



**Auditor of State  
Betty Montgomery**



**VALLEY VIEW LOCAL SCHOOL DISTRICT  
MONTGOMERY COUNTY**

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## Auditor of State Betty Montgomery

### INDEPENDENT ACCOUNTANTS' REPORT

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

To the Board of Education:

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Valley View Local School District, Montgomery County, (the District), as of and for the year ended June 30, 2004, which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the District's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the District as of June 30, 2004, 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 May 3, 2005, on our consideration of the District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. While we did not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting and compliance and the results of that testing. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*. You should read it in conjunction with this report in assessing the results of our audit.

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

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

**Betty Montgomery**  
Auditor of State

May 3, 2005

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2004**

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, 2004. 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 2004 are as follows:

- In total, net assets of governmental activities increased \$908,039 which represents a 31.92% increase from 2003.
- General revenues accounted for \$14,514,236 in revenue or 83.14% of all revenues. Program specific revenues in the form of charges for services and sales, grants and contributions accounted for \$1,898,547 or 10.88% and the District had a contribution to a permanent fund for \$1,044,984, for total revenues of \$17,457,767.
- The District had \$16,549,728 in expenses related to governmental activities; only \$1,898,547 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 \$14,514,236 and permanent fund contributions of \$1,044,984 were adequate to provide for these programs.
- The District's major governmental funds are the general fund and the Dursch Jackson scholarship permanent fund. The general fund had \$15,065,494 in revenues and other financing sources, and \$14,820,561 in expenditures and other financing uses. During fiscal 2004, the general fund's fund balance, increased \$244,933 from \$276,122 to \$521,055.
- The Dursch Jackson scholarship permanent fund had \$1,060,483 in revenues. During fiscal 2004, the Dursch Jackson scholarship permanent fund's fund balance, increased from \$0 to \$1,060,483.

**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 non-major funds presented in total in one column. In the case of the District, the general fund and Dursch Jackson scholarship permanent fund are by far the most significant funds, and the only governmental funds reported as major funds.

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2004  
(Continued)**

**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 2004?" The Statement of Net Assets and the Statement of Activities answer this question. These statements include *all assets, liabilities, revenues and expenses* using the *accrual basis of accounting* similar to the accounting used by most private-sector companies. This basis of accounting will take into account all of the current year's revenues and expenses regardless of when cash is received or paid.

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

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

The District's statement of net assets and statement of activities can be found on pages 15-16 of this report.

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

**Fund Financial Statements**

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

**Governmental Funds**

Most of the District's activities are reported in governmental funds, which focus on how money flows into and out of those funds and the balances left at year-end available for spending in future periods. These funds are reported using an accounting method called *modified accrual* accounting, which measures cash and all other *financial assets* than can readily be converted to cash. The governmental fund financial statements provide a detailed *short-term* view of the District's general government operations and the basic services it provides. Governmental fund information helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance educational programs. The relationship (or differences) between governmental *activities* (reported in the Statement of Net Assets and the Statement of Activities) and governmental *funds* is reconciled in the basic financial statements. The basic governmental fund financial statements can be found on pages 17-21 of this report.



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

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2004  
(Continued)**

**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 22 and 23. 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 25-49 of this report.

**The District as a Whole**

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

The table below provides a summary of the District's net assets for 2004 and 2003.

	<b>Net Assets</b>	
	<b>Governmental Activities 2004</b>	<b>Governmental Activities 2003</b>
<b>Assets</b>		
Current and other assets	\$7,639,803	\$5,728,071
Capital assets	4,256,725	4,515,720
Total assets	11,896,528	10,243,791
<b>Liabilities</b>		
Current liabilities	5,818,499	5,363,075
Long-term liabilities	2,325,279	2,036,005
Total liabilities	8,143,778	7,399,080
<b>Net Assets</b>		
Invested in capital assets, net of related debt	2,921,173	3,312,755
Restricted	1,060,483	15,632
Unrestricted	(228,906)	(483,676)
Total net assets	\$3,752,750	\$2,844,711

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

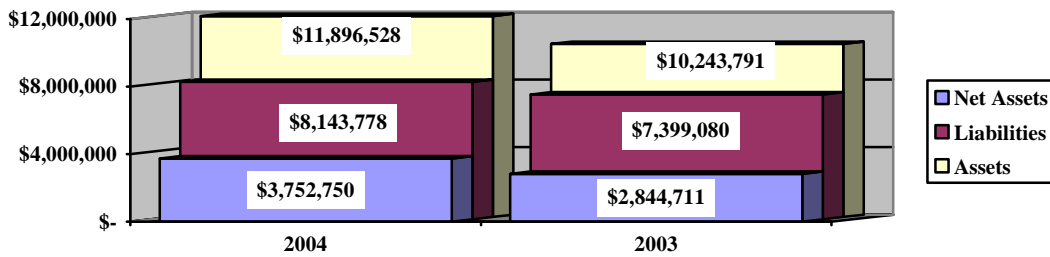
**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2004  
(Continued)**

Over time, net assets can serve as a useful indicator of a government's financial position. At June 30, 2004, the District's assets exceeded liabilities by \$3,752,750. At year-end, net assets were \$3,752,750.

At year-end, capital assets represented 35.78% 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, 2004, were \$2,921,173. 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 is a deficit of \$228,906.

**Governmental Activities**



The table below shows the change in net assets for fiscal years 2004 and 2003.

	<u>Change in Net Assets</u>	
	<u>Governmental Activities 2004</u>	<u>Governmental Activities 2003</u>
<b>Revenues</b>		
Program revenues:		
Charges for services and sales	\$1,260,255	\$1,182,327
Operating grants and contributions	594,842	572,221
Capital grants and contributions	43,450	66,460
General revenues:		
Property taxes	6,102,947	5,890,308
Grants and entitlements	8,236,093	7,683,675
Investment earnings	39,864	54,720
Other	135,332	103,106
Special item:		
Permanent fund contributions	1,044,984	-
<b>Total revenues</b>	<u><u>\$17,457,767</u></u>	<u><u>\$15,552,817</u></u>

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2004  
(Continued)**

	<b>Change in Net Assets</b>	
	<b>Governmental Activities 2004</b>	<b>Governmental Activities 2003</b>
<b>Expenses</b>		
Program expenses:		
Instruction:		
Regular	\$7,270,639	\$6,732,867
Special	1,119,103	1,250,870
Vocational	464,908	462,278
Other	144,686	233,889
Support services:		
Pupil	966,118	830,655
Instructional staff	649,754	619,464
Board of education	18,025	70,242
Administration	1,598,913	1,585,744
Fiscal	271,514	260,725
Business	18,827	7,290
Operations and maintenance	1,276,953	1,263,350
Pupil transportation	805,768	811,166
Central	404,144	327,290
Extracurricular activities	610,168	581,685
Food service operations	743,933	719,653
Latchkey operations	94,464	95,184
Interest and fiscal charges	91,811	90,140
	<b>16,549,728</b>	<b>15,942,492</b>
 Change in net assets	<b>\$908,039</b>	<b>(\$389,675)</b>

**Governmental Activities**

Net assets of the District's governmental activities increased \$908,039. Total governmental expenses of \$16,549,728 were offset by program revenues of \$1,898,547, general revenues of \$14,514,236 and a special item of \$1,044,984. Program revenues supported 11.47% of the total governmental expenses.

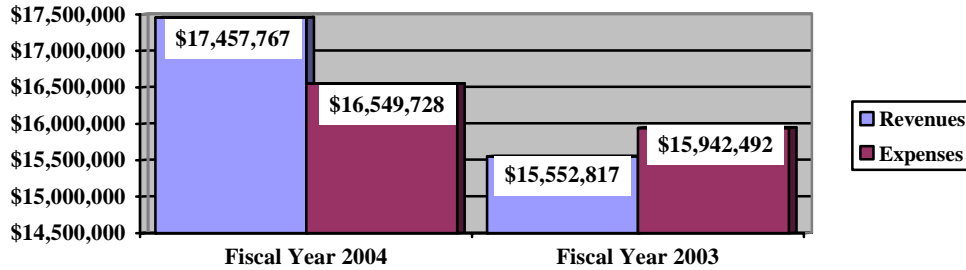
The primary sources of revenue for governmental activities are derived from property taxes, a school district income tax, and grants and entitlements. These revenue sources represent 82.14% of total governmental revenue. Real estate property is reappraised every six years and the school district income 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, 2004  
(Continued)**

The graph below presents the District's governmental activities revenue and expenses for fiscal year 2004 and 2003.

