



**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 financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Valley View Local School District, Montgomery County, (the District), as of and for the fiscal year ended June 30, 2005, which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the District's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the District, as of June 30, 2005, and the respective changes in financial position thereof and the respective budgetary comparison for the General Fund, for the fiscal year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated March 8, 2006, on our consideration of the District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. While we did not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting and compliance and the results of that testing. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*. You should read it in conjunction with this report in assessing the results of our audit.

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

We conducted our audit to opine on the financial statements that collectively comprise the District's basic financial statements. The Schedule of Federal Awards Receipts and Expenditures (the Schedule) is required by *U.S. Office of Management and Budget Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations*, and is also not a required part of the basic financial statements. We subjected the schedule to the auditing procedures applied in the audit of the basic financial statements. In our opinion, this information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.



**Betty Montgomery**  
Auditor of State

March 8, 2006

**VALLEY VIEW LOCAL SCHOOL DISTRICT  
MONTGOMERY COUNTY, OHIO**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2005  
UNAUDITED**

The discussion and analysis of the Valley View Local School District's ("the District") financial performance provides an overall review of the District's financial activities for the fiscal year ended June 30, 2005. The intent of this discussion and analysis is to look at the District's financial performance as a whole; readers should also review the basic financial statements and the notes to the basic financial statements to enhance their understanding of the District's financial performance.

**Financial Highlights**

Key financial highlights for 2005 are as follows:

- In total, net assets of governmental activities increased \$1,590,846 which represents a 42.39% increase from 2004.
- General revenues accounted for \$15,649,298 in revenue or 89.27% of all revenues. Program specific revenues in the form of charges for services and sales, grants and contributions accounted for \$1,881,439 or 10.73% for total revenues of \$17,530,737.
- The District had \$15,939,891 in expenses related to governmental activities; only \$1,881,439 of these expenses was offset by program specific charges for services, grants or contributions. General revenues supporting governmental activities (primarily taxes and unrestricted grants and entitlements) of \$15,649,298 were adequate to provide for these programs.
- The District's major governmental funds are the general fund and the Dursch Jackson scholarship permanent fund. The general fund had \$15,922,334 in revenues and \$14,505,212 in expenditures and other financing uses. During fiscal 2005, the general fund's fund balance, increased \$1,420,122 from \$396,188 to \$1,816,310.
- The Dursch Jackson scholarship permanent fund had \$38,275 in revenues and \$26,766 in expenditures. During fiscal 2005, the Dursch Jackson scholarship permanent fund's fund balance, increased \$11,509 from \$1,060,483 to \$1,071,992.

**Using the Basic Financial Statements**

This annual report consists of a series of financial statements and notes to those statements. These statements are organized so the reader can understand the District as a financial whole, an entire operating entity. The statements then proceed to provide an increasingly detailed look at specific financial activities.

The *Statement of Net Assets* and *Statement of Activities* provide information about the activities of the whole District, presenting both an aggregate view of the District's finances and a longer-term view of those finances. Fund financial statements provide the next level of detail. For governmental funds, these statements tell how services were financed in the short-term as well as what remains for future spending. The fund financial statements also look at the District's most significant funds with all other nonmajor funds presented in total in one column. In the case of the District, the general fund and Dursch Jackson scholarship permanent fund are by far the most significant funds, and the only governmental funds reported as major funds.

**VALLEY VIEW LOCAL SCHOOL DISTRICT  
MONTGOMERY COUNTY, OHIO**

MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2005  
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**Reporting the District as a Whole**

***Statement of Net Assets and the Statement of Activities***

While this document contains the large number of funds used by the District to provide programs and activities, the view of the District as a whole looks at all financial transactions and asks the question, "How did we do financially during 2005?" The Statement of Net Assets and the Statement of Activities answer this question. These statements include *all assets, liabilities, revenues and expenses* using the *accrual basis of accounting* similar to the accounting used by most private-sector companies. This basis of accounting will take into account all of the current year's revenues and expenses regardless of when cash is received or paid.

These two statements report the District's *net assets* and changes in those assets. This change in net assets is important because it tells the reader that, for the District as a whole, the *financial position* of the District has improved or diminished. The causes of this change may be the result of many factors, some financial, some not. Non-financial factors include the District's property tax base, current property tax laws in Ohio restricting revenue growth, facility conditions, required educational programs and other factors.

In the Statement of Net Assets and the Statement of Activities, the Governmental Activities include the District's programs and services, including instruction, support services, operation of non-instructional services, extracurricular activities, latchkey and food service operations.

The District's statement of net assets and statement of activities can be found on pages 14-15 of this report.

**Reporting the District's Most Significant Funds**

***Fund Financial Statements***

The analysis of the District's major governmental funds begins on page 9. Fund financial reports provide detailed information about the District's major funds. The District uses many funds to account for a multitude of financial transactions. However, these fund financial statements focus on the District's most significant funds. The District's major governmental funds are the general fund and Dursch Jackson scholarship permanent fund.

***Governmental Funds***

Most of the District's activities are reported in governmental funds, which focus on how money flows into and out of those funds and the balances left at year-end available for spending in future periods. These funds are reported using an accounting method called *modified accrual* accounting, which measures cash and all other *financial assets* than can readily be converted to cash. The governmental fund financial statements provide a detailed *short-term* view of the District's general government operations and the basic services it provides. Governmental fund information helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance educational programs. The relationship (or differences) between governmental *activities* (reported in the Statement of Net Assets and the Statement of Activities) and governmental *funds* is reconciled in the basic financial statements. The basic governmental fund financial statements can be found on pages 16-20 of this report.

***Reporting the District's Fiduciary Responsibilities***

The District is the trustee, or fiduciary, for its scholarship programs. This activity is presented as a private-purpose trust fund. The District also acts in a trustee capacity as an agent for individuals. These activities are reported in an agency fund. All of the District's fiduciary activities are reported in separate Statements of Fiduciary Net Assets and Changes in Fiduciary Net Assets on pages 21 and 22. These activities are excluded from the District's other financial statements because the assets cannot be utilized by the District to finance its operations.



**VALLEY VIEW LOCAL SCHOOL DISTRICT  
MONTGOMERY COUNTY, OHIO**

MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2005  
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***Notes to the Basic Financial Statements***

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. These notes to the basic financial statements can be found on pages 23-47 of this report.

**The District as a Whole**

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

The table below provides a summary of the District's net assets for 2005 and 2004.

	<b>Net Assets</b>	
	Governmental Activities 2005	Governmental Activities 2004
<b><u>Assets</u></b>		
Current and other assets	\$ 9,491,119	\$ 7,639,803
Capital assets	<u>4,099,212</u>	<u>4,256,725</u>
Total assets	<u>13,590,331</u>	<u>11,896,528</u>
<b><u>Liabilities</u></b>		
Current liabilities	6,176,632	5,818,499
Long-term liabilities	<u>2,070,103</u>	<u>2,325,279</u>
Total liabilities	<u>8,246,735</u>	<u>8,143,778</u>
<b><u>Net Assets</u></b>		
Invested in capital assets, net of related debt	3,975,572	2,921,173
Restricted	1,177,487	1,060,483
Unrestricted	<u>190,537</u>	<u>(228,906)</u>
Total net assets	<u>\$ 5,343,596</u>	<u>\$ 3,752,750</u>

Over time, net assets can serve as a useful indicator of a government's financial position. At June 30, 2005, the District's assets exceeded liabilities by \$5,343,596. At year-end, net assets were \$5,343,596.

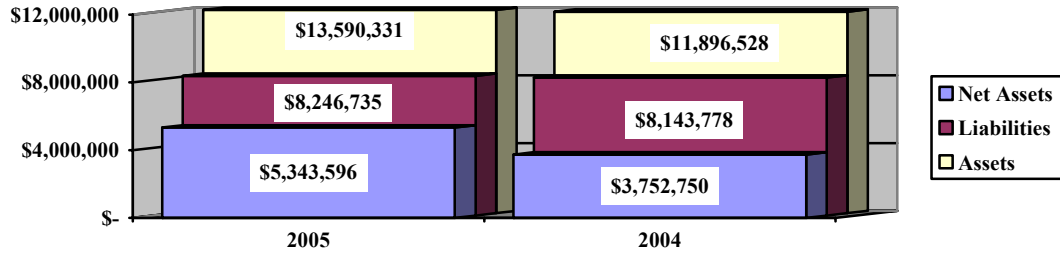
At year-end, capital assets represented 30.16% of total assets. Capital assets include land, land improvements, buildings and improvements, furniture and equipment and vehicles. Capital assets, net of related debt to acquire the assets at June 30, 2005, were \$3,975,572. These capital assets are used to provide services to the students and are not available for future spending. Although the District's investment in capital assets is reported net of related debt, it should be noted that the resources to repay the debt must be provided from other sources, since capital assets may not be used to liquidate these liabilities.

The remaining balance of unrestricted net assets of \$190,537 may be used to meet the District's ongoing obligations to the students and creditors.

**VALLEY VIEW LOCAL SCHOOL DISTRICT  
MONTGOMERY COUNTY, OHIO**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2005  
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**Governmental Activities**



The table below shows the change in net assets for fiscal years 2005 and 2004.

**Change in Net Assets**

	Governmental Activities <u>2005</u>	Governmental Activities <u>2004</u>
<b><u>Revenues</u></b>		
Program revenues:		
Charges for services and sales	\$ 1,182,748	\$ 1,260,255
Operating grants and contributions	698,691	594,842
Capital grants and contributions	-	43,450
General revenues:		
Property taxes	6,970,702	6,102,947
Grants and entitlements	8,345,795	8,236,093
Investment earnings	121,919	39,864
Other	210,882	135,332
Special item:		
Permanent fund contributions	-	1,044,984
Total revenues	<u>\$ 17,530,737</u>	<u>\$ 17,457,767</u>

**VALLEY VIEW LOCAL SCHOOL DISTRICT  
MONTGOMERY COUNTY, OHIO**

MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2005  
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	<b>Change in Net Assets</b>	
	Governmental Activities <u>2005</u>	Governmental Activities <u>2004</u>
<b><u>Expenses</u></b>		
Program expenses:		
Instruction:		
Regular	\$ 6,839,881	\$ 7,270,639
Special	1,186,247	1,119,103
Vocational	338,113	464,908
Other	238,138	144,686
Support services:		
Pupil	1,006,477	966,118
Instructional staff	554,683	649,754
Board of education	12,184	18,025
Administration	1,388,856	1,598,913
Fiscal	248,646	271,514
Business	12,664	18,827
Operations and maintenance	1,362,690	1,276,953
Pupil transportation	837,098	805,768
Central	417,580	404,144
Extracurricular activities	617,652	610,168
Food service operations	716,215	743,933
Latchkey operations	74,500	94,464
Interest and fiscal charges	<u>88,267</u>	<u>91,811</u>
Total expenses	<u>15,939,891</u>	<u>16,549,728</u>
Change in net assets	1,590,846	908,039
Net assets at beginning of year	<u>3,752,750</u>	<u>2,844,711</u>
Net assets at end of year	<u>\$ 5,343,596</u>	<u>\$ 3,752,750</u>

**Governmental Activities**

Net assets of the District's governmental activities increased \$1,590,846. Total governmental expenses of \$15,939,891 were offset by program revenues of \$1,881,439 and general revenues of \$15,649,298. Program revenues supported 11.80% of the total governmental expenses.

