



# Balestra, Harr & Scherer, CPAs, Inc.

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Accounting, Auditing and Consulting Services for Federal, State and Local Governments

[www.bhscpas.com](http://www.bhscpas.com)

VALLEY VIEW LOCAL SCHOOL DISTRICT  
MONTGOMERY COUNTY

SINGLE AUDIT

For the Year Ended June 30, 2013  
Fiscal Year Audited Under GAGAS: 2013





# Dave Yost • Auditor of State

Board of Education  
Valley View Local School District  
59 Peffley Street  
Germantown, Ohio 45327

We have reviewed the *Independent Auditor's Report* of the Valley View Local School District, Montgomery County, prepared by Balestra, Harr & Scherer, CPAs, Inc., for the audit period July 1, 2012 through June 30, 2013. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

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

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

Dave Yost  
Auditor of State

March 21, 2014

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**VALLEY VIEW LOCAL SCHOOL DISTRICT  
MONTGOMERY COUNTY**

**BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2013**

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# Balestra, Harr & Scherer, CPAs, Inc.

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## Independent Auditor's Report

Members of the Board of Education  
Valley View Local School District  
59 Peffley Street  
Germantown, Ohio 45327

### *Report on the Financial Statements*

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Valley View Local School District, Montgomery County, Ohio (the District), as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

### *Management's Responsibility for the Financial Statements*

Management is responsible for preparing and fairly presenting these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes designing, implementing, and maintaining internal control relevant to preparing and fairly presenting financial statements that are free from material misstatement, whether due to fraud or error.

### *Auditor's Responsibility*

Our responsibility is to opine on these financial statements based on our audit. We audited in accordance with auditing standards generally accepted in the United States of America and the financial audit standards in the Comptroller General of the United States' *Government Auditing Standards*. Those standards require us to plan and perform the audit to reasonably assure the financial statements are free from material misstatement.

An audit requires obtaining evidence about financial statement amounts and disclosures. The procedures selected depend on our judgment, including assessing the risks of material financial statement misstatement, whether due to fraud or error. In assessing those risks, we consider internal control relevant to the District's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not to the extent needed to opine on the effectiveness of the District's internal control. Accordingly, we express no opinion. An audit also includes evaluating the appropriateness of management's accounting policies and the reasonableness of their significant accounting estimates, as well as our evaluation of the overall financial statement presentation.

We believe the audit evidence we obtained is sufficient and appropriate to support our audit opinions.

***Opinion***

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Valley View Local School District, Montgomery County, Ohio, as of June 30, 2013, and the respective changes in financial position thereof and the budgetary comparison for the General fund thereof for the year then ended in accordance with the accounting principles generally accepted in the United States of America.

***Emphasis of Matter***

As discussed in Note 3 to the financial statements, during the year ended June 30, 2013, the District adopted the provisions of Governmental Accounting Standard No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources and Net Position* and No. 65, *Items Previously Reported as Assets and Liabilities*. We did not modify our opinion regarding this matter.

***Other Matters***

***Required Supplementary Information***

Accounting principles generally accepted in the United States of America require this presentation to include *Management's discussion and analysis*, listed in the table of contents, to supplement the basic financial statements. Although this information is not part of the basic financial statements, the Governmental Accounting Standards Board considers it essential for placing the basic financial statements in an appropriate operational, economic, or historical context. We applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, consisting of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, to the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not opine or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to opine or provide any other assurance.

***Supplementary and Other Information***

Our audit was conducted to opine on the District's basic financial statements taken as a whole.

The Schedule of Federal Award Receipts and Expenditures (the Schedule) presents 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 financial statements.

The Schedule is management's responsibility, and derives from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. We subjected the Schedule to the auditing procedures we applied to the basic financial statements. We also applied certain additional procedures, including comparing and reconciling the Schedule directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves in accordance with auditing standards generally accepted in the United States of America. In our opinion, the Schedule is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

***Other Reporting Required by Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated December 23, 2013, on our consideration of the District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. That report describes the scope of our internal control testing over financial reporting and compliance, and the results of that testing, and does not opine on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

*Balestra, Harr & Scherer, CPAs*

Balestra, Harr & Scherer, CPAs, Inc.  
Piketon, Ohio  
December 23, 2013



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

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2013**

The management's discussion and analysis of the Valley View Local School District's ("the District") financial performance provides an overall review of the District's financial activities for the fiscal year ended June 30, 2013. The intent of this discussion and analysis is to look at the District's financial performance as a whole; readers should also review the basic financial statements and the notes to the basic financial statements to enhance their understanding of the District's financial performance.

**Financial Highlights**

Key financial highlights for fiscal year 2013 are as follows:

- In total, net position of governmental activities decreased \$569,220 which represents a 10.83% decrease from 2012.
- General revenues accounted for \$15,691,731 in revenue or 86.05% of all revenues. Program specific revenues in the form of charges for services and sales, grants and contributions accounted for \$2,543,191 or 13.95% for total revenues of \$18,234,922.
- The District had \$18,804,142 in expenses related to governmental activities; only \$2,543,191 of these expenses was offset by program specific charges for services, grants or contributions. General revenues supporting governmental activities (primarily taxes and unrestricted grants and entitlements) of \$15,691,731 were not adequate to provide for these programs.
- The District's major governmental funds are the general fund and the permanent improvement fund. The general fund had \$15,908,473 in revenues and \$17,078,624 in expenditures. During fiscal year 2013, the general fund's fund balance decreased \$1,170,151 from a fund balance of \$656,856 to a deficit of \$513,295.
- The permanent improvement fund had \$861,114 in revenues and \$345,796 in expenditures. During fiscal year 2013, the permanent improvement fund balance increased \$515,318 from a fund balance of \$58,019 to a fund balance of \$573,337.

**Using the Basic Financial Statements**

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

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

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

MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2013

**Reporting the District as a Whole**

***Statement of Net Position and the Statement of Activities***

While this document contains the large number of funds used by the District to provide programs and activities, the view of the District as a whole looks at all financial transactions and asks the question, "How did we do financially during 2013?" The statement of net position and the statement of activities answer this question. These statements include *all assets, deferred outflows of resources, liabilities, deferred inflows of resources, revenues and expenses* using the *accrual basis of accounting* similar to the accounting used by most private-sector companies. This basis of accounting will take into account all of the current year's revenues and expenses regardless of when cash is received or paid.

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

In the statement of net position and the statement of activities, the governmental activities include the District's programs and services, including instruction, support services, operation of non-instructional services, extracurricular activities, latchkey and food service operations.

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

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

***Fund Financial Statements***

The analysis of the District's major governmental funds begins on page 10. Fund financial reports provide detailed information about the District's major funds. The District uses many funds to account for a multitude of financial transactions. However, these fund financial statements focus on the District's most significant funds. The District's major governmental funds are the general fund and the permanent improvement fund.

***Governmental Funds***

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

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2013**

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

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

***Notes to the Basic Financial Statements***

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. These notes to the basic financial statements can be found on pages 23 - 50 of this report.

**The District as a Whole**

The statement of net position provides the perspective of the District as a whole.

The table below provides a summary of the District's net position at June 30, 2013 and June 30, 2012.

	<b>Net Position</b>	
	Governmental Activities 2013	Governmental Activities 2012
<b><u>Assets</u></b>		
Current and other assets	\$ 8,263,314	\$ 7,924,794
Capital assets, net	<u>5,405,211</u>	<u>5,792,116</u>
Total assets	<u>13,668,525</u>	<u>13,716,910</u>
<b><u>Liabilities</u></b>		
Current liabilities	2,582,536	2,551,859
Long-term liabilities	<u>1,382,275</u>	<u>1,581,488</u>
Total liabilities	<u>3,964,811</u>	<u>4,133,347</u>
<b><u>Deferred inflows of resources</u></b>		
Deferred inflows of resources	<u>5,015,249</u>	<u>4,325,878</u>
<b><u>Net Position</u></b>		
Net investment in capital assets	5,018,699	5,259,290
Restricted	55,321	59,616
Unrestricted (deficit)	<u>(385,555)</u>	<u>(61,221)</u>
Total net position	<u>\$ 4,688,465</u>	<u>\$ 5,257,685</u>

Over time, net position can serve as a useful indicator of a government's financial position. At June 30, 2013, the District's assets exceeded liabilities and deferred inflows of resources by \$4,688,465. At year-end, restricted net position was \$55,321.

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

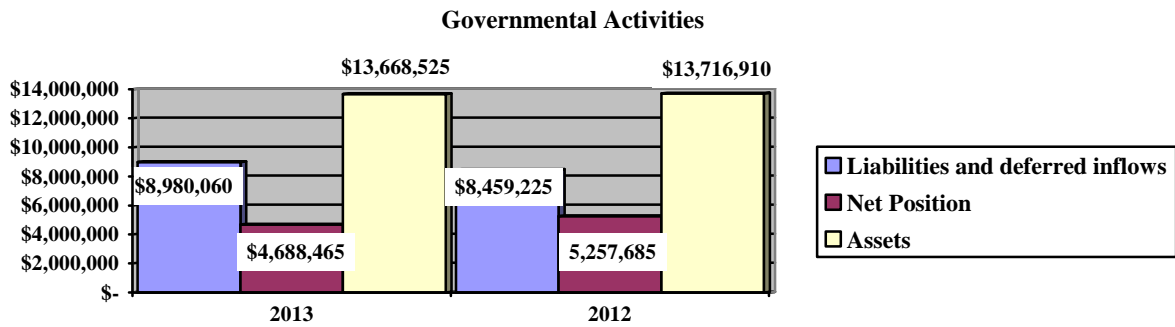
**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2013**

Deferred inflows of resources increased \$689,371 related to property taxes receivable to finance fiscal year 2014.

At year-end, capital assets represented 39.54% of total assets. Capital assets include land, land improvements, buildings and improvements, furniture and equipment and vehicles. Net investment in capital assets at June 30, 2013 was \$5,018,699. These capital assets are used to provide services to the students and are not available for future spending. Although the District's net investment in capital assets is reported net of related debt, it should be noted that the resources to repay the debt must be provided from other sources, since capital assets may not be used to liquidate these liabilities.

The remaining balance of unrestricted net position was a deficit of \$385,555. Unrestricted net position decreased primarily due to a decrease in general fund cash and investments.

The graph below illustrates the governmental activities assets, liabilities, deferred inflows of resources and net position at June 30, 2013 and 2012:



The table below shows the change in net position for fiscal years 2013 and 2012.

**Change in Net Position**

	Governmental Activities 2013	Governmental Activities 2012
<b>Revenues</b>		
Program revenues:		
Charges for services and sales	\$ 877,176	\$ 1,047,512
Operating grants and contributions	1,666,015	1,548,149
General revenues:		
Property taxes	4,409,432	4,968,785
School district income taxes	3,070,839	3,286,634
Grants and entitlements	8,021,602	8,212,803
Investment earnings	1,410	20,106
Other	188,448	117,960
<b>Total revenues</b>	<b>\$ 18,234,922</b>	<b>\$ 19,201,949</b>

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2013**

	Governmental Activities <u>2013</u>	Governmental Activities <u>2012</u>
<b><u>Expenses</u></b>		
Program expenses:		
Instruction:		
Regular	\$ 8,890,254	\$ 8,752,525
Special	1,653,727	1,637,062
Vocational	109,068	322,311
Other	642,145	629,930
Support services:		
Pupil	1,288,902	1,207,225
Instructional staff	950,558	2,081,748
Board of education	13,184	92,618
Administration	986,069	1,055,416
Fiscal	367,988	300,117
Business	11,025	10,158
Operations and maintenance	1,420,943	1,501,572
Pupil transportation	1,108,684	1,126,713
Central	76,103	307,093
Operations of non-instructional services		
Other non-instructional services	37,001	-
Food service operations	655,315	734,905
Extracurricular activities	565,079	739,719
Interest and fiscal charges	<u>28,097</u>	<u>37,412</u>
Total expenses	<u>18,804,142</u>	<u>20,536,524</u>
Change in net position	(569,220)	(1,334,575)
Net position at beginning of year	<u>5,257,685</u>	<u>6,592,260</u>
Net position at end of year	<u>\$ 4,688,465</u>	<u>\$ 5,257,685</u>

**Governmental Activities**

Net position of the District's governmental activities decreased \$569,220. Total governmental expenses of \$18,804,142 were offset by program revenues of \$2,543,191 and general revenues of \$15,691,731. Program revenues supported 13.52% of the total governmental expenses.

