

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

**BALESTRA, HARR & SCHERER, CPAs, INC.**  
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Mary Taylor, CPA  
Auditor of State

Board of Education  
Valley Local School District  
1821 St Route 728  
P.O. Box 888  
Lucasville, Ohio 45648-0888

We have reviewed the *Independent Auditor's Report* of the Valley Local School District, Scioto County, prepared by Balestra, Harr & Scherer, CPAs, Inc., for the audit period July 1, 2006 through June 30, 2007. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

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

*Mary Taylor*

Mary Taylor, CPA  
Auditor of State

January 28, 2008

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**VALLEY LOCAL SCHOOL DISTRICT**  
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Member American Institute of Certified Public Accountants

Ohio Society of Certified Public Accountants

## Independent Auditor's Report

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

To the Board of Education:

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Valley Local School District, Scioto County, Ohio (the School District), as of and for the year ended June 30, 2007, which collectively comprise the School District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the School District's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

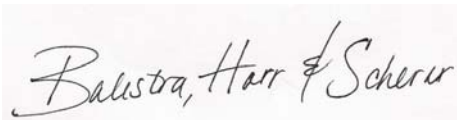
Ohio Administrative Code Section 117-2-03(B) requires the School District to prepare its annual financial report in accordance with accounting principles generally accepted in the United States of America. However, as discussed in Note 2, the accompanying financial statements and notes follow the cash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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective cash basis financial position of the governmental activities, each major fund and the aggregate remaining fund information of Valley Local School District, Scioto County, as of June 30, 2007, and the respective changes in cash basis financial position and the respective budgetary comparison for the General and Classroom Maintenance funds thereof for the year then ended in conformity with the accounting basis Note 2 describes.

In accordance with *Government Auditing Standards*, we have also issued our report dated October 27, 2007, on our consideration of the School District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

The Management's Discussion and Analysis on pages 3 through 9 is not a required part of the basic financial statements but is supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

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

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

Balestra, Harr & Scherer, CPAs, Inc.  
October 27, 2007

**VALLEY LOCAL SCHOOL DISTRICT**  
Management's Discussion and Analysis  
For the Fiscal Year Ended June 30, 2007

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As management of the Valley Local School District, we offer the readers of the School District's financial statements this narrative overview and analysis of the financial activities for the year ended June 30, 2007. We encourage readers to consider the information presented here in conjunction with the additional information that we have provided in the notes to the basic financial statements to enhance their understanding of the School District's performance.

**Financial Highlights**

Net assets of governmental activities decreased \$371,479.

General cash receipts accounted for \$7,601,589 or 66 percent of all total revenues. Program specific cash receipts in the form of charges for services and sales, grants, and contributions accounted for \$3,982,447 or 34 percent of total cash receipts of \$11,584,036.

The School District had \$11,955,515 in expenses related to governmental activities; only \$3,982,447 of these cash disbursements were offset by program specific charges for services and sales, grants, and contributions. General cash receipts (primarily grants, entitlements, and property taxes) of \$7,601,589 were not adequate to provide for these programs.

**USING THE BASIC FINANCIAL STATEMENTS**

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

**REPORT COMPONENTS**

The *Statement of Net Assets* and *Statement of Activities* provide information about the cash activities of the School District as a whole.

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

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

**BASIS OF ACCOUNTING**

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

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



**VALLEY LOCAL SCHOOL DISTRICT**  
Management's Discussion and Analysis  
For the Fiscal Year Ended June 30, 2007

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**REPORTING THE DISTRICT AS A WHOLE**

*Statement of Net Assets and Statement of Activities*

The statement of net assets and the statement of activities reflect how the School District did financially during 2007, within the limitations of the cash basis of accounting. The statement of net assets presents the cash balances and investments of the governmental activities of the School District at year end. The statement of activities compares cash disbursements with program receipts for each governmental program. Program receipts include charges paid by the recipient of the program's goods or services and grants and contributions restricted to meeting the operational or capital requirements of a particular program. General receipts are all receipts not classified as program receipts. The comparison of cash disbursements with program receipts identifies how each governmental function draws from the School District's general receipts.

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

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

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

*Fund Financial Statements*

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

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

# VALLEY LOCAL SCHOOL DISTRICT

## Management's Discussion and Analysis

For the Fiscal Year Ended June 30, 2007

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### *Fiduciary Funds*

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

The School District's fiduciary funds are agency funds which are used to maintain financial activity of the School District's Student Managed Activities.

### **THE SCHOOL DISTRICT AS A WHOLE**

Recall that the Statement of Net Assets provides the perspective of the School District as a whole. Table 1 provides a summary of the School District's net assets for 2007 compared to 2006.

(Table 1)  
Net Assets

	Governmental Activities	
	2007	2006
<b>Assets</b>		
Current Assets	\$ 3,517,338	\$ 3,888,817
Total Assets	<u>3,517,338</u>	<u>3,888,817</u>
<b>Net Assets</b>		
Restricted	1,242,284	1,536,478
Unrestricted	2,275,054	2,352,339
Total Net Assets	<u>\$ 3,517,338</u>	<u>\$ 3,888,817</u>

The most significant change from the prior year is due to a decrease in cash and cash equivalents. Total cash receipts increased from 2006 by \$506,445 while total cash disbursements increased \$815,224.

# VALLEY LOCAL SCHOOL DISTRICT

## Management's Discussion and Analysis

For the Fiscal Year Ended June 30, 2007

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

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

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

(Table 2)  
Change in Net Assets

<b>Cash Receipts</b>	Governmental Activities	
	2007	2006
Program Cash Receipts:		
Charges for Services and Sales	\$ 1,567,346	\$ 1,444,934
Operating Grants and Contributions	2,415,101	2,240,929
Total Program Cash Receipts	3,982,447	3,685,863
General Cash Receipts:		
Property Taxes	1,453,450	1,459,844
Grants and Entitlements not Restricted to Specific Programs	5,852,376	5,703,850
Contributions and Donations	14,121	10,158
Investment Earnings	190,623	154,337
Proceed from Sale of Capital Assets	2,375	0
Miscellaneous	88,644	63,539
Total General Cash Receipts	7,601,589	7,391,728
Total Cash Receipts	\$ 11,584,036	\$ 11,077,591

**VALLEY LOCAL SCHOOL DISTRICT**  
**Management's Discussion and Analysis**  
**For the Fiscal Year Ended June 30, 2007**

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(Table 2)  
Change in Net Assets  
(continued)

	Governmental Activities	
	2007	2006
<b>Program Cash Disbursements</b>		
Instruction:		
Regular	\$ 4,684,619	\$ 4,377,832
Special	1,184,061	1,208,288
Vocational	287,490	310,871
Other	174,749	67,949
Support Services:		
Pupils	494,921	404,727
Instructional Staff	760,343	818,780
Board of Education	41,332	31,349
Administration	681,268	660,152
Fiscal	240,207	192,745
Operation and Maintenance of Plant	1,048,188	992,764
Pupil Transportation	775,254	730,801
Central	393,562	303,808
Operation of Non-Instructional Services	421,960	433,796
Extracurricular Activities	236,959	235,420
Capital Outlay	308,879	143,676
Debt Service:		
Principal	170,000	170,000
Interest and Fiscal Charges	51,723	57,333
Total Cash Disbursements	11,955,515	11,140,291
 Change in Net Assets	 (371,479)	 (62,700)
 Net Assets, Beginning of the Year	 3,888,817	 3,951,517
Net Assets, End of the Year	\$ 3,517,338	\$ 3,888,817

Net assets decreased \$371,479, mainly due to increases in cash disbursements for regular instruction and capital outlay. The increase in cash disbursements in these and other governmental activities was partially offset by an increase in grants and entitlements not restricted to specific programs.

