

Valley View Local School District
Montgomery County
Single Audit
July 1, 2006 through June 30, 2007
Fiscal Year Audited Under GAGAS: 2007

BALESTRA, HARR & SCHERER, CPAs, Inc.

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Mary Taylor, CPA
Auditor of State

Board of Education
Valley View Local School District
64 Comstock Avenue
Germantown, Ohio 45327

We have reviewed the *Independent Auditor's Report* of the Valley View Local School District, Montgomery County, prepared by Balestra, Harr & Scherer, CPAs, Inc., for the audit period July 1, 2006 through June 30, 2007. 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 View Local School District is responsible for compliance with these laws and regulations.

Mary Taylor

Mary Taylor, CPA
Auditor of State

March 21, 2008

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Valley View Local School District
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Member American Institute of Certified Public Accountants

Ohio Society of Certified Public Accountants

Independent Auditor's Report

Members of the Board
Valley View Local School District
64 Comstock Avenue
Germantown, Ohio 45327

We have audited the accompanying financial statements of the governmental activities, the major fund, and the aggregate remaining fund information of the Valley View Local School District, Montgomery County, Ohio, (the School District) as of and for the year ended June 30, 2007, 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 *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

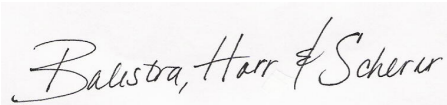
In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the major fund, and the aggregate remaining fund information of the School District, as of June 30, 2007, and the respective changes in financial position thereof, and the budgetary comparison for the general fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 31, 2007 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. The purpose of that report is to describe the scope of our testing of internal controls over financial reporting and compliance and the results of that testing, and not to provide an opinion of the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The Management's Discussion and Analysis on pages 3 through 12 is not a required part of the basic financial statements but is supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Members of the Board
Valley View Local School District
Independent Auditor's Report
Page 2

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The accompanying schedule of federal awards expenditures is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the basic financial statements. The schedule of federal awards expenditures has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, 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.

December 31, 2007

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2007**

The discussion and analysis of the Valley View Local School District's ("the District") financial performance provides an overall review of the District's financial activities for the fiscal year ended June 30, 2007. The intent of this discussion and analysis is to look at the District's financial performance as a whole; readers should also review the basic financial statements and the notes to the basic financial statements to enhance their understanding of the District's financial performance.

Financial Highlights

Key financial highlights for 2007 are as follows:

- In total, net assets of governmental activities increased \$2,625,072 which represents a 37.06% increase from 2006.
- General revenues accounted for \$17,169,995 in revenue or 84.54% of all revenues. Program specific revenues in the form of charges for services and sales, grants and contributions accounted for \$3,140,645 or 15.46% for total revenues of \$20,310,640.
- The District had \$17,685,568 in expenses related to governmental activities; only \$3,140,645 of these expenses was offset by program specific charges for services, grants or contributions. General revenues supporting governmental activities (primarily taxes and unrestricted grants and entitlements) of \$17,169,995 were adequate to provide for these programs.
- The District's only major governmental fund is the general fund. The general fund had \$18,644,141 in revenues and \$16,903,125 in expenditures and other financing uses. During fiscal 2007, the general fund's fund balance, increased \$1,741,016 from \$3,729,953 to \$5,470,969.

Using the Basic Financial Statements

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

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

Reporting the District as a Whole

Statement of Net Assets and the Statement of Activities

While this document contains the large number of funds used by the District to provide programs and activities, the view of the District as a whole looks at all financial transactions and asks the question, "How did we do financially during 2007?" The Statement of Net Assets and the Statement of Activities answer this question. These statements include *all assets, liabilities, revenues and expenses* using the *accrual basis of accounting* similar to the accounting used by most private-sector companies. This basis of accounting will take into account all of the current year's revenues and expenses regardless of when cash is received or paid.

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2007**

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

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

The District's statement of net assets and statement of activities can be found on pages 13-14 of this report.

Reporting the District's Most Significant Funds

Fund Financial Statements

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

Governmental Funds

Most of the District's activities are reported in governmental funds, which focus on how money flows into and out of those funds and the balances left at year-end available for spending in future periods. These funds are reported using an accounting method called *modified accrual* accounting, which measures cash and all other *financial assets* than can readily be converted to cash. The governmental fund financial statements provide a detailed *short-term* view of the District's general government operations and the basic services it provides. Governmental fund information helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance educational programs. The relationship (or differences) between governmental *activities* (reported in the Statement of Net Assets and the Statement of Activities) and governmental *funds* is reconciled in the basic financial statements. The basic governmental fund financial statements can be found on pages 15-19 of this report.

Reporting the District's Fiduciary Responsibilities

The District is the trustee, or fiduciary, for its scholarship programs. This activity is presented as a private-purpose trust fund. The District also acts in a trustee capacity as an agent for individuals. These activities are reported in an agency fund. All of the District's fiduciary activities are reported in separate Statements of Fiduciary Net Assets and Changes in Fiduciary Net Assets on pages 20 and 21. These activities are excluded from the District's other financial statements because the assets cannot be utilized by the District to finance its operations.

Notes to the Basic Financial Statements

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. These notes to the basic financial statements can be found on pages 22-46 of this report.

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

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2007

The District as a Whole

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

The table below provides a summary of the District's net assets for 2007 and 2006.

	Net Assets	
	Governmental Activities <u>2007</u>	Governmental Activities <u>2006</u>
<u>Assets</u>		
Current and other assets	\$ 14,648,008	\$ 12,253,960
Capital assets, net	<u>4,632,106</u>	<u>3,819,868</u>
Total assets	<u>19,280,114</u>	<u>16,073,828</u>
<u>Liabilities</u>		
Current liabilities	7,819,258	7,104,135
Long-term liabilities	<u>1,751,834</u>	<u>1,885,743</u>
Total liabilities	<u>9,571,092</u>	<u>8,989,878</u>
<u>Net Assets</u>		
Invested in capital assets, net of related debt	3,849,808	2,902,287
Restricted	1,282,382	1,204,607
Unrestricted	<u>4,576,832</u>	<u>2,977,056</u>
Total net assets	<u>\$ 9,709,022</u>	<u>\$ 7,083,950</u>

Over time, net assets can serve as a useful indicator of a government's financial position. At June 30, 2007, the District's assets exceeded liabilities by \$9,709,022. At year-end, restricted net assets were \$1,282,382.

At year-end, capital assets represented 24.03% of total assets. Capital assets include land, land improvements, buildings and improvements, furniture and equipment and vehicles. Capital assets, net of related debt to acquire the assets at June 30, 2007, were \$3,849,808. These capital assets are used to provide services to the students and are not available for future spending. Although the District's investment in capital assets is reported net of related debt, it should be noted that the resources to repay the debt must be provided from other sources, since capital assets may not be used to liquidate these liabilities.

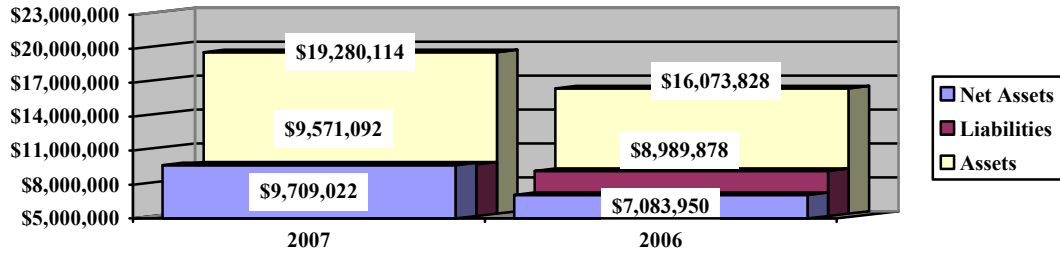
The remaining balance of unrestricted net assets of \$4,576,832 may be used to meet the District's ongoing obligations to the students and creditors.

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2007**

The graph below illustrates the governmental activities assets, liabilities and net assets at June 30, 2007 and 2006:

Governmental Activities



The table below shows the change in net assets for fiscal years 2007 and 2006.

Change in Net Assets

	Governmental Activities <u>2007</u>	Governmental Activities <u>2006</u>
<u>Revenues</u>		
Program revenues:		
Charges for services and sales	\$ 1,291,672	\$ 1,318,217
Operating grants and contributions	1,202,702	696,595
Capital grants and contributions	646,271	23,680
General revenues:		
Property taxes	5,363,760	4,830,010
School district income taxes	2,978,693	2,699,107
Grants and entitlements	8,379,421	8,798,327
Investment earnings	430,526	190,348
Other	17,595	22,367
Total revenues	<u>\$ 20,310,640</u>	<u>\$ 18,578,651</u>

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2007**

	Change in Net Assets	
	Governmental Activities <u>2007</u>	Governmental Activities <u>2006</u>
<u>Expenses</u>		
Program expenses:		
Instruction:		
Regular	\$ 7,539,805	\$ 7,094,381
Special	1,351,541	1,308,642
Vocational	339,023	375,518
Other	329,965	315,542
Support services:		
Pupil	900,780	1,028,346
Instructional staff	1,168,823	681,937
Board of education	29,426	21,248
Administration	1,318,712	1,558,043
Fiscal	316,020	252,534
Business	16,534	17,843
Operations and maintenance	1,555,470	1,390,296
Pupil transportation	962,636	947,471
Central	332,446	385,402
Extracurricular activities	659,702	588,038
Food service operations	722,027	720,102
Latchkey operations	82,455	83,372
Interest and fiscal charges	<u>60,203</u>	<u>69,582</u>
Total expenses	<u>17,685,568</u>	<u>16,838,297</u>
Change in net assets	2,625,072	1,740,354
Net assets at beginning of year	<u>7,083,950</u>	<u>5,343,596</u>
Net assets at end of year	<u><u>\$ 9,709,022</u></u>	<u><u>\$ 7,083,950</u></u>

Governmental Activities

Net assets of the District's governmental activities increased \$2,625,072. Total governmental expenses of \$17,685,568 were offset by program revenues of \$3,140,645 and general revenues of \$17,169,995. Program revenues supported 17.76% of the total governmental expenses.