The primary sources of revenue for governmental activities are derived from property taxes, a school district income tax, and unrestricted grants and entitlements. These revenue sources represent 85.01% of total governmental revenue. Real estate property is reappraised every six years and the school district income tax rate is 1.25%.

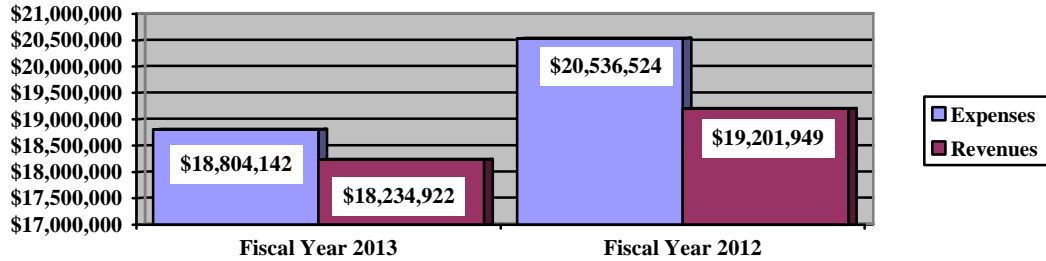
Overall revenues remained consistent with fiscal year 2012, decreasing only \$967,027 or 5.04%. Property tax revenue decreased due to the decrease in advances available in fiscal year 2013. The decrease in charges for services is due to a decrease in extracurricular revenues received. Overall expenses decreased only \$1,732,382 or 8.44%. The large decrease in instructional staff expenses is due to overall decrease in expenses in all areas of instructional staff including salaries and state foundation deductions.

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2013**

The graph below presents the District's governmental activities revenues and expenses for fiscal year 2013 and 2012.

**Governmental Activities - Revenues and Expenses**



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

**Governmental Activities**

	Total Cost of Services <u>2013</u>	Net Cost of Services <u>2013</u>	Total Cost of Services <u>2012</u>	Net Cost of Services <u>2012</u>
<b>Program expenses</b>				
Instruction:				
Regular	\$ 8,890,254	\$ 8,485,778	\$ 8,752,525	\$ 8,469,733
Special	1,653,727	645,549	1,637,062	609,308
Vocational	109,068	37,013	322,311	250,256
Other	642,145	642,145	629,930	620,648
Support services:				
Pupil	1,288,902	1,256,968	1,207,225	1,112,905
Instructional staff	950,558	870,992	2,081,748	2,055,402
Board of education	13,184	13,184	92,618	92,618
Administration	986,069	980,236	1,055,416	1,040,270
Fiscal	367,988	362,732	300,117	292,214
Business	11,025	11,025	10,158	10,158
Operations and maintenance	1,420,943	1,397,021	1,501,572	1,480,361
Pupil transportation	1,108,684	1,074,662	1,126,713	1,072,607
Central	76,103	76,103	307,093	305,975
Operations of non-instructional services:				
Other non-instructional services	37,001	(2,706)	-	-
Food service operations	655,315	35,557	739,719	489,561
Extracurricular activities	565,079	346,595	734,905	1,435
Interest and fiscal charges	28,097	28,097	37,412	37,412
<b>Total expenses</b>	<u>\$ 18,804,142</u>	<u>\$ 16,260,951</u>	<u>\$ 20,536,524</u>	<u>\$ 17,940,863</u>

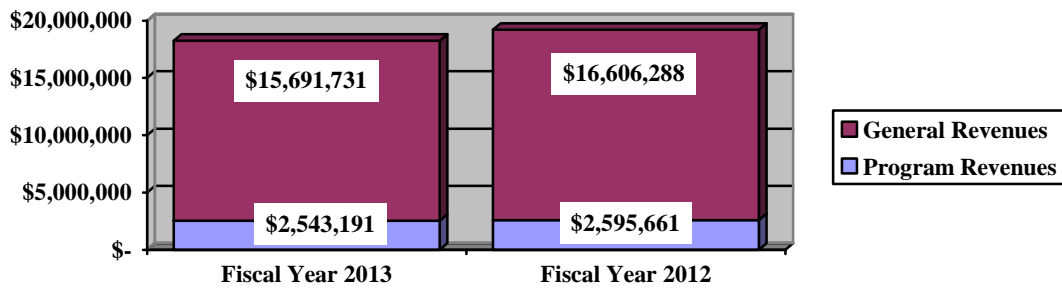
**VALLEY VIEW LOCAL SCHOOL DISTRICT  
MONTGOMERY COUNTY, OHIO**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2013**

The dependence upon tax and other general revenues for governmental activities is apparent, 86.86% of instruction activities are supported through taxes and other general revenues. For all governmental activities, general revenue support is 86.48%. The District's taxpayers and unrestricted grants and entitlements are by far the primary support for District's students.

The graph below presents the District's governmental activities revenue for fiscal years 2013 and 2012.

**Governmental Activities - General and Program Revenues**



**The District's Funds**

The District's governmental funds (as presented on page 16) reported a combined fund deficit of \$104,264 which is lower than last year's balance of \$420,570. The schedule below indicates the fund balance and the total change in fund balance as of June 30, 2013 and 2012.

	Fund Balance (Deficit) <u>June 30, 2013</u>	Fund Balance (Deficit) <u>June 30, 2012</u>	Increase/ (Decrease)
General	\$ (513,295)	\$ 656,856	\$ (1,170,151)
Permanent improvement	573,337	58,019	515,318
Other Governmental	<u>(164,306)</u>	<u>(294,305)</u>	<u>129,999</u>
Total	<u>\$ (104,264)</u>	<u>\$ 420,570</u>	<u>\$ (524,834)</u>

**General Fund**

The District's general fund's fund balance decreased \$1,170,151.

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2013**

The table that follows assists in illustrating the financial activities and fund balance of the general fund.

	<u>2013 Amount</u>	<u>2012 Amount</u>	<u>Increase/ (Decrease)</u>	<u>Percentage Change</u>
<b><u>Revenues</u></b>				
Taxes	\$ 6,803,572	\$ 7,336,954	\$ (533,382)	(7.27) %
Tuition	218,498	139,078	79,420	57.10 %
Earnings on investments	1,929	22,767	(20,838)	(91.53) %
Intergovernmental	8,493,690	8,666,247	(172,557)	(1.99) %
Other revenues	<u>390,784</u>	<u>404,373</u>	<u>(13,589)</u>	(3.36) %
Total	<u>\$ 15,908,473</u>	<u>\$ 16,569,419</u>	<u>\$ (660,946)</u>	(3.99) %
<b><u>Expenditures</u></b>				
Instruction	\$ 10,768,867	\$ 9,975,372	\$ 793,495	7.95 %
Support services	5,765,891	7,210,996	(1,445,105)	(20.04) %
Extracurricular activities	369,455	461,636	(92,181)	(19.97) %
Facilities acquisition and construction	-	8,018	(8,018)	(100.00) %
Debt Service	<u>174,411</u>	<u>174,435</u>	<u>(24)</u>	(0.01) %
Total	<u>\$ 17,078,624</u>	<u>\$ 17,830,457</u>	<u>\$ (751,833)</u>	(4.22) %

Revenues of the general fund decreased \$660,946 or 3.99%. The most significant increases were tuition which increased \$79,420 or 57.10%. This increase is mainly due to tuition payments from other districts. Tax revenue decreased \$533,382 due to changes in advances available to the District. The decrease of \$20,838 in earnings on investments is the result of a decreased amount of investments by the District. The decrease of \$172,557 in intergovernmental revenue is mainly due to a decrease in state foundation payments.

Expenditures of the general fund decreased \$751,833 or 4.22%. The most significant decrease was in the area of support services which decreased \$1,445,105. This is due to an overall decrease in support staff expenditures during the year due to cost cutting measures.

***Permanent Improvement Fund***

During fiscal year 2013, the permanent improvement fund had \$861,114 in revenues and \$345,796 in expenditures. During fiscal year 2013, the permanent improvement fund balance increased \$515,318 from a fund balance of \$58,019 to a fund balance of \$573,337.

***General Fund Budgeting Highlights***

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

During the course of fiscal year 2013, the District amended its general fund budget numerous times. For the general fund, original budgeted revenues of \$15,997,257 were increased to \$16,395,090 in the final budget. Actual revenues and other financing sources were \$16,187,601 which is lower than the final budgeted revenues estimate by \$207,489.

General fund original appropriations of \$16,576,972 were increased to \$17,601,526 in the final budget. Actual budget basis expenditures of \$17,171,299 were \$430,227 less than the final budget.



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

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2013**

**Capital Assets and Debt Administration**

***Capital Assets***

At the end of fiscal year 2013, the District had \$5,405,211 invested in land, land improvements, buildings and improvements, furniture and equipment, and vehicles. This entire amount is reported in governmental activities.

The following table shows June 30, 2013 balances compared to June 30, 2012:

	<b>Capital Assets at June 30 (Net of Depreciation)</b>	
	<u>Governmental Activities</u>	
	<u>2013</u>	<u>2012</u>
Land	\$ 405,123	\$ 405,123
Land improvements	1,445,097	1,493,057
Building and improvements	2,347,993	2,440,007
Furniture and equipment	924,885	1,068,313
Vehicles	<u>282,113</u>	<u>385,616</u>
Total	<u>\$ 5,405,211</u>	<u>\$ 5,792,116</u>

Capital assets decreased \$386,905 during fiscal year 2013. This increase can be attributed to depreciation expense of \$419,481 exceeding additions of \$32,576.

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

***Debt Administration***

At June 30, 2013, the District had \$386,512 in general obligation bonds and capital leases outstanding. Of this total, \$155,608 is due within one year and \$230,904 is due in greater than one year.

The following table summarizes the bonds and capital leases outstanding.

	<b>Outstanding Debt, at Year End</b>	
	Governmental Activities	Governmental Activities
	<u>2013</u>	<u>2012</u>
General obligation bonds	\$ 31,955	\$ 46,356
Capital leases	<u>354,557</u>	<u>486,470</u>
Total	<u>\$ 386,512</u>	<u>\$ 532,826</u>

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

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

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2013**

**Current Financial Related Activities**

The District continued to provide excellent services to our students, parents and community in fiscal year 2013 while spending less than the average Ohio school district. The Board of Education and management team have carefully managed general fund budgets in order to minimize the need for additional local support. An Emergency Levy of an additional 5.25 mil was approved in August, 2004 which expired December 2009. The prudent management of District funds had allowed the District to fund student achievement without levying additional taxes to the local community for over nine years.

The District demonstrated continued success in fiscal year 2013 as indicated by the "excellent with distinction" designation of our District on the Ohio Department of Education district report card. We maintained our excellent with distinction rating with a combination of performance indicators (26 out of 26) and the performance index score (101.6). The District was able to provide the services necessary to obtain the student achievement while spending less per pupil than the average Ohio school district.

The District has a low industry base and relies heavily on residential support for local funding. The District operated at the 20 mill floor in fiscal year 2013, effectively collecting only 20 mills of property taxes on a total millage rate of 38.66 mills. The District also relies on two school district income tax levies that total 1.25%. A five-year .75% income tax levy was renewed in the May 2010 primary election for calendar years 2011-2015 and a five-year .50% income tax levy was renewed in May, 2011 for calendar years 2012-2016. The passage of the .50% income tax renewal levy in 2011 was critical to the continued successful operations of the District.

The District relies significantly on funding from the State of Ohio due to the low local valuation of primarily residential development. The District suffered losses due to several legislative actions, including HB 95 that reduced revenue for fiscal year 2005 and beyond and HB 66, which overhauled the business taxation system for the State beginning July 1, 2005 and initiated the phase out of the collection of tangible personal property taxes for the district. Due to HB 66, the District was slated to receive no revenue growth for the next two years based on the state's projected enrollment for the District. The District is anticipating no revenue growth from the state foundation program due to the decline of the economy and the financial situation of the State in the upcoming second year of the biennial budget for fiscal year 2014. The future of both State and Federal funding has been difficult to predict and the future of both is unknown.

