

**SANDY VALLEY LOCAL SCHOOL DISTRICT  
STARK COUNTY, OHIO**

***BASIC FINANCIAL STATEMENTS  
(AUDITED)***

***FOR THE FISCAL YEAR ENDED  
JUNE 30, 2016***

**CRAIG MCKENDRY, TREASURER**





# Dave Yost • Auditor of State

Board of Education  
Sandy Valley Local School District  
5362 State Route 183 NE  
Magnolia, Ohio 44643

We have reviewed the *Independent Auditor's Report* of the Sandy Valley Local School District, Stark County, prepared by Julian & Grube, Inc., for the audit period July 1, 2015 through June 30, 2016. 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 Sandy Valley Local School District is responsible for compliance with these laws and regulations.

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

Dave Yost  
Auditor of State

January 12, 2017

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**SANDY VALLEY LOCAL SCHOOL DISTRICT  
STARK COUNTY, OHIO**

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## **Julian & Grube, Inc.**

*Serving Ohio Local Governments*

333 County Line Rd. West, Westerville, OH 43082 Phone: 614.846.1899 Fax: 614.846.2799

### Independent Auditor's Report

Sandy Valley Local School District  
Stark County  
5362 State Route 183 NE  
Magnolia, Ohio 44643

To the Board of Education:

#### ***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 the Sandy Valley Local School District, Stark County, Ohio, as of and for the fiscal year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the Sandy Valley Local School 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 Sandy Valley Local School 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 Sandy Valley Local School 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 the Sandy Valley Local School District, Stark County, Ohio, as of June 30, 2016, and the respective changes in financial position thereof and the budgetary comparison for the General fund thereof for the fiscal year then ended in accordance with the accounting principles generally accepted in the United States of America.

***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* and schedules of net pension liabilities and pension contributions, 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.

*Supplemental Information*

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

The Schedule of Expenditures of Federal Awards presents additional analysis as required by Title 2 U.S. Code of Federal Regulations (CFR) Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards 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 this schedule to the auditing procedures we applied to the basic financial statements. We also applied certain additional procedures, including comparing and reconciling this 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, this 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 November 25, 2016, on our consideration of the Sandy Valley Local School District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. 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 Sandy Valley Local School District's internal control over financial reporting and compliance.



Julian & Grube, Inc.  
November 25, 2016

**SANDY VALLEY LOCAL SCHOOL DISTRICT  
STARK COUNTY, OHIO**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

The management's discussion and analysis of the Sandy Valley 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, 2016. 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 2016 are as follows:

- In total, net position of governmental activities increased \$1,662,192 which represents a 13.69% increase from 2015's net position.
- General revenues accounted for \$14,790,776 in revenue or 79.00% of all revenues. Program specific revenues in the form of charges for services and sales, grants and contributions accounted for \$3,931,284 or 21.00% of total revenues of \$18,722,060.
- The District had \$17,059,868 in expenses related to governmental activities; only \$3,931,284 of these expenses were offset by program specific charges for services, grants or contributions. General revenues supporting governmental activities (primarily taxes and unrestricted grants and entitlements) of \$14,790,776 were adequate to provide for these programs.
- The District's major governmental funds are the general fund and bond retirement fund. The general fund had \$15,807,060 in revenues and \$14,175,293 in expenditures. During fiscal year 2016, the general fund's fund balance increased \$1,631,767 from \$3,358,493 to \$4,990,260.
- The bond retirement fund had \$798,618 in revenues and \$793,355 in expenditures. During fiscal year 2016, the bond retirement fund's fund balance increased \$5,263 from \$651,883 to \$657,146.

**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 bond retirement fund are the only governmental funds reported as major funds.



**SANDY VALLEY LOCAL SCHOOL DISTRICT  
STARK COUNTY, OHIO**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

**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 2016?" The statement of net position and the statement of activities answer this question. These statements include all assets, deferred outflows, liabilities, deferred inflows, 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 that 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 and maintenance of plant, pupil transportation, extracurricular activities, and food service operations. The District's statement of net position and statement of activities can be found on pages 14-15 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 11. 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 bond retirement 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 that 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.

*Reporting the District's Fiduciary Responsibilities*

The District acts in a trustee capacity, or fiduciary, as an agent for individuals. These activities are reported in an agency fund. All of the District's fiduciary activities are reported in a separate statement of fiduciary assets and liabilities on page 21. These activities are excluded from the District's other financial statements because the assets cannot be utilized by the District to finance its operations.

*Notes to the Basic Financial Statements*

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. These notes to the basic financial statements can be found on pages 22-57 of this report.

**SANDY VALLEY LOCAL SCHOOL DISTRICT  
STARK COUNTY, OHIO**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

***Required Supplementary Information***

In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information concerning the District's net pension liability. The required supplementary information can be found on pages 58 through 64 of this report.

**The District as a Whole**

The table below provides a summary of the District's net position at June 30, 2016 and June 30, 2015.

	<b>Net Position</b>	
	Governmental Activities <u>2016</u>	Governmental Activities <u>2015</u>
<b><u>Assets</u></b>		
Current and other assets	\$ 11,798,947	\$ 10,535,222
Capital assets, net	<u>36,384,784</u>	<u>36,666,390</u>
Total assets	<u>48,183,731</u>	<u>47,201,612</u>
<b><u>Deferred Outflows of Resources</u></b>		
Unamortized deferred charges on debt refunding	963,017	1,037,921
Pension	<u>1,782,575</u>	<u>1,177,244</u>
Total deferred outflows of resources	<u>2,745,592</u>	<u>2,215,165</u>
<b><u>Liabilities</u></b>		
Current liabilities	1,759,731	1,740,473
Long-term liabilities:		
Due within one year	683,871	705,776
Due in more than one year:		
Net pension liability	18,156,646	16,470,955
Other amounts	<u>10,996,600</u>	<u>11,550,629</u>
Total liabilities	<u>31,596,848</u>	<u>30,467,833</u>
<b><u>Deferred Inflows of Resources</u></b>		
Property taxes levied for next year	3,843,396	3,819,127
Pensions	<u>1,680,997</u>	<u>2,983,927</u>
Total deferred inflows of resources	<u>5,524,393</u>	<u>6,803,054</u>
<b><u>Net position</u></b>		
Net investment in capital assets	26,377,946	26,420,612
Restricted	729,851	765,620
Unrestricted (deficit)	<u>(13,299,715)</u>	<u>(15,040,342)</u>
Total net position	<u>\$ 13,808,082</u>	<u>\$ 12,145,890</u>

**SANDY VALLEY LOCAL SCHOOL DISTRICT  
STARK COUNTY, OHIO**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

During 2016, the District adopted GASB Statement 68, "Accounting and Financial Reporting for Pensions—an Amendment of GASB Statement 27" and GASB statement 71 "Pension Transition for Contributions Made Subsequent to the Measurement Date – An Amendment of GASB Statement No. 68," which significantly revises accounting for pension costs and liabilities. For reasons discussed below, many end users of this financial statement will gain a clearer understanding of the District's actual financial condition by adding deferred inflows related to pension and the net pension liability to the reported net position and subtracting deferred outflows related to pension.

Governmental Accounting Standards Board standards are national and apply to all government financial reports prepared in accordance with generally accepted accounting principles. When accounting for pension costs, GASB 27 focused on a funding approach. This approach limited pension costs to contributions annually required by law, which may or may not be sufficient to fully fund each plan's *net pension liability*. GASB 68 takes an earnings approach to pension accounting; however, the nature of Ohio's statewide pension systems and state law governing those systems requires additional explanation in order to properly understand the information presented in these statements.

Under the new standards required by GASB 68, the net pension liability equals the District's proportionate share of each plan's collective:

1. Present value of estimated future pension benefits attributable to active and inactive employees' past service
2. Minus plan assets available to pay these benefits

GASB notes that pension obligations, whether funded or unfunded, are part of the "employment exchange" – that is, the employee is trading his or her labor in exchange for wages, benefits, and the promise of a future pension. GASB noted that the unfunded portion of this pension promise is a present obligation of the government, part of a bargained-for benefit to the employee, and should accordingly be reported by the government as a liability since they received the benefit of the exchange. However, the District is not responsible for certain key factors affecting the balance of this liability. In Ohio, the employee shares the obligation of funding pension benefits with the employer. Both employer and employee contribution rates are capped by State statute. A change in these caps requires action of both Houses of the General Assembly and approval of the Governor. Benefit provisions are also determined by State statute. The employee enters the employment exchange with the knowledge that the employer's promise is limited not by contract but by law. The employer enters the exchange also knowing that there is a specific, legal limit to its contribution to the pension system. In Ohio, there is no legal means to enforce the unfunded liability of the pension system *as against the public employer*. State law operates to mitigate/lessen the moral obligation of the public employer to the employee, because all parties enter the employment exchange with notice as to the law. The pension system is responsible for the administration of the plan.

Most long-term liabilities have set repayment schedules or, in the case of compensated absences (i.e. sick and vacation leave), are satisfied through paid time-off or termination payments. There is no repayment schedule for the net pension liability. As explained above, changes in pension benefits, contribution rates, and return on investments affect the balance of the net pension liability, but are outside the control of the local government. In the event that contributions, investment returns, and other changes are insufficient to keep up with required pension payments, State statute does not assign/identify the responsible party for the unfunded portion. Due to the unique nature of how the net pension liability is satisfied, this liability is separately identified within the long-term liability section of the statement of net position.

In accordance with GASB 68, the District's statements prepared on an accrual basis of accounting include an annual pension expense for their proportionate share of each plan's *change* in net pension liability not accounted for as deferred inflows/outflows.

**SANDY VALLEY LOCAL SCHOOL DISTRICT  
STARK COUNTY, OHIO**

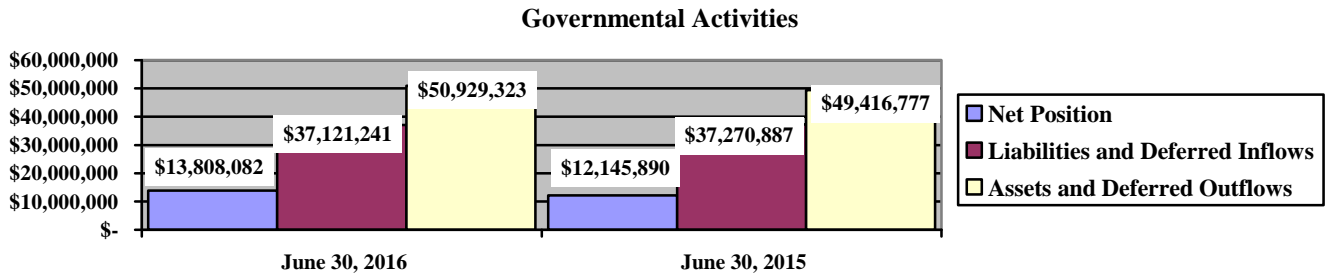
**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

Over time, net position can serve as a useful indicator of a government's financial position. At June 30, 2016, the District's assets and deferred outflows exceeded liabilities and deferred inflows by \$13,808,082.

At year-end, capital assets represented 75.51% of total assets. Capital assets include land, land improvements, buildings and improvements, furniture and equipment and vehicles. The District's net investment in capital assets at June 30, 2016, was \$26,377,946. These capital assets are used to provide services to the students and are not available for future spending. Although the District's investment in capital assets is reported net of related debt, it should be noted that the resources to repay the debt must be provided from other sources, since capital assets may not be used to liquidate these liabilities.

A portion of the District's net position, \$729,851, represents resources that are subject to external restriction on how they may be used. The remaining balance of unrestricted net position is (\$13,299,715).

The graph below shows the changes in net position at June 30, 2016 and 2015.



**SANDY VALLEY LOCAL SCHOOL DISTRICT  
STARK COUNTY, OHIO**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

The table below shows the changes in net position for fiscal years 2016 and 2015.

	<b>Change in Net Position</b>	
	Governmental Activities <u>2016</u>	Governmental Activities <u>2015</u>
<b><u>Revenues</u></b>		
Program revenues:		
Charges for services and sales	\$ 1,188,534	\$ 1,078,274
Operating grants and contributions	2,742,750	2,969,635
Capital grants and contributions	-	5,536
General revenues:		
Property taxes	4,637,176	4,475,692
Grants and entitlements	10,031,085	8,975,275
Investment earnings	13,576	8,289
Other	<u>108,939</u>	<u>25,671</u>
Total revenues	<u>18,722,060</u>	<u>17,538,372</u>
<b><u>Expenses</u></b>		
Program expenses:		
Instruction:		
Regular	5,779,111	5,922,060
Special	2,210,781	2,099,650
Vocational	728,248	668,202
Other	701,972	615,780
Support services:		
Pupil	1,182,134	1,084,266
Instructional staff	134,632	132,862
Board of education	14,180	13,736
Administration	1,374,803	1,332,148
Fiscal	408,917	394,663
Business	19,082	20,375
Operations and maintenance	1,423,029	1,276,975
Pupil transportation	1,239,676	1,128,373
Central	49,189	25,033
Operation of non-instructional services:		
Food service operations	750,903	710,928
Other non-instructional services	46,152	70,027
Extracurricular activities	579,244	542,080
Interest and fiscal charges	<u>417,815</u>	<u>456,336</u>
Total expenses	<u>17,059,868</u>	<u>16,493,494</u>
Change in net position	1,662,192	1,044,878
Net position at beginning of year	<u>12,145,890</u>	<u>11,101,012</u>
Net position at end of year	<u>\$ 13,808,082</u>	<u>\$ 12,145,890</u>

**SANDY VALLEY LOCAL SCHOOL DISTRICT  
STARK COUNTY, OHIO**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

**Governmental Activities**

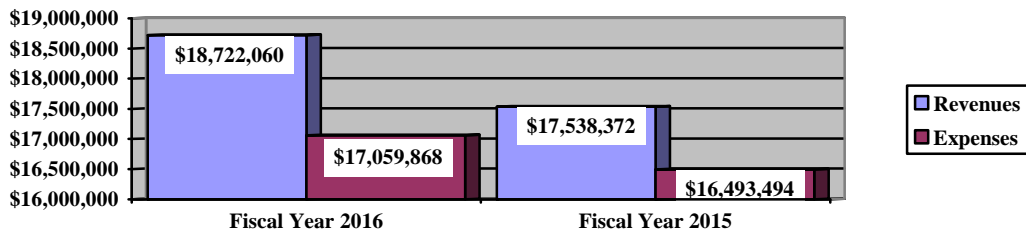
Net position of the District's governmental activities increased \$1,662,192. Total governmental expenses of \$17,059,868 were offset by program revenues of \$3,931,284 and general revenues of \$14,790,776. Program revenues supported 23.04% of the total governmental expenses.