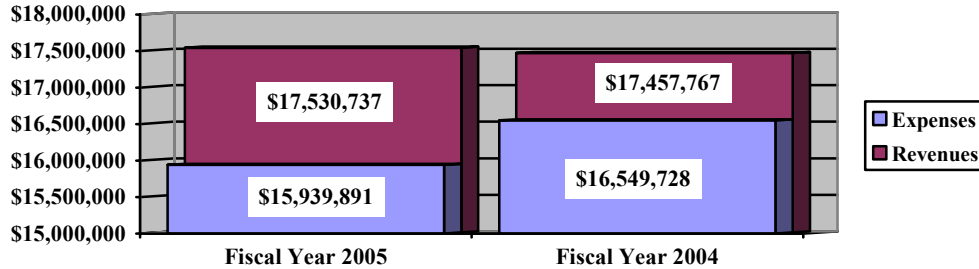
The primary sources of revenue for governmental activities are derived from property taxes, a school district income tax, and grants and entitlements. These revenue sources represent 87.37% of total governmental revenue. Real estate property is reappraised every six years and the school district income tax rate is 1.25%

**VALLEY VIEW LOCAL SCHOOL DISTRICT  
MONTGOMERY COUNTY, OHIO**

MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2005  
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The graph below presents the District's governmental activities revenue and expenses for fiscal year 2005 and 2004.

**Governmental Activities - Revenues and Expenses**



The Statement of Activities shows the cost of program services and the charges for services and grants offsetting those services. The following table shows, for governmental activities, the total cost of services and the net cost of services. That is, it identifies the cost of these services supported by tax revenue and unrestricted State grants and entitlements.

**Governmental Activities**

	Total Cost of Services <u>2005</u>	Net Cost of Services <u>2005</u>	Total Cost of Services <u>2004</u>	Net Cost of Services <u>2004</u>
<b>Program expenses</b>				
Instruction:				
Regular	\$ 6,839,881	\$ 6,521,440	\$ 7,270,639	\$ 6,842,444
Special	1,186,247	885,759	1,119,103	905,526
Vocational	338,113	338,095	464,908	464,756
Other	238,138	203,165	144,686	142,969
Support services:				
Pupil	1,006,477	857,154	966,118	855,395
Instructional staff	554,683	548,866	649,754	641,158
Board of education	12,184	12,184	18,025	18,025
Administration	1,388,856	1,384,340	1,598,913	1,595,899
Fiscal	248,646	246,883	271,514	270,012
Business	12,664	12,664	18,827	18,827
Operations and maintenance	1,362,690	1,362,620	1,276,953	1,276,786
Pupil transportation	837,098	791,498	805,768	751,368
Central	417,580	399,369	404,144	384,849
Extracurricular activities	617,652	329,647	610,168	359,744
Food service operations	716,215	2,001	743,933	11,759
Latchkey operations	74,500	74,500	94,464	19,853
Interest and fiscal charges	88,267	88,267	91,811	91,811
<b>Total expenses</b>	<u>\$ 15,939,891</u>	<u>\$ 14,058,452</u>	<u>\$ 16,549,728</u>	<u>\$ 14,651,181</u>

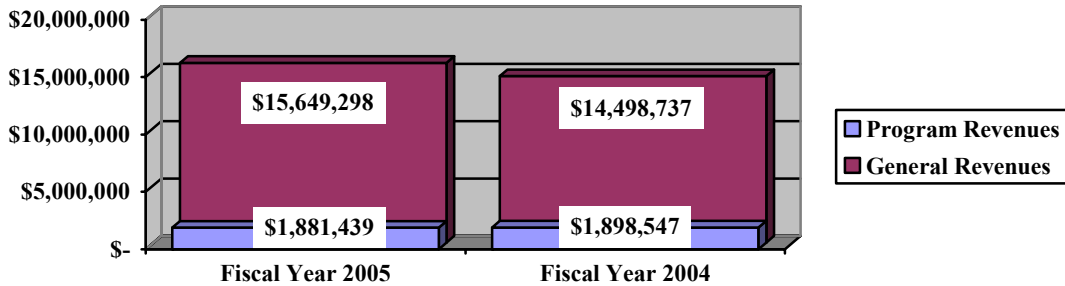
The dependence upon tax and other general revenues for governmental activities is apparent, 92.40% of instruction activities are supported through taxes and other general revenues. For all governmental activities, general revenue support is 88.20%. The District's taxpayers, as a whole, are by far the primary support for District's students.

**VALLEY VIEW LOCAL SCHOOL DISTRICT  
MONTGOMERY COUNTY, OHIO**

MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2005  
UNAUDITED

The graph below presents the District's governmental activities revenue for fiscal years 2005 and 2004.

**Governmental Activities - General and Program Revenues**



**The District's Funds**

The District's governmental funds (as presented on page 16) reported a combined fund balance of \$2,950,595, which is higher than last year's total of \$1,456,188. The June 30, 2004 fund balances have been restated as described in Note 3.A to the basic financial statements. The schedule below indicates the fund balance and the total change in fund balance as of June 30, 2005 and 2004.

	Fund Balance June 30, 2005	Restated Fund Balance June 30, 2004	Increase Decrease
General	\$ 1,816,310	\$ 396,188	\$ 1,420,122
Dursch Jackson Scholarship	1,071,992	1,060,483	11,509
Other Governmental	<u>62,293</u>	<u>(483)</u>	<u>62,776</u>
Total	<u>\$ 2,950,595</u>	<u>\$ 1,456,188</u>	<u>\$ 1,494,407</u>

**General Fund**

The District's general fund's fund balance increased \$1,420,122 (after a restatement to the June 30, 2004 fund balance which is detailed in Note 3.A is detailed to the basic financial statements). The table that follows assists in illustrating the financial activities and fund balance of the general fund.

**VALLEY VIEW LOCAL SCHOOL DISTRICT  
MONTGOMERY COUNTY, OHIO**

MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2005  
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	<u>2005</u>	<u>Restated</u> <u>2004</u>	<u>Percentage</u>
	<u>Amount</u>	<u>Amount</u>	<u>Change</u>
<b><u>Revenues</u></b>			
Taxes	\$ 7,076,983	\$ 5,981,953	18.31 %
Tuition	147,463	159,066	(7.29) %
Earnings on investments	80,603	17,167	369.52 %
Intergovernmental	8,345,795	8,236,093	1.33 %
Other revenues	<u>271,490</u>	<u>301,113</u>	(9.84) %
Total	<u>\$ 15,922,334</u>	<u>\$ 14,695,392</u>	8.35 %
<b><u>Expenditures</u></b>			
Instruction	\$ 8,150,804	\$ 8,211,265	(0.74) %
Support services	5,534,430	5,569,129	(0.62) %
Extracurricular activities	396,495	395,158	0.34 %
Facilities acquisition and construction	-	38,700	(100.00) %
Capital outlay	-	366,177	(100.00) %
Debt Service	<u>380,803</u>	<u>325,776</u>	16.89 %
Total	<u>\$ 14,462,532</u>	<u>\$ 14,906,205</u>	(2.98) %

***Dursch Jackson Scholarship Fund***

The Dursch Jackson scholarship permanent fund had \$38,275 in revenues and \$26,766 in expenditures. During fiscal 2005, the Dursch Jackson scholarship permanent fund's fund balance, increased \$11,509 from \$1,060,483 to \$1,071,992.

***General Fund Budgeting Highlights***

The District's budget is prepared according to Ohio law and is based on accounting for certain transactions on a basis of cash receipts, disbursements and encumbrances. The most significant budgeted fund is the general fund.

During the course of fiscal 2005, the District amended its general fund budget numerous times. For the general fund, final budgeted revenues and other financing sources were \$15,597,697, which is greater than the original budgeted revenues estimate of \$15,501,644. Actual revenues and other financing sources for fiscal 2005 was \$15,597,697, which was the same as the final budgeted revenues and other financing sources.

General fund original appropriations (appropriated expenditures plus other financing uses) of \$15,123,330 were decreased to \$14,389,066 in the final budget. The actual budget basis expenditures and other financing uses for fiscal year 2005 totaled \$14,389,066, which was the same as the final budget appropriations.

**Capital Assets and Debt Administration**

***Capital Assets***

At the end of fiscal 2005, the District had \$4,099,212 invested in land, land improvements, buildings and improvements, furniture and equipment, and vehicles. This entire amount is reported in governmental activities. The following table shows fiscal 2005 balances compared to 2004:

**VALLEY VIEW LOCAL SCHOOL DISTRICT  
MONTGOMERY COUNTY, OHIO**

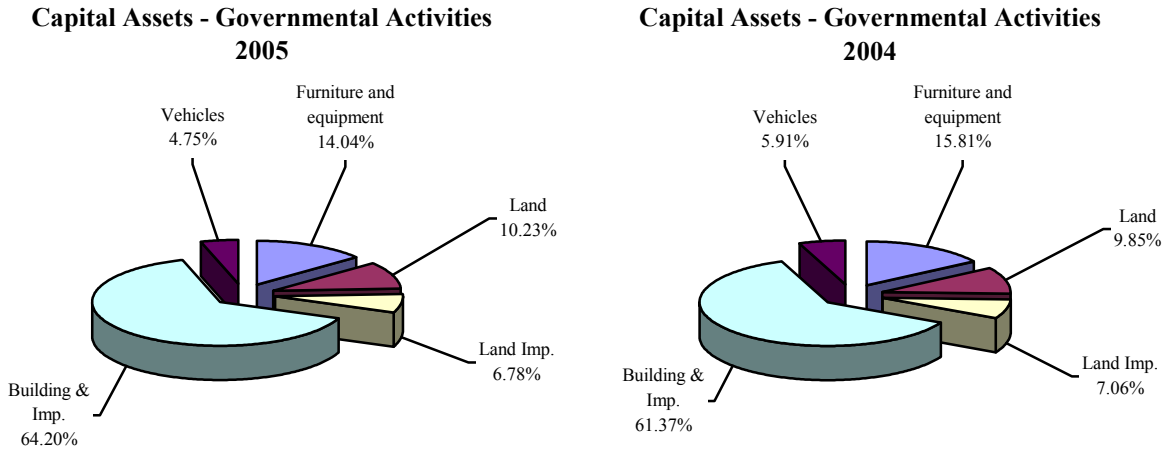
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2005  
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**Capital Assets at June 30  
(Net of Depreciation)**

	<u>Governmental Activities</u>	
	<u>2005</u>	<u>2004</u>
Land	\$ 419,243	\$ 419,243
Land improvements	277,920	300,437
Building and improvements	2,631,820	2,612,659
Furniture and equipment	575,676	672,823
Vehicles	194,553	251,563
<b>Total</b>	<b>\$ 4,099,212</b>	<b>\$ 4,256,725</b>

Total additions to capital assets for 2005 were \$230,651. The District recorded \$388,164 in depreciation expense for fiscal 2005.