**Contacting the District's Financial Management**

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

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

STATEMENT OF NET POSITION  
JUNE 30, 2013

	<b>Governmental Activities</b>
<b>Assets:</b>	
Equity in pooled cash and investments . . . . .	\$ 1,213,023
Cash in segregated accounts . . . . .	848
Receivables:	
Property taxes . . . . .	5,331,691
Income taxes . . . . .	1,329,619
Accounts . . . . .	110,973
Accrued interest . . . . .	1,566
Intergovernmental . . . . .	252,595
Prepayments . . . . .	17,306
Materials and supplies inventory . . . . .	5,693
Capital assets:	
Nondepreciable capital assets . . . . .	405,123
Depreciable capital assets, net . . . . .	5,000,088
Capital assets, net . . . . .	5,405,211
Total assets . . . . .	13,668,525
<b>Liabilities:</b>	
Accounts payable . . . . .	100,595
Contracts payable . . . . .	3,020
Accrued wages and benefits payable . . . . .	1,780,689
Pension obligation payable . . . . .	348,431
Intergovernmental payable . . . . .	349,801
Long-term liabilities:	
Due within one year . . . . .	282,072
Due in more than one year . . . . .	1,100,203
Total liabilities . . . . .	3,964,811
<b>Deferred inflows of resources:</b>	
Property taxes levied for the next fiscal year . . . . .	5,015,249
Total deferred inflows of resources . . . . .	5,015,249
<b>Net position:</b>	
Net investment in capital assets . . . . .	5,018,699
Restricted for:	
Federally funded programs . . . . .	20,502
Student activities . . . . .	13,926
Other purposes . . . . .	20,893
Unrestricted (deficit) . . . . .	(385,555)
Total net position . . . . .	\$ 4,688,465

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

STATEMENT OF ACTIVITIES  
FOR THE FISCAL YEAR ENDED JUNE 30, 2013

	Expenses	Program Revenues		Net (Expense)
		Charges for Services and Sales	Operating Grants and Contributions	Revenue and Changes in Net Position Governmental Activities
<b>Governmental activities:</b>				
Instruction:				
Regular . . . . .	\$ 8,890,254	\$ 344,633	\$ 59,843	\$ (8,485,778)
Special . . . . .	1,653,727	51,753	956,425	(645,549)
Vocational . . . . .	109,068	-	72,055	(37,013)
Other . . . . .	642,145	-	-	(642,145)
Support services:				
Pupil . . . . .	1,288,902	-	31,934	(1,256,968)
Instructional staff . . . . .	950,558	-	79,566	(870,992)
Board of education . . . . .	13,184	-	-	(13,184)
Administration . . . . .	986,069	-	5,833	(980,236)
Fiscal . . . . .	367,988	-	5,256	(362,732)
Business . . . . .	11,025	-	-	(11,025)
Operations and maintenance . . . . .	1,420,943	23,922	-	(1,397,021)
Pupil transportation . . . . .	1,108,684	-	34,022	(1,074,662)
Central . . . . .	76,103	-	-	(76,103)
Operation of non-instructional services:				
Other non-instructional services . . . . .	37,001	-	39,707	2,706
Food service operations . . . . .	655,315	382,389	237,369	(35,557)
Extracurricular activities . . . . .	565,079	74,479	144,005	(346,595)
Interest and fiscal charges . . . . .	28,097	-	-	(28,097)
<b>Total governmental activities . . . . .</b>	<b>\$ 18,804,142</b>	<b>\$ 877,176</b>	<b>\$ 1,666,015</b>	<b>(16,260,951)</b>

<b>General revenues:</b>	
Property taxes levied for:	
General purposes . . . . .	3,736,305
Capital projects . . . . .	673,127
Income taxes levied for:	
General purposes . . . . .	3,070,839
Grants and entitlements not restricted to specific programs . . . . .	8,021,602
Investment earnings . . . . .	1,410
Miscellaneous . . . . .	188,448
<b>Total general revenues . . . . .</b>	<b>15,691,731</b>
Change in net position . . . . .	(569,220)
<b>Net position at beginning of year . . . . .</b>	<b>5,257,685</b>
<b>Net position at end of year . . . . .</b>	<b>\$ 4,688,465</b>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

BALANCE SHEET  
GOVERNMENTAL FUNDS  
JUNE 30, 2013

	General	Permanent Improvement	Nonmajor Governmental Funds	Total Governmental Funds
<b>Assets:</b>				
Equity in pooled cash and investments . . . . .	\$ 563,804	\$ 552,499	\$ 96,720	\$ 1,213,023
Cash in segregated accounts . . . . .	-	-	848	848
Receivables:				
Property taxes . . . . .	4,699,945	631,746	-	5,331,691
Income taxes . . . . .	1,329,619	-	-	1,329,619
Accounts . . . . .	110,973	-	-	110,973
Accrued interest . . . . .	1,566	-	-	1,566
Interfund loans . . . . .	37,371	-	-	37,371
Intergovernmental . . . . .	173,156	-	79,439	252,595
Prepayments . . . . .	17,306	-	-	17,306
Materials and supplies inventory . . . . .	-	-	5,693	5,693
<b>Total assets . . . . .</b>	<b>6,933,740</b>	<b>1,184,245</b>	<b>182,700</b>	<b>8,300,685</b>
<b>Liabilities:</b>				
Accounts payable . . . . .	\$ 55,182	\$ -	\$ 45,413	\$ 100,595
Contracts payable . . . . .	-	3,020	-	3,020
Accrued wages and benefits payable . . . . .	1,632,082	-	148,607	1,780,689
Compensated absences payable . . . . .	121,481	-	-	121,481
Interfund loans payable . . . . .	-	-	37,371	37,371
Intergovernmental payable . . . . .	346,545	-	3,256	349,801
Pension obligation payable . . . . .	310,973	4,538	32,920	348,431
<b>Total liabilities . . . . .</b>	<b>2,466,263</b>	<b>7,558</b>	<b>267,567</b>	<b>2,741,388</b>
<b>Deferred inflows of resources:</b>				
Property taxes levied for the next fiscal year . . . . .	4,432,820	582,429	-	5,015,249
Delinquent property tax revenue not available . . . . .	113,649	20,921	-	134,570
Accrued interest not available . . . . .	645	-	-	645
Other nonexchange transactions not available . . . . .	-	-	79,439	79,439
Miscellaneous revenue not available . . . . .	224,713	-	-	224,713
Income tax revenue not available . . . . .	208,945	-	-	208,945
<b>Total deferred inflows of resources . . . . .</b>	<b>4,980,772</b>	<b>603,350</b>	<b>79,439</b>	<b>5,663,561</b>
<b>Fund balances:</b>				
Nonspendable:				
Materials and supplies inventory . . . . .	-	-	5,693	5,693
Prepays . . . . .	17,306	-	-	17,306
Unclaimed monies . . . . .	5,940	-	-	5,940
Restricted:				
Special education . . . . .	-	-	535	535
Other purposes . . . . .	-	-	20,893	20,893
Extracurricular . . . . .	-	-	13,926	13,926
Committed:				
Capital improvements . . . . .	-	573,337	-	573,337
Termination benefits . . . . .	48,375	-	-	48,375
Assigned:				
Student and staff support . . . . .	31,683	-	-	31,683
Other purposes . . . . .	219	-	-	219
Unassigned (deficit) . . . . .	(616,818)	-	(205,353)	(822,171)
<b>Total fund balances (deficit) . . . . .</b>	<b>(513,295)</b>	<b>573,337</b>	<b>(164,306)</b>	<b>(104,264)</b>
<b>Total liabilities, deferred inflows and fund balances . . . . .</b>	<b>\$ 6,933,740</b>	<b>\$ 1,184,245</b>	<b>\$ 182,700</b>	<b>\$ 8,300,685</b>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

RECONCILIATION OF TOTAL GOVERNMENTAL FUND BALANCES TO  
NET POSITION OF GOVERNMENTAL ACTIVITIES  
JUNE 30, 2013

<b>Total governmental fund balances</b>		\$	(104,264)
<i>Amounts reported for governmental activities on the statement of net position are different because:</i>			
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.			5,405,211
Other long-term assets are not available to pay for current-period expenditures and therefore are deferred inflows in the funds.			
Property taxes receivable	\$	134,570	
Income taxes receivable		208,945	
Accounts receivable		101,244	
Accrued interest receivable		645	
Intergovernmental receivable		202,908	
Total		648,312	648,312
Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds.			
General obligation bonds		(31,955)	
Capital lease obligations		(354,557)	
Compensated absences		(874,282)	
Total		(1,260,794)	(1,260,794)
<b>Net position of governmental activities</b>		\$	4,688,465

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES  
GOVERNMENTAL FUNDS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2013

	<u>General</u>	<u>Permanent Improvement</u>	<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
<b>Revenues:</b>				
From local sources:				
Property taxes . . . . .	\$ 3,739,450	\$ 673,608	\$ -	\$ 4,413,058
Income taxes . . . . .	3,064,122	-	-	3,064,122
Tuition . . . . .	218,498	-	-	218,498
Earnings on investments . . . . .	1,929	-	-	1,929
Charges for services . . . . .	-	-	382,389	382,389
Extracurricular . . . . .	74,466	-	4,416	78,882
Classroom materials and fees . . . . .	99,848	-	-	99,848
Rental income . . . . .	23,922	-	-	23,922
Contributions and donations . . . . .	4,100	-	89	4,189
Other local revenues . . . . .	188,448	-	140,563	329,011
Intergovernmental - state . . . . .	8,493,690	187,506	83,659	8,764,855
Intergovernmental - federal . . . . .	-	-	955,863	955,863
Total revenues . . . . .	<u>15,908,473</u>	<u>861,114</u>	<u>1,566,979</u>	<u>18,336,566</u>
<b>Expenditures:</b>				
Current:				
Instruction:				
Regular . . . . .	8,812,684	-	49,102	8,861,786
Special . . . . .	1,213,443	5,413	433,203	1,652,059
Vocational . . . . .	100,595	-	-	100,595
Other . . . . .	642,145	-	-	642,145
Support services:				
Pupil . . . . .	1,262,604	-	29,758	1,292,362
Instructional staff . . . . .	890,270	-	91,251	981,521
Board of education . . . . .	13,184	-	-	13,184
Administration . . . . .	1,022,715	7,106	5,549	1,035,370
Fiscal . . . . .	367,318	-	5,000	372,318
Business . . . . .	11,025	-	-	11,025
Operations and maintenance . . . . .	1,103,187	304,860	-	1,408,047
Pupil transportation . . . . .	1,020,362	7,842	-	1,028,204
Central . . . . .	75,226	-	-	75,226
Operation of non-instructional services:				
Other operation of non-instructional . . . . .	-	-	37,001	37,001
Food service operations . . . . .	-	-	650,873	650,873
Extracurricular activities . . . . .	369,455	-	137,498	506,953
Facilities acquisition and construction . . . . .	-	20,575	188	20,763
Debt service:				
Principal retirement . . . . .	146,314	-	-	146,314
Interest and fiscal charges . . . . .	28,097	-	-	28,097
Total expenditures . . . . .	<u>17,078,624</u>	<u>345,796</u>	<u>1,439,423</u>	<u>18,863,843</u>
Net change in fund balances . . . . .	(1,170,151)	515,318	127,556	(527,277)
<b>Fund balances (deficit) at beginning of year . .</b>	656,856	58,019	(294,305)	420,570
<b>Increase in reserve for inventory . . . . .</b>	-	-	2,443	2,443
<b>Fund balances (deficit) at end of year . . . . .</b>	<u>\$ (513,295)</u>	<u>\$ 573,337</u>	<u>\$ (164,306)</u>	<u>\$ (104,264)</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES  
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS  
TO THE STATEMENT OF ACTIVITIES  
FOR THE FISCAL YEAR ENDED JUNE 30, 2013