The primary sources of revenue for governmental activities are derived from property taxes, and unrestricted grants and entitlements. These revenue sources represent 78.35% of total governmental revenue. The increase in unrestricted grants and entitlements from fiscal year 2015 can be attributed to an increase in foundation funding from the State of Ohio during fiscal year 2016.

The largest expense of the District is for instructional programs. Instruction expenses totaled \$9,420,112 or 55.22% of total governmental expenses for fiscal 2016.

The graph below presents the District's governmental activities revenue and expenses for fiscal years 2016 and 2015.

**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.

**SANDY VALLEY LOCAL SCHOOL DISTRICT  
STARK COUNTY, OHIO**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

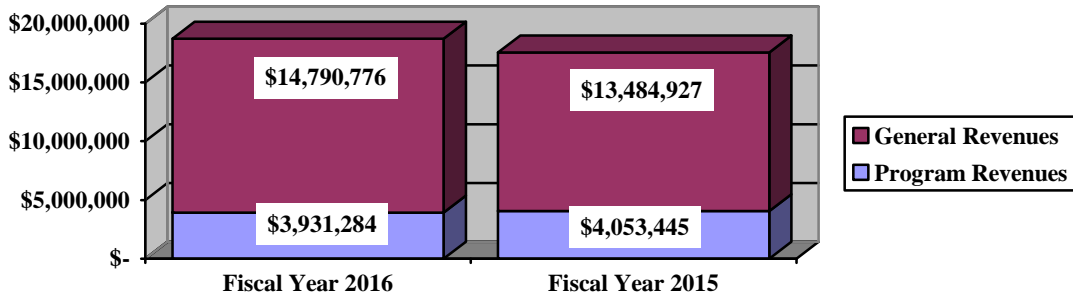
**Governmental Activities**

	Total Cost of Services <u>2016</u>	Net Cost of Services <u>2016</u>	Total Cost of Services <u>2015</u>	Net Cost of Services <u>2015</u>
<b>Program expenses</b>				
Instruction:				
Regular	\$ 5,779,111	\$ 4,911,076	\$ 5,922,060	\$ 4,872,253
Special	2,210,781	650,123	2,099,650	480,950
Vocational	728,248	528,692	668,202	491,516
Other	701,972	587,939	615,780	495,845
Support services:				
Pupil	1,182,134	1,144,709	1,084,266	1,054,863
Instructional staff	134,632	129,999	132,862	122,115
Board of education	14,180	14,180	13,736	13,736
Administration	1,374,803	1,339,670	1,332,148	1,277,989
Fiscal	408,917	408,917	394,663	394,663
Business	19,082	19,082	20,375	20,375
Operations and maintenance	1,423,029	1,394,245	1,276,975	1,230,308
Pupil transportation	1,239,676	1,159,017	1,128,373	1,044,552
Central	49,189	49,189	25,033	25,033
Operation of non-instructional services:				
Food service operations	750,903	16,003	710,928	63,995
Other non-instructional services	46,152	(9,458)	70,027	17,369
Extracurricular activities	579,244	367,386	542,080	378,151
Interest and fiscal charges	417,815	417,815	456,336	456,336
<b>Total expenses</b>	<b><u>\$ 17,059,868</u></b>	<b><u>\$ 13,128,584</u></b>	<b><u>\$ 16,493,494</u></b>	<b><u>\$ 12,440,049</u></b>

The dependence upon tax and other general revenues for governmental activities is apparent as 70.89% of instruction activities are supported through taxes and other general revenues. For all governmental activities, general revenue support is 76.96%. The District's taxpayers and unrestricted grants and entitlements from the State are by far the primary support for District's students.

The graph below presents the District's governmental activities revenue for fiscal years 2016 and 2015.

**Governmental Activities - General and Program Revenues**



**SANDY VALLEY LOCAL SCHOOL DISTRICT  
STARK COUNTY, OHIO**

MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

**The District's Funds**

The District's governmental funds (as presented on the balance sheet on page 16) reported a combined fund balance of \$5,764,761, which is more than last year's total of \$4,415,260. The schedule below indicates the fund balance and the total change in fund balance as of June 30, 2016 and 2015.

	Fund Balance <u>June 30, 2016</u>	Fund Balance <u>June 30, 2015</u>	<u>Change</u>
<b>Major funds:</b>			
General	\$ 4,990,260	\$ 3,358,493	\$ 1,631,767
Bond retirement	657,146	651,883	5,263
Other governmental	<u>117,355</u>	<u>404,884</u>	<u>(287,529)</u>
 Total	 <u>\$ 5,764,761</u>	 <u>\$ 4,415,260</u>	 <u>\$ 1,349,501</u>

**General Fund**

The District's general fund's fund balance increased \$1,631,767. The increase can be attributed primarily to an increase in Foundation funding received from the State of Ohio.

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

	2016 <u>Amount</u>	2015 <u>Amount</u>	Percentage <u>Change</u>
<b><u>Revenues</u></b>			
Taxes	\$ 3,737,551	\$ 3,564,586	4.85 %
Tuition	669,705	571,650	17.15 %
Earnings on investments	13,576	8,468	60.32 %
Intergovernmental	11,159,879	10,020,848	11.37 %
Other revenues	<u>226,349</u>	<u>166,850</u>	35.66 %
 Total	 <u>\$ 15,807,060</u>	 <u>\$ 14,332,402</u>	 10.29 %
<b><u>Expenditures</u></b>			
Instruction	\$ 8,164,487	\$ 8,027,754	1.70 %
Support services	5,490,887	4,851,495	13.18 %
Operation of non-instructional services	5,000	-	100.00 %
Extracurricular activities	319,216	334,660	(4.61) %
Facilities acquisition and construction	<u>195,703</u>	<u>97,976</u>	99.75 %
 Total	 <u>\$ 14,175,293</u>	 <u>\$ 13,311,885</u>	 6.49 %

Intergovernmental revenues increased primarily due to increased Foundation funding from the State of Ohio. Tuition revenues increased due to an increase in open enrollment revenues. Other revenues increased primarily due to the recognition of revenue from special education aides' reimbursement during fiscal year 2016. All other revenues remained consistent with the prior year.



**SANDY VALLEY LOCAL SCHOOL DISTRICT  
STARK COUNTY, OHIO**

MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

Expenditures increased 6.49% from fiscal year 2015. Support services increased from fiscal year 2015 due primarily to increases in pupil, administration, operations and maintenance and pupil transportation expenditures. All other expenditures remained consistent with the prior year.

***Bond Retirement Fund***

The bond retirement fund had \$798,618 in revenues and \$793,355 in expenditures. During fiscal 2016, the bond retirement fund's fund balance increased \$5,263 from \$651,883 to \$657,146.

***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 2016, the District amended its general fund budget numerous times. For the general fund, original budgeted revenues and other financing sources were \$14,364,943 and final budgeted revenues and other financing sources were increased to \$14,364,943. Actual revenues and other financing sources for fiscal year 2016 was \$15,645,877. This represents a \$1,280,934 increase from final budgeted revenues and other financing sources.

General fund original appropriations of \$14,759,593 were increased to \$15,009,593 in the final budget. The actual budget basis expenditures for fiscal year 2016 totaled \$14,739,161, which was \$270,432 less than the final budget appropriations.

**Capital Assets and Debt Administration**

***Capital Assets***

At the end of fiscal year 2016, the District had \$36,384,784 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, 2016 balances compared to June 30, 2015:

	<b>Capital Assets at June 30 (Net of Depreciation)</b>	
	<u>Governmental Activities</u>	
	<u>2016</u>	<u>2015</u>
Land	\$ 1,248,658	\$ 1,248,658
Land improvements	546,440	424,219
Building and improvements	33,505,212	34,127,605
Furniture and equipment	190,380	155,646
Vehicles	<u>894,094</u>	<u>710,262</u>
Total	<u>\$ 36,384,784</u>	<u>\$ 36,666,390</u>

Total additions to capital assets for fiscal year 2016 were \$771,130. The total depreciation expense for fiscal year 2016 was \$1,052,736.

**SANDY VALLEY LOCAL SCHOOL DISTRICT  
STARK COUNTY, OHIO**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

See Note 7 to the basic financial statements for additional information on the District's capital assets.

***Debt Administration***

At June 30, 2016, the District had \$10,007,793 in general obligation bonds and tax anticipation notes outstanding. Of this total, \$584,200 is due within one year and \$9,423,593 is due in greater than one year. The following table summarizes the bonds and notes outstanding.

**Outstanding Debt, at Year End**

	Governmental Activities 2016	Governmental Activities 2015
General obligation bonds	\$ 9,933,593	\$ 10,263,342
Tax anticipation note	74,200	148,400
Total	<u>\$ 10,007,793</u>	<u>\$ 10,411,742</u>

See Note 8 to the basic financial statements for additional information on the District's debt administration.

**Current Financial Related Activities**

The District Management Team has finished the project with the heating and cooling systems (HVAC). We had originally set aside \$500,000 to correct the issues we were having. We have been able to come in substantially under the original proposed number. The Sandy Valley maintenance and custodial staff was instrumental in helping the District save money on the repairs to the HVAC units that have been an issue since the opening of the buildings.

Financially, the District is currently projecting positive cash balances through 2021 on the five year forecast. The District has benefited from the new funding model that went into effect with HB 59 as well as some retirements over the past few years. The District's Management Team will continue to monitor expenditures and balance our staff to student ratio to provide the students of Sandy Valley Local Schools with an excellent academic experience.

In addition, the District Management Team was able to secure some additional funding through the State's Straight A Grant. These funds enabled the District to upgrade our technology infrastructure. By doing this, the District is able to have the students of Sandy Valley Local Schools work with current technology and will help us prepare for the next generation of testing.

**Contacting the District's Financial Management**

This financial report is designed to provide our citizens, taxpayers, 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. Craig McKendry, Treasurer, Sandy Valley Local School District, 5362 State Route 183 NE, Magnolia, Ohio 44643.

**BASIC  
FINANCIAL STATEMENTS**

**SANDY VALLEY LOCAL SCHOOL DISTRICT  
STARK COUNTY, OHIO**

STATEMENT OF NET POSITION  
JUNE 30, 2016

	<b>Governmental Activities</b>
<b>Assets:</b>	
Equity in pooled cash and cash equivalents. . . . .	\$ 6,950,639
Receivables:	
Property taxes . . . . .	4,590,687
Accounts. . . . .	73,772
Intergovernmental . . . . .	160,074
Prepayments . . . . .	14,604
Materials and supplies inventory. . . . .	1,088
Inventory held for resale. . . . .	8,083
Capital assets:	
Nondepreciable capital assets . . . . .	1,248,658
Depreciable capital assets, net. . . . .	35,136,126
Capital assets, net. . . . .	36,384,784
Total assets. . . . .	48,183,731
<b>Deferred outflows of resources:</b>	
Unamortized deferred charges on debt refunding . . . . .	963,017
Pension - STRS . . . . .	1,473,345
Pension - SERS . . . . .	309,230
Total deferred outflows of resources . . . . .	2,745,592
<b>Liabilities:</b>	
Accounts payable. . . . .	115,927
Accrued wages and benefits payable . . . . .	1,370,732
Pension and postemployment benefits payable . . . . .	194,484
Intergovernmental payable . . . . .	56,316
Accrued interest payable . . . . .	22,272
Long-term liabilities:	
Due within one year. . . . .	683,871
Due in more than one year:	
Net pension liability . . . . .	18,156,646
Other amounts due in more than one year . . . . .	10,996,600
Total liabilities . . . . .	31,596,848
<b>Deferred inflows of resources:</b>	
Property taxes levied for the next fiscal year. . . . .	3,843,396
Pension - STRS. . . . .	1,566,244
Pension - SERS. . . . .	114,753
Total deferred inflows of resources . . . . .	5,524,393
<b>Net position:</b>	
Net investment in capital assets . . . . .	26,377,946
Restricted for:	
Capital projects . . . . .	23,779
Classroom facilities maintenance . . . . .	48,536
Debt service. . . . .	408,440
Locally funded programs . . . . .	2,565
State funded programs. . . . .	30,008
Federally funded programs . . . . .	61,061
Student activities . . . . .	103,302
Other purposes . . . . .	52,160
Unrestricted (deficit) . . . . .	(13,299,715)
Total net position. . . . .	\$ 13,808,082

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**SANDY VALLEY LOCAL SCHOOL DISTRICT  
STARK COUNTY, OHIO**

STATEMENT OF ACTIVITIES  
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

	Expenses	Program Revenues		Net (Expense) Revenue and Changes in Net Position Governmental Activities
		Charges for Services and Sales	Operating Grants and Contributions	
<b>Governmental activities:</b>				
Instruction:				
Regular . . . . .	\$ 5,779,111	\$ 623,229	\$ 244,806	\$ (4,911,076)
Special . . . . .	2,210,781	54,702	1,505,956	(650,123)
Vocational . . . . .	728,248	-	199,556	(528,692)
Other . . . . .	701,972	106,576	7,457	(587,939)
Support services:				
Pupil . . . . .	1,182,134	-	37,425	(1,144,709)
Instructional staff . . . . .	134,632	-	4,633	(129,999)
Board of education . . . . .	14,180	-	-	(14,180)
Administration . . . . .	1,374,803	-	35,133	(1,339,670)
Fiscal . . . . .	408,917	-	-	(408,917)
Business . . . . .	19,082	-	-	(19,082)
Operations and maintenance . . . . .	1,423,029	8,816	19,968	(1,394,245)
Pupil transportation . . . . .	1,239,676	1,558	79,101	(1,159,017)
Central . . . . .	49,189	-	-	(49,189)
Operation of non-instructional services:				
Other non-instructional services . . . . .	46,152	-	55,610	9,458
Food service operations . . . . .	750,903	205,781	529,119	(16,003)
Extracurricular activities . . . . .	579,244	187,872	23,986	(367,386)
Interest and fiscal charges . . . . .	417,815	-	-	(417,815)
Total governmental activities . . . . .	<u>\$ 17,059,868</u>	<u>\$ 1,188,534</u>	<u>\$ 2,742,750</u>	<u>(13,128,584)</u>