**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.

	<b>Governmental Activities</b>			
	<b>Total Cost of Services 2004</b>	<b>Net Cost of Services 2004</b>	<b>Total Cost of Services 2003</b>	<b>Net Cost of Services 2003</b>
<b>Program expenses</b>				
Instruction:				
Regular	\$ 7,270,639	\$ 6,842,444	\$ 6,732,867	\$ 6,336,959
Special	1,119,103	905,526	1,250,870	1,004,620
Vocational	464,908	464,756	462,278	462,278
Other	144,686	142,969	233,889	228,588
Support services:				
Pupil	966,118	855,395	830,655	713,356
Instructional staff	649,754	641,158	619,464	607,528
Board of education	18,025	18,025	70,242	70,242
Administration	1,598,913	1,595,899	1,585,744	1,580,181
Fiscal	271,514	270,012	260,725	259,224
Business	18,827	18,827	7,290	7,290
Operations and maintenance	1,276,953	1,276,786	1,263,350	1,263,350
Pupil transportation	805,768	751,368	811,166	756,575
Central	404,144	384,849	327,290	305,969
Extracurricular activities	610,168	359,744	581,685	364,944
Food service operations	743,933	11,759	719,653	51,049
Latchkey operations	94,464	19,853	95,184	19,191
Interest and fiscal charges	91,811	91,811	90,140	90,140
<b>Total expenses</b>	<b>\$ 16,549,728</b>	<b>\$ 14,651,181</b>	<b>\$ 15,942,492</b>	<b>\$ 14,121,484</b>

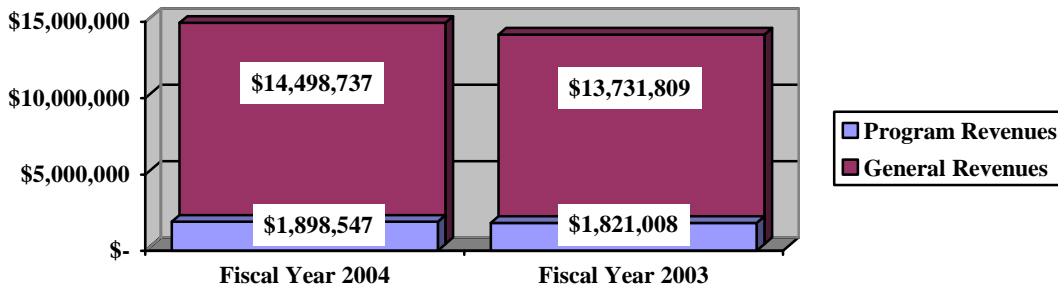
**VALLEY VIEW LOCAL SCHOOL DISTRICT  
MONTGOMERY COUNTY, OHIO**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2004  
(Continued)**

The dependence upon tax and other general revenues for governmental activities is apparent, 92.85% of instruction activities are supported through taxes and other general revenues. For all governmental activities, general revenue support is 88.53%. 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 2004 and 2003.

**Governmental Activities - General and Program Revenues**



**The District's Funds**

The District's governmental funds (as presented on the balance sheet on page 16) reported a combined fund balance of \$1,615,066, which is higher than last year's total of \$357,150. The schedule below indicates the fund balance and the total change in fund balance as of June 30, 2004 and 2003.

	<u>Fund Balance June 30, 2004</u>	<u>Fund Balance June 30, 2003</u>	<u>Increase Decrease</u>
General	\$ 521,055	\$ 276,122	\$ 244,933
Dursch Jackson Scholarship	1,060,483	-	1,060,483
Other Governmental	<u>33,528</u>	<u>81,028</u>	<u>(47,500)</u>
Total	<u>\$ 1,615,066</u>	<u>\$ 357,150</u>	<u>\$ 1,257,916</u>

**General Fund**

The District's general fund's fund balance increased \$244,933. The table that follows assists in illustrating the financial activities and fund balance of the general fund.

	<u>2004 Amount</u>	<u>2003 Amount</u>	<u>Percentage Change</u>
<b>Revenues</b>			
Taxes	\$ 5,981,953	\$ 5,831,917	2.57 %
Tuition	159,066	104,656	51.99 %
Earnings on investments	17,167	51,582	(66.72) %
Intergovernmental	8,236,093	7,683,675	7.19 %
Other revenues	<u>301,113</u>	<u>228,960</u>	31.51 %
Total	<u>\$ 14,695,392</u>	<u>\$ 13,900,790</u>	5.72 %

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2004  
(Continued)**

	<u>2004 Amount</u>	<u>2003 Amount</u>	<u>Percentage Change</u>
<b>Expenditures</b>			
Instruction	\$ 8,210,977	\$ 8,004,475	2.58 %
Support services	5,448,056	5,484,277	(0.66) %
Extracurricular activities	391,652	325,738	20.24 %
Facilities acquisition and construction	38,700	2,736	1,314.47 %
Capital outlay	366,177	-	100.00 %
Debt Service	<u>325,776</u>	<u>304,196</u>	7.09 %
Total	<u>\$ 14,781,338</u>	<u>\$ 14,121,422</u>	4.67 %

**Dursch Jackson Scholarship Fund**

The Dursch Jackson scholarship permanent fund had \$1,060,483 in revenues. During fiscal 2004, the Dursch Jackson scholarship permanent fund's fund balance, increased \$1,060,483 to \$1,060,483.

**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 2004, the District amended its general fund budget numerous times. For the general fund, final budgeted revenues and other financing sources were \$14,714,760, which is greater than the original budgeted revenues estimate of \$14,292,963. Actual revenues and other financing sources for fiscal 2004 was \$14,714,760, which was the same as the final budgeted revenues and other financing sources.

General fund original appropriations (appropriated expenditures plus other financing uses) of \$14,990,573 were decreased to \$14,588,519 in the final budget. The actual budget basis expenditures and other financing uses for fiscal year 2004 totaled \$14,588,519, which was the same as the final budget appropriations.

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2004  
(Continued)**

**Capital Assets and Debt Administration**

**Capital Assets**

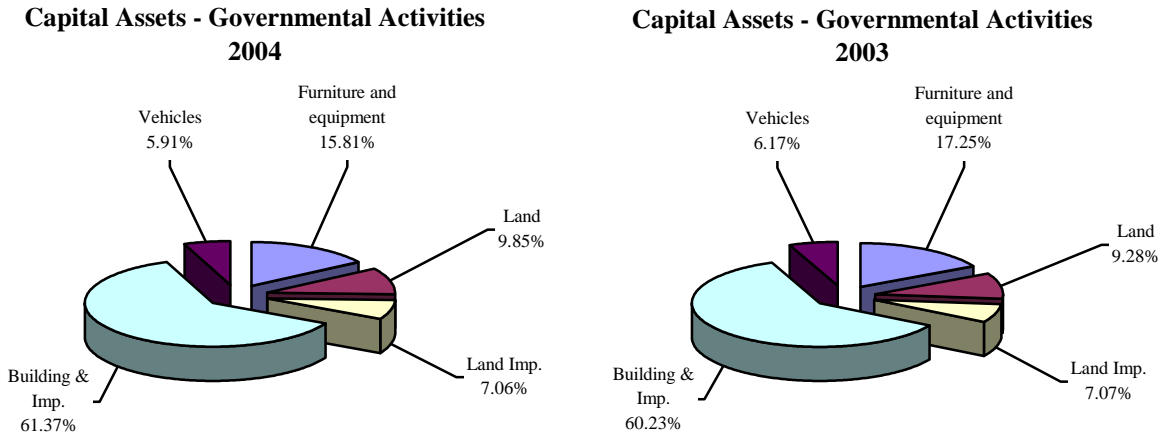
At the end of fiscal 2004, the District had \$4,256,725 invested in land, land improvements, buildings and improvements, furniture and equipment, and vehicles. This entire amount is reported in governmental activities. The following table shows fiscal 2004 balances compared to 2003:

**Capital Assets at June 30  
(Net of Depreciation)**

	<b>Governmental Activities</b>	
	<b>2004</b>	<b>2003</b>
Land	\$419,243	\$419,243
Land improvements	300,437	319,099
Building and improvements	2,612,659	2,719,855
Furniture and equipment	672,823	778,868
Vehicles	251,563	278,655
<b>Total</b>	<b><u>\$4,256,725</u></b>	<b><u>\$4,515,720</u></b>

Total additions to capital assets for 2004 were \$153,982. The District recorded \$410,176 in depreciation expense for fiscal 2004.