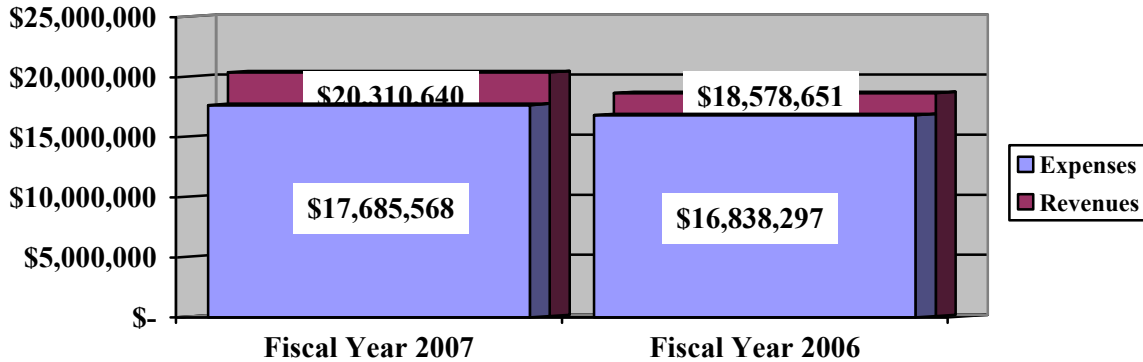
The primary sources of revenue for governmental activities are derived from property taxes, a school district income tax, and grants and entitlements. These revenue sources represent 82.33% of total governmental revenue. Real estate property is reappraised every six years and the school district income tax rate is 1.25%

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

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2007

The graph below presents the District's governmental activities revenue and expenses for fiscal year 2007 and 2006.

Governmental Activities - Revenues and Expenses



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

Governmental Activities

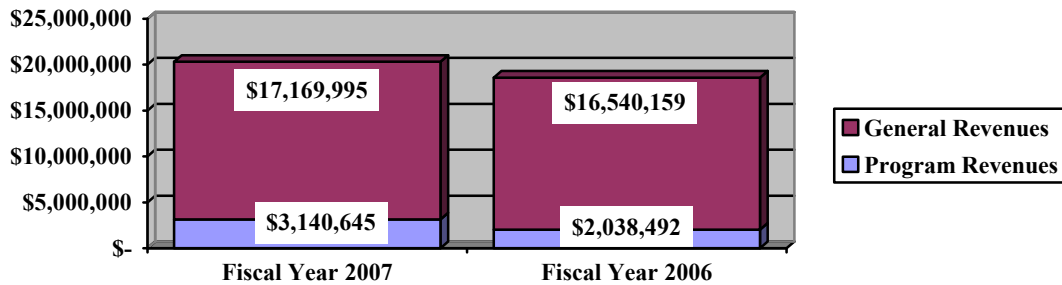
	Total Cost of Services <u>2007</u>	Net Cost of Services <u>2007</u>	Total Cost of Services <u>2006</u>	Net Cost of Services <u>2006</u>
Program expenses				
Instruction:				
Regular	\$ 7,539,805	\$ 7,238,551	\$ 7,094,381	\$ 6,710,352
Special	1,351,541	494,072	1,308,642	1,002,643
Vocational	339,023	262,206	375,518	375,394
Other	329,965	329,858	315,542	311,542
Support services:				
Pupil	900,780	821,488	1,028,346	785,269
Instructional staff	1,168,823	1,061,920	681,937	660,990
Board of education	29,426	29,426	21,248	21,248
Administration	1,318,712	1,308,195	1,558,043	1,557,071
Fiscal	316,020	313,094	252,534	251,134
Business	16,534	16,534	17,843	17,843
Operations and maintenance	1,555,470	879,977	1,390,296	1,377,362
Pupil transportation	962,636	941,764	947,471	888,644
Central	332,446	310,378	385,402	378,657
Extracurricular activities	659,702	410,997	588,038	359,024
Food service operations	722,027	68,349	720,102	28,378
Latchkey operations	82,455	(2,089)	83,372	4,672
Interest and fiscal charges	60,203	60,203	69,582	69,582
Total expenses	<u>\$ 17,685,568</u>	<u>\$ 14,544,923</u>	<u>\$ 16,838,297</u>	<u>\$ 14,799,805</u>

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2007**

The dependence upon tax and other general revenues for governmental activities is apparent, 87.08% of instruction activities are supported through taxes and other general revenues. For all governmental activities, general revenue support is 82.24%. The District's taxpayers, as a whole, are by far the primary support for District's students. The graph below presents the District's governmental activities revenue for fiscal years 2007 and 2006.

Governmental Activities - General and Program Revenues



The District's Funds

The District's governmental funds (as presented on page 15) reported a combined fund balance of \$6,614,539, which is higher than last year's total of \$4,861,871. The schedule below indicates the fund balance and the total change in fund balance as of June 30, 2007 and 2006.

	Fund Balance <u>June 30, 2007</u>	Fund Balance <u>June 30, 2006</u>	<u>Increase</u>
General	\$ 5,470,969	\$ 3,729,953	\$ 1,741,016
Other Governmental	<u>1,143,570</u>	<u>1,131,918</u>	<u>11,652</u>
Total	<u>\$ 6,614,539</u>	<u>\$ 4,861,871</u>	<u>\$ 1,752,668</u>

An analysis of the general fund revenues and expenditures is provided in the section below. The increase in the fund balances of the other governmental funds is primarily due to a \$44,843 increase in the fund balance of the dursch jackson scholarship permanent fund. The increase was a result of increasing earnings on investments in the dursch jackson scholarship permanent fund.

General Fund

The District's general fund's fund balance increased \$1,741,016. The table that follows assists in illustrating the financial activities and fund balance of the general fund.

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

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2007

	<u>2007</u>	<u>2006</u>	<u>Percentage</u>
	<u>Amount</u>	<u>Amount</u>	<u>Change</u>
<u>Revenues</u>			
Taxes	\$ 8,380,517	\$ 7,541,572	11.12 %
Tuition	198,901	179,590	10.75 %
Earnings on investments	360,624	168,159	114.45 %
Intergovernmental	8,866,908	8,798,327	0.78 %
Gifts & contributions	632,425	-	100.00 %
Other revenues	<u>204,766</u>	<u>228,446</u>	(10.37) %
Total	<u>\$ 18,644,141</u>	<u>\$ 16,916,094</u>	10.22 %
<u>Expenditures</u>			
Instruction	\$ 8,890,972	\$ 8,551,182	3.97 %
Support services	7,249,291	5,874,856	23.40 %
Extracurricular activities	396,413	340,966	16.26 %
Facilities acquisition and construction	81,528	-	100.00 %
Debt Service	<u>195,486</u>	<u>195,447</u>	0.02 %
Total	<u>\$ 16,813,690</u>	<u>\$ 14,962,451</u>	12.37 %

Earnings on investments increased 114.45% as a result of increasing interest rates on investments held by the District. Facilities acquisitions and construction increased due to increased capital outlays from the general fund. Other revenues, which are made up of rentals, contributions and donations, services provided to other entities, transportation fees, classroom materials and fees and miscellaneous revenues decreased primarily due to decreasing revenues from transportation fees, classroom materials and fees and local sources. Support services expenditures increased \$1,374,435 from the prior fiscal year. This is due to increasing expenditures related to instructional staff and operations and maintenance of school buildings.

General Fund Budgeting Highlights

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

During the course of fiscal 2007, the District amended its general fund budget numerous times. For the general fund, final budgeted revenues and other financing sources were \$18,475,828, which is greater than the original budgeted revenues and other financing sources estimate of \$17,382,668. Actual revenues and other financing sources for fiscal 2007 was \$18,475,828.

General fund original appropriations (appropriated expenditures plus other financing uses) of \$16,050,006 were increased to \$17,126,121 in the final budget. The actual budget basis expenditures and other financing uses for fiscal year 2007 totaled \$17,126,121, which was the same as the final budget appropriations.

Capital Assets and Debt Administration

Capital Assets

At the end of fiscal 2007, the District had \$4,632,106 invested in land, land improvements, buildings and improvements, furniture and equipment, and vehicles.

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2007**

This entire amount is reported in governmental activities. The following table shows fiscal 2007 balances compared to 2006:

	Capital Assets at June 30 (Net of Depreciation)	
	<u>Governmental Activities</u>	
	<u>2007</u>	<u>2006</u>
Land	\$ 436,936	\$ 436,936
Land improvements	960,736	255,405
Building and improvements	2,395,236	2,514,713
Furniture and equipment	525,743	464,006
Vehicles	<u>313,455</u>	<u>148,808</u>
Total	<u>\$ 4,632,106</u>	<u>\$ 3,819,868</u>

Total additions to capital assets for 2007 were \$1,153,348. The District recorded \$328,464 in depreciation expense for fiscal year 2007. Disposals (net of accumulated depreciation) were \$12,646.

