VALLEY VIEW LOCAL SCHOOL DISTRICT
MONTGOMERY COUNTY

SINGLE AUDIT

FOR THE YEAR ENDED JUNE 30, 2002

Auditor of State
Betty Montgomery

VALLEY VIEW LOCAL SCHOOL DISTRICT
MONTGOMERY COUNTY

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Auditor of State
Betty Montgomery

INDEPENDENT ACCOUNTANTS' REPORT

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

To the Board of Education:

We have audited the accompanying general-purpose financial statements of Valley View Local School District, Montgomery County, (the District), as of and for the year ended June 30, 2002, as listed in the table of contents. These general-purpose financial statements are the responsibility of the District's management. Our responsibility is to express an opinion on these general-purpose financial statements based on our audit.

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

In our opinion, the general-purpose financial statements referred to above present fairly, in all material respects, the financial position of Valley View Local School District, Montgomery County, as of June 30, 2002, and the results of its operations and the cash flows of its proprietary fund type for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated March 6, 2003 on our consideration of the District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

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The accompanying federal awards expenditures schedule is presented for additional analysis as required by 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 general-purpose financial statements. We subjected this information to the auditing procedures applied in the audit of the general-purpose financial statements. In our opinion, it is fairly stated, in all material respects, in relation to the general-purpose financial statements taken as a whole.

Betty Montgomery

Betty Montgomery
Auditor of State

March 6, 2003

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VALLEY VIEW LOCAL SCHOOL DISTRICT
MONTGOMERY COUNTY

COMBINED BALANCE SHEET
ALL FUND TYPES AND ACCOUNT GROUPS
JUNE 30, 2002

	Governmental Fund Types		
	General	**Special Revenue**	**Capital Projects**
Assets and Other Debits			
Assets:			
Equity in pooled cash and cash equivalents	$1,003,039	$113,226	$121,386
Receivables (net of allowances of uncollectibles):			
Taxes - current & delinquent	4,310,818		
Accounts	955		
Accrued interest	2,735		
Interfund loan receivable	35,953		
Due from other governments		86,745	
Advances to other funds	9,653		
Materials and supplies inventory	11,710		
Prepayments	44,769		
Property, plant and equipment (net of accumulated depreciation where applicable)			
Other Debits:			
Amount to be provided for retirement of general long-term obligations			
Total assets and other debits	5,419,632	199,971	121,386
Liabilities, Equity and Other Credits			
Liabilities:			
Accounts payable	137,882	4,240	40,986
Accrued wages and benefits	1,217,790	17,193	
Compensated absences payable	58,352		
Pension obligation payable	213,373		
Interfund loan payable		33,753	
Advances from other funds			
Deferred revenue	3,240,332	36,608	66,460
Due to other government	37,397	865	
Due to students			
General obligation bonds payable			
Retirement incentive payable			
Energy conservation notes payable			
Obligation under capital lease			
Total liabilities	4,905,126	92,659	107,446
Equity and Other Credits:			
Investment in general fixed assets			
Retained earnings: unreserved			
Fund balances:			
Reserved for encumbrances	113,403	28,467	10,434
Reserved for materials and supplies inventory	11,710		
Reserved for prepayments	44,769		
Reserved for tax revenue unavailable for appropriation	187,572		
Reserved for advances	9,653		
Unreserved-undesignated	147,399	78,845	3,506
Total equity and other credits	514,506	107,312	13,940
Total liabilities, equity and other credits	$5,419,632	$199,971	$121,386

The notes to the General Purpose Financial Statements are an integral part of this statement.

Proprietary Fund Type	Fiduciary Fund Types	Account Groups		
Enterprise	Trust and Agency	General Fixed Assets	General Long-Term Obligations	Total (Memorandum Only)
$89,607	$93,306			$1,420,564
				4,310,818
				955
				2,735
				35,953
5,077				91,822
				9,653
7,275				18,985
291				45,060
108,452		10,182,295		10,290,747
			2,230,130	2,230,130
210,702	93,306	10,182,295	2,230,130	18,457,422
98				183,206
43,463				1,278,446
20,690			702,744	781,786
55,338			92,376	361,087
	2,200			35,953
	9,653			9,653
				3,343,400
1,411				39,673
	47,531			47,531
			169,940	169,940
			18,655	18,655
			475,000	475,000
			771,415	771,415
121,000	59,384		2,230,130	7,515,745
		10,182,295		10,182,295
89,702				89,702
				152,304
				11,710
				44,769
				187,572
				9,653
	33,922			263,672
89,702	33,922	10,182,295		10,941,677
$210,702	$93,306	$10,182,295	$2,230,130	$18,457,422

VALLEY VIEW LOCAL SCHOOL DISTRICT
MONTGOMERY COUNTY

COMBINED STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES ALL GOVERNMENTAL FUND TYPES AND EXPENDABLE TRUST FUND FOR THE FISCAL YEAR ENDED JUNE 30, 2002

	Governmental Fund Types			Fiduciary Fund Type	
	General	Special Revenue	Capital Projects	Expendable Trust	Total (Memorandum Only)
Revenues:					
From local sources:					
Taxes	$ 5,885,267				$5,885,267
Tuition	40,861				40,861
Earnings on investments	75,729	2,588	1,955	1,355	81,627
Extracurricular		266,121		4,825	270,946
Other local revenues	128,903	11,712			140,615
Other revenue		1,500			1,500
Intergovernmental - state	7,064,754	56,779	3,967		7,125,500
Intergovernmental - federal		271,228			271,228
Total revenue	13,195,514	609,928	5,922	6,180	13,817,544
Expenditures:					
Current:					
Instruction:					
Regular	6,111,891	112,203	62,619		6,286,713
Special	1,314,174	177,011			1,491,185
Vocational	458,498				458,498
Other	40,223	5,626			45,849
Support services:					
Pupil	641,087	65,302			706,389
Instructional staff	211,571	659		5,082	217,312
Board of Education	24,630				24,630
Administration	1,590,859	14,259			1,605,118
Fiscal	237,415	1,473			238,888
Business	5,159				5,159
Operations and maintenance	1,436,332	581			1,436,913
Pupil transportation	721,066				721,066
Central	167,734	7,654			175,388
Extracurricular activities	307,520			50	307,570
Facilities acquisition and construction	86,645	228,589	575		315,809
Debt service:					
Principal retirement	194,225				194,225
Interest and fiscal charges	102,473				102,473
Total expenditures	13,651,502	613,357	63,194	5,132	14,333,185
Excess (deficiency) of revenues over (under) expenditures	(455,988)	(3,429)	(57,272)	1,048	(515,641)
Other financing sources:					
Proceeds from sale of fixed assets	249	3,562			3,811
Excess (deficiency) of revenues and other financing sources over (under) expenditures and other financing (uses) .	(455,739)	133	(57,272)	1,048	(511,830)
Fund balances, July 1	974,359	107,179	71,212	32,874	1,185,624
Decrease in reserve for inventory	(4,114)				(4,114)
Fund balances, June 30	$514,506	$107,312	$13,940	$33,922	$669,680

The notes to the General Purpose Financial Statements are an integral part of this statement.

