

Valley Local School District

Scioto County

Single Audit

July 1, 2009 through June 30, 2010

Fiscal Year Audited Under GAGAS: 2010



Balestra, Harr & Scherer, CPAs, Inc.

Columbus, OH | Circleville, OH | Piketon, OH | Wheelersburg, OH | Ironton, OH

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Dave Yost • Auditor of State

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

We have reviewed the *Independent Auditor's Report* of the Valley Local School District, Scioto County, prepared by Balestra, Harr & Scherer, CPAs, Inc., for the audit period July 1, 2009 through June 30, 2010. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

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

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

Dave Yost
Auditor of State

April 7, 2011

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Valley Local School District
Scioto County, Ohio

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Independent Auditor's Report

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

To the Board of Education:

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Valley Local School District, Scioto County, Ohio, (the School District) as of and for the year ended June 30, 2010, which collectively comprise the School District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the School District's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

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

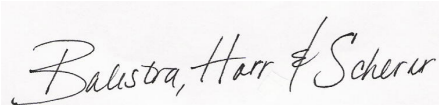
In our opinion, the financial statements referred to above present fairly, in all material respects, the respective modified cash financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Valley Local School District, Scioto County, Ohio, as of June 30, 2010, and the respective changes in modified cash financial position and the respective budgetary comparison for the General Fund thereof for the year then ended in conformity with the basis of accounting Note 2 describes.

In accordance with *Government Auditing Standards*, we have also issued our report dated February 28, 2011, on our consideration of the School District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. While we did not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting and compliance, and the results of that testing. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*. You should read it in conjunction with this report in assessing the results of our audit.

Board of Education
Valley Local School District
Independent Auditor's Report
Page 2

Management's discussion and analysis is not a required part of the basic financial statements but is supplementary information the Governmental Accounting Standards Board 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 School District's basic financial statements. The Schedule of Receipts and Expenditures of Federal Awards for the year ended June 30, 2010, is required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the basic financial statements. We subjected the Schedule of Receipts and Expenditures of Federal Awards to the auditing procedures applied in the audit of the basic financial statements. In our opinion, this information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

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

Balestra, Harr & Scherer, CPAs, Inc.

February 28, 2011

Valley Local School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2010
(Unaudited)

As management of the Valley Local School District, we offer the readers of the School District's financial statements this narrative overview and analysis of the financial activities for the fiscal year ended June 30, 2010, within the limitations of the School District's modified cash basis of accounting. We encourage readers to consider the information presented here in conjunction with the additional information that we have provided in the basic financial statements and the notes to the basic financial statements to enhance their understanding of the School District's performance.

Financial Highlights

Net assets of governmental activities decreased \$548,123.

General cash receipts accounted for \$8,632,535 or 71 percent of all total revenues. Program specific cash receipts in the form of charges for services and sales, grants, and contributions accounted for \$3,445,534 or 29 percent of total cash receipts of \$12,078,069.

The School District had \$12,626,192 in expenses related to governmental activities; only \$3,445,534 of these cash disbursements were offset by program specific charges for services and sales, grants, and contributions. General cash receipts (primarily grants, entitlements, and property taxes) of \$8,632,535 were not adequate to provide for these programs.

USING THE BASIC FINANCIAL STATEMENTS

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

REPORT COMPONENTS

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

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

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

BASIS OF ACCOUNTING

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

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

Valley Local School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2010
(Unaudited)

REPORTING THE DISTRICT AS A WHOLE

Statement of Net Assets and Statement of Activities

The statement of net assets and the statement of activities reflect how the School District did financially during 2010, within the limitations of the modified cash basis of accounting. The statement of net assets presents the cash balances and investments of the governmental activities of the School District at year end. The statement of activities compares cash disbursements with program receipts for each governmental program. Program receipts include charges paid by the recipient of the program's goods or services and grants and contributions restricted to meeting the operational or capital requirements of a particular program. General receipts are all receipts not classified as program receipts. The comparison of cash disbursements with program receipts identifies how each governmental function draws from the School District's general receipts.

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

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

Reporting the School District's Most Significant Funds

Fund Financial Statements

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

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

Valley Local School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2010
(Unaudited)

Fiduciary Funds Fiduciary fund reporting focuses on net assets and changes in net assets. The fiduciary fund category is split into four classifications: pension trust funds, investment trust funds, private purpose trust funds, and agency funds. The School District's only fiduciary fund is an agency fund. Agency funds are custodial in nature (assets equal net assets) and do not involve measurement of results of operations. In accordance with GASB 34, fiduciary funds are not included in the government-wide statements.

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

THE SCHOOL DISTRICT AS A WHOLE

Recall that the statement of net assets provides the perspective of the School District as a whole. Table 1 provides a summary of the School District's net assets for 2010 compared to 2009.

(Table 1)
 Net Assets

	Governmental Activities	
	2010	2009
Assets		
Current and Other Assets	\$ 2,575,892	\$ 3,124,015
Total Assets	2,575,892	3,124,015
Net Assets		
Restricted	1,945,329	1,751,520
Unrestricted	630,563	1,372,495
Total Net Assets	\$ 2,575,892	\$ 3,124,015

The most significant change from the prior year is due to a decrease in cash and cash equivalents, which resulted from disbursements in excess of receipts. This decrease was partially offset, however, by an increase in investments with escrow agents due to continued deposits into the School District's sinking fund account for the future repayment of its capital lease.

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

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

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

Valley Local School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2010
(Unaudited)

(Table 2)
Change in Net Assets

	Governmental Activities	
	2010	2009*
Cash Receipts		
Program Cash Receipts:		
Charges for Services and Sales	\$ 1,615,664	\$ 1,597,432
Operating Grants and Contributions	1,829,870	2,195,617
Total Program Cash Receipts	<u>3,445,534</u>	<u>3,793,049</u>
General Cash Receipts:		
Property Taxes	1,418,869	1,447,973
Grants and Entitlements not Restricted to Specific Programs	7,129,357	6,512,874
Gifts and Donations not Restricted	12,821	14,692
Interest	37,366	59,541
Proceeds from Sale of Capital Assets	30	3,255
Miscellaneous	34,092	39,729
Total General Cash Receipts	<u>8,632,535</u>	<u>8,078,064</u>
Total Cash Receipts	<u>\$ 12,078,069</u>	<u>\$ 11,871,113</u>

Valley Local School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2010
(Unaudited)

(Table 2)
Change in Net Assets
(continued)

	Governmental Activities	
	2010	2009*
Program Cash Disbursements		
Instruction:		
Regular	\$ 5,337,924	\$ 5,311,421
Special	1,350,315	1,217,099
Vocational	133,795	168,855
Other	122,814	211,211
Support Services:		
Pupils	520,215	498,735
Instructional Staff	804,936	767,606
Board of Education	70,333	46,585
Administration	714,383	791,109
Fiscal	240,634	222,864
Operation and Maintenance of Plant	1,153,857	1,127,923
Pupil Transportation	753,443	697,445
Central	402,053	343,307
Operation of Non-Instructional Services	466,416	455,319
Extracurricular Activities	255,276	275,687
Capital Outlay	78,498	23,828
Debt Service:		
Principal	190,000	185,000
Interest and Fiscal Charges	31,300	38,708
Total Cash Disbursements	<u>12,626,192</u>	<u>12,382,702</u>
Change in Net Assets	(548,123)	(511,589)
Net Assets, Beginning of the Year	<u>3,124,015</u>	<u>3,635,604</u>
Net Assets, End of the Year	<u>\$ 2,575,892</u>	<u>\$ 3,124,015</u>

*Certain reclassifications were made for consistency with current year reporting. There was no effect on net assets.