# VALLEY LOCAL SCHOOL DISTRICT

## Management's Discussion and Analysis

For the Fiscal Year Ended June 30, 2007

### Governmental Activities

Grants and entitlements not restricted to specific programs made up 51 percent of cash receipts for governmental activities of the Valley Local School District for fiscal year 2007. Property tax receipts made up 13 percent of the total cash receipts for governmental activities for a total of 64 percent of all cash receipts coming from property taxes and grants and entitlements not restricted to specific programs.

Regular instruction comprises 39 percent of governmental program cash disbursements. Support services expenses make up 37 percent of governmental cash disbursements.

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

(Table 3)  
Governmental Activities

	Total Cost of Services 2007	Net Cost of Services 2007	Total Cost of Services 2006	Net Cost of Services 2006
Instruction	\$ 6,330,919	\$ 4,210,721	\$ 5,964,940	\$ 4,008,087
Support Services	4,435,075	3,272,449	4,135,126	3,027,142
Operation of Non-Instructional Services	421,960	(106,172)	433,796	(92,124)
Extracurricular Activities	236,959	121,169	235,420	202,104
Capital Outlay	308,879	269,863	143,676	110,799
Principal	170,000	170,000	170,000	170,000
Interest and Fiscal Charges	51,723	35,038	57,333	28,420
Total Cash Disbursements	<u>\$ 11,955,515</u>	<u>\$ 7,973,068</u>	<u>\$ 11,140,291</u>	<u>\$ 7,454,428</u>

### The School District's Funds

The School District's major funds are accounted for using the cash basis of accounting. All governmental funds had total cash receipts of \$11,581,661 and cash disbursements of \$11,955,515. The most significant change in fund balance was in the General fund where the fund balance decreased by \$149,285.

For the General fund, intergovernmental cash receipts increased by \$266,334. These increases were partially offset by increases in cash disbursements for regular instruction and other instruction of \$233,446 and \$106,800, respectively.

For the Bond Retirement fund, cash receipts and disbursements were consistent with the prior year. Cash receipts exceeded cash disbursements resulting in the increase in fund balance in the amount of \$142,497.

For the Classroom Facilities Maintenance fund, cash receipts exceeded cash disbursements resulting in the increase in fund balance in the amount of \$37,448.

# VALLEY LOCAL SCHOOL DISTRICT

## Management's Discussion and Analysis

For the Fiscal Year Ended June 30, 2007

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### General Fund - Budget Highlights

The School District's budget is prepared according to Ohio law and is based on accounting for certain transactions on a basis of cash receipts, disbursements and encumbrances. The most significant budgeted fund is the General fund. During the course of fiscal year 2007, the School District revised its budget as it attempted to deal with unexpected changes in revenues and expenditures. A summary of the General fund's original and final budgeted amounts are listed on page 14, as well as the actual amounts. A variance comparison is presented between the final budgeted amount and the actual amounts.

For fiscal year 2007, the School District filed an amended certificate of estimated revenues. For the General fund, final estimated revenues were \$9,577,660, with original estimated revenues of \$9,420,137, a difference of \$157,523. Actual revenues were \$9,578,159, \$499 more than final estimated revenues.

At the end of fiscal year 2007, the School District filed an amended appropriations resolution. This resulted in the General Fund's final appropriations increasing \$357,282 over the original appropriations due mainly to operation and maintenance of plant and extracurricular activities. Actual expenditures were \$10,108,648, \$14,857 less than final estimated expenditures.

### Capital Assets

The School District does not record capital assets in the accompanying basic financial statements, but records payments for capital assets as disbursements. The School District had capital outlay disbursements of \$308,879 during fiscal year 2007.

### Debt

Under the cash basis of accounting the School District does not report bonds, long-term or short-term notes or capital leases in the accompanying cash basis financial statements. However, in order to provide information to the readers of this report, we are providing the following detailed information about bonds and capital leases. At June 30, 2007, the School District had \$1,845,000 in bonds and capital leases. For additional information regarding debt, please see notes 9 and 10 to the basic financial statements. Table 4 summarizes the outstanding debt:

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

	2007	2006
2001 General Obligation Refunding Bonds	\$ 845,000	\$ 1,015,000
Capital Lease	1,000,000	1,000,000
Totals	<u>\$ 1,845,000</u>	<u>\$ 2,015,000</u>

The School District's overall legal debt margin was \$4,718,549 with an unvoted debt margin of \$61,817 at June 30, 2007.

### Contacting the School District's Financial Management

This financial report is designed to provide our citizens, taxpayers, investors and creditors with a general overview of the School District's finances and to show the School District's accountability for the money it receives. If you have any questions about this report or need additional information, contact Michael Bennett, Treasurer at Valley Local School District, P.O. Box 888, Lucasville, Ohio 45648, or email mbennett@valley.k12.oh.us.

**VALLEY LOCAL SCHOOL DISTRICT**  
Statement of Net Assets - Cash Basis  
June 30, 2007

	<b>Governmental Activities</b>
<b>ASSETS:</b>	
Equity in pooled cash and cash equivalents	\$ 2,971,131
Cash and cash equivalents in segregated accounts	2,570
Investments in segregated accounts	23,334
Investments with escrow agents	484,251
Restricted Assets:	
Equity in pooled cash and cash equivalents	36,052
<i>Total Assets</i>	3,517,338
<b>NET ASSETS:</b>	
Restricted for debt service	381,363
Restricted for capital outlay	433
Restricted for other purposes	448,237
Restricted for future debt service	484,251
Restricted for set-asides	36,052
Unrestricted	2,167,002
<i>Total Net Assets</i>	\$ 3,517,338

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

**VALLEY LOCAL SCHOOL DISTRICT**  
Statement of Activities - Cash Basis  
For the Fiscal Year Ended June 30, 2007

	<u>Program Cash Receipts</u>			<b>Net Disbursements and Changes in Net Assets</b>
	<u>Cash Disbursements</u>	<u>Charges for Services and Sales</u>	<u>Operating Grants and Contributions</u>	<u>Governmental Activities</u>
Governmental Activities:				
Instruction:				
Regular	\$ 4,684,619	\$ 541,587	\$ 603,602	\$ (3,539,430)
Special	1,184,061	102,111	810,018	(271,932)
Vocational	287,490	39,108	-	(248,382)
Other	174,749	23,772	-	(150,977)
Support Services:				
Pupils	494,921	66,962	2,332	(425,627)
Instructional staff	760,343	76,945	169,749	(513,649)
Board of Education	41,332	5,623	-	(35,709)
Administration	681,268	92,324	2,254	(586,690)
Fiscal	240,207	31,553	3,973	(204,681)
Operation and maintenance of plant	1,048,188	142,583	38	(905,567)
Pupil transportation	775,254	105,388	377,975	(291,891)
Central	393,562	47,732	37,195	(308,635)
Operation of non-instructional services	421,960	160,268	367,864	106,172
Extracurricular activities	236,959	115,790	-	(121,169)
Capital outlay	308,879	15,600	23,416	(269,863)
Debt Service:				
Principal	170,000	-	-	(170,000)
Interest and fiscal charges	51,723	-	16,685	(35,038)
<i>Total Governmental Activities</i>	<u>\$ 11,955,515</u>	<u>\$ 1,567,346</u>	<u>\$ 2,415,101</u>	(7,973,068)
General Cash Receipts:				
Property Taxes Levied for:				
General purposes				1,176,716
Other purposes				23,390
Debt service				253,344
Grants and entitlements, not restricted to specific programs				5,852,376
Gifts and donations, not restricted to specific programs				14,121
Interest				190,623
Proceeds from Sale of Fixed Assets				2,375
Miscellaneous				88,644
<i>Total General Cash Receipts</i>				<u>7,601,589</u>
<i>Change in Net Assets</i>				(371,479)
<i>Net Assets Beginning of Year</i>				<u>3,888,817</u>
<i>Net Assets End of Year</i>				<u>\$ 3,517,338</u>