The following graphs show the breakdown governmental activities capital assets by category for 2005 and 2004.



Refer to Note 10 in the basic financial statements for further detail on the District's capital assets.

***Debt Administration***

At June 30, 2005, the District had \$123,640 in general obligation bonds outstanding. Of this total, \$8,897 is due within one year and \$114,743 is due within greater than one year.

**VALLEY VIEW LOCAL SCHOOL DISTRICT  
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MANAGEMENT'S DISCUSSION AND ANALYSIS  
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The following table summarizes the bonds and notes outstanding.

**Outstanding Debt, at Year End**

	<u>Governmental Activities 2005</u>	<u>Governmental Activities 2004</u>
General obligation bonds	\$ 123,640	\$ 131,949
Energy conservation notes	-	175,000
<b>Total</b>	<u>\$ 123,640</u>	<u>\$ 306,949</u>

The energy conservation notes matured during fiscal year 2005. Payment of principal and interest on the energy conservation notes were made from the general fund.

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

At June 30, 2005, the District's overall legal debt margin was \$16,839,982 with an unvoted debt margin of \$63,471 and an unvoted energy conservation debt margin of \$1,683,998.

See Note 12 to the basic financial statements for further detail on the District's debt administration.

**Current Financial Related Activities**

The Valley View Local School District continued to provide excellent services to our students, parents and community in fiscal year 2005 while spending less than the average Ohio school district. The Board of Education and management team have carefully managed General Fund budgets in order to minimize the need for additional local support. Prior to fiscal year 2005, the last additional tax levy was approved in February 1995. The prudent management of district funds had allowed the District to fund student achievement without levying additional taxes to the local community for over nine years.

The District demonstrated continued success in fiscal year 2005 as indicated by the "effective" designation of our District on the Ohio Department of Education district report card. We maintained our effective rating with a combination of performance indicators (20 out of 23) and the performance index score (97.2). The District was able to provide the services necessary to obtain the student achievement while spending \$1,067 less than the average Ohio school district.

The District has a low industry base and relies heavily on residential support for local funding. The District operated at the 20 mill floor in fiscal year 2004, effectively collecting only 20 mills of property taxes on a total millage rate of 38.66 mills. The District also relies on two school district income tax levies that total 1.25%. A five-year .75% income tax levy was renewed on May 3, 2005 for calendar years 2006-2010 and a five-year .50% income tax levy is up for renewal in 2006 for calendar years 2007-2011. The passage of the .50% income tax renewal levy in 2006 is critical to the continued successful operations of the District.

The District suffered the financial impact in fiscal year 2003 of the poor economic conditions experienced by the nation and the Valley View community. The District experienced an unprecedented decline in income tax revenue in fiscal year 2003, receiving less income tax revenue than in fiscal 2002. The District experienced low growth in income tax collections in fiscal years 2004 and 2005 as Ohio and the Valley View community continue to lag behind the nation in economic recovery.



**VALLEY VIEW LOCAL SCHOOL DISTRICT  
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**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2005  
UNAUDITED**

The District relies significantly on funding from the State of Ohio due to the low local valuation of primarily residential development. The primary source of state funding is the state foundation program, which funded the District at a state funding share of 59.88% in fiscal year 2005. The District experienced a state budget cut to the foundation program of \$97,038.95 in March of 2003 for fiscal year 2003 that reduced the payments in April, May and June of 2003. The district also suffered losses due to several legislative actions, including HB 95 that reduced revenue for fiscal year 2004 and beyond and HB 66, which overhauled the business taxation system for the State beginning 07/01/05 and initiated the phase out of the collection of tangible personal property taxes for the district. Due to HB 66, the district was slated to receive no revenue growth for the next two years based on the state's projected enrollment for the district. The district is anticipating some revenue growth from the state foundation program due to escalating enrollment for fiscal year 2006 and beyond as new housing developments continue in the community. Federal funding was reduced in fiscal year 2004 and in all but one program in fiscal year 2005. The future of both State and Federal funding has been difficult to predict and the future of both is unknown.

The combination of losses in local, state and federal revenue and continued increases in the cost of doing business expenditures significantly impacted the stability of the finances of the District. The community continues to lag behind in economic recovery and future revenue is difficult to predict. The revenue losses in fiscal year 2003 and 2004 and the uncertainty of the district's future revenue resulted in a projected unencumbered balance deficit of \$797,645 for fiscal year 2005 on the October 2003 five-year forecast.

The District made significant reductions to the fiscal year 2004 budgeted expenditures in response to the projected deficit. After much discussion and consideration, the Board of Education decided on further reductions for fiscal year 2005 and also made the decision to propose an emergency property tax levy of 5.80 mills to avoid the operating deficit before making further cuts for fiscal year 2005. This levy failed by 143 votes on March 2, 2004, forcing the Board of Education to proceed with significant cuts for fiscal year 2005 as the majority of these cuts were in personnel. The Board also reduced the radius for busing from 1 mile to the 2 miles required by law, cut district support of field trips and instituted pay to participate fees for extracurricular activities.

The Board of Education went back to the voters on August 3, 2004 to propose the 5.80 mill emergency property tax levy and the voters approved the levy by 104 votes (51.70%). As a result of the levy's approval, the Board of Education reinstated the one mile radius for busing, reinstated district support of field trips, reduced the pay to participate fees for extracurricular activities and reinstated one Title I teacher. The Board of Education was prudent in their decisions regarding reinstatements due to the uncertainty of future funding and growth in the district.

The Board of Education has attempted to maintain the levels of student achievement obtained in recent years with less than state average spending, and hopes that the passage of the emergency levy in August 2004, the renewal of the .75% income tax levy in May 2005 and the upcoming renewal of the .50% income tax in 2006 will help to ensure the resources necessary for the educational excellence and achievement of all of our students.

**Contacting the District's Financial Management**

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

**VALLEY VIEW LOCAL SCHOOL DISTRICT  
MONTGOMERY COUNTY, OHIO**

STATEMENT OF NET ASSETS  
JUNE 30, 2005

	<b>Governmental Activities</b>
<b>Assets:</b>	
Equity in pooled cash and cash equivalents . . .	\$ 2,618,411
Cash in segregated accounts . . . . .	8,000
Investments . . . . .	986,890
Receivables:	
Taxes . . . . .	5,768,087
Accounts . . . . .	51,564
Accrued interest . . . . .	5,788
Intergovernmental . . . . .	500
Loans . . . . .	1,262
Prepayments . . . . .	45,432
Materials and supplies inventory . . . . .	5,185
Capital assets:	
Land . . . . .	419,243
Depreciable capital assets, net . . . . .	3,679,969
Total capital assets, net . . . . .	4,099,212
 Total assets . . . . .	 13,590,331
 <b>Liabilities:</b>	
Accounts payable . . . . .	59,598
Accrued wages and benefits . . . . .	1,465,292
Pension obligation payable . . . . .	381,404
Intergovernmental payable . . . . .	25,085
Deferred revenue . . . . .	4,245,253
Long-term liabilities:	
Due within one year . . . . .	339,910
Due within more than one year . . . . .	1,730,193
 Total liabilities . . . . .	 8,246,735
 <b>Net Assets:</b>	
Invested in capital assets, net of related debt . . . . .	3,975,572
Restricted for:	
Scholarships:	
Nonexpendable . . . . .	1,044,984
Expendable . . . . .	27,008
Locally funded programs . . . . .	8,331
State funded programs . . . . .	107
Federally funded programs . . . . .	1,202
Student activities . . . . .	79,294
Other purposes . . . . .	16,561
Unrestricted . . . . .	190,537
 Total net assets . . . . .	 \$ 5,343,596

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**VALLEY VIEW LOCAL SCHOOL DISTRICT  
MONTGOMERY COUNTY, OHIO**

STATEMENT OF ACTIVITIES  
FOR THE FISCAL YEAR ENDED JUNE 30, 2005

	Program Revenues			Net (Expense) Revenue and Changes in Net Assets
	Expenses	Charges for Services and Sales	Operating Grants and Contributions	Governmental Activities
<b>Governmental activities:</b>				
Instruction:				
Regular . . . . .	\$ 6,839,881	\$ 259,329	\$ 59,112	\$ (6,521,440)
Special . . . . .	1,186,247	-	300,488	(885,759)
Vocational . . . . .	338,113	-	18	(338,095)
Other . . . . .	238,138	-	34,973	(203,165)
Support services:				
Pupil . . . . .	1,006,477	-	149,323	(857,154)
Instructional staff . . . . .	554,683	-	5,817	(548,866)
Board of education . . . . .	12,184	-	-	(12,184)
Administration . . . . .	1,388,856	-	4,516	(1,384,340)
Fiscal . . . . .	248,646	-	1,763	(246,883)
Business . . . . .	12,664	-	-	(12,664)
Operations and maintenance . . . . .	1,362,690	-	70	(1,362,620)
Pupil transportation . . . . .	837,098	45,600	-	(791,498)
Central . . . . .	417,580	-	18,211	(399,369)
Extracurricular activities . . . . .	617,652	288,005	-	(329,647)
Food service operations . . . . .	716,215	589,814	124,400	(2,001)
Latchkey operations . . . . .	74,500	-	-	(74,500)
Interest and fiscal charges . . . . .	88,267	-	-	(88,267)
Total governmental activities . . . . .	\$ 15,939,891	\$ 1,182,748	\$ 698,691	(14,058,452)
<b>General Revenues:</b>				
Taxes levied for:				
General purposes . . . . .				6,970,702
Grants and entitlements not restricted to specific programs . . . . .				8,345,795
Investment earnings . . . . .				121,919
Miscellaneous . . . . .				210,882
Total general revenues . . . . .				15,649,298
Change in net assets . . . . .				1,590,846
<b>Net assets at beginning of year . . . . .</b>				<b>3,752,750</b>
<b>Net assets at end of year . . . . .</b>				<b>\$ 5,343,596</b>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**VALLEY VIEW LOCAL SCHOOL DISTRICT  
MONTGOMERY COUNTY, OHIO**