<b>Net change in fund balances - total governmental funds</b>	\$	(527,277)
<i>Amounts reported for governmental activities in the statement of activities are different because:</i>		
Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense.		
Capital asset additions	\$ 32,576	
Current year depreciation	(419,481)	
Total		(386,905)
Governmental funds report expenditures for inventory when purchased. However, in the statement of activities, they are reported as an expense when consumed.		
		2,443
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.		
Property taxes	(3,626)	
Income taxes	6,717	
Accrued interest	(573)	
Accounts	73,637	
Intergovernmental	(54,330)	
Total		21,825
Repayment of bond and capital lease principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities on the statement of net position. Principal payments during the year were:		
Bonds	14,401	
Capital leases	131,913	
Total		146,314
Some expenses reported in the statement of activities, such as compensated absences, do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds.		
		174,380
<b>Change in net position of governmental activities</b>	<b>\$</b>	<b>(569,220)</b>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS



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

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN  
FUND BALANCE - BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)  
GENERAL FUND  
FOR THE FISCAL YEAR ENDED JUNE 30, 2013

	<u>Budgeted Amounts</u>		<u>Actual</u>	<b>Variance with Final Budget Positive (Negative)</b>
	<u>Original</u>	<u>Final</u>		<u>Actual</u>
<b>Revenues:</b>				
From local sources:				
Property taxes . . . . .	\$ 3,883,553	\$ 3,980,133	\$ 3,889,557	\$ (90,576)
Income taxes . . . . .	3,104,913	3,182,128	3,109,713	(72,415)
Tuition . . . . .	217,861	223,279	218,198	(5,081)
Earnings on investments . . . . .	26,510	27,169	26,551	(618)
Extracurricular . . . . .	56,176	57,573	56,263	(1,310)
Classroom materials and fees . . . . .	99,694	102,173	99,848	(2,325)
Rental income . . . . .	4,730	4,847	4,737	(110)
Other local revenues . . . . .	123,240	126,305	123,431	(2,874)
Intergovernmental - state . . . . .	8,480,580	8,691,483	8,493,690	(197,793)
Total revenues . . . . .	<u>15,997,257</u>	<u>16,395,090</u>	<u>16,021,988</u>	<u>(373,102)</u>
<b>Expenditures:</b>				
Current:				
Instruction:				
Regular . . . . .	8,382,380	8,900,458	8,664,012	236,446
Special . . . . .	1,209,858	1,284,634	1,250,507	34,127
Vocational . . . . .	122,435	130,003	126,549	3,454
Other . . . . .	616,552	654,659	637,267	17,392
Support services:				
Pupil . . . . .	1,203,198	1,277,562	1,243,623	33,939
Instructional staff . . . . .	980,005	1,040,575	1,012,931	27,644
Board of education . . . . .	11,314	12,013	11,694	319
Administration . . . . .	1,001,207	1,063,088	1,034,846	28,242
Fiscal . . . . .	375,486	398,694	388,102	10,592
Business . . . . .	70,249	74,591	72,609	1,982
Operations and maintenance . . . . .	1,062,015	1,127,654	1,097,697	29,957
Pupil transportation . . . . .	997,241	1,058,876	1,030,746	28,130
Central . . . . .	80,622	85,605	83,331	2,274
Extracurricular activities . . . . .	360,668	382,960	372,786	10,174
Debt service:				
Principal . . . . .	87,084	92,466	90,010	2,456
Interest and fiscal charges . . . . .	16,658	17,688	17,218	470
Total expenditures . . . . .	<u>16,576,972</u>	<u>17,601,526</u>	<u>17,133,928</u>	<u>467,598</u>
Excess expenditures over revenues . . . . .	<u>(579,715)</u>	<u>(1,206,436)</u>	<u>(1,111,940)</u>	<u>94,496</u>
<b>Other financing sources (uses):</b>				
Transfers in . . . . .	-	-	35,746	35,746
Advances in . . . . .	-	-	129,867	129,867
Advances (out) . . . . .	-	-	(37,371)	(37,371)
Total other financing sources (uses) . . . . .	<u>-</u>	<u>-</u>	<u>128,242</u>	<u>128,242</u>
Net change in fund balance . . . . .	(579,715)	(1,206,436)	(983,698)	222,738
<b>Fund balance at beginning of year . . . . .</b>	<u>1,206,436</u>	<u>1,206,436</u>	<u>1,206,436</u>	<u>-</u>
<b>Fund balance at end of year . . . . .</b>	<u>\$ 626,721</u>	<u>\$ -</u>	<u>\$ 222,738</u>	<u>\$ 222,738</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

STATEMENT OF FIDUCIARY NET POSITION  
FIDUCIARY FUND  
JUNE 30, 2013

	<b>Private-Purpose Trust</b>	
	<b>Scholarship</b>	<b>Agency</b>
<b>Assets:</b>		
Equity in pooled cash and investments . . . . .	\$ 1,170,152	\$ 39,339
Total assets. . . . .	1,170,152	\$ 39,339
<b>Liabilities:</b>		
Accounts payable. . . . .	-	\$ 1,883
Due to students. . . . .	-	37,456
Total liabilities . . . . .	-	\$ 39,339
<b>Net position:</b>		
Held in trust for scholarships:		
Nonexpendable . . . . .	1,123,704	
Expendable. . . . .	46,448	
Total net position. . . . .	\$ 1,170,152	

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

STATEMENT OF CHANGES IN FIDUCIARY NET POSITION  
FIDUCIARY FUND  
FOR THE FISCAL YEAR ENDED JUNE 30, 2013

	<b>Private-Purpose Trust</b>
	<b>Scholarship</b>
<b>Additions:</b>	
Gifts and contributions. . . . .	\$ 6,675
Total additions. . . . .	6,675
 <b>Deductions:</b>	
Scholarships awarded . . . . .	24,320
Change in net position . . . . .	(17,645)
<b>Net position at beginning of year. . . . .</b>	<b>1,187,797</b>
<b>Net position at end of year . . . . .</b>	<b>\$ 1,170,152</b>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2013**

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

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

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

The District ranks as the 284<sup>th</sup> largest by enrollment among the 918 public school districts and community schools in the State. It currently operates 2 elementary schools, 1 middle school, and 1 comprehensive high school. The District employs 100 non-certified and 204 certified employees to provide services to 1,908 students in grades K through 12 and various community groups.

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

The basic financial statements of the District have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The District's significant accounting policies are described below.

**A. Reporting Entity**

The reporting entity has been defined in accordance with GASB Statement No. 14, "The Financial Reporting Entity" as amended by GASB Statement No. 39, "Determining Whether Certain Organizations Are Component Units" and GASB Statement No. 61, "The Financial Reporting Entity: Omnibus an Amendment of GASB Statements No. 14 and No. 34". The reporting entity is composed of the primary government and component units. The primary government consists of all funds, departments, boards and agencies that are not legally separate from the District. For the District, this includes general operations, food service, and student related activities of the District.

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

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

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2013

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

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

*JOINTLY GOVERNED ORGANIZATIONS*

Miami Valley Career Tech Vocational School

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

Southwestern Ohio Educational Purchasing Council (SOEPC)

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

Metropolitan Dayton Educational Cooperative Association (MDECA)

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

*RELATED ORGANIZATION*

Germantown Public Library

The Germantown Public Library is a distinct political subdivision of the State of Ohio, created in accordance with Chapter 3375, ORC. The Board of Education is responsible for appointing the trustees of the Library; however, the Board cannot influence the Library's operation, nor does the Library represent a potential financial benefit or burden to the District. Although the District does serve as the taxing authority and may issue tax related debt on behalf of the Library, its role is limited to a ministerial function. Once the Library determines to present a levy to the voters, including the determination of the rate and duration, the District must place the levy on the ballot. The Library determines its need for the issuance of debt and determines its own budget. Library did not receive any funding from the District during fiscal year 2013.

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2013**

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

**B. Fund Accounting**

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

*GOVERNMENTAL FUNDS*

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

General fund -The general fund is used to account for and report all financial resources not accounted for and reported in another fund. The general fund balance is available for any purpose provided it is expended or transferred according to the general laws of Ohio.

Permanent improvement fund - The permanent improvement fund is used to account for financial resources that are restricted, committed, or assigned to expenditures for the acquisition or construction of capital facilities and other capital assets.

Other governmental funds of the District are used to account for (a) specific revenue sources that are restricted or committed to an expenditure for specified purposes other than debt service or capital projects and (b) financial resources that are restricted, committed, or assigned to expenditures for capital outlays including the acquisition or construction of capital facilities and other capital assets.

*PROPRIETARY FUNDS*

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

*FIDUCIARY FUNDS*

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

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

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

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

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2013**

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

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

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

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

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

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

**D. Basis of Accounting**

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

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



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

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2013**

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

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

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

Deferred Inflows of Resources and Deferred Outflows of Resources - A deferred inflow of resources is an acquisition of net position by the District that is applicable to a future reporting period. A deferred outflow of resources is a consumption of net position by the District that is applicable to a future reporting period.

Property taxes for which there is an enforceable legal claim as of June 30, 2013, but which were levied to finance fiscal year 2014 operations, and other revenues received in advance of the fiscal year for which they were intended to finance, have been recorded as deferred inflows of resources. Income taxes, grants not received within the available period, grants and entitlements received before the eligibility requirements are met, and delinquent property taxes due at June 30, 2013, are recorded as deferred inflows of resources on the governmental fund financial statements.

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

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

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

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2013**

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

**E. Budgets**

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

Tax Budget:

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

Estimated Resources:

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

Appropriations:

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

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

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2013**

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

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

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

Lapsing of Appropriations:

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

**F. Cash and Investments**

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

During fiscal year 2013, investments were limited to negotiable and nonnegotiable certificates of deposits, and U.S. Government money market funds. Except for nonparticipating investment contracts, investments are reported at fair value, which is based on quoted market prices. Nonparticipating investment contracts, such as nonnegotiable certificates of deposit, are reported at cost.

Under existing Ohio statutes all investment earnings are assigned to the general fund unless statutorily required to be credited to a specific fund. The Board of Education has, by resolution, specified the funds to receive an allocation of interest earnings. Interest revenue credited to the general fund during fiscal year 2013 amounted to \$1,929 which includes \$1,296 assigned from other District funds.

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

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

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

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2013

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

**G. Inventory**

On government-wide and fund financial statements, purchased inventories are presented at the lower of cost or market and donated commodities are presented at their entitlement value. Inventories are recorded on a first-in, first-out basis and are expensed when received. Inventories are accounted for using the purchase method on the fund statements and using the consumption method on the government-wide statements.

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

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

**H. Prepayments**

Certain payments to vendors reflect the costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements. These items are reported as assets on the balance sheet using the consumption method. A current asset for the prepaid amounts is recorded at the time of the purchase and the expenditure/expense is reported in the year in which services are consumed. On the fund financial statements, reported prepayments are equally offset by a nonspendable fund balance.

**I. Capital Assets**

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

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

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

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

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2013**

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

**J. Interfund Balances**

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

**K. Compensated Absences**

Compensated absences of the District consist of vacation leave and sick leave to the extent that payment to the employee for these absences is attributable to services already rendered and is not contingent on a specific event that is outside the control of the District and the employee.

In accordance with the provisions of GASB Statement No. 16, “Accounting for Compensated Absences”, a liability for vacation leave is accrued if a) the employees’ rights to payment are attributable to services already rendered; and b) it is probable that the employer will compensate the employees for the benefits through paid time off or other means, such as cash payment at termination or retirement. An accrual for earned sick leave is made to the extent that it is probable that the benefits will result in termination (severance) payments. A liability for sick leave is based on the sick leave accumulated at the balance sheet date by those employees who are currently eligible to receive termination (severance) payments, as well as those employees expected to become eligible in the future. For purposes of establishing a liability for severance on employees expected to become eligible to retire in the future, all employees age fifty or greater with at least ten years of service and all employees with at least 15 years of service regardless of their age were considered expected to become eligible in accordance with GASB Statement No. 16.