Refer to Note 9 in the basic financial statements for further detail on the District's capital assets.

Debt Administration

At June 30, 2007, the District had \$105,212 in general obligation bonds outstanding. Of this total, \$10,210 is due within one year and \$95,002 is due in greater than one year.

The following table summarizes the bonds outstanding.

	Outstanding Debt, at Year End	
	Governmental Activities	Governmental Activities
	<u>2007</u>	<u>2006</u>
General obligation bonds	<u>\$ 105,212</u>	<u>\$ 114,743</u>
Total	<u>\$ 105,212</u>	<u>\$ 114,743</u>

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

See Note 11 to the basic financial statements for further detail on the District's debt administration.

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2007**

Current Financial Related Activities

The Valley View Local School District continued to provide excellent services to our students, parents and community in fiscal year 2007 while spending less than the average Ohio school district. The Board of Education and management team have carefully managed General Fund budgets in order to minimize the need for additional local support. Prior to fiscal year 2007, an Emergency Levy of an additional 5.25 mills was approved in August, 2004. The prudent management of District funds had allowed the District to fund student achievement without levying additional taxes to the local community for over nine years.

The District demonstrated continued success in fiscal year 2007 as indicated by the "effective" designation of our District on the Ohio Department of Education district report card. We maintained our effective rating with a combination of performance indicators (25 out of 30) and the performance index score (98.8). The District was able to provide the services necessary to obtain the student achievement while spending \$1,110 less than the average Ohio school district.

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

The District relies significantly on funding from the State of Ohio due to the low local valuation of primarily residential development. The primary source of state funding is the state foundation program, which funded the District at a state funding share of 57.08% in fiscal year 2007. The district suffered losses due to several legislative actions, including HB 95 that reduced revenue for fiscal year 2005 and beyond and HB 66, which overhauled the business taxation system for the State beginning 07/01/05 and initiated the phase out of the collection of tangible personal property taxes for the district. Due to HB 66, the district was slated to receive no revenue growth for the next two years based on the state's projected enrollment for the district. The district is anticipating some revenue growth from the state foundation program due to increased per pupil aid in the upcoming biennial budget for FY 2008 and FY 2009. Federal funding increased in fiscal year 2007. The future of both State and Federal funding has been difficult to predict and the future of both is unknown.

Contacting the District's Financial Management

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

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

STATEMENT OF NET ASSETS
JUNE 30, 2007

	Governmental Activities
Assets:	
Equity in pooled cash and cash equivalents . . .	\$ 6,641,192
Investments	1,043,127
Receivables:	
Taxes	6,841,334
Accounts	744
Accrued interest	21,626
Intergovernmental	94,375
Prepayments	672
Materials and supplies inventory	4,938
Capital assets:	
Land	436,936
Depreciable capital assets, net	4,195,170
Total capital assets, net	4,632,106
 Total assets	 19,280,114
 Liabilities:	
Accounts payable	326,159
Accrued wages and benefits	1,669,011
Pension obligation payable	388,500
Intergovernmental payable	136,925
Unearned revenue	5,298,663
Long-term liabilities:	
Due within one year	180,516
Due within more than one year	1,571,318
Total long-term liabilities	1,751,834
 Total liabilities	 9,571,092
 Net Assets:	
Invested in capital assets, net of related debt	3,849,808
Restricted for:	
Scholarships:	
Nonexpendable	1,044,984
Expendable	77,149
Capital projects	243
Locally funded programs	5,455
State funded programs	6,172
Federally funded programs	42,092
Student activities	85,657
Other purposes	20,630
Unrestricted	4,576,832
 Total net assets	 \$ 9,709,022

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

STATEMENT OF ACTIVITIES
FOR THE FISCAL YEAR ENDED JUNE 30, 2007

	Expenses	Program Revenues			Net (Expense)
		Charges for Services and Sales	Operating Grants and Contributions	Capital Grants and Contributions	Revenue and Changes in Net Assets
					Governmental Activities
Governmental activities:					
Instruction:					
Regular	\$ 7,539,805	\$ 233,364	\$ 67,890	\$ -	\$ (7,238,551)
Special	1,351,541	68,764	788,705	-	(494,072)
Vocational	339,023	9,468	67,349	-	(262,206)
Other	329,965	-	107	-	(329,858)
Support services:					
Pupil	900,780	72,491	6,801	-	(821,488)
Instructional staff	1,168,823	-	106,903	-	(1,061,920)
Board of education	29,426	-	-	-	(29,426)
Administration	1,318,712	1,744	8,773	-	(1,308,195)
Fiscal	316,020	-	2,926	-	(313,094)
Business	16,534	-	-	-	(16,534)
Operations and maintenance	1,555,470	42,268	800	632,425	(879,977)
Pupil transportation	962,636	-	7,026	13,846	(941,764)
Central	332,446	-	22,068	-	(310,378)
Extracurricular activities	659,702	223,014	25,691	-	(410,997)
Food service operations	722,027	556,015	97,663	-	(68,349)
Latchkey operations	82,455	84,544	-	-	2,089
Interest and fiscal charges	60,203	-	-	-	(60,203)
Total governmental activities	\$ 17,685,568	\$ 1,291,672	\$ 1,202,702	\$ 646,271	(14,544,923)

General Revenues:

Taxes levied for:	
General purposes	5,363,760
School district income tax	2,978,693
Grants and entitlements not restricted	
to specific programs	8,379,421
Investment earnings	430,526
Miscellaneous	17,595
Total general revenues	17,169,995
Change in net assets	2,625,072
Net assets at beginning of year	7,083,950
Net assets at end of year	\$ 9,709,022

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2007

	<u>General</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
Assets:			
Equity in pooled cash and cash equivalents	\$ 6,369,918	\$ 271,274	\$ 6,641,192
Investments	-	1,043,127	1,043,127
Receivables:			
Taxes	6,841,334	-	6,841,334
Accounts	744	-	744
Intergovernmental	-	94,375	94,375
Accrued interest	15,259	6,367	21,626
Interfund loans	10,000	-	10,000
Prepayments	-	672	672
Materials and supplies inventory	-	4,938	4,938
Total assets	<u>\$ 13,237,255</u>	<u>\$ 1,420,753</u>	<u>\$ 14,658,008</u>
Liabilities:			
Accounts payable	\$ 272,147	\$ 54,012	\$ 326,159
Accrued wages and benefits	1,553,350	115,661	1,669,011
Compensated absences payable	26,570	-	26,570
Interfund loans payable	-	10,000	10,000
Pension obligation payable	343,187	45,313	388,500
Intergovernmental payable	134,390	2,535	136,925
Deferred revenue	137,979	49,662	187,641
Unearned revenue	5,298,663	-	5,298,663
Total liabilities	<u>7,766,286</u>	<u>277,183</u>	<u>8,043,469</u>
Fund Balances:			
Reserved for encumbrances	128,716	17,121	145,837
Reserved for materials and supplies inventory	-	4,938	4,938
Reserved for property tax unavailable for appropriation	184,119	-	184,119
Reserved for prepayments	-	672	672
Reserved for scholarships	-	1,044,984	1,044,984
Reserved for unclaimed monies	9,630	-	9,630
Unreserved, undesignated, reported in:			
General fund	5,148,504	-	5,148,504
Special revenue funds	-	5,073	5,073
Permanent fund	-	70,782	70,782
Total fund balances	<u>5,470,969</u>	<u>1,143,570</u>	<u>6,614,539</u>
Total liabilities and fund balances	<u>\$ 13,237,255</u>	<u>\$ 1,420,753</u>	<u>\$ 14,658,008</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

RECONCILIATION OF TOTAL GOVERNMENTAL FUND BALANCES TO
NET ASSETS OF GOVERNMENTAL ACTIVITIES
JUNE 30, 2007

Total governmental fund balances		\$ 6,614,539
<i>Amounts reported for governmental activities in the statement of net assets are different because:</i>		
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.		4,632,106
Other long-term assets are not available to pay for current-period expenditures and therefore are deferred in the funds.		
Taxes	\$ 131,310	
Intergovernmental	43,295	
Accrued interest	<u>13,036</u>	
Total		187,641
Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds.		
General obligation bonds	105,212	
Capital lease obligation	677,086	
Compensated absences	<u>942,966</u>	
Total		<u>(1,725,264)</u>
Net assets of governmental activities		<u><u>\$ 9,709,022</u></u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2007

