



Dave Yost • Auditor of State

**SANDY VALLEY LOCAL SCHOOL DISTRICT
STARK COUNTY**

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Dave Yost • Auditor of State

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 Sandy Valley Local School District, Stark County, Ohio (the District), as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Sandy Valley Local School District, Stark County, Ohio, as of June 30, 2014, and the respective changes in financial position thereof and the budgetary comparison for the General Fund thereof for the year then ended in accordance with the accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

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

Supplementary and Other Information

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

The Federal Award Receipts and Expenditures Schedule presents additional analysis as required by the U.S. Office of Management and Budget Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations and is also 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 these schedules to the auditing procedures we applied to the basic financial statements. We also applied certain additional procedures, including comparing and reconciling schedules 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 December 5, 2014, on our consideration of the District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. That report describes the scope of our internal control testing over financial reporting and compliance, and the results of that testing, and does not opine on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

A handwritten signature in black ink that reads "Dave Yost". The signature is written in a cursive style with a large, looping "Y" and "O".

Dave Yost
Auditor of State
Columbus, Ohio

December 5, 2014

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014
(UNAUDITED)**

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, 2014. 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 2014 are as follows:

- In total, net position of governmental activities decreased \$353,660 which represents a 1.18% decrease from 2013.
- General revenues accounted for \$12,553,010 in revenue or 76.59% of all revenues. Program specific revenues in the form of charges for services and sales, grants and contributions accounted for \$3,837,319 or 23.41% of total revenues of \$16,390,329.
- The District had \$16,743,989 in expenses related to governmental activities; only \$3,837,319 of these expenses was offset by program specific charges for services, grants or contributions. General revenues supporting governmental activities (primarily taxes and unrestricted grants and entitlements) of \$12,553,010 were not adequate to provide for these programs.
- The District's major governmental funds are the general fund and bond retirement fund. The general fund had \$13,473,204 in revenues and \$13,084,888 in expenditures and other financing sources. During fiscal year 2014, the general fund's fund balance increased \$388,316 from \$2,020,277 to \$2,408,593.
- The bond retirement fund had \$762,991 in revenues and \$818,537 in expenditures. During fiscal 2014, the bond retirement fund's fund balance decreased \$55,546 from \$686,932 to \$631,386.

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, 2014
(UNAUDITED)

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 2014?" 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 15-16 of this report.

Reporting the District's Most Significant Funds

Fund Financial Statements

The analysis of the District's major governmental funds begins on page 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 17-21 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 22. These activities are excluded from the District's other financial statements because the assets cannot be utilized by the District to finance its operations.

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

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014
(UNAUDITED)

Notes to the Basic Financial Statements

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. These notes to the basic financial statements can be found on pages 23- 54 of this report.

The District as a Whole

The table below provides a summary of the District's net position at June 30, 2014 and June 30, 2013.

	Net Position	
	Governmental Activities	Governmental Activities
	<u>2014</u>	<u>2013</u>
<u>Assets</u>		
Current and other assets	\$ 9,648,016	\$ 9,241,793
Capital assets, net	<u>37,523,156</u>	<u>38,490,464</u>
Total assets	<u>47,171,172</u>	<u>47,732,257</u>
<u>Deferred outflows</u>	<u>1,112,825</u>	<u>1,187,728</u>
<u>Liabilities</u>		
Current liabilities	1,770,391	1,883,016
Long-term liabilities	<u>12,848,344</u>	<u>13,312,518</u>
Total liabilities	<u>14,618,735</u>	<u>15,195,534</u>
<u>Deferred inflows</u>	<u>3,958,272</u>	<u>3,663,801</u>
<u>Net assets</u>		
Net investment in capital assets	26,992,952	27,297,569
Restricted	511,276	940,434
Unrestricted	<u>2,202,762</u>	<u>1,822,647</u>
Total net position	<u>\$ 29,706,990</u>	<u>\$ 30,060,650</u>

Over time, net position can serve as a useful indicator of a government's financial position. At June 30, 2014, the District's assets and deferred outflows exceeded liabilities and deferred inflows by \$29,706,990. Of this total, \$2,202,762 was unrestricted in its use.