**General revenues:**

Property taxes levied for:	
General purposes . . . . .	3,731,873
Debt service . . . . .	690,834
Capital outlay . . . . .	153,646
Special revenue . . . . .	60,823
Grants and entitlements not restricted	
to specific programs . . . . .	10,031,085
Investment earnings . . . . .	13,576
Miscellaneous . . . . .	<u>108,939</u>
Total general revenues . . . . .	<u>14,790,776</u>
Change in net position . . . . .	1,662,192
<b>Net position at beginning of year . . . . .</b>	<u>12,145,890</u>
<b>Net position at end of year . . . . .</b>	<u><u>\$ 13,808,082</u></u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**SANDY VALLEY LOCAL SCHOOL DISTRICT  
STARK COUNTY, OHIO**

BALANCE SHEET  
GOVERNMENTAL FUNDS  
JUNE 30, 2016

	<u>General</u>	<u>Bond Retirement</u>	<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
<b>Assets:</b>				
Equity in pooled cash and cash equivalents. . . . .	\$ 6,072,261	\$ 587,846	\$ 290,532	\$ 6,950,639
Receivables:				
Property taxes. . . . .	3,655,939	720,727	214,021	4,590,687
Accounts . . . . .	73,772	-	-	73,772
Intergovernmental. . . . .	59,929	-	100,145	160,074
Prepayments. . . . .	14,488	-	116	14,604
Materials and supplies inventory. . . . .	-	-	1,088	1,088
Inventory held for resale. . . . .	-	-	8,083	8,083
Total assets . . . . .	<u>\$ 9,876,389</u>	<u>\$ 1,308,573</u>	<u>\$ 613,985</u>	<u>\$ 11,798,947</u>
<b>Liabilities:</b>				
Accounts payable . . . . .	\$ 79,439	\$ -	\$ 36,488	\$ 115,927
Accrued wages and benefits payable . . . . .	1,227,846	-	142,886	1,370,732
Compensated absences payable . . . . .	8,593	-	-	8,593
Intergovernmental payable . . . . .	54,550	-	1,766	56,316
Pension and postemployment benefits payable . . . . .	172,953	-	21,531	194,484
Total liabilities. . . . .	<u>1,543,381</u>	<u>-</u>	<u>202,671</u>	<u>1,746,052</u>
<b>Deferred inflows of resources:</b>				
Property taxes levied for the next fiscal year. . . . .	3,057,535	605,765	180,096	3,843,396
Delinquent property tax revenue not available. . . . .	246,514	45,662	13,718	305,894
Intergovernmental revenue not available. . . . .	38,699	-	100,145	138,844
Total deferred inflows of resources . . . . .	<u>3,342,748</u>	<u>651,427</u>	<u>293,959</u>	<u>4,288,134</u>
<b>Fund balances:</b>				
Nonspendable:				
Materials and supplies inventory. . . . .	-	-	1,088	1,088
Prepays. . . . .	14,488	-	116	14,604
Restricted:				
Debt service . . . . .	-	657,146	-	657,146
Capital improvements . . . . .	-	-	14,276	14,276
Classroom facilities maintenance . . . . .	-	-	44,503	44,503
Food service operations . . . . .	-	-	66,073	66,073
Non-public schools . . . . .	-	-	12,029	12,029
Extracurricular . . . . .	-	-	103,302	103,302
Other purposes. . . . .	-	-	7,965	7,965
Assigned:				
Student instruction . . . . .	282,993	-	-	282,993
Student and staff support. . . . .	331,688	-	-	331,688
Subsequent year's appropriations . . . . .	416,155	-	-	416,155
Unassigned (deficit) . . . . .	3,944,936	-	(131,997)	3,812,939
Total fund balances . . . . .	<u>4,990,260</u>	<u>657,146</u>	<u>117,355</u>	<u>5,764,761</u>
Total liabilities, deferred inflows and fund balances . . . . .	<u>\$ 9,876,389</u>	<u>\$ 1,308,573</u>	<u>\$ 613,985</u>	<u>\$ 11,798,947</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**SANDY VALLEY LOCAL SCHOOL DISTRICT  
STARK COUNTY, OHIO**

RECONCILIATION OF TOTAL GOVERNMENTAL FUND BALANCES TO  
NET POSITION OF GOVERNMENTAL ACTIVITIES  
JUNE 30, 2016

<b>Total governmental fund balances</b>		\$	5,764,761
<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.			36,384,784
Other long-term assets are not available to pay for current-period expenditures and therefore are deferred inflows in the funds.			
Property taxes receivable	\$	305,894	
Intergovernmental receivable		138,844	
Total		444,738	444,738
Unamortized premiums on bonds issued are not recognized in the funds.			(1,234,340)
Unamortized amounts on refundings are not recognized in the funds.			963,017
Accrued interest payable is not due and payable in the current period and therefore is not reported in the funds.			(22,272)
The net pension liability is not due and payable in the current period; therefore, the liability and related deferred inflows/outflows are not reported in governmental funds:			
Deferred outflows of resources - pension		1,782,575	
Deferred inflows of resources - pension		(1,680,997)	
Net pension liability		(18,156,646)	
Total		(18,055,068)	(18,055,068)
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		(9,933,593)	
Tax anticipation notes		(74,200)	
Compensated absences		(429,745)	
Total		(10,437,538)	(10,437,538)
<b>Net position of governmental activities</b>		\$	13,808,082

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**SANDY VALLEY LOCAL SCHOOL DISTRICT  
STARK COUNTY, OHIO**

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES  
GOVERNMENTAL FUNDS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

	<u>General</u>	<u>Bond Retirement</u>	<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
<b>Revenues:</b>				
From local sources:				
Property taxes . . . . .	\$ 3,737,551	\$ 696,270	\$ 213,356	\$ 4,649,177
Tuition . . . . .	669,705	-	-	669,705
Transportation fees . . . . .	1,558	-	-	1,558
Earnings on investments . . . . .	13,576	-	91	13,667
Charges for services . . . . .	-	-	213,547	213,547
Extracurricular . . . . .	80,420	-	187,872	268,292
Classroom materials and fees . . . . .	8,226	-	-	8,226
Rental income . . . . .	1,050	-	-	1,050
Contributions and donations . . . . .	16,604	-	21,025	37,629
Other local revenues . . . . .	118,491	-	6,111	124,602
Intergovernmental - intermediate . . . . .	13,193	-	-	13,193
Intergovernmental - state . . . . .	10,954,623	102,348	437,182	11,494,153
Intergovernmental - federal . . . . .	192,063	-	1,079,143	1,271,206
<b>Total revenues . . . . .</b>	<u>15,807,060</u>	<u>798,618</u>	<u>2,160,327</u>	<u>18,766,005</u>
<b>Expenditures:</b>				
Current:				
Instruction:				
Regular . . . . .	5,036,563	-	330,335	5,366,898
Special . . . . .	1,715,060	-	477,330	2,192,390
Vocational . . . . .	710,980	-	-	710,980
Other . . . . .	701,884	-	1,829	703,713
Support services:				
Pupil . . . . .	1,165,069	-	36,038	1,201,107
Instructional staff . . . . .	95,582	-	7,127	102,709
Board of education . . . . .	14,407	-	-	14,407
Administration . . . . .	1,318,445	-	28,802	1,347,247
Fiscal . . . . .	376,912	17,980	6,623	401,515
Business . . . . .	19,082	-	-	19,082
Operations and maintenance . . . . .	1,272,747	-	229,228	1,501,975
Pupil transportation . . . . .	1,179,454	-	240,538	1,419,992
Central . . . . .	49,189	-	-	49,189
Operation of non-instructional services:				
Other non-instructional services . . . . .	5,000	-	41,497	46,497
Food service operations . . . . .	-	-	701,533	701,533
Extracurricular activities . . . . .	319,216	-	214,373	533,589
Facilities acquisition and construction . . . . .	195,703	-	55,132	250,835
Debt service:				
Principal retirement . . . . .	-	510,000	74,200	584,200
Interest and fiscal charges . . . . .	-	265,375	3,271	268,646
<b>Total expenditures . . . . .</b>	<u>14,175,293</u>	<u>793,355</u>	<u>2,447,856</u>	<u>17,416,504</u>
Net change in fund balances . . . . .	1,631,767	5,263	(287,529)	1,349,501
<b>Fund balances at beginning of year . . . . .</b>	3,358,493	651,883	404,884	4,415,260
<b>Fund balances at end of year . . . . .</b>	<u>\$ 4,990,260</u>	<u>\$ 657,146</u>	<u>\$ 117,355</u>	<u>\$ 5,764,761</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS



**SANDY VALLEY LOCAL SCHOOL DISTRICT  
STARK 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, 2016

<b>Net change in fund balances - total governmental funds</b>	\$	1,349,501
<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	\$ 771,130	
Current year depreciation	(1,052,736)	
Total		(281,606)
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.		
Property taxes	(12,001)	
Intergovernmental	(31,944)	
Total		(43,945)
Repayment of bond and note principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities on the statement of net position.		
		584,200
In the statement of activities, interest is accrued on outstanding bonds, whereas in governmental funds, an interest expenditure is reported when due. The following items resulted in additional interest being reported in the statement of activities:		
Accrued interest payable	233	
Accreted interest on capital appreciation bonds	(180,251)	
Amortization of bond premiums	105,753	
Amortization of deferred charges	(74,904)	
Total		(149,169)
Contractually required contributions are reported as expenditures in governmental funds; however, the statement of activities reports these amounts as deferred outflows.		
		1,043,644
Except for amounts reported as deferred inflows/outflows, changes in the net pension liability are reported as pension expense in the statement of activities.		
		(821,074)
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.		
		(19,359)
<b>Change in net position of governmental activities</b>	<b>\$</b>	<b>1,662,192</b>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**SANDY VALLEY LOCAL SCHOOL DISTRICT  
STARK 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, 2016

	<u>Budgeted Amounts</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 . . . . .	\$ 3,507,153	\$ 3,507,153	\$ 3,751,916	\$ 244,763
Tuition . . . . .	574,509	574,509	669,706	95,197
Transportation fees . . . . .	8,334	8,334	1,333	(7,001)
Earnings on investments . . . . .	8,511	8,511	13,576	5,065
Classroom materials and fees . . . . .	13,948	13,948	8,226	(5,722)
Rental income . . . . .	10,663	10,663	1,050	(9,613)
Contract services . . . . .	13,422	13,422	-	(13,422)
Other local revenues . . . . .	82,451	82,451	16,524	(65,927)
Intergovernmental - intermediate . . . . .	12,907	12,907	13,193	286
Intergovernmental - state . . . . .	9,989,162	9,989,162	10,947,869	958,707
Intergovernmental - federal . . . . .	55,488	55,488	132,624	77,136
<b>Total revenues . . . . .</b>	<b>14,276,548</b>	<b>14,276,548</b>	<b>15,556,017</b>	<b>1,279,469</b>
<b>Expenditures:</b>				
Current:				
Instruction:				
Regular . . . . .	5,101,336	5,146,573	5,146,574	(1)
Special . . . . .	1,937,464	1,952,939	1,952,939	-
Vocational . . . . .	658,187	712,223	712,223	-
Other . . . . .	582,508	648,063	647,959	104
Support services:				
Pupil . . . . .	1,213,824	1,210,500	1,210,500	-
Instructional staff . . . . .	94,487	94,401	94,401	-
Board of education . . . . .	15,279	14,848	14,848	-
Administration . . . . .	1,324,214	1,431,300	1,431,300	-
Fiscal . . . . .	369,026	377,249	377,249	-
Business . . . . .	24,378	23,249	23,249	-
Operations and maintenance . . . . .	1,263,233	1,343,627	1,343,300	327
Pupil transportation . . . . .	1,024,448	1,209,951	1,208,951	1,000
Central . . . . .	6,147	54,428	54,428	-
Other operation of non-instructional services . . . . .	-	5,000	5,000	-
Extracurricular activities . . . . .	360,410	320,537	320,537	-
Facilities acquisition and construction . . . . .	784,652	464,705	195,703	269,002
<b>Total expenditures . . . . .</b>	<b>14,759,593</b>	<b>15,009,593</b>	<b>14,739,161</b>	<b>270,432</b>
Excess (deficiency) of revenues over (under) expenditures . . . . .	(483,045)	(733,045)	816,856	1,549,901
<b>Other financing sources:</b>				
Refund of prior year's expenditures . . . . .	80,355	80,355	66,860	(13,495)
Sale of capital assets . . . . .	8,040	8,040	23,000	14,960
<b>Total other financing sources . . . . .</b>	<b>88,395</b>	<b>88,395</b>	<b>89,860</b>	<b>1,465</b>
Net change in fund balance . . . . .	(394,650)	(644,650)	906,716	1,551,366
<b>Fund balance at beginning of year . . . . .</b>	<b>3,794,366</b>	<b>3,794,366</b>	<b>3,794,366</b>	<b>-</b>
<b>Prior year encumbrances appropriated . . . . .</b>	<b>685,809</b>	<b>685,809</b>	<b>685,809</b>	<b>-</b>
<b>Fund balance at end of year . . . . .</b>	<b>\$ 4,085,525</b>	<b>\$ 3,835,525</b>	<b>\$ 5,386,891</b>	<b>\$ 1,551,366</b>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**SANDY VALLEY LOCAL SCHOOL DISTRICT  
STARK COUNTY, OHIO**

STATEMENT OF FIDUCIARY ASSETS AND LIABILITIES  
FIDUCIARY FUND  
JUNE 30, 2016

	<b>Agency</b>
<b>Assets:</b>	
Equity in pooled cash and cash equivalents . . . . .	\$ 54,427
Total assets. . . . .	\$ 54,427
<b>Liabilities:</b>	
Accounts payable. . . . .	\$ 1,769
Due to students. . . . .	52,658
Total liabilities . . . . .	\$ 54,427

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**SANDY VALLEY LOCAL SCHOOL DISTRICT  
STARK COUNTY, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

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

The Sandy Valley Local School District (the "District") is a body politic and corporate established for the purpose of exercising the rights and privileges conveyed to it by the constitution and laws of the State of Ohio. The District is a local district as defined by Section 3311.03 of the Ohio Revised Code. The District is governed by a five-member Board of Education (the "Board") elected by its citizens, which is responsible for the provision of public education to residents of the District.