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VALLEY VIEW LOCAL SCHOOL DISTRICT
MONTGOMERY COUNTY

COMBINED STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
BUDGET AND ACTUAL COMPARISON (NON-GAAP BUDGETARY BASIS)
ALL GOVERNMENTAL FUND TYPES
FOR THE FISCAL YEAR ENDED JUNE 30, 2002

	General			Special Revenue		
	Revised Budget	Actual	Variance: Favorable (Unfavorable)	Revised Budget	Actual	Variance: Favorable (Unfavorable)
Revenues:						
From local sources:						
Taxes	$5,979,614	$5,979,614				
Tuition	40,710	40,710				
Earnings on investments	76,020	76,020		2,587	2,587	
Extracurricular				266,560	266,560	
Other local revenues	179,107	179,107		11,581	11,581	
Other revenue				1,500	1,500	
Intergovernmental - state	7,064,754	7,064,754		56,779	56,779	
Intergovernmental - federal				221,091	221,091	
Total revenues	13,340,205	13,340,205		560,098	560,098	
Expenditures:						
Current:						
Instruction:						
Regular	6,100,978	6,100,978		125,827	125,827	
Special	1,279,997	1,279,997		199,141	199,141	
Vocational	471,463	471,463				
Other	46,821	46,821		2,150	2,150	
Support services:						
Pupil	635,079	635,079		73,093	73,093	
Instructional staff	210,691	210,691		3,729	3,729	
Board of Education	24,928	24,928				
Administration	1,477,557	1,477,557		12,565	12,565	
Fiscal	242,721	242,721		1,556	1,556	
Business	5,159	5,159				
Operations and maintenance	1,547,017	1,547,017		582	582	
Pupil transportation	746,041	746,041				
Central	169,719	169,719		9,217	9,217	
Extracurricular activities	303,600	303,600		243,182	243,182	
Facilities acquisition and construction	86,645	86,645				
Debt service:						
Principal retirement	194,225	194,225				
Interest and fiscal charges	102,473	102,473				
Total expenditures	13,645,114	13,645,114		671,042	671,042	
Excess (deficiency) of revenues over (under) expenditures	(304,909)	(304,909)		(110,944)	(110,944)	
Other financing sources (uses):						
Advances in	4,157	4,157		33,753	33,753	
Advances out	(33,753)	(33,753)				
Proceeds from sale of fixed assets	249	249		3,562	3,562	
Refund of prior year's receipts				(1,352)	(1,352)	
Refund of prior year expenditure	18,735	18,735				
Total other financing sources (uses)	(10,612)	(10,612)		35,963	35,963	
Excess (deficiency) of revenues and other financing sources over (under) expenditures and other financing (uses)	(315,521)	(315,521)		(74,981)	(74,981)	
Fund balances, July 1	957,696	957,696		127,059	127,059	
Prior year encumbrances appropriated	244,536	244,536		29,547	29,547	
Fund balances, June 30	$886,711	$886,711	$0	$81,625	$81,625	$0

The notes to the General Purpose Financial Statements are an integral part of this statement.

Capital Projects			Total (Memorandum only)		
Budget Revised	Actual	Variance: Favorable (Unfavorable)	Budget Revised	Actual	Variance: Favorable (Unfavorable)
			$5,979,614	$5,979,614	
			40,710	40,710	
1,955	1,955		80,562	80,562	
			266,560	266,560	
			190,688	190,688	
			1,500	1,500	
70,426	70,426		7,191,959	7,191,959	
			221,091	221,091	
72,381	72,381		13,972,684	13,972,684	
108,920	108,920		6,335,725	6,335,725	
			1,479,138	1,479,138	
555	555		472,018	472,018	
			48,971	48,971	
			708,172	708,172	
			214,420	214,420	
			24,928	24,928	
			1,490,122	1,490,122	
			244,277	244,277	
			5,159	5,159	
			1,547,599	1,547,599	
			746,041	746,041	
			178,936	178,936	
			546,782	546,782	
10,453	10,453		97,098	97,098	
			194,225	194,225	
			102,473	102,473	
119,928	119,928		14,436,084	14,436,084	
(47,547)	(47,547)		(463,400)	(463,400)	
			37,910	37,910	
			(33,753)	(33,753)	
			3,811	3,811	
			(1,352)	(1,352)	
			18,735	18,735	
			25,351	25,351	
(47,547)	(47,547)		(438,049)	(438,049)	
68,255	68,255		1,153,010	1,153,010	
49,258	49,258		323,341	323,341	
$69,966	$69,966	$0	$1,038,302	$1,038,302	$0

VALLEY VIEW LOCAL SCHOOL DISTRICT
MONTGOMERY COUNTY

STATEMENT OF REVENUES, EXPENSES,
AND CHANGES IN RETAINED EARNINGS
PROPRIETARY FUND TYPE
FOR THE FISCAL YEAR ENDED JUNE 30, 2002

	Proprietary Fund Type
	Enterprise
Operating revenues:	
Tuition and fees	$46
Sales/charges for services	578,390
Other operating revenues	69,566
Total operating revenues	648,002
Operating expenses:	
Personal services	393,225
Contract services	52,739
Materials and supplies	315,105
Depreciation	10,015
Total operating expenses	771,084
Operating loss	(123,082)
Nonoperating revenues:	
Operating grants	45,545
Federal commodities	40,987
Interest revenue	3,628
Total nonoperating revenues	90,160
Net loss	(32,922)
Retained earnings, July 1	122,624
Retained earnings, June 30	$89,702

The notes to the General Purpose Financial Statements are an integral part of this statement.

VALLEY VIEW LOCAL SCHOOL DISTRICT
MONTGOMERY COUNTY

STATEMENT OF CASH FLOWS
PROPRIETARY FUND TYPE
FOR THE FISCAL YEAR ENDED JUNE 30, 2002

	Proprietary Fund Type
	Enterprise
Cash flows from operating activities:	
Cash received from tuition and fees	$46
Cash received from sales/service charges	648,311
Cash payments for personal services	(372,767)
Cash payments for contract services	(52,932)
Cash payments for materials and supplies	(279,112)
Net cash used in operating activities	(56,454)
Cash flows from noncapital financing activities:	
Cash received from operating grants	46,621
Cash flows from capital and related financing activities:	
Acquisition of capital assets	(8,983)
Cash flows from investing activities:	
Interest received	3,628
Net decrease in cash and cash equivalents	(15,188)
Cash and cash equivalents at beginning of year	104,795
Cash and cash equivalents at end of year	89,607
Reconciliation of operating loss to net cash used in operating activities:	
Operating loss	(123,082)
Adjustments to reconcile operating loss to net cash used in operating activities:	
Depreciation	10,015
Federal donated commodities	40,987
Changes in assets and liabilities:	
Increase in materials and supplies inventory	(1,903)
Increase in prepaids	(291)
Decrease in accounts receivable	355
Increase in accounts payable	98
Increase in accrued wages and benefits	8,956
Increase in compensated absences payable	2,046
Increase in due from other government	1,412
Increase in pension obligation payable	8,044
Decrease in deferred revenue	(3,091)
Net cash used in operating activities	($56,454)

The notes to the General Purpose Financial Statements are an integral part of this statement.