The total liability for vacation and sick leave payments has been calculated using pay rates in effect at the balance sheet date, and reduced to the maximum payment allowed by labor contract and/or statute, plus any applicable additional salary related payments.

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

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

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

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

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

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

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2013

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

**M. Fund Balance**

Fund balance is divided into five classifications based primarily on the extent to which the District is bound to observe constraints imposed upon the use of the resources in the governmental funds. The classifications are as follows:

*Nonspendable* - The nonspendable fund balance classification includes amounts that cannot be spent because they are not in spendable form or legally required to be maintained intact. The “not in spendable form” criterion includes items that are not expected to be converted to cash. It also includes the long-term amount of loans receivable.

*Restricted* - Fund balance is reported as restricted when constraints are placed on the use of resources that are either externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments, or imposed by law through constitutional provisions or enabling legislation.

*Committed* - The committed fund balance classification includes amounts that can be used only for the specific purposes imposed by a formal action (resolution) of the District Board of Education (the highest level of decision making authority). Those committed amounts cannot be used for any other purpose unless the District Board of Education removes or changes the specified use by taking the same type of action (resolution) it employed to previously commit those amounts. Committed fund balance also incorporates contractual obligations to the extent that existing resources in the fund have been specifically committed for use in satisfying those contractual requirements.

*Assigned* - Amounts in the assigned fund balance classification are intended to be used by the District for specific purposes but do not meet the criteria to be classified as restricted nor committed. In governmental funds other than the general fund, assigned fund balance represents the remaining amount that is not restricted or committed. In the general fund, assigned amounts represent intended uses established by policies of the District Board of Education, which includes giving the Treasurer the authority to constrain monies for intended purposes.

*Unassigned* - Unassigned fund balance is the residual classification for the general fund and includes all spendable amounts not contained in the other classifications. In other governmental funds, the unassigned classification is only used to report a deficit fund balance resulting from overspending for specific purposes for which amounts had been restricted, committed, or assigned.

The District applies restricted resources first when expenditures are incurred for purposes for which restricted and unrestricted (committed, assigned, and unassigned) fund balance is available. Similarly, within unrestricted fund balance, committed amounts are reduced first followed by assigned, and then unassigned amounts when expenditures are incurred for purposes for which amounts in any of the unrestricted fund balance classifications could be used.

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2013**

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

**N. Net Position**

Net position represents the difference between assets and deferred outflows and liabilities and deferred inflows. The net position component “net investment in capital assets,” consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowing used for the acquisition, construction or improvement of those assets. Deferred outflows of resources and deferred inflows of resources that are attributable to the acquisition, construction or improvement of those assets or related debt also should be included in this component of net position. Net position is reported as restricted when there are limitations imposed on its use either through the enabling legislation adopted by the District or through external restrictions imposed by creditors, grantors or laws or regulations of other governments. The amount restricted for other purposes represents amounts restricted for the special trust fund (a nonmajor governmental fund).

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

**O. Estimates**

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

**P. Interfund Activity**

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

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

**Q. Extraordinary and Special Items**

Extraordinary items are transactions or events that are both unusual in nature and infrequent in occurrence. Special items are transactions or events that are within the control of the Board of Education and that are either unusual in nature or infrequent in occurrence. Neither type of transaction occurred during fiscal year 2013.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2013

**NOTE 3 - ACCOUNTABILITY AND COMPLIANCE**

**A. Change in Accounting Principles**

For fiscal year 2013, the District has implemented GASB Statement No. 60, "Accounting and Financial Reporting for Service Concession Arrangements", GASB Statement No. 61, "The Financial Reporting Entity: Omnibus an Amendment of GASB Statements No. 14 and No. 34", GASB Statement No. 62, "Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA pronouncements", GASB Statement No. 63, "Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position", GASB Statement No. 65, "Items Previously Reported as Assets and Liabilities", and GASB Statement No. 66, "Technical Corrections-2012".

GASB Statement No. 60 addresses issues related to service concession arrangements (SCAs), which are a type of public-private or public-public partnership. An SCA is an arrangement between a transferor (a government) and an operator (governmental or nongovernmental entity) in which (1) the transferor conveys to an operator the right and related obligation to provide services through the use of infrastructure or another public asset (a "facility") in exchange for significant consideration and (2) the operator collects and is compensated by fees from third parties. The implementation of GASB Statement No. 60 did not have an effect on the financial statements of the District.

GASB Statement No. 61 modifies certain requirements for inclusion of component units in the financial reporting entity. The Statement amends the criteria for reporting component units as if they were part of the primary government in certain circumstances. Finally, the Statement also clarifies the reporting of equity interests in legally separate organizations. The implementation of GASB Statement No. 61 did not have an effect on the financial statements of the District.

GASB Statement No. 62 codifies accounting and financial reporting guidance contained in pre-November 30, 1989 FASB and AICPA pronouncements in an effort to codify all sources of GAAP for State and local governments so that they derive from a single source. The implementation of GASB Statement No. 62 did not have an effect on the financial statements of the District.

GASB Statement No. 63 provides financial and reporting guidance for *deferred outflows of resources* and *deferred inflows of resources* which are financial statement elements that are distinct from assets and liabilities. GASB Statement No. 63 standardizes the presentation of deferred outflows of resources and deferred inflows of resources and their effects on a government's *net position*. The implementation of GASB Statement No. 63 has changed the presentation of the District's financial statements to incorporate the concepts of net position, deferred outflows of resources and deferred inflows of resources.

GASB Statement No. 65 establishes accounting and financial reporting standards that reclassify, as *deferred outflows of resources* or *deferred inflows of resources*, certain items that were previously reported as assets and liabilities and recognizes, as outflows of resources or inflows of resources, certain items that were previously reported as assets and liabilities. GASB Statement No. 65 also provides other financial reporting guidance related to the impact of the financial statement elements *deferred outflows of resources* and *deferred inflows of resources*, such as changes in the determination of the major fund calculations and limiting the use of the term *deferred* in financial statement presentations. For the District, the implementation of GASB Statement No. 65 has changed (1) the classification of certain items, including the deferral of property taxes levied for the subsequent fiscal year, previously reported as liabilities to *deferred inflows of resources*, (2) the classification of unamortized deferred charges on debt refunding transactions from a reduction of liabilities to *deferred outflows of resources*, and (3) the reporting of debt issuance costs to an expense in the period incurred rather than amortized over the term of the related debt issuance.



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**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2013**

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

GASB Statement No. 66 enhances the usefulness of financial reports by resolving conflicting accounting and financial reporting guidance that could diminish the consistency of financial reporting. The implementation of GASB Statement No. 66 did not have an effect on the financial statements of the District.

**B. Deficit Fund Balances**

Fund balances at June 30, 2013 included the following individual fund deficits:

<u>Major fund</u>	<u>Deficit</u>
General	\$ 513,295
 <u>Nonmajor funds</u>	
Food service	58,672
Miscellaneous state grants	12,545
Race to the top	5,401
IDEA Part-B	94,376
Title I	17,878
Improving teacher quality	10,788

The general fund is liable for any deficits in these funds and provides transfers when cash is required, not when accruals occur. The deficit fund balances resulted from adjustments for accrued liabilities.

**NOTE 4 - DEPOSITS AND INVESTMENTS**

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

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

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

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

Interim deposits must be evidenced by time certificates of deposit maturing not more than one year from the date of deposit or by savings or deposit accounts including passbook accounts.

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;

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**NOTES TO THE BASIC FINANCIAL STATEMENTS  
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**NOTE 4 - DEPOSITS AND INVESTMENTS - (Continued)**

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

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

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

**A. Cash in Segregated Accounts**

At fiscal year-end, \$848 was on deposit for athletic accounts. This amount is not included in the total amount of "Deposits with Financial Institutions" below.

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NOTES TO THE BASIC FINANCIAL STATEMENTS  
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**NOTE 4 - DEPOSITS AND INVESTMENTS - (Continued)**

**B. Deposits with Financial Institutions**

At June 30, 2013, the carrying amount of all District deposits was \$1,402,618. Based on the criteria described in GASB Statement No. 40, “Deposits and Investment Risk Disclosures”, as of June 30, 2013, \$1,075,001 of the District’s bank balance of \$1,550,117 was exposed to custodial risk as discussed below, while \$475,116 was covered by the FDIC.

Custodial credit risk is the risk that, in the event of bank failure, the District’s deposits may not be returned. All deposits are collateralized with eligible securities in amounts equal to at least 105% of the carrying value of the deposits. Such collateral, as permitted by the Ohio Revised Code, is held in single financial institution collateral pools at Federal Reserve Banks, or at member banks of the federal reserve system, in the name of the respective depository bank and pledged as a pool of collateral against all of the public deposits it holds or as specific collateral held at the Federal Reserve Bank in the name of the District. The District has no deposit policy for custodial credit risk beyond the requirements of State statute. Although the securities were held by the pledging institutions’ trust department and all statutory requirements for the deposit of money had been followed, noncompliance with federal requirements could potentially subject the District to a successful claim by the FDIC.

**C. Investments**

As of June 30, 2013, the District had the following investments and maturities:

<u>Investment type</u>	<u>Fair Value</u>	<u>6 months or less</u>	<u>13 to 18 months</u>
Negotiable CD's	\$ 504,705	\$ -	\$ 504,705
U.S. Government money market	<u>515,191</u>	<u>515,191</u>	<u>-</u>
Total	<u>\$ 1,019,896</u>	<u>\$ 515,191</u>	<u>\$ 504,705</u>

The weighted average maturity of investments is 0.66 years.

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

*Credit Risk:* The District’s investment in the U.S. Government money market was rated AAAM by Standard & Poor’s.

*Custodial Credit Risk:* For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the District will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The District has no investment policy dealing with investment custodial risk beyond the requirement in State statute that prohibits payment for investments prior to the delivery of the securities representing such investments to the Treasurer or qualified trustee.

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NOTES TO THE BASIC FINANCIAL STATEMENTS  
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**NOTE 4 - DEPOSITS AND INVESTMENTS - (Continued)**

*Concentration of Credit Risk:* The District places no limit on the amount that may be invested in any one issuer. The following table includes the percentage of each investment type held by the District at June 30, 2013:

<u>Investment type</u>	<u>Fair Value</u>	<u>% of Total</u>
Negotiable CD's	\$ 504,705	49.49
U.S. Government money market	<u>515,191</u>	<u>50.51</u>
Total	<u>\$ 1,019,896</u>	<u>100.00</u>

**D. Reconciliation of cash and investment to the statement of Net Position**

The following is a reconciliation of cash and investments as reported in the note above to cash and investments as reported on the statement of net position as of June 30, 2013:

<u>Cash and investments per note</u>		
Carrying amount of deposits	\$ 1,402,618	
Cash in segregated accounts		848
Investments		<u>1,019,896</u>
Total	<u>\$ 2,423,362</u>	
 <u>Cash and investments per statement of net position</u>		
Governmental activities	\$ 1,213,871	
Private-purpose trust funds		1,170,152
Agency funds		<u>39,339</u>
Total	<u>\$ 2,423,362</u>	

**NOTE 5 - INTERFUND TRANSACTIONS**

Interfund loans receivable/payable consisted of the following at June 30, 2013, as reported on the fund statements:

<u>Receivable fund</u>	<u>Payable fund</u>	<u>Amount</u>
General fund	Nonmajor governmental funds	<u>\$ 37,371</u>

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

Interfund loans between governmental funds are eliminated for reporting in the statement of net position.

Interfund loans between governmental funds and agency funds appear as "loans receivable/payable" on the statement of net position, the balance sheet and the statement of fiduciary net position.