BALANCE SHEET  
GOVERNMENTAL FUNDS  
JUNE 30, 2005

	<u>General</u>	<u>Dursch Jackson Scholarship</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
<b>Assets:</b>				
Equity in pooled cash and cash equivalents . . . . .	\$ 2,345,629	\$ 79,314	\$ 193,468	\$ 2,618,411
Cash in segregated accounts . . . . .	8,000	-	-	8,000
Investments . . . . .	-	986,890	-	986,890
Receivables:				
Taxes . . . . .	5,768,087	-	-	5,768,087
Accounts . . . . .	51,564	-	-	51,564
Intergovernmental . . . . .	-	-	500	500
Accrued interest . . . . .	-	5,788	-	5,788
Interfund loans . . . . .	25,000	-	-	25,000
Loans . . . . .	1,262	-	-	1,262
Prepayments . . . . .	45,432	-	-	45,432
Materials and supplies inventory . . . . .	-	-	5,185	5,185
Total assets . . . . .	<u>\$ 8,244,974</u>	<u>\$ 1,071,992</u>	<u>\$ 199,153</u>	<u>\$ 9,516,119</u>
<b>Liabilities:</b>				
Accounts payable . . . . .	\$ 57,251	\$ -	\$ 2,347	\$ 59,598
Accrued wages and benefits . . . . .	1,379,265	-	86,027	1,465,292
Compensated absences payable . . . . .	172,246	-	4,029	176,275
Interfund loans payable . . . . .	-	-	25,000	25,000
Pension obligation payable . . . . .	366,953	-	14,451	381,404
Intergovernmental payable . . . . .	20,079	-	5,006	25,085
Deferred revenue . . . . .	4,432,870	-	-	4,432,870
Total liabilities . . . . .	<u>6,428,664</u>	<u>-</u>	<u>136,860</u>	<u>6,565,524</u>
<b>Fund Balances:</b>				
Reserved for encumbrances . . . . .	27,329	-	29,490	56,819
Reserved for materials and supplies inventory . . . . .	-	-	5,185	5,185
Reserved for property tax unavailable for appropriation . . . . .	447,223	-	-	447,223
Reserved for prepayments . . . . .	45,432	-	-	45,432
Reserved for scholarships . . . . .	-	1,044,984	-	1,044,984
Reserved for unclaimed monies . . . . .	5,561	-	-	5,561
Unreserved, undesignated, reported in:				
General fund . . . . .	1,290,765	-	-	1,290,765
Special revenue funds . . . . .	-	-	27,618	27,618
Permanent fund . . . . .	-	27,008	-	27,008
Total fund balances . . . . .	<u>1,816,310</u>	<u>1,071,992</u>	<u>62,293</u>	<u>2,950,595</u>
Total liabilities and fund balances . . . . .	<u>\$ 8,244,974</u>	<u>\$ 1,071,992</u>	<u>\$ 199,153</u>	<u>\$ 9,516,119</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**VALLEY VIEW LOCAL SCHOOL DISTRICT  
MONTGOMERY COUNTY, OHIO**

RECONCILIATION OF TOTAL GOVERNMENTAL FUND BALANCES TO  
NET ASSETS OF GOVERNMENTAL ACTIVITIES  
JUNE 30, 2005

<b>Total governmental fund balances</b>		\$	2,950,595
<i>Amounts reported for governmental activities in the statement of net assets are different because:</i>			
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.			4,099,212
Other long-term assets are not available to pay for current-period expenditures and therefore are deferred in the funds.			
Taxes	\$	181,829	
Accrued interest		5,788	
Total			187,617
Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds.			
General obligation bonds		123,640	
Capital lease obligation		919,806	
Compensated absences		850,382	
Total			(1,893,828)
<b>Net assets of governmental activities</b>		\$	5,343,596

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**VALLEY VIEW LOCAL SCHOOL DISTRICT  
MONTGOMERY COUNTY, OHIO**

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES  
GOVERNMENTAL FUNDS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2005

	<u>General</u>	<u>Dursch Jackson Scholarship</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
<b>Revenues:</b>				
From local sources:				
Taxes . . . . .	\$ 7,076,983	\$ -	\$ -	\$ 7,076,983
Tuition . . . . .	147,463	-	-	147,463
Earnings on investments . . . . .	80,603	38,275	3,041	121,919
Charges for services . . . . .	-	-	589,814	589,814
Transportation fees . . . . .	45,600	-	-	45,600
Classroom materials and fees . . . . .	111,866	-	-	111,866
Extracurricular . . . . .	36,448	-	251,557	288,005
Other local revenues . . . . .	77,576	-	133,306	210,882
Intergovernmental - Intermediate . . . . .	-	-	490	490
Intergovernmental - State . . . . .	8,345,795	-	65,988	8,411,783
Intergovernmental - Federal . . . . .	-	-	632,213	632,213
Total revenue . . . . .	<u>15,922,334</u>	<u>38,275</u>	<u>1,676,409</u>	<u>17,637,018</u>
<b>Expenditures:</b>				
Current:				
Instruction:				
Regular . . . . .	6,651,131	-	60,741	6,711,872
Special . . . . .	958,800	-	291,990	1,250,790
Vocational . . . . .	336,858	-	414	337,272
Other . . . . .	204,015	-	34,123	238,138
Support Services:				
Pupil . . . . .	781,053	-	221,627	1,002,680
Instructional staff . . . . .	551,722	-	11,474	563,196
Board of education . . . . .	12,184	-	-	12,184
Administration . . . . .	1,430,745	-	3,936	1,434,681
Fiscal . . . . .	243,901	-	1,809	245,710
Business . . . . .	12,664	-	-	12,664
Operations and maintenance . . . . .	1,470,939	-	1,653	1,472,592
Pupil transportation . . . . .	755,647	-	-	755,647
Central . . . . .	275,575	-	57,909	333,484
Extracurricular activities . . . . .	396,495	26,766	177,373	600,634
Food service operations . . . . .	-	-	715,380	715,380
Latchkey operations . . . . .	-	-	74,500	74,500
Debt service:				
Principal retirement . . . . .	292,106	-	-	292,106
Interest and fiscal charges . . . . .	88,697	-	-	88,697
Total expenditures . . . . .	<u>14,462,532</u>	<u>26,766</u>	<u>1,652,929</u>	<u>16,142,227</u>
Excess of revenues under expenditures . . . . .	<u>1,459,802</u>	<u>11,509</u>	<u>23,480</u>	<u>1,494,791</u>
<b>Other financing sources (uses):</b>				
Transfers in . . . . .	-	-	47,671	47,671
Transfers (out) . . . . .	<u>(39,680)</u>	<u>-</u>	<u>(7,991)</u>	<u>(47,671)</u>
Total other financing sources (uses) . . . . .	<u>(39,680)</u>	<u>-</u>	<u>39,680</u>	<u>-</u>
Net change in fund balances . . . . .	1,420,122	11,509	63,160	1,494,791
<b>Fund balances (deficit)</b>				
at beginning of year (restated) . . . . .	396,188	1,060,483	(483)	1,456,188
Decrease in reserve for inventory . . . . .	-	-	(384)	(384)
Fund balances at end of year . . . . .	<u>\$ 1,816,310</u>	<u>\$ 1,071,992</u>	<u>\$ 62,293</u>	<u>\$ 2,950,595</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**VALLEY VIEW LOCAL SCHOOL DISTRICT  
MONTGOMERY COUNTY, OHIO**

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES  
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS  
TO THE STATEMENT OF ACTIVITIES  
FOR THE FISCAL YEAR ENDED JUNE 30, 2005

**Net change in fund balances - total governmental funds** \$ 1,494,791

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

Governmental funds report capital outlays as expenditures.

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

Capital asset additions	\$	230,651	
Current year depreciation		<u>(388,164)</u>	
Total			(157,513)

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

Taxes		<u>(106,281)</u>	
Total			(106,281)

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

292,106

In the statement of activities, interest is accrued on outstanding bonds and notes, whereas in governmental funds, an interest expenditure is reported when due.

430

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

(384)

Some expenses reported in the statement of activities, such as compensated absences, do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds.

67,697

**Change in net assets of governmental activities** \$ 1,590,846

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**VALLEY VIEW LOCAL SCHOOL DISTRICT  
MONTGOMERY COUNTY, OHIO**

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN  
FUND BALANCE - BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)  
GENERAL FUND  
FOR THE FISCAL YEAR ENDED JUNE 30, 2005

	<u>Budgeted Amounts</u>			<b>Variance with Final Budget Positive (Negative)</b>
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
<b>Revenues:</b>				
From local sources:				
Taxes . . . . .	\$ 6,706,936	\$ 6,748,494	\$ 6,748,494	\$ -
Tuition. . . . .	146,555	147,463	147,463	-
Transportation fees. . . . .	45,319	45,600	45,600	-
Earnings on investments. . . . .	68,280	68,703	68,703	-
Extracurricular Activities	28,273	28,448	28,448	-
Classroom materials and fees. . . . .	112,483	113,180	113,180	-
Other local revenues. . . . .	22,727	22,868	22,868	-
Intergovernmental - State . . . . .	8,294,400	8,345,795	8,345,795	-
Total revenue . . . . .	<u>15,424,973</u>	<u>15,520,551</u>	<u>15,520,551</u>	<u>-</u>
<b>Expenditures:</b>				
Current:				
Instruction:				
Regular . . . . .	7,043,086	6,701,132	6,701,132	-
Special. . . . .	922,093	877,324	877,324	-
Vocational. . . . .	380,425	361,955	361,955	-
Other . . . . .	215,071	204,629	204,629	-
Support Services:				
Pupil. . . . .	821,604	781,714	781,714	-
Instructional staff . . . . .	591,822	563,088	563,088	-
Board of education . . . . .	14,747	14,031	14,031	-
Administration. . . . .	1,474,442	1,402,855	1,402,855	-
Fiscal . . . . .	268,588	255,548	255,548	-
Business . . . . .	14,453	13,751	13,751	-
Operations and maintenance. . . . .	1,553,970	1,478,522	1,478,522	-
Pupil transportation . . . . .	791,147	752,735	752,735	-
Central. . . . .	288,620	274,607	274,607	-
Extracurricular activities. . . . .	390,331	371,380	371,380	-
Debt service:				
Principal retirement . . . . .	238,491	226,912	226,912	-
Interest and fiscal charges . . . . .	69,055	65,702	65,702	-
Total expenditures . . . . .	<u>15,077,945</u>	<u>14,345,885</u>	<u>14,345,885</u>	<u>-</u>
Excess of revenues over expenditures. . . . .	<u>347,028</u>	<u>1,174,666</u>	<u>1,174,666</u>	<u>-</u>
<b>Other financing sources (uses):</b>				
Refund of prior year expenditure . . . . .	73,390	73,845	73,845	-
Transfers out . . . . .	(41,706)	(39,681)	(39,681)	-
Advances in. . . . .	532	535	535	-
Advances out . . . . .	(3,679)	(3,500)	(3,500)	-
Sale of capital assets . . . . .	2,749	2,766	2,766	-
Total other financing sources (uses) . . . . .	<u>31,286</u>	<u>33,965</u>	<u>33,965</u>	<u>-</u>
Net change in fund balance . . . . .	378,314	1,208,631	1,208,631	-
<b>Fund balance at beginning of year . . . . .</b>	<b>903,355</b>	<b>903,355</b>	<b>903,355</b>	<b>-</b>
<b>Prior year encumbrances appropriated . .</b>	<b>159,248</b>	<b>159,248</b>	<b>159,248</b>	<b>-</b>
<b>Fund balance at end of year . . . . .</b>	<b>\$ 1,440,917</b>	<b>\$ 2,271,234</b>	<b>\$ 2,271,234</b>	<b>\$ -</b>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS



**VALLEY VIEW LOCAL SCHOOL DISTRICT  
MONTGOMERY COUNTY, OHIO**

STATEMENT OF FIDUCIARY NET ASSETS  
FIDUCIARY FUNDS  
JUNE 30, 2005

	<b>Private-Purpose Trust</b>	
	<b>Scholarship</b>	<b>Agency</b>
<b>Assets:</b>		
Equity in pooled cash and cash equivalents . . . . .	\$ 75,486	\$ 69,740
Total assets . . . . .	75,486	69,740
<b>Liabilities:</b>		
Accounts payable . . . . .	-	\$ 301
Loans payable . . . . .	-	1,262
Due to students . . . . .	-	68,177
Total liabilities . . . . .	-	\$ 69,740
<b>Net Assets:</b>		
Held in trust for scholarships . . . . .	75,486	
Total net assets . . . . .	\$ 75,486	

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**VALLEY VIEW LOCAL SCHOOL DISTRICT  
MONTGOMERY COUNTY, OHIO**

STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS  
FIDUCIARY FUND  
FOR THE FISCAL YEAR ENDED JUNE 30, 2005

	<b>Private-Purpose Trust</b>
	<b>Scholarship</b>
<b>Additions:</b>	
Interest . . . . .	\$ 1,534
Gifts and contributions. . . . .	58,223
Total additions. . . . .	59,757
<b>Deductions:</b>	
Scholarships awarded . . . . .	2,300
Change in net assets . . . . .	57,457
<b>Net assets at beginning of year . . . . .</b>	<b>18,029</b>
<b>Net assets at end of year. . . . .</b>	<b>\$ 75,486</b>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**VALLEY VIEW LOCAL SCHOOL DISTRICT  
MONTGOMERY COUNTY, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2005**

**NOTE 1 - DESCRIPTION OF THE SCHOOL DISTRICT**

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

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

The District ranks as the 279<sup>th</sup> largest by enrollment among the 614 public school districts in the state. It currently operates 2 elementary schools, 1 middle school, and 1 comprehensive high school. The District employs 106 non-certified and 131 certified employees to provide services to 2,008 students in grades K through 12 and various community groups.

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The basic financial statements of the District have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The District also applies Financial Accounting Standards Board (FASB) Statements and Interpretations issued on or before November 30, 1989, to its governmental activities provided they do not conflict with or contradict GASB pronouncements. The District's significant accounting policies are described below.

**A. Reporting Entity**

The reporting entity has been defined in accordance with GASB Statement No. 14, "The Financial Reporting Entity", and as amended by GASB Statement No. 39, "Determining Whether Certain Organizations Are Component Units". The reporting entity is comprised of the primary government, component units and other organization's that are included to ensure that the basic financial statements of the District are not misleading. The primary government consists of all funds, departments, boards and agencies that are not legally separate from the District. For the District, this includes general operations, foods service, and student related activities of the District.

Component units are legally separate organizations for which the District is financially accountable. The District is financially accountable for an organization if the District appoints a voting majority of the organization's governing board and (1) the District is able to significantly influence the programs or services performed or provided by the organization; or (2) the District is legally entitled to or can otherwise access the organizations resources; or (3) the District is legally obligated or has otherwise assumed the responsibility to finance the deficits of, or provide financial support to, the organization; or (4) the District is obligated for the debt of the organization. Component units may also include organizations that are fiscally dependent on the District in that the District approves the budget, the issuance of debt or the levying of taxes. Based upon the application of these criteria, the District has no component units. The basic financial statements of the reporting entity include only those of the District (the primary government). The following organizations are described due to their relationship to the District:

**VALLEY VIEW LOCAL SCHOOL DISTRICT  
MONTGOMERY COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2005

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

*JOINTLY GOVERNED ORGANIZATIONS*

Miami Valley Career Tech Vocational School

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

Southwestern Ohio Educational Purchasing Cooperative (SOEPC)

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

Metropolitan Dayton Educational Cooperative Association (MDECA)

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

*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 2005.

The District also participates in a public entity risk sharing pool, discussed in Note 14.

**VALLEY VIEW LOCAL SCHOOL DISTRICT  
MONTGOMERY COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2005

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

**B. Fund Accounting**

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

*GOVERNMENTAL FUNDS*

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

*General Fund* - The general fund is used to account for all financial resources except those required to be accounted for in another fund. The general fund balance is available for any purpose provided it is expended or transferred according to the general laws of Ohio.

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

Other governmental funds of the District are used to account for (a) financial resources to be used for the acquisition, construction, or improvement of capital facilities; (b) for food service, latchkey and uniform school supplies operations; and (c) for grants and other resources whose use is restricted to a particular purpose.

*PROPRIETARY FUNDS*

Proprietary funds are used to account for the District's ongoing activities which are similar to those often found in the private sector. The District has no proprietary funds.

*FIDUCIARY FUNDS*

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

**VALLEY VIEW LOCAL SCHOOL DISTRICT  
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NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2005

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

**C. Basis of Presentation and Measurement Focus**

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

The government-wide statement of activities presents a comparison between direct expenses and program revenues for each function or program of the governmental activities of the District. Direct expenses are those that are specifically associated with a service, program or department and therefore clearly identifiable to a particular function. Program revenues include amounts paid by the recipient of goods or services offered by the program and grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues not classified as program revenues are presented as general revenues of the District.

The government-wide financial statements are prepared using the economic resources measurement focus. All assets and all liabilities associated with the operation of the District are included on the statement of net assets.

Fund Financial Statements - Fund financial statements report detailed information about the District. The focus of governmental fund financial statements is on major funds rather than reporting funds by type. Each major fund is presented in a separate column, and all nonmajor funds are aggregated into one column. Fiduciary funds are reported by fund type.

All governmental funds are accounted for using a flow of current financial resources measurement focus. With this measurement focus, only current assets and current liabilities generally are included on the balance sheet. The statement of revenues, expenditures and changes in fund balances reports on the sources (i.e., revenues and other financing sources) and uses (i.e., expenditures and other financing uses) of current financial resources. This approach differs from the manner in which the governmental activities of the government-wide financial statements are prepared. Governmental fund financial statements therefore include a reconciliation with brief explanations to better identify the relationship between the government-wide statements and the statements for governmental funds.

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

**D. Basis of Accounting**

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

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

**VALLEY VIEW LOCAL SCHOOL DISTRICT  
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NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2005

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

Nonexchange transactions, in which the District receives value without directly giving equal value in return, include property taxes, grants, entitlements and donations. On an accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied (see Note 7). Revenue from grants, entitlements and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the fiscal year when use is first permitted, matching requirements, in which the District must provide local resources to be used for a specified purpose, and expenditure requirements, in which the resources are provided to the District on a reimbursement basis. On a modified accrual basis, revenue from nonexchange transactions must also be available before it can be recognized.

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

*Deferred Revenue* - Deferred revenue arises when assets are recognized before revenue recognition criteria have been satisfied. Property taxes for which there is an enforceable legal claim as of June 30, 2005, but which were levied to finance fiscal year 2006 operations, have been recorded as deferred revenue. Grants and entitlements received before the eligibility requirements are met are also recorded as deferred revenue.

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

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

The measurement focus of governmental fund accounting is on decreases in net financial resources (expenditures) rather than expenses. Expenditures are generally recognized in the accounting period in which the related fund liability is incurred, if measurable. Allocation of cost, such as depreciation and amortization, are not recognized in governmental funds.

**E. Budgets**

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

**VALLEY VIEW LOCAL SCHOOL DISTRICT  
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NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2005

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

Tax Budget:

Prior to January 15, the Superintendent and Treasurer submit to the Board of Education a proposed operating budget for the fiscal year commencing the following July 1. The budget includes proposed expenditures and the means of financing for all funds. Public hearings are publicized and conducted to obtain taxpayers' comments. The express purpose of this budget document is to reflect the need for existing (or increased) tax rates. By no later than January 20, the Board-adopted budget is filed with Montgomery County Budget Commission for rate determination.

Estimated Resources:

By April 1, the Board of Education accepts, by formal resolution, the tax rates as determined by the Budget Commission and receives the Commissions' certificate of estimated resources, which states the projected revenue of each fund. Prior to June 30, the District must revise its budget so that total contemplated expenditures from any fund during the ensuing year will not exceed the amount stated in the certificate of estimated resources. The revised budget then serves as the basis for the appropriation measure. On or about July 1, the certificate is amended to include any unencumbered cash balances from the preceding year. The certificate may be further amended during the year if projected increases or decreases in revenue are identified by the District Treasurer. The amounts reported in the budgetary statements reflect the amounts from the certificate of amended resources that was in effect at the time the original and final appropriations were passed by the Board of Education.

Appropriations:

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

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

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

Lapsing of Appropriations:

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



**VALLEY VIEW LOCAL SCHOOL DISTRICT  
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NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2005

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

**F. Cash and Investments**

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

During fiscal year 2005, investments were limited to nonnegotiable certificates of deposits, federal agency securities, and a U.S. Government money market mutual fund. Except for nonparticipating investment contracts, investments are reported at fair value, which is based on quoted market prices. Nonparticipating investment contracts, such as nonnegotiable certificates of deposit and repurchase agreements, are reported at cost.

Under existing Ohio statutes all investment earning are assigned to the general fund unless statutorily required to be credited to a specific fund. The Board of Education has, by resolution, specified the funds to receive an allocation of interest earnings. Interest revenue credited to the general fund during fiscal year 2005 amounted to \$80,603, which includes \$13,521 assigned from other District funds.

For presentation on the basic financial statements, investments of the cash management pool and investments with original maturities of three months or less at the time they are purchased by the District are considered to be cash equivalents. Investments with an initial maturity of more than three months are reported as investments.

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

**G. Inventory**

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

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

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

**H. Capital Assets**

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

**VALLEY VIEW LOCAL SCHOOL DISTRICT  
MONTGOMERY COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2005

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

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

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

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

**I. Interfund Balances**

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

**J. Compensated Absences**

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

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

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

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NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2005

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

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

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

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

**L. Fund Balance Reserves**

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

**M. Net Assets**

Net assets represent the difference between assets and liabilities. Net assets invested in capital assets, net of related debt consist of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction or improvement of those assets. Net assets are reported as restricted when there are limitations imposed on their use either through the enabling legislation or through external restrictions imposed by creditors, grantors or laws or regulations of other governments.