Cash receipts increased by \$206,956 due mainly to an increase in grants and entitlements, not restricted to specific programs which is due to higher foundation receipts as well as a change in the restriction of the funds received from the state. This increase was partially offset by a decrease to operating grants and contributions, which was due to the change in restrictions on funding from the state as well, and interest receipts, which was due to a combination of lower cash levels in banks and decreased interest rates. Cash disbursements increased \$243,490 due mainly to an increase in special instruction, pupil transportation, and central. These increases were offset by decreases to other instruction and administration. Special instruction increased and other instruction decreased as a result of changing functions that certain employees were paid from. Pupil transportation increased as a result of the addition of bus drivers in the current fiscal year. Central increased as a result of new roofing done at the elementary and high schools. Administration decreased due to retirements in the prior year that required severance pay outs.

Valley Local School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2010
(Unaudited)

Governmental Activities

Grants and entitlements not restricted to specific programs made up 59 percent of cash receipts for governmental activities of the School District for fiscal year 2010. Property tax receipts made up 12 percent of the total cash receipts for governmental activities for a total of 71 percent of all cash receipts coming from property taxes and grants and entitlements not restricted to specific programs.

Regular instruction comprises 42 percent of governmental program cash disbursements. Support services disbursements make up 37 percent of governmental cash disbursements.

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

(Table 3)
Governmental Activities

	Total Cost of Services 2010	Net Cost of Services 2010	Total Cost of Services 2009	Net Cost of Services 2009*
Instruction	\$ 6,944,848	\$ 5,091,869	\$ 6,908,586	\$ 4,643,096
Support Services	4,659,854	3,553,860	4,495,574	3,566,658
Operation of Non-Instructional Services	466,416	16,024	455,319	(106,848)
Extracurricular Activities	255,276	219,107	275,687	239,211
Capital Outlay	78,498	78,498	23,828	23,828
Principal	190,000	190,000	185,000	185,000
Interest and Fiscal Charges	31,300	31,300	38,708	38,708
Total Cash Disbursements	<u>\$ 12,626,192</u>	<u>\$ 9,180,658</u>	<u>\$ 12,382,702</u>	<u>\$ 8,589,653</u>

* Certain reclassifications were made for consistency with current year reporting. There was no effect on net assets.

The School District's Funds

The School District's major funds are accounted for using the modified cash basis of accounting. All governmental funds had total cash receipts and other financing sources of \$12,525,782 and cash disbursements and other financing uses of \$13,073,905. The most significant change in fund balance was in the General Fund where the fund balance decreased by \$607,809.

For the General Fund, intergovernmental receipts increased by \$217,190, while interest receipts decreased \$20,049. Cash disbursements for regular instruction, instructional staff, and central increased by \$349,105, \$57,425, and \$70,162, respectively. Regular instruction and instructional staff increased as a result of 2% pay increases across the board for teachers. Central increased as a result of new roofing done at the elementary and high schools. These increases were partially offset by decreases to administration and operation and maintenance of plant of \$76,726 and \$236,331 respectively, which were due to severance payouts in the prior year.

For the Bond Retirement Fund, the fund balance increased \$98,102, which is a result of higher tax revenues than principal payments on bonds.

For the Classroom Facilities Fund, cash receipts exceeded cash disbursements resulting in an increase in the fund balance in the amount of \$447,713, which is due to a transfer received from the Classroom Facilities Maintenance fund.

Valley Local School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2010
(Unaudited)

General Fund - Budget Highlights

The School District's budget is prepared according to Ohio law and is based on accounting for certain transactions on a basis of cash receipts, disbursements and encumbrances. The most significant budgeted fund is the General Fund. During the course of fiscal year 2010, the School District revised its budget as it attempted to deal with unexpected changes in receipts and disbursements. A summary of the General Fund's original and final budgeted amounts are listed on page 14, as well as the actual amounts. A variance comparison is presented between the final budgeted amounts and the actual amounts.

For fiscal year 2010, the School District filed an amended certificate of estimated receipts. For the General Fund, final estimated receipts were \$9,770,936, with original estimated receipts of \$9,488,721, an increase of \$282,215. Actual receipts were \$9,764,888, \$6,048 below final estimated receipts.

At the end of fiscal year 2010, the School District filed an amended appropriations resolution. This resulted in the General Fund's final appropriations decreasing \$94,391 from the original appropriations due mainly to lower than expected instruction disbursements. Actual disbursements were \$10,532,268, which were \$2 less than final estimated disbursements.

Capital Assets

The School District does not record capital assets in the accompanying basic financial statements, but records payments for capital assets as disbursements. The School District had capital outlay disbursements of \$78,498 during fiscal year 2010.

Debt

Under the modified cash basis of accounting the School District does not report bonds or capital leases in the accompanying modified cash basis financial statements. However, in order to provide information to the readers of this report, we are providing the following detailed information about bonds and capital leases. At June 30, 2010, the School District had \$1,295,000 in outstanding bonds and capital leases. For additional information regarding debt, please see notes 8 and 9 to the basic financial statements. Table 4 summarizes the outstanding debt:

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

	2010	2009
2001 General Obligation Refunding Bonds	\$ 295,000	\$ 485,000
Capital Lease	1,000,000	1,000,000
Totals	\$ 1,295,000	\$ 1,485,000

The School District's overall legal debt margin was \$4,540,399 with an unvoted debt margin of \$64,838 at June 30, 2010.