The District encompasses all or portions of several villages and townships which are almost entirely located in Stark County, Ohio. The District's facilities are staffed by 71 classified employees and 111 certified employees who provide services to 1,446 students and other community members. The District operates a middle/high school building, an elementary school, a bus garage, and a warehouse.

**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).

**SANDY VALLEY LOCAL SCHOOL DISTRICT  
STARK COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

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

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

*JOINTLY GOVERNED ORGANIZATIONS*

Stark/Portage Area Computer Consortium

The Stark/Portage Area Computer Consortium (SPARCC) is a jointly governed organization created as a regional council of governments pursuant to State statutes made up of public school districts and educational service centers from Stark, Portage, and Carroll Counties. The primary function of SPARCC is to provide data processing services to its member districts with the major emphasis being placed on accounting, inventory control and payroll services. Other areas of service provided by SPARCC include student scheduling, registration, grade reporting, and test scoring. Each member district pays an annual fee for the services provided by SPARCC.

SPARCC is governed by a board of directors comprised of each Superintendent with the Consortium. The Stark County Educational Service Center serves as the fiscal agent of SPARCC and receives funding from the State Department of Education. Each district has one vote in all matters and each member district's control over budgeting and financing of SPARCC is limited to its voting authority and any representation it may have on the board of directors. The continued existence of SPARCC is not dependent on the District's continued participation and no equity interest exists. Financial information can be obtained by writing the Stark/Portage Area Computer Consortium, 2100 38<sup>th</sup> Street NW, Canton, Ohio 44709.

Stark County Tax Incentive Review Council

Stark County Tax Incentive Review Council (SCTIRC) is a jointly governed organization, created as a regional council of governments pursuant to State statutes. SCTIRC has 24 members, consisting of three members appointed by the County Commissioners, four members appointed by municipal corporations, ten members appointed by township trustees, one member from the county auditor's office and six members appointed by boards of education located within the enterprise zones of Stark County. The SCTIRC reviews and evaluates the performance of each Enterprise Zone Agreement. This body is advisory in nature and cannot directly impact an existing Enterprise Zone Agreement; however, the council can make written recommendations to the legislative authority that approved the agreement. There is no cost associated with being a member of this Council. The continued existence of the SCTIRC is not dependent upon the District's continued participation and no measurable equity interest exists.

*PUBLIC ENTITY RISK POOLS*

**Shared Risk Pool**

Stark County Schools Council of Governments Health Benefit Plan

The Stark County Schools Council of Governments Health Benefit Plan (Council) is a shared risk pool created pursuant to State statute for the purpose of administering health care benefits. The Council is governed by an assembly which consists of one representative from each participating school district (usually the superintendent or designee). The assembly elects officers for one year terms to serve on the Board of Directors. The assembly exercises control over the operation of the council. All council revenues are generated from charges for services received from the participating school districts, based on the established premiums for the insurance plans. Each school district reserves the right to terminate the plan in whole or in part, at any time. If it is terminated, no further contributions will be made, but the benefits under the insurance contract shall be paid in accordance with the terms of the contract.

**SANDY VALLEY LOCAL SCHOOL DISTRICT  
STARK COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

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

**Insurance Purchasing Pool**

Stark County Schools Council of Governments Workers' Compensation Group Rating Plan

The Stark County Schools Council of Governments Workers' Compensation Group Rating Plan has created a group insurance pool for the purpose of creating a group rating plan for workers' compensation. The governing body is comprised of the superintendents and the members who have been appointed by the respective Governing Body of each member.

The intent of the pool is to achieve a reduced rate for the District and the other group members. The injury claim history of all participating members is used to calculate a common rate for the group. An annual fee is paid to CompManagement, Inc. to administer the group and to manage any injury claims. Premium savings created by the group are prorated to each member entity annually based on its payroll percent of the group.

**B. Fund Accounting**

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

*GOVERNMENTAL FUNDS*

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

Bond retirement fund - The bond retirement fund is used to account for the accumulation of resources and payment of general obligation bond principal and interest from governmental resources when the government is obligated in some manner for payment.

Other governmental funds of the District are used to account for (a) 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, and (b) specific revenue sources that are restricted or committed to an expenditure for specified purposes other than debt service or capital projects.

*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.

**SANDY VALLEY LOCAL SCHOOL DISTRICT  
STARK COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

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

*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. The District has no trust funds. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. The District's agency funds account 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.

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

The government-wide financial statements are prepared using the economic resources measurement focus. All assets and deferred outflows and all liabilities and deferred inflows 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 and current deferred outflows and current liabilities and current deferred inflows 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.

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.

**SANDY VALLEY LOCAL SCHOOL DISTRICT  
STARK COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

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

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

Nonexchange transactions, in which the District receives value without directly giving equal value in return, include property taxes, 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 5).

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

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

Deferred Outflows of Resources and Deferred Inflows of Resources - In addition to assets, the government-wide statement of net position will report a separate section for deferred outflows of resources. Deferred outflows of resources, represents a consumption of net position that applies to a future period and will not be recognized as an outflow of resources (expense/expenditure) until then. For the District, see Note 12 for deferred outflows of resources related the District's net pension liability. In addition, deferred outflows of resources include a deferred charge on debt refunding. A deferred charge on refunding results from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt.

In addition to liabilities, both the government-wide statement of net position and the governmental fund financial statements report a separate section for deferred inflows of resources. Deferred inflows of resources represent an acquisition of net position that applies to a future period and will not be recognized as an inflow of resources (revenue) until that time. For the District, deferred inflows of resources include property taxes and unavailable revenue. Property taxes represent amounts for which there is an enforceable legal claim as of June 30, 2016, but which were levied to finance fiscal year 2017 operations. This amount has been recorded as a deferred inflow of resources on both the government-wide statement of net position and the governmental fund financial statements. Unavailable revenue is reported only on the governmental funds balance sheet, and represents receivables which will not be collected within the available period. For the District, unavailable revenue includes, but is not limited to, delinquent property taxes and intergovernmental grants. These amounts are deferred and recognized as an inflow of resources in the period the amounts become available.



**SANDY VALLEY LOCAL SCHOOL DISTRICT  
STARK COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

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

For the District, see Note 12 for deferred inflows of resources related to the District's net pension liability. This deferred inflow of resources is only reported on the government-wide statement of net position.

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 statement of revenues, expenditures and changes in fund balances as an expenditure with a like amount reported as intergovernmental revenue. Unused donated commodities are 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.

**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 by the Board of Education at the fund level. Any budgetary modifications at this level may only be made by resolution of the Board of Education.

Tax Budget:

On October 25, 2005, the Stark County Budget Commission voted to waive the requirement that school districts adopt a tax budget as required by Section 5705.28 of the Ohio Revised Code, by January 15<sup>th</sup> and the filing by January 20<sup>th</sup>. The Budget Commission now requires an alternate tax budget be submitted by January 20<sup>th</sup>, which no longer requires specific Board approval.

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 as the original budgeted amounts in the budgetary statements reflect the amounts in the certificate of estimated resources when the original appropriations were adopted. The amounts reported as the final budgeted amounts in the budgetary statements reflect the amounts in the final amended certificate of estimated resources in effect when the final appropriations were passed by the Board of Education.

**SANDY VALLEY LOCAL SCHOOL DISTRICT  
STARK COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

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

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 must be within the estimated resources as certified by the County Budget Commission and the total of expenditures may not exceed the appropriation totals at any level of control. Any revisions that alter the level of budgetary control must be approved by the Board of Education.

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

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

**F. Cash and Investments**

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

At June 30, 2016, the District had no investments.

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 2016 amounted to \$13,576 which includes \$2,286 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 deposits at year end is provided in Note 4.

**SANDY VALLEY LOCAL SCHOOL DISTRICT  
STARK COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

**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 at their entitlement value. Inventories are recorded on a first-in, first-out basis and are expensed/expended when used. Inventories are accounted for using the consumption method.

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

**H. Capital Assets**

General capital assets are those assets specifically related to governmental activities. These assets result from expenditures in the governmental funds. These assets are reported in the governmental activities column of the government-wide statement of net 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 retirements during the year. Donated capital assets are recorded at their fair market values as of the date received. The District maintains its capitalization threshold at \$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	20 years
Buildings and improvements	20 - 50 years
Furniture and equipment	5 - 20 years
Vehicles	6 - 10 years

**I. Interfund Balances**

On fund financial statements, receivables and payables resulting from short-term interfund loans are classified as "interfund loans receivable/payable". These amounts are eliminated in the governmental activities column on the statement of net position. The District had no interfund balances at June 30, 2016.

**J. Compensated Absences**

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

**SANDY VALLEY LOCAL SCHOOL DISTRICT  
STARK COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

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

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 accrued using the vesting method; i.e., the liability 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 sick leave on employees expected to become eligible to retire in the future, all employees age fifty-seven or greater with at least two years of service, all employees age fifty two or greater with at least twenty two years of service, or any employee with twenty seven years of service were considered expected to become eligible to retire 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 June 30, 2016 and reduced to the maximum payment allowed by labor contract and/or statute, plus any additional salary related payments.

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

For governmental fund financial statements, the current portion of unpaid compensated absences is the amount expected to be paid using expendable available resources. These amounts are recorded in the account “compensated absences payable” in the fund from which the employees who have accumulated unpaid leave are paid. The noncurrent portion of the liability is not reported.

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

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

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

**L. 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.

**SANDY VALLEY LOCAL SCHOOL DISTRICT  
STARK COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

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

*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.

**M. 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 food service.

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

**SANDY VALLEY LOCAL SCHOOL DISTRICT  
STARK COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

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

**N. Prepayments**

Certain payments to vendors reflect the costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements. These items are reported as assets on the net position statement\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.

**O. Estimates**

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

**P. Interfund Activity**

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

**Q. Bond Issuance Costs/Bond Premium/Unamortized Deferred Charges on Debt Refunding**

On the government-wide and fund financial statements, bond issuance costs are expensed during the fiscal year in which they are incurred.

Bond premiums are deferred and amortized over the term of the bonds using the straight-line method, which approximates the effective interest method. Bond premiums are presented as an addition to the face amount of the bonds.

For advance refundings resulting in the defeasance of debt, the difference between the reacquisition price and the net carrying amount of the old debt is deferred and amortized as component of interest expense. This accounting gain or loss is amortized over the remaining life of the old debt or the life of the new debt, whichever is shorter, and is presented as a deferred outflow of resources on the statement of net position.

**R. Nonpublic Schools**

Within the District boundaries, St. James Catholic School is operated by the Catholic Diocese. Current State legislation provides funding to this school. These monies are received and disbursed on behalf of the schools by the Treasurer of the District, as directed by the non-public school. This activity is reflected in a nonmajor governmental fund by the District for financial reporting purposes.

**SANDY VALLEY LOCAL SCHOOL DISTRICT  
STARK COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

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

**S. Pensions**

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the pension plans and additions to/deductions from their fiduciary net position have been determined on the same basis as they are reported by the pension systems. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. The pension systems report investments at fair value.

**T. 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 was reported for fiscal year 2016.

**U. Vocational Education**

The District has entered into an agreement with the Canton Local School District, Perry Local School District and the Osnauburg Local School District to provide career technical education programs for students. The Canton Local School District is the principal agency for the programs and is responsible for the physical facilities of the programs.

**NOTE 3 - ACCOUNTABILITY AND COMPLIANCE**

**A. Change in Accounting Principles**

For fiscal year 2016, the District has implemented GASB Statement No. 72, "Fair Value Measurement and Application", GASB Statement No. 73 "Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68", GASB Statement No. 76, "The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments", and GASB Statement No. 79, "Certain External Investment Pools and Pool Participants".

GASB Statement No. 72 addresses accounting and financial reporting issues related to fair value measurement. This Statement also provides guidance for applying fair value to certain investments and disclosures related to all fair value measurements. The implementation of GASB Statement No. 72 did not have an effect on the financial statements of the District.

GASB Statement No. 73 improves the usefulness of information about pensions included in the general purposes external financial reports of state and local governments for making decisions and assessing accountability. The implementation of GASB Statement No. 73 did not have an effect on the financial statements of the District.

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NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

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

GASB Statement No. 76 identifies - in the context of the current governmental financial reporting environment - the hierarchy of generally accepted accounting principles (GAAP). This Statement reduces the GAAP hierarchy to two categories of authoritative GAAP and addresses the use of authoritative and nonauthoritative literature in the event that the accounting treatment for a transaction or other event is not specified within a source of authoritative GAAP. The implementation of GASB Statement No. 76 did not have an effect on the financial statements of the District.

GASB Statement No. 79 establishes criteria for an external investment pool to qualify for making the election to measure all of its investments at amortized cost for financial reporting purposes. The implementation of GASB Statement No. 79 did not have an effect on the financial statements of the District.

**B. Deficit Fund Balances**

Fund balances at June 30, 2016 included the following individual fund deficits:

<u>Nonmajor funds</u>	<u>Deficit</u>
Public school preschool	\$ 6,568
IDEA Part-B	40,316
Title I	74,796
Improving teacher quality	10,317

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

**NOTE 4 - DEPOSITS**

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.



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

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

1. United States Treasury Notes, Bills, Bonds, or any other obligation or security issued by the United States Treasury or any other obligation guaranteed as to principal and interest by the United States;
2. Bonds, notes, debentures, or any other obligations or securities issued by any federal government agency or instrumentality, including, but not limited to, the Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, Government National Mortgage Association, and Student Loan Marketing Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
3. Written repurchase agreements in the securities listed above provided that the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least two percent and be marked to market daily, and that the term of the agreement must not exceed thirty days;
4. Bonds and other obligations of the State of Ohio;
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 Treasury Asset Reserve of Ohio (STAR Ohio) investment pool;
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.