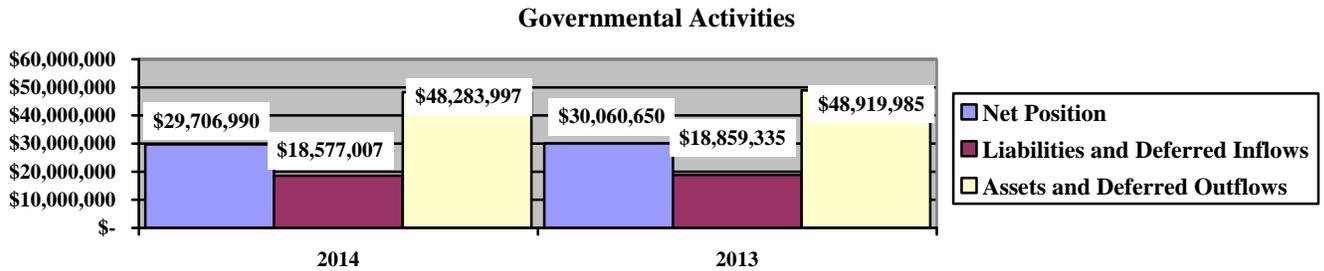
At year-end, capital assets represented 79.55% of total assets. Capital assets include land, land improvements, buildings and improvements, furniture and equipment and vehicles. The District's net investment in capital assets at June 30, 2014, was \$26,992,952. These capital assets are used to provide 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.

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014
(UNAUDITED)**

A portion of the District's net position, \$511,276, represents resources that are subject to external restriction on how they may be used. The remaining balance of unrestricted net position of \$2,202,762 may be used to meet the District's ongoing obligations to the students and creditors.

The graph below shows the changes in net position for fiscal years 2014 and 2013.



The table below shows the changes in net position for fiscal years 2014 and 2013.

Change in Net Position

	Governmental Activities <u>2014</u>	Governmental Activities <u>2013</u>
<u>Revenues</u>		
Program revenues:		
Charges for services and sales	\$ 1,241,008	\$ 1,521,415
Operating grants and contributions	2,596,311	2,521,712
Capital grants and contributions	-	331,303
General revenues:		
Property taxes	4,211,829	4,448,318
Grants and entitlements	8,235,405	7,652,258
Investment earnings	7,737	9,011
Other	<u>98,039</u>	<u>53,313</u>
Total revenues	<u>16,390,329</u>	<u>16,537,330</u>

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

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014
(UNAUDITED)

Change in Net Position (Continued)

	Governmental Activities <u>2014</u>	Governmental Activities <u>2013</u>
<u>Expenses</u>		
Program expenses:		
Instruction:		
Regular	\$ 5,673,267	\$ 5,668,630
Special	2,307,881	2,139,805
Vocational	596,548	610,498
Other	671,948	608,341
Support services:		
Pupil	1,185,936	1,004,256
Instructional staff	142,447	216,689
Board of education	11,545	14,678
Administration	1,375,726	1,273,552
Fiscal	420,715	410,790
Business	101,924	77,817
Operations and maintenance	1,398,965	1,229,165
Pupil transportation	1,068,862	1,086,078
Central	11,104	7,997
Operation of non-instructional services:		
Food service operations	767,343	802,915
Other non-instructional services	27,648	89,578
Extracurricular activities	536,993	533,742
Interest and fiscal charges	<u>445,137</u>	<u>617,169</u>
Total expenses	<u>16,743,989</u>	<u>16,391,700</u>
Change in net position	(353,660)	145,630
Net position at beginning of year	<u>30,060,650</u>	<u>29,915,020</u>
Net position at end of year	<u>\$ 29,706,990</u>	<u>\$ 30,060,650</u>

Governmental Activities

Net position of the District's governmental activities decreased \$353,660. Total governmental expenses of \$16,743,989 were offset by program revenues of \$3,837,319 and general revenues of \$12,553,010. Program revenues supported 22.92% 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 75.94% of total governmental revenue.

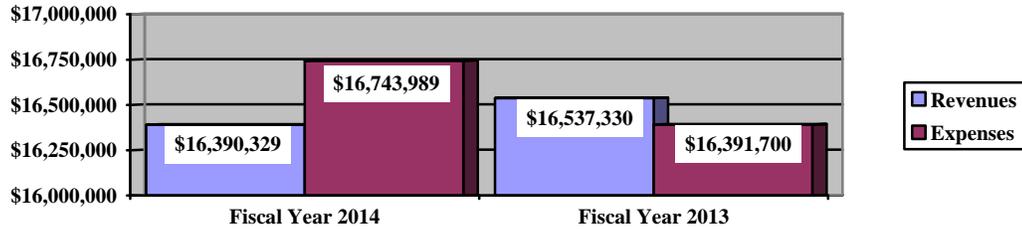
The largest expense of the District is for instructional programs. Instruction expenses totaled \$9,249,644 or 55.24% of total governmental expenses for fiscal 2014.

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

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014
(UNAUDITED)

The graph below presents the District's governmental activities revenue and expenses for fiscal years 2014 and 2013.