The following graphs show the breakdown governmental activities capital assets by category for 2004 and 2003.



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

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2004  
(Continued)**

**Debt Administration**

At June 30, 2004, the District had \$306,949 in general obligation bonds and energy conservation notes outstanding. Of this total, \$183,306 is due within one year and \$123,643 is due within greater than one year.

The following table summarizes the bonds and notes outstanding.

**Outstanding Debt, at Year End**

	<b>Governmental Activities 2004</b>	<b>Governmental Activities 2003</b>
	<hr/>	<hr/>
General obligation bonds	\$131,949	\$139,702
Energy conservation notes	<hr/> 175,000	<hr/> 330,000
 Total	 <hr/> <u>\$306,949</u>	 <hr/> <u>\$469,702</u>

The energy conservation notes are scheduled to mature in fiscal year 2005 and bear an interest rate of 5.40%. Payment of principal and interest on the energy conservation notes are being made from the general fund.

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

At June 30, 2004, the District's overall legal debt margin was \$16,338,112 with an unvoted debt margin of \$49,586 and an unvoted energy conservation debt margin of \$1,458,811.

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

**Current Financial Related Activities**

The Valley View Local School District continued to provide excellent services to our students, parents and community during fiscal year 2004 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. The last additional tax levy was approved in February 1995. The prudent management of district funds has allowed the District to fund student achievement without levying additional taxes to the local community for over eight years.

The District demonstrated continued success during fiscal year 2004 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 (13 out of 18) and the performance index score. The District was able to provide the services necessary to obtain the student achievement while spending \$540.00 less than the average Ohio school district.



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

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2004  
(Continued)**

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

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

The District also experienced a significant increase in delinquent property taxes during fiscal year 2003 that continued into fiscal year 2004, and the future collection of the property tax delinquencies is uncertain and difficult to predict. These two declines in critical local revenue significantly impacted both the carryover balance from fiscal year 2003 and the future revenue forecasted for the District for fiscal year 2004 and beyond.

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 60.97% during fiscal year 2004. The District experienced a state budget cut to the foundation program of \$97,038.95 during March of 2003 for fiscal year 2003 that reduced the payments in April, May and June of 2003. The district also suffered losses due to several legislative actions, including HB 95 that reduced revenue for fiscal year 2004 and beyond. The District's federal funding was also reduced during fiscal year 2004. The State of Ohio continues to struggle with budget deficits in the current biennial budget. The future of both State and Federal funding has been difficult to predict and the future of both is unknown.

On December 11, 2002, the Ohio Supreme Court issued its latest opinion regarding the state's school funding plan. The decision reaffirmed earlier decisions that Ohio's current school funding plan is unconstitutional. The Supreme Court relinquished jurisdiction over the case and directed "...the Ohio General Assembly to enact a school funding scheme that is thorough and efficient...". The District is currently unable to determine what effect, if any, this decision will have on its future state funding and its financial operations.

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

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

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2004  
(Continued)**

The Board of Education went back to the voters on August 3, 2004 to propose the 5.80 mill emergency property tax levy and the voters approved the levy by 104 votes (51.70%). As a result of the levy's approval, the Board of Education reinstated the one mile radius for busing, reinstated district support of field trips, reduced the pay to participate fees for extracurricular activities and reinstated one Title I teacher. The Board of Education was prudent in their decisions regarding reinstatements due to the uncertainty of future funding. The Board of Education has attempted to maintain the levels of student achievement obtained in recent years with less than state average spending, and hopes that the passage of the levy during August 2004 will help to ensure the resources necessary for the educational excellence and achievement of all of our students.

**Contacting the District's Financial Management**

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

**VALLEY VIEW LOCAL SCHOOL DISTRICT  
MONTGOMERY COUNTY**

**STATEMENT OF NET ASSETS  
JUNE 30, 2004**

	<b>Governmental Activities</b>
<b>Assets:</b>	
Equity in pooled cash and cash equivalents	\$1,338,154
Investments	988,100
Receivables:	
Taxes	5,210,830
Accounts	43,918
Accrued interest	5,788
Intergovernmental	7,828
Loans	1,262
Prepayments	38,354
Materials and supplies inventory	5,569
Capital assets:	
Land	419,243
Depreciable capital assets, net	3,837,482
Total capital assets, net	4,256,725
 Total assets	 11,896,528
<b>Liabilities:</b>	
Accounts payable	68,047
Accrued wages and benefits	1,402,348
Pension obligation payable	406,917
Intergovernmental payable	56,163
Deferred revenue	3,884,594
Accrued interest payable	430
Long-term liabilities:	
Due within one year	392,289
Due within more than one year	1,932,990
Total liabilities	8,143,778
<b>Net Assets:</b>	
Invested in capital assets, net of related debt	2,921,173
Restricted for:	
Scholarships:	
Nonexpendable	1,044,984
Expendable	15,499
Unrestricted (deficit)	(228,906)
Total net assets	\$3,752,750

*See accompanying notes to the basic financial statements.*



**VALLEY VIEW LOCAL SCHOOL DISTRICT  
MONTGOMERY COUNTY**

**BALANCE SHEET  
GOVERNMENTAL FUNDS  
JUNE 30, 2004**

	<u>General</u>	<u>Dursch Jackson Scholarship</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
<b>Assets:</b>				
Equity in pooled cash and cash equivalents	\$1,050,703	\$72,383	\$215,068	\$1,338,154
Investments		988,100		988,100
Receivables:				
Taxes	5,210,830			5,210,830
Accounts	43,918			43,918
Intergovernmental			7,828	7,828
Accrued interest	5,788			5,788
Interfund loans	25,000			25,000
Loans	1,262			1,262
Prepayments	38,354			38,354
Materials and supplies inventory			5,569	5,569
<b>Total assets</b>	<u>6,375,855</u>	<u>1,060,483</u>	<u>228,465</u>	<u>7,664,803</u>
<b>Liabilities:</b>				
Accounts payable	23,938		44,109	68,047
Accrued wages and benefits	1,316,290		86,058	1,402,348
Compensated absences payable	71,648			71,648
Interfund loans payable			25,000	25,000
Pension obligation payable	238,623		9,416	248,039
Intergovernmental payable	25,809		30,354	56,163
Deferred revenue	4,178,492			4,178,492
<b>Total liabilities</b>	<u>5,854,800</u>		<u>194,937</u>	<u>6,049,737</u>
<b>Fund Balances:</b>				
Reserved for encumbrances	142,101		574	142,675
Reserved for materials and supplies inventory			5,569	5,569
Reserved for property tax unavailable for appropriation	207,212			207,212
Reserved for prepayments	38,354			38,354
Reserved for scholarships		1,044,984		1,044,984
Reserved for unclaimed monies	5,319			5,319
Unreserved, undesignated, reported in:				
General fund	128,069			128,069
Special revenue funds			27,385	27,385
Permanent fund		15,499		15,499
<b>Total fund balances</b>	<u>521,055</u>	<u>1,060,483</u>	<u>33,528</u>	<u>1,615,066</u>
<b>Total liabilities and fund balances</b>	<u>\$6,375,855</u>	<u>\$1,060,483</u>	<u>\$228,465</u>	<u>\$7,664,803</u>

See accompanying notes to the basic financial statements.