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

**N. Prepayments**

Certain payments to vendors reflect the costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements. These items are reported as assets using the consumption method. A current asset for the prepaid amounts is recorded at the time of the purchase and the expenditure/expense is reported in the year in which services are consumed. At fiscal year-end, because prepayments are not available to finance future governmental fund expenditures, the fund balance is reserved on the fund financial statements by an amount equal to the carrying value of the asset.

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NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2005

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

**O. Estimates**

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

**P. Interfund Activity**

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

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

**Q. Extraordinary and Special Items**

Extraordinary items are transactions or events that are both unusual in nature and infrequent in occurrence. Special items are transactions or events that are within the control of the Board of Education and that are either unusual in nature or infrequent in occurrence. Neither type of transaction occurred during fiscal 2005.

**NOTE 3 - ACCOUNTABILITY AND COMPLIANCE**

**A. Change in Accounting Principles**

For fiscal year 2005, the District has implemented GASB Statement No. 40, "Deposit and Investment Risk Disclosures" and GASB Technical Bulletin 2004-2, "Recognition of Pension and Other Postemployment Benefit Expenditures/Expenses and Liabilities by Cost-Sharing Employers".

GASB Statement No. 40 establishes and modified disclosure requirements related to investment risks: credit risk (including custodial credit risk and concentrations of credit risk) and interest rate risk. This statement also establishes and modified disclosure requirements for custodial credit risk on deposits.

GASB Technical Bulletin No. 2004-2 addresses the amount that should be recognized as expenditure/expense and as a liability each period by employers participating in a cost-sharing multiple-employer pension and other postemployment benefit (OPEB) plans.

The implementation of GASB Statement No. 40 did not have an effect on the financial statements of the District, however additional note disclosure can be found in Note 4. The implementation of GASB Technical Bulletin No. 2004-2 had the following effect on the fund balances of the major and non-major funds of the District as they were previously reported as of June 30, 2004:

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NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2005

**NOTE 3 - ACCOUNTABILITY AND COMPLIANCE - (Continued)**

	<u>General</u>	<u>Dursch Jackson Scholarship</u>	<u>Nonmajor</u>	<u>Total</u>
Fund Balances, June 30, 2004	\$ 521,055	\$ 1,060,483	\$ 33,528	\$ 1,615,066
GASB Technical Bulletin No. 2004-2	<u>(124,867)</u>	<u>-</u>	<u>(34,011)</u>	<u>(158,878)</u>
Restated Fund Balances, June 30, 2004	<u>\$ 396,188</u>	<u>\$ 1,060,483</u>	<u>\$ (483)</u>	<u>\$ 1,456,188</u>

**B. Deficit Fund Balances**

Fund balances at June 30, 2005 included the following individual fund deficits:

	<u>Deficit</u>
<u>Nonmajor Funds</u>	
Food Service	\$ 49,016
Latchkey Program	13,468
Management Information System	69
SchoolNet Professional Development	2
Ohio Reads	28
Summer Intervention	55
Title VI-B	283
Title VI	6
Drug-Free School Grant	1
Reducing Class Size	74

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

**NOTE 4 - DEPOSITS AND INVESTMENTS**

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

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

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

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

**VALLEY VIEW LOCAL SCHOOL DISTRICT  
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NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2005

**NOTE 4 - DEPOSITS AND INVESTMENTS - (Continued)**

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

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

1. United States Treasury Notes, Bills, Bonds, or any other obligation or security issued by the United States Treasury or any other obligation guaranteed as to principal and interest by the United States;
2. Bonds, notes, debentures, or any other obligations or securities issued by any federal government agency or instrumentality, including but not limited to, the Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, Government National Mortgage Association, and Student Loan Marketing Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
3. Written repurchase agreements in the securities listed above provided that the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least two percent and be marked to market daily, and that the term of the agreement must not exceed thirty days;
4. Bonds and other obligations of the State of Ohio;
5. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2) of this section and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions;
6. The State Treasury Asset Reserve of Ohio (STAR Ohio);
7. Certain banker's acceptance and commercial paper notes for a period not to exceed one hundred eighty days from the purchase date in an amount not to exceed twenty-five percent of the interim monies available for investment at any one time: and,
8. Under limited circumstances, corporate debt interests rated in either of the two highest classifications by at least two nationally recognized rating agencies.

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

**VALLEY VIEW LOCAL SCHOOL DISTRICT  
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NOTES TO THE BASIC FINANCIAL STATEMENTS  
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**NOTE 4 - DEPOSITS AND INVESTMENTS - (Continued)**

**A. Cash in Segregated Accounts**

The District reports "Cash in segregated accounts" for an athletic petty cash checking account, which is maintained separately from the District's internal investment pool. The balance of the cash in segregated accounts was \$8,000 at June 30, 2005 and is included in "Deposits with Financial Institutions" below.

**B. Deposits with Financial Institutions**

At June 30, 2005, the carrying amount of all District deposits was \$2,763,637. Based on the criteria described in GASB Statement No. 40, "Deposits and Investment Risk Disclosures", as of June 30, 2005, \$1,688,395 of the District's bank balance of \$2,866,395 was exposed to custodial risk as discussed below, while \$1,178,000 was covered by Federal Deposit Insurance Corporation.

Custodial credit risk is the risk that, in the event of bank failure, the District's deposits may not be returned. All deposits are collateralized with eligible securities in amounts equal to at least 105% of the carrying value of the deposits. Such collateral, as permitted by the Ohio revised Code, is held in single financial institution collateral pools at Federal Reserve Banks, or at member banks of the federal reserve system, in the name of the respective depository bank and pledged as a pool of collateral against all of the public deposits it holds or as specific collateral held at the Federal Reserve Bank in the name of the District.

**C. Investments**

As of June 30, 2005, the District had the following investments and maturities:

<u>Investment type</u>	<u>Balance at Fair Value</u>	<u>Investment Maturities</u>	
		<u>6 months or less</u>	<u>&gt;24 months</u>
FHLMC	\$ 986,890	\$ -	\$ 986,890
U.S. Government money market fund	79,271	79,271	-
	<u>\$ 1,066,161</u>	<u>\$ 79,271</u>	<u>\$ 986,890</u>

The weighted average maturity of investments is 2.15 years.

*Interest Rate Risk:* As a means of limiting its exposure to fair value losses arising from rising interest rates and according to state law, the District's investment policy limits investment portfolio maturities to five years or less.

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

*Concentration of Credit Risk:* The District places no limit on the amount that may be invested in any one issuer. The following table includes the percentage of each investment type held by the District at June 30, 2005:

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**NOTE 4 - DEPOSITS AND INVESTMENTS - (Continued)**

<u>Investment type</u>	<u>Fair Value</u>	<u>% of Total</u>
FHLMC	\$ 986,890	92.56
U.S. Government money market fund	79,271	7.44
	<u>\$ 1,066,161</u>	<u>100.00</u>

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

The following is a reconciliation of cash and investments as reported in the footnote above to cash and investments as reported on the statement of net assets as of June 30, 2005:

<u>Cash and Investments per footnote</u>	
Carrying amount of deposits	\$ 2,763,637
Investments	986,890
Cash in segregated accounts	<u>8,000</u>
Total	<u>\$ 3,758,527</u>

<u>Cash and investments per Statement of Net Assets</u>	
Governmental activities	\$ 3,613,301
Private-purpose trust funds	75,486
Agency funds	<u>69,740</u>
Total	<u>\$ 3,758,527</u>

**NOTE 5 - INTERFUND TRANSACTIONS**

- A. Interfund loans receivable/payable consisted of the following at June 30, 2005, as reported on the fund statements:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General	Nonmajor governmental fund	\$ 25,000

This interfund loan will be repaid as monies are collected in the Latchkey Operations fund. The balance is expected to be collected in the next fiscal year.

- B. Interfund transfers for the year ended June 30, 2005, consisted of the following, as reported on the fund statements:

	<u>Amount</u>
Transfers from general fund to:	
Nonmajor governmental funds	\$ 39,680
Transfers from nonmajor governmental funds to:	
Nonmajor governmental funds	7,991

Transfers are used to move revenues from the fund that statute or budget required to collect them to the fund that statute or budget requires to expend them.



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**NOTE 6 - LOANS RECEIVABLE/PAYABLE**

During fiscal 2003, the General fund loaned the Student Managed Activity agency fund \$1,262. This loan is expected to be repaid during fiscal 2006. This loan receivable/payable is reflected in the fund financial statements and on the government-wide statement of net assets.

**NOTE 7 - PROPERTY TAXES**

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

Property taxes include amounts levied against all real, public utility and tangible personal property (used in business) located in the District. Real property tax revenue received in calendar 2005 represents collections of calendar year 2004 taxes. Real property taxes received in calendar year 2005 were levied after April 1, 2004, on the assessed value listed as of January 1, 2004, the lien date. Assessed values for real property taxes are established by state law at thirty-five percent of appraised market value. Real property taxes are payable annually or semi-annually. If paid annually, payment is due December 31; if paid semi-annually, the first payment is due December 31 with the remainder payable by June 20. Under certain circumstances, state statute permits alternate payment dates to be established.

Public utility property tax revenue received in calendar 2005 represents collections of calendar year 2004 taxes. Public utility real and tangible personal property taxes received in calendar year 2005 became a lien December 31, 2003, were levied after April 1, 2004 and are collected in 2005 with real property taxes. Public utility real property is assessed at thirty-five percent of true value; public utility tangible personal property currently is assessed at varying percentages of true value.

Tangible personal property tax revenue received during calendar 2005 (other than public utility property) represents the collection of 2005 taxes. Tangible personal property taxes received in calendar year 2005 were levied after April 1, 2004, on the value as of December 31, 2003. Tangible personal property is currently assessed at twenty-five percent of true value for capital assets and twenty-four percent of true value for inventory. Payments by multi-county taxpayers are due September 20. Single county taxpayers may pay annually or semi-annually. If paid annually, payment is due April 30; if paid semi-annually, the first payment is due April 30, with the remainder payable by September 20. Tangible personal property taxes paid by April 30 are usually received by the District prior to June 30.

The District receives property taxes from Montgomery County. The County Auditor periodically advances to the District the portion of the taxes collected. Second-half real property tax payments collected by the County Auditor by June 30, 2005, are available to finance fiscal year 2005 operations. The amount available as an advance at June 30, 2005 was \$447,223 in the general fund. This amount has been recorded as revenue. The amount that was available as advance at June 30, 2004 was \$207,212 in the general fund.

Accrued property taxes receivable includes real property, public utility property and tangible personal property taxes which are measurable as of June 30, 2005 and for which there is an enforceable legal claim. Although total property tax collections for the next fiscal year are measurable, only the amount of real property taxes available as an advance at June 30 was levied to finance current fiscal year operations and is reported as revenue at fiscal year-end. The portion of the receivable not levied to finance current fiscal year operations is offset by a credit to deferred revenue.