Governmental Activities - Revenues and Expenses



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

Governmental Activities

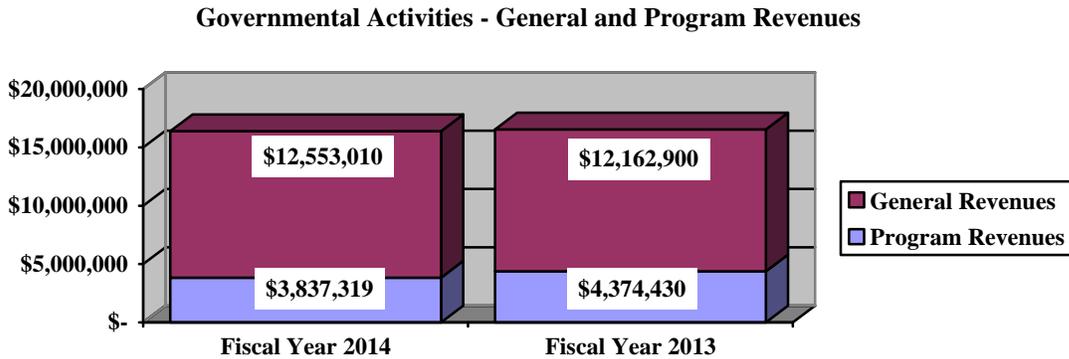
	Total Cost of Services 2014	Net Cost of Services 2014	Total Cost of Services 2013	Net Cost of Services 2013
Program expenses				
Instruction:				
Regular	\$ 5,673,267	\$ 4,871,922	\$ 5,668,630	\$ 4,647,663
Special	2,307,881	690,461	2,139,805	1,112,637
Vocational	596,548	484,051	610,498	426,097
Other	671,948	497,465	608,341	495,723
Support services:				
Pupil	1,185,936	1,144,440	1,004,256	906,125
Instructional staff	142,447	119,391	216,689	185,222
Board of education	11,545	11,545	14,678	14,678
Administration	1,375,726	1,318,910	1,273,552	1,215,201
Fiscal	420,715	420,715	410,790	410,790
Business	101,924	101,924	77,817	77,817
Operations and maintenance	1,398,965	1,380,722	1,229,165	512,512
Pupil transportation	1,068,862	958,017	1,086,078	861,833
Central	11,104	11,104	7,997	7,997
Operation of non-instructional services:				
Food service operations	767,343	95,020	802,915	125,304
Other non-instructional services	27,648	(23,390)	89,578	25,787
Extracurricular activities	536,993	379,236	533,742	374,715
Interest and fiscal charges	445,137	445,137	617,169	617,169
Total expenses	<u>\$ 16,743,989</u>	<u>\$ 12,906,670</u>	<u>\$ 16,391,700</u>	<u>\$ 12,017,270</u>

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014
(UNAUDITED)**

The dependence upon tax and other general revenues for governmental activities is apparent as 70.75% of instruction activities are supported through taxes and other general revenues. For all governmental activities, general revenue support is 77.08%. 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 2014 and 2013.



The District's Funds

The District's governmental funds (as presented on the balance sheet on page 17) reported a combined fund balance of \$3,445,995, which is more than last year's total of \$3,285,559. The schedule below indicates the fund balance and the total change in fund balance as of June 30, 2014 and 2013.

	Fund Balance <u>June 30, 2014</u>	Fund Balance <u>June 30, 2013</u>	Increase <u>(Decrease)</u>
Major funds:			
General	\$ 2,408,593	\$ 2,020,277	\$ 388,316
Bond retirement	631,386	686,932	(55,546)
Other governmental	<u>406,016</u>	<u>578,350</u>	<u>(172,334)</u>
Total	<u>\$ 3,445,995</u>	<u>\$ 3,285,559</u>	<u>\$ 160,436</u>

General Fund

The District's general fund's fund balance increased \$388,316. The increase can be attributed primarily to an increase in Foundation funding received from the State of Ohio.

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

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014
(UNAUDITED)

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

	<u>2014</u> <u>Amount</u>	<u>2013</u> <u>Amount</u>	<u>Percentage</u> <u>Change</u>
<u>Revenues</u>			
Taxes	\$ 3,334,624	\$ 3,616,097	(7.78) %
Tuition	724,080	620,518	16.69 %
Earnings on investments	9,739	8,452	15.23 %
Intergovernmental	9,152,564	8,455,815	8.24 %
Other revenues	<u>252,197</u>	<u>583,590</u>	(56.79) %
 Total	 <u>\$ 13,473,204</u>	 <u>\$ 13,284,472</u>	 1.42 %
<u>Expenditures</u>			
Instruction	\$ 7,874,841	\$ 7,754,742	1.55 %
Support services	4,788,630	4,768,559	0.42 %
Extracurricular activities	<u>354,353</u>	<u>326,329</u>	8.59 %
 Total	 <u>\$ 13,017,824</u>	 <u>\$ 12,849,630</u>	 1.31 %

The decrease in tax revenue is due primarily to a decrease in the amounts available as an advance from the County Auditors when compared to the prior fiscal year. The amount of tax advances available from the County Auditor can vary depending upon when tax bills are mailed. Intergovernmental revenues increased primarily due to increased Foundation funding from the State of Ohio. Other revenues decreased primarily due to the recognition of revenue from an oil and gas lease contract during fiscal year 2013. All other revenues remained consistent with the prior year.