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



**VALLEY LOCAL SCHOOL DISTRICT**  
Statement of Assets and Fund Balances - Cash Basis  
Governmental Funds  
June 30, 2007

	<u>General</u>	<u>Bond Retirement</u>	<u>Classroom Facilities Maintenance</u>	<u>All Other Governmental Funds</u>	<u>Total Governmental Funds</u>
<b>ASSETS:</b>					
Equity in pooled cash and cash equivalents	\$ 2,141,098	\$ 381,363	\$ 423,169	\$ 25,501	\$ 2,971,131
Cash and cash equivalents in segregated accounts	2,570	-	-	-	2,570
Investments in segregated accounts	23,334	-	-	-	23,334
Investments with escrow agents	-	484,251	-	-	484,251
<b>Restricted Assets:</b>					
Equity in pooled cash and cash equivalents	<u>36,052</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>36,052</u>
<i>Total Assets</i>	<u>2,203,054</u>	<u>865,614</u>	<u>423,169</u>	<u>25,501</u>	<u>3,517,338</u>
<b>FUND BALANCES:</b>					
<b>Reserved:</b>					
Reserved for encumbrances	380,456	71,429	-	55,376	507,261
Reserved for future debt service	-	484,251	-	-	484,251
Reserved for budget stabilization	36,052	-	-	-	36,052
<b>Unreserved, Undesignated, Reported in:</b>					
General fund	1,786,546	-	-	-	1,786,546
Special revenue funds	-	-	423,169	(30,308)	392,861
Debt service funds	-	309,934	-	-	309,934
Capital projects funds	<u>-</u>	<u>-</u>	<u>-</u>	<u>433</u>	<u>433</u>
<i>Total Fund Balances</i>	<u>\$ 2,203,054</u>	<u>\$ 865,614</u>	<u>\$ 423,169</u>	<u>\$ 25,501</u>	<u>\$ 3,517,338</u>

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

**VALLEY LOCAL SCHOOL DISTRICT**  
Statement of Cash Receipts, Disbursements and Changes in Fund Balances - Cash Basis  
Governmental Funds  
For the Fiscal Year Ended June 30, 2007

	<u>General</u>	<u>Bond Retirement</u>	<u>Classroom Facilities Maintenance</u>	<u>All Other Governmental Funds</u>	<u>Total Governmental Funds</u>
<b>CASH RECEIPTS:</b>					
Property taxes	\$ 1,176,716	\$ 253,344	\$ 23,390	\$ -	\$ 1,453,450
Intergovernmental	6,662,035	18,578	1,351	1,585,013	8,266,977
Interest	146,449	23,183	13,254	7,737	190,623
Tuition and fees	1,185,430	-	-	-	1,185,430
Rent	4,015	-	-	-	4,015
Extracurricular activities	83,556	-	-	-	83,556
Gifts and donations	14,121	-	-	500	14,621
Customer sales and services	134,077	-	-	160,268	294,345
Miscellaneous	88,644	-	-	-	88,644
<i>Total Cash Receipts</i>	<u>9,495,043</u>	<u>295,105</u>	<u>37,995</u>	<u>1,753,518</u>	<u>11,581,661</u>
<b>CASH DISBURSEMENTS:</b>					
<b>Current:</b>					
<b>Instruction:</b>					
Regular	3,981,283	-	-	703,336	4,684,619
Special	750,628	-	-	433,433	1,184,061
Vocational	287,490	-	-	-	287,490
Other	174,749	-	-	-	174,749
<b>Support Services:</b>					
Pupils	492,246	-	-	2,675	494,921
Instructional staff	565,631	-	-	194,712	760,343
Board of Education	41,332	-	-	-	41,332
Administration	678,682	-	-	2,586	681,268
Fiscal	231,952	5,869	547	1,839	240,207
Operation and maintenance of plant	1,048,144	-	-	44	1,048,188
Pupil transportation	774,718	-	-	536	775,254
Central	350,885	-	-	42,677	393,562
Operation of non-instructional services	-	-	-	421,960	421,960
Extracurricular activities	236,959	-	-	-	236,959
Capital outlay	114,678	-	-	194,201	308,879
<b>Debt Service:</b>					
Principal	-	170,000	-	-	170,000
Interest and fiscal charges	-	51,723	-	-	51,723
<i>Total Cash Disbursements</i>	<u>9,729,377</u>	<u>227,592</u>	<u>547</u>	<u>1,997,999</u>	<u>11,955,515</u>
<i>Excess of Cash Receipts Over (Under) Cash Disbursements</i>	<u>(234,334)</u>	<u>67,513</u>	<u>37,448</u>	<u>(244,481)</u>	<u>(373,854)</u>
<b>OTHER FINANCING SOURCES AND USES:</b>					
Transfers in	63,674	74,984	-	-	138,658
Proceeds from Sale of Assets	2,375	-	-	-	2,375
Advances In	19,000	-	-	-	19,000
Transfers out	-	-	-	(138,658)	(138,658)
Advances Out	-	-	-	(19,000)	(19,000)
<i>Total Other Financing Sources and Uses</i>	<u>85,049</u>	<u>74,984</u>	<u>-</u>	<u>(157,658)</u>	<u>2,375</u>
<i>Net Change in Fund Balances</i>	(149,285)	142,497	37,448	(402,139)	(371,479)
<i>Fund Balances at Beginning of Year</i>	<u>2,352,339</u>	<u>723,117</u>	<u>385,721</u>	<u>427,640</u>	<u>3,888,817</u>
<i>Fund Balances at End of Year</i>	<u>\$ 2,203,054</u>	<u>\$ 865,614</u>	<u>\$ 423,169</u>	<u>\$ 25,501</u>	<u>\$ 3,517,338</u>

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

**VALLEY LOCAL SCHOOL DISTRICT**  
**Statement of Cash Receipts, Disbursements, and Changes**  
**In Fund Balance - Budget and Actual (Budgetary Basis)**  
**GENERAL FUND**  
For the Fiscal Year Ended June 30, 2007

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	<b>Original Budget</b>	<b>Final Budget</b>	<b>Actual</b>	<b>Variance with Final Budget</b>
Total revenues and other financing sources	\$ 9,420,137	\$ 9,577,660	\$ 9,578,159	\$ 499
Total expenditures and other financing uses	9,766,223	10,123,505	10,108,648	14,857
Net Change in Fund Balance	(346,086)	(545,845)	(530,489)	15,356
Fund Balance at Beginning of Year	2,004,549	2,004,549	2,004,549	-
Prior Year Encumbrances Appropriated	322,635	322,635	322,635	-
Fund Balance at End of Year	\$ 1,981,098	\$ 1,781,339	\$ 1,796,695	\$ 15,356