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1. DESCRIPTION OF THE SCHOOL DISTRICT

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

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

The District ranks as the 276th largest by enrollment among the 705 public and community school districts in the state, and 13th in Montgomery County. It currently operates 2 elementary schools, 1 middle school, and 1 comprehensive high school. The District employs 105 non-certified and 147 certified employees to provide services to 2,007 students in grades K through 12 and various community groups.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The general purpose financial statements (GPFS) of the District have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The District also applies Financial Accounting Standards Board (FASB) Statements and Interpretations issued prior to November 30, 1989 to its proprietary activities unless those pronouncements conflict with or contradict GASB pronouncements. The District's significant accounting policies are described below.

A. Reporting Entity

The District’s reporting entity has been defined in accordance with GASB Statement No. 14, The Financial Reporting Entity. A reporting entity is comprised of the primary government, component units, and other organizations that are included to insure that the financial statements of the District are not misleading. The primary government consists of all funds, departments, boards, and agencies that are not legally separate from the District. For the District, this includes general operations, food service, and student related activities of the District. Component units are legally separate organizations for which the District is financially accountable. The District is financially accountable for an organization if the District appoints a voting majority of the organization’s governing board and (1) the District is able to significantly influence the programs or services performed or provided by the organization; or (2) the District is legally entitled to or can otherwise access the organization’s resources; the District is legally obligated or has otherwise assumed the responsibility to finance the deficits of, or provide financial support to, the organization or the District is obligated for the debt of the organization. Component units may also include organizations that are fiscally dependent on the District in that the District approves the budget, the issuance of debt, or the levying of taxes for the organization. The financial statements of the reporting entity include only those of the District (the primary government). The District has no component units. The following organizations are described due to their relationship to the District.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

1. Jointly Governed Organizations

Miami Valley Career Tech Vocational School

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

Southwestern Ohio Educational Purchasing Cooperative (SOEPC)

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

Metropolitan Dayton Educational Cooperative Association (MDECA)

The District is a participant in MDECA, which is a computer consortium of 25 public school districts within the boundaries of Darke, Greene, Miami, and Montgomery Counties. The organization was formed for the purpose of applying modern technology (with the aid of computers and other electronic equipment) to administrative and instructional functions among member school districts.

The governing board of MDECA consists of one representative from each district plus one representative from the fiscal agent. The District pays MDECA an enrollment based fee for services provided during the year; this fee totaled $53,683 for fiscal 2002. Financial information is available from Jerry C. Woodyard, Executive Director, at 201 Riverside Drive, Dayton, Ohio 45405.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2. Related Organization

Germantown Public Library

The Germantown Public Library is a distinct political subdivision of the State of Ohio, created in accordance with Chapter 3375, ORC. The Board of Education is responsible for appointing the trustees of the Library; however, the Board cannot influence the Library's operation, nor does the Library represent a potential financial benefit or burden to the District. Although the District does serve as the taxing authority and may issue tax related debt on behalf of the Library, its role is limited to a ministerial function. Once the Library determines to present a levy to the voters, including the determination of the rate and duration, the District must place the levy on the ballot. The Library may issue debt and determines its own budget. The Library did not receive any funding from the District during fiscal year 2002.

The District also participates in a public entity risk sharing pool, discussed in Note 12.

B. Fund Accounting

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

1. Governmental Funds

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

General Fund

The general fund is the general operating fund of the District and is used to account for all financial resources except those required to be accounted for in another fund. The general fund balance is available to the District for any purpose, provided it is expended or transferred in accordance with applicable Ohio statute.

Special Revenue Funds

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Capital Projects Funds

The capital projects funds are used to account for financial resources to be used for the acquisition of construction of major capital facilities (other than those financed by proprietary funds and trust funds).

2. Proprietary Funds

Proprietary funds are used to account for the District's ongoing activities which are similar to those often found in the private sector, where the determination of net income is necessary or useful to sound financial administration. The following are the District's proprietary fund types:

Enterprise Funds

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

3. Fiduciary Funds

Trust and Agency Funds

These funds are used to account for assets held by the District in a trustee capacity or as an agent for individuals, private organizations, other governmental units, and/or other funds. These include expendable trust and agency funds. The expendable trust funds are accounted for in essentially the same manner as governmental funds. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. Agency funds are reported on a cash basis, with note disclosure regarding items, which in other fund types, would be subject to accrual.

4. Account Groups

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

General Fixed Assets Account Group

This group of accounts is established to account for all fixed assets of the District, other than those accounted for in the proprietary funds.

General Long-Term Obligations Account Group

This group of accounts is established to account for all long-term obligations of the District, other than those accounted for in the proprietary funds.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C. Measurement Focus/Basis of Accounting

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

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

The modified accrual basis of accounting is followed for governmental and expendable trust funds. Under the modified accrual basis of accounting, revenues are recognized when they become both measurable and available to finance expenditures of the current period, which for the District is 60 days after the June 30 year-end. Revenues accrued at the end of the year include interest, tuition, grants and entitlements (to the extent they are intended to finance the current fiscal year), and accounts (student fees and rent). Current property taxes measurable as of June 30, 2002, but which are intended to finance fiscal 2003 operations, have been recorded as deferred revenues. Delinquent property taxes measurable and available (received within 60 days) and amounts available as an advance on future tax settlements are recognized as revenue at year-end. Taxes available for advance and recognized as revenue, but not received by the District prior to June 30, 2002, are reflected as a reservation of fund balance for future appropriations.

The District is prohibited by law from appropriating this revenue in accordance with ORC Section 5705.35, since an advance of revenue was not requested or received prior to the fiscal year-end.

Nonexchange transactions, in which the District receives value without directly giving equal value in return, include income taxes, property taxes, grants, entitlements, and donations. On the modified accrual basis, revenue from income taxes is recognized when the underlying exchange transaction takes place. Revenue from property taxes is recognized in the fiscal year for which the taxes are levied and the resources are available. Revenue from grants, entitlements, and donations is recognized in the fiscal year in which all eligibility requirements have been met and the resources are available. Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the fiscal year when use is first permitted, matching requirements, in which the District must provide local resources to be used for a specified purpose, and expenditure requirements, in which the resources are provided to the District on a reimbursement basis.

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Expenditures (decreases in net financial resources) are recognized in the period in which the fund liability is incurred with the following exceptions: general long-term obligation principal and interest are reported only when due; and costs of accumulated unpaid vacation and sick leave are reported as expenditures in the period in which they will be liquidated with available financial resources rather than in the period earned by employees. Allocations of cost, such as depreciation and amortization, are not recognized in governmental funds.

The proprietary funds are accounted for on the accrual basis of accounting. Under the accrual basis of accounting, revenues are recorded when earned and expenses are recorded at the time liabilities are incurred. The fair value of donated commodities used during the year is reported on the operating statement as an expense, with a like amount reported as donated commodities revenue. Unused donated commodities are reported as deferred revenues.

On the accrual basis of accounting, revenue from nonexchange transactions, such as grants, entitlements, and donations, is recognized in the fiscal year in which all eligibility requirements have been met. The proprietary funds receive no revenue from income or property taxes.