Expenditures increased 1.31% from fiscal year 2013. All expenditures remained consistent with the prior year.

Bond Retirement Fund

The bond retirement fund had \$762,991 in revenues and \$818,537 in expenditures. During fiscal 2014, the bond retirement fund's fund balance decreased \$55,546 from \$686,932 to \$631,386. This decrease is due to a decrease in property tax revenues during fiscal year 2014.

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 2014, the District amended its general fund budget numerous times. For the general fund, original budgeted revenues and other financing sources were \$12,588,955 and final budgeted revenues and other financing sources were increased to \$13,453,146. Actual revenues and other financing sources for fiscal year 2014 was \$13,454,119. This represents a \$973 increase from final budgeted revenues and other financing sources.

General fund original appropriations and other financing uses of \$13,604,869 were increased to \$13,704,869 in the final budget. The actual budget basis expenditures and other financing uses for fiscal year 2014 totaled \$13,471,076, which was \$233,793 less than the final budget appropriations.

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

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014
(UNAUDITED)

Capital Assets and Debt Administration

Capital Assets

At the end of fiscal 2014, the District had \$37,523,156 invested in land, land improvements, buildings and improvements, furniture and equipment, and vehicles. This entire amount is reported in governmental activities. The following table shows fiscal 2014 balances compared to 2013:

Capital Assets at June 30 (Net of Depreciation)		
<u>Governmental Activities</u>		
	<u>2014</u>	<u>2013</u>
Land	\$ 1,248,658	\$ 1,248,658
Land improvements	440,040	449,966
Building and improvements	34,903,001	35,681,274
Furniture and equipment	172,393	194,438
Vehicles	<u>759,064</u>	<u>916,128</u>
Total	<u>\$ 37,523,156</u>	<u>\$ 38,490,464</u>

Total additions to capital assets for 2014 were \$51,165. The total depreciation expense for 2014 was \$1,018,473.

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

Debt Administration

At June 30, 2014, the District had \$10,775,315 in general obligation bonds and tax anticipation notes outstanding. Of this total, \$527,802 is due within one year and \$10,247,513 is due in greater than one year. The following table summarizes the bonds and notes outstanding.

Outstanding Debt, at Year End		
	Governmental Activities <u>2014</u>	Governmental Activities <u>2013</u>
General obligation bonds	\$ 10,552,715	\$ 10,883,856
Tax anticipation note	<u>222,600</u>	<u>296,800</u>
Total	<u>\$ 10,775,315</u>	<u>\$ 11,180,656</u>

See Note 9 to the basic financial statements for additional information on the District's debt administration.

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

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014
(UNAUDITED)

Current Financial Related Activities

The District partnered with the Ohio Facilities Construction Commission (OFCC) and completed new K-12 buildings in January of 2009. The District is well positioned from a facility standpoint. The project was officially closed out with the OFCC in July 2014. The District is still experiencing issues with the heating and cooling of the new buildings and has set aside approximately \$500,000 to correct these issues. The District has contracted with RKS Inc. and has identified some of the issues. During the 2014-2015 school year, District management intends to start the work necessary to resolve these issues.

Financially, the District is currently projecting positive cash balances through 2018 on the five year forecast. The District has benefited from the new funding model as proposed by HB 59 and from the projected, certified staff retirements over the next several years. District management will continue to monitor expenditures to preserve the projected carryover cash balances and continue to provide an excellent, academic experience for students at Sandy Valley.

In addition, the District management team is working diligently to address the new state online testing requirement. Additional technology expenditures will be incurred as well as increased professional development and personnel costs to meet these requirements. During the 2014-2015 school year, the District will be spending approximately \$250,000 on technology infrastructure. These funds will be provided by the Straight A Fund recently awarded to the District.

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. Darryl Woolf, Treasurer, Sandy Valley Local School District, 5362 State Route 183 NE, Magnolia, Ohio 44643.