CONTACTING THE SCHOOL DISTRICT'S FINANCIAL MANAGEMENT

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

Valley Local School District
Statement of Net Assets - Modified Cash Basis
June 30, 2010

	Governmental Activities
ASSETS:	
Equity in pooled cash, cash equivalents, and investments	\$ 1,751,295
Cash and cash equivalents in segregated accounts	5,774
Investments in segregated accounts	44,995
Investments with escrow agents	773,828
<i>Total Assets</i>	2,575,892
NET ASSETS:	
Restricted for debt service	1,156,169
Restricted for capital outlay	448,146
Restricted for other purposes	145,446
Restricted for set-asides	195,568
Unrestricted	630,563
<i>Total Net Assets</i>	\$ 2,575,892

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

Valley Local School District
Statement of Activities - Modified Cash Basis
For the Fiscal Year Ended June 30, 2010

	Cash Disbursements	Program Cash Receipts		Net (Disbursement) Receipt and Changes in Net Assets
		Charges for Services and Sales	Operating Grants and Contributions	Governmental Activities
Governmental Activities:				
Instruction:				
Regular	\$ 5,337,924	\$ 730,114	\$ 365,366	\$ (4,242,444)
Special	1,350,315	153,674	525,173	(671,468)
Vocational	133,795	18,898	816	(114,081)
Other	122,814	14,194	44,744	(63,876)
Support Services:				
Pupils	520,215	73,549	2,199	(444,467)
Instructional staff	804,936	99,072	208,922	(496,942)
Board of education	70,333	9,965	-	(60,368)
Administration	714,383	101,217	-	(613,166)
Fiscal	240,634	33,054	552	(207,028)
Operation and maintenance of plant	1,153,857	146,195	241,197	(766,465)
Pupil transportation	753,443	106,658	20,375	(626,410)
Central	402,053	56,496	6,543	(339,014)
Operation of non-instructional services	466,416	36,409	413,983	(16,024)
Extracurricular activities	255,276	36,169	-	(219,107)
Capital outlay	78,498	-	-	(78,498)
Debt service:				
Principal	190,000	-	-	(190,000)
Interest and fiscal charges	31,300	-	-	(31,300)
<i>Total Governmental Activities</i>	<u>\$ 12,626,192</u>	<u>\$ 1,615,664</u>	<u>\$ 1,829,870</u>	<u>(9,180,658)</u>
General Cash Receipts:				
Property taxes levied for:				
General purposes				1,147,240
Classroom facilities maintenance				21,149
Debt service				250,480
Grants and entitlements, not restricted to specific programs				7,129,357
Gifts and donations, not restricted to specific programs				12,821
Interest				37,366
Proceeds from sale of capital assets				30
Miscellaneous				34,092
<i>Total General Cash Receipts</i>				<u>8,632,535</u>
<i>Change in Net Assets</i>				(548,123)
<i>Net Assets Beginning of Year</i>				<u>3,124,015</u>
<i>Net Assets End of Year</i>				<u>\$ 2,575,892</u>

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

Valley Local School District
Statement of Assets and Fund Balances - Modified Cash Basis
 Governmental Funds
 June 30, 2010

	<u>General</u>	<u>Bond Retirement</u>	<u>Classroom Facilities</u>	<u>All Other Governmental Funds</u>	<u>Total Governmental Funds</u>
ASSETS:					
Equity in pooled cash, cash equivalents, and investments	\$ 579,794	\$ 382,341	\$ 447,714	\$ 145,878	\$ 1,555,727
Cash and cash equivalents in segregated accounts	5,774	-	-	-	5,774
Investments in segregated accounts	44,995	-	-	-	44,995
Restricted Assets:					
Equity in pooled cash and cash equivalents	195,568	-	-	-	-
Investments with escrow agents	-	773,828	-	-	773,828
<i>Total Assets</i>	<u>\$ 826,131</u>	<u>\$ 1,156,169</u>	<u>\$ 447,714</u>	<u>\$ 145,878</u>	<u>\$ 2,380,324</u>
FUND BALANCES:					
Reserved:					
Reserved for encumbrances	\$ 159,571	\$ -	\$ -	\$ 49,095	\$ 208,666
Reserved for future debt service	-	773,828	-	-	773,828
Reserved for set-asides	195,568	-	-	-	195,568
Unreserved, Undesignated, Reported in:					
General fund	470,992	-	-	-	470,992
Special revenue funds	-	-	-	96,351	96,351
Debt service funds	-	382,341	-	-	382,341
Capital projects funds	-	-	447,714	432	448,146
<i>Total Fund Balances</i>	<u>\$ 826,131</u>	<u>\$ 1,156,169</u>	<u>\$ 447,714</u>	<u>\$ 145,878</u>	<u>\$ 2,575,892</u>

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

Valley Local School District
Statement of Cash Receipts, Disbursements and Changes in Fund Balances - Modified Cash Basis
 Governmental Funds
 For the Fiscal Year Ended June 30, 2010

	<u>General</u>	<u>Bond Retirement</u>	<u>Classroom Facilities</u>	<u>All Other Governmental Funds</u>	<u>Total Governmental Funds</u>
CASH RECEIPTS:					
Property taxes	\$ 1,147,240	\$ 250,480	\$ -	\$ 21,149	\$ 1,418,869
Intergovernmental	7,098,234	46,465	-	1,814,028	8,958,727
Interest	7,519	29,522	-	325	37,366
Tuition and fees	1,293,361	-	-	-	1,293,361
Rent	2,550	-	-	-	2,550
Extracurricular activities	84,663	-	-	-	84,663
Gifts and donations	12,821	-	-	500	13,321
Customer sales and services	84,378	-	-	150,712	235,090
Miscellaneous	34,092	-	-	-	34,092
<i>Total Cash Receipts</i>	<u>9,764,858</u>	<u>326,467</u>	<u>-</u>	<u>1,986,714</u>	<u>12,078,039</u>
CASH DISBURSEMENTS:					
Current:					
Instruction:					
Regular	4,938,451	-	-	399,473	5,337,924
Special	776,117	-	-	574,198	1,350,315
Vocational	132,903	-	-	892	133,795
Other	73,894	-	-	48,920	122,814
Support Services:					
Pupils	517,810	-	-	2,405	520,215
Instructional staff	576,511	-	-	228,425	804,936
Board of education	70,333	-	-	-	70,333
Administration	714,383	-	-	-	714,383
Fiscal	232,966	7,065	-	603	240,634
Operation and maintenance of plant	890,144	-	-	263,713	1,153,857
Pupil transportation	752,021	-	-	1,422	753,443
Central	394,899	-	-	7,154	402,053
Operation of non-instructional services	13,788	-	-	452,628	466,416
Extracurricular activities	255,276	-	-	-	255,276
Capital outlay	27,770	-	-	50,728	78,498
Debt service:					
Principal	-	190,000	-	-	190,000
Interest and fiscal charges	-	31,300	-	-	31,300
<i>Total Cash Disbursements</i>	<u>10,367,266</u>	<u>228,365</u>	<u>-</u>	<u>2,030,561</u>	<u>12,626,192</u>
<i>Excess of Cash Receipts Over (Under) Cash Disbursements</i>	<u>(602,408)</u>	<u>98,102</u>	<u>-</u>	<u>(43,847)</u>	<u>(548,153)</u>
OTHER FINANCING SOURCES (USES):					
Transfers in	-	-	447,713	-	447,713
Proceeds from sale of capital assets	30	-	-	-	30
Transfers out	(5,431)	-	-	(442,282)	(447,713)
<i>Total Other Financing Sources (Uses)</i>	<u>(5,401)</u>	<u>-</u>	<u>447,713</u>	<u>(442,282)</u>	<u>30</u>
<i>Net Change in Fund Balances</i>	<u>(607,809)</u>	<u>98,102</u>	<u>447,713</u>	<u>(486,129)</u>	<u>(548,123)</u>
<i>Fund Balances at Beginning of Year</i>	<u>1,433,940</u>	<u>1,058,067</u>	<u>1</u>	<u>632,007</u>	<u>3,124,015</u>
<i>Fund Balances at End of Year</i>	<u>\$ 826,131</u>	<u>\$ 1,156,169</u>	<u>\$ 447,714</u>	<u>\$ 145,878</u>	<u>\$ 2,575,892</u>