D. Budgets

The budgetary process is prescribed by provisions of the Ohio Revised Code and entails the preparation of budgetary documents within an established timetable. The major documents prepared are the tax budget, the certificate of estimated resources, and the appropriation resolution, all of which are prepared on the budgetary basis of accounting. The certificate of estimated resources and the appropriation resolution are subject to amendment throughout the year with the legal restriction that appropriations cannot exceed estimated resources, as certified. The specific timetable for fiscal year 2002 is as follows:

1. Prior to January 15 of the preceding year, the Superintendent and Treasurer submit to the Board of Education a proposed operating budget for the fiscal year commencing the following July 1. The budget includes proposed expenditures and the means of financing for all funds. Public hearings are publicized and conducted to obtain taxpayers' comments. The expressed purpose of this budget document is to reflect the need for existing (or increased) tax rates.

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

3. Prior to April 1, the Board of Education accepts, by formal resolution, the tax rates as determined by the Budget Commission and receives the Commission's Certificate of Estimated Resources, which states the projected revenue of each fund. Prior to June 30, the District must revise its budget so that total contemplated expenditures from any fund during the ensuing year will not exceed the amount stated in the Certificate of Estimated Resources. The revised budget then serves as a basis for the appropriation measure. On or about July 1, the Certificate is amended to include any unencumbered balances from the preceding year as reported by the District Treasurer. The Certificate may be further amended during the year if projected increases or decreases in revenue are identified by the District Treasurer. The amounts reported in the budgetary statement reflect the amounts set forth in the final Amended Certificate issued for fiscal year 2002.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

5. All funds, other than agency funds, are legally required to be budgeted and appropriated. Short-term interest loans are not required to be budgeted since they represent a temporary cash flow resource, and are intended to be repaid.

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

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

8. Appropriation amounts are as originally adopted, or as amended by the Board of Education through the year by supplemental appropriations, which either reallocated or increased the original appropriated amounts. All supplemental appropriations were legally enacted by the Board during fiscal 2002.

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

Encumbrance accounting is utilized with District funds in the normal course of operations, for purchase orders and contract related expenditures. An encumbrance is a reserve on the available spending authority due to commitment for a future expenditure and does not represent a liability. For governmental fund types, encumbrances outstanding at year-end appear as a reserve to the fund balance on a GAAP basis and as the equivalent of expenditures on a non-GAAP budgetary basis in order to demonstrate legal compliance. Note 16 provides a reconciliation of the budgetary and GAAP basis of accounting. Encumbrances for enterprise funds are disclosed in Note 13.

E. Cash and Investments

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

During fiscal year 2002, investments were limited to repurchase agreements and certificates of deposit.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

Under existing Ohio statutes, the Board of Education has, by resolution, specified the funds to receive an allocation of interest earnings. Interest revenue credited to the general fund during fiscal 2002 totaled $75,729, which included $14,715 assigned from other funds of the District; interest revenue credited to the Food Service enterprise fund totaled $3,628, which included $418 assigned from other funds of the District; and interest revenue credited to the District Managed Activity special revenue fund totaled $2,588, which included $1,004 assigned from other funds of the District.

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

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

F. Inventory

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

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

G. Prepaids

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

H. Fixed Assets and Depreciation

1. General Fixed Assets Account Group

General fixed assets are capitalized at cost (or estimated historical cost) and updated for the cost of additions and retirements during the year in the general fixed assets account group. Donated fixed assets are recorded at their fair market values as of the date donated. The District follows the policy of not capitalizing assets with a cost of less than $500 and a useful life of less than one year. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not capitalized, nor is interest on debt issued to construct or acquire general fixed assets. No depreciation is recognized for assets in the general fixed assets account group. The District has not included infrastructure in the general fixed asset account group.

2. Proprietary Funds

Equipment reflected in these funds are stated at historical cost or estimated historical cost and updated for the cost of additions and retirements during the year. Donated fixed assets are recorded at their fair market values as of the date donated. Improvements are capitalized and depreciated over the remaining useful lives of the related fixed assets.

Depreciation has been provided, where appropriate, on a straight-line basis (using a 10% salvage value) over the following estimated useful lives:

	Asset Life (years)
Furniture, fixtures and minor equipment	5 - 20

I. Compensated Absences

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

In accordance with the provisions of GASB Statement No. 16, "Accounting for Compensated Absences", a liability for vacation leave is accrued if a) the employees' rights to payment are attributable to services already rendered; and b) it is probable that the employer will compensate the employees for the benefits through paid time off or other means, such as cash payment at termination or retirement. A liability for sick leave is accrued using the vesting method; i.e., the liability is based on the sick leave accumulated at the balance sheet date by those employees who are currently eligible to receive termination (severance) payments, as well as those employees expected to become eligible in the future.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

For purposes of establishing a liability for severance on employees expected to become eligible to retire in the future, all employees age 50 or greater with at least 10 years of service and all employees with at least 20 years of service regardless of their age were considered expected to become eligible to retire in accordance with GASB Statement No. 16.

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

Accumulated vacation and severance of governmental fund type employees meeting the above requirements have been recorded in the appropriate governmental fund as a current liability to the extent that the amounts are expected to be payable within the current available period. The balance of the liability is recorded in the general long-term obligations account group. Vacation and sick leave for employees meeting the above requirements who are paid from proprietary funds is recorded as an expense when earned.

J. Other Employee Benefits

The District has entered into a Retirement Incentive whereby, upon election, an employee reaching his/her first year of retirement eligibility (with a minimum of 30 years of service credit with one or more of Ohio's public employees retirement systems and no less than 10 years of service with the District by the effective date of retirement) is entitled to receive, in lieu of the retirement pay currently provided under Article 23 of the labor agreement, an amount equal to his/her per diem rate times 3/8 of his/her total accumulated and unused sick leave days. An employee must retire under any of Ohio's public employee retirement systems by no later than the year he/she first becomes eligible for full retirement or forfeit any claim to the Retirement Incentive. The corresponding liability for employees who are eligible and have currently elected to participate in the Retirement Incentive has been recorded in the general long-term obligations account group for employees who are paid from governmental funds; and as a fund liability for employees paid from proprietary funds.

K. Long-Term Obligations

In general, governmental fund payables and accrued liabilities are reported as obligations of the funds regardless of whether they will be liquidated with current resources. However, compensated absences, contractually required pension contributions, and early retirement incentives that will be paid from governmental funds are reported as a liability in the general long-term obligations account group to the extent that they will not be paid with current available expendable financial resources. Payments made more than sixty days after year-end are generally considered not to have been paid with current available financial resources. Bonds, capital leases, and long-term loans are reported as a liability of the general long-term obligations account group until due.

Long-term debt and other obligations financed by proprietary funds are reported as liabilities in the appropriate proprietary funds.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

L. Fund Equity

Reserved fund balances indicate that portion of fund equity, which is not available for current appropriation or is legally segregated for a specific use. Fund balances are reserved for encumbrances, materials and supplies inventory, tax advance unavailable for appropriation, prepaids, and advances. The reserve for property taxes represents taxes recognized as revenue under GAAP, but not available for appropriation under state statute. The unreserved portions of fund equity reflected for the governmental funds are available for use within the specific purposes of those funds.

