit is described in the accompanying schedule of findings. We did not audit the School District's response and, accordingly, we express no opinion on it.

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

A handwritten signature in cursive script that reads "Balestra, Harr & Scherer". The signature is written in black ink on a light-colored background.

Balestra, Harr & Scherer, CPAs, Inc.

January 27, 2012



Balestra, Harr & Scherer, CPAs, Inc.

Accounting, Auditing and Consulting Services for Federal, State and Local Governments

www.bhscpas.com

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

Valley Local School District
P.O. Box 888
Lucasville, Ohio 45648

To the Board of Education:

Compliance

We have audited the compliance of Valley Local School District (the School District) with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133 Compliance Supplement* that could directly and materially affect each of Valley Local School District's major federal programs for the year ended June 30, 2011. The summary of auditor's results section of the accompanying schedule of findings identifies the School District's major federal programs. The School 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 School 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 included in the Comptroller General of the United States' *Government Auditing Standards*; and *OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to reasonably assure whether noncompliance occurred with the 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 School 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 School District's compliance with those requirements.

In our opinion, the Valley Local School District complied, in all material respects, with the requirements referred to above that could directly and materially affect each of its major federal programs for the year ended June 30, 2011.

Internal Control Over Compliance

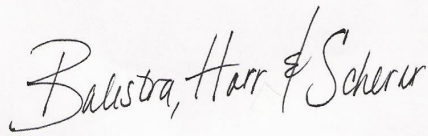
The School District's management is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered the School District's internal control over compliance with requirements that could directly and materially affect a major federal program, to determine our auditing procedures for the purpose of opining on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of opining on the effectiveness of internal control over compliance. Accordingly, we have not opined on the effectiveness of the School District's internal control over compliance.

Internal Control Over Compliance (Continued)

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, when performing their assigned functions, to prevent or to timely detect and correct noncompliance with a federal program compliance requirement. A material weakness in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a federal program compliance requirement will not be prevented, or timely detected and corrected.

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

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

A handwritten signature in cursive script that reads "Balestra, Harr & Scherer". The signature is written in black ink on a light-colored background.

Balestra, Harr & Scherer, CPAs, Inc.

January 27, 2012

Valley Local School District
 Schedule of Findings
 OMB Circular A-133 Section .505
 For the Fiscal Year Ended June 30, 2011

Summary of Auditor's Results

(d)(1)(i)	Type of Financial Statement Opinion	Unqualified
(d)(1)(ii)	Were there any material control weaknesses reported at the financial statement level (GAGAS)?	No
(d)(1)(ii)	Were there any other significant deficiencies in internal control reported at the financial statement level (GAGAS)?	No
(d)(1)(iii)	Was there any reported material noncompliance at the financial statement level (GAGAS)?	Yes
(d)(1)(iv)	Were there any material control weaknesses reported for major federal programs?	No
(d)(1)(iv)	Were there any significant deficiencies in internal control reported for major federal programs?	No
(d)(1)(v)	Type of Major Programs Compliance Opinion	Unqualified
(d)(1)(vi)	Are there any reportable findings under section .510?	No
(d)(1)(vii)	Major Program(s) (list):	Education Jobs Fund CFDA #84.401 Title I Cluster: Title I Grants to Local Educational Agencies – CFDA #84.010 Title I Grants to Local Educational Agencies (ARRA) – CFDA #84.389 State Fiscal Stabilization Fund – Education State Grant (ARRA) – CFDA# 84.394
(d)(1)(viii)	Dollar Threshold: Type A/B Programs	Type A: > \$300,000 Type B: all others
(d)(1)(ix)	Low Risk Auditee?	Yes

Valley Local School District
Schedule of Findings
OMB Circular A-133 Section .505
For the Fiscal Year Ended June 30, 2011

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

Finding Number 2011-01

Noncompliance Citation

Ohio Revised Code Section 117.38 Ohio Revised Code § 117.38 provides that each public office shall file a financial report for each fiscal year. The Auditor of State may prescribe forms by rule or may issue guidelines, or both, for such reports. If the Auditor of State has not prescribed a rule regarding the form for the report, the public office shall submit its report on the form utilized by the public office. Ohio Administrative Code § 117-2-03 further clarifies the requirements of Ohio Revised Code § 117.38.

Ohio Administrative Code § 117-2-03(B) requires the District to prepare its annual financial report in accordance with generally accepted accounting principles. The District prepares its financial statements in accordance with the cash basis of accounting in a report format similar to the requirements of Governmental Accounting Standards Board Statement 34, *Basic Financial Statements – and Management’s Discussion and Analysis – for State and Local Governments*. This presentation differs from accounting principles generally accepted in the United States of America (GAAP). There would be variances on the financial statements between this accounting practice and GAAP that, while presumably material, cannot be reasonably determined at this time. The District can be fined and various other administrative remedies may be taken against the District.

Client’s Response

The District feels the additional costs associated with the preparation and auditing of GAAP Statements is not cost-effective.

3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS

None.

Valley Local School District
 Schedule of Prior Audit Findings
 OMB Circular A-133 Section .315(b)
 For the Fiscal Year Ended June 30, 2011

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; Explain:
2010-001	Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03 (B), for failing to prepare the School District's financial statements in accordance with generally accepted accounting principles.	No	Not Corrected, Reissued as Finding Number 2011-01.



Balestra, Harr & Scherer, CPAs, Inc.

Accounting, Auditing and Consulting Services for Federal, State and Local Governments

www.bhscpas.com

Independent Accountants' Report on Applying Agreed-Upon Procedure

Valley Local School District
Scioto County
P.O. Box 888
Lucasville, Ohio 45648

To the Board of Education:

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

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

1. We noted Valley Local School District amended its anti-harassment policy at its meeting on May 17, 2010 to include violence within a dating relationship within its definition of harassment, intimidation or bullying.

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

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

Balestra, Harr & Scherer, CPAs, Inc.
January 27, 2012



Dave Yost • Auditor of State

VALLEY LOCAL SCHOOL DISTRICT

SCIOTO 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
APRIL 19, 2012