**VALLEY VIEW LOCAL SCHOOL DISTRICT  
MONTGOMERY COUNTY**

**RECONCILIATION OF TOTAL GOVERNMENTAL FUND BALANCES TO  
NET ASSETS OF GOVERNMENTAL ACTIVITIES  
JUNE 30, 2004**

<b>Total governmental fund balances</b>		<b>\$1,615,066</b>
Amounts reported for governmental activities in the statement of net assets are different because:		
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.		4,256,725
Other long-term assets are not available to pay for current-period expenditures and therefore are deferred in the funds.		
Taxes	\$288,110	
Accrued interest	5,788	
Total		293,898
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	131,949	
Capital lease obligation	1,028,603	
Energy conservation notes	175,000	
Compensated absences	918,079	
Pension obligation payable	158,878	
Accrued interest payable	430	
Total		(2,412,939)
<b>Net assets of governmental activities</b>		<b>\$3,752,750</b>

*See accompanying notes to the basic financial statements.*

**VALLEY VIEW LOCAL SCHOOL DISTRICT  
MONTGOMERY COUNTY**

**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES  
GOVERNMENTAL FUNDS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2004**

	<u>General</u>	<u>Dursch Jackson Scholarship</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
<b>Revenues:</b>				
From local sources:				
Taxes	\$5,981,953			\$5,981,953
Tuition	159,066			159,066
Earnings on investments	17,167	15,499	1,410	34,076
Charges for services			601,091	601,091
Transportation fees	54,400			54,400
Classroom materials and fees	120,663			120,663
Extracurricular			250,424	250,424
Other local revenues	126,050		83,893	209,943
Intergovernmental - Intermediate			1,234	1,234
Intergovernmental - State	8,236,093		133,488	8,369,581
Intergovernmental - Federal			503,570	503,570
Gifts and contributions		1,044,984		1,044,984
<b>Total revenue</b>	<u>14,695,392</u>	<u>1,060,483</u>	<u>1,575,110</u>	<u>17,330,985</u>
<b>Expenditures:</b>				
Current:				
Instruction:				
Regular	6,703,587		165,600	6,869,187
Special	911,499		213,946	1,125,445
Vocational	452,920		787	453,707
Other	142,971		1,715	144,686
Support Services:				
Pupil	757,195		167,507	924,702
Instructional staff	613,323		16,081	629,404
Board of education	17,801			17,801
Administration	1,516,485		3,542	1,520,027
Fiscal	240,124		1,501	241,625
Business	18,827			18,827
Operations and maintenance	1,270,376		2,586	1,272,962
Pupil transportation	762,684			762,684
Central	251,241		58,565	309,806
Food service operations			738,859	738,859
Latchkey operations			91,651	91,651
Extracurricular activities	391,652		188,654	580,306
Facilities acquisition and construction	38,700		8,151	46,851
Capital outlay	366,177			366,177
Debt service:				
Principal retirement	233,590			233,590
Interest and fiscal charges	92,186			92,186
<b>Total expenditures</b>	<u>14,781,338</u>		<u>1,659,145</u>	<u>16,440,483</u>
Excess of revenues under expenditures	<u>(85,946)</u>	<u>1,060,483</u>	<u>(84,035)</u>	<u>890,502</u>
<b>Other financing sources (uses):</b>				
Transfers in	3,925		39,223	43,148
Transfers (out)	(39,223)		(3,925)	(43,148)
Proceeds of capital lease transaction	366,177			366,177
<b>Total other financing sources (uses)</b>	<u>330,879</u>		<u>35,298</u>	<u>366,177</u>
Net change in fund balances	244,933	1,060,483	(48,737)	1,256,679
Fund balances at beginning of year	276,122		81,028	357,150
Increase in reserve for inventory			1,237	1,237
<b>Fund balances at end of year</b>	<u><u>\$521,055</u></u>	<u><u>\$1,060,483</u></u>	<u><u>\$33,528</u></u>	<u><u>\$1,615,066</u></u>

See accompanying notes to the basic financial statements.

**VALLEY VIEW LOCAL SCHOOL DISTRICT  
MONTGOMERY COUNTY**

**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, 2004**

<b>Net change in fund balances - total governmental funds</b>	<b>\$1,256,679</b>
Amounts reported for governmental activities in the statement of activities are different because:	
Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets are allocated over their estimated useful lives as depreciation expense. This is the amount by which depreciation expense (\$410,176) exceeds capital outlays (\$153,982) in the current period.	(256,194)
The net effect of various miscellaneous transactions involving capital assets (i.e.; disposals, sales, trade-ins, and donations) is to decrease net assets.	(2,801)
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.	126,782
Repayment of bonds, notes and capital lease obligations are expenditures in the governmental funds, but these repayments reduce long-term liabilities on the statement of net assets.	233,590
Proceeds of capital lease transactions are recorded as revenue in the funds, however, on the statement of activities, they are not reported as revenues as they increase liabilities on the statement of net assets.	(366,177)
In the statement of activities, interest is accrued on outstanding bonds and notes, whereas in governmental funds, an interest expenditure is reported when due.	375
Governmental funds report expenditures for inventory when purchased, however, in the statement of activities, they are reported as expenses when consumed.	1,237
Some expenses reported in the statement of activities, such as compensated absences and pension obligations, do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds.	<u>(85,452)</u>
<b>Change in net assets of governmental activities</b>	<b><u><u>\$908,039</u></u></b>

*See accompanying notes to the basic financial statements.*



**VALLEY VIEW LOCAL SCHOOL DISTRICT  
MONTGOMERY COUNTY**

**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, 2004**

	<u>Budgeted Amounts</u>			<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
<b>Revenues:</b>				
From local sources:				
Taxes	\$5,828,224	\$6,000,220	\$6,000,220	
Tuition	154,506	159,066	159,066	
Transportation fees	52,841	54,400	54,400	
Earnings on investments	28,234	29,067	29,067	
Classroom materials and fees	115,678	119,092	119,092	
Other local revenues	23,906	24,611	24,611	
Intergovernmental - State	<u>8,000,006</u>	<u>8,236,093</u>	<u>8,236,093</u>	
<b>Total revenue</b>	<u>14,203,395</u>	<u>14,622,549</u>	<u>14,622,549</u>	
<b>Expenditures:</b>				
Current:				
Instruction:				
Regular	6,923,722	6,738,025	6,738,025	
Special	943,021	917,729	917,729	
Vocational	462,037	449,645	449,645	
Other	154,340	150,201	150,201	
Support Services:				
Pupil	778,756	757,869	757,869	
Instructional staff	631,655	614,714	614,714	
Board of education	18,380	17,887	17,887	
Administration	1,611,656	1,568,431	1,568,431	
Fiscal	257,078	250,183	250,183	
Business	19,565	19,040	19,040	
Operations and maintenance	1,347,425	1,311,286	1,311,286	
Pupil transportation	793,400	772,121	772,121	
Central	259,354	252,398	252,398	
Extracurricular activities	394,519	383,938	383,938	
Facilities acquisition and construction	40,217	39,138	39,138	
Debt Service:				
Principal retirement	209,118	203,509	203,509	
Interest and fiscal charges	<u>80,306</u>	<u>78,152</u>	<u>78,152</u>	
<b>Total expenditures</b>	<u>14,924,549</u>	<u>14,524,266</u>	<u>14,524,266</u>	
Excess of revenues over (under) expenditures	<u>(721,154)</u>	<u>98,283</u>	<u>98,283</u>	
<b>Other financing sources (uses):</b>				
Refund of prior year expenditure	78,664	80,985	80,985	
Refund of prior year receipts	(31)	(30)	(30)	
Transfers in	3,812	3,925	3,925	
Transfers out	(40,304)	(39,223)	(39,223)	
Advances out	(25,689)	(25,000)	(25,000)	
Proceeds from sale of capital assets	<u>7,092</u>	<u>7,301</u>	<u>7,301</u>	
<b>Total other financing sources (uses)</b>	<u>23,544</u>	<u>27,958</u>	<u>27,958</u>	
<b>Net change in fund balance</b>	<u>(697,610)</u>	<u>126,241</u>	<u>126,241</u>	
<b>Fund balance at beginning of year</b>	639,216	639,216	639,216	
<b>Prior year encumbrances appropriated</b>	<u>137,898</u>	<u>137,898</u>	<u>137,898</u>	
<b>Fund balance at end of year</b>	<u><u>\$79,504</u></u>	<u><u>\$903,355</u></u>	<u><u>\$903,355</u></u>	<u><u>\$0</u></u>

See accompanying notes to the basic financial statements.