	<u>General</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
Revenues:			
From local sources:			
Taxes	\$ 8,380,517	\$ -	\$ 8,380,517
Tuition	198,901	-	198,901
Earnings on investments	360,624	73,344	433,968
Charges for services	-	556,015	556,015
Transportation fees	42,268	-	42,268
Classroom materials and fees	104,676	-	104,676
Extracurricular	40,227	265,041	305,268
Other local revenues	17,595	110,900	128,495
Intergovernmental - State	8,866,908	47,164	8,914,072
Intergovernmental - Federal	-	609,425	609,425
Gifts and contributions	632,425	-	632,425
Total revenues	<u>18,644,141</u>	<u>1,661,889</u>	<u>20,306,030</u>
Expenditures:			
Current:			
Instruction:			
Regular	7,292,531	69,749	7,362,280
Special	941,619	365,032	1,306,651
Vocational	326,937	-	326,937
Other	329,885	80	329,965
Support Services:			
Pupil	805,582	93,535	899,117
Instructional staff	1,060,262	103,400	1,163,662
Board of education	29,426	-	29,426
Administration	1,265,296	10,183	1,275,479
Fiscal	311,336	2,761	314,097
Business	16,534	-	16,534
Operations and maintenance	2,359,976	1,120	2,361,096
Pupil transportation	1,124,114	-	1,124,114
Central	276,765	76,706	353,471
Extracurricular activities	396,413	222,645	619,058
Food service operations	-	712,307	712,307
Latchkey operations	-	82,455	82,455
Facilities acquisition and construction	81,528	-	81,528
Debt service:			
Principal retirement	135,283	-	135,283
Interest and fiscal charges	60,203	-	60,203
Total expenditures	<u>16,813,690</u>	<u>1,739,973</u>	<u>18,553,663</u>
Excess (deficiency) of revenues over (under) expenditures	<u>1,830,451</u>	<u>(78,084)</u>	<u>1,752,367</u>
Other financing sources (uses):			
Transfers in	-	89,435	89,435
Transfers (out)	(89,435)	-	(89,435)
Total other financing sources (uses)	<u>(89,435)</u>	<u>89,435</u>	<u>-</u>
Net change in fund balances	1,741,016	11,351	1,752,367
Fund balances at beginning of year	3,729,953	1,131,918	4,861,871
Increase in reserve for inventory	-	301	301
Fund balances at end of year	<u>\$ 5,470,969</u>	<u>\$ 1,143,570</u>	<u>\$ 6,614,539</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES
FOR THE FISCAL YEAR ENDED JUNE 30, 2007

Net change in fund balances - total governmental funds \$ 1,752,367

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

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

Capital asset additions	\$ 1,153,348	
Current year depreciation	<u>(328,464)</u>	
Total		824,884

Governmental funds only report the disposal of capital assets to the
extent proceeds are received from the sale. In the statement of activities
a gain or loss is reported for each disposal. (12,646)

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

Taxes	(38,064)	
Intergovernmental	40,115	
Accrued interest	<u>2,559</u>	
Total		4,610

Repayment of bonds and capital lease obligations are expenditures
in the governmental funds, but these repayments reduce long-term
liabilities on the statement of net assets. 135,283

Governmental funds report expenditures for inventory when
purchased, however, in the statement of activities, they are
reported as expenses when consumed. 301

Some expenses reported in the statement of activities,
such as compensated absences, do not require the use
of current financial resources and therefore are not reported
as expenditures in governmental funds. (79,727)

Change in net assets of governmental activities \$ 2,625,072

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCE - BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)
GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2007

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Revenues:				
From local sources:				
Taxes	\$ 7,937,839	\$ 8,148,234	\$ 8,148,233	\$ (1)
Tuition.	193,767	198,903	198,901	(2)
Transportation fees.	50,557	51,897	51,897	-
Earnings on investments.	363,047	372,670	372,669	(1)
Extracurricular.	39,188	40,227	40,227	-
Classroom materials and fees.	102,153	104,861	104,859	(2)
Gifts and contributions	-	632,425	632,425	-
Other local revenues.	17,673	18,141	18,141	-
Intergovernmental - State	8,637,957	8,866,910	8,866,908	(2)
Total revenues.	<u>17,342,181</u>	<u>18,434,268</u>	<u>18,434,260</u>	<u>(8)</u>
Expenditures:				
Current:				
Instruction:				
Regular	7,409,910	7,404,217	7,404,217	-
Special.	951,405	946,486	946,486	-
Vocational.	327,218	342,377	342,377	-
Other	317,870	340,476	340,476	-
Support Services:				
Pupil.	824,870	858,604	858,604	-
Instructional staff	986,164	949,068	949,068	-
Board of education	23,140	31,659	31,659	-
Administration.	1,277,367	1,283,955	1,283,955	-
Fiscal	297,190	317,578	317,578	-
Business	19,200	17,655	17,655	-
Operations and maintenance.	1,878,899	2,474,950	2,474,950	-
Pupil transportation	883,099	1,204,359	1,204,359	-
Central.	300,808	281,677	281,677	-
Extracurricular activities.	399,366	394,801	394,801	-
Facilities acquisition and construction.	5,000	81,528	81,528	-
Debt service:				
Principal retirement	59,567	59,567	59,567	-
Interest and fiscal charges	48,933	47,729	47,729	-
Total expenditures	<u>16,010,006</u>	<u>17,036,686</u>	<u>17,036,686</u>	<u>-</u>
Excess of revenues over expenditures.	<u>1,332,175</u>	<u>1,397,582</u>	<u>1,397,574</u>	<u>(8)</u>
Other financing sources (uses):				
Refund of prior year expenditure	21,507	22,077	22,077	-
Transfers out	(40,000)	(89,435)	(89,435)	-
Advances in.	18,980	19,483	19,483	-
Advances out	(3,621)	-	-	-
Total other financing sources (uses)	<u>(3,134)</u>	<u>(47,875)</u>	<u>(47,875)</u>	<u>-</u>
Net change in fund balance	1,329,041	1,349,707	1,349,699	(8)
Fund balance at beginning of year	4,481,532	4,481,532	4,481,532	-
Prior year encumbrances appropriated	146,896	146,896	146,896	-
Fund balance at end of year	<u>\$ 5,957,469</u>	<u>\$ 5,978,135</u>	<u>\$ 5,978,127</u>	<u>\$ (8)</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

STATEMENT OF FIDUCIARY NET ASSETS
FIDUCIARY FUNDS
JUNE 30, 2007

	Private-Purpose Trust	
	Scholarship	Agency
Assets:		
Equity in pooled cash and cash equivalents	\$ 73,762	\$ 54,910
Total assets	73,762	\$ 54,910
Liabilities:		
Accounts payable	-	\$ 710
Due to students	-	54,200
Total liabilities	-	\$ 54,910
Net Assets:		
Held in trust for scholarships	73,762	
Total net assets	\$ 73,762	

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS
FIDUCIARY FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2007

	Private-Purpose Trust
	Scholarship
Additions:	
Interest	\$ 3,720
Gifts and contributions.	2,283
	6,003
Deductions:	
Scholarships awarded	7,750
	(1,747)
Change in net assets	(1,747)
Net assets at beginning of year	75,509
Net assets at end of year.	\$ 73,762

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2007**

NOTE 1 - DESCRIPTION OF THE SCHOOL DISTRICT

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

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

The District ranks as the 277th largest by enrollment among the 876 public school districts in the State. It currently operates 2 elementary schools, 1 middle school, and 1 comprehensive high school. The District employs 107 non-certified and 141 certified employees to provide services to 2,048 students in grades K through 12 and various community groups.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

A. Reporting Entity

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

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

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2007

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

The following organizations are described due to their relationship to the District:

JOINTLY GOVERNED ORGANIZATIONS

Miami Valley Career Tech Vocational School

The vocational school district is a separate body politic and corporate, established by the Ohio Revised Code (ORC) to provide for the vocational and special education needs of its students. The Board of Education is comprised of 17 members elected from the 27 participating school districts. The school accepts non-tuition students from the District as a member school, however, it is considered to be a separate political subdivision and not part of the District. Financial information is available from Debbie Gossett, Treasurer, at 200 Lau Parkway, Clayton, Ohio 45315.

Southwestern Ohio Educational Purchasing Council (SOEPC)

SOEPC is a purchasing cooperative made up of nearly 100 school districts in Montgomery and surrounding counties. The Montgomery County Educational Service Center acts as fiscal agent for the group. The purpose of the cooperative is to obtain lower prices for supplies and materials commonly used by the member districts. The members are obligated to pay all fees, charges, and assessments as established by SOEPC. Each member district has one voting representative. Title to any and all equipment and supplies purchased by SOEPC is held in trust for the member districts by the fiscal agent. Any district withdrawing from SOEPC shall forfeit its claim to any and all SOEPC assets. One year of prior notice is necessary for withdrawal from the group. During this time, the withdrawing member is liable for all member obligations. Payments to SOEPC are made from the District's General fund. Financial information is available from SOEPC by contacting Ken Swink, Director, at 303 Corporate Center Drive, Suite 208, Vandalia, Ohio 45377.

Metropolitan Dayton Educational Cooperative Association (MDECA)

The District is a participant in MDECA, which is a computer consortium of 25 public school districts within the boundaries of Darke, Greene, Miami, and Montgomery Counties. The organization was formed for the purpose of applying modern technology (with the aid of computers and other electronic equipment) to administrative and instructional functions among member school districts. The governing board of MDECA consists of one representative from each district plus one representative from the fiscal agent. The District pays MDECA an enrollment based fee for services provided during the year. Financial information is available from Jerry C. Woodyard, Executive Director, at 225 Linwood Street, Dayton, Ohio 45405.