**SANDY VALLEY LOCAL SCHOOL DISTRICT  
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NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

**NOTE 4 - DEPOSITS - (Continued)**

**A. Cash on Hand**

At fiscal year end, the District had \$1,225 in undeposited cash on hand which is included on the financial statements of the District as part of “equity in pooled cash and cash equivalents”.

**B. Deposits with Financial Institutions**

At June 30, 2016, the carrying amount of all District deposits was \$7,003,841. Based on the criteria described in GASB Statement No. 40, “Deposits and Investment Risk Disclosures”, as of June 30, 2016, \$6,752,890 of the District’s bank balance of \$7,002,890 was exposed to custodial risk as discussed below, while \$250,000 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. Reconciliation of Cash and Cash Equivalents to the Statement of Net Position**

The following is a reconciliation of cash and cash equivalents as reported in the note above to cash and cash equivalents as reported on the statement of net position as of June 30, 2016:

<u>Cash and cash equivalents per note</u>	
Carrying amount of deposits	\$ 7,003,841
Cash on hand	1,225
Total	<u>\$ 7,005,066</u>

<u>Cash and cash equivalents per statement of net position</u>	
Governmental activities	\$ 6,950,639
Agency funds	54,427
Total	<u>\$ 7,005,066</u>

**SANDY VALLEY LOCAL SCHOOL DISTRICT  
STARK COUNTY, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

**NOTE 5 - 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 2016 represent the collection of calendar year 2015 taxes. Real property taxes received in calendar year 2016 were levied after April 1, 2015, on the assessed values as of January 1, 2015, 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 2016 represent the collection of calendar year 2015 taxes. Public utility real and personal property taxes received in calendar year 2016 became a lien on December 31, 2014, were levied after April 1, 2015, 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 Stark, Carroll and Tuscarawas Counties. The County Auditors periodically advances to the District its portion of the taxes collected. Second-half real property tax payments collected by the County by June 30, 2016, are available to finance fiscal year 2016 operations. The amount available as an advance at June 30, 2016 was \$351,890 in the general fund, \$69,300 in the bond retirement fund, \$14,276 in the permanent improvement fund (a nonmajor governmental fund) and \$5,931 in the classroom facilities maintenance fund (a nonmajor governmental fund). This amount is recorded as revenue. The amount available for advance at June 30, 2015 was \$366,255 in the general fund, 73,429 in the bond retirement fund, \$15,049 in the permanent improvement fund (a nonmajor governmental fund) and \$6,230 in the classroom facilities maintenance fund (a nonmajor governmental 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, 2016 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.

**SANDY VALLEY LOCAL SCHOOL DISTRICT  
STARK COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

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

The assessed values upon which the fiscal year 2016 taxes were collected are:

	2015 Second Half Collections		2016 First Half Collections	
	<u>Amount</u>	<u>Percent</u>	<u>Amount</u>	<u>Percent</u>
Agricultural/residential and other real estate	\$ 123,741,960	90.61	\$ 138,255,620	87.87
Public utility personal	<u>12,822,240</u>	<u>9.39</u>	<u>19,077,470</u>	<u>12.13</u>
<b>Total</b>	<b><u>\$ 136,564,200</u></b>	<b><u>100.00</u></b>	<b><u>\$ 157,333,090</u></b>	<b><u>100.00</u></b>
Tax rate per \$1,000 of assessed valuation for:				
Operations	\$42.20		\$41.50	
Permanent improvements	2.50		2.50	
Bonded debt	5.70		4.90	

**NOTE 6 - RECEIVABLES**

Receivables at June 30, 2016 consisted of property taxes, accounts, 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 list of the principal items of receivables reported on the statement of net position follows:

**Governmental activities:**

Property taxes	\$ 4,590,687
Accounts	73,772
Intergovernmental	<u>160,074</u>
<b>Total</b>	<b><u>\$ 4,824,533</u></b>

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

**SANDY VALLEY LOCAL SCHOOL DISTRICT  
STARK COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

**NOTE 7 - CAPITAL ASSETS**

Capital asset activity for the fiscal year ended June 30, 2016, was as follows:

	Balance <u>6/30/15</u>	<u>Additions</u>	<u>Deductions</u>	Balance <u>6/30/16</u>
<b>Governmental activities:</b>				
<i>Capital assets, not being depreciated:</i>				
Land	\$ 1,248,658	\$ -	\$ -	\$ 1,248,658
Total capital assets, not being depreciated	<u>1,248,658</u>	<u>-</u>	<u>-</u>	<u>1,248,658</u>
<i>Capital assets, being depreciated:</i>				
Land improvements	1,208,647	180,058	-	1,388,705
Building and improvements	39,435,522	171,242	-	39,606,764
Furniture and equipment	292,677	60,837	-	353,514
Vehicles	1,864,800	358,993	(105,940)	2,117,853
Total capital assets, being depreciated	<u>42,801,646</u>	<u>771,130</u>	<u>(105,940)</u>	<u>43,466,836</u>
<i>Less: accumulated depreciation</i>				
Land improvements	(784,428)	(57,837)	-	(842,265)
Building and improvements	(5,307,917)	(793,635)	-	(6,101,552)
Furniture and equipment	(137,031)	(26,103)	-	(163,134)
Vehicles	(1,154,538)	(175,161)	105,940	(1,223,759)
Total accumulated depreciation	<u>(7,383,914)</u>	<u>(1,052,736)</u>	<u>105,940</u>	<u>(8,330,710)</u>
Governmental activities capital assets, net	<u>\$ 36,666,390</u>	<u>\$ (281,606)</u>	<u>\$ -</u>	<u>\$ 36,384,784</u>

Depreciation expense was charged to governmental functions as follows:

Instruction:

Regular	\$ 510,607
Special	42,014
Vocational	20,186

Support services:

Pupil support	1,114
Instructional staff	33,497
Administration	40,347
Fiscal	12,695
Operations and maintenance	91,955
Pupil transportation	175,872
Extracurricular activities	53,661
Food service operations	<u>70,788</u>
Total depreciation expense	<u>\$ 1,052,736</u>

**SANDY VALLEY LOCAL SCHOOL DISTRICT  
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NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

**NOTE 8 - LONG-TERM OBLIGATIONS**

- A. On March 29, 2006, the District issued \$12,399,985 in general obligations bonds (Series 2006 School Facilities Construction and Improvement Bonds). The bond issue represented the District's local share and local funded initiatives of a construction project approved and significantly funded by the Ohio School Facilities Commission (OSFC). The OSFC awarded the District a \$26,158,531 grant for the project, and made quarterly disbursements to the District until the project was completed. These bonds are general obligations of the District for which the full faith and credit of the District is pledged for repayment. Accordingly, such unmatured obligations of the District are accounted for in the statement of net position. Payments of principal and interest relating to this bond issue are recorded as an expenditure in the bond retirement fund. The source of payment is derived from a 5.8 mil bonded debt tax levy. In conjunction with the 5.8 mils which support the bond issue, the District also passed in fiscal year 2006 a .5 mil levy to ultimately fund the maintenance costs of the new facilities. Tax revenue from this levy has been reported in the classroom facilities maintenance fund, a nonmajor governmental fund.

This issue was comprised of both current interest bonds, par value \$12,220,000, and capital appreciation bonds, par value \$179,985. During fiscal year 2013, a portion of the series 2006 general obligation bonds was refunded in the amount of \$9,555,000. The remaining balance of series 2006 current interest bonds matures on December 1, 2016 with interest rates ranging from 3.50% to 4.25%. The capital appreciation bonds matured December 1, 2015 (approximate initial offering yield to maturity 4.23%) at a redemption price equal to 100% of the principal, plus accrued interest to the redemption date. The accreted value at maturity for the capital appreciation bonds was \$380,000. Principal and interest payments are made from the bond retirement fund. The capital appreciation bonds are considered defeased (in-substance) and accordingly, have been removed from the statement of net position.

Interest payments on the current interest bonds are due on June 1 and December 1 of each year. The final maturity stated in the issue is December 1, 2016.

The following is a schedule of activity for fiscal year 2016 on the 2006 series general obligation bonds:

	Balance 6/30/15	Additions	Reductions	Balance 6/30/16
Current interest bonds	\$ 380,000	\$ -	\$ -	\$ 380,000
Capital appreciation bonds	86,826	-	(86,826)	-
Accreted interest	265,261	27,913	(293,174)	-
Total G.O. bonds	<u>\$ 732,087</u>	<u>\$ 27,913</u>	<u>\$ (380,000)</u>	<u>\$ 380,000</u>

The following is a summary of the future debt service requirements to maturity for the 2006 series general obligation bonds:

Year Ended	Current Interest Bonds		
	Principal	Interest	Total
2017	<u>\$ 380,000</u>	<u>\$ 7,600</u>	<u>\$ 387,600</u>

**SANDY VALLEY LOCAL SCHOOL DISTRICT  
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NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

**NOTE 8 - LONG-TERM OBLIGATIONS - (Continued)**

Series 2012 Refunding General Obligation Bonds

On December 17, 2012, the District issued general obligation bonds (series 2012 refunding bonds) to refund \$7,420,000 of the series 2006 general obligation current interest bonds. This refunded debt is considered defeased (in-substance) and accordingly, has been removed from the statement of net position.

The refunding issue is comprised of both current interest bonds, par value \$7,350,000, and capital appreciation bonds par value \$69,637. The interest rates on the current interest bonds range from 2.00%-3.00%. The capital appreciation bonds mature each December 1, 2014 through 2022 (approximate initial offering yield to maturity ranging from 0.95% to 2.53%) at a redemption price equal to 100% of the principal, plus accrued interest to the redemption date. The accreted value at maturity for the capital appreciation bonds is \$1,365,000. Total accreted interest of \$148,904 for series 2012 has been included on the statement of net position at June 30, 2016. Principal and interest payments are made from the bond retirement fund.

Interest payments on the current interest bonds are due on June 1 and December 1 of each year. The final maturity stated in the issue is December 1, 2033.

The reacquisition price exceeded the net carrying amount of the old debt by \$971,387. This amount is being netted against the new debt and amortized over the remaining life of the refunded debt, which is equal to the life of the new debt issued, as a deferred outflow of resources on the statement of net position.

Principal and interest requirements to retire the Series 2012 general obligation bonds are as follows:

Year Ended	Current Interest Bonds			Capital Appreciation Bonds		
	Principal	Interest	Total	Principal	Interest	Total
2017	\$ -	\$ 198,775	\$ 198,775	\$ 9,329	\$ 90,671	\$ 100,000
2018	-	198,775	198,775	5,099	94,901	100,000
2019	-	198,775	198,775	2,788	97,212	100,000
2020	-	198,775	198,775	1,448	93,552	95,000
2021	-	198,775	198,775	833	99,167	100,000
2022 - 2026	1,770,000	928,250	2,698,250	1,858	668,142	670,000
2027 - 2031	3,275,000	565,438	3,840,438	-	-	-
2032 - 2034	2,195,000	100,125	2,295,125	-	-	-
Total	\$ 7,240,000	\$ 2,587,688	\$ 9,827,688	\$ 21,355	\$ 1,143,645	\$ 1,165,000

Series 2013 Refunding General Obligation Bonds

On April 4, 2013, the District issued general obligation bonds (series 2013 refunding bonds) to refund \$2,135,000 of the series 2006 general obligation current interest bonds. This refunded debt is considered defeased (in-substance) and accordingly, has been removed from the statement of net position.

**SANDY VALLEY LOCAL SCHOOL DISTRICT  
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NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

**NOTE 8 - LONG-TERM OBLIGATIONS - (Continued)**

The refunding issue is comprised of both current interest bonds, par value \$2,030,000, and capital appreciation bonds par value \$104,960. The interest rates on the current interest bonds range from 2.00%-3.00%. The capital appreciation bonds mature December 1, 2017 (approximate initial offering yield to maturity 1.41%) at a redemption price equal to 100% of the principal, plus accrued interest to the redemption date. The accreted value at maturity for the capital appreciation bonds is \$330,000. Total accreted interest of \$123,374 for series 2013 has been included on the statement of net position at June 30, 2016. Principal and interest payments are made from the bond retirement fund.

Interest payments on the current interest bonds are due on June 1 and December 1 of each year. The final maturity stated in the issue is December 1, 2021.

The reacquisition price exceeded the net carrying amount of the old debt by \$246,677. This amount is being netted against the new debt and amortized over the remaining life of the refunded debt, which is equal to the life of the new debt issued, as a deferred outflow of resources on the statement of net position.

Principal and interest requirements to retire the Series 2013 general obligation bonds are as follows:

<u>Year Ended</u>	<u>Current Interest Bonds</u>			<u>Capital Appreciation Bonds</u>		
	<u>Principal</u>	<u>Interest</u>	<u>Total</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2017	\$ 30,000	\$ 50,800	\$ 80,800	\$ -	\$ -	\$ -
2018	100,000	49,750	149,750	104,960	225,040	330,000
2019	430,000	42,550	472,550	-	-	-
2020	440,000	29,500	469,500	-	-	-
2021	455,000	18,350	473,350	-	-	-
2022	460,000	6,900	466,900	-	-	-
Total	<u>\$ 1,915,000</u>	<u>\$ 197,850</u>	<u>\$ 2,112,850</u>	<u>\$ 104,960</u>	<u>\$ 225,040</u>	<u>\$ 330,000</u>



**SANDY VALLEY LOCAL SCHOOL DISTRICT  
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NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

**NOTE 8 - LONG-TERM OBLIGATIONS - (Continued)**

**B.** During the fiscal year 2016, the following changes occurred in governmental activities long-term obligations.

	<u>Balance</u> <u>06/30/15</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance</u> <u>06/30/16</u>	<u>Amounts</u> <u>Due in</u> <u>One Year</u>
<b>Governmental activities:</b>					
General obligation bonds - Series 2006:					
Current interest bonds - 2006	\$ 380,000	\$ -	\$ -	\$ 380,000	\$ 380,000
Capital appreciation bonds - 2006	86,826	-	(86,826)	-	-
Accreted interest - 2006	265,261	27,913	(293,174)	-	-
2012 Series Refunding Issue:					
Current interest bonds - 2012	7,240,000	-	-	7,240,000	-
Capital appreciation bonds - 2012	38,420	-	(17,065)	21,355	9,329
Accreted interest - 2012	129,210	102,629	(82,935)	148,904	90,671
2013 Series Refunding Issue:					
Current interest bonds - 2013	1,945,000	-	(30,000)	1,915,000	30,000
Capital appreciation bonds - 2013	104,960	-	-	104,960	-
Accreted interest - 2013	<u>73,665</u>	<u>49,709</u>	<u>-</u>	<u>123,374</u>	<u>-</u>
Total general obligation bonds	<u>10,263,342</u>	<u>180,251</u>	<u>(510,000)</u>	<u>9,933,593</u>	<u>510,000</u>
Tax anticipation note	148,400	-	(74,200)	74,200	74,200
Net pension liability	16,470,955	1,685,691	-	18,156,646	-
Compensated absences payable	<u>504,570</u>	<u>109,073</u>	<u>(175,305)</u>	<u>438,338</u>	<u>99,671</u>
Total governmental activities long-term liabilities	<u>\$ 27,387,267</u>	<u>\$ 1,975,015</u>	<u>\$ (759,505)</u>	<u>\$ 28,602,777</u>	<u>\$ 683,871</u>
Add: unamortized premium				<u>1,234,340</u>	
Total on statement of net position				<u>\$ 29,837,117</u>	

On December 8, 2011, The District issued a \$371,000 permanent improvement tax anticipation note. The proceeds of this note were used to purchase new school buses. This note bears an interest rate of 2.95% and will be paid from the permanent improvement fund, a nonmajor governmental fund. Interest payments on the notes are due on June 1 and December 1 of each year. The final maturity stated in the issue is December 1, 2016.