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

Valley Local School District
Statement of Receipts, Disbursements and Changes
In Fund Balance - Budget (Budgetary Basis) and Actual
General Fund
For the Fiscal Year Ended June 30, 2010

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	Variance with Final Budget Positive (Negative)
Total receipts and other financing sources	\$ 9,488,721	\$ 9,770,936	\$ 9,764,888	\$ (6,048)
Total disbursements and other financing uses	<u>10,626,661</u>	<u>10,532,270</u>	<u>10,532,268</u>	<u>2</u>
Net Change in Fund Balance	(1,137,940)	(761,334)	(767,380)	(6,046)
Fund Balance at Beginning of Year	1,055,154	1,055,154	1,055,154	-
Prior Year Encumbrances Appropriated	<u>378,786</u>	<u>378,786</u>	<u>378,786</u>	<u>-</u>
Fund Balance at End of Year	<u><u>\$ 296,000</u></u>	<u><u>\$ 672,606</u></u>	<u><u>\$ 666,560</u></u>	<u><u>\$ (6,046)</u></u>

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

Valley Local School District
Statement of Fiduciary Net Assets - Modified Cash Basis
Fiduciary Fund
June 30, 2010

	<u>Agency Fund</u>
ASSETS:	
Equity in Pooled Cash, Cash Equivalents, and Investments	<u>\$ 6,840</u>
<i>Total Assets</i>	<u><u>\$ 6,840</u></u>
NET ASSETS:	
Unrestricted	<u>\$ 6,840</u>
<i>Total Net Assets</i>	<u><u>\$ 6,840</u></u>

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

Valley Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2010

NOTE 1 - DESCRIPTION OF THE SCHOOL DISTRICT AND REPORTING ENTITY

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

The School District was established in 1888 through the consolidation of existing land areas and school districts. The School District serves an area of approximately 48 square miles. It is located in Scioto County, and includes all of Valley Township and portions of Jefferson, Rush, Madison, and Morgan Townships. It is staffed by 51 non-certificated employees and 88 certificated full-time teaching personnel who provide services to 1,150 students and other community members. The School District currently operates three instructional buildings and one garage.

Reporting Entity:

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

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

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

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Basis of Presentation

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

Government-wide Financial Statements

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

Valley Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2010

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

Fund Financial Statements

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

B. Fund Accounting

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

Governmental Funds:

Governmental funds are those through which most governmental functions of the School District are financed. Governmental fund reporting focuses on the sources, uses and balances of current financial resources. Expendable assets are assigned to the various governmental funds according to the purposes for which they may or must be used. On the modified cash basis of accounting governmental fund assets equal fund balance. The following are the School District's major governmental funds:

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

Classroom Facilities Fund – The Classroom Facilities Capital Projects Fund is used to account for costs associated with the renovation and construction of the School District's facilities.

Bond Retirement Fund – The Bond Retirement Fund is used to account for the accumulation of resources for, and the payment of, general long-term obligation principal, interest, and related costs.

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

Valley Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2010

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Fiduciary Funds:

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

C. Basis of Accounting

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

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

Cash Receipts - Exchange and Non-exchange Transactions

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

Cash Disbursements

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

D. Budgetary Process

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

Valley Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2010

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

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

E. Cash, Cash Equivalents, and Investments

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

During fiscal year 2010, the School District's investments were limited to the State Treasury Assets Reserve of Ohio (STAR Ohio), commercial paper, repurchase agreements, money market accounts, and donated common stock. Investments are reported at fair value, which is based on quoted market prices.

STAROhio is an investment pool managed by the State Treasurer's Office which allows governments within the State to pool their funds for investment purposes. STAROhio is not registered with the SEC as an investment company, but does operate in a manner consistent with Rule 2a7 of the Investment Company Act of 1940. Investments in STAROhio are valued at STAROhio's share price which is the price the investment could be sold for on June 30, 2010.

Following Ohio statutes, the Board of Education has, by resolution, specified the funds to receive an allocation of interest earnings. Interest revenue credited to the General Fund, the Bond Retirement Fund, and the Classroom Facilities Maintenance Special Revenue Fund during fiscal year 2010 amounted to \$7,519, \$29,522, and \$325, respectively.

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

F. Capital Assets

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

G. Compensated Absences

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

Valley Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2010

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

H. Long-Term Obligations

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

I. Restricted Assets

Assets are reported as restricted when limitations on their use change the nature or normal understanding of the availability of the asset. Such constraints are either imposed by creditors, contributors, grantors, laws of other governments, or imposed by law through constitutional provisions or enabling legislation. Restricted assets in the General Fund represent cash and cash equivalents legally required to be set-aside by the School District for future debt service, budget stabilization and for the purchase of textbooks and instructional materials. See Note 13 for additional information regarding set-asides and Note 8 for information on future debt servicing.

J. Fund Balance Reserves

The School District reserves those portions of fund balance 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 balance which is available for appropriation in future periods. Fund balance reserves have been established for encumbrances, future debt service (as more fully described in Note 8), budget stabilization and textbooks and instructional materials.

The reserve for budget stabilization represents money required to be set-aside by statute to protect against cyclical changes in revenues and expenditures.

K. Net Assets

Net assets represent the modified cash basis assets held by the School District at year-end. Net assets are reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the School District or through external restrictions imposed by creditors, grantors, or laws or regulations of other governments. Restricted for other purposes is comprised of net assets restricted for grants. The School District applies restricted resources when a cash disbursement is made for purposes for which both restricted and unrestricted net assets are available.

Of the School District's \$1,945,329 in restricted net assets, none are restricted by enabling legislation.