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

**VALLEY LOCAL SCHOOL DISTRICT**  
**Statement of Cash Receipts, Disbursements, and Changes**  
**In Fund Balance - Budget and Actual (Budgetary Basis)**  
**CLASSROOM FACILITIES MAINTENANCE FUND**  
**For the Fiscal Year Ended June 30, 2007**

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	<b>Original Budget</b>	<b>Final Budget</b>	<b>Actual</b>	<b>Variance with Final Budget</b>
Total revenues and other financing sources	\$ 36,284	\$ 37,995	\$ 37,995	\$ -
Total expenditures and other financing uses	574	547	547	-
Net Change in Fund Balance	35,710	37,448	37,448	-
Fund Balance at Beginning of Year	385,721	385,721	385,721	-
Prior Year Encumbrances Appropriated	-	-	-	-
Fund Balance at End of Year	<u>\$ 421,431</u>	<u>\$ 423,169</u>	<u>\$ 423,169</u>	<u>\$ -</u>

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

**VALLEY LOCAL SCHOOL DISTRICT**  
Statement of Fiduciary Net Assets - Cash Basis  
Fiduciary Fund  
June 30, 2007

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	<u>Agency Fund</u>
ASSETS:	
Equity in Pooled Cash and Cash Equivalents	\$ 16,034
<i>Total Assets</i>	<u>\$ 16,034</u>
NET ASSETS:	
Unrestricted	\$ 16,034
<i>Total Net Assets</i>	<u>\$ 16,034</u>

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

# VALLEY LOCAL SCHOOL DISTRICT

## Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2007

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### **NOTE 1 - DESCRIPTION OF THE SCHOOL DISTRICT AND REPORTING ENTITY**

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

The School District was established in 1888 through the consolidation of existing land areas and school districts. The School District serves an area of approximately 48 square miles. It is located in Scioto County, and includes all of Valley Township and portions of Jefferson, Rush, Madison, and Morgan Townships. It is staffed by 62 non-certificated employees and 90 certified full-time teaching personnel who provide services to 1,173 students and other community members. The School District currently operates three instructional buildings and one garage.

#### *Reporting Entity:*

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

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

The School District participates in four organizations, two of which are defined as jointly governed organizations, one as a public entity shared risk pool, and one as an insurance purchasing pool. These organizations are the South Central Ohio Computer Association (SCOCA), the Pilasco-Ross Special Education Regional Research Center, the Scioto County Schools Council, and the Ohio School Boards Association Workers' Compensation Group Rating Plan. These organizations are presented in Notes 12, 13 and 14 to the basic financial statements.

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

#### **A. Basis of Presentation**

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

#### *Government-wide Financial Statements*

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

# VALLEY LOCAL SCHOOL DISTRICT

## Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2007

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### **NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (continued)

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

#### *Fund Financial Statements*

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

#### **B. Fund Accounting**

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

#### *Governmental Funds:*

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

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

Classroom Facilities Maintenance Fund - The Classroom Facilities Maintenance Special Revenue fund is used to account for the proceeds of a levy for the maintenance of facilities.

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

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

# VALLEY LOCAL SCHOOL DISTRICT

## Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2007

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### **NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (continued)

#### *Fiduciary Funds:*

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

#### **C. Basis of Accounting**

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

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

#### *Cash Receipts - Exchange and Non-exchange Transactions*

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

#### *Cash Disbursements*

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

#### **D. Budgetary Process**

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

The certificate of estimated resources may be amended during the year if projected increases or decreases in revenue are identified by the School District Treasurer. The amounts reported as the original budgeted amounts in the budgetary statements reflect the amounts in the certificate when the original appropriations were adopted. The amounts reported in the final column of the budgetary statements reflect the amounts in the amended certificate in effect at the time the final appropriations were passed. Before fiscal year-end, the School District requested and received an amended certificate of estimated resources that reflected actual revenue for the fiscal year in all funds.



# VALLEY LOCAL SCHOOL DISTRICT

## Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2007

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### **NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (continued)

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

#### **E. Cash and Cash Equivalents**

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

During fiscal year 2007, the District's investments were limited to the State Treasury Assets Reserve of Ohio (STAR Ohio), commercial paper, repurchase agreements, money market accounts, and donated common stock. Investments are reported at cost.

STAROhio is an investment pool managed by the State Treasurer's Office which allows governments within the State to pool their funds for investment purposes. STAROhio is not registered with the SEC as an investment company, but does operate in a manner consistent with Rule 2a7 of the Investment Company Act of 1940. Investments in STAROhio are valued at STAR Ohio's share price which is the price the investment could be sold for on June 30, 2007.

Following Ohio statutes, the Board of Education has, by resolution, specified the funds to receive an allocation of interest earnings. Interest revenue credited to the General fund, the Bond Retirement fund, the Classroom Facilities Maintenance Special Revenue fund and all other governmental funds during fiscal year 2007 amounted to \$146,449, \$23,183, \$13,254 and \$7,737 respectively.

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

#### **F. Capital Assets**

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

#### **G. Compensated Absences**

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

#### **H. Long-Term Obligations**

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

# VALLEY LOCAL SCHOOL DISTRICT

## Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2007

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### **NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (continued)

#### **I. Restricted Assets**

Assets are reported as restricted when limitations on their use change the nature or normal understanding of the availability of the asset. Such constraints are either imposed by creditors, contributors, grantors, laws of other governments, or imposed by law through constitutional provisions or enabling legislation. Restricted assets in the General Fund represent cash and cash equivalents legally required to be set-aside by the School District for budget stabilization.

#### **J. Fund Balance Reserves**

The School District reserves those portions of fund balance which are legally segregated for a specific future use or which do not represent available expendable resources and therefore are not available for appropriation or expenditure. Unreserved fund balance indicates that portion of fund balance which is available for appropriation in future periods. Fund balance reserves have been established for encumbrances, future debt service (as more fully described in Note 10) and budget stabilization.

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

#### **K. Net Assets**

Net cash assets represent the difference between assets and liabilities. Net assets consist of cash receipts reduced by cash disbursements for the current year. Net assets are reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the School District or through external restrictions imposed by creditors, grantors or laws, or regulations of other governments. Restricted for Other Purposes is comprised of net assets restricted for grants. The School District applies restricted resources when a cash disbursement is made for purposes for which both restricted and unrestricted net assets are available.

Of the School District's \$1,242,284 restricted net assets, none are restricted by enabling legislation.

#### **L. Interfund Transactions**

Exchange transactions between funds are reported as cash receipts in the seller funds and as cash disbursements in the purchaser funds. Flows of cash or goods from one fund to another without a requirement are reported as interfund transfers. Interfund transfers are reported as other financing sources/uses in governmental funds. Repayments from funds responsible for particular cash disbursements to the funds that initially paid for them are not presented on the basic financial statements. In the government-wide financial statements transfers within governmental activities are eliminated. Flows of cash from one fund to another with a requirement for repayment are reported as advances in and out. Advances between governmental activities are eliminated in the statement of activities.