**VALLEY VIEW LOCAL SCHOOL DISTRICT  
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**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2013**

**NOTE 6 - PROPERTY TAXES**

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

Property taxes include amounts levied against all real property and public utility property. Real property tax revenues received in calendar year 2013 represent the collection of calendar year 2012 taxes. Real property taxes received in calendar year 2013 were levied after April 1, 2012, on the assessed values as of January 1, 2012, the lien date. Assessed values for real property taxes are established by State statute at 35 percent of appraised market value. Real property taxes are payable annually or semiannually. If paid annually, payment is due December 31; if paid semiannually, the first payment is due December 31, with the remainder payable by June 20. Under certain circumstances, State statute permits alternate payment dates to be established. Public utility property tax revenues received in calendar year 2013 represent the collection of calendar year 2012 taxes. Public utility real and personal property taxes received in calendar year 2013 became a lien on December 31, 2011, were levied after April 1, 2012, and are collected with real property taxes. Public utility real property is assessed at 35 percent of true value; public utility tangible personal property is currently assessed at varying percentages of true value.

The District receives property taxes from Montgomery County. The County Auditor periodically advances to the District its portion of the taxes collected. Second-half real property tax payments collected by the County by June 30, 2013, are available to finance fiscal year 2013 operations. The amount available as an advance at June 30, 2013 was \$153,476 in the general fund and \$28,396 in the permanent improvement fund. This amount is recorded as revenue. The amount available for advance at June 30, 2012 was \$303,583 in the general fund and \$55,875 in the permanent improvement fund. The amount of second-half real property taxes available for advance at fiscal year-end can vary based on the date the tax bills are sent.

Accrued property taxes receivable includes real property, public utility property and delinquent tangible personal property taxes which are measurable as of June 30, 2013 and for which there is an enforceable legal claim. Although total property tax collections for the next fiscal year are measurable, only the amount of real property taxes available as an advance at June 30 was levied to finance current fiscal year operations and is reported as revenue at fiscal year end. The portion of the receivable not levied to finance current fiscal year operations is offset by a credit to deferred inflows.

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

**VALLEY VIEW LOCAL SCHOOL DISTRICT  
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**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2013**

**NOTE 6 - PROPERTY TAXES - (Continued)**

The assessed values upon which the fiscal year 2013 taxes were collected are:

	2012 Second Half Collections		2013 First Half Collections	
	<u>Amount</u>	<u>Percent</u>	<u>Amount</u>	<u>Percent</u>
Agricultural/residential and other real estate	\$ 208,769,260	94.56	\$ 208,885,820	94.37
Public utility personal	<u>12,009,290</u>	<u>5.44</u>	<u>12,460,170</u>	<u>5.63</u>
Total	<u>\$ 220,778,550</u>	<u>100.00</u>	<u>\$ 221,345,990</u>	<u>100.00</u>
Tax rate per \$1,000 of assessed valuation				
General	\$28.56		\$28.56	
Permanent improvement	3.80		3.80	

**NOTE 7 - SCHOOL DISTRICT INCOME TAX**

In fiscal year 1991, the voters of the District passed a .50% income tax, effective for five years. This income tax was renewed by the voters in 2006 for calendar years 2007 - 2011. In fiscal year 1995, voters of the District passed an additional .75% income tax, and renewed it in fiscal year 2006 for calendar years 2007 - 2010. In fiscal year 2010, voters renewed this levy for an additional five years. The tax is collected by the State of Ohio and remitted to the District quarterly. Total income tax revenue for fiscal year 2013 credited to the general fund was \$3,064,122.

**NOTE 8 - RECEIVABLES**

Receivables at June 30, 2013 consisted of taxes (both property taxes and income taxes), accounts (billings for user charged services and student fees), accrued interest, and intergovernmental grants and entitlements. All receivables are considered collectible in full due to the ability to foreclose for the nonpayment of taxes, the stable condition of State programs and the current year guarantee of federal funds.

A summary of the principal items of receivables reported on the statement of net position follows:

<b>Governmental activities:</b>	
Property taxes	\$ 5,331,691
Income taxes	1,329,619
Accounts	110,973
Accrued interest	1,566
Intergovernmental	<u>252,595</u>
Total	<u>\$ 7,026,444</u>

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

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

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2013

**NOTE 9 - CAPITAL ASSETS**

Capital asset activity for the fiscal year ended June 30, 2013 was as follows:

	<u>Balance</u> <u>06/30/12</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance</u> <u>06/30/13</u>
<b>Governmental activities:</b>				
<i>Capital assets, not being depreciated:</i>				
Land	\$ 405,123	\$ -	\$ -	\$ 405,123
Total capital assets, not being depreciated	<u>405,123</u>	<u>-</u>	<u>-</u>	<u>405,123</u>
<i>Capital assets, being depreciated:</i>				
Land improvements	2,289,113	-	-	2,289,113
Buildings and improvements	7,232,239	32,576	-	7,264,815
Furniture and equipment	3,278,257	-	-	3,278,257
Vehicles	<u>1,601,209</u>	<u>-</u>	<u>-</u>	<u>1,601,209</u>
Total capital assets, being depreciated	<u>14,400,818</u>	<u>32,576</u>	<u>-</u>	<u>14,433,394</u>
<i>Less: accumulated depreciation</i>				
Land improvements	(796,056)	(47,960)	-	(844,016)
Buildings and improvements	(4,792,232)	(124,590)	-	(4,916,822)
Furniture and equipment	(2,209,944)	(143,428)	-	(2,353,372)
Vehicles	<u>(1,215,593)</u>	<u>(103,503)</u>	<u>-</u>	<u>(1,319,096)</u>
Total accumulated depreciation	<u>(9,013,825)</u>	<u>(419,481)</u>	<u>-</u>	<u>(9,433,306)</u>
Governmental activities capital assets, net	<u>\$ 5,792,116</u>	<u>\$ (386,905)</u>	<u>\$ -</u>	<u>\$ 5,405,211</u>

**VALLEY VIEW LOCAL SCHOOL DISTRICT  
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NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2013

**NOTE 9 - CAPITAL ASSETS - (Continued)**

Depreciation expense was charged to governmental functions as follows:

<u>Instruction:</u>	
Regular	\$ 149,360
Special	4,524
Vocational	6,839
 <u>Support services:</u>	
Pupil	2,775
Instructional staff	7,038
Administration	7,707
Fiscal	126
Operations and maintenance	51,189
Pupil transportation	108,863
Central	2,216
Extracurricular activities	65,597
Food service operations	<u>13,247</u>
Total depreciation expense	<u>\$ 419,481</u>

**NOTE 10 - CAPITALIZED LEASES - LESSEE DISCLOSURE**

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

Capital lease payments have been reclassified and are reflected as debt service expenditures in the statement of revenues, expenditures and changes in fund balances - general fund. These expenditures are reflected as program/function expenditures on a budgetary basis. Capital assets acquired by lease and the related lease obligation liability have been reported on the statement of net position.

Capital assets consisting of buildings and equipment have been capitalized in the amount of \$1,136,105. These amounts represent the present value of the minimum lease payments at the time of acquisition. Accumulated depreciation as of June 30, 2013 for the buildings and equipment was \$226,800 and \$118,443, respectively, leaving a current book value of \$613,200 and \$177,662, respectively. Total principal payments for fiscal year 2013 totaled \$131,913.



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**NOTES TO THE BASIC FINANCIAL STATEMENTS  
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**NOTE 10 - CAPITALIZED LEASES - LESSEE DISCLOSURE - (Continued)**

The following is a schedule of the future minimum lease payments required under the capital leases and the present value of the future minimum lease payments as of June 30, 2013:

Fiscal Year <u>Ending June 30,</u>	<u>Building</u>	<u>Copiers</u>	<u>Total</u>
2014	\$ 90,039	\$ 67,183	\$ 157,222
2015	90,039	67,183	157,222
2016	<u>-</u>	<u>67,184</u>	<u>67,184</u>
Total future minimum lease payments	180,078	201,550	381,628
Less: amount representing interest	<u>(12,322)</u>	<u>(14,749)</u>	<u>(27,071)</u>
Present value of future minimum lease payments	<u>\$ 167,756</u>	<u>\$ 186,801</u>	<u>\$ 354,557</u>

**NOTE 11 - LONG-TERM OBLIGATIONS**

During the fiscal year 2013, the following activity occurred in governmental activities long-term obligations:

	<u>Issued</u>	<u>Due</u>	<u>Interest Rate</u>	<u>Balance 06/30/12</u>	<u>Increase</u>	<u>Decrease</u>	<u>Balance 06/30/13</u>	<u>Amount Due in One Year</u>
<u>G.O. Bonds Payable</u>								
Facility acquisition	2000	2015	6.9%	\$ 46,356	\$ -	\$ (14,401)	\$ 31,955	\$ 15,427
Total G.O. bonds				<u>46,356</u>	<u>-</u>	<u>(14,401)</u>	<u>31,955</u>	<u>15,427</u>
<u>Other Long-Term Obligations</u>								
Capital lease obligation				486,470	-	(131,913)	354,557	140,181
Compensated absences				<u>1,048,662</u>	<u>48,570</u>	<u>(101,469)</u>	<u>995,763</u>	<u>126,464</u>
Total other long-term obligations				<u>1,535,132</u>	<u>48,570</u>	<u>(233,382)</u>	<u>1,350,320</u>	<u>266,645</u>
Total governmental activities				<u>\$ 1,581,488</u>	<u>\$ 48,570</u>	<u>\$ (247,783)</u>	<u>\$ 1,382,275</u>	<u>\$ 282,072</u>

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

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

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**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2013**

**NOTE 11 - LONG-TERM OBLIGATIONS - (Continued)**

Principal and interest requirements to for general obligation bonds outstanding at June 30, 2013, are as follows:

Fiscal Year Ending June 30	General Obligation Bonds		
	Principal	Interest	Total
2014	\$ 15,427	\$ 1,723	\$ 17,150
2015	16,528	624	17,152
Total	<u>\$ 31,955</u>	<u>\$ 2,347</u>	<u>\$ 34,302</u>

**Legal Debt Margin**

The Ohio Revised Code provides that voted net general obligation debt of the District shall never exceed 9% of the total assessed valuation of the District. The code further provides that unvoted indebtedness shall not exceed 1/10 of 1% of the property valuation of the District. The code additionally states that unvoted indebtedness related to energy conservation debt shall not exceed 9/10 of 1% of the property valuation of the District. The assessed valuation used in determining the District’s legal debt margin has been modified by House Bill 530 which became effective March 30, 2006. In accordance with House Bill 530, the assessed valuation used in the District’s legal debt margin calculation excluded tangible personal property used in business, telephone or telegraph property, interexchange telecommunications company property, and personal property owned or leased by a railroad company and used in railroad operations. The effects of these debt limitations at June 30, 2013, are a voted debt margin of \$19,889,184 and an unvoted debt margin of \$221,346.

**NOTE 12 - OTHER EMPLOYEE BENEFITS**

**A. Compensated Absences**

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

**B. Insurance Benefits**

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

**VALLEY VIEW LOCAL SCHOOL DISTRICT  
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**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2013**

**NOTE 13 - RISK MANAGEMENT**

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

The District purchases health and dental insurance through the Southwestern Ohio Educational Purchasing Council Benefit Plan Trust (the "Trust"). The Trust is a public entity risk pool currently operating as a common risk management and insurance program (See Note 2.A). The intent of the Trust is to achieve the benefit of a reduced premium for the District by virtue of its grouping and representation with other participants in the Trust. Risk of loss transfers to the Trust upon payment of the premium.

The District purchases workers' compensation insurance through Hunter Consulting, Inc. via SOEPC.

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

The District continues to carry commercial insurance for all other risks of loss. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years. There has been no significant reduction in amounts of insurance coverage from fiscal year 2012.

**NOTE 14 - PENSION PLANS**

**A. School Employees Retirement System**

Plan Description - The District contributes to the School Employees Retirement System (SERS), a cost-sharing, multiple-employer defined benefit pension plan. SERS provides retirement, disability, survivor 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. It is also posted on the SERS' Ohio website, [www.ohsers.org](http://www.ohsers.org), under "Employers/Audit Resources".