RELATED ORGANIZATION

Germantown Public Library

The Germantown Public Library is a distinct political subdivision of the State of Ohio, created in accordance with Chapter 3375, ORC. The Board of Education is responsible for appointing the trustees of the Library; however, the Board cannot influence the Library's operation, nor does the Library represent a potential financial benefit or burden to the District. Although the District does serve as the taxing authority and may issue tax related debt on behalf of the Library, its role is limited to a ministerial function. Once the Library determines to present a levy to the voters, including the determination of the rate and duration, the District must place the levy on the ballot. The Library may issue debt and determines its own budget. The Library did not receive any funding from the District during fiscal year 2007.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2007

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

INSURANCE PURCHASING POOL

Ohio Association of School Business Officials Workers' Compensation Group Rating Plan

The District participates in a group rating plan for workers' compensation as established under Section 4123.29 of the Ohio Revised Code. The Ohio Association of School Business Officials Workers' Compensation Group Rating Plan (the Plan) was established through the Ohio Association of School Business Officials (OASBO) as a group purchasing pool.

The Executive Director of the OASBO, or his designee, serves as coordinator of the Plan. Each year, the participating school district pays an enrollment fee to the Plan to cover the costs of administering the program.

B. Fund Accounting

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

GOVERNMENTAL FUNDS

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

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

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

PROPRIETARY FUNDS

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

FIDUCIARY FUNDS

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

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2007

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

Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. The District's agency fund accounts for student activities.

C. Basis of Presentation and Measurement Focus

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

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

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

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

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

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

D. Basis of Accounting

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

**VALLEY VIEW LOCAL SCHOOL DISTRICT
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NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2007

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

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

Nonexchange transactions, in which the District receives value without directly giving equal value in return, include property taxes, income taxes, grants, entitlements and donations. On an accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied (see Note 6). Revenue from income taxes is recognized in the fiscal year in which the underlying exchange transaction occurred (see Note 7). Revenue from grants, entitlements and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the fiscal year when use is first permitted, matching requirements, in which the District must provide local resources to be used for a specified purpose, and expenditure requirements, in which the resources are provided to the District on a reimbursement basis. On a modified accrual basis, revenue from nonexchange transactions must also be available before it can be recognized.

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

Unearned Revenue and Deferred Revenue - Unearned revenue and deferred revenue arise when assets are recognized before revenue recognition criteria have been satisfied.

Property taxes for which there is an enforceable legal claim as of June 30, 2007, but which were levied to finance fiscal year 2008 operations, and other revenues received in advance of the fiscal year for which they are intended to finance, have been recorded as unearned revenue. Grants and entitlements received before the eligibility requirements are met and delinquent property taxes due at June 30, 2007 are recorded as deferred revenue.

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

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

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

**VALLEY VIEW LOCAL SCHOOL DISTRICT
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NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2007

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

E. Budgets

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

Tax Budget:

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

Estimated Resources:

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

Appropriations:

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

**VALLEY VIEW LOCAL SCHOOL DISTRICT
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NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2007

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

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

Although the legal level of budgetary control was established at the fund level of expenditures, the budgetary statements present comparisons at the fund and function level of expenditures as elected by the District Treasurer.

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

Lapsing of Appropriations:

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

F. Cash and Investments

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

During fiscal year 2007, investments were limited to nonnegotiable certificates of deposits, federal agency securities, and a U.S. Government money market mutual fund. Except for nonparticipating investment contracts, investments are reported at fair value, which is based on quoted market prices. Nonparticipating investment contracts, such as nonnegotiable certificates of deposit, are reported at cost.

Under existing Ohio statutes all investment earning are assigned to the general fund unless statutorily required to be credited to a specific fund. The Board of Education has, by resolution, specified the funds to receive an allocation of interest earnings. Interest revenue credited to the general fund during fiscal year 2007 amounted to \$360,624 which includes \$14,621 assigned from other District funds.

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

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

**VALLEY VIEW LOCAL SCHOOL DISTRICT
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NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2007

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

G. Inventory

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

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

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

H. Capital Assets

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

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

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

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

I. Interfund Balances

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

**VALLEY VIEW LOCAL SCHOOL DISTRICT
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NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2007

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

J. Compensated Absences

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

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

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

K. Accrued Liabilities and Long-Term Obligations

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

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

L. Fund Balance Reserves

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

**VALLEY VIEW LOCAL SCHOOL DISTRICT
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NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2007

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

M. Net Assets

Net assets represent the difference between assets and liabilities. Net assets invested in capital assets, net of related debt consist of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction or improvement of those assets. Net assets are reported as restricted when there are limitations imposed on their use either through the enabling legislation or through external restrictions imposed by creditors, grantors or laws or regulations of other governments. The amount restricted for other purposes represents amounts restricted for unclaimed monies and underground storage tanks. Of the District's \$1,282,382 restricted assets, none are restricted by enabling legislation.

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

N. Prepayments

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

O. Estimates

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

P. Interfund Activity

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

Q. Extraordinary and Special Items

Extraordinary items are transactions or events that are both unusual in nature and infrequent in occurrence. Special items are transactions or events that are within the control of the Board of Education and that are either unusual in nature or infrequent in occurrence. Neither type of transaction occurred during fiscal 2007.

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2007**

NOTE 3 - ACCOUNTABILITY AND COMPLIANCE

Deficit Fund Balances

Fund balances at June 30, 2007 included the following individual fund deficits:

<u>Nonmajor Funds</u>	<u>Deficit</u>
Food Service	\$ 74,391
Latchkey Program	13,822
Management Information System	6,105
Ohio Reads	6
Miscellaneous State Grants	8,620
Title VI-B	11,550
Reducing Class Size	887

The general fund is liable for any deficits in these funds and provides transfers when cash is required, not when accruals occur. These deficit fund balances are the result of adjustments for accrued liabilities.

NOTE 4 - DEPOSITS AND INVESTMENTS

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

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

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

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

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

1. United States Treasury Notes, Bills, Bonds, or any other obligation or security issued by the United States Treasury or any other obligation guaranteed as to principal and interest by the United States;
2. Bonds, notes, debentures, or any other obligations or securities issued by any federal government agency or instrumentality, including but not limited to, the Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, Government National Mortgage Association, and Student Loan Marketing Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;

**VALLEY VIEW LOCAL SCHOOL DISTRICT
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**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2007**

NOTE 4 - DEPOSITS AND INVESTMENTS - (Continued)

3. Written repurchase agreements in the securities listed above provided that the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least two percent and be marked to market daily, and that the term of the agreement must not exceed thirty days;
4. Bonds and other obligations of the State of Ohio;
5. No-load money market mutual funds consisting exclusively of obligations described in items (1) and (2) above and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions;
6. The State Treasurer's investment pool (State Treasury Asset Reserve of Ohio (STAR Ohio));
7. Certain banker's acceptance and commercial paper notes for a period not to exceed one hundred eighty days from the purchase date in an amount not to exceed twenty-five percent of the interim monies available for investment at any one time: and,
8. Under limited circumstances, corporate debt interests rated in either of the two highest classifications by at least two nationally recognized rating agencies.

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

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

A. Deposits with Financial Institutions

At June 30, 2007, the carrying amount of all District deposits was \$6,697,225. Based on the criteria described in GASB Statement No. 40, "Deposits and Investment Risk Disclosures", as of June 30, 2007, \$5,449,765 of the District's bank balance of \$7,196,291 was either covered by the FDIC or collateralized by the financial institution's public entity deposit pools in the manner described below.

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

**VALLEY VIEW LOCAL SCHOOL DISTRICT
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NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2007

NOTE 4 - DEPOSITS AND INVESTMENTS - (Continued)

B. Investments

As of June 30, 2007, the District had the following investments and maturities:

<u>Investment type</u>	<u>Fair Value</u>	<u>6 months or less</u>	<u>7 to 12 months</u>
FHLMC	\$ 993,330	\$ 993,330	\$ -
FNMA	49,797	-	49,797
U.S. Government money market fund	<u>72,639</u>	<u>72,639</u>	<u>-</u>
	<u>\$ 1,115,766</u>	<u>\$ 1,065,969</u>	<u>\$ 49,797</u>

The weighted average maturity of investments is .32 years.

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

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

Custodial Credit Risk: For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the 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 federal agency securities are exposed to custodial credit risk in that they are uninsured, unregistered and held by the counterparty's trust department or agent but not in the District's name. The District has no investment policy dealing with investment custodial risk beyond the requirement in State statute that prohibits payment for investments prior to the delivery of the securities representing such investments to the treasurer or qualified trustee.

Concentration of Credit Risk: The District places no limit on the amount that may be invested in any one issuer. The following table includes the percentage of each investment type held by the District at June 30, 2007:

<u>Investment type</u>	<u>Fair Value</u>	<u>% of Total</u>
FHLMC	\$ 993,330	89.03
FNMA	49,797	4.46
U.S. Government money market fund	<u>72,639</u>	<u>6.51</u>
	<u>\$ 1,115,766</u>	<u>100.00</u>

**VALLEY VIEW LOCAL SCHOOL DISTRICT
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NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2007

NOTE 4 - DEPOSITS AND INVESTMENTS - (Continued)

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

The following is a reconciliation of cash and investments as reported in the footnote above to cash and investments as reported on the statement of net assets as of June 30, 2007:

<u>Cash and Investments per footnote</u>	
Carrying amount of deposits	\$ 6,697,225
Investments	<u>1,115,766</u>
Total	<u>\$ 7,812,991</u>
 <u>Cash and investments per Statement of Net Assets</u>	
Governmental activities	\$ 7,684,319
Private-purpose trust funds	73,762
Agency funds	<u>54,910</u>
Total	<u>\$ 7,812,991</u>

NOTE 5 - INTERFUND TRANSACTIONS

- A.** Interfund loans receivable/payable consisted of the following at June 30, 2007, as reported on the fund statements:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General	Nonmajor governmental funds	<u>\$ 10,000</u>

The primary purpose of the interfund balances is to cover costs in specific funds where revenues were not received by June 30. These interfund balances will be repaid once the anticipated revenues are received.