The following is a summary of the future debt service requirements to maturity for the tax anticipation note:

<u>Year Ended</u>	<u>Tax Anticipation Note</u>		
	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2017	<u>\$ 74,200</u>	<u>\$ 1,094</u>	<u>\$ 75,294</u>

**SANDY VALLEY LOCAL SCHOOL DISTRICT  
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**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

**NOTE 8 - LONG-TERM OBLIGATIONS - (Continued)**

See Note 12 for details on the net pension liability.

Compensated absences will be paid from the fund from which the employee is paid, which is primarily the general fund.

**C. 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, 2016, are a voted debt margin of \$5,155,809 (including available funds of \$657,146) and an unvoted debt margin of \$157,333.

**NOTE 9 - OPERATING LEASE - LESSOR DISCLOSURE**

The District is the lessor of oil and gas rights on certain land parcels owned by the District to the Sierra Buckeye, LLC. The lease agreement is from December 28, 2011 through December 28, 2016. The District received \$702,733; \$351,851 in the general fund and \$350,882 in the permanent improvement fund, a nonmajor governmental fund, at the execution of the lease. The general fund recognized \$35,185 in revenue and the permanent improvement fund (a nonmajor governmental fund), recognized \$35,088 in revenue during fiscal year 2012. The remaining revenue was recognized during fiscal year 2013. The District will also receive a 20 percent royalty on any oil or gas that is produced. The District received no royalty payments during fiscal year 2016.

**NOTE 10 - OTHER EMPLOYEE BENEFITS**

**A. Compensated Absences**

The criteria for determining vacation, personal and sick leave components are derived from negotiated agreements and State laws. Classified employees earn 10 to 20 days of vacation per fiscal year, depending upon length of service. Accumulated, unused vacation time is paid to classified employees and administrators upon termination of employment. Teachers do not earn vacation time.

Teachers, administrators and classified employees earn sick leave at the rate of 1.25 days per month. A liability for sick leave is based on the accumulated sick leave at the balance sheet date by those employees who are currently eligible to receive severance benefits. The District's severance liability has been calculated using the pay rates in effect at June 30, 2016 and reduced to the maximum payment allowed by labor contracts (86 days for classified and 77 days for certified employees based on length of service), plus any additional salary related payments.

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**NOTE 10 - OTHER EMPLOYEE BENEFITS - (Continued)**

**B. Insurance Benefits**

The District provides life insurance and accidental death and dismemberment insurance to all of its employees through the Unum Life Insurance Company. Coverage is as follows:

<u>Employee Classification</u>	<u>Amount</u>
Certified	\$ 70,000
Classified	50,000
Administrators	90,000

**C. Retirement Incentive**

A one-time retirement bonus in the amount of \$10,000 was available to certified employees who became first-time eligible for retirement and retired effective at the end of the school year.

An irrevocable notice of intent to retire had to be received by the District Superintendent by April 1, 2015. In fiscal year 2016, no employees accepted the retirement incentive.

**NOTE 11 - RISK MANAGEMENT**

**A. Comprehensive**

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. During fiscal year 2016, the District has contracted with private insurance companies for various types of insurance as follows:

<u>Type of Coverage</u>	<u>Amount of Coverage</u>	<u>Deductible</u>
Buildings and Contents:		
Replacement Cost	\$53,710,783	\$5,000
Inland Marine Coverage	various	500
Boiler and Machinery	included	5,000
Automobile Liability	1,000,000	0
Uninsured Motorists	50,000	0
General Liability:		
Per occurrence	1,000,000	0
Aggregate	3,000,000	
Crime	50,000	1,000
Umbrella Liability:		
Per occurrence	\$5,000,000	\$10,000
Aggregate	5,000,000	
Errors and Omission:		
Each wrongful act	1,000,000	2,500
Aggregate	1,000,000	

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**NOTE 11 - RISK MANAGEMENT - (Continued)**

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

**B. Group Health and Dental Insurance**

The District participates in the Stark County Schools Council of Governments Health Benefit Plan, a shared risk pool (Note 2.A.) to provide employee medical/surgical benefits. Rates are set through an annual calculation process. The District pays a monthly contribution which is placed in a common fund from which claim payments are made for all participating districts. The District's Board of Education pays 85% of medical and dental premiums for all employees.

Claims are paid for all participants regardless of claims flow. Upon termination, all District claims would be paid without regard to the District's account balance or the Directors have the right to hold monies for an exiting school district subsequent to the settlement of all expenses and claims.

**C. Workers' Compensation**

The District participates in the Stark County Schools Council of Governments Workers' Compensation Group Rating Plan (GRP), an insurance purchasing pool (Note 2.A.). The intent of the GRP is to achieve the benefit of a reduced premium for the District by virtue of its grouping and representation with other participants in the GRP. The workers' compensation experience of the participating school districts is calculated as one experience and a common premium rate is applied to all school districts in the GRP.

Each participant pays its workers' compensation premium to the State based on the rate for the GRP rather than its individual rate. Total savings are then calculated and each participant's individual performances are compared to the overall savings percent of the GRP. A participant will then either receive money from or be required to contribute to the "equity pooling fund". This "equity pooling fund" arrangement insures that each participant shares equally in the overall performance of the GRP. Participation in the GRP is limited to school districts that can meet the GRP's selection criteria. The firm of CompManagement, Inc. provides administrative, cost control and actuarial services to the GRP.

**NOTE 12 - DEFINED BENEFIT PENSION PLANS**

***Net Pension Liability***

The net pension liability reported on the statement of net position represents a liability to employees for pensions. Pensions are a component of exchange transactions—between an employer and its employees—of salaries and benefits for employee services. Pensions are provided to an employee—on a deferred-payment basis—as part of the total compensation package offered by an employer for employee services each financial period. The obligation to sacrifice resources for pensions is a present obligation because it was created as a result of employment exchanges that already have occurred.

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**NOTE 12 - DEFINED BENEFIT PENSION PLANS - (Continued)**

The net pension liability represents the District’s proportionate share of each pension plan’s collective actuarial present value of projected benefit payments attributable to past periods of service, net of each pension plan’s fiduciary net position. The net pension liability calculation is dependent on critical long-term variables, including estimated average life expectancies, earnings on investments, cost of living adjustments and others. While these estimates use the best information available, unknowable future events require adjusting this estimate annually.

The Ohio Revised Code limits the District’s obligation for this liability to annually required payments. The District cannot control benefit terms or the manner in which pensions are financed; however, the District does receive the benefit of employees’ services in exchange for compensation including pension.

GASB 68 assumes the liability is solely the obligation of the employer, because (1) they benefit from employee services; and (2) State statute requires all funding to come from these employers. All contributions to date have come solely from these employers (which also includes costs paid in the form of withholdings from employees). State statute requires the pension plans to amortize unfunded liabilities within 30 years. If the amortization period exceeds 30 years, each pension plan’s board must propose corrective action to the State legislature. Any resulting legislative change to benefits or funding could significantly affect the net pension liability. Resulting adjustments to the net pension liability would be effective when the changes are legally enforceable.

The proportionate share of each plan’s unfunded benefits is presented as a long-term *net pension liability* on the accrual basis of accounting. Any liability for the contractually-required pension contribution outstanding at the end of the year is included in *pension and postemployment benefits payable* on both the accrual and modified accrual bases of accounting.

***Plan Description - School Employees Retirement System (SERS)***

Plan Description –District non-teaching employees participate in SERS, a cost-sharing multiple-employer defined benefit pension plan administered by SERS. SERS provides retirement, disability and survivor benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Authority to establish and amend benefits is provided by Ohio Revised Code Chapter 3309. SERS issues a publicly available, stand-alone financial report that includes financial statements, required supplementary information and detailed information about SERS’ fiduciary net position. That report can be obtained by visiting the SERS website at [www.ohsers.org](http://www.ohsers.org) under Employers/Audit Resources.

Age and service requirements for retirement are as follows:

	Eligible to Retire on or before August 1, 2017 *	Eligible to Retire after August 1, 2017
Full Benefits	Any age with 30 years of service credit	Age 67 with 10 years of service credit; or Age 57 with 30 years of service credit
Actuarially Reduced Benefits	Age 60 with 5 years of service credit Age 55 with 25 years of service credit	Age 62 with 10 years of service credit; or Age 60 with 25 years of service credit

\* Members with 25 years of service credit as of August 1, 2017, will be included in this plan.

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**NOTE 12 - DEFINED BENEFIT PENSION PLANS - (Continued)**

Annual retirement benefits are calculated based on final average salary multiplied by a percentage that varies based on year of service; 2.2 percent for the first thirty years of service and 2.5 percent for years of service credit over 30. Final average salary is the average of the highest three years of salary.

One year after an effective benefit date, a benefit recipient is entitled to a three percent cost-of-living adjustment (COLA). This same COLA is added each year to the base benefit amount on the anniversary date of the benefit.

Funding Policy – Plan members are required to contribute 10 percent of their annual covered salary and the District is required to contribute 14 percent of annual covered payroll. The contribution requirements of plan members and employers are established and may be amended by the SERS' Retirement Board up to statutory maximum amounts of 10 percent for plan members and 14 percent for employers. The Retirement Board, acting with the advice of the actuary, allocates the employer contribution rate among four of the System's funds (Pension Trust Fund, Death Benefit Fund, Medicare B Fund, and Health Care Fund). For the fiscal year ended June 30, 2016, the entire 14 percent was allocated to pension, death benefits, and Medicare B and no portion of the employer contribution rate was allocated to the Health Care Fund.

The District's contractually required contribution to SERS was \$258,728 for fiscal year 2016. Of this amount, \$37,637 is reported as pension and postemployment benefits payable.

***Plan Description - State Teachers Retirement System (STRS)***

Plan Description – District licensed teachers and other faculty members participate in STRS Ohio, a cost-sharing multiple-employer public employee retirement system administered by STRS. STRS provides retirement and disability benefits to members and death and survivor benefits to beneficiaries. STRS issues a stand-alone financial report that includes financial statements, required supplementary information and detailed information about STRS' fiduciary net position. That report can be obtained by writing to STRS, 275 E. Broad St., Columbus, OH 43215-3771, by calling (888) 227-7877, or by visiting the STRS Web site at [www.strsoh.org](http://www.strsoh.org).

New members have a choice of three retirement plans; a Defined Benefit (DB) Plan, a Defined Contribution (DC) Plan and a Combined Plan. Benefits are established by Ohio Revised Code Chapter 3307. The DB plan offers an annual retirement allowance based on final average salary multiplied by a percentage that varies based on years of service. Effective August 1, 2015, the calculation will be 2.2 percent of final average salary for the five highest years of earnings multiplied by all years of service. With certain exceptions, the basic benefit is increased each year by two percent of the original base benefit. For members retiring August 1, 2013, or later, the first two percent is paid on the fifth anniversary of the retirement benefit. Members are eligible to retire at age 60 with five years of qualifying service credit, or age 55 with 25 years of service, or 30 years of service regardless of age. Age and service requirements for retirement will increase effective August 1, 2015, and will continue to increase periodically until they reach age 60 with 35 years of service or age 65 with five years of service on August 1, 2026.

The DC Plan allows members to place all their member contributions and 9.5 percent of the 14 percent employer contributions into an investment account. Investment allocation decisions are determined by the member. The remaining 4.5 percent of the 14 percent employer rate is allocated to the defined benefit unfunded liability. 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.

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**NOTE 12 - DEFINED BENEFIT PENSION PLANS - (Continued)**

The Combined Plan offers features of both the DB Plan and the DC Plan. In the Combined Plan, member contributions are allocated among investment choices by the member, and employer contributions are used to fund the defined benefit payment at a reduced level from the regular DB Plan. The defined benefit portion of the Combined Plan payment is payable to a member on or after age 60 with five years of services. The defined contribution portion of the account may be taken as a lump sum payment or converted to a lifetime monthly annuity at age 50.

New members who choose the DC plan or Combined Plan will have another opportunity to reselect a permanent plan during their fifth year of membership. Members may remain in the same plan or transfer to another STRS plan. The optional annuitization of a member's defined contribution account or the defined contribution portion of a member's Combined Plan account to a lifetime benefit results in STRS bearing the risk of investment gain or loss on the account. STRS has therefore included all three plan options as one defined benefit plan for GASB 68 reporting purposes.