L. Interfund Transactions

Exchange transactions between funds are reported as cash receipts in the seller funds and as cash disbursements in the purchaser funds. Flows of cash or goods from one fund to another without a requirement for repayment are reported as interfund transfers. Interfund transfers are reported as other financing sources/uses in governmental funds. Repayments from funds responsible for particular cash disbursements to the funds that initially paid for them are not presented on the basic financial statements. In the government-wide financial statements transfers within governmental activities are eliminated. Flows of cash from one fund to another with a requirement for repayment are reported as advances in and out. Advances between governmental activities are eliminated in the statement of activities. The School District had no advances during the fiscal year.

Valley Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2010

NOTE 3 - BUDGETARY BASIS OF ACCOUNTING

The budgetary basis as provided by law is based upon accounting for certain transactions on the basis of cash receipts, disbursements, and encumbrances. The statement of cash receipts, disbursements and changes in fund balance – budget (budgetary basis) and actual presented for the General Fund is prepared on the budgetary basis to provide a meaningful comparison of actual results with the budget. The difference between the budgetary basis and the modified cash basis is outstanding year end encumbrances, which are treated as disbursements (budgetary basis) rather than as a reservation of fund balance (modified cash basis). The encumbrances outstanding at June 30, 2010 amounted to \$159,571 for the General Fund.

NOTE 4 – DEPOSITS AND INVESTMENTS

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

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

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

Interim monies are those monies which are not needed for immediate use but which will be needed before the end of the current period of designation of depositories.

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

1. United States treasury notes, bills, bonds, or other obligations of or securities issued by the United States treasury or any other obligation guaranteed as to the payment of principal and interest by the United States;
2. Bonds, notes, debentures, or other obligations or securities issued by any federal government agency or instrumentality, including, but not limited to, the federal national mortgage association, federal home loan bank, federal farm credit bank, federal home loan mortgage corporation, government national mortgage association, and student loan marketing association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
3. Written repurchase agreements in the securities listed above, provided that the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least two percent and be marked to market daily, and that the term of the agreement must not exceed thirty days;
4. Bonds and other obligations of the State of Ohio;
5. Interim deposits in the eligible institutions applying for interim money as provided in section 135.08 of the Revised Code;
6. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2) and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions;
7. The State Treasurer's investment pool (STAR Ohio);

Valley Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2010

NOTE 4 - DEPOSITS AND INVESTMENTS (continued)

8. Certain bankers' acceptances for a period not to exceed one hundred eighty days and commercial paper notes for a period not to exceed one hundred eighty days in an amount not to exceed twenty-five percent of the interim moneys available for investment at any one time;
9. Linked deposits as authorized by ordinance adopted pursuant to section 135.80 of the Revised Code;
10. Commercial paper notes issued by any entity that is defined in division (D) of section 1705.01 of the Revised Code and has assets exceeding five hundred million dollars, and to which notes are rated at the time of purchase in the highest classification established by at least two standard rating services; the aggregate value of the notes does not exceed ten percent of the aggregate value of the outstanding commercial paper of the issuing corporation; the notes mature no later than one hundred eighty days after purchase; and
11. Bankers' acceptances of banks that are members of the federal deposit insurance corporation to which obligations both the following apply: obligations are eligible for purchase by the federal reserve system and the obligations mature no later than one hundred eighty days after purchase.

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

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

Investments may only be made through specified dealers and institutions. Payment for investments may be made only upon delivery of the securities representing the investments to the Treasurer or qualified trustee or, if the securities are not represented by a certificate, upon receipt of confirmation of transfer from the custodian.

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

As of June 30, 2010, the School District's bank balance of \$152,523 was either covered by FDIC or collateralized by the financial institution's public entity deposit pool in the manner described above.

Valley Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2010

NOTE 4 - DEPOSITS AND INVESTMENTS (continued)

Investments: As of June 30, 2010, the School District had the following investments:

	Fair Value	Weighted Average Maturity
STAR Ohio	\$1,204,430	< 1 Year
Donated Common Stock	44,995	< 1 Year
American Express Credit Corporation Discount Commercial Paper	696,953	< 1 Year
Repurchase Agreement	500,647	< 1 Year
US Gov't Money Market	76,876	< 1 Year
Total Investments	\$2,523,901	

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

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

Concentration of credit risk – Concentration of credit risk is the risk of loss attributed to the magnitude of a government's investment in a single issuer. 47.7% of the School District's investments are in STAROhio, 27.6% are in American Express discount commercial paper, 19.8% are in a repurchase agreement, 3.1% are in US Governmental Money Market Funds, and 1.8% are in common stock.

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

NOTE 5 - PROPERTY TAXES

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

Property taxes include amounts levied against all real, public utility and tangible personal property (used in business) located in the School District. Real property tax revenue received in calendar year 2010 represents collections of calendar year 2009 taxes. Real property taxes received in calendar year 2010 were levied after April 1, 2009, on the assessed value listed as of January 1, 2009, 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.

Valley Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2010

NOTE 5 - PROPERTY TAXES (continued)

Public utility property tax revenue received in calendar year 2010 represents collections of calendar year 2009 taxes. Public utility real and tangible personal property taxes received in calendar year 2010 became a lien December 31, 2009, were levied after April 1, 2010, and are collected in 2010 with real property taxes. Public utility real property is assessed at thirty-five percent of true value; public utility tangible personal property currently is assessed at varying percentages of true value.

Tangible personal property tax revenue received during calendar year 2010 (other than public utility property tax) represents the collection of 2010 taxes levied against local and inter-exchange telephone companies. Tangible personal property tax on business inventory, manufacturing machinery and equipment, and furniture and fixtures is no longer levied and collected. The October 2008 tangible personal property tax settlement was the last property tax settlement for general personal property taxes. Tangible personal property taxes received from telephone companies in calendar year 2010 were levied after April 1, 2009, on the value as of December 31, 2009. Payments by multi-county taxpayers are due September 20. Single county taxpayers may pay annually or semi-annually. If paid annually, payment is due April 30; if paid semi-annually, the first payment is due April 30, with the remainder payable by September 20. Tangible personal property taxes paid by April 30 are usually received by the School District prior to June 30.