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

STATEMENT OF NET POSITION
JUNE 30, 2014

	Governmental Activities
Assets:	
Equity in pooled cash and cash equivalents	\$ 4,789,154
Receivables:	
Property taxes	4,642,479
Accounts	81,366
Accrued interest	179
Intergovernmental	113,734
Prepayments	10,618
Materials and supplies inventory	10,486
Capital assets:	
Land	1,248,658
Depreciable capital assets, net	<u>36,274,498</u>
Capital assets, net	<u>37,523,156</u>
Total assets	<u>47,171,172</u>
 Deferred outflows of resources:	
Unamortized deferred charges on debt refunding	<u>1,112,825</u>
Total deferred outflows of resources	<u>1,112,825</u>
 Liabilities:	
Accounts payable	77,884
Accrued wages and benefits payable	1,309,460
Pension obligation payable	227,403
Intergovernmental payable	132,824
Accrued interest payable	22,820
Long-term liabilities:	
Due within one year	755,261
Due in more than one year	<u>12,093,083</u>
Total liabilities	<u>14,618,735</u>
 Deferred inflows of resources:	
Property taxes levied for the next fiscal year	<u>3,958,272</u>
Total deferred inflows of resources	<u>3,958,272</u>
 Net position:	
Net investment in capital assets	26,992,952
Restricted for:	
Capital projects	230,837
Classroom facilities maintenance	71,336
Debt service	81,407
Locally funded programs	1,462
State funded programs	16,707
Federally funded programs	304
Student activities	108,521
Other purposes	702
Unrestricted	<u>2,202,762</u>
Total net position	<u>\$ 29,706,990</u>

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, 2014

	Expenses	Program Revenues		Net (Expense)
		Charges for Services and Sales	Operating Grants and Contributions	Revenue and Changes in Net Position
				Governmental Activities
Governmental activities:				
Instruction:				
Regular	\$ 5,673,267	\$ 667,424	\$ 133,921	\$ (4,871,922)
Special	2,307,881	85,527	1,531,893	(690,461)
Vocational	596,548	-	112,497	(484,051)
Other	671,948	94,438	80,045	(497,465)
Support services:				
Pupil	1,185,936	16,233	25,263	(1,144,440)
Instructional staff	142,447	-	23,056	(119,391)
Board of education	11,545	-	-	(11,545)
Administration	1,375,726	-	56,816	(1,318,910)
Fiscal	420,715	-	-	(420,715)
Business	101,924	-	-	(101,924)
Operations and maintenance	1,398,965	10,000	8,243	(1,380,722)
Pupil transportation	1,068,862	12,303	98,542	(958,017)
Central	11,104	-	-	(11,104)
Operation of non-instructional services:				
Other non-instructional services	27,648	-	51,038	23,390
Food service operations	767,343	205,077	467,246	(95,020)
Extracurricular activities	536,993	150,006	7,751	(379,236)
Interest and fiscal charges	445,137	-	-	(445,137)
Total governmental activities	\$ 16,743,989	\$ 1,241,008	\$ 2,596,311	(12,906,670)

General revenues:

Property taxes levied for:	
General purposes	3,355,414
Debt service	661,720
Capital outlay	138,202
Special revenue	56,493
Grants and entitlements not restricted	
to specific programs	8,235,405
Investment earnings	7,737
Miscellaneous	98,039
Total general revenues	12,553,010
Change in net position	(353,660)
Net position at beginning of year	30,060,650
Net position at end of year	\$ 29,706,990

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2014

	General	Bond Retirement	Nonmajor Governmental Funds	Total Governmental Funds
Assets:				
Equity in pooled cash and cash equivalents	\$ 3,648,644	\$ 574,293	\$ 566,217	\$ 4,789,154
Receivables:				
Property taxes	3,708,628	716,065	217,786	4,642,479
Accounts	81,366	-	-	81,366
Accrued interest	179	-	-	179
Interfund loans	-	-	13,733	13,733
Intergovernmental	85,840	-	27,894	113,734
Prepayments	10,618	-	-	10,618
Materials and supplies inventory	-	-	10,486	10,486
Total assets	<u>\$ 7,535,275</u>	<u>\$ 1,290,358</u>	<u>\$ 836,116</u>	<u>\$ 9,661,749</u>
Liabilities:				
Accounts payable	\$ 41,204	\$ -	\$ 36,680	\$ 77,884
Accrued wages and benefits payable	1,166,176	-	143,284	1,309,460
Compensated absences payable	116,621	-	-	116,621
Interfund loans payable	-	-	13,733	13,733
Intergovernmental payable	127,422	-	5,402	132,824
Pension obligation payable	201,918	-	25,485	227,403
Total liabilities	<u>1,653,341</u>	<u>-</u>	<u>224,584</u>	<u>1,877,925</u>
Deferred inflows of resources:				
Property taxes levied for the next fiscal year	3,163,301	608,545	186,426	3,958,272
Delinquent property tax revenue not available	253,953	50,427	14,497	318,877
Accrued interest not available	179	-	-	179
Intergovernmental revenue not available	55,908	-	4,593	60,501
Total deferred inflows of resources	<u>3,473,341</u>	<u>658,972</u>	<u>205,516</u>	<u>4,337,829</u>
Fund balances:				
Nonspendable:				
Materials and supplies inventory	-	-	10,486	10,486
Prepays	10,618	-	-	10,618
Restricted:				
Debt service	-	631,386	-	631,386
Capital improvements	-	-	221,188	221,188
Classroom facilities maintenance	-	-	67,035	67,035
Food service operations	-	-	23,958	23,958
Non-public schools	-	-	16,471	16,471
Special education	-	-	1,926	1,926
Extracurricular	-	-	108,521	108,521
Other purposes	-	-	3,679	3,679
Assigned:				
Student instruction	149,843	-	-	149,843
Student and staff support	303,580	-	-	303,580
Extracurricular activities	140	-	-	140
Subsequent year's appropriations	1,653	-	-	1,653
Unassigned (deficit)	1,942,759	-	(47,248)	1,895,511
Total fund balances	<u>2,408,593</u>	<u>631,386</u>	<u>406,016</u>	<u>3,445,995</u>
Total liabilities, deferred inflows and fund balances	<u>\$ 7,535,275</u>	<u>\$ 1,290,358</u>	<u>\$ 836,116</u>	<u>\$ 9,661,749</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, 2014