**VALLEY VIEW LOCAL SCHOOL DISTRICT  
MONTGOMERY COUNTY**

**STATEMENT OF FIDUCIARY NET ASSETS  
FIDUCIARY FUNDS  
JUNE 30, 2004**

	<b>Private-Purpose Trust</b>	
	<b>Scholarship</b>	<b>Agency</b>
<b>Assets:</b>		
Equity in pooled cash and cash equivalents	\$18,029	\$74,514
Total assets	18,029	74,514
<b>Liabilities:</b>		
Accounts payable		6,119
Loans payable		1,262
Due to students		67,133
Total liabilities		\$74,514
<b>Net Assets:</b>		
Held in trust for scholarships	18,029	
Total net assets	\$18,029	

*See accompanying notes to the basic financial statements.*

**VALLEY VIEW LOCAL SCHOOL DISTRICT  
MONTGOMERY COUNTY**

**STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS  
FIDUCIARY FUND  
FOR THE FISCAL YEAR ENDED JUNE 30, 2004**

	<b>Private-Purpose Trust</b>
	<b>Scholarship</b>
<b>Additions:</b>	
Interest	\$303
Gifts and contributions	3,300
	3,603
Total additions	3,603
<b>Deductions:</b>	
Scholarships awarded	4,868
	(1,265)
Change in net assets	(1,265)
<b>Net assets at beginning of year</b>	19,294
<b>Net assets at end of year</b>	\$18,029

*See accompanying notes to the basic financial statements.*

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**VALLEY VIEW LOCAL SCHOOL DISTRICT  
MONTGOMERY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2004**

**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 270<sup>th</sup> largest by enrollment among the 613 public school districts in the state. It currently operates two elementary schools, one middle school, and one comprehensive high school. The District employs 105 non-certified and 141 certified employees to provide services to 2,056 students in grades K through 12 and various community groups.

**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". The reporting entity is composed 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 organizations' governing board and (1) the District is able to significantly influence the programs or services performed or provided by the organization; or (2) the District is legally entitled to or can otherwise access the organizations resources; or (3) the District is legally obligated or has otherwise assumed the responsibility to finance the deficits of, or provide financial support to, the organization; or (4) the District is obligated for the debt of the organization. Component units may also include organizations that are fiscally dependent on the District in that the District approves the budget, the issuance of debt or the levying of taxes.

**VALLEY VIEW LOCAL SCHOOL DISTRICT  
MONTGOMERY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2004  
(Continued)**

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

Based upon the application of this criteria, the District has no component units. The basic financial statements of the reporting entity include only those of the District (the primary government). The following organizations are described due to their relationship to the District:

**1. Jointly Governed Organizations**

**Miami Valley Career Tech Vocational School**

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

**Southwestern Ohio Educational Purchasing Cooperative (SOEPC)**

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

**Metropolitan Dayton Educational Cooperative Association (MDECA)**

The District is a participant in MDECA, which is a computer consortium of 25 public school districts within the boundaries of Darke, Greene, Miami, and Montgomery Counties. The organization was formed for the purpose of applying modern technology (with the aid of computers and other electronic equipment) to administrative and instructional functions among member school districts. The governing board of MDECA consists of one representative from each district plus one representative from the fiscal agent. The District pays MDECA an enrollment based fee for services provided during the year; this fee totaled \$57,687 for fiscal 2004. Financial information is available from Jerry C. Woodyard, Executive Director, at 201 Riverside Drive, Dayton, Ohio 45405.

**2. Related Organization**

**Germantown Public Library**

The Germantown Public Library is a distinct political subdivision of the State of Ohio, created in accordance with Chapter 3375, ORC.

**VALLEY VIEW LOCAL SCHOOL DISTRICT  
MONTGOMERY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2004  
(Continued)**

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

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 2004.

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

**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.

**1. Governmental Funds**

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

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

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

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

**2. Proprietary Funds**

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

**VALLEY VIEW LOCAL SCHOOL DISTRICT  
MONTGOMERY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2004  
(Continued)**

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**3. Fiduciary Funds**

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

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

**1. 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.

**2. 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.



**VALLEY VIEW LOCAL SCHOOL DISTRICT  
MONTGOMERY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2004  
(Continued)**

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**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.

**1. 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, grants, entitlements and donations. On an accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied (see Note 7). Revenue from grants, entitlements and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the fiscal year when use is first permitted, matching requirements, in which the District must provide local resources to be used for a specified purpose, and expenditure requirements, in which the resources are provided to the District on a reimbursement basis. On a modified accrual basis, revenue from nonexchange transactions must also be available before it can be recognized.

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

**2. Deferred Revenue**

Deferred revenue arises when assets are recognized before revenue recognition criteria have been satisfied. Property taxes for which there is an enforceable legal claim as of June 30, 2004, but which were levied to finance fiscal year 2005 operation, have been recorded as deferred revenue. Grants and entitlements received before the eligibility requirements are met are also recorded as deferred revenue.

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

**3. 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.

**VALLEY VIEW LOCAL SCHOOL DISTRICT  
MONTGOMERY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2004  
(Continued)**

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

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

**E. Budgets**

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

**1. 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.

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

**VALLEY VIEW LOCAL SCHOOL DISTRICT  
MONTGOMERY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2004  
(Continued)**

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**3. Appropriations:**

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

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

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

**4. 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 2004, investments were limited to nonnegotiable certificates of deposit and a U.S. Government money market mutual fund. Except for nonparticipating investment contracts, investments are reported at fair value, which is based on quoted market prices. Nonparticipating investment contracts, such as nonnegotiable certificates of deposit and repurchase agreements, are reported at cost.

Under existing Ohio statutes all investment earning are assigned to the general fund unless statutorily required to be credited to a specific fund. The Board of Education has, by resolution, specified the funds to receive an allocation of interest earnings. Interest revenue credited to the general fund during fiscal year 2004 amounted to \$17,167, which includes \$7,363 assigned from other District funds.

**VALLEY VIEW LOCAL SCHOOL DISTRICT  
MONTGOMERY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2004  
(Continued)**

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

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 Treasurer's investment account at fiscal year-end is provided in Note 4.

**G. Inventory**

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

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

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

**H. Capital Assets**

General capital assets are those assets not 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

**VALLEY VIEW LOCAL SCHOOL DISTRICT  
MONTGOMERY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2004  
(Continued)**

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**I. Interfund Balances**

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

**J. Compensated Absences**

The District reports compensated absences in accordance with the provisions of GASB No. 16, "Accounting for Compensated Absences". Vacation benefits are accrued as a liability as the benefits are earned if the employee's rights to receive compensation are attributable to services already rendered and it is probable that the District will compensate the employees for the benefits through paid time off or some other means. Sick leave benefits are accrued as a liability using the "vesting method".

A liability for sick leave is based on the sick leave accumulated at the balance sheet date by those employees who are currently eligible to receive termination (severance) payments, as well as those employees expected to become eligible in the future. For purposes of establishing a liability for this future severance eligibility, all employees at least fifty (50) years of age with at least ten (10) years of service or twenty (20) years of service at any age were included.

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

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

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

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

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

**L. Fund Balance Reserves**

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

**VALLEY VIEW LOCAL SCHOOL DISTRICT  
MONTGOMERY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2004  
(Continued)**

**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 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 basis financial statements.

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

**Q. Extraordinary and Special Items**

Extraordinary items are transactions or events that are both unusual in nature and infrequent in occurrence. Special items are transactions or events that are within the control of the Board of Education and that are either unusual in nature or infrequent in occurrence. Neither type of transaction occurred during fiscal 2004.

**VALLEY VIEW LOCAL SCHOOL DISTRICT  
MONTGOMERY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2004  
(Continued)**

**3. ACCOUNTABILITY AND COMPLIANCE**

**Deficit Fund Balances**

Fund balances at June 30, 2004 included the following individual fund deficits:

	<b>Deficit</b>
<b><u>Nonmajor Governmental Funds</u></b>	
Food Service	\$18,340
Latchkey Operations	13,676
Management Information Systems	52
Summer Intervention	18
Title VI-B	1,561
Title I	15,342
Title VI	18
Drug-Free Schools	2
Reducing Class Size	16
Miscellaenous Federal Grants	3

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

**4. EQUITY IN POOLED CASH AND CASH EQUIVALENTS**

The District maintains a cash and investment pool used by all funds. Each fund type's portion of this pool is displayed on the basic financial statements as "Equity in Pooled Cash and Cash Equivalents". Statutes require the classification of 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 the Board of Education has identified as not required for use within the current two-year period of designation of depositories. Inactive deposits must either be evidenced by certificates of deposit maturing not later than the end of the current period of designation of depositories, or by savings or deposit accounts including, but not limited to, passbook accounts.