# VALLEY LOCAL SCHOOL DISTRICT

## Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2007

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### **NOTE 3 - BUDGETARY BASIS OF ACCOUNTING**

Differences between the budgetary basis fund balances and fund cash balances are due to encumbrances and cash, cash equivalents and investments in segregated accounts which are not included in budgeted figures. The table below represents those differences for the School District's Major funds:

	<u>General Fund</u>	<u>Classroom Facilities Maintenance Fund</u>
Budgetary Basis Fund Balance	\$ 1,796,695	\$ 423,169
Encumbrances	380,455	-
Segregated Accounts	25,904	-
Fund Cash Balance	<u>\$ 2,203,054</u>	<u>\$ 423,169</u>

### **NOTE 4 – DEPOSITS AND INVESTMENTS**

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

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

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

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

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

1. United States Treasury notes, bills, bonds, or any other obligation or security issued by the United States Treasury or any other obligation guaranteed as to principal and interest by the United States;
2. Bonds, notes, debentures, or any other obligations or securities issued by any federal government agency or instrumentality, including but not limited to, the Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, Government National Mortgage Association, and Student Loan Marketing Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
3. Written repurchase agreements in the securities listed above provided that the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least two percent and be marked to market daily, and that the term of the agreement must not exceed thirty days;
4. Bonds and other obligations of the State of Ohio or its political subdivisions, provided that such political subdivisions are located wholly or partly within the School District;

# VALLEY LOCAL SCHOOL DISTRICT

## Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2007

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### **NOTE 4 - DEPOSITS AND INVESTMENTS (continued)**

5. Time certificates of deposit or savings or deposit accounts, including, but not limited to passbook accounts;
6. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2) and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions;
7. The State Treasurer's investment pool (STAROhio);
8. Securities lending agreements in which the School District lends securities and the eligible institutions agrees to exchange either securities described in division (1) or (2) or cash or both securities and cash, equal value for equal value;
9. High grade commercial paper in an amount not to exceed five percent of the School District's total average portfolio; and
10. Bankers acceptances for a period not to exceed 270 days and in an amount not to exceed ten percent of the School District's total average portfolio.

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

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

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

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

As of June 30, 2007, the School District's bank balance of \$140,303 was either covered by FDIC or collateralized by the financial institution's public entity deposit pools in the manner described above.

**Investments:** As of June 30, 2007, the School had the following investments:

**VALLEY LOCAL SCHOOL DISTRICT**  
Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2007

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

	Cost Value	Weighted Average Maturity
STAR Ohio	\$2,744,701	< 1 Year
Donated Common Stock	23,334	n/a
General Electric Capital Corporation Commercial Paper	401,142	< 1 Year
Repurchase Agreement	191,633	< 1 Year
US Gov't Money Market	85,679	< 1 Year
Total Investments	\$3,446,489	

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

Credit risk – Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The District's investment policy limits their investments to STAR Ohio, donated common stock and commercial paper and states that investments in common stock should be rated "A" or better by Moody's or S&P at the time of purchase. Investments in STAR Ohio and US Government Money Market were rated AAAM by Standard & Poor's. Investments in the General Electric Capital Corporation Commercial Paper were rated AAA by Standard & Poor's and Aaa by Moody's. Investment ratings for the donated common stock and sweep account were not available.

Concentration of credit risk – Concentration of credit risk is the risk of loss attributed to the magnitude of a government's investment in a single issuer. 79.6% of the School District's investments are in STAROhio, 11.6% are in General Electric commercial paper, and 5.6% are in a repurchase agreement.

Custodial credit risk – Custodial credit risk is the risk that in the event of the failure of the counterparty, the School District will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. All of the School District's investments are held in the name of the School District, other than the School District's repurchase agreements which are exposed to custodial credit risk in that they are uninsured, unregistered, and held by the counterparty's trust department or agency but not in the School District's name.

**NOTE 5 - PROPERTY TAXES**

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

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

**VALLEY LOCAL SCHOOL DISTRICT**

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2007

**NOTE 5 - PROPERTY TAXES** (continued)

Public utility property tax revenue received in calendar year 2007 represents collections of calendar year 2006 taxes. Public utility real and tangible personal property taxes received in calendar year 2007 became a lien December 31, 2006, were levied after April 1, 2006, and are collected in 2007 with real property taxes. Public utility real property is assessed at thirty-five percent of true value; public utility tangible personal property currently is assessed at varying percentages of true value.

Tangible personal property tax revenue received during calendar year 2007 (other than public utility property) represents the collection of 2007 taxes. Tangible personal property taxes received in calendar year 2007 were levied after April 1, 2006, on the value as of December 31, 2006. Tangible personal property is currently assessed at twenty-five percent of true value for capital assets and twenty-three 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 School District prior to June 30.

The School District receives property taxes from Scioto County. The County Auditor periodically advances to the School District its portion of the taxes collected. Second-half real property tax payments collected by the County by June 30, 2007, are available to finance fiscal year 2007 operations. The amount available to be advanced can vary based on the date the tax bills are sent.

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

	2006 Second- Half Collections		2007 First- Half Collections	
	Amount	Percent	Amount	Percent
Agricultural/Residential and Other Real Estate	\$51,506,980	83.36%	\$52,673,000	85.21%
Public Utility	62,520	0.10%	90,660	0.14%
Tangible Personal Property	10,217,128	16.54%	9,053,551	14.65%
Total Assessed Value	\$61,786,628	100.00%	\$61,817,211	100.00%
 Tax rate per \$1,000 of assessed valuation	 \$30.21		 \$30.21	

**NOTE 6 - RISK MANAGEMENT**

The School District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During fiscal year 2007, the School District contracted with Ohio Schools Risk Sharing Authority for property and fleet insurance, inland marine coverage, and general liability insurance. Insurance coverage provided includes the following:

Property - including inland marine, miscellaneous equipment, and automobile physical damage catastrophic coverage (\$1,000 deductible)	\$27,753,263
Automobile liability (zero deductible)	2,000,000
Uninsured Motorists (zero deductible)	1,000,000
General Liability:	
Per occurrence	1,000,000
Annual Aggregate	3,000,000

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

# VALLEY LOCAL SCHOOL DISTRICT

## Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2007

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### **NOTE 6 - RISK MANAGEMENT** (continued)

The School District is a member of the Scioto County Schools Council, a public entity shared risk pool (Note 13), offering medical and dental insurance to the employees of participating school districts. Monthly premiums are paid to the South Central Ohio Educational Service Center as fiscal agent, who in turn pays the claims on the School District's behalf. The Council is responsible for the management and operations of the program. Upon termination from the Council, for any reason, the School District shall have no obligation under the plan beyond paying the difference between the claims incurred (even though later filed) and expenses of the plan due up to the date of termination plus extended benefits, if any, provided under the plan. All claims and expenses shall be paid from the funds of the Council.

For fiscal year 2007, the School District participated in the Ohio School Boards Association Workers' Compensation Group Rating Plan (GRP), an insurance purchasing pool (Note 14). The intent of the GRP is to achieve the benefit of a reduced premium for the School District by virtue of its grouping and representation with other participants in the GRP. The workers' compensation experience of the participating school districts is calculated as one experience and a common premium rate is applied to all school districts in the GRP. Each participant pays its workers' compensation premium to the State based on the rate for the GRP rather than its individual rate. Total savings are then calculated and each participant's individual performance is compared to the overall savings percentage of the GRP. A participant will then either receive money from or be required to contribute to the "Equity Pooling Fund." This "equity pooling" arrangement ensures that each participant shares equally in the overall performance of the GRP. Participation in the GRP is limited to school districts that can meet the GRP's selection criteria. The firm of Gates McDonald & Co. provides administrative, cost control and actuarial services to the GRP. Each year, the School District pays an enrollment fee to the GRP to cover the costs of administering the program.