Funding Policy - Plan members are required to contribute 10 percent of their annual covered salary and the District is required to contribute at an actuarially determined rate. The current District rate is 14 percent of annual covered payroll. A portion of the District's contribution is used to fund pension obligations with the remainder being used to fund health care benefits. For fiscal year 2013, 13.05 percent and 0.05 percent of annual covered salary was the portion used to fund pension obligations and death benefits, respectively. The contribution requirements of plan members and employers are established and may be amended by the SERS' Retirement Board up to a statutory maximum amount of 10 percent for plan members and 14 percent for employers. Chapter 3309 of the Ohio Revised Code provides statutory authority for member and employer contributions. The District's required contributions for pension obligations and death benefits to SERS for the fiscal years ended June 30, 2013, 2012 and 2011 were \$279,360, \$322,022 and \$308,179, respectively; 65.81 percent has been contributed for fiscal year 2013 and 100 percent for fiscal years 2012 and 2011.

**VALLEY VIEW LOCAL SCHOOL DISTRICT  
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NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2013

**NOTE 14 - PENSION PLANS - (Continued)**

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

Plan Description - The District participates in the State Teachers Retirement System of Ohio (STRS Ohio), a cost-sharing, multiple-employer public employee retirement plan. 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 43215-3771, by calling (888) 227-7877, or by visiting the STRS Ohio website at [www.strsoh.org](http://www.strsoh.org), under "Publications".

New members have a choice of three retirement plans, a Defined Benefit (DB) Plan, a Defined Contribution (DC) Plan and a Combined Plan. The DB plan offers an annual retirement allowance based on final average salary times a percentage that varies based on years of service, or an allowance based on a member's lifetime contributions and earned interest matched by STRS Ohio funds divided by an actuarially determined annuity factor. The DC Plan allows members to place all their member contributions and employer contributions equal to 10.5 percent of earned compensation into an investment account. Investment decisions are made by the member. A member is eligible to receive a retirement benefit at age 50 and termination of employment. The member may elect to receive a lifetime monthly annuity or a lump sum withdrawal. The Combined Plan offers features of both the DC Plan and the DB Plan. In the Combined Plan, member contributions are invested by the member, and employer contributions are used to fund the defined benefit payment at a reduced level from the regular DB Plan. The DB portion of the Combined Plan payment is payable to a member on or after age 60; the DC portion of the account may be taken as a lump sum or converted to a lifetime monthly annuity at age 50. Benefits are established by Chapter 3307 of the Ohio Revised Code.

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

Funding Policy - For fiscal year 2013, plan members were required to contribute 10 percent of their annual covered salaries. The District was required to contribute 14 percent; 13 percent was the portion used to fund pension obligations. Contribution rates are established by the State Teachers Retirement Board, upon recommendations of its consulting actuary, not to exceed statutory maximum rates of 10 percent for members and 14 percent for employers. Chapter 3307 of the Ohio Revised Code provides statutory authority for member and employer contributions.

The District's required contributions for pension obligations to STRS Ohio for the fiscal years ended June 30, 2013, 2012 and 2011 were \$1,108,835, \$1,156,059 and \$1,211,098, respectively; 84.44 percent has been contributed for fiscal year 2013 and 100 percent for fiscal years 2012 and 2011. Contributions to the DC and Combined Plans for fiscal year 2013 were \$21,324 made by the District and \$15,231 made by the plan members.

**C. Social Security System**

Effective July 1, 1991, all employees not otherwise covered by the SERS/STRS Ohio have an option to choose Social Security or the SERS/STRS Ohio. As of June 30, 2013, certain members of the Board of Education have elected Social Security. The District's liability is 6.2 percent of wages paid.

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2013**

**NOTE 15 - POSTEMPLOYMENT BENEFITS**

**A. School Employees Retirement System**

Plan Description - The District participates in two cost-sharing, multiple employer postemployment benefit plans administered by the School Employees Retirement System (SERS) for non-certificated retirees and their beneficiaries, a Health Care Plan and a Medicare Part B Plan. The Health Care Plan includes hospitalization and physicians' fees through several types of plans including HMO's, PPO's, Medicare Advantage, and traditional indemnity plans. A prescription drug program is also available to those who elect health coverage. SERS employs two third-party administrators and a pharmacy benefit manager to manage the self-insurance and prescription drug plans, respectively. The Medicare Part B Plan reimburses Medicare Part B premiums paid by eligible retirees and beneficiaries as set forth in Section 3309.69 of the Ohio Revised Code. Qualified benefit recipients who pay Medicare Part B premiums may apply for and receive a monthly reimbursement from SERS. The reimbursement amount is limited by statute to the lesser of the January 1, 1999 Medicare Part B premium or the current premium. The Medicare Part B monthly premium for calendar year 2013 was \$104.90 for most participants, but could be as high as \$335.70 per month depending on their income and the SERS' reimbursement to retirees was \$45.50. Benefit provisions and the obligations to contribute are established by the System based on authority granted by State statute. The financial reports of both Plans are included in the SERS Comprehensive Annual Financial Report which is available by contacting SERS at 300 East Broad St., Suite 100, Columbus, Ohio 43215-3746. It is also posted on the SERS' Ohio website, [www.ohsers.org](http://www.ohsers.org), under "Employers/Audit Resources".

Funding Policy - State statute permits SERS to fund the health care benefits through employer contributions. Each year, after the allocation for statutorily required benefits, the Retirement Board allocates the remainder of the employer contribution of 14 percent of covered payroll to the Health Care Fund. The Health Care Fund was established and is administered in accordance with Internal Revenue Code Section 105(e). For 2013, 0.16 percent of covered payroll was allocated to health care. An additional health care surcharge on employers is collected for employees earning less than an actuarially determined minimum compensation amount, pro-rated according to service credit earned. Statutes provide that no employer shall pay a health care surcharge greater than 2.0 percent of that employer's SERS-covered payroll; nor may SERS collect in aggregate more than 1.5 percent of the statewide SERS-covered payroll for the health care surcharge. For fiscal year 2013, the actuarially determined amount was \$20,525.

Active members do not contribute to the postemployment benefit plans. The Retirement Board establishes the rules for the premiums paid by the retirees for health care coverage for themselves and their dependents or for their surviving beneficiaries. Premiums vary depending on the plan selected, qualified years of service, Medicare eligibility and retirement status.

The District's contributions for health care (including surcharge) for the fiscal years ended June 30, 2013, 2012 and 2011 were \$40,300, \$52,270 and \$78,262, respectively; 65.81 percent has been contributed for fiscal year 2013 and 100 percent for fiscal years 2012 and 2011.

The Retirement Board, acting with advice of the actuary, allocates a portion of the employer contribution to the Medicare B Fund. For fiscal year 2013, this actuarially required allocation was 0.74 percent of covered payroll. The District's contributions for Medicare Part B for the fiscal years ended June 30, 2013, 2012, and 2011 were \$15,781, \$19,017 and \$19,832, respectively; 65.81 percent has been contributed for fiscal year 2013 and 100 percent for fiscal years 2012 and 2011.

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2013**

**NOTE 15 - POSTEMPLOYMENT BENEFITS - (Continued)**

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

Plan Description - The District contributes to the cost sharing, multiple employer defined benefit Health Plan (the "Plan") administered by the State Teachers Retirement System of Ohio (STRS Ohio) for eligible retirees who participated in the defined benefit or combined pension plans offered by STRS Ohio. Benefits include hospitalization, physicians' fees, prescription drugs and reimbursement of monthly Medicare Part B premiums. The Plan is included in the report of STRS Ohio which may be obtained by visiting [www.strsoh.org](http://www.strsoh.org), under "Publications" or by calling (888) 227-7877.

Funding Policy - Ohio law authorizes STRS Ohio to offer the Plan and gives the Retirement Board authority over how much, if any, of the health care costs will be absorbed by STRS Ohio. Active employee members do not contribute to the Plan. All benefit recipients pay a monthly premium. Under Ohio law, funding for post-employment health care may be deducted from employer contributions. For 2013, STRS Ohio allocated employer contributions equal to 1 percent of covered payroll to the Health Care Stabilization Fund. The District's contributions for health care for the fiscal years ended June 30, 2013, 2012 and 2011 were \$85,295, \$88,928 and \$93,161, respectively; 84.44 percent has been contributed for fiscal year 2013 and 100 percent for fiscal years 2012 and 2011.

**NOTE 16 - BUDGETARY BASIS OF ACCOUNTING**

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

The statement of revenue, expenditures and changes in fund balance - budget and actual (non-GAAP budgetary basis) presented for the general fund is presented on the budgetary basis to provide a meaningful comparison of actual results with the budget. The major differences between the budget basis and the GAAP basis are that:

- (a) Revenues and other financing sources are recorded when received in cash (budget basis) as opposed to when susceptible to accrual (GAAP basis);
- (b) Expenditures and other financing uses are recorded when paid in cash (budget basis) as opposed to when the liability is incurred (GAAP basis);
- (c) In order to determine compliance with Ohio law, and to reserve that portion of the applicable appropriation, total outstanding encumbrances (budget basis) are recorded as the equivalent of an expenditure, as opposed to assigned or committed fund balance for that portion of outstanding encumbrances not already recognized as an account payable (GAAP basis);
- (d) Advances-in and advances-out are operating transactions (budget basis) as opposed to balance sheet transactions (GAAP basis);
- (e) Some funds are included in the general fund (GAAP basis), but have separate legally adopted budgets (budget basis); and,
- (f) Investments are reported at fair value (GAAP basis) rather than at cost (budget basis).

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

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2013

**NOTE 16 - BUDGETARY BASIS OF ACCOUNTING - (Continued)**

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

**Net Change in Fund Balance**

	<u>General fund</u>
Budget basis	\$ (983,698)
Net adjustment for revenue accruals	(194,411)
Net adjustment for expenditure accruals	(154,408)
Net adjustment for other sources/uses	(97,281)
Funds budgeted elsewhere	18,583
Adjustment for encumbrances	241,064
GAAP basis	<u>\$ (1,170,151)</u>

Certain funds that are legally budgeted in separate special revenue funds are considered part of the general fund on a GAAP basis. This includes the public school support fund, unclaimed monies fund, other grants fund, special enterprise fund, the underground storage tank fund and the school Hall of Fame fund.

**NOTE 17 - CONTINGENCIES**

**A. Grants**

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

**B. Litigation**

The District is not party to legal proceedings which, in the opinion of District management, will have a material effect, if any, on the financial condition of the District.

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2013**

**NOTE 18 - SET-ASIDES**

The District is required by State law to annually set-aside certain general fund revenue amounts, as defined by statutory formula, for the acquisition and construction of capital improvements. Amounts not spent by the end of the fiscal year or offset by similarly restricted resources received during the year must be held in cash at fiscal year-end. This amount must be carried forward to be used for the same purpose in future years. Expenditures exceeding the set-aside requirement may not be carried forward to the next fiscal year.

The following cash-basis information describes the change in the fiscal year-end set-aside amount for capital improvements. Disclosure of this information is required by State statute.