- B.** Interfund transfers for the year ended June 30, 2007, consisted of the following, as reported on the fund statements:

Transfers from general fund to:	<u>Amount</u>
Nonmajor governmental funds	<u>\$ 89,435</u>

Transfers are used to (1) move revenues from the fund that statute or budget requires to collect them to the fund that statute or budget requires to expend them, and (2) use unrestricted revenues collected in the general fund to finance various programs accounted for in other funds in accordance with budgetary authorizations.

All transfers were made in compliance with Ohio Revised Code Sections 5705.14, 5705.15 and 5705.16.

Interfund transfers between governmental funds are eliminated for reporting in the statement of activities.

**VALLEY VIEW LOCAL SCHOOL DISTRICT
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**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2007**

NOTE 6 - PROPERTY TAXES

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

Property taxes include amounts levied against all real, public utility and tangible personal property (used in business) located in the District. Real property tax revenue received in calendar 2007 represents collections of calendar year 2006 taxes. Real property taxes received in calendar year 2007 were levied after April 1, 2006, on the assessed value listed as of January 1, 2006, the lien date. Assessed values for real property taxes are established by State law at thirty-five percent of appraised market value. Real property taxes are payable annually or semi-annually. If paid annually, payment is due December 31; if paid semi-annually, the first payment is due December 31 with the remainder payable by June 20. Under certain circumstances, State statute permits alternate payment dates to be established.

Public utility property tax revenue received in calendar 2007 represents collections of calendar year 2006 taxes. Public utility real and tangible personal property taxes received in calendar year 2007 became a lien December 31, 2005, were levied after April 1, 2006 and are collected in 2007 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 2007 (other than public utility property) represents the collection of 2007 taxes. Tangible personal property taxes received in calendar year 2007 were levied after April 1, 2006, on the value as of December 31, 2006. For 2006, tangible personal property is assessed at 18.75% for property including inventory. This percentage will be reduced to 12.5% for 2007, 6.25% for 2008 and zero for 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 District prior to June 30.

House Bill No. 66 was signed into law on June 30, 2005. House Bill No. 66 phases out the tax on tangible personal property of general businesses, telephone and telecommunications companies, and railroads. The tax on general business and railroad property will be eliminated by calendar year 2009, and the tax on telephone and telecommunications property will be eliminated by calendar year 2011. The tax is phased out by reducing the assessment rate on the property each year. The bill replaces the revenue lost by the District due to the phasing out of the tax. In calendar years 2007-2010, the District will be fully reimbursed for the lost revenue. In calendar years 2011-2017, the reimbursements will be phased out.

The District receives property taxes from Montgomery County. The County Auditor periodically advances to the District the portion of the taxes collected. Second-half real property tax payments collected by the County Auditor by June 30, 2007, are available to finance fiscal year 2007 operations. The amount available as an advance at June 30, 2007 was \$184,119 in the general fund. This amount has been recorded as revenue. The amount that was available as advance at June 30, 2006 was \$175,128 in the general fund.

Accrued property taxes receivable includes real property, public utility property and tangible personal property taxes which are measurable as of June 30, 2007 and for which there is an enforceable legal claim. Although total property tax collections for the next fiscal year are measurable, only the amount of real property taxes available as an advance at June 30 was levied to finance current fiscal year operations and is reported as revenue at fiscal year-end. The portion of the receivable not levied to finance current fiscal year operations is offset by a credit to unearned revenue.

**VALLEY VIEW LOCAL SCHOOL DISTRICT
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NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2007

NOTE 6 - PROPERTY TAXES - (Continued)

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

The assessed values upon which the fiscal year 2007 taxes were collected are:

	2006 Second Half Collections		2007 First Half Collections	
	<u>Amount</u>	<u>Percent</u>	<u>Amount</u>	<u>Percent</u>
Agricultural/Residential and Other Real Estate	\$ 197,405,260	91.46	\$ 201,464,520	92.08
Public Utility Personal	13,753,270	6.37	13,355,680	6.10
Tangible Personal Property	<u>4,673,917</u>	<u>2.17</u>	<u>3,983,407</u>	<u>1.82</u>
Total	<u>\$ 215,832,447</u>	<u>100.00</u>	<u>\$ 218,803,607</u>	<u>100.00</u>
Tax rate per \$1,000 of assessed valuation	\$ 46.89		\$ 46.39	

NOTE 7 - SCHOOL DISTRICT INCOME TAX

In fiscal 1991 the voters of the District passed a .50% income tax, effective for five years. This income tax was renewed by the voters in 2006 for calendar years 2007 - 2011. In fiscal 1995, voters of the District passed an additional .75% income tax, and renewed it in fiscal 2006 for calendar years 2007 - 2010. The tax is collected by the State of Ohio and remitted to the District quarterly. Total income tax revenue for fiscal 2007 credited to the general fund was \$2,978,693.

NOTE 8 - RECEIVABLES

Receivables at June 30, 2007 consisted of taxes (both property taxes and income taxes), accounts (billings for user charged services and student fees), accrued interest, loans, and intergovernmental grants and entitlements. All receivables are considered collectible in full due to the ability to foreclose for the nonpayment of taxes, the stable condition of state programs and the current year guarantee of federal funds. A summary of the principal items of receivables reported on the statement of net assets follows:

Governmental Activities:	
Taxes	\$ 6,841,334
Accounts	744
Accrued interest	21,626
Intergovernmental	<u>94,375</u>
Total	<u>\$ 6,958,079</u>

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

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2007

NOTE 9 - CAPITAL ASSETS

Capital asset activity for the fiscal year ended June 30, 2007 was as follows:

	<u>Balance</u> <u>06/30/06</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance</u> <u>06/30/07</u>
Governmental Activities				
<i>Capital assets, not being depreciated:</i>				
Land	\$ 436,936	\$ -	\$ -	\$ 436,936
Total capital assets, not being depreciated	<u>436,936</u>	<u>-</u>	<u>-</u>	<u>436,936</u>
<i>Capital assets, being depreciated:</i>				
Land improvements	822,655	732,425	-	1,555,080
Buildings and improvements	6,550,723	-	-	6,550,723
Furniture and equipment	2,111,127	193,789	(122,677)	2,182,239
Vehicles	<u>1,059,952</u>	<u>227,134</u>	<u>(104,438)</u>	<u>1,182,648</u>
Total capital assets, being depreciated	<u>10,544,457</u>	<u>1,153,348</u>	<u>(227,115)</u>	<u>11,470,690</u>
<i>Less: accumulated depreciation</i>				
Land improvements	(567,250)	(27,094)	-	(594,344)
Buildings and improvements	(4,036,010)	(119,477)	-	(4,155,487)
Furniture and equipment	(1,647,121)	(119,406)	110,031	(1,656,496)
Vehicles	<u>(911,144)</u>	<u>(62,487)</u>	<u>104,438</u>	<u>(869,193)</u>
Total accumulated depreciation	<u>(7,161,525)</u>	<u>(328,464)</u>	<u>214,469</u>	<u>(7,275,520)</u>
Governmental activities capital assets, net	<u>\$ 3,819,868</u>	<u>\$ 824,884</u>	<u>\$ (12,646)</u>	<u>\$ 4,632,106</u>

Depreciation expense was charged to governmental functions as follows:

Instruction:

Regular	\$ 131,824
Special	36,293
Vocational	6,457

Support Services:

Pupil	2,766
Instructional staff	3,742
Administration	1,675
Fiscal	174
Operations and maintenance	18,964
Pupil transportation	72,623
Central	584
Extracurricular activities	40,110
Food service operations	<u>13,252</u>

Total depreciation expense \$ 328,464

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2007

NOTE 10 - CAPITALIZED LEASES - LESSEE DISCLOSURE

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

Capital lease payments have been reclassified and are reflected as debt service expenditures in the statement of revenues, expenditures and changes in fund balances - general fund. These expenditures are reflected as program/function expenditures on a budgetary basis. Capital assets acquired by lease and the related lease obligation liability have been reported on the statement of net assets. Principal payments for fiscal year 2007 totaled \$125,752. This amount is reflected as debt service principal retirement in the general fund.