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

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NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2005

**NOTE 7 - PROPERTY TAXES - (Continued)**

The assessed values upon which the fiscal year 2005 taxes were collected are:

	2004 Second Half Collections		2005 First Half Collections	
	<u>Amount</u>	<u>Percent</u>	<u>Amount</u>	<u>Percent</u>
Agricultural/Residential and Other Real Estate	\$ 161,542,510	88.99	\$ 166,821,160	89.16
Public Utility Personal	13,894,300	7.66	14,874,020	7.95
Tangible Personal Property	<u>6,097,769</u>	<u>3.35</u>	<u>5,415,728</u>	<u>2.89</u>
Total	<u>\$ 181,534,579</u>	<u>100.00</u>	<u>\$ 187,110,908</u>	<u>100.00</u>
Tax rate per \$1,000 of assessed valuation	\$ 41.00		\$ 46.89	

**NOTE 8 - SCHOOL DISTRICT INCOME TAX**

In fiscal 1991 the voters of the District passed an additional .50% income tax, effective for five years. This additional .50% income tax was renewed by the voters in fiscal 1996 and again in fiscal 2001 for calendar years 2002 - 2006. In fiscal 1995, voters of the District passed an additional .75% income tax, effective for five years, and renewed it in fiscal 2000 for calendar years 2001 - 2005. The tax is collected by the State of Ohio and remitted to the District quarterly. Total income tax revenue for fiscal 2005 credited to the general fund was \$2,493,783.

**NOTE 9 - RECEIVABLES**

Receivables at June 30, 2005 consisted of taxes (both property taxes and income taxes), accounts (billings for user charged services and student fees), accrued interest, loans, and intergovernmental grants and entitlements. All receivables are considered collectible in full due to the ability to foreclose for the nonpayment of taxes, the stable condition of state programs and the current year guarantee of federal funds. A summary of the principal items of receivables reported on the statement of net assets follows:

**Governmental Activities:**

Taxes	\$ 5,768,087
Accounts	51,564
Accrued interest	5,788
Loans	1,262
Intergovernmental	<u>500</u>
Total	<u>\$ 5,827,201</u>

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

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NOTES TO THE BASIC FINANCIAL STATEMENTS  
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**NOTE 10 - CAPITAL ASSETS**

Capital asset activity for the fiscal year ended June 30, 2005 was as follows:

	<u>Balance 06/30/04</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance 06/30/05</u>
<b>Governmental Activities:</b>				
<i>Capital assets, not being depreciated:</i>				
Land	\$ 419,243	\$ -	\$ -	\$ 419,243
Total capital assets, not being depreciated	<u>419,243</u>	<u>-</u>	<u>-</u>	<u>419,243</u>
<i>Capital assets, being depreciated:</i>				
Land improvements	822,655	-	-	822,655
Buildings and improvements	6,408,850	141,873	-	6,550,723
Furniture and equipment	2,020,849	77,278	-	2,098,127
Vehicles	1,036,452	11,500	-	1,047,952
Total capital assets, being depreciated	<u>10,288,806</u>	<u>230,651</u>	<u>-</u>	<u>10,519,457</u>
<i>Less: accumulated depreciation:</i>				
Land improvements	(522,218)	(22,517)	-	(544,735)
Buildings and improvements	(3,796,191)	(122,712)	-	(3,918,903)
Furniture and equipment	(1,348,026)	(174,425)	-	(1,522,451)
Vehicles	(784,889)	(68,510)	-	(853,399)
Total accumulated depreciation	<u>(6,451,324)</u>	<u>(388,164)</u>	<u>-</u>	<u>(6,839,488)</u>
Governmental activities capital assets, net	<u>\$ 4,256,725</u>	<u>\$ (157,513)</u>	<u>\$ -</u>	<u>\$ 4,099,212</u>

Depreciation expense was charged to governmental functions as follows:

<u>Instruction:</u>	
Regular	\$ 160,026
Special	4,525
Vocational	645
 <u>Support Services:</u>	
Pupil	1,682
Operations and maintenance	24,158
Pupil transportation	76,378
Central	82,715
Extracurricular activities	34,159
Food service operations	<u>3,876</u>
Total depreciation expense	<u>\$ 388,164</u>

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NOTES TO THE BASIC FINANCIAL STATEMENTS  
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**NOTE 11 - CAPITALIZED LEASES - LESSEE DISCLOSURE**

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

Capital lease payments have been recorded as debt service expenditures in the fund financial statements. Capital assets acquired by lease and the related lease obligation liability have been reported on the statement of net assets.

Principal payments for fiscal year 2005 totaled \$108,797. 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, 2005:

<u>Year Ending</u>	<u>Building</u>	<u>Copiers</u>
2006	\$ 90,039	\$ 88,189
2007	90,038	88,189
2008	90,039	88,190
2009	90,037	44,075
2010	90,042	-
2011 - 2015	<u>450,293</u>	<u>-</u>
Total future minimum lease payments	900,488	308,643
Less: amount representing interest	<u>(251,380)</u>	<u>(37,945)</u>
Present value of future minimum lease payments	<u>\$ 649,108</u>	<u>\$ 270,698</u>

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NOTES TO THE BASIC FINANCIAL STATEMENTS  
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**NOTE 12 - LONG-TERM OBLIGATIONS**

During the fiscal year 2005, the following changes occurred in governmental activities long-term obligations:

	<u>Issued</u>	<u>Due</u>	<u>Interest Rate</u>	<u>Balance 06/30/04</u>	<u>Increase</u>	<u>Decrease</u>	<u>Balance 06/30/05</u>	<u>Amount Due in One Year</u>
<u>G.O. Bonds Payable</u>								
Facility acquisition	2000	2015	6.9%	\$ 131,949	\$ -	\$ (8,309)	\$ 123,640	\$ 8,897
Total G.O. bonds				<u>131,949</u>	<u>-</u>	<u>(8,309)</u>	<u>123,640</u>	<u>8,897</u>
<u>Notes Payable</u>								
Energy conservation	1996	2005	5.40%	175,000	-	(175,000)	-	-
Total notes payable				<u>175,000</u>	<u>-</u>	<u>(175,000)</u>	<u>-</u>	<u>-</u>
<u>Other Long-Term Obligations</u>								
Capital lease obligation				1,028,603	-	(108,797)	919,806	116,967
Compensated absences				989,727	75,807	(38,877)	1,026,657	214,046
Total other long-term obligations				<u>2,018,330</u>	<u>75,807</u>	<u>(147,674)</u>	<u>1,946,463</u>	<u>331,013</u>
Total governmental activities				<u>\$ 2,325,279</u>	<u>\$ 75,807</u>	<u>\$ (330,983)</u>	<u>\$ 2,070,103</u>	<u>\$ 339,910</u>

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

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

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FOR THE FISCAL YEAR ENDED JUNE 30, 2005

**NOTE 12 - LONG-TERM OBLIGATIONS - (Continued)**

Principal and interest requirements to retire general obligation bonds outstanding at June 30, 2005, are as follows:

Fiscal Year Ending June 30	General Obligation Bonds		
	Principal	Interest	Total
2006	\$ 8,897	\$ 8,253	\$ 17,150
2007	9,531	7,620	17,151
2008	10,210	6,941	17,151
2009	10,937	6,214	17,151
2010	11,716	5,435	17,151
2011 - 2015	<u>72,349</u>	<u>13,402</u>	<u>85,751</u>
Total	<u>\$ 123,640</u>	<u>\$ 47,865</u>	<u>\$ 171,505</u>

**Legal Debt Margin**

The Ohio Revised Code provides that voted net general obligation debt of the District shall never exceed 9% of the total assessed valuation of the District. The code further provides that unvoted indebtedness shall not exceed 1/10 of 1% of the property valuation of the District.

The effects of these debt limitations at June 30, 2005 are a voted debt margin of \$16,839,982, and an unvoted debt margin of \$63,471 and an unvoted energy conservation debt margin of \$1,683,998.

**NOTE 13 - OTHER EMPLOYEE BENEFITS**

**A. Compensated Absences**

The criteria for determining vacation and sick leave components are derived from negotiated agreements and State laws. Classified employees earn ten to twenty days of vacation per fiscal year, depending upon length of service. Accumulated, unused vacation time is paid to classified employees and administrators upon termination of employment. Teachers do not earn vacation time. Teachers, administrators, and classified employees earn sick leave at the rate of one and one-fourth days per month. Upon retirement, payment is made to certified and classified employees for one-fourth of accrued, but unused sick leave credit up to a maximum of 79 days.

**B. Insurance Benefits**

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

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**NOTES TO THE BASIC FINANCIAL STATEMENTS  
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**NOTE 14 - RISK MANAGEMENT**

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

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

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

Post employment health care is provided to plan participants or their beneficiaries through the respective retirement systems discussed in Note 16. 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 2004.

**NOTE 15 - DEFINED BENEFIT PENSION PLAN**

**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. 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, Suite 100, Columbus, Ohio 43215-3746, or by calling (614) 222-5853.

Plan members are required to contribute 10% of their annual covered salary and the District is required to contribute at an actuarially determined rate. The current District rate is 14% of annual covered payroll. A portion of the District's contribution is used to fund pension obligations with the remainder being used to fund health care benefits. For fiscal year 2005, 10.57% of annual covered salary was the portion used to fund pension obligations. For fiscal year 2004, 9.09% of annual covered salary was the portion used to fund pension obligations. The contribution requirements of plan members and employers are established and may be amended, up to a statutory maximum amount, by the SERS' Retirement Board. 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, 2005, 2004, and 2003 were \$219,407, \$213,708 and \$297,764, respectively; 44.38% has been contributed for fiscal year 2005 and 100% for the fiscal years 2004 and 2003. \$122,038 represents the unpaid contribution for fiscal year 2005 and is recorded as a liability within the respective funds.

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NOTES TO THE BASIC FINANCIAL STATEMENTS  
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**NOTE 15 - DEFINED BENEFIT PENSION PLAN - (Continued)**

**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 retirement and disability benefits, annual cost-of-living adjustments, and death and survivor benefits to plan members and beneficiaries. Authority to establish and amend benefits is provided by Chapter 3307 of the Ohio Revised Code. STRS 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 State Teachers Retirement System, 275 East Broad Street, Columbus, Ohio 43215-3371, by calling (614) 227-4090, or by visiting the STRS website at [www.strsoh.org](http://www.strsoh.org).

New members have a choice of three retirement plans, a Defined Benefit (DB) Plan, a Defined Contribution (DC) Plan and a Combined Plan. The DB Plan offers an annual retirement allowance based on final average salary times a percentage that varies based on years of service, or an allowance based on member contributions and earned interest matched by STRS Ohio funds times an actuarially determined annuity factor. The DC Plan allows members to place all their member contributions and employer contributions equal to 10.5% of earned compensation into an investment account. Investment decisions are made by the member. A member is eligible to receive a retirement benefit at age 50 and termination of employment. The Combined Plan offers features of both the DC Plan and the DB Plan. In the Combined Plan, member contributions are invested by the member, and employer contributions are used to fund the defined benefit payment at a reduced level from the regular DB Plan. DC and Combined Plan members will transfer to the Defined Benefit Plan during their fifth year of membership unless they permanently select the DC or Combined Plan. Benefits are established by Chapter 3307 of the Ohio Revised Code.