	<u>Capital Improvements</u>
Set-aside balance June 30, 2012	\$ -
Current year set-aside requirement	331,101
Contributions in excess of the current fiscal year set-aside requirement	-
Current year qualifying expenditures	-
Excess qualified expenditures from prior years	-
Current year offsets	(888,593)
Waiver granted by ODE	-
Prior year offset from bond proceeds	-
Total	<u>\$ (557,492)</u>
Balance carried forward to fiscal year 2014	<u>\$ -</u>
Set-aside balance June 30, 2013	<u><u>\$ -</u></u>

**NOTE 19 - OTHER COMMITMENTS**

The District utilizes encumbrance accounting as part of its budgetary controls. Encumbrances outstanding at year-end are reservations of fund balance for subsequent-year expenditures and may be reported as part of restricted, committed, or assigned classifications of fund balance. At year end, the District's commitments for encumbrances in the governmental funds were as follows:

<u>Fund Type</u>	<u>Year-End Encumbrances</u>
General fund	\$ 13,120
Permanent improvement	3,020
Other governmental	33,677
Total	<u><u>\$ 49,817</u></u>



Valley View Local School District  
Montgomery County

Schedule of Federal Awards Receipts and Expenditures  
For the Fiscal Year Ended June 30, 2013

Federal Grantor/ Pass Through Grantor/ Program Title	Pass Through Entity Number	Federal CFDA Number	Receipts	Non-Cash Receipts	Disbursements	Non-Cash Disbursements
<b>United States Department of Agriculture</b>						
<i>Passed through Ohio Department of Education</i>						
<i>Child Nutrition Cluster:</i>						
School Breakfast Program	3L70	10.553	\$ 10,442		\$ 10,442	
National School Lunch Program	3L60	10.555	181,421	40,498	181,421	40,498
Total - Child Nutrition Cluster			191,863	40,498	191,863	40,498
State Administrative Expenses for Child Nutrition	3670	10.560	37,000	-	8,558	-
<b>Total United States Department of Agriculture</b>			<b>228,863</b>	<b>40,498</b>	<b>200,421</b>	<b>40,498</b>
<b>United States Department of Education</b>						
<i>Passed through Ohio Department of Education</i>						
<i>Special Education Cluster:</i>						
Special Education - Grants to States	3M20	84.027	315,175	-	314,890	-
Special Education - Preschool Grants	3C50	84.173	5,578	-	5,043	-
ARRA - Special Education Grants to States, Recovery Act	3DJ0	84.391	-	-	10,501	-
Total Special Education Cluster			320,753	-	330,434	-
<i>Title I, Part A Cluster:</i>						
Title I Grants to Local Educational Agencies	3M00	84.010	182,006	-	161,585	-
ARRA - Title I Grants to Local Educational Agencies, Recovery Act	3DK0	84.389	-	-	2,035	-
Total Title I, Part A Cluster			182,006	-	163,620	-
Education Jobs Fund	3ET0	84.410	108,191	-	40,389	-
State Fiscal Stabilization Funds (SFSF) -Race-to-the-Top Incentive Grants, Recovery Act	3FD0	84.395	42,333	-	38,504	-
Educational Technology State Grants	3S20	84.318	1,118	-	-	-
Improving Teacher Quality State Grants	3Y60	84.367	66,857	-	61,011	-
ARRA - State Fiscal Stabilization Fund (SFSF) - Education State Grants, Recovery Act	GRF	84.394	218,499	-	139,904	-
<b>Total United States Department of Education</b>			<b>721,258</b>	<b>-</b>	<b>633,958</b>	<b>-</b>
<b>Total Federal Financial Assistance</b>			<b>\$ 950,121</b>	<b>\$ 40,498</b>	<b>\$ 834,379</b>	<b>\$ 40,498</b>

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

**VALLEY VIEW LOCAL SCHOOL DISTRICT  
MONTGOMERY COUNTY**

**NOTES TO THE SCHEDULE OF FEDERAL AWARDS RECEIPTS AND EXPENDITURES  
FOR THE FISCAL YEAR ENDED JUNE 30, 2013**

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**NOTE A - SIGNIFICANT ACCOUNTING POLICIES**

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

**NOTE B - FOOD DISTRIBUTIONS**

Program regulations do not require the District to maintain separate inventory records from 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.



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

Valley View Local School District  
59 Peffley Street  
Germantown, Ohio 45327

To the Board of Education:

We have audited, in accordance with auditing standards generally accepted in the United States and the Comptroller General of the United States' *Government Auditing Standards*, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Valley View Local School District, Montgomery County, (the District) as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the District's basic financial statements and have issued our report thereon dated December 23, 2013 wherein we noted the District implemented Government Accounting Standard No.63 and 65.

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

As part of our financial statement audit, we considered the District's internal control over financial reporting (internal control) to determine the audit procedures appropriate in the circumstances to the extent necessary to support our opinions on the financial statements, but not to the extent necessary to opine on the effectiveness of the District's internal control. Accordingly, we have not opined on it.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, when performing their assigned functions, to prevent, or detect and timely correct misstatements. A *material weakness* is a deficiency, or combination of internal control deficiencies resulting in a reasonable possibility that internal control will not prevent or detect and timely correct a material misstatement of the District's financial statements. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all internal control deficiencies that might be material weaknesses or significant deficiencies. Given these limitations, we did not identify any deficiencies in internal control that we consider material weaknesses. However, unidentified material weaknesses may exist. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings that we consider significant deficiencies in internal control. We consider findings 2013-001 and 2013-002 to be significant deficiencies.

***Compliance and Other Matters***

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

***Entity's Response to Findings***

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

***Purpose of this Report***

This report only describes the scope of our internal control and compliance testing and our testing results, and does not opine on the effectiveness of the District's internal control or on compliance. This report is an integral part of an audit performed under *Government Auditing Standards* in considering the District's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

*Balestra, Harr & Scherer, CPAs*

Balestra, Harr & Scherer, CPAs, Inc.  
Piketon, Ohio  
December 23, 2013



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

Members of the Board of Education  
Valley View Local School District  
59 Peffley Street  
Germantown, Ohio 45327

### ***Report on Compliance for Each Major Federal Program***

We have audited the Valley View Local School District's (the District) compliance with the applicable requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133, Compliance Supplement* that could directly and materially affect each of the Valley View Local School District's major federal programs for the year ended June 30, 2013. The *Summary of Audit Results* in the accompanying schedule of findings identifies the District's major federal programs.

### ***Management's Responsibility***

The District's Management is responsible for complying with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

### ***Auditor's Responsibility***

Our responsibility is to opine on the District's compliance for each of the District's major federal programs based on our audit of the applicable compliance requirements referred to above. Our compliance audit followed auditing standards generally accepted in the United States of America; the standards for financial audits included in the Comptroller General of the United States' *Government Auditing Standards*; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. These standards and OMB Circular A-133 require us to plan and perform the audit to reasonably assure whether noncompliance with the applicable compliance requirements referred to above that could directly and materially affect a major federal program occurred. An audit includes examining, on a test basis, evidence about the District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe our audit provides a reasonable basis for our compliance opinion on the District's major programs. However, our audit does not provide a legal determination of the District's compliance.

### ***Opinion on Each Major Federal Program***

In our opinion, the Valley View Local School District complied, in all material respects with the compliance requirements referred to above that could directly and materially affect each of its major federal programs for the year ended June 30, 2013.

***Report on Internal Control Over Compliance***

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

*A deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, when performing their assigned functions, to prevent, or to timely detect and correct, noncompliance with a federal program's applicable compliance requirement. A *material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a federal program compliance requirement will not be prevented, or timely detected and corrected. A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with federal program's applicable compliance requirement that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

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

This report only describes the scope of our internal control compliance tests and the results of this testing based on OMB Circular A-133 requirements. Accordingly, this report is not suitable for any other purpose.

*Balestra, Harr & Scherer, CPAs*

Balestra, Harr & Scherer, CPAs, Inc.  
Piketon, Ohio  
December 23, 2013

**Valley View Local School District  
Montgomery County, Ohio**

**Schedule of Findings  
OMB Circular A-133 Section §.505  
June 30, 2013**

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

(d)(1)(i)	Type of Financial Statement Opinion	Unmodified
(d)(1)(ii)	Were there any material control weaknesses reported at the financial statement level (GAGAS)?	No
(d)(1)(ii)	Were there any significant internal control deficiencies reported at the financial statement level (GAGAS)?	Yes
(d)(1)(iii)	Was there any reported material noncompliance at the financial statement level (GAGAS)?	No
(d)(1)(iv)	Were there any material internal control weaknesses reported for major federal programs?	No
(d)(1)(iv)	Were there any significant deficiencies in internal control reported for major federal programs?	No
(d)(1)(v)	Type of Major Program's Compliance Opinion	Unmodified
(d)(1)(vi)	Are there any reportable findings under §.510(a)?	No
(d)(1)(vii)	Major Programs (list):	<b>Child Nutrition Cluster:</b> School Breakfast Program; CFDA# 10.553 National School Lunch Program; CFDA# 10.555
(d)(1)(viii)	Dollar Threshold: Type A\B Programs	Type A: > \$300,000 Type B: all others
(d)(1)(ix)	Low Risk Auditee?	Yes

Valley View Local School District  
Montgomery County, Ohio

Schedule of Findings  
OMB Circular A-133 Section §.505  
June 30, 2013

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

**Finding 2013-001**

**Significant Deficiency**

Sound financial reporting is the responsibility of the Treasurer's office and Board of Education and is essential to ensure information provided to readers of the financial statements is accurate and complete.

Material and immaterial misstatements were identified during the course of the audit which have not been prevented or detected by the District's internal controls over financial reporting. Material misstatements were identified in the following areas:

- Intergovernmental –State Revenues
- Tuition Revenue
- Miscellaneous Revenue
- Extracurricular Activities Revenues
- Property Tax Revenue
- Support Services Expenditures
- Property Taxes Receivable
- Deferred Inflows

Immaterial misstatements were identified in the following areas:

- Cash and Cash Equivalents
- Tuition Revenue
- Expenditures
- Taxes Receivable
- Deferred Inflows
- Accrued Wages and Benefits

Material misstatements have been posted to the financial statements and to the District's accounting system.

To ensure the District's financial statements and notes to the financial statements are accurate and complete, we recommend the Treasurer review the prepared financial report and working papers provided by the hired consultants. We further recommend that receipts be reviewed to ensure proper posting in the USAS system.

**District's Response:**

Misstatements were due to incorrect receipt coding. This error is unlikely to reoccur.

**Finding 2013-002**

**Significant Deficiency**

The District's investment reconciliation at June 30, 2013 was erroneous by an immaterial amount. This error is a result of several years' worth of investment income being improperly recorded. This issue, if uncorrected, could lead to a material misstatement of the District's cash in the near future. Furthermore, we noted that the District did not reconcile the payroll account at year end.



**Valley View Local School District  
Montgomery County, Ohio**

**Schedule of Findings  
OMB Circular A-133 Section §.505  
June 30, 2013**

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**Finding 2013-002 (Continued)**

The audited financial statements have been adjusted to properly reflect market value of the investment balances.

We recommend that the District take the necessary steps to identify the investments which are stated incorrectly on the reconciliation, and make the necessary adjustments correct balances. We also recommend that the District ensure that all accounts are reconciled at month and year end.

**District's Response:**

We have identified that the imbalance is likely due to district old practice of marking investments to market. We are working to determine how, but predates current policies and staff.

**3. FINDINGS FOR FEDERAL AWARDS**

**None noted**

**Valley View Local School District  
Montgomery County, Ohio**

**Schedule of Prior Audit Findings  
June 30, 2013**

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Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <b>Explain</b>
2012-001	Significant deficiency- restatement of fund balances	Yes	



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## Independent Auditor's Report on Applying Agreed Upon Procedure

Valley View Local School District  
Montgomery County  
59 Peffley Street  
Germantown, Ohio 45327

To the Board of Education:

Ohio Rev. Code Section 117.53 states "the auditor of state shall identify whether the school district or community school has adopted an anti-harassment policy in accordance with Section 3313.666 of the Revised Code. This determination shall be recorded in the audit report. The auditor of state shall not prescribe the content or operation of any anti-harassment policy adopted by a school district or community school."

Accordingly, we have performed the procedure enumerated below, which was agreed to by the Board, solely to assist the Board in evaluating whether Valley View Local School District (the District) has updated its anti-harassment policy in accordance with Ohio Rev. Code Section 3313.666. Management is responsible for complying with this requirement. This agreed-upon procedure engagement was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants. The sufficiency of this procedure is solely the responsibility of the Board. Consequently; we make no representation regarding the sufficiency of the procedure described below either for the purpose for which this report has been requested or for any other purpose.

1. We noted the Board amended its anti-harassment policy at its meeting on May 21, 2013 to include prohibiting harassment, intimidation, or bullying of any student "on a school bus" or by an "electronic act".

We were not engaged to and did not conduct an examination, the objective of which would be the expression of an opinion on compliance with the anti-harassment policy. Accordingly, we do not express such an opinion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

This report is intended solely for the information and use 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*

Balestra, Harr & Scherer, CPAs, Inc.  
Piketon, Ohio  
December 23, 2013

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# Dave Yost • Auditor of State

**VALLEY VIEW LOCAL SCHOOL DISTRICT**

**MONTGOMERY COUNTY**

**CLERK'S CERTIFICATION**

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

*Susan Babbitt*

**CLERK OF THE BUREAU**

**CERTIFIED  
APRIL 3, 2014**