The following is a schedule of the future minimum lease payments required under the capital leases and the present value of the future minimum lease payments as of June 30, 2007:

<u>Year Ending</u>	<u>Building</u>	<u>Copiers</u>	<u>Total</u>
2008	\$ 90,039	\$ 88,190	\$ 178,229
2009	90,037	44,075	134,112
2010	90,042	-	90,042
2011	90,040	-	90,040
2012	90,137	-	90,137
2013 - 2015	<u>270,115</u>	<u>-</u>	<u>270,115</u>
Total future minimum lease payments	720,410	132,265	852,675
Less: amount representing interest	<u>(168,048)</u>	<u>(7,541)</u>	<u>(175,589)</u>
Present value of future minimum lease payments	<u>\$ 552,362</u>	<u>\$ 124,724</u>	<u>\$ 677,086</u>

NOTE 11 - LONG-TERM OBLIGATIONS

During the fiscal year 2007, the following activity occurred in governmental activities long-term obligations:

	<u>Issued</u>	<u>Due</u>	<u>Interest Rate</u>	<u>Balance 06/30/06</u>	<u>Increase</u>	<u>Decrease</u>	<u>Balance 06/30/07</u>	<u>Amount Due in One Year</u>
<u>G.O. Bonds Payable</u>								
Facility acquisition	2000	2015	6.9%	\$ 114,743	\$ -	\$ (9,531)	\$ 105,212	\$ 10,210
Total G.O. bonds				<u>114,743</u>	<u>-</u>	<u>(9,531)</u>	<u>105,212</u>	<u>10,210</u>
<u>Other Long-Term Obligations</u>								
Capital lease obligation				802,838	-	(125,752)	677,086	135,198
Compensated absences				<u>968,162</u>	<u>137,802</u>	<u>(136,428)</u>	<u>969,536</u>	<u>35,108</u>
Total other long-term obligations				<u>1,771,000</u>	<u>137,802</u>	<u>(262,180)</u>	<u>1,646,622</u>	<u>170,306</u>
Total governmental activities				<u>\$ 1,885,743</u>	<u>\$ 137,802</u>	<u>\$ (271,711)</u>	<u>\$ 1,751,834</u>	<u>\$ 180,516</u>

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2007

NOTE 11 - LONG-TERM OBLIGATIONS - (Continued)

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

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

Principal and interest requirements to for general obligation bonds outstanding at June 30, 2007, are as follows:

Fiscal Year Ending June 30	General Obligation Bonds		
	Principal	Interest	Total
2008	\$ 10,210	\$ 6,941	\$ 17,151
2009	10,937	6,214	17,151
2010	11,716	5,435	17,151
2011	12,550	4,600	17,150
2012	13,444	3,706	17,150
2013 - 2015	<u>46,355</u>	<u>5,096</u>	<u>51,451</u>
Total	<u>\$ 105,212</u>	<u>\$ 31,992</u>	<u>\$ 137,204</u>

Legal Debt Margin

The Ohio Revised Code provides that voted net general obligation debt of the District shall never exceed 9% of the total assessed valuation of the District. The code further provides that unvoted indebtedness shall not exceed 1/10 of 1% of the property valuation of the District. The code additionally states that unvoted indebtedness related to energy conservation debt shall not exceed 9/10 of 1% of the property valuation of the District. The assessed valuation use in determining the District’s legal debt margin has been modified by House Bill 530 which became effective March 30, 2006. In accordance with House Bill 530, the assessed valuation used in the District’s legal debt margin calculation excluded tangible personal property used in business, telephone or telegraph property, interexchange telecommunications company property, and personal property owned or leased by a railroad company and used in railroad operations. The effects of these debt limitations at June 30, 2007, are a voted debt margin of \$19,089,079 and an unvoted debt margin of \$213,270.

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2007**

NOTE 12 - OTHER EMPLOYEE BENEFITS

A. Compensated Absences

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

B. Insurance Benefits

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

NOTE 13 - RISK MANAGEMENT

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

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

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

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

The District continues to carry commercial insurance for all other risks of loss. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years. There has been no significant reduction in amounts of insurance coverage from fiscal 2006.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2007

NOTE 14 - PENSION PLANS

A. School Employees Retirement System

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

Plan members are required to contribute 10 percent of their annual covered salary and the District is required to contribute at an actuarially determined rate. The current District rate is 14 percent of annual covered payroll. A portion of the District's contribution is used to fund pension obligations with the remainder being used to fund health care benefits. For fiscal year 2007, 10.68 percent of annual covered salary was the portion used to fund pension obligations. For fiscal year 2006, 10.58 percent of annual covered salary was the portion used to fund pension obligations. For fiscal year 2005, 10.57 percent of annual covered salary was the portion used to fund pension obligations. The contribution requirements of plan members and employers are established and may be amended, up to statutory maximum amounts, by the SERS' Retirement Board. The District's required contribution for pension obligations to SERS for fiscal years ended 2007, 2006, and 2005 were \$252,452, \$229,314, and \$219,983, respectively; 47.20 percent has been contributed for fiscal year 2007 and 100 percent for fiscal years 2006 and 2005. \$133,286 represents the unpaid pension contribution for fiscal year 2007 and is recorded as a liability within the respective funds.

B. State Teachers Retirement System

The District participates in the State Teachers Retirement System of Ohio (STRS Ohio), a cost-sharing, multiple-employer public employee retirement system. STRS Ohio provides retirement and disability benefits to members and death and survivor benefits to beneficiaries. STRS Ohio issues a stand-alone financial report that may be obtained by writing to STRS Ohio, 275 E. Broad St., Columbus, OH 43215-3371 or by calling (614) 227-4090, or by visiting the STRS Ohio website at www.strsoh.org.

New members have a choice of three retirement plans, a Defined Benefit (DB) Plan, a Defined Contribution (DC) Plan and a Combined Plan. The DB plan offers an annual retirement allowance based on final average salary times a percentage that varies based on years of service, or an allowance based on member contributions and earned interest matched by STRS Ohio funds times an actuarially determined annuity factor. The DC Plan allows members to place all their member contributions and employer contributions equal to 10.5 percent of earned compensation into an investment account. Investment decisions are made by the member. A member is eligible to receive a retirement benefit at age 50 and termination of employment. The Combined Plan offers features of both the DC Plan and the DB Plan. In the Combined Plan, member contributions are invested by the member, and employer contributions are used to fund the defined benefit payment at a reduced level from the regular DB Plan. DC and Combined Plan members will transfer to the Defined Benefit Plan during their fifth year of membership unless they permanently select the DC or Combined Plan. Existing members with less than five years of service credit as of June 30, 2001, were given the option of making a one time irrevocable decision to transfer their account balances from the existing DB Plan into the DC Plan or the Combined Plan. This option expired on December 31, 2001. Benefits are established by Chapter 3307 of the Ohio Revised Code.

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2007**

NOTE 14 - PENSION PLANS - (Continued)

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

For the fiscal year ended June 30, 2007, plan members were required to contribute 10 percent of their annual covered salaries. The District was required to contribute 14 percent; 13 percent was the portion used to fund pension obligations. For fiscal years 2006 and 2005, the portion used to fund pension obligations was also 13 percent. Contribution rates are established by the State Teachers Retirement Board, upon recommendation of its consulting actuary, not to exceed statutory maximum rates of 10 percent for members and 14 percent for employers. Chapter 3307 of the Ohio Revised Code provides statutory authority for member and employer contributions. The District's required contributions for fund pension obligations to STRS Ohio for the fiscal years ended June 30, 2007, 2006, and 2005 were \$1,035,405, \$970,650, and \$966,329; respectively, 83.87 percent has been contributed for fiscal year 2007 and 100 percent for fiscal years 2006 and 2005. \$166,965 represents the unpaid pension contribution for fiscal year 2007 and is recorded as a liability within the respective funds. Contributions to the DC and Combined Plans for fiscal year 2007 were \$5,800 made by the District and \$10,409 made by plan members.

C. Social Security System

Effective July 1, 1991, all employees not otherwise covered by the SERS or the STRS Ohio have an option to choose Social Security or the SERS/STRS Ohio. As of June 30, 2007, certain members of the Board of Education have elected Social Security. The District's liability is 6.2% of wages paid.

NOTE 15 - POSTEMPLOYMENT BENEFITS

The District provides comprehensive health care benefits to retired teachers and their dependents through the State Teachers Retirement System of Ohio (STRS Ohio), and to retired non-certified employees and their dependents through the School Employees Retirement System (SERS). Benefits include hospitalization, physicians' fees, prescription drugs and reimbursement of monthly Medicare premiums. Benefit provisions and the obligations to contribute are established by the Systems based on authority granted by State statute. Both systems are funded on a pay-as-you-go basis.

All STRS Ohio retirees who participated in the DB or combined plans and their dependents are eligible for health care coverage. The STRS Ohio Board has statutory authority over how much, if any, of the health care costs will be absorbed by STRS Ohio. All benefit recipients pay a portion of health care cost in the form of a monthly premium. By law, the cost of coverage paid from STRS Ohio funds is included in the employer contribution rate, currently 14 percent of covered payroll. For the fiscal year ended June 30, 2007, the STRS Ohio Board allocated employer contributions equal to 1 percent of covered payroll to the Health Care Reserve Fund. For the District, this amount equaled \$79,647 for fiscal year 2007.

STRS Ohio pays health care benefits from the Health Care Stabilization Fund. At June 30, 2006 (the latest information available), the balance in the Health Care Stabilization Fund was \$3.5 billion. For the fiscal year ended June 30, 2006 (the latest information available), net health care costs paid by STRS Ohio were \$282.743 million and STRS Ohio had 119,184 eligible benefit recipients.

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2007**

NOTE 15 - POSTEMPLOYMENT BENEFITS - (Continued)

For SERS, coverage is made available to service retirees with ten or more fiscal years of qualifying service credit, and to disability and survivor benefit recipients. All retirees and beneficiaries are required to pay a portion of their premium for health care. The portion is based on years of service, Medicare eligibility, and retirement status.

After the allocation for basic benefits, the remainder of the employer's 14 percent contribution is allocated to providing health care benefits. For the fiscal year ended June 30, 2007, employer contributions to fund health care benefits were 3.32 percent of covered payroll, a decrease of .10 percent from fiscal year 2006. In addition, SERS levies a surcharge to fund health care benefits equal to 14 percent of the difference between a minimum pay and the member's pay, pro-rated for partial service credit. For fiscal year 2007, the minimum pay was established at \$35,800. Total surcharge is capped at 2 percent of each employer's SERS salaries. For the 2007 fiscal year, District paid \$111,421 to fund health care benefits, including the surcharge.