### **NOTE 7 - DEFINED BENEFIT PENSION PLANS**

#### **A. School Employees Retirement System**

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

Plan members are required to contribute 10 percent of their annual covered salary and the School District is required to contribute at an actuarially determined rate. The current School District rate is 14 percent of annual covered payroll. A portion of the School District's contribution is used to fund pension obligations with the remainder being used to fund health care benefits; for fiscal year 2006 (the most recent year available), 10.58 percent of annual covered salary was the portion used to fund pension obligations. The contribution requirements of plan members and employers are established and may be amended, up to a statutory maximum amount, by the SERS' Retirement Board. The School District's required contributions for pension obligations to SERS for the fiscal years ended June 30, 2007, 2006, and 2005 were \$223,679, \$205,593, and \$189,855, respectively. 100% has been contributed for fiscal years 2007, 2006, and 2005.

#### **B. State Teachers Retirement System of Ohio**

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

# VALLEY LOCAL SCHOOL DISTRICT

## Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2007

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### **NOTE 7 - DEFINED BENEFIT PENSION PLANS** (continued)

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

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

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

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

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

Eligible faculty of Ohio’s public colleges and universities may choose to enroll in either STRS Ohio or an alternative retirement plan (ARP) offered by their employer. Employees have 120 days from their employment date to select a retirement plan.

A retiree of STRS Ohio or another Ohio public retirement system is eligible for reemployment as a teacher following the elapse of two months from the date of retirement. Contributions are made by the reemployed member and employer during the reemployment. Upon termination of reemployment or age 65, whichever comes later, the retiree is eligible for a money-purchase benefit or a lump-sum payment in addition to the original retirement allowance. Effective April 11, 2005, a reemployed retiree may alternatively receive a refund of member contributions with interest before age 65, once employment is terminated.



# VALLEY LOCAL SCHOOL DISTRICT

## Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2007

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### **NOTE 7 - DEFINED BENEFIT PENSION PLANS (Continued)**

#### **State Teachers Retirement System (Continued)**

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

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

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

For fiscal year 2007 plan members are required to contribute 10% of their annual covered salaries. The School District was required to contribute 14%; 13% was the portion used to fund pension obligations. Contribution rates are established by STRS Ohio, upon recommendations of its consulting actuary, not to exceed statutory maximum rates of 10% for members and 14% for employers.

The School District's required contributions for pension obligations to STRS Ohio for the fiscal years ended June 30, 2007, 2006, and 2005, were \$649,789, \$586,395, and \$624,133 respectively. 100% has been contributed for fiscal years 2007, 2006, and 2005.

#### **C. Social Security System**

Effective July 1, 1991, all employees not otherwise covered by the School Employees Retirement System or the State Teachers Retirement System of Ohio have an option to choose Social Security or the School Employees Retirement System. As of June 30, 2007, two members of the Board of Education have elected Social Security. The Board's liability is 6.2 percent of wages paid.

### **NOTE 8 - POSTEMPLOYMENT BENEFITS**

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

All STRS retirees who participated in the DB or Combined Plans and their dependents are eligible for health care coverage. The STRS Ohio Board has statutory authority over how much, if any, of the health care costs will be absorbed by STRS Ohio. All benefit recipients pay a portion of the health care cost in the form of a monthly premium. By law, the cost of coverage paid from STRS Ohio funds is included in the employer contribution rate, currently 14 percent of covered payroll. For the fiscal year ended June 30, 2007, the STRS Ohio Board allocated employer contributions equal to 1.0 percent of covered payroll to the Health Care Stabilization Fund. For the School District, this amount equaled \$46,414 for fiscal year 2007.

STRS Ohio pays health care benefits from the Health Care Reserve Fund. At June 30, 2006 (the latest year available), the balance in the Fund was \$3.5 billion. For the year ended June 30, 2006 (the latest year available), net health care costs paid by STRS Ohio were \$292,743,000 and STRS Ohio had 119,184 eligible benefit recipients.

# VALLEY LOCAL SCHOOL DISTRICT

## Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2007

### **NOTE 8 - POSTEMPLOYMENT BENEFITS** (continued)

For SERS, coverage is made available to service retirees with ten or more fiscal years of qualifying service credit, and to disability and survivor benefit recipients. Effective January 1, 2004, all retirees and beneficiaries are required to pay a portion of their health care premium. The portion is based on years of service, Medicare eligibility and retirement status.

After the allocation for basic benefits, the remainder of the employer's 14 percent contribution is allocated to providing health care benefits. For the fiscal year ended June 30, 2006 (the most recent year available), employer contributions to fund health care benefits were 3.42 percent of covered payroll. In addition, SERS levies a surcharge to fund health care benefits equal to 14 percent of the difference between a minimum pay and the member's pay, pro-rated for partial service credit. For fiscal year 2007, the minimum pay was established at \$35,800.

The surcharge, added to the unallocated portion of the 14 percent employer contribution rate, provides for maintenance of the asset target level for the health care fund. The target level for the health care reserve is 150 percent of the annual health care expenses. Expenses for health care for the fiscal year ended June 30, 2006 (the latest year available) were \$158,751,207 and the target level was \$295.6 million. SERS has approximately 59,492 participants currently receiving health care benefits.

### **NOTE 9 – CAPITAL LEASES - LESSEE DISCLOSURE**

In a previous fiscal year, the School District entered into a capital lease. This lease relates to a renovation project involving the buildings of the School District. Five more classrooms are being added to the middle school along with other renovations to the building. The elementary and high school buildings are also being renovated. As part of the agreement, Banc One Leasing Corporation, as lessor, deposited \$1,000,000 in the School District's name, with an escrow agent for the renovations to the buildings. The renovation work was completed during fiscal year 2007. The School District makes annual interest payments to the lessor and annual sinking fund payments to the escrow agent. The escrow agent is investing the School District's deposits and has guaranteed a return on the investments to meet the School District's lease liability. Banc One will be repaid in fiscal year 2016 when the \$1,000,000 lease payment is due. There are mandatory deposits required to be made with the escrow agent in order to ensure that the lease is paid timely. The School District is current on the deposits.

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

<u>Fiscal Year Ending June 30,</u>	<u>Total Payments</u>
2008	\$ 19,500
2009	19,500
2010	19,500
2011	19,500
2012	19,500
2013-2016	<u>1,078,000</u>
Total	1,175,500
Less: Amount Representing Interest	<u>(175,500)</u>
Present Value of Net Minimum Lease Payments	<u>\$ 1,000,000</u>

**VALLEY LOCAL SCHOOL DISTRICT**  
**Notes to the Basic Financial Statements**  
**For the Fiscal Year Ended June 30, 2007**

**NOTE 9 – CAPITAL LEASES - LESSEE DISCLOSURE** (continued)

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

Fiscal Year Ending June 30,	Principal	Interest	Sinking Fund Payments	Total Lease Payments
2008	\$ -	\$ 19,500	\$ 71,429	\$ 90,929
2009	-	19,500	71,429	90,929
2010	-	19,500	71,429	90,929
2011	-	19,500	71,429	90,929
2012	-	19,500	36,023	55,523
2013-2016	1,000,000	78,000	-	1,078,000
	<u>\$ 1,000,000</u>	<u>\$ 175,500</u>	<u>\$ 321,739</u>	<u>\$ 1,497,239</u>

**NOTE 10 - LONG-TERM OBLIGATIONS**

The changes in the School District's long-term obligations during fiscal year 2007 were as follows:

	Amount Outstanding 6/30/06	Additions	Deductions	Amount Outstanding 6/30/07	Amount Due in One Year
<b>General Obligation Bonds:</b>					
2001 Obligation Refunding					
Bonds 2001 2.05 - 4.00 %					
Serial Bonds	\$ 920,000	\$ -	\$ 170,000	\$ 750,000	\$ 175,000
Capital Appreciation Bonds	95,000	-	-	95,000	-
<b>Other Long-Term Obligations:</b>					
Capital Lease	1,000,000	-	-	1,000,000	-
Total Long-Term Obligations	<u>\$ 2,015,000</u>	<u>\$ -</u>	<u>\$ 170,000</u>	<u>\$ 1,845,000</u>	<u>\$ 175,000</u>

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

The total general obligation bond amount outstanding at June 30, 2007 including accretion is \$1,300,048.