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

The assessed values upon which fiscal year 2010 taxes were collected are:

	2009 Second- Half Collections		2010 First- Half Collections	
	Amount	Percent	Amount	Percent
Agricultural/Residential and Other Real Estate	\$59,512,650	92.59%	\$60,218,100	92.87%
Public Utility	102,540	0.16%	114,250	0.18%
Tangible Personal Property	4,657,060	7.25%	4,505,420	6.95%
Total Assessed Value	<u>\$64,272,250</u>	<u>100.00%</u>	<u>\$64,837,770</u>	<u>100.00%</u>
Tax rate per \$1,000 of assessed valuation	\$30.21		\$30.21	

Valley Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2010

NOTE 6 - RISK MANAGEMENT

The School District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During fiscal year 2010, the School District contracted with Governmental Underwriters of America for property and fleet insurance, inland marine coverage, and general liability insurance. Insurance coverage provided includes the following:

Property - including inland marine, miscellaneous equipment, and automobile physical damage catastrophic coverage (\$1,000 deductible)	\$35,448,300
Automobile liability (zero deductible)	1,000,000
Uninsured Motorists (zero deductible)	1,000,000
General Liability:	
Per occurrence	1,000,000
Annual Aggregate	3,000,000

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

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

For fiscal year 2010, the School District participated in the Ohio School Boards Association Workers' Compensation Group Rating Plan (GRP), an insurance purchasing pool (Note 12). The intent of the GRP is to achieve the benefit of a reduced premium for the School District by virtue of its grouping and representation with other participants in the GRP. The workers' compensation experience of the participating school districts is calculated as one experience and a common premium rate is applied to all school districts in the GRP. Each participant pays its workers' compensation premium to the State based on the rate for the GRP rather than its individual rate. Total savings are then calculated and each participant's individual performance is compared to the overall savings percentage of the GRP. A participant will then either receive money from or be required to contribute to the "Equity Pooling Fund." This "equity pooling" arrangement ensures that each participant shares equally in the overall performance of the GRP. Participation in the GRP is limited to school districts that can meet the GRP's selection criteria. The firm of CompManagement, Inc. provides administrative, cost control and actuarial services to the GRP. Each year, the School District pays an enrollment fee to the GRP to cover the costs of administering the program.

NOTE 7 - DEFINED BENEFIT PENSION PLANS AND OTHER POSTEMPLOYMENT BENEFITS

A. Defined Benefit Pension Plans

School Employees Retirement System

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

Valley Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2010

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

Plan members are required to contribute 10 percent of their annual covered salary and the School District is required to contribute 14 percent of annual covered payroll. The contribution requirements of plan members and employers are established and may be amended, up to statutory maximum amounts, by the SERS' Retirement Board. The Retirement Board acting with the advice of the actuary, allocated the current employer contribution rate among the four funds (Pension Trust Fund, Death Benefit Fund, Medicare B Fund, and Health Care Fund) of the System. For the fiscal year ended 2010, it was determined the employer contribution rate to pension and death benefits to be 12.78 percent. The remaining 1.22 percent of the 14 percent employer contribution rate was allocated to the Health Care and Medicare B Funds. The School District's contributions to SERS for the fiscal years ended June 30, 2010, 2009 and 2008 were \$247,368, \$246,084, and \$235,031, respectively; which were equal to the required amounts for those years.

State Teachers Retirement System

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

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

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

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

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

Valley Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2010

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

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

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

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

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

A DB or Combined Plan member with five or more years’ credited service who becomes disabled may qualify for a disability benefit. Eligible spouses and dependents of these active members who die before retirement may qualify for survivor benefits. A death benefit of \$1,000 is payable to the beneficiary of each deceased retired member who participated in the DB Plan. Death benefit coverage up to \$2,000 can be purchased by participants in the DB, DC or Combined Plans. Various other benefits are available to members’ beneficiaries.

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

For the fiscal years ended June 30, 2010, 2009 and 2008, plan members were required to contribute 10 percent of their annual covered salaries. The School District was required to contribute 14 percent; 13 percent was the portion used fund pension obligations. The School District’s required contributions for pension obligations to STRS Ohio for the fiscal years ended June 30, 2010, 2009, and 2008 were \$712,800, \$698,316, and \$677,604, respectively; which were equal to the required amounts for those years.

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

Social Security System

Effective July 1, 1991, all employees not otherwise covered by the School Employees Retirement System or the State Teachers Retirement System have an option to choose Social Security or the School Employees Retirement System/State Teachers Retirement System. As of June 30, 2010, one member of the Board of Education has elected Social Security. The Board’s liability is 6.2 percent of wages paid.

Valley Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2010

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

B. Postemployment Benefits

State Teachers Retirement System

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

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

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

Under Ohio law, funding for post-employment health care may be deducted from employer contributions. Of the 14 percent contribution rate, 1 percent of covered payroll was allocated to post-employment health care for the years ended June 30, 2010, 2009 and 2008. For the School District, these amounts equaled \$50,914, \$49,879, and \$48,400, for fiscal years 2010, 2009, and 2008, respectively, which equaled the required contributions for those years.

School Employees Retirement System

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

Medicare Part B Plan

The Medicare B plan reimburses Medicare Part B premiums paid by eligible retirees and beneficiaries as set forth in Ohio Revised Code 3309.69. Qualified benefit recipients who pay Medicare Part B premiums may apply for and receive a monthly reimbursement from SERS. The reimbursement amount is limited by statute to the lesser of the January 1, 1999 Medicare Part B premium or the current premium. The Medicare Part B premium for calendar year 2010 was \$96.40 for most participants, but could be as high as \$353.60 per month depending on their income. SERS' reimbursement to retirees was \$45.50.

The Retirement Board, acting with the advice of the actuary, allocates a portion of the current employer contribution rate to the Medicare B Fund. For fiscal years 2010, 2009, and 2008, the actuarially required allocations were 0.76 percent, 0.75 percent, and 0.66 percent, respectively. For the School District, contributions for the fiscal years ended June 30, 2010, 2009, and 2008 were \$13,429, \$13,183, and \$11,080, respectively, which equaled the required contributions for those years.

Health Care Plan

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

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

Valley Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2010

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

The Health Care Fund was established under, and is administered in accordance with, Internal Revenue Code 105(e). Each year after the allocation for statutorily required benefits, the Retirement Board allocates the remainder of the employer 14 percent contribution to the Health Care Fund. At June 30, 2010, 2009, and 2008, the health care allocations were 0.46 percent, 4.16 percent, and 4.18 percent, respectively. For the School District, the amounts contributed to fund health care benefits, including the surcharge, during the 2010, 2009, and 2008 fiscal years equaled \$41,824, \$108,277, and \$90,417, respectively, which is equal to the required amounts for those years.

An additional health care surcharge on employers is collected for employees earning less than an actuarially determined minimum compensation amount, pro-rated according to service credit earned. Statutes provide that no employer shall pay a health care surcharge greater than 2 percent of that employer's SERS-covered payroll; nor may SERS collect in aggregate more than 1.5 percent of the total statewide SERS-covered payroll for the health care surcharge. For fiscal year 2010, the minimum compensation level was established at \$35,800.