M. Interfund Transactions

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

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

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

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

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

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

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

An analysis of the District’s interfund transactions for fiscal year 2002 is presented in Note 5.

N. Estimates

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

O. Memorandum Only - Total Columns

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

3. ACCOUNTABILITY AND COMPLIANCE

A. Fund balances at June 30, 2002 included the following individual fund deficits:

	Deficit Balance
Special Revenue Funds	
Career Development	$ 3
EESA/NDEA	411
Title I	121
Title VI	48
Drug-Free School	65
Reducing Class Size	215
Miscellaneous Federal Grants	39
Capital Projects Fund	
SchoolNet	40,986

These GAAP-basis deficits will be funded by anticipated future intergovernmental revenues or other subsidies not recognized and recorded at June 30. The general fund provides transfers for deficit balances; however, transfers are made when cash is needed rather than when accruals occur. These funds complied with state statue which does not allow for a negative fund balance at year-end.

B. Agency Funds

The following is an accrual for the agency funds, which, in another fund type, would be recognized in the combined balance sheet:

LIABILITIES	
Accounts payable	$344

4. EQUITY IN POOLED CASH AND INVESTMENTS

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

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

4, EQUITY IN POOLED CASH AND INVESTMENTS (Continued)

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

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

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

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

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

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

3. Written repurchase agreements in the securities listed above provided that the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least 2% and be marked to market daily, and that the term of the agreement must not exceed 30 days;

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

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

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

7. Certain bankers' acceptances and commercial paper notes for a period not to exceed 180 days from the date of purchase in an amount not to exceed 25% of the interim moneys available for investment at any one time; and,

4. EQUITY IN POOLED CASH AND INVESTMENTS (Continued)

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

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

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

Deposits: At year-end, the carrying amount of the District's deposits was $1,132,745 and the bank balance was $1,290,598 (both amounts include $585,985 in non-negotiable certificates of deposit). Of the bank balance:

1. $854,195 was covered by federal deposit insurance; and

2. $436,403 was uninsured and uncollateralized as defined by GASB although it was secured by collateral held by third party trustees, pursuant to Section 135.81, Ohio Revised Code, in collateralized pools securing all public funds on deposit with specific depository institutions; these securities not being in the name of the District. Although all state statutory requirements for the deposit of money had been followed, non-compliance with federal requirements could potentially subject the District to a successful claim by the FDIC.

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

	Category of Risk 3	Fair Value
Repurchase agreement	$287,819	$287,819
Total investments	$287,819	$287,819

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

4. EQUITY IN POOLED CASH AND INVESTMENTS (Continued)

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

	Equity in Pooled Cash and Cash Equivalents	Investments
GASB Statement No. 9	$1,420,564	$ -
Investments of the cash management pool:		
Repurchase agreement	(287,819)	287,819
GASB Statement No. 3	$1,132,745	$287,819

5. INTERFUND TRANSACTIONS

A. Interfund balances at June 30, 2002, consist of the following individual interfund loans receivable and payable:

	Interfund Loan Receivable	Interfund Loan Payable
General Fund	$35,953	$ -
Special Revenue Funds		
EESA/NDEA	-	850
Title VI-B	-	2,427
Title VI	-	5,479
Class Size Reduction	-	24,997
Agency Fund		
Student Managed Activities	-	2,200
Total interfund loans	$35,953	$35,953

B. Interfund balances at June 30, 2002 consist of the following long-term advances:

	Advanced to Other Funds	Advanced from Other Funds
General Fund	$9,653	$ -
Agency Fund		
Student Managed Activities	-	9,653
Total long-term advances	$9,653	$ 9,653

6. PROPERTY TAXES

Property taxes are levied and assessed on a calendar year basis. Distributions from the second half of the calendar year occur in a new fiscal year and are intended to finance the operations of that year. Property taxes include amounts levied against all real, public utility and tangible (used in business) property located in the District.

Real property taxes and public utility taxes are levied after April 1 on the assessed value listed as of the prior January 1, the lien date. Assessed values are established by state law at 35% of appraised market value.

Public utility property taxes are assessed on tangible personal property, as well as land and improvements. Real property is assessed at 35% of market value, and personal property is assessed at varying rates of true value.

Tangible personal property taxes attach as a lien and are levied on January 1 of the current year. Tangible personal property assessments are 25% of true value. The first $10,000 of assessed value is exempt from taxation. The District receives a state subsidy in lieu of tax revenue which would otherwise have been collected.

The assessed value upon which the 2001 taxes were collected was $161,878,389. Agricultural/residential and public utility/minerals real estate represented 81.20% or $131,438,850 of this total; commercial & industrial real estate represented 6.26% or $10,129,880 of this total, public utility tangible represented 8.07% or $13,066,980 of this total and general tangible property represented 4.47% or $7,242,679 of this total. The voted general tax rate at the fiscal year ended June 30, 2002 was $41.24 per $1,000.00 of assessed valuation for operations.

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

Tangible personal property taxes paid by multi-county taxpayers are due September 20. Single county taxpayers may pay annually or semiannually. If paid annually, payment is due April 30; if paid semiannually, the first payment is due April 30, with the remainder payable by September 20.

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

Accrued property taxes receivable represent delinquent taxes outstanding and real property, personal property, and public utility taxes, which became measurable as of June 30, 2002. Although total property tax collections for the next fiscal year are measurable, they are not (exclusive of advances) intended to finance current year operations. The net receivable (total receivable less amount available intended to finance the current year) is therefore offset by a credit to deferred revenue.

Taxes available for advance and recognized as revenue, but not received by the District prior to June 30, 2002, are reflected as a reservation of fund balance for future appropriations. The District is prohibited by law from appropriating this revenue in accordance with ORC Section 5705.35, since an advance of revenue was not requested or received prior to the fiscal year-end. Available tax advances at June 30, 2002 totaled $187,572 in the general fund.

7. SCHOOL DISTRICT INCOME TAX

During fiscal 1994, voters of the District passed a .75% income tax, effective for five years, and renewed it during fiscal 2000. During fiscal 1996, voters of the District passed an additional .5% income tax, effective for five years. The tax is collected by the State of Ohio and remitted to the District quarterly. Total income tax revenue for fiscal 2002 credited to the general fund was $2,335,950.

8. RECEIVABLES

Receivables at June 30, 2002 consisted of taxes, accounts (billings for user charged services and student fees), accrued interest, interfund loans, and intergovernmental grants (to the extent such grants relate to the current fiscal year). Intergovernmental grants receivable have been presented as "Due From Other Governments" on the combined balance sheet. Taxes and intergovernmental receivables are considered collectible in full due to the ability to foreclose for the nonpayment of taxes and the stable condition of state programs.