The surcharge, added to the unallocated portion of the 14 percent employer contribution rate, provides for maintenance of the asset target level for the health care fund. The target level for the health care reserve is 150 percent of the projected claims less premium contributions for the next year. Expenses for health care for the fiscal year ended June 30, 2006 (the latest information available) were \$158.751 million. At June 30, 2006 (the latest information available), SERS had net assets available for payment of health care benefits of \$295.6 million. At June 30, 2006 (the latest information available), SERS had 59,492 participants currently receiving health care benefits.

NOTE 16 - BUDGETARY BASIS OF ACCOUNTING

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

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

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

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2007

NOTE 16 - BUDGETARY BASIS OF ACCOUNTING - (Continued)

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

Net Change in Fund Balance

	<u>General Fund</u>
Budget basis	\$ 1,349,699
Net adjustment for revenue accruals	209,881
Net adjustment for expenditure accruals	(168,795)
Net adjustment for other sources/uses	(41,560)
Adjustment for encumbrances	<u>391,791</u>
GAAP basis	<u>\$ 1,741,016</u>

NOTE 17 - CONTINGENCIES

A. Grants

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

B. Litigation

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

NOTE 18 - STATUTORY RESERVES

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

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

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2007

NOTE 18 - STATUTORY RESERVES - (Continued)

	<u>Textbooks/ Instructional Materials</u>	<u>Capital Acquisition</u>
Set-aside balance as of June 30, 2006	\$ (418,010)	\$ -
Current year set-aside requirement	299,174	299,174
Qualifying disbursements	<u>(350,982)</u>	<u>(382,944)</u>
Total	<u>\$ (469,818)</u>	<u>\$ (83,770)</u>
Balance carried forward to FY 2008	<u>\$ (469,818)</u>	<u>\$ -</u>

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

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

Valley View Local School District
Montgomery County

Schedule of Federal Awards Expenditures
For the Fiscal Year Ended June 30, 2007

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>						
National School Lunch Program	LLP4	10.555	\$ 84,882	\$ -	\$ 84,882	\$ -
Food Donation	N/A	10.550	-	25,041	-	25,041
Total United States Department of Agriculture			84,882	25,041	84,882	25,041
United States Department of Education						
<i>Passed through Ohio Department of Education</i>						
Special Education Grants to States	6BSF	84.027	300,300	-	296,733	-
Special Education Preschool Grants	6BSF	84.173	5,321	-	4,777	-
Total Special Education Cluster			305,621	-	301,510	-
Title I Grants to Local Educational Agencies	C1S1	84.010	90,312	-	97,796	-
Safe and Drug-Free Schools and Communities State Grants	DRS1	84.186	4,244	-	3,946	-
State Grants for Innovative Programs	C2S1	84.298	1,768	-	-	-
Education Technology State Grants	TJS1	84.318	1,060	-	-	-
Improving Teacher Quality State Grants	TRS1	84.367	62,355	-	56,926	-
Total Passed through Ohio Department of Education			465,360	-	460,178	-
<i>Passed through Ohio Network Training and Assistance for Schools and Communities</i>						
Education Research, Development and Dissemination	N/A	84.305F	2,800	-	2,490	-
Total United States Department of Education			468,160	-	462,668	-
Total Federal Financial Assistance			\$ 553,042	\$ 25,041	\$ 547,550	\$ 25,041

N/A=Not Available

See Notes to the Schedule of Federal Awards Expenditures.

**VALLEY VIEW LOCAL SCHOOL DISTRICT
MONTGOMERY COUNTY**

**NOTES TO THE SCHEDULE OF FEDERAL AWARDS EXPENDITURES
FOR THE FISCAL YEAR ENDED JUNE 30, 2007**

NOTE A – SIGNIFICANT ACCOUNTING POLICIES

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

NOTE B – MATCHING REQUIREMENTS

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

NOTE C – FOOD DONATION

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 nonmonetary assistance (expenditures) is reported in the Schedule at the fair market value of the commodities received.

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Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*

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

We have audited the financial statements of the governmental activities, the major fund, and the aggregate remaining fund information of the Valley View Local School District, (the District), as of and for the year ended June 30, 2007, which collectively comprise the District's basic financial statements and have issued our report thereon dated December 31, 2007. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Valley View Local School District's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Valley View Local School District's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of Valley View Local School District's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control over financial reporting that we consider to be significant deficiencies.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control over financial reporting. We consider the deficiencies described in the accompanying schedule of findings and questioned costs to be significant deficiencies in internal control over financial reporting. These items are identified in the accompanying schedule of findings and questioned costs as items 2007-001 and 2007-002.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control. Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, we do not believe that the significant deficiencies described above are material weaknesses.

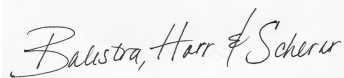
Compliance and Other Matters

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

We noted certain matters that we reported to management of the District in a separate letter dated December 31, 2007.

The District's responses to the findings identified in our audit are described in the accompanying schedule of findings and questioned costs. We did not audit the District's responses and, accordingly, we express no opinion on them.

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



Balestra, Harr & Scherer, CPAs, Inc.

December 31, 2007

BALESTRA, HARR & SCHERER CPAs, INC.

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Report on Compliance With Requirements Applicable to Each Major Program and on Internal Control Over Compliance in Accordance With OMB Circular A-133

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

Compliance

We have audited the compliance of the Valley View Local School District, (the District) with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the year ended June 30, 2007. The District's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of the District's management. Our responsibility is to express an opinion on the District's compliance based on our audit.

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

In our opinion, the District complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2007.

Internal Control Over Compliance

The management of the District 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 District's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, but not for the purpose of expressing an opinion on the effectiveness of the internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the District's internal control over compliance.

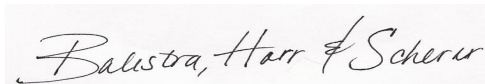
Internal Control Over Compliance (Continued)

A control deficiency in the District's internal control over compliance exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect noncompliance with a type of compliance requirement of a federal program on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the District's ability to administer a federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the District's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by the District's internal control.

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 that might be 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.

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



Balestra, Harr & Scherer, CPAs, Inc.

December 31, 2007

Valley View Local School District
Schedule of Findings and Questioned Costs
OMB Circular A-133 Section .505
For the Fiscal Year Ended June 30, 2007

SUMMARY OF AUDITOR'S RESULTS

(d)(1)(i)	Type of Financial Statement Opinion	Unqualified
(d)(1)(ii)	Were there any material weaknesses reported at the financial statement level (GAGAS)?	No
(d)(1)(ii)	Were there any other significant deficiencies reported at the financial statement level (GAGAS)?	Yes
(d)(1)(iii)	Was there any reported noncompliance at the financial statement level (GAGAS)?	No
(d)(1)(iv)	Were there any material weaknesses reported for major federal programs?	No
(d)(1)(iv)	Were there any other significant deficiencies 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 Programs (list):	Special Education Cluster, CFDA #s 84.027 and 84.173
(d)(1)(viii)	Dollar Threshold: Type A/B Programs	Type A: > \$300,000 Type B: all others
(d)(1)(ix)	Low Risk Auditee?	Yes

Valley View Local School District
Schedule of Findings and Questioned Costs
OMB Circular A-133 Section .505
For the Fiscal Year Ended June 30, 2007

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

FINDING NUMBER 2007-001

Significant Deficiency

During the course of the audit, immaterial misstatements were identified related to the following:

- Additions to Capital Assets,

The District should implement application and monitoring controls over financial reporting to ensure that all financial statement transactions are accurately and completely reported.

Client Response:

I plan to stay more aware of major purchases, renovations, etc. during the year to inform my GAAP vendor of the major adjustments that need to be made on the financial statements.

FINDING NUMBER 2007-002

Significant Deficiency

The District was unable to provide the underlying support documentation for extracurricular activities. Sales potential forms were not properly completed and on file for all fund raising activities. Failure to properly account for extracurricular events resulted from the Activity Advisors and the Athletic Supervisors not preparing and/or maintaining sufficient sales receipt documentation to support the monies collected.

The District should require all student activity advisors to utilize sales potential forms. These forms should be properly completed and approved. The forms should contain sufficient detail to document the source and amount of all receipts and to support related expenditures. The District should adopt Student Activity Guidelines and Procedures policy and require all sales receipt documentation used to support monies collected, at extracurricular events, be maintained and made available for inspection by the Treasurer. Further, the source documentation supporting extracurricular events monies collected should be attached to the Pay-in Deposit Receipt Forms that is submitted to the District Treasurer.

Client Response:

The District will notify the building administrators of this requirement and they will then inform all extracurricular advisors of the requirements.

FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS

None

Valley View Local School District
 Schedule of Prior Audit Findings
 OMB Circular A-133 Section .315(b)
 June 30, 2007

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain:</i>
2006-001	Ohio Revised Code Section 5705.41 (D) – “Then and Now” certificates, Blanket certificate and Super blanket certificate.	Yes	
2006-002	Extracurricular Activity Receipts	No	Re-issue as Finding 2007-002



Mary Taylor, CPA
Auditor of State

VALLEY VIEW LOCAL SCHOOL DISTRICT

MONTGOMERY COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
APRIL 3, 2008**