Total governmental fund balances		\$	3,445,995
<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.			37,523,156
Other long-term assets are not available to pay for current-period expenditures and therefore are deferred inflows in the funds.			
Property taxes receivable	\$	318,877	
Accrued interest receivable		179	
Intergovernmental receivable		60,501	
Total		60,501	379,557
Unamortized premiums on bonds issued are not recognized in the funds.			(1,445,847)
Unamortized amounts on refundings are not recognized in the funds.			1,112,825
Accrued interest payable is not due and payable in the current period and therefore is not reported in the funds.			(22,820)
Long-term liabilities, including bonds and notes payable, are not due and payable in the current period and therefore are not reported in the funds.			
General obligation bonds		10,552,715	
Tax anticipation notes		222,600	
Compensated absences		510,561	
Total		10,552,715	(11,285,876)
Net position of governmental activities		\$	29,706,990

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, 2014

	<u>General</u>	<u>Bond Retirement</u>	<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
Revenues:				
From local sources:				
Property taxes	\$ 3,334,624	\$ 656,830	\$ 193,734	\$ 4,185,188
Tuition	724,080	-	-	724,080
Transportation fees	12,303	-	-	12,303
Earnings on investments	9,739	-	116	9,855
Charges for services	-	-	205,077	205,077
Extracurricular	77,234	-	150,006	227,240
Classroom materials and fees	28,871	-	-	28,871
Rental income	10,000	-	-	10,000
Contributions and donations	8,193	-	7,239	15,432
Contract services	16,233	-	-	16,233
Other local revenues	99,363	-	16,788	116,151
Intergovernmental - intermediate	12,534	-	-	12,534
Intergovernmental - state	9,073,940	106,161	443,605	9,623,706
Intergovernmental - federal	66,090	-	1,153,977	1,220,067
Total revenues	<u>13,473,204</u>	<u>762,991</u>	<u>2,170,542</u>	<u>16,406,737</u>
Expenditures:				
Current:				
Instruction:				
Regular	5,065,004	-	151,943	5,216,947
Special	1,643,240	-	604,647	2,247,887
Vocational	575,231	-	-	575,231
Other	591,366	-	79,310	670,676
Support services:				
Pupil	1,147,824	-	60,232	1,208,056
Instructional staff	84,628	-	24,347	108,975
Board of education	11,545	-	-	11,545
Administration	1,227,882	-	112,377	1,340,259
Fiscal	370,040	17,412	4,954	392,406
Business	101,924	-	-	101,924
Operations and maintenance	965,140	-	341,341	1,306,481
Pupil transportation	868,543	-	37,599	906,142
Central	11,104	-	-	11,104
Operation of non-instructional services:				
Other non-instructional services	-	-	34,167	34,167
Food service operations	-	-	687,232	687,232
Extracurricular activities	354,353	-	152,739	507,092
Facilities acquisition and construction	-	-	37,191	37,191
Debt service:				
Principal retirement	-	525,000	74,200	599,200
Interest and fiscal charges	-	276,125	7,661	283,786
Total expenditures	<u>13,017,824</u>	<u>818,537</u>	<u>2,409,940</u>	<u>16,246,301</u>
Excess (deficiency) of revenues over (under) expenditures	<u>455,380</u>	<u>(55,546)</u>	<u>(239,398)</u>	<u>160,436</u>
Other financing sources (uses):				
Transfers in	-	-	67,064	67,064
Transfers (out)	(67,064)	-	-	(67,064)
Total other financing sources (uses)	<u>(67,064)</u>	<u>-</u>	<u>67,064</u>	<u>-</u>
Net change in fund balances	388,316	(55,546)	(172,334)	160,436
Fund balances at beginning of year	<u>2,020,277</u>	<u>686,932</u>	<u>578,350</u>	<u>3,285,559</u>
Fund balances at end of year	<u>\$ 2,408,593</u>	<u>\$ 631,386</u>	<u>\$ 406,016</u>	<u>\$ 3,445,995</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, 2014