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

**VALLEY VIEW LOCAL SCHOOL DISTRICT  
MONTGOMERY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2004  
(Continued)**

**4. EQUITY IN POOLED CASH AND CASH EQUIVALENTS (Continued)**

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

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

1. United States Treasury Notes, Bills, Bonds, or any other obligation or security issued by the United States Treasury or any other obligation guaranteed as to principal or interest by the United States;
2. Bonds, notes, debentures, or any other obligations or securities issued by any federal government agency or instrumentality, including but not limited to, the Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, Government National Mortgage Association, and Student Loan Marketing Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
3. Written repurchase agreements in the securities listed above provided that the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least 2% and be marked to market daily, and that the term of the agreement must not exceed thirty days;
4. Bonds and other obligations of the State of Ohio;
5. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2) of this section and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions;
6. The State Treasury Asset Reserve of Ohio (STAR Ohio);
7. Certain bankers' acceptances and commercial paper notes for a period not to exceed 180 days in an amount not to exceed 25% of the interim monies available for investment at any one time; and
8. Under limited circumstances, corporate debt instrument rated in either of the two highest rating classifications by at least two nationally recognized rating agencies.

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



**VALLEY VIEW LOCAL SCHOOL DISTRICT  
MONTGOMERY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2004  
(Continued)**

**4. EQUITY IN POOLED CASH AND CASH EQUIVALENTS (Continued)**

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

**Deposits:** At year-end, the carrying amount of the District's deposits was \$1,375,123 and the bank balance was \$1,519,842. Both of these amounts include \$288,000 in nonnegotiable certificates of deposit and a money market fund. Of the bank balance:

1. \$588,000 was covered by federal depository insurance; and
2. \$931,842 was uninsured and uncollateralized as defined by GASB although it was secured by collateral held by third party trustees, pursuant to section 135.181 Ohio Revised Code, in collateralized pools securing all public funds on deposit with specific depository institutions; these securities not being in the name of the District. Although all state statutory requirements for the deposit of money had been followed, non-compliance with federal requirements would potentially subject the District to a successful claim by the FDIC.

Collateral is required for demand deposits and certificates of deposit in excess of all deposits not covered by federal depository insurance. Obligations that may be pledged as collateral are obligations of the United States and its agencies, obligations of the State of Ohio and its municipalities, and obligations of the other states. Obligations pledged to secure deposits must be delivered to a bank other than the institution in which the deposit is made. Written custodial agreements are required.

**Investments:** The District's investments are categorized below to give an indication of the level of custodial credit risk assumed by the entity at fiscal year-end. Category 1 includes investments that are insured or registered or securities held by the District. Category 2 includes uninsured and unregistered investments for which the securities are held by the counterparty's trust department or agent in the District's name. Category 3 includes uninsured and unregistered investments for which the securities are held by the counterparty or by its trust department, but not in the District's name. U.S. Government money market mutual funds are unclassified investments as they are not evidenced by securities that exist in physical or book entry form.

	<u>Category of Risk</u> <u>2</u>	<u>Reported</u> <u>Amount</u>	<u>Fair</u> <u>Value</u>
Federal agency security	\$ 988,100	\$ 988,100	\$ 988,100

The classification of cash and cash equivalents and investments on the basic financial statements is based on criteria set forth in GASB Statement No. 9. A reconciliation between the classifications of cash and investments on the basic financial statements and the classification per GASB Statement No. 3 is as follows:

**VALLEY VIEW LOCAL SCHOOL DISTRICT  
MONTGOMERY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2004  
(Continued)**

**4. EQUITY IN POOLED CASH AND CASH EQUIVALENTS (Continued)**

	<b>Cash and Cash Equivalents/Deposits</b>	<b>Investments</b>
GASB Statement No. 9	\$ 1,430,697	\$ 988,100
Investments of the cash management pool:		
U.S. Government money market mutual fund	(55,574)	55,574
GASB Statement No. 3	\$ 1,375,123	\$ 1,043,674

**5. INTERFUND TRANSACTIONS**

- A.** Interfund loans receivable/payable consisted of the following at June 30, 2004, as reported on the fund statements:

<b>Receivable Fund</b>	<b>Payable Fund</b>	<b>Amount</b>
General	Latchkey Operations	\$ 25,000

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

- B.** Interfund transfers for the year ended June 30, 2004, consisted of the following, as reported on the fund statements:

	<b>Amount</b>
Transfers from general fund to:	
Nonmajor governmental funds	\$ 39,223
Transfers from nonmajor governmental funds to:	
General fund	3,925

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

**6. LOANS RECEIVABLE/PAYABLE**

During fiscal 2003, the General fund loaned the Student Managed Activity agency fund \$1,262. This loan is expected to be repaid during fiscal 2005. This loan receivable/payable is reflected in the fund financial statements and on the government-wide 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, 2004  
(Continued)**

**7. PROPERTY TAXES**

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

Property taxes include amounts levied against all real, public utility and tangible personal property (used in business) located in the District. Real property tax revenue received during calendar 2004 represents collections of calendar year 2003 taxes. Real property taxes received during calendar year 2004 were levied after April 1, 2003, on the assessed value listed as of January 1, 2003, 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 during calendar 2004 represents collections of calendar year 2003 taxes. Public utility real and tangible personal property taxes received during calendar year 2004 became a lien December 31, 2002, were levied after April 1, 2003 and are collected in 2004 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 2004 (other than public utility property) represents the collection of 2004 taxes. Tangible personal property taxes received in calendar year 2004 were levied after April 1, 2003, on the value as of December 31, 2003. Tangible personal property is currently assessed at twenty-five percent of true value for capital assets and twenty-four percent of true value for inventory. Payments by multi-county taxpayers are due September 20. Single county taxpayers may pay annually or semi-annually. If paid annually, payment is due April 30; if paid semi-annually, the first payment is due April 30, with the remainder payable by September 20. Tangible personal property taxes paid by April 30 are usually received by the District prior to June 30.

The District receives property taxes from Montgomery County. The County Auditor periodically advances to the District the portion of the taxes collected. Second-half real property tax payments collected by the County Auditor by June 30, 2004, are available to finance fiscal year 2004 operations. The amount available as an advance at June 30, 2004 was \$207,212 in the general fund. This amount has been recorded as revenue. The amount that was available as advance at June 30, 2003 was \$206,118 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, 2004 and for which there is an enforceable legal claim. Although total property tax collections for the next fiscal year are measurable, only the amount of real property taxes available as an advance at June 30 was levied to finance current fiscal year operations and is reported as revenue at fiscal year-end. The portion of the receivable not levied to finance current fiscal year operations is offset by a credit to deferred revenue.

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

**VALLEY VIEW LOCAL SCHOOL DISTRICT  
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**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2004  
(Continued)**

**7. PROPERTY TAXES (Continued)**

The assessed values upon which the fiscal year 2004 taxes were collected are:

	2003 Second Half Collections		2004 First Half Collections	
	Amount	Percent	Amount	Percent
Agricultural/residential and other real estate	\$ 159,858,520	87.98	\$ 161,542,510	88.99
Public utility personal	14,543,660	8.00	13,894,300	7.66
Tangible personal property	7,292,623	4.02	6,097,769	3.35
 Total	 \$ 181,694,803	 100.00	 \$ 181,534,579	 100.00
 Tax rate per \$1,000 of assessed valuation for:				
Operations	\$ 41.00		\$ 41.00	

**8. SCHOOL DISTRICT INCOME TAX**

During fiscal 1991, the voters of the District passed an additional .5% income tax, effective for five years. This additional .50% income tax was renewed by the voters in fiscal 1996 and again in fiscal 2001 for calendar years 2002 - 2006. During fiscal 1995, voters of the District passed an additional .75% income tax, effective for five years, and renewed it in fiscal 2000 for calendar years 2001 - 2005. The tax is collected by the State of Ohio and remitted to the District quarterly. Total income tax revenue for fiscal 2004 credited to the general fund was \$2,351,670.