The School District's overall legal debt margin was \$4,718,549 with an unvoted debt margin of \$61,817 at June 30, 2007.

**VALLEY LOCAL SCHOOL DISTRICT**

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2007

**NOTE 10 - LONG-TERM OBLIGATIONS** (continued)

Principal and interest requirements to retire the General Obligation Bonds outstanding at June 30, 2007, are as follows:

Fiscal year Ending June 30,	Serial Bonds Principal	Serial Bonds Interest	Capital Appreciation Bonds	Total
2008	\$ 175,000	\$ 26,053	\$ -	\$ 201,053
2009	185,000	19,208	-	204,208
2010	190,000	11,800	-	201,800
2011	200,000	4,000	-	204,000
2012	-	-	205,000	205,000
2013-2014	-	-	340,000	340,000
Total	<u>\$ 750,000</u>	<u>\$ 61,061</u>	<u>\$ 545,000</u>	<u>\$ 1,356,061</u>

**NOTE 11 – INTERFUND ACTIVITY**

**Interfund Transfers**

Transfers made during the year ended June 30, 2007, were as follows:

	Transfer To	Transfer From
Major Funds:		
General	\$ 63,674	\$ -
Debt Service	74,984	
Non-Major Capital Project Fund:		
Classroom Facilities	-	138,658
Total	<u>\$ 138,658</u>	<u>\$ 138,658</u>

Transfers were made to move unrestricted balances to the general fund from the classroom facilities fund to close out the fund and to the debt service fund to repay the construction debt.

**Interfund Advances**

Advances made during the year ended June 30, 2007, were as follows:

	Advances From	Advances To
Major Fund:		
General	\$ -	\$ 19,000
Non-Major Capital Project Fund:		
Lunchroom	10,000	-
Improving Teacher Quality	9,000	-
Total	<u>\$ 19,000</u>	<u>\$ 19,000</u>

Advances to the General Fund are for repayments of outstanding advances from prior years.

# VALLEY LOCAL SCHOOL DISTRICT

## Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2007

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### **NOTE 12 - JOINTLY GOVERNED ORGANIZATIONS**

#### **A. South Central Ohio Computer Association**

The School District is a participant in the South Central Ohio Computer Association (SCOCA) which is a computer consortium. SCOCA is an association of public school districts within the boundaries of Pickaway, Gallia, Highland, Adams, Pike, Scioto, Brown, Ross, Jackson, Vinton, and Lawrence Counties. The organization was formed for the purpose of applying modern technology with the aid of computers and other electronic equipment to administrative and instructional functions among member school districts. The governing board of SCOCA consists of two representatives from each county in the SCOCA service region designated by the Ohio Department of Education, two representatives of the school treasurers, plus a representative of the fiscal agent. The School District paid SCOCA \$69,090 during the year. Financial information can be obtained from their fiscal agent, the Pike County Joint Vocational School District, Tonya Cooper who serves as Treasurer, at P. O. Box 577, 175 Beaver Creek Road, Piketon, Ohio 45661.

#### **B. Pilasco-Ross Special Education Regional Resource Center**

The Pilasco-Ross Special Education Regional Resource Center (SERRC) is a special education service center which represents Lawrence, Pike, Ross and Scioto Counties. The SERRC selects its own governing board, adopts its own budget and receives direct Federal and State grants for its operation. The jointly-governed organization was formed for the purpose of initiating, expanding and improving special education programs and services for children with disabilities and their parents.

The SERRC is governed by a Board composed of superintendents of participating schools, parents of children with disabilities, representatives of county boards of MR/DD, Joint Vocational Schools, Pickaway-Ross County Career and Technology Center, Shawnee State University, and Ross-Pike, Lawrence and South Central Ohio Educational Service Centers, whose terms rotate every year. The degree of control exercised by any participating school district is limited to its representation on the Board. The fiscal agent for the SERRC is Dawson-Bryant Local School District. Financial information can be obtained by contacting Donald Washburn, Director of Pilasco-Ross, at the South Central Ohio Educational Service Center, 411 Court Street, Portsmouth, Ohio 45662.

### **NOTE 13 - PUBLIC ENTITY SHARED RISK POOL**

#### **Scioto County Schools Council**

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

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

# VALLEY LOCAL SCHOOL DISTRICT

## Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2007

### **NOTE 14 - INSURANCE PURCHASING POOL**

#### **Ohio School Boards Association Workers' Compensation Group Rating Plan**

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

### **NOTE 15 - SET-ASIDE CALCULATIONS**

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

For the fiscal year ended June 30, 2007, the School District was no longer required to set aside funds in the budget reserve set-aside, with the exception of monies refunded from the Bureau of Workers' Compensation, which must be retained for budget stabilization or spent for specified purposes.

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

	<u>Textbooks</u>	<u>Capital Acquisition</u>	<u>Budget Stabilization</u>
Set-aside Reserve Balance as of June 30, 2006	\$ -	\$ -	\$ 36,052
Current Year Set-aside Requirement	178,884	178,884	-
Qualifying Disbursements	(756,255)	(951,745)	-
Totals	<u>\$ (577,371)</u>	<u>\$ (772,861)</u>	<u>\$ 36,052</u>
Set-aside Reserve Balance as of June 30, 2007	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 36,052</u>

Although the School District had additional offsets and qualifying disbursements for textbooks during the fiscal year, and this extra amount may be used to reduce the set-aside requirements of future fiscal years, the School District has decided to not carry over such negative balances to the next fiscal year.

### **NOTE 16 - CONTINGENCIES**

#### **A. Grants**

The School District received financial assistance from federal and State agencies in the form of grants. The expenditure of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and is subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the General Fund or other applicable funds. However, in the opinion of management, any such disallowed claims will not have a material adverse effect on the overall financial position of the School District at June 30, 2007.

#### **B. Litigation**

The School District is not party to any legal proceedings.

**VALLEY LOCAL SCHOOL DISTRICT**  
Schedule of Federal Awards Expenditures  
For the Fiscal Year Ended June 30, 2007

Federal Grantor/ Pass Through Grantor/ Program Title	Pass Through Entity Number	Federal CFDA Number	Receipts	Non-Cash Receipts	Disbursements	Non-Cash Disbursements
<u>United States Department of Agriculture</u>						
<i>Passed through Ohio Department of Education</i>						
<i>Nutrition Cluster:</i>						
School Breakfast Program	05PU	10.553	\$ 83,510	\$ -	\$ 83,510	\$ -
National School Lunch Program	LLP4	10.555	173,464	-	173,464	-
Total Nutrition Cluster			256,974	-	256,974	-
Food Donation	N/A	10.550		33,896		33,896
Total United States Department of Agriculture			256,974	33,896	256,974	33,896
<u>United States Department of Education</u>						
<i>Passed through Ohio Department of Education</i>						
Title I Grants to Local Educational Agencies	C1S1	84.010	229,813	-	244,875	-
Special Education - Grants to States	6BSF	84.027	277,708	-	301,564	-
Safe and Drug Free Schools and Communities - State Grants	DRS1	84.186	7,121	-	7,996	-
State Grants for Innovative Programs	C2S1	84.298	806	-	1,677	-
Education Technology State Grants	TJS1	84.318	4,556	-	7,238	-
Improving Teacher Quality State Grants	TRS1	84.367	80,590	-	65,423	-
Total United States Department of Education			600,594	-	628,773	-
Total Federal Financial Assistance			\$ 857,568	\$ 33,896	\$ 885,747	\$ 33,896

N/A=Not Available

See accompanying notes to schedule of federal awards expenditures.