A summary of the principal items of receivables follows:

	Amounts
General Fund	
Property taxes - current and delinquent	$3,427,904
Income taxes	882,914
Interfund loan receivable	35,953
Advances to other funds	9,653
Accrued interest	2,735
Enterprise Fund	
Due from other governments	5,077
Special Revenue Fund	
Due from other governments	86,745

9. FIXED ASSETS

A summary of the changes in the general fixed assets account group during the fiscal year follows:

	Balance July 1, 2001	Increase	Decrease	Balance June 30, 2002
Land/improvements	$ 580,141	$ 22,087	$ -	$ 602,228
Buildings/improvements	5,900,237	412,486	-	6,312,723
Furniture/equipment	1,990,601	134,085	-	2,124,686
Vehicles	1,084,818	57,035	-	1,141,853
Construction in progress	-	805	-	805
Total	$9,555,797	$626,498	$ -	$10,182,295

9. FIXED ASSETS (Continued)

A summary of the proprietary fixed assets at June 30, 2002 follows:

Furniture and equipment	$ 283,415
Less: accumulated depreciation	(174,963)
Net fixed assets	$ 108,452

10. CAPITALIZED LEASES - LESSEE DISCLOSURE

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

Capital lease payments have been recorded as debt service expenditures in the Combined Statement of Revenues, Expenditures and Changes in Fund Balances for the Governmental Fund Types and Expendable Trust fund. General fixed assets acquired by lease have been capitalized in the general fixed assets account group in the amount of $825,010, which is equal to the present value of the future minimum lease payments as of the date of their inception.

A corresponding liability was recorded in the general long-term obligations account group. Principal payments for fiscal year 2002 totaled $35,472. This amount is reflected as debt service principal retirement in the general fund.

The following is a schedule of the future minimum lease payments required under the capital leases and the present value of the future minimum lease payments as of June 30, 2002:

Year Ending June 30	Building
2003	$ 90,040
2004	90,038
2005	90,038
2006	90,039
2007	90,038
2008 - 2012	450,295
2013 - 2015	270,116
Total future minimum lease payments	1,170,604
Less: amount representing interest	(399,189)
Present value of future minimum lease payments	$ 771,415

11. LONG-TERM OBLIGATIONS

Previously issued general obligation notes outstanding, issued to provide funds for school bus purchases, in accordance with the terms of the State of Ohio's School Bus Purchase Finance Program, are general obligations of the District for which the full faith and credit of the District are pledged for repayment. Accordingly, such unmatured obligations of the District are accounted for in the general long-term obligations account group. Payments of principal and interest relating to these liabilities are recorded as expenditures in the general fund. The state provides the funds for the repayment of these notes. During fiscal 2002, the District received a total of $29,496 as part of the state reimbursement for the school buses.

In fiscal year 1997, the District issued un-voted long-term "energy conservation" notes, under authority of H.B. 264. Energy conservation notes outstanding are general obligations of the District, for which the District's full faith and credit are pledged for repayment. Accordingly, these notes are accounted for in the general long-term obligations account group. Payments of principal and interest relating to these notes are recorded as expenditures in the general fund; however, unlike general obligation bonds, Ohio statute allows for the issuance of these notes without voter approval, and the subsequent repayment of the notes from operating revenues.

During the previous fiscal year, the District issued un-voted general obligation bonds to provide funds for the acquisition of a new building. These bonds are general obligations of the District for which the full faith and credit of the District are pledged for repayment. Accordingly, such unmatured obligations of the District are accounted for in the general long-term obligations account group.

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

A. The following is a description of the District's notes and bonds outstanding as of June 30, 2002:

	Interest Rate	Issue Date	Maturity Date	Outstanding July 1, 2002	Issued in 2002	Retired in 2002	Outstanding June 30, 2002
Energy conservation notes	5.40%	5/15/96	6/15/05	$605,000	$ 0	$(130,000)	$475,000
School bus purchase bonds	5.49%	5/1/96	4/1/03	45,000	0	(22,000)	23,000
Facility acquisition bonds	6.90%	6/09/00	6/09/15	153,693	0	(6,753)	146,940
				$803,693	$ 0	$(158,753)	$644,940

11. LONG-TERM OBLIGATIONS (Continued)

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

Year Ending June 30	Principal	Interest	Total
2003	$175,238	$ 38,780	$214,018
2004	162,753	28,712	191,465
2005	183,305	19,170	202,475
2006	8,897	8,253	17,150
2007	9,531	7,610	17,141
2008 - 2012	58,856	26,906	85,762
2013 - 2016	46,356	5,096	51,452
Total	$644,936	$134,527	$779,463

C. During the year ended June 30, 2002, the following changes occurred in the liabilities reported in the general long-term obligations account group. Compensated absences, pension obligation, and the retirement incentive will be paid from the fund in which the employee was paid.

	Balance July 1, 2001	Increase	Decrease	Balance June 30, 2002
Compensated absences:				
Sick leave (severance)	$ 651,045	$ 42,461	$ (5,601)	$ 687,905
Vacation	14,464	60,430	(60,055)	14,839
Retirement incentive	14,049	18,655	(14,049)	18,655
Pension obligation payable	89,568	92,376	(89,568)	92,376
School bus bonds	45,000	-	(22,000)	23,000
General obligation bonds payable	153,693	-	(6,753)	146,940
Energy conservation notes	605,000	-	(130,000)	475,000
Obligation under capital lease	806,887	-	(35,472)	771,415
Total	$2,379,706	$213,922	$(363,498)	$2,230,130

D. Legal Debt Margin

The Ohio Revised Code provides that voted net general obligation debt of the District shall never exceed 9% of the total assessed valuation of the District. The code further provides that unvoted indebtedness shall not exceed 1/10 of 1% of the property valuation of the District. The code further provides that un-voted indebtedness for energy conservation measures shall not exceed 9/10 of 1% of the property valuation of the District. The effects of these debt limitations at June 30, 2002 are a voted debt margin of $14,569,055; an unvoted debt margin of $14,938; and an un-voted energy conservation debt margin of $981,906.

12. RISK MANAGEMENT

The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The District carries employee health and general liability insurance coverage through a commercial carrier. Absent the deductible, the risk of loss transfers entirely to the commercial carrier.

The District purchases dental and workers compensation insurance through the Southwestern Ohio Educational Purchasing Cooperative Benefit Plan Trust (the "Trust"). The Trust is a public entity risk pool currently operating as a common risk management and insurance program. The intent of the Trust is to achieve the benefit of a reduced premium for the District by virtue of its grouping and representation with other participants in the Trust. The workers compensation experience of the participating school districts is calculated as one experience and the common premium rate is applied to all districts in the Trust. The Trust is self-sustaining through member premiums and will reinsure through commercial coverage for claims in excess of the pooling level per year.

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

The District continues to carry commercial insurance for all other risks of loss. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years. There has been no significant reduction in amounts of insurance coverage from fiscal 2001.

13. SEGMENT INFORMATION - ENTERPRISE FUNDS

The District maintains three enterprise funds to account for the operations of food service, uniform school supplies, and the latchkey program. The table below reflects, in a summarized format, the more significant financial data relating to the enterprise funds of the District as of and for the year ended June 30, 2002.