**9. RECEIVABLES**

Receivables at June 30, 2004 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:

<b>Governmental Activities:</b>	
Taxes	\$5,210,830
Accounts	43,918
Accrued interest	5,788
Loans	1,262
Intergovernmental	7,828
Total	\$5,269,626

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

**VALLEY VIEW LOCAL SCHOOL DISTRICT  
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**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2004  
(Continued)**

**10. CAPITAL ASSETS**

Capital asset activity for the fiscal year ended June 30, 2004 was as follows:

	<u>Balance 07/01/03</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance 06/30/04</u>
<b>Governmental Activities:</b>				
<i>Capital assets, not being depreciated:</i>				
Land	\$ 419,243	\$ -	\$ -	\$ 419,243
Total capital assets, not being depreciated	<u>419,243</u>	<u>-</u>	<u>-</u>	<u>419,243</u>
<i>Capital assets, being depreciated:</i>				
Land improvements	812,355	10,300	-	822,655
Buildings and improvements	6,390,727	18,123	-	6,408,850
Furniture and equipment	1,951,270	69,579	-	2,020,849
Vehicles	1,081,835	55,980	(101,363)	1,036,452
Total capital assets, being depreciated	<u>10,236,187</u>	<u>153,982</u>	<u>(101,363)</u>	<u>10,288,806</u>
<i>Less: accumulated depreciation:</i>				
Land improvements	(493,256)	(28,962)	-	(522,218)
Buildings and improvements	(3,670,872)	(125,319)	-	(3,796,191)
Furniture and equipment	(1,172,402)	(175,624)	-	(1,348,026)
Vehicles	(803,180)	(80,271)	98,562	(784,889)
Total accumulated depreciation	<u>(6,139,710)</u>	<u>(410,176)</u>	<u>98,562</u>	<u>(6,451,324)</u>
Governmental activities capital assets, net	<u>\$ 4,515,720</u>	<u>\$ (256,194)</u>	<u>\$ (2,801)</u>	<u>\$ 4,256,725</u>

Depreciation expense was charged to governmental functions as follows:

<b>Instruction:</b>	
Regular	\$ 130,534
Special	5,152
Vocational	6,441
<b>Support Services:</b>	
Pupil	2,931
Instructional staff	3,877
Administration	1,774
Fiscal	223
Operations and maintenance	23,020
Pupil transportation	89,097
Central	92,168
Extracurricular activities	39,985
Food service operations	<u>14,974</u>
Total depreciation expense	<u>\$ 410,176</u>

**VALLEY VIEW LOCAL SCHOOL DISTRICT  
MONTGOMERY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2004  
(Continued)**

**11. CAPITALIZED LEASES - LESSEE DISCLOSURE**

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

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

Principal payments for fiscal year 2004 totaled \$70,837. 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, 2004:

<u>Year Ending June 30</u>	<u>Building</u>	<u>Copiers</u>
2005	\$90,038	\$88,230
2006	90,039	88,230
2007	90,038	88,230
2008	90,039	88,230
2009	90,037	44,115
2010 - 2014	450,295	-
2015	90,040	-
Total future minimum lease payments	990,526	397,035
Less: amount representing interest	<u>(297,815)</u>	<u>(60,940)</u>
Present value of future minimum lease payments	<u><u>\$692,711</u></u>	<u><u>\$336,095</u></u>

**VALLEY VIEW LOCAL SCHOOL DISTRICT  
MONTGOMERY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2004  
(Continued)**

**12. LONG-TERM OBLIGATIONS**

During the fiscal year 2004, the following changes occurred in governmental activities long-term obligations:

	<u>Issued</u>	<u>Due</u>	<u>Interest Rate</u>	<u>Balance 07/01/03</u>	<u>Increase</u>	<u>Decrease</u>	<u>Balance 07/01/04</u>	<u>Amount Due in One Year</u>
<b>G.O. Bonds Payable</b>								
Facility acquisition	2000	2015	6.9%	\$ 139,702	\$ -	\$ (7,753)	\$ 131,949	\$ 8,306
Total G.O. bonds				<u>139,702</u>	<u>-</u>	<u>(7,753)</u>	<u>131,949</u>	<u>8,306</u>
<b>Notes Payable</b>								
Energy conservation	1996	2005	5.40%	<u>330,000</u>	<u>-</u>	<u>(155,000)</u>	<u>175,000</u>	<u>175,000</u>
Total notes payable				<u>330,000</u>	<u>-</u>	<u>(155,000)</u>	<u>175,000</u>	<u>175,000</u>
<b>Other Long-Term Obligations</b>								
Capital lease obligation				733,263	366,177	(70,837)	1,028,603	108,838
Compensated absences				<u>833,040</u>	<u>193,855</u>	<u>(37,168)</u>	<u>989,727</u>	<u>100,145</u>
Total other long-term obligations				<u>1,566,303</u>	<u>560,032</u>	<u>(108,005)</u>	<u>2,018,330</u>	<u>208,983</u>
Total governmental activities				<u>\$ 2,036,005</u>	<u>\$ 560,032</u>	<u>\$ (270,758)</u>	<u>\$ 2,325,279</u>	<u>\$ 392,289</u>

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

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

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

**VALLEY VIEW LOCAL SCHOOL DISTRICT  
MONTGOMERY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2004  
(Continued)**

**12. LONG-TERM OBLIGATIONS -Continued)**

Principal and interest requirements to retire general obligation bonds and notes outstanding at June 30, 2004, are as follows:

<b>Fiscal Year Ending June 30</b>	<b>General Obligation Bonds</b>			<b>Energy Conservation Notes</b>		
	<b>Principal</b>	<b>Interest</b>	<b>Total</b>	<b>Principal</b>	<b>Interest</b>	<b>Total</b>
2005	\$ 8,306	\$ 8,845	\$ 17,151	\$ 175,000	\$ 10,325	\$ 185,325
2006	8,898	8,253	17,151	-	-	-
2007	9,540	7,610	17,150	-	-	-
2008	10,200	6,951	17,151	-	-	-
2009	10,938	6,213	17,151	-	-	-
2010 - 2014	67,542	18,213	85,755	-	-	-
2015	16,525	625	17,150	-	-	-
<b>Total</b>	<b>\$ 131,949</b>	<b>\$ 56,710</b>	<b>\$ 188,659</b>	<b>\$ 175,000</b>	<b>\$ 10,325</b>	<b>\$ 185,325</b>

**Legal Debt Margin**

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

The effects of these debt limitations at June 30, 2004 are a voted debt margin of \$16,338,112, and an unvoted debt margin of \$49,586 and an unvoted energy conservation debt margin of \$1,458,811.

**13. OTHER EMPLOYEE BENEFITS**

**A. Compensated Absences**

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

**B. Insurance Benefits**

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



**VALLEY VIEW LOCAL SCHOOL DISTRICT  
MONTGOMERY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2004  
(Continued)**

**14. RISK MANAGEMENT**

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

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

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

Post employment health care is provided to plan participants or their beneficiaries through the respective retirement systems discussed in Note 16. As such, no funding provisions are required by the District.

The District continues to carry commercial insurance for all other risks of loss. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years. There has been no significant reduction in amounts of insurance coverage from fiscal 2003.

**15. DEFINED BENEFIT PENSION PLANS**

**A. School Employees Retirement System**

The District contributes to the School Employees Retirement System of Ohio (SERS), a cost-sharing, multiple-employer defined benefit pension plan. 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 State Statute Chapter 3309 of the Ohio Revised Code. SERS issues a publicly available, stand-alone financial report that includes financial statements and required supplementary information. The report may be obtained by writing to the School Employees Retirement System, 300 East Broad Street, Suite 100, Columbus, Ohio 43215-3476, or by calling (614) 222-5853.