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

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

NOTE 8 – CAPITAL LEASES - LESSEE DISCLOSURE

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

The following is a schedule of the future minimum lease payments required under the capital lease and the present value of the minimum lease payments as of June 30, 2010:

Fiscal Year Ending June 30,	Total Payments
2011	\$ 19,500
2012	19,500
2013	19,500
2014	19,500
2015	19,500
2016	1,019,500
Total	1,117,000
Less: Amount Representing Interest	(117,000)
Present Value of Net Minimum Lease Payments	\$ 1,000,000

Valley Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2010

NOTE 8 – CAPITAL LEASES - LESSEE DISCLOSURE (continued)

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

Fiscal Year Ending June 30,	Principal	Interest	Sinking Fund Payments	Total Lease Payments
2011	\$ -	\$ 19,500	\$ 71,429	\$ 90,929
2012	-	19,500	36,023	55,523
2013	-	19,500	-	19,500
2014	-	19,500	-	19,500
2015	-	19,500	-	19,500
2016	1,000,000	19,500	-	1,019,500
	<u>\$ 1,000,000</u>	<u>\$ 117,000</u>	<u>\$ 107,452</u>	<u>\$ 1,224,452</u>

NOTE 9 - LONG-TERM OBLIGATIONS

The changes in the School District's long-term obligations during fiscal year 2010 were as follows:

	Amount Outstanding 6/30/09	Additions	Deductions	Amount Outstanding 6/30/10	Amount Due in One Year
<u>General Obligation Bonds:</u>					
2001 Obligation Refunding					
Bonds 2001 2.05 - 4.00 %					
Serial Bonds	\$ 390,000	\$ -	\$ 190,000	\$ 200,000	\$ 200,000
Capital Appreciation Bonds	95,000	-	-	95,000	-
<u>Other Long-Term Obligations:</u>					
Capital Lease	1,000,000	-	-	1,000,000	-
Total Long-Term Obligations	<u>\$ 1,485,000</u>	<u>\$ -</u>	<u>\$ 190,000</u>	<u>\$ 1,295,000</u>	<u>\$ 200,000</u>

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

The total general obligation bond amount outstanding at June 30, 2010 including accretion is \$988,567.

The School District's overall legal debt margin was \$4,540,399 with an unvoted debt margin of \$64,838 at June 30, 2010.

Valley Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2010

NOTE 9 - LONG-TERM OBLIGATIONS (continued)

Principal and interest requirements to retire the General Obligation Bonds outstanding at June 30, 2010, are as follows:

Fiscal year Ending June 30,	Serial Bonds Principal	Serial Bonds Interest	Capital Appreciation Bonds*	Total
2011	\$ 200,000	\$ 4,000	-	\$ 204,000
2012	-	-	205,000	205,000
2013	-	-	210,000	210,000
2014	-	-	130,000	130,000
Total	<u>\$ 200,000</u>	<u>\$ 4,000</u>	<u>\$ 545,000</u>	<u>\$ 749,000</u>

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

NOTE 10 - JOINTLY GOVERNED ORGANIZATIONS

South Central Ohio Computer Association

The School District is a participant in the South Central Ohio Computer Association (SCOCA) which is a computer consortium. SCOCA is an association of public school districts within the boundaries of Pickaway, Gallia, Highland, Adams, Pike, Scioto, Brown, Ross, Jackson, Vinton, and Lawrence Counties. The organization was formed for the purpose of applying modern technology with the aid of computers and other electronic equipment to administrative and instructional functions among member school districts. The governing board of SCOCA consists of two representatives from each county in the SCOCA service region designated by the Ohio Department of Education, two representatives of the school treasurers, plus a representative of the fiscal agent. The School District made no payments to SCOCA during the year. Financial information can be obtained from their fiscal agent, the Pike County Joint Vocational School District, Tonya Cooper who serves as Treasurer, at P. O. Box 577, 175 Beaver Creek Road, Piketon, Ohio 45661.

NOTE 11 - PUBLIC ENTITY SHARED RISK POOL

Scioto County Schools Council

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

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

Valley Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2010

NOTE 12 - INSURANCE PURCHASING POOL

Ohio School Boards Association Workers' Compensation Group Rating Plan

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

NOTE 13 - SET-ASIDE CALCULATIONS

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

For the fiscal year ended June 30, 2010, the School District was no longer required to set aside funds in the budget reserve set-aside, with the exception of monies refunded from the Bureau of Workers' Compensation, which must be retained for budget stabilization or spent for specified purposes.

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

	<u>Textbooks</u>	<u>Capital Acquisition</u>	<u>Budget Stablization</u>
Set-aside Balance as of June 30, 2009	\$ 25,393	\$ -	\$ 36,052
Current Year Set-aside Requirement	230,794	230,794	-
Current Year Qualifying Disbursements	(96,671)	(230,794)	-
Totals	<u>\$ 159,516</u>	<u>\$ -</u>	<u>\$ 36,052</u>
Balance Carried Forward to Fiscal Year 2011	<u>\$ 159,516</u>	<u>\$ -</u>	<u>\$ 36,052</u>
Set-aside Balance as of June 30, 2010	<u>\$ 159,516</u>	<u>\$ -</u>	<u>\$ 36,052</u>

NOTE 14 - CONTINGENCIES

A. Grants

The School District received financial assistance from Federal and State agencies in the form of grants. The expenditure of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and are subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the General Fund or other applicable funds. However, in the opinion of management, any such disallowed claims will not have a material adverse effect on the overall financial position of the School District at June 30, 2010.

B. Litigation

The School District is not party to any legal proceedings.

Valley Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2010

NOTE 15 – INTERFUND ACTIVITY

Interfund Transfers

Transfers made during the year ended June 30, 2010, were as follows:

Funds:	Transfer To:	Transfer From:
General Fund	\$ -	\$ 5,431
Major Capital Projects Fund:		
Classroom Facilities Fund	447,713	-
Non-Major Special Revenue Fund:		
Classroom Facilities Maintenance Fund	-	442,282
Total	<u>\$ 447,713</u>	<u>\$ 447,713</u>

Transfers are made to move unrestricted balances to support programs and projects accounted for in other funds. The transfer from the Classroom Facilities Maintenance Fund to the Classroom Facilities Fund was made to provide funds for capital improvements to the facilities.

NOTE 16 – COMPLIANCE

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

NOTE 17 – SUBSEQUENT EVENT

On September 20, 2010 the School District awarded a contract for roof replacement to Building Technicians Corporation for \$1,731,210. This project is funded 80 percent for Ohio School Facility Commission.