	Food Service	Uniform School Supplies	Latchkey Program	Total
Operating revenue	$578,390	$ 46	$ 69,566	$648,002
Depreciation	9,988	-	27	10,015
Operating income/(loss)	(111,147)	46	(11,981)	(123,082)
Operating grants	45,545	-	-	45,545
Donated federal commodities	40,987	-	-	40,987
Net income/(loss)	(20,987)	46	(11,981)	(32,922)
Net working capital	(40,479)	690	21,039	(18,750)
Fixed assets:				
Additions	8,983	-	-	8,983
Total assets	176,610	690	33,402	210,702
Total liabilities	109,045	-	11,955	121,000
Total equity	67,565	690	21,447	89,702
Encumbrances at 6/30/02	1,100	-	2,816	3,916

14. DEFINED BENEFIT PENSION PLANS

A. School Employees Retirement System

The District contributes to the School Employees Retirement System of Ohio (SERS), a cost-sharing, multiple-employer defined benefit pension plan administered by the School Employees Retirement Board. SERS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Authority to establish and amend benefits is provided by Chapter 3309 of the Ohio Revised Code. SERS issues a publicly available, stand-alone financial report that includes financial statements and required supplementary information. The report may be obtained by writing to the School Employees Retirement System, 300 East Broad Street, Columbus, Ohio 43215, or by calling (614) 222-5853.

Plan members are required to contribute 9% of their annual covered salary and the District is required to contribute at an actuarially determined rate, which was 14% for 2001; 5.46% was the portion to fund pension obligations. The contribution rates of plan members and employers are established and may be amended by the School Employees Retirement Board, up to maximum amounts allowed by state statute. The adequacy of the contribution rates is determined annually. The District's required contributions for pension obligations to SERS for the fiscal years ended June 30, 2002, 2001, and 2000 were $269,634, $264,282 and $110,779, respectively; 44.46% has been contributed for fiscal year 2002 and 100% for the fiscal years 2001 and 2000. $149,748, which represents the unpaid contribution for fiscal year 2002, is recorded as a liability within the respective funds and the general long-term obligations account group.

B. State Teachers Retirement System

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

Plan members are required to contribute 9.3% of their annual covered salary and the District is required to contribute 14% for 2002; 9.5% was the portion used to fund pension obligations. Contribution rates are established by the State Teachers Retirement Board, upon recommendation of its consulting actuary, not to exceed statutory maximum rates of 10% for members and 14% for employers. The District's required contributions for pension obligations to STRS for the fiscal years ended June 30, 2002, 2001 and 2000 were $981,285, $933,582, and $377,543, respectively; 82.78% has been contributed for fiscal year 2002 and 100% for the fiscal years 2001 and 2000. $169,024, which represents the unpaid contribution for fiscal year 2002, is recorded as a liability within the respective funds.

C. Social Security System

Effective July 1, 1991, all employees not otherwise covered by SERS or STRS have an option to choose Social Security or SERS/STRS. As of June 30, 2002, members of the Board of Education have elected Social Security. The Board's liability is 6.2% of wages paid.

15. POSTEMPLOYMENT BENEFITS

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

The State Teachers Retirement Board has statutory authority over how much, if any, of the health care costs will be absorbed by STRS. Most benefit recipients pay a portion of the health care cost in the form of a monthly premium. By Ohio law, the cost of coverage paid from STRS funds shall be included in the employer contribution rate, currently 14 percent of covered payroll. For this fiscal year, the State Teachers Retirement Board allocated employer contributions equal to 4.5 percent of covered payroll to the Health Care Reserve fund. For the District, this amount equaled $315,413 during fiscal 2002.

STRS pays health care benefits from the Health Care Reserve fund. The balance in the Health Care Reserve fund was $3.256 billion at June 30, 2001 (the latest information available). For the fiscal year ended June 30, 2001 (the latest information available), net health care costs paid by STRS were $300.772 million and STRS had 102,132 eligible benefit recipients.

For SERS, coverage is made available to service retirees with 10 or more years of qualifying service credit, and disability and survivor benefit recipients. Members retiring on or after August 1, 1989, with less than 25 years of service credit must pay a portion of their premium for health care. The portion is based on years of service up to a maximum of 75 percent of the premium.

For this fiscal year, employer contributions to fund health care benefits were 8.54 percent of covered payroll. In addition, SERS levies a surcharge to fund health care benefits equal to 14 percent of the difference between a minimum pay and the member's pay, pro-rated for partial service credit. For fiscal year 2002, the minimum pay has been established at $12,400. The surcharge, added to the unallocated portion of the 14 percent employer contribution rate, provides for maintenance of the asset target level for the health care fund.

The target level for the health care reserve is 150 percent of annual health care expenses. Expenses for health care at June 30, 2001 (the latest information available), were $161.440 million and the target level was $242.2 million. At June 30, 2001 (the latest information available), SERS had net assets available for payment of health care benefits of $315.7 million and SERS had approximately 50,000 participants receiving health care benefits. For the District, the amount to fund health care benefits, including surcharge, equaled $198,393 during the 2002 fiscal year.

16. BUDGETARY BASIS OF ACCOUNTING

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

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

16. BUDGETARY BASIS OF ACCOUNTING (Continued)

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

(b) Expenditures are recorded when paid in cash (budget basis) as opposed to when the liability is incurred (GAAP basis);

(c) In order to determine compliance with Ohio law, and to reserve that portion of the applicable appropriation, encumbrances are recorded as the equivalent of an expenditure (budget basis) as opposed to a reservation of fund balance for governmental funds (GAAP basis).

(d) Proceeds from and principal payments on bond and revenue anticipation notes are reported on the operating statement (budget basis) rather than as balance sheet transactions (GAAP basis).

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

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

	Governmental Fund Types		
	General Fund	Special Revenue Funds	Capital Projects Funds
Budget basis	$(315,521)	$(74,981)	$(47,547)
Net adjustment for revenue accruals	(144,691)	49,830	(66,459)
Net adjustment for expenditure accruals	(122,716)	26,084	5,314
Net adjustment for other financing sources/(uses)	10,861	(32,401)	-
Encumbrances	116,328	31,601	51,420
GAAP basis	$(455,739)	$ 133	$(57,272)

17. CONTINGENCIES

A. Grants

The District receives significant financial assistance from numerous federal, state and local agencies in the form of grants. The disbursement of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and is subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the general fund or other applicable funds. However, in the opinion of management, any such disallowed claims will not have a material effect on any of the financial statements of the individual fund types included herein or on the overall financial position of the District at June 30, 2002.

B. Litigation

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

17. CONTINGENCIES (Continued)

C. School Funding Decision

On December 11, 2002, the Ohio Supreme Court issued its latest opinion regarding the state's school funding plan. The decision reaffirmed earlier decisions that Ohio's current school-funding plan is unconstitutional.

The Supreme Court relinquished jurisdiction over the case and directed "... the Ohio General Assembly to enact a school-funding scheme that is thorough and efficient...".

The District is currently unable to determine what effect, if any, this decision will have on its future state funding and on its financial operations.