Plan members are required to contribute 10% of their annual covered salary and the District is required to contribute at an actuarially determined rate. The current District rate is 14% of annual covered payroll. A portion of the District's contribution is used to fund pension obligations with the remainder being used to fund health care benefits. For fiscal year 2004, 9.09% of annual covered salary was the portion used to fund pension obligations. For fiscal year 2003, 8.17% of annual covered salary was the portion used to fund pension obligations. The contribution requirements of plan members and employers are established and may be amended, up to a statutory maximum amount, by the SERS' Retirement Board. The adequacy of the contribution rates is determined annually. The District's required contributions to SERS for the fiscal years ended June 30, 2004, 2003, and 2002 were \$213,708, \$297,764, and \$269,634, respectively; 42.63% has been contributed for fiscal year 2004 and 100% for the fiscal years 2003 and 2002. \$122,614 represents the unpaid contribution for fiscal year 2004.

**VALLEY VIEW LOCAL SCHOOL DISTRICT  
MONTGOMERY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2004  
(Continued)**

**15. DEFINED BENEFIT PENSION PLANS (Continued)**

**B. State Teachers Retirement System**

The District contributes to the State Teachers Retirement System of Ohio (STRS), a cost-sharing, multiple-employer public employee retirement system administered by the State Teachers Retirement Board. STRS provides retirement and disability benefits, annual cost-of-living adjustments, and death and survivor benefits to plan members and beneficiaries. Authority to establish and amend benefits is provided by Chapter 3307 of the Ohio Revised Code. STRS issues a publicly available, stand-alone financial report that includes financial statements and required supplementary information. The report may be obtained by writing to the State Teachers Retirement System, 275 East Broad Street, Columbus, Ohio 43215-3771, or by calling (614) 227-4090.

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

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

Plan members are required to contribute 10% of their annual covered salary and the District is required to contribute at an actuarially determined rate. The current District rate is 14% of annual covered payroll. A portion of the District's contribution is used to fund pension obligations with the remainder being used to fund health care benefits. For fiscal year 2004, 13% of annual covered salary was the portion used to fund pension obligations. For fiscal year 2003, 13% of annual covered salary was the portion used to fund pension obligations. Contribution rates are established by the State Teachers Retirement Board, upon recommendation of its consulting actuary, not to exceed statutory maximum rates of 10% for members and 14% for employers. Chapter 3307 of the Ohio Revised Code provides statutory authority for member and employee contributions.

The District's required contributions to the DB Plan for the fiscal years ended June 30, 2004, 2003, and 2002 were \$993,586, \$1,029,955, and \$981,285, respectively; 82.99% has been contributed for fiscal year 2004 and 100% for the fiscal years 2003 and 2002. \$168,985 represents the unpaid contribution for fiscal year 2004.

**VALLEY VIEW LOCAL SCHOOL DISTRICT  
MONTGOMERY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2004  
(Continued)**

**15. DEFINED BENEFIT PENSION PLANS (Continued)**

**C. Social Security System**

Effective July 1, 1991, all employees not otherwise covered by the SERS or the STRS have an option to choose Social Security or the SERS/STRS. The District's liability is 6.2% of wages paid.

**16. POSTEMPLOYMENT BENEFITS**

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

The State Teachers Retirement Board has statutory authority over how much, if any, of the health care costs will be absorbed by STRS. Most benefit recipients pay a portion of the health care cost in the form of a monthly premium. By Ohio law, the cost of coverage paid from STRS funds shall be included in the employer contribution rate, currently 14% of covered payroll. For this fiscal year, the State Teachers Retirement Board allocated employer contributions equal to 1% of covered payroll to the Health Care Reserve fund. For the District, this amount equaled \$76,430 during fiscal 2004.

STRS pays health care benefits from the Health Care Reserve fund. The balance in the Health Care Reserve fund was \$3.1 billion at June 30, 2004. For the fiscal year ended June 30, 2004, net health care costs paid by STRS were \$268,739,000 and STRS had 111,853 eligible benefit recipients.

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

For this fiscal year, employer contributions to fund health care benefits were 4.91% of covered payroll. In addition, SERS levies a surcharge to fund health care benefits equal to 14% of the difference between a minimum pay and the member's pay, pro-rated for partial service credit. For fiscal year 2004, the minimum pay has been established at \$25,400. The surcharge, added to the unallocated portion of the 14% employer contribution rate, provides for maintenance of the asset target level for the health care fund.

The target level for the health care reserve is 150% of annual health care expenses. Expenses for health care at June 30, 2004 were \$223,443,805 and the target level was \$335.2 million.

At June 30, 2004, SERS had net assets available for payment of health care benefits of \$303.8 million and SERS had approximately 62,000 participants receiving health care benefits. For the District, the amount to fund health care benefits, including surcharge, equaled \$158,260 during the 2004 fiscal year.

**VALLEY VIEW LOCAL SCHOOL DISTRICT  
MONTGOMERY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2004  
(Continued)**

**17. BUDGETARY BASIS OF ACCOUNTING**

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

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

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

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

<b>Net Change in Fund Balance</b>	
	<u><b>General Fund</b></u>
Budget basis	\$ 126,241
Net adjustment for revenue accruals	72,843
Net adjustment for expenditure accruals	(416,320)
Net adjustment for other sources/uses	302,921
Adjustment for encumbrances	<u>159,248</u>
GAAP basis	<u>\$ 244,933</u>

**18. CONTINGENCIES**

**A. Grants**

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

**VALLEY VIEW LOCAL SCHOOL DISTRICT  
MONTGOMERY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2004  
(Continued)**

**18. CONTINGENCIES (Continued)**

**B. Litigation**

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

**C. State School Funding Decision**

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

The Supreme Court relinquished jurisdiction over the case and directed "...the Ohio General Assembly to enact a school funding scheme that is thorough and efficient...". The District is currently unable to determine what effect, if any, this decision will have on its future state funding and its financial operations.

**19. STATUTORY RESERVES**

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

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

	<u>Textbooks/ Instructional Materials</u>	<u>Capital Acquisition</u>
Set-aside cash balance as of June 30, 2003	\$ (482,147)	\$ -
Current year set-aside requirement	272,955	272,955
Qualifying disbursements	<u>(257,513)</u>	<u>(532,633)</u>
Total	<u>\$ (466,705)</u>	<u>\$ (259,678)</u>
Balance carried forward to FY 2005	<u>\$ (466,705)</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.

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## Auditor of State Betty Montgomery

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

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

To the Board of Education:

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Valley View Local School District, Montgomery County, (the District), as of and for the year ended June 30, 2004, which collectively comprise the District's basic financial statements and have issued our report thereon dated May 3, 2005. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*.

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

In planning and performing our audit, we considered the District's internal control over financial reporting to determine our auditing procedures in order to express our opinion on the financial statements and not to opine on the internal control over financial reporting. Our consideration of the internal control would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts material to the financial statements we audited may occur and not be timely detected by employees when performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider material weaknesses. However, in a separate letter to the District's management dated May 3, 2005, we reported a matter involving internal control over financial reporting we did not deem a reportable condition.

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

As part of reasonably assuring whether the District's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express an opinion. The results of our tests disclosed no instances of noncompliance or other matters we must report under *Government Auditing Standards*. However, in a separate letter to the District's management dated May 3, 2005, we reported other matters related to noncompliance we deemed immaterial.

Valley View Local School District  
Montgomery County  
Independent Accountants' Report On Internal Control Over  
Financial Reporting And On Compliance And Compliance And  
Other Matters Required By *Government Auditing Standards*  
Page 2

We intend this report solely for the information and use of the management, the Board of Education. It is not intended for anyone other than these specified parties.

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

**Betty Montgomery**  
Auditor of State

May 3, 2005



VALLEY VIEW LOCAL SCHOOL DISTRICT  
MONTGOMERY COUNTY

SCHEDULE OF PRIOR AUDIT FINDINGS  
JUNE 30, 2004

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <b>Explain</b>
2003-001	ORC Sec. 177.38 requires GAAP basis entities to file unaudited financial reports with the Auditor of State within 150 days of the fiscal year end. The District's financial report for the fiscal year ending June 30, 2003 was to be filed with the Auditor of State by November 30, 2003, however was not filed until March 31, 2004	No	Partially Corrected – Repeat finding as a verbal comment.





**Auditor of State  
Betty Montgomery**

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P.O. Box 1140  
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Telephone 614-466-4514  
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Facsimile 614-466-4490

**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**

**MAY 31, 2005**