Valley Local School District
Scioto County

Schedule of Receipts and Expenditures of Federal Awards
For the Year Ended June 30, 2010

Federal Grantor/ Pass Through Grantor/ Program Title	Pass Through Entity Number	Federal CFDA Number	Receipts	Non-Cash Receipts	Disbursements	Non-Cash Disbursements
UNITED STATES DEPARTMENT OF AGRICULTURE						
<i>Passed through Ohio Department of Education:</i>						
Nutrition Cluster						
School Breakfast Program	3L70	10.553	\$ 86,828	\$ -	\$ 86,828	\$ -
National School Lunch Program	3L60	10.555	212,195	37,367	212,195	37,367
Total Nutrition Cluster			299,023	37,367	299,023	37,367
Child Nutrition Discretionary Grants Limited Availability	3DC0	10.579	13,567	-	13,567	-
Total United States Department of Agriculture			312,590	37,367	312,590	37,367
UNITED STATES DEPARTMENT OF EDUCATION						
<i>Passed through Ohio Department of Education</i>						
Title I Grants to Local Educational Agencies Cluster:						
Title I Grants to Local Educational Agencies	3M00	84.010	238,130	-	250,497	-
Title I Grants to Local Educational Agencies - ARRA	3DK0	84.389	88,395	-	77,747	-
Total Title I Grants to Local Educational Agencies Cluster:			326,525	-	328,244	-
Special Education Cluster:						
Special Education - Grants to States	3M20	84.027	214,499	-	217,272	-
Special Education - Preschool Grants	3C50	84.173	450	-	448	-
Special Education - Grants to States - ARRA	3DJ0	84.391	234,568	-	204,275	-
Total Special Education Cluster:			449,517	-	421,995	-
Safe and Drug-Free Schools and Communities - State Grants	3D10	84.186	4,131	-	4,360	-
Education Technology State Grants	3S20	84.318	7,311	-	2,311	-
Rural Education	3Y80	84.358	-	-	255	-
Improving Teacher Quality State Grants	3Y60	84.367	66,981	-	69,997	-
State Fiscal Stabilization Fund - Education State Grants - ARRA	GRF	84.394	458,851	-	458,851	-
Total United States Department of Education			1,313,316	-	1,286,013	-
Total Federal Financial Assistance			\$ 1,625,906	\$ 37,367	\$ 1,598,603	\$ 37,367

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

VALLEY LOCAL SCHOOL DISTRICT
Notes to Schedule of Receipts and Expenditures of Federal Awards
For the Fiscal Year Ended June 30, 2010

NOTE A - SIGNIFICANT ACCOUNTING POLICIES

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

NOTE B –FOOD DISTRIBUTIONS

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

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



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

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

To the Board of Education:

We have audited the financial statements of the governmental activities, each major fund and the aggregate remaining fund information of the Valley Local School District, Scioto County (the School District) as of and for the year ended June 30, 2010, which collectively comprise the School District's basic financial statements and have issued our report thereon dated February 28, 2011, wherein, we noted the School District uses a comprehensive accounting basis other than generally accepted accounting principles. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Governmental Auditing Standards*.

Internal Control Over Financial Reporting

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

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

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

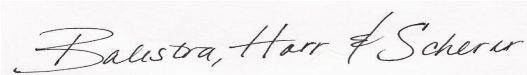
Compliance and Other Matters

As part of reasonably assuring whether the School District's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and accordingly, we do not express an opinion. The results of our tests disclosed an instance of noncompliance or other matters we must report under *Government Auditing Standards* which is described in the accompanying Schedule of Findings as item 2010-001.

Compliance and Other Matters (Continued)

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

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



Balestra, Harr & Scherer, CPAs, Inc.

February 28, 2011



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

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

To the Board of Education:

Compliance

We have audited the compliance of Valley Local School District, Scioto County (the School District), with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133 Compliance Supplement* that could directly and materially affect each of the School District's major federal programs for the year ended June 30, 2010. The summary of auditor's results section of the accompanying schedule of findings identifies the School District's major federal programs. The School District's management is responsible for complying with the requirements of laws, regulations, contracts and grants applicable to each major federal program. Our responsibility is to express an opinion on the School District's compliance based on our audit.

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

In our opinion, the Valley Local School District complied, in all material respects, with the requirements referred to above that could directly and materially affect each of its major federal programs for the year ended June 30, 2010.

Internal Control Over Compliance

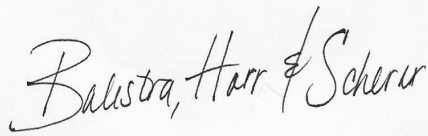
The School District's management is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered the School District's internal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

Internal Control Over Compliance (Continued)

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

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

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

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

Balestra, Harr & Scherer, CPAs, Inc.

February 28, 2011

VALLEY LOCAL SCHOOL DISTRICT
 SCIOTO COUNTY
 JUNE 30, 2010

SCHEDULE OF FINDINGS
 OMB CIRCULAR A-133 SECTION .505

SUMMARY OF AUDITOR'S RESULTS

(d)(1)(i)	Type of Financial Statement Opinion	Unqualified
(d)(1)(ii)	Were there any material control weaknesses reported at the financial statement level (GAGAS)?	No
(d)(1)(ii)	Were there any other significant deficiencies in internal control reported at the financial statement level (GAGAS)?	No
(d)(1)(iii)	Was there any reported material noncompliance at the financial statement level (GAGAS)?	Yes
(d)(1)(iv)	Were there any material control weaknesses reported for major federal programs?	No
(d)(1)(iv)	Were there any significant deficiencies in internal control reported for major federal programs?	No
(d)(1)(v)	Type of Major Programs Compliance Opinion	Unqualified
(d)(1)(vi)	Are there any reportable findings under section .510?	No
(d)(1)(vii)	Major Program(s) (list):	Special Education Cluster: Title VI-B – CFDA #84.027 Preschool IDEA-B – CFDA #84.173 Title VI-B (ARRA) – CFDA #84.391 Title I Cluster: Title I – CFDA #84.010 Title I (ARRA) – CFDA #84.389 State Fiscal Stabilization Fund – Education State Grant (ARRA) – CFDA# 84.394
(d)(1)(viii)	Dollar Threshold: Type A/B Programs	Type A: > \$300,000 Type B: all others
(d)(1)(ix)	Low Risk Auditee?	No

VALLEY LOCAL SCHOOL DISTRICT
SCIOTO COUNTY
JUNE 30, 2010

SCHEDULE OF FINDINGS
OMB CIRCULAR A-133 SECTION .505

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

Finding Number 2010-001

Noncompliance Citation

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

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

Client’s Response

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

3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS

None.

**VALLEY LOCAL SCHOOL DISTRICT
SCIOTO COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; Explain:
2009-001	Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03 (B), for failing to prepare the School District's financial statements in accordance with generally accepted accounting principles.	No	Not Corrected, Reissued as Finding Number 2010-001.



Dave Yost • Auditor of State

VALLEY LOCAL SCHOOL DISTRICT

SCIOTO COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

CERTIFIED
MAY 5, 2011