A DB or Combined Plan member with five or more years of credited service who is determined to be disabled may qualify for a disability benefit. Eligible survivors of members who die before service retirement may qualify for monthly benefits. New members on or after July 1, 2013, must have at least ten years of qualifying service credit that apply for disability 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 – Employer and member contribution rates are established by the State Teachers Retirement Board and limited by Chapter 3307 of the Ohio Revised Code. The statutory maximum employee contribution rate was increased one percent July 1, 2014, and will be increased one percent each year until it reaches 14 percent on July 1, 2016. For the fiscal year ended June 30, 2016, plan members were required to contribute 13 percent of their annual covered salary. The District was required to contribute 14 percent; the entire 14 percent was the portion used to fund pension obligations. The fiscal year 2016 contribution rates were equal to the statutory maximum rates.

The District's contractually required contribution to STRS was \$784,916 for fiscal year 2016. Of this amount, \$128,404 is reported as pension and postemployment benefits payable.

***Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions***

The net pension liability was measured as of June 30, 2015, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The District's proportion of the net pension liability was based on the District's share of contributions to the pension plan relative to the contributions of all participating entities. Following is information related to the proportionate share and pension expense:

	<u>SERS</u>	<u>STRS</u>	<u>Total</u>
Proportionate share of the net pension liability	\$ 3,127,751	\$ 15,028,895	\$ 18,156,646
Proportion of the net pension liability	0.05481420%	0.05437947%	
Pension expense	\$ 194,158	\$ 626,916	\$ 821,074

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**NOTE 12 - DEFINED BENEFIT PENSION PLANS - (Continued)**

At June 30, 2016, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>SERS</u>	<u>STRS</u>	<u>Total</u>
<b>Deferred outflows of resources</b>			
Differences between expected and actual experience	\$ 50,502	\$ 688,429	\$ 738,931
District contributions subsequent to the measurement date	<u>258,728</u>	<u>784,916</u>	<u>1,043,644</u>
Total deferred outflows of resources	<u>\$ 309,230</u>	<u>\$ 1,473,345</u>	<u>\$ 1,782,575</u>
<b>Deferred inflows of resources</b>			
Net difference between projected and actual earnings on pension plan investments	\$ 105,172	\$ 1,144,303	\$ 1,249,475
Changes in employer's proportionate percentage/ difference between the employer's contributions and the employer's proportionate share of contributions	<u>9,581</u>	<u>421,941</u>	<u>431,522</u>
Total deferred inflows of resources	<u>\$ 114,753</u>	<u>\$ 1,566,244</u>	<u>\$ 1,680,997</u>

\$1,043,644 reported as deferred outflows of resources related to pension resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending June 30, 2017. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pension will be recognized in pension expense as follows:

	<u>SERS</u>	<u>STRS</u>	<u>Total</u>
Fiscal Year Ending June 30:			
2017	\$ (41,241)	\$ (369,447)	\$ (410,688)
2018	(41,241)	(369,447)	(410,688)
2019	(41,242)	(369,447)	(410,689)
2020	<u>59,473</u>	<u>230,526</u>	<u>289,999</u>
Total	<u>\$ (64,251)</u>	<u>\$ (877,815)</u>	<u>\$ (942,066)</u>

**Actuarial Assumptions - SERS**

SERS' total pension liability was determined by their actuaries in accordance with GASB Statement No. 67, as part of their annual actuarial valuation for each defined benefit retirement plan. Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts (e.g., salaries, credited service) and assumptions about the probability of occurrence of events far into the future (e.g., mortality, disabilities, retirements, employment termination). Actuarially determined amounts are subject to continual review and potential modifications, as actual results are compared with past expectations and new estimates are made about the future.



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**NOTES TO THE BASIC FINANCIAL STATEMENTS  
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**NOTE 12 - DEFINED BENEFIT PENSION PLANS - (Continued)**

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employers and plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing benefit costs between the employers and plan members to that point. The projection of benefits for financial reporting purposes does not explicitly incorporate the potential effects of legal or contractual funding limitations.

Actuarial calculations reflect a long-term perspective. For a newly hired employee, actuarial calculations will take into account the employee's entire career with the employer and also take into consideration the benefits, if any, paid to the employee after termination of employment until the death of the employee and any applicable contingent annuitant. In many cases actuarial calculations reflect several decades of service with the employer and the payment of benefits after termination.

Key methods and assumptions used in calculating the total pension liability in the latest actuarial valuation, prepared as of June 30, 2015, are presented below:

Wage Inflation	3.25 percent
Future Salary Increases, including inflation	4.00 percent to 22.00 percent
COLA or Ad Hoc COLA	3 percent
Investment Rate of Return	7.75 percent net of investments expense, including inflation
Actuarial Cost Method	Entry Age Normal

For post-retirement mortality, the table used in evaluating allowances to be paid is the 1994 Group Annuity Mortality Table set back one year for both men and women. Special mortality tables are used for the period after disability retirement.

The most recent experience study was completed June 30, 2010.

The long-term return expectation for the Pension Plan Investments has been determined using a building-block approach and assumes a time horizon, as defined in SERS' *Statement of Investment Policy*. A forecasted rate of inflation serves as the baseline for the return expectation. Various real return premiums over the baseline inflation rate have been established for each asset class. The long-term expected nominal rate of return has been determined by calculating a weighted averaged of the expected real return premiums for each asset class, adding the projected inflation rate, and adding the expected return from rebalancing uncorrelated asset classes. The target allocation and best estimates of arithmetic real rates of return for each major assets class are summarized in the following table:

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**NOTE 12 - DEFINED BENEFIT PENSION PLANS - (Continued)**

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Cash	1.00 %	0.00 %
US Stocks	22.50	5.00
Non-US Stocks	22.50	5.50
Fixed Income	19.00	1.50
Private Equity	10.00	10.00
Real Assets	10.00	5.00
Multi-Asset Strategies	15.00	7.50
<b>Total</b>	<b>100.00 %</b>	

**Discount Rate** - The total pension liability was calculated using the discount rate of 7.75 percent. The projection of cash flows used to determine the discount rate assumed the contributions from employers and from the members would be computed based on contribution requirements as stipulated by State statute. Projected inflows from investment earning were calculated using the long-term assumed investment rate of return (7.75 percent). Based on those assumptions, the plan's fiduciary net position was projected to be available to make all future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefits to determine the total pension liability.

**Sensitivity of the District's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate** - Net pension liability is sensitive to changes in the discount rate, and to illustrate the potential impact the following table presents the net pension liability calculated using the discount rate of 7.75 percent, as well as what each plan's net pension liability would be if it were calculated using a discount rate that is one percentage point lower (6.75 percent), or one percentage point higher (8.75 percent) than the current rate.

	1% Decrease (6.75%)	Current Discount Rate (7.75%)	1% Increase (8.75%)
District's proportionate share of the net pension liability	\$ 4,337,067	\$ 3,127,751	\$ 2,109,408

**Actuarial Assumptions - STRS**

The total pension liability in the June 30, 2015, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.75 percent
Projected salary increases	2.75 percent at age 70 to 12.25 percent at age 20
Investment Rate of Return	7.75 percent, net of investment expenses
Cost-of-Living Adjustments (COLA)	2 percent simple applied as follows: for members retiring before August 1, 2013, 2 percent per year; for members retiring August 1, 2013, or later, 2 percent COLA paid on fifth anniversary of retirement date.

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NOTES TO THE BASIC FINANCIAL STATEMENTS  
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**NOTE 12 - DEFINED BENEFIT PENSION PLANS - (Continued)**

Mortality rates were based on the RP-2000 Combined Mortality Table (Projection 2022—Scale AA) for Males and Females. Males’ ages are set-back two years through age 89 and no set-back for age 90 and above. Females younger than age 80 are set back four years, one year set back from age 80 through 89 and not set back from age 90 and above.

Actuarial assumptions used in the June 30, 2015, valuation are based on the results of an actuarial experience study, effective July 1, 2012.

The 10 year expected real rate of return on pension plan investments was determined by STRS’ investment consultant by developing best estimates of expected future real rates of return for each major asset class. The target allocation and best estimates of geometric real rates of return for each major asset class are summarized as follows:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Domestic Equity	31.00 %	8.00 %
International Equity	26.00	7.85
Alternatives	14.00	8.00
Fixed Income	18.00	3.75
Real Estate	10.00	6.75
Liquidity Reserves	<u>1.00</u>	3.00
Total	<u>100.00 %</u>	

**Discount Rate** - The discount rate used to measure the total pension liability was 7.75 percent as of June 30, 2015. The projection of cash flows used to determine the discount rate assumes member and employer contributions will be made at the statutory contribution rates in accordance with rate increases described above. For this purpose, only employer contributions that are intended to fund benefits of current plan members and their beneficiaries are included. Projected employer contributions that are intended to fund the service costs of future plan members and their beneficiaries, as well as projected contributions from future plan members, are not included. Based on those assumptions, STRS’ fiduciary net position was projected to be available to make all projected future benefit payments to current plan members as of June 30, 2015. Therefore, the long-term expected rate of return on pension plan investments of 7.75 percent was applied to all periods of projected benefit payment to determine the total pension liability as of June 30, 2015.

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NOTES TO THE BASIC FINANCIAL STATEMENTS  
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**NOTE 12 - DEFINED BENEFIT PENSION PLANS - (Continued)**

*Sensitivity of the District's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate* - The following table presents the District's proportionate share of the net pension liability calculated using the current period discount rate assumption of 7.75 percent, as well as what the District's proportionate share of the net pension liability would be if it were calculated using a discount rate that is one-percentage-point lower (6.75 percent) or one-percentage-point higher (8.75 percent) than the current rate:

	1% Decrease (6.75%)	Current Discount Rate (7.75%)	1% Increase (8.75%)
District's proportionate share of the net pension liability	\$ 20,876,269	\$ 15,028,895	\$ 10,084,068

**NOTE 13 - POSTEMPLOYMENT BENEFITS**

**A. School Employees Retirement System**

Health Care Plan Description - The District contributes to the SERS Health Care Fund, administered by SERS for non-certificated retirees and their beneficiaries. For GASB 45 purposes, this plan is considered a cost-sharing, multiple-employer, defined benefit other postemployment benefit (OPEB) 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 as well as a prescription drug program. The financial report of the Plan is included in the SERS Comprehensive Annual Financial Report which can be obtained on SERS' website at [www.ohsers.org](http://www.ohsers.org) under Employers/Audit Resources.

Access to health care for retirees and beneficiaries is permitted in accordance with Section 3309 of the Ohio Revised Code. The Health Care Fund was established and is administered in accordance with Internal Revenue Code Section 105(e). SERS' Retirement Board reserves the right to change or discontinue any health plan or program. Health care is financed through a combination of employer contributions and retiree premiums, copays and deductibles on covered health care expenses, investment returns, and any funds received as a result of SERS' participation in Medicare programs. Active employee members do not contribute to the Health Care Plan. Retirees and their beneficiaries are required to pay a health care premium that varies depending on the plan selected, number of qualified years of service, Medicare eligibility and retirement status.

Funding Policy - State statute permits SERS to fund the health care benefits through employer contributions. Each year, after the allocation for statutorily required basic benefits, the Retirement Board allocates the remainder of the employer contribution of 14 percent of covered payroll to the Health Care Fund. For fiscal year 2016, none of the employer contribution was allocated to health care. In addition, employers pay a surcharge for employees earning less than an actuarially determined minimum compensation amount, pro-rated according to service credit earned. For fiscal year 2016, this amount was \$23,000. Statutes provide that no employer shall pay a health care surcharge greater than 2 percent of that employer's SERS-covered payroll; nor may SERS collect in aggregate more than 1.5 percent of the total statewide SERS-covered payroll for the health care surcharge. For fiscal year 2016, the District's surcharge obligation was \$28,443.

**SANDY VALLEY LOCAL SCHOOL DISTRICT  
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**NOTES TO THE BASIC FINANCIAL STATEMENTS  
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**NOTE 13 - POSTEMPLOYMENT BENEFITS - (Continued)**

The District's contributions for health care for the fiscal years ended June 30, 2016, 2015, and 2014 were \$28,443, \$41,407, and \$29,829, respectively. The full amount has been contributed for fiscal years 2016, 2015 and 2014.

**B. State Teachers Retirement System**

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

Funding Policy – Ohio Revised Code Chapter 3307 authorizes STRS 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. Active employee members do not contribute to the Health Care Plan. All benefit recipients, for the most recent year, pay a monthly premium. Under Ohio law, funding for post-employment health care may be deducted from employer contributions. For fiscal years 2016 and 2015, STRS did not allocate any employer contributions to post-employment health care. The District's contributions for health care for the fiscal years ended June 30, 2016, 2015, and 2014 were \$0, \$0, and \$59,652, respectively. The full amount has been contributed for fiscal years 2016, 2015 and 2014.

**NOTE 14 - 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); and,
- (d) Some funds are included in the general fund (GAAP basis), but have separate legally adopted budgets (budget basis).

**SANDY VALLEY LOCAL SCHOOL DISTRICT  
STARK COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

**NOTE 14 - 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	\$ 906,716
Net adjustment for revenue accruals	144,467
Net adjustment for expenditure accruals	56,677
Net adjustment for other sources/uses	(89,860)
Funds budgeted elsewhere	(37,465)
Adjustment for encumbrances	651,232
GAAP basis	<u>\$ 1,631,767</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.

**NOTE 15 - 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 a party to legal proceedings that, in the opinion of management, would have a material adverse effect on the financial statements.

**C. Foundation Funding**

District Foundation funding is based on the annualized full-time equivalent (FTE) enrollment of each student. Effective for the 2015-2016 school year, traditional Districts must comply with minimum hours of instruction, instead of a minimum number of school days each year. The funding formula the Ohio Department of Education (ODE) is legislatively required to follow will continue to adjust as enrollment information is updated by the District, which can extend past the fiscal year-end. As of the date of this report, ODE has not finalized the impact of enrollment adjustments to the June 30, 2016 Foundation funding for the District; therefore, the financial statement impact is not determinable at this time. ODE and management believe this will result in either a receivable to or liability of the District.

**SANDY VALLEY LOCAL SCHOOL DISTRICT  
STARK COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

**NOTE 16 - 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, 2015	\$ -
Current year set-aside requirement	235,504
Current year offsets	<u>(235,504)</u>
Total	<u>\$ -</u>
Balance carried forward to fiscal year 2017	<u>\$ -</u>
Set-aside balance June 30, 2016	<u>\$ -</u>

During fiscal year 2006, the District issued a total of \$12,399,985 in capital related school improvement bonds. These proceeds may be used to reduce capital acquisition below zero for future years. The amount presented for Prior Year Offset from Bond Proceeds is limited to an amount needed to reduce the reserve for capital improvement to \$0. The District is responsible for tracking the amount of the bond proceeds that may be used as an offset in future periods, which was \$11,184,985 at June 30, 2016.