**VALLEY LOCAL SCHOOL DISTRICT**  
Notes to Schedule of Federal Awards Expenditures  
For the Fiscal Year Ended June 30, 2007

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**NOTE A - SIGNIFICANT ACCOUNTING POLICIES**

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

**NOTE B -FOOD DISTRIBUTIONS**

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

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



# BALESTRA, HARR & SCHERER CPAs, INC.

528 South West Street, P.O. Box 687  
Piketon, Ohio 45661

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Member American Institute of Certified Public Accountants

Ohio Society of Certified Public Accountants

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

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

To the Board of Education:

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Valley Local School District, Scioto County, (the School District), as of and for the year ended June 30, 2007, and have issued our report thereon dated October 27, 2007. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

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

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

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

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control. We consider the deficiency, described as 2007-003 in the accompanying schedule of findings and responses, to be a significant deficiency in internal control over financial reporting.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control.

Valley Local School District  
Independent Auditor's Report

Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of  
Financial Statements Performed in Accordance With *Government Auditing Standards*  
Page 2

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies considered to be material weaknesses. We consider item 2007-003 to be a material weakness.

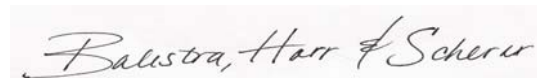
**Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the School District's basic financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*, and are described in the accompanying schedule of findings and responses as items 2007-001 and 2007-002.

We noted certain matters that we reported to management of the School District in a separate letter dated October 27, 2007.

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

This report is intended solely for the information and use of the management and members of the Board and is not intended to be and should not be used by anyone other than these specified parties.



Balestra, Harr & Scherer, CPAs, Inc.  
October 27, 2007

# BALESTRA, HARR & SCHERER, CPAs, INC.

528 South West Street, P.O. Box 687  
Piketon, Ohio 45661

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Ohio Society of Certified Public Accountants

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

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

### **Compliance**

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

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

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

### Internal Control Over Compliance

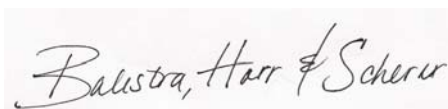
The management of the School District is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit we considered the School District's internal control over compliance with the requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the School District's internal control over compliance.

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

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

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

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



Balestra, Harr & Scherer, CPAs, Inc.  
October 27, 2007

**VALLEY LOCAL SCHOOL DISTRICT**  
Scioto County

Schedule of Findings and Questioned Costs  
OMB CIRCULAR A -133 Section .505  
For the Fiscal Year Ended June 30, 2007

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

**VALLEY LOCAL SCHOOL DISTRICT**

Scioto County

Schedule of Findings and Questioned Costs  
OMB CIRCULAR A -133 Section .505  
For the Fiscal Year Ended June 30, 2007

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

**FINDING NUMBER 2007-001**

**Noncompliance Citation**

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

Ohio Administrative Code Section 117-2-03(B) requires the School District to file its annual financial report in accordance with generally accepted accounting principles. However, the School District prepares its financial statements in accordance with the cash basis of accounting. The accompanying financial statements and notes omit assets, liabilities, fund equities and disclosures that, while material, cannot be determined at this time.

Pursuant to Ohio Revised Code Section 117.38, the School District can be fined and subject to various other administrative remedies for its failure to file the required financial report.

The School District should take the necessary steps to ensure that the annual financial report is prepared and filed pursuant to generally accepted accounting principles.

**FINDING NUMBER 2007-002**

**Noncompliance Citation**

Ohio Revised Code Section 5705.41(B) states in part that “no subdivision or taxing unit is to expend money unless it has been appropriated.”

The District’s Expenditures exceeded appropriations at the fund level in the Lunchroom fund (fund 006) at 4/30/07 by \$117,038.

This could lead to overspending and negative fund balances. The Treasurer should ensure that all money is appropriated before it is expended.

**FINDING NUMBER 2007-003**

**Significant Control Deficiency – Material Weakness**

The Treasurer improperly recorded an entire tax settlement check from the County Auditor in the amount of \$390,000 into the General fund instead of recording a portion of the receipt into the Bond Retirement and Classroom Facilities funds. The amounts that should have been recorded into the Bond Retirement and Classroom Facilities funds were \$68,000 and \$4,000, respectively.

**VALLEY LOCAL SCHOOL DISTRICT**  
Scioto County

Schedule of Findings and Questioned Costs  
OMB CIRCULAR A -133 Section .505  
For the Fiscal Year Ended June 30, 2007

**FINDING NUMBER 2007-003 (Continued)**

Taxes levied on behalf of the School District are primarily for general purposes, however a portion of the taxes levied are also for debt service and classroom facilities projects. Therefore, it is important that the revenue is properly recorded in order to ensure that taxes levied finance their intended purposes.

Inaccurate recording of tax receipts could result in the District improperly spending taxes levied for special purposes. The Treasurer should ensure that tax receipts are posted to the correct funds.

<b>3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS</b>
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None.

**VALLEY LOCAL SCHOOL DISTRICT**  
Scioto County

Schedule of Prior Audit Findings  
OMB Circular A-133 §315(b)  
For the Fiscal Year Ended June 30, 2007

<b>Finding Number</b>	<b>Finding Summary</b>	<b>Fully Corrected?</b>	<b>Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; Explain:</b>
2006-001	Ohio Revised Code Section 117.38 noncompliance.	No	Reissued – 2007-001



**VALLEY LOCAL SCHOOL DISTRICT**

Scioto County

Corrective Action Plan  
OMB Circular A-133 §315(c)  
For the Fiscal Year Ended June 30, 2007

<b>Finding Number</b>	<b>Planned Corrective Action</b>	<b>Anticipated Completion Date</b>	<b>Responsible Contact Person:</b>
2007-001	The District plans to continue to issue financial statements using a cash basis of accounting. The Treasurer feels that the financial and human resources spent preparing GAAP financial statements than cannot be read no understood by the vast majority of the District residents could be utilized for far more important purposes.	N/A	Michael Bennett, Treasurer
2007-002	The District will more closely monitor expenditures in relation to approved appropriations and take corrective action as necessary.	6/30/08	Michael Bennett, Treasurer
2007-003	The Treasurer understands the importance of accurately reporting all transactions, not just property tax settlements. Receipt entries will be more closely reviewed in the future.	6/30/08	Michael Bennett, Treasurer





**Mary Taylor, CPA**  
Auditor of State

**VALLEY LOCAL SCHOOL DISTRICT**  
**SCIOTO COUNTY**

**CLERK'S CERTIFICATION**

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

*Susan Babbitt*

**CLERK OF THE BUREAU**

**CERTIFIED**  
**FEBRUARY 7, 2008**