Net change in fund balances - total governmental funds	\$	160,436
<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	\$ 51,165	
Current year depreciation	(1,018,473)	
Total	(967,308)	(967,308)
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.		
Property taxes	26,641	
Earnings on investments	(2,023)	
Other local revenue	(8,589)	
Intergovernmental	(26,439)	
Total	(10,410)	(10,410)
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.		
		599,200
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	1,658	
Accreted interest on capital appreciation bonds	(193,859)	
Amortization of bond premiums	105,753	
Amortization of deferred charges	(74,903)	
Total	(161,351)	(161,351)
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.		
		25,773
Change in net position of governmental activities	\$	(353,660)

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, 2014

	<u>Budgeted Amounts</u>		<u>Actual</u>	Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>		
Revenues:				
From local sources:				
Property taxes	\$ 3,350,328	\$ 3,456,529	\$ 3,456,529	\$ -
Tuition.	592,000	724,080	724,080	-
Transportation fees.	9,500	15,192	15,192	-
Earnings on investments	7,500	9,155	9,739	584
Classroom materials and fees	28,083	28,482	28,871	389
Rental income	9,000	10,000	10,000	-
Contract services.	82,000	5,511	5,511	-
Other local revenues	8,500	21,376	21,376	-
Intergovernmental - intermediate	11,000	12,534	12,534	-
Intergovernmental - state	8,391,044	9,073,940	9,073,940	-
Intergovernmental - federal	58,000	48,091	48,091	-
Total revenues	12,546,955	13,404,890	13,405,863	973
Expenditures:				
Current:				
Instruction:				
Regular	4,974,738	5,256,938	5,023,070	233,868
Special.	2,045,785	1,839,620	1,839,620	-
Vocational.	611,761	590,231	590,231	-
Other.	507,071	520,046	520,046	-
Support services:				
Pupil.	1,077,867	1,214,194	1,214,194	-
Instructional staff	114,098	80,021	80,021	-
Board of education	15,003	11,558	11,558	-
Administration.	1,200,483	1,265,404	1,265,404	-
Fiscal	380,950	372,835	372,910	(75)
Business	113,209	112,106	112,106	-
Operations and maintenance.	1,221,347	1,082,159	1,082,159	-
Pupil transportation	936,728	950,765	950,765	-
Central.	8,266	15,935	15,935	-
Extracurricular activities.	330,497	325,993	325,993	-
Total expenditures	13,537,802	13,637,805	13,404,012	233,793
Excess (deficiency) of revenues over (under) expenditures	(990,847)	(232,915)	1,851	234,766
Other financing sources (uses):				
Refund of prior year's expenditures	42,000	47,206	47,206	-
Transfers (out).	(67,067)	(67,064)	(67,064)	-
Advances in.	-	1,050	1,050	-
Total other financing sources (uses)	(25,067)	(18,808)	(18,808)	-
Net change in fund balance	(1,015,914)	(251,723)	(16,957)	234,766
Fund balance at beginning of year	2,547,702	2,547,702	2,547,702	-
Prior year encumbrances appropriated	540,337	540,337	540,337	-
Fund balance at end of year	\$ 2,072,125	\$ 2,836,316	\$ 3,071,082	\$ 234,766

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, 2014

	Agency
Assets:	
Equity in pooled cash and cash equivalents	\$ 45,314
Total assets.	\$ 45,314
Liabilities:	
Accounts payable.	\$ 116
Due to students.	45,198
Total liabilities	\$ 45,314

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, 2014**

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 1,472 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, 2014

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 38th 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.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014

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

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.

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.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014

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

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.

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.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014

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

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.

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 6).

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

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014

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

Property taxes for which there is an enforceable legal claim as of June 30, 2014, but which were levied to finance fiscal year 2015 operations, and other revenues received in advance of the fiscal year for which they were intended to finance, have been recorded as deferred inflows. Grants and entitlements received before the eligibility requirements are met, and delinquent property taxes due at June 30, 2014, are recorded as deferred inflows on the governmental fund financial statements.

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

Expenses/Expenditures - On the accrual basis of accounting, expenses are recognized at the time they are incurred. The entitlement value of donated commodities received during the year is reported in the 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 15th and the filing by January 20th. The Budget Commission now requires an alternate tax budget be submitted by January 20th, which no longer requires specific Board approval.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014

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

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.

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 reappropriated.

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

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

F. Cash and Investments

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

During fiscal year 2014, investments were limited to nonnegotiable certificates of deposit. Except for nonparticipating investment contracts, investments are reported at fair value, which is based on quoted market prices.

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 2014 amounted to \$9,739 which includes \$2,732 assigned from other District funds.

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

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

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.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014

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

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:

Description	Governmental Activities <u>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.

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.