**NOTE 18 - OTHER COMMITMENTS**

The District utilizes encumbrance accounting as part of its budgetary controls. Encumbrances outstanding at year end 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>Year-End</u>
<u>Fund</u>	
General fund	\$ 580,951
Other governmental	<u>122,689</u>
Total	<u>\$ 703,640</u>

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**REQUIRED SUPPLEMENTARY INFORMATION**

**SANDY VALLEY LOCAL SCHOOL DISTRICT  
STARK COUNTY, OHIO**

SCHEDULES OF REQUIRED SUPPLEMENTARY INFORMATION

SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF  
THE NET PENSION LIABILITY  
SCHOOL EMPLOYEES RETIREMENT SYSTEM (SERS) OF OHIO

LAST THREE FISCAL YEARS

	<u>2015</u>	<u>2014</u>	<u>2013</u>
District's proportion of the net pension liability	0.05481420%	0.05506400%	0.05506400%
District's proportionate share of the net pension liability	\$ 3,127,751	\$ 2,786,758	\$ 3,274,479
District's covered-employee payroll	\$ 1,650,190	\$ 1,600,051	\$ 1,623,577
District's proportionate share of the net pension liability as a percentage of its covered-employee payroll	189.54%	174.17%	201.68%
Plan fiduciary net position as a percentage of the total pension liability	69.16%	71.70%	65.52%

Note: Information prior to fiscal year 2013 was unavailable.

Amounts presented as of the School District's measurement date which is the prior fiscal year end.

**SANDY VALLEY LOCAL SCHOOL DISTRICT  
STARK COUNTY, OHIO**

SCHEDULES OF REQUIRED SUPPLEMENTARY INFORMATION

SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF  
THE NET PENSION LIABILITY  
STATE TEACHERS RETIREMENT SYSTEM (STRS) OF OHIO

LAST THREE FISCAL YEARS

	<u>2015</u>	<u>2014</u>	<u>2013</u>
District's proportion of the net pension liability	0.05437947%	0.05625925%	0.05625925%
District's proportionate share of the net pension liability	\$ 15,028,895	\$ 13,684,197	\$ 16,300,525
District's covered-employee payroll	\$ 5,744,936	\$ 5,748,146	\$ 5,901,508
District's proportionate share of the net pension liability as a percentage of its covered-employee payroll	261.60%	238.06%	276.21%
Plan fiduciary net position as a percentage of the total pension liability	72.10%	74.70%	69.30%

Note: Information prior to fiscal year 2013 was unavailable.

Amounts presented as of the School District's measurement date which is the prior fiscal year end.

**SANDY VALLEY LOCAL SCHOOL DISTRICT  
STARK COUNTY, OHIO**

SCHEDULES OF REQUIRED SUPPLEMENTARY INFORMATION

SCHEDULE OF DISTRICT CONTRIBUTIONS  
SCHOOL EMPLOYEES RETIREMENT SYSTEM (SERS) OF OHIO

LAST TEN FISCAL YEARS

	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>
Contractually required contribution	\$ 258,728	\$ 217,495	\$ 221,767	\$ 224,703
Contributions in relation to the contractually required contribution	<u>(258,728)</u>	<u>(217,495)</u>	<u>(221,767)</u>	<u>(224,703)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
District's covered-employee payroll	\$ 1,848,057	\$ 1,650,190	\$ 1,600,051	\$ 1,623,577
Contributions as a percentage of covered-employee payroll	14.00%	13.18%	13.86%	13.84%

<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>
\$ 219,220	\$ 224,721	\$ 228,741	\$ 162,366	\$ 159,870	\$ 179,560
<u>(219,220)</u>	<u>(224,721)</u>	<u>(228,741)</u>	<u>(162,366)</u>	<u>(159,870)</u>	<u>(179,560)</u>
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
\$ 1,629,888	\$ 1,787,757	\$ 1,689,372	\$ 1,650,061	\$ 1,628,004	\$ 1,681,273
13.45%	12.57%	13.54%	9.84%	9.82%	10.68%

**SANDY VALLEY LOCAL SCHOOL DISTRICT  
STARK COUNTY, OHIO**

SCHEDULES OF REQUIRED SUPPLEMENTARY INFORMATION

SCHEDULE OF DISTRICT CONTRIBUTIONS  
STATE TEACHERS RETIREMENT SYSTEM (STRS) OF OHIO

LAST TEN FISCAL YEARS

	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>
Contractually required contribution	\$ 784,916	\$ 804,291	\$ 747,259	\$ 767,196
Contributions in relation to the contractually required contribution	<u>(784,916)</u>	<u>(804,291)</u>	<u>(747,259)</u>	<u>(767,196)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
District's covered-employee payroll	\$ 5,606,543	\$ 5,744,936	\$ 5,748,146	\$ 5,901,508
Contributions as a percentage of covered-employee payroll	14.00%	14.00%	13.00%	13.00%

<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>
\$ 775,726	\$ 795,478	\$ 848,006	\$ 829,367	\$ 819,631	\$ 850,018
<u>(775,726)</u>	<u>(795,478)</u>	<u>(848,006)</u>	<u>(829,367)</u>	<u>(819,631)</u>	<u>(850,018)</u>
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
\$ 5,967,123	\$ 6,119,062	\$ 6,523,123	\$ 6,379,746	\$ 6,304,854	\$ 6,538,600
13.00%	13.00%	13.00%	13.00%	13.00%	13.00%

**SANDY VALLEY LOCAL SCHOOL DISTRICT  
STARK COUNTY, OHIO**

**NOTES TO REQUIRED SUPPLEMENTARY INFORMATION  
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

*SCHOOL EMPLOYEES RETIREMENT SYSTEM (SERS) OF OHIO*

*Changes in benefit terms* : There were no changes in benefit terms from the amounts reported for fiscal years 2014-2016.

*Changes in assumptions* : There were no changes in methods and assumptions used in the calculation of actuarial determined contributions for fiscal years 2014-2016. See the notes to the basic financial statements for the methods and assumptions in this calculation.

*STATE TEACHERS RETIREMENT SYSTEM (STRS) OF OHIO*

*Changes in benefit terms* : There were no changes in benefit terms from the amounts reported for fiscal years 2014-2016.

*Changes in assumptions* : There were no changes in methods and assumptions used in the calculation of actuarial determined contributions for fiscal years 2014-2016. See the notes to the basic financial statements for the methods and assumptions in this calculation.



## **SUPPLEMENTAL INFORMATION**

**SANDY VALLEY LOCAL SCHOOL DISTRICT  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

FEDERAL GRANTOR/ SUB GRANTOR/ PROGRAM TITLE	CFDA NUMBER	(A) PASS-THROUGH GRANT NUMBER	(B) CASH FEDERAL DISBURSEMENTS
<b>U.S. DEPARTMENT OF AGRICULTURE PASSED THROUGH THE OHIO DEPARTMENT OF EDUCATION</b>			
<b>Child Nutrition Grant Cluster:</b>			
(D) (E) School Breakfast Program	10.553	2016	\$ 174,630
(D) (E) National School Lunch Program	10.555	2016	309,560
(C) (D) National School Lunch Program - Food Donator	10.555	2016	57,644
<b>Total National School Lunch Program</b>			<b>367,204</b>
<b>Total U.S. Department of Agriculture and Child Nutrition Grant Cluster</b>			<b>541,834</b>
<b>U.S. DEPARTMENT OF EDUCATION PASSED THROUGH THE OHIO DEPARTMENT OF EDUCATION</b>			
Title I Grants to Local Educational Agencies	84.010	2015	2,357
Title I Grants to Local Educational Agencies	84.010	2016	283,305
<b>Total Title I Grants to Local Educational Agencies</b>			<b>285,662</b>
Special Education_ Grants to States	84.027	2015	40,301
Special Education_ Grants to States	84.027	2016	206,496
<b>Total Special Education _ Grants to States</b>			<b>246,797</b>
Improving Teacher Quality State Grants	84.367	2015	9,625
Improving Teacher Quality State Grants	84.367	2016	57,692
<b>Total Improving Teacher Quality State Grants</b>			<b>67,317</b>
<b>Total U.S. Department of Education</b>			<b>599,776</b>
<b>Total Federal Financial Assistance</b>			<b>\$ 1,141,610</b>

**NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS:**

- (A) OAKS did not assign pass-through numbers for fiscal year 2016
- (B) This schedule includes the federal award activity of the Sandy Valley Local School District under programs of the federal government for the fiscal year ended June 30, 2016 and is prepared in accordance with the cash basis of accounting. The information on this schedule is prepared in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the schedule presents only a selected portion of the operations of the Sandy Valley Local School District, it is not intended to and does not present the financial position, changes in net position, or cash flows of the Sandy Valley Local School District
- (C) The Food Donation Program is a non-cash, in kind, federal grant. Commodities are reported at the entitlement value.
- (D) Included as part of "Child Nutrition Grant Cluster" in determining major programs
- (E) Commingled with state and local revenue from sales of lunches; assumed expenditures were made on a first-in, first-out basis
- (F) CFR 200.414 allows a non-federal entity that has never received a negotiated indirect cost rate to charge a de minimis rate of 10% of modified total direct costs to indirect costs. The District has not elected to use the 10% de minimis indirect cost rate.



**Julian & Grube, Inc.**  
*Serving Ohio Local Governments*

333 County Line Rd. West, Westerville, OH 43082 Phone: 614.846.1899 Fax: 614.846.2799

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

Sandy Valley Local School District  
Stark County  
5362 State Route 183 NE  
Magnolia, Ohio 44643

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 the Sandy Valley Local School District, Stark County, Ohio, as of and for the fiscal year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the Sandy Valley Local School District's basic financial statements and have issued our report thereon dated November 25, 2016.

***Internal Control Over Financial Reporting***

As part of our financial statement audit, we considered the Sandy Valley Local School 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 Sandy Valley Local School 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 Sandy Valley Local School 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.

Board of Education  
Sandy Valley Local School District

***Compliance and Other Matters***

As part of reasonably assuring whether the Sandy Valley Local School District's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, 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*.

***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 Sandy Valley Local School District's internal control or on compliance. This report is an integral part of an audit performed under *Government Auditing Standards* in considering the Sandy Valley Local School District's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

A handwritten signature in cursive script that reads "Julian & Grube, Inc.".

Julian & Grube, Inc.  
November 25, 2016



## **Julian & Grube, Inc.**

*Serving Ohio Local Governments*

333 County Line Rd. West, Westerville, OH 43082 Phone: 614.846.1899 Fax: 614.846.2799

### **Independent Auditor's Report on Compliance With Requirements Applicable to the Major Federal Program and on Internal Control Over Compliance Required by the Uniform Guidance**

Sandy Valley Local School District  
Stark County  
5362 State Route 183 NE  
Magnolia, Ohio 44643

To the Board of Education:

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

We have audited the Sandy Valley Local School District's compliance with the applicable requirements described in the U.S. Office of Management and Budget (OMB) *Compliance Supplement* that could directly and materially affect the Sandy Valley Local School District's major federal program for the fiscal year ended June 30, 2016. The *Summary of Auditor's Results* in the accompanying schedule of findings identifies the Sandy Valley Local School District's major federal program.

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

The Sandy Valley Local School District's Management is responsible for complying with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

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

Our responsibility is to opine on the Sandy Valley Local School District's compliance for the Sandy Valley Local School District's major federal program 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 the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). These standards and the Uniform Guidance 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 Sandy Valley Local School 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 Sandy Valley Local School District's major program. However, our audit does not provide a legal determination of the Sandy Valley Local School District's compliance.

Board of Education  
Sandy Valley Local School District

***Opinion on the Major Federal Program***

In our opinion, the Sandy Valley Local School District complied, in all material respects with the compliance requirements referred to above that could directly and materially affect its major federal program for the fiscal year ended June 30, 2016.

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

The Sandy Valley Local School 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 Sandy Valley Local School 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 the Uniform Guidance, 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 Sandy Valley Local School 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 over compliance tests and the results of this testing based on Uniform Guidance requirements. Accordingly, this report is not suitable for any other purpose.



Julian & Grube, Inc.  
November 25, 2016

**SANDY VALLEY LOCAL SCHOOL DISTRICT  
STARK COUNTY, OHIO**

**SCHEDULE OF FINDINGS  
2 CFR § 200.515  
JUNE 30, 2016**

<b>1. SUMMARY OF AUDITOR'S RESULTS</b>		
<i>(d)(1)(i)</i>	<i>Type of Financial Statement Opinion</i>	Unmodified
<i>(d)(1)(ii)</i>	<i>Were there any material control weaknesses reported at the financial statement level (GAGAS)?</i>	No
<i>(d)(1)(ii)</i>	<i>Were there any other significant deficiencies in internal control reported at the financial statement level (GAGAS)?</i>	No
<i>(d)(1)(iii)</i>	<i>Was there any reported material noncompliance at the financial statement level (GAGAS)?</i>	No
<i>(d)(1)(iv)</i>	<i>Were there any material internal control weaknesses reported for major federal programs?</i>	No
<i>(d)(1)(iv)</i>	<i>Were there any significant deficiencies in internal control reported for major federal programs?</i>	No
<i>(d)(1)(v)</i>	<i>Type of Major Program's Compliance Opinion</i>	Unmodified
<i>(d)(1)(vi)</i>	<i>Are there any reportable findings under 2 CFR §.200.516(a)?</i>	No
<i>(d)(1)(vii)</i>	<i>Major Program (listed):</i>	Special Education_Grants to States
<i>(d)(1)(viii)</i>	<i>Dollar Threshold: Type A/B Programs</i>	Type A: > \$750,000 Type B: all others
<i>(d)(1)(ix)</i>	<i>Low Risk Auditee under 2 CFR § 200.520?</i>	Yes

<b>2. FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS</b>
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None

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

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# Dave Yost • Auditor of State

**SANDY VALLEY LOCAL SCHOOL DISTRICT**

**STARK 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  
JANUARY 24, 2017**