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

Plan members are required to contribute 10% of their annual covered salary and the District is required to contribute at an actuarially determined rate. The current District rate is 14% of annual covered payroll. A portion of the District's contribution is used to fund pension obligations with the remainder being used to fund health care benefits. For fiscal years 2005 and 2004, 13% of annual covered salary 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. Chapter 3307 of the Ohio Revised Code provides statutory authority for member and employee contributions. The District's required contributions for pension obligations to the DB plan for the fiscal years ended June 30, 2005, 2004, and 2003 were \$971,273, \$993,586, and \$1,029,955, respectively; 82.00% has been contributed for fiscal year 2005 and 100% for the fiscal years 2004 and 2003. \$173,929 represents the unpaid contribution for fiscal year 2005 and is recorded as a liability within the respective funds. Contributions to the DC and Combined Plans for fiscal 2005 were \$3,018 made by the District and \$4,373 made by plan members.



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**NOTES TO THE BASIC FINANCIAL STATEMENTS  
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**NOTE 15 - DEFINED BENEFIT PENSION PLAN - (Continued)**

**C. Social Security System**

Effective July 1, 1991, all employees not otherwise covered by SERS or the STRS have an option to choose Social Security or the SERS/STRS. As of June 30, 2005, certain members of the Board of Education have elected Social Security. The District's liability is 6.2% of wages paid.

**NOTE 16 - 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% of covered payroll. For fiscal year 2005, the State Teachers Retirement Board allocated employer contributions equal to 1% of covered payroll to the Health Care Stabilization Fund. For the District, this amount equaled \$74,713 during fiscal 2005.

STRS pays health care benefits from the Health Care Stabilization Fund. The balance in the Health Care Stabilization Fund was \$3.1 billion at June 30, 2004 (the latest information available). For the fiscal year ended June 30, 2004 (the latest information available), net health care costs paid by STRS were \$268.739 million and STRS had 111,853 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. Effective January 1, 2004, all retirees and beneficiaries are required to pay a portion of their health care premium. The portion is based on years of service, Medicare eligibility and retirement status. A safety net is in place for retirees whose household income falls below federal poverty levels. Premiums are reduced by 50% for those who apply.

For fiscal year 2005, employer contributions to fund health care benefits were 3.43% of covered payroll. In addition, SERS levies a surcharge to fund health care benefits equal to 14% of the difference between a minimum pay and the member's pay, pro-rated for partial service credit. For fiscal year 2005, the minimum pay has been established at \$27,400. The surcharge, added to the unallocated portion of the 14% 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% of annual health care expenses, before premium deduction. Gross expenses for health care at June 30, 2004 (the latest information available) were \$223.444 million and the target level was \$335.2 million. At June 30, 2004, (the latest information available) SERS had net assets available for payment of health care benefits of \$300.8 million and SERS had approximately 62,000 participants receiving health care benefits. For the District, the amount to fund health care benefits, including surcharge, equaled \$103,177 during the 2005 fiscal year.

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NOTES TO THE BASIC FINANCIAL STATEMENTS  
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**NOTE 17 - BUDGETARY BASIS OF ACCOUNTING**

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

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

- (a) Revenues and other financing sources are recorded when received in cash (budget basis) as opposed to when susceptible to accrual (GAAP basis);
- (b) Expenditures and other financing uses are recorded when paid in cash (budget basis) as opposed to when the liability is incurred (GAAP basis);
- (c) In order to determine compliance with Ohio law, and to reserve that portion of the applicable appropriation, total outstanding encumbrances (budget basis) are recorded as the equivalent of an expenditure, as opposed to a reservation of fund balance for that portion of outstanding encumbrances not already recognized as an account payable (GAAP basis).

The adjustments necessary to convert the results of operations for the year on the budget basis to the GAAP basis for the general fund is as follows:

**Net Change in Fund Balance**

	<u>General Fund</u>
Budget basis	\$ 1,208,631
Net adjustment for revenue accruals	401,783
Net adjustment for expenditure accruals	(191,042)
Net adjustment for other sources/uses	(73,645)
Adjustment for encumbrances	74,395
GAAP basis	<u>\$ 1,420,122</u>

**NOTE 18 - CONTINGENCIES**

**A. Grants**

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

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**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2005**

**NOTE 18 - CONTINGENCIES - (Continued)**

**B. Litigation**

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

**NOTE 19 - STATUTORY RESERVES**

The Districts is required by state statute to annually set-aside in the general fund an amount based on a statutory formula for the purchase of textbooks and other instructional materials and an equal amount for the acquisition and construction of capital improvements. Amounts not spent by the end of the fiscal year or offset by similarly restricted resources received during the year must be held in cash at year-end.

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

	<u>Textbooks/ Instructional Materials</u>	<u>Capital Acquisition</u>
Set-aside cash balance as of June 30, 2004	\$ (466,705)	\$ -
Current year set-aside requirement	285,241	285,241
Qualifying disbursements	<u>(229,533)</u>	<u>(559,502)</u>
Total	<u>\$ (410,997)</u>	<u>\$ (274,261)</u>
Balance carried forward to FY 2006	<u>\$ (410,997)</u>	<u>\$ -</u>

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

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

VALLEY VIEW LOCAL SCHOOL DISTRICT  
MONTGOMERY COUNTY

SCHEDULE OF FEDERAL AWARDS RECEIPTS AND EXPENDITURES  
FOR THE YEAR ENDED JUNE 30, 2005

Federal Grantor/ Pass Through Grantor Program Title	Federal CFDA Number	Pass Through Entity Number	Receipts	Non Cash Receipts	Disbursements	Non Cash Disbursements
<b>UNITED STATES DEPARTMENT OF AGRICULTURE</b>						
<i>Passed Through Ohio Department of Education</i>						
Nutrition Cluster:						
Food Distribution Program - Commodities	10.550			\$51,743		\$51,743
National School Lunch	10.555	LLP4 04	17,935		17,935	
		LLP4 05	60,195		60,195	
Total National School Lunch			<u>78,130</u>		<u>78,130</u>	
Total United States Department of Agriculture - Nutrition Cluster			<u>78,130</u>	<u>51,743</u>	<u>78,130</u>	<u>51,743</u>
<b>UNITED STATES DEPARTMENT OF EDUCATION</b>						
<i>Passed Through Ohio Department of Education</i>						
Title I Grants to Local Educational Agencies	84.010	C1-S1-04			15,040	
		C1-S1-05	79,706		70,412	
Total Title I Grants to Local Educational Agencies			<u>79,706</u>		<u>85,452</u>	
Title II - Part D Education Technology	84.318	TJ-S1-05	1,907		1,844	
Special Education Cluster:						
Special Education - Grants to States (IDEA Part B)	84.027	6B-SF-04			12,679	
		6B-SF-05	336,569		322,878	
Total Special Education - Grants to States (IDEA Part B)			<u>336,569</u>		<u>335,557</u>	
Special Education -Preschool Grants	84.173	PG-S1-05	6,581		5,226	
Total Special Education Cluster			<u>343,150</u>		<u>340,783</u>	
Safe and Drug-Free Schools and Communities -State Grants	84.186	DR-S1-05	6,007		6,007	
State Grants for Innovative Programs	84.298	C2-S1-05	8,124		8,124	
Improving Teacher Quality State Grants	84.367	TR-S1-04			11,829	
		TR-S1-05	53,764		53,764	
Total Improving Teacher Quality State Grants			<u>53,764</u>		<u>65,593</u>	
Total United States Department of Education			<u>492,658</u>		<u>507,803</u>	
<b>UNITED STATES DEPARTMENT OF HEALTH AND HUMAN SERVICES</b>						
<i>Passed Through Montgomery County Educational Service Center</i>						
CAFS Medical Assistance Program	93.778		8,400		8,400	
<b>Total Federal Assistance</b>			<u>\$579,188</u>	<u>\$51,743</u>	<u>\$594,333</u>	<u>\$51,743</u>

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

**VALLEY VIEW LOCAL SCHOOL DISTRICT  
MONTGOMERY COUNTY**

**NOTES TO THE SCHEDULE OF FEDERAL AWARDS RECEIPTS AND EXPENDITURES  
FOR THE YEAR ENDED JUNE 30, 2005**

**NOTE A - SIGNIFICANT ACCOUNTING POLICIES**

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

**NOTE B - MATCHING REQUIREMENTS**

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

**NOTE C - NUTRITION CLUSTER**

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

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## **Auditor of State Betty Montgomery**

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

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

To the Board of Education:

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Valley View Local School District, Montgomery County, (the District), as of and for the fiscal year ended June 30, 2005, which collectively comprise the District's basic financial statements and have issued our report thereon dated March 8, 2006. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*.

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

In planning and performing our audit, we considered the District's internal control over financial reporting to determine our auditing procedures in order to express our opinion on the financial statements and not to opine on the internal control over financial reporting. Our consideration of the internal control would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts material to the financial statements we audited may occur and not be timely detected by employees when performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider material weaknesses. In a separate letter to the District's management dated March 8, 2006, we reported other matters involving internal control over financial reporting we did not deem reportable conditions.

#### **Compliance and Other Matters**

As part of reasonably assuring whether the District's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express an opinion. The results of our tests disclosed no instances of noncompliance or other matters we must report under *Government Auditing Standards*. In a separate letter to the District's management dated March 8, 2006, we reported a matter related to noncompliance we deemed immaterial.

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

A handwritten signature in black ink that reads "Betty Montgomery". The signature is written in a cursive, flowing style.

**Betty Montgomery**  
Auditor of State

March 8, 2006





## Auditor of State Betty Montgomery

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

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

To the Board of Education:

#### Compliance

We have audited the compliance of Valley View Local School District (the District) with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133, Compliance Supplement* that apply to its major federal program for the fiscal year ended June 30, 2005. The summary of auditor's results section of the accompanying schedule of findings identifies the District's major federal program. The District's management is responsible for complying with the requirements of laws, regulations, contracts, and grants applicable to each major federal program. Our responsibility is to express an opinion on the District's compliance based on our audit.

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

In our opinion, the District complied, in all material respects, with the requirements referred to above that apply to its major federal program for the fiscal year ended June 30, 2005. In a separate letter to the District's management dated March 8, 2006, we reported a matter related to federal noncompliance not requiring inclusion in this report.

#### Internal Control Over Compliance

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

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**Internal Control Over Compliance  
(Continued)**

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

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



**Betty Montgomery**  
Auditor of State

March 8, 2006

**VALLEY VIEW LOCAL SCHOOL DISTRICT  
MONTGOMERY COUNTY**

**SCHEDULE OF FINDINGS  
OMB CIRCULAR A -133 § .505  
JUNE 30, 2005**

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

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

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

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  
MARCH 30, 2006**