18. STATUTORY RESERVES

The District is required by state law to set-aside certain general fund revenue amounts, as defined by statute, into various reserves. During the fiscal year ended June 30, 2002, the reserve activity was as follows:

	Instructional Materials	Capital Acquisition	BWC Refunds
Set-aside cash balance as of July 1, 2001	$(274,691)	$ -	$ 38,873
Current year set-aside requirement	235,516	235,516	-
Qualifying disbursements	(349,902)	(874,689)	(38,873)
Total	$(389,077)	$(639,173)	$ -
Cash balance carried forward to FY 2003	$(389,077)	$ -	$ -

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

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

VALLEY VIEW LOCAL SCHOOL DISTRICT

MONTGOMERY COUNTY

SCHEDULE OF FEDERAL AWARDS RECEIPTS AND EXPENDITURES
FOR THE FISCAL YEAR ENDED JUNE 30, 2002

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						
Passed Through Ohio Department of Education:						
Nutrition Cluster:						
Food Distribution Program	(A)	10.550		$37,896		$36,927
National School Lunch Program	048744-LLP1-2001	10.555	3,358		3,358	
	048744-LLP4-2001		8,785		8,785	
	048744-LLP4-2002		32,460		32,460	
Total National School Lunch Program			44,603		44,603	
Total United State Department of Agriculture - Nutrition Cluster			44,603	37,896	44,603	36,927
UNITED STATES DEPARTMENT OF EDUCATION						
Passed Through Miami Valley Career Technology Center						
Vocational Education	20-C1-2001	84.048			904	
	20-C1-2002		1,816		1,725	
Total Vocational Education			1,816		2,629	
Passed Through Ohio Department of Education:						
Special Education Cluster:						
Special Education Grants to States (IDEA Part B)	048744-6BSF-2001-P	84.027			1,544	
	048744-6BSF-2002-P		67,996		70,423	
Total Special Education Grants to States (IDEA Part B)			67,996		71,967	
Special Education - Preschool Grant	048744-PGS1-2002-P	84.173	4,321		3,070	
	048744-PGSC-2001-P		4,032		4,032	
Total Special Education - Preschool Grant			8,353		7,102	
Total Special Education Cluster			76,349		79,069	
Grants to Local Educational Agencies (ESEA Title I)	048744-C1S1-2001	84.010			9,936	
	048728-C1S1-2002		103,706		103,706	
Total Grants to Local Educational Agencies (ESEA Title I)			103,706		113,642	
Drug-Free Schools Grant	048744-DRS1-2001	84.186			119	
	048744-DRS1-2002		7,569		4,454	
Total Drug-Free Schools Grant			7,569		4,573	
Eisenhower Professional Development State Grants	048744-MSS1-2002	84.281	7,320		8,170	
Innovative Education Program Strategies	048744-C2S1-2002	84.298	4,495		9,974	
Class Size Reduction Subsidy	048744-CRS1-2002	84.340			12,158	
			9,739		30,261	
Total Class Size Reduction Subsidy			9,739		42,419	
Total United States Department of Education			210,994		260,476	
UNITED STATES DEPARTMENT OF HEALTH AND HUMAN SERVICES						
Passed Through Montgomery County Educational Service Center						
Medical Assistance Program	(A)	93.778	11,940		11,940	
Total United States Department of Health and Human Services			11,940		11,940	
Total Federal Assistance			$267,537	$37,896	$317,019	$36,927

(A) Project Number Not Applicable or Unknown

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

NOTES TO SCHEDULE OF FEDERAL AWARDS RECEIPTS AND EXPENDITURES
FISCAL YEAR ENDED JUNE 30, 2002

NOTE A - SIGNIFICANT ACCOUNTING POLICIES

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

NOTE B - NUTRITION CLUSTER

Nonmonetary assistance, such as food received from the U.S. Department of Agriculture, is reported in the Schedule at the fair market value of the commodities received and consumed. Cash receipts from the U.S. Department of Agriculture are commingled with State grants. It is assumed federal monies are expended first. At June 30, 2002, the District had no significant food commodities in inventory.

NOTE C - MATCHING REQUIREMENTS

Certain Federal programs require that the District contribute non-Federal funds (matching funds) to support the Federally-funded programs. The District has complied with the matching requirements. The expenditure of non-Federal matching funds is not included on the Schedule.

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Auditor of State
Betty Montgomery

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

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

To the Board of Education:

We have audited the financial statements of Valley View Local School District, Montgomery County (the District), as of and for the year ended June 30, 2002, and have issued our report thereon dated March 6, 2003. 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 *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards.* However, we noted certain immaterial instances of noncompliance that we have reported to the management of the District in a separate letter dated March 6, 2003.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the District's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses. However, we noted other matters involving the internal control over financial reporting that do not require inclusion in this report, that we have reported to management of the District in a separate letter dated March 6, 2003.

One First National Plaza / 130 W. Second St. / Suite 2040 / Dayton, OH 45402
Telephone: (937) 285-6677 (800) 443-9274 Fax: (937) 285-6688
www.auditor.state.oh.us

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

Betty Montgomery

Betty Montgomery
Auditor of State

March 6, 2003

Auditor of State
Betty Montgomery

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

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

To the Board of Education:

Compliance

We have audited the compliance of Valley View Local School District, Montgomery County, (the District), with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133, Compliance Supplement* that are applicable to each of its major federal programs for the year ended June 30, 2002. The District's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings. Compliance with the requirements of laws, regulations, contracts and grants applicable to its major federal programs is the responsibility of the District's management. Our responsibility is to express an opinion on the District's compliance based on our audit.

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

In our opinion, the District complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2002.

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Internal Control Over Compliance

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

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

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

Betty Montgomery

Betty Montgomery
Auditor of State

March 6, 2003

VALLEY VIEW LOCAL SCHOOL DISTRICT
MONTGOMERY COUNTY

SCHEDULE OF FINDINGS
OMB CIRCULAR A-133 § .505
JUNE 30, 2002

1. SUMMARY OF AUDITOR'S RESULTS

(d)(1)(i)	**Type of Financial Statement Opinion**	Unqualified
(d)(1)(ii)	**Were there any material control weakness conditions reported at the financial statement level (GAGAS)?**	No
(d)(1)(ii)	**Were there any other reportable control weakness conditions reported at the financial statement level (GAGAS)?**	No
(d)(1)(iii)	**Was there any reported material non-compliance at the financial statement level (GAGAS)?**	No
(d)(1)(iv)	**Were there any material internal control weakness conditions reported for major federal programs?**	No
(d)(1)(iv)	**Were there any other reportable internal control weakness conditions 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 § .510?**	No
(d)(1)(vii)	**Major Program (list):**	Title I - Grants to Local Agencies: CFDA # 84.010 Special Education Cluster: CFDA #'s 84.027, 84.173
(d)(1)(viii)	**Dollar Threshold: Type A\B Programs**	Type A: $300,000 Type B: all others
(d)(1)(ix)	**Low Risk Auditee?**	No

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

None

3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS

None

Auditor of State
Betty Montgomery

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VALLEY VIEW LOCAL SCHOOL DISTRICT

MONTGOMERY COUNTY

CLERK'S CERTIFICATION

This is a true and correct copy of the report which is required to be filed in the Office of the Auditor of State pursuant to Section 117.26, Revised Code, and which is filed in Columbus, Ohio.

Susan Babbitt

CLERK OF THE BUREAU

CERTIFIED
APRIL 1, 2003