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, 2014 and reduced to the maximum payment allowed by labor contract and/or statute, plus any additional salary related payments.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014

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

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.

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.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014

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

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.

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.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014

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

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.

S. 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 2014.

T. Vocational Education

The District has entered into an agreement with the Canton Local School District, Perry Local School District and the Osaburg 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 2014, the District has implemented GASB Statement No. 70, "Accounting and Financial Reporting for Nonexchange Financial Guarantees".

GASB Statement No. 70 improves the recognition, measurement, and disclosures for state and local governments that have extended or received financial guarantees that are nonexchange transactions. The implementation of GASB Statement No. 70 did not have an effect on the financial statements of the District.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014

NOTE 3 - ACCOUNTABILITY AND COMPLIANCE - (Continued)

B. Deficit Fund Balances

Fund balances at June 30, 2014 included the following individual fund deficits:

<u>Nonmajor governmental funds</u>	<u>Deficit</u>
Public school preschool	\$ 1,895
Race to the top	19
Title I	36,265
Improving teacher quality	4,289

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

NOTE 4 - DEPOSITS

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

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

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

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

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

1. United States Treasury Notes, Bills, Bonds, or any other obligation or security issued by the United States Treasury or any other obligation guaranteed as to principal and interest by the United States;
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;

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

NOTE 4 - DEPOSITS - (Continued)

3. Written repurchase agreements in the securities listed above provided that the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least two percent and be marked to market daily, and that the term of the agreement must not exceed thirty days;
4. Bonds and other obligations of the State of Ohio;
5. No-load money market mutual funds consisting exclusively of obligations described in items (1) and (2) above and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions;
6. The State 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.

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, 2014, the carrying amount of all District deposits was \$4,833,243. Based on the criteria described in GASB Statement No. 40, "Deposits and Investment Risk Disclosures", as of June 30, 2014, \$4,359,207 of the District's bank balance of \$4,859,207 was exposed to custodial risk as discussed below, while \$500,000 was covered by the FDIC.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014

NOTE 4 - DEPOSITS - (Continued)

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, 2014:

<u>Cash and cash equivalents per note</u>	
Carrying amount of deposits	\$ 4,833,243
Cash on hand	<u>1,225</u>
Total	<u>\$ 4,834,468</u>
 <u>Cash and cash equivalents per statement of net position</u>	
Governmental activities	\$ 4,789,154
Agency funds	<u>45,314</u>
Total	<u>\$ 4,834,468</u>

NOTE 5 - INTERFUND TRANSACTIONS

- A.** Interfund balances at June 30, 2014 as reported on the fund statements, consist of the following individual interfund loans receivable and payable:

<u>Receivable fund</u>	<u>Payable fund</u>	<u>Amount</u>
Nonmajor governmental funds	Nonmajor governmental funds	<u>\$ 13,733</u>

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

Interfund balances between governmental funds are eliminated on the government-wide financial statements.

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

NOTE 5 - INTERFUND TRANSACTIONS - (Continued)

Interfund transfers for the fiscal year 2014 consisted of the following, as reported on the fund statements:

	<u>Amount</u>
<u>Transfers from general fund to:</u>	
Non-major governmental funds	<u>\$ 67,064</u>

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

All transfers made in fiscal year 2014 were in accordance with Ohio Revised Code Sections 5705.14, 5705.15 and 5705.16. Transfers between governmental funds are eliminated on the government-wide financial statements.

NOTE 6 - PROPERTY TAXES

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

Property taxes include amounts levied against all real property and public utility property. Real property tax revenues received in calendar year 2014 represent the collection of calendar year 2013 taxes. Real property taxes received in calendar year 2014 were levied after April 1, 2013, on the assessed values as of January 1, 2013, 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 2014 represent the collection of calendar year 2013 taxes. Public utility real and personal property taxes received in calendar year 2014 became a lien on December 31, 2012, were levied after April 1, 2013, 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 advance to the District its portion of the taxes collected. Second-half real property tax payments collected by the Counties by June 30, 2014, are available to finance fiscal year 2014 operations. The amount available as an advance at June 30, 2014 was \$291,374 in the general fund, \$57,093 in the bond retirement fund, \$11,879 in the permanent improvement fund (a nonmajor governmental fund) and \$4,984 in the classroom facilities maintenance fund (a nonmajor governmental fund). This amount is recorded as revenue. The amount available for advance at June 30, 2013 was \$413,279 in the general fund, \$79,649 in the bond retirement fund, \$18,706 in the permanent improvement fund (a nonmajor governmental fund) and \$6,878 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.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014

NOTE 6 - PROPERTY TAXES - (Continued)

Accrued property taxes receivable includes real property, public utility property and delinquent tangible personal property taxes which are measurable as of June 30, 2014 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.

The assessed values upon which the fiscal year 2014 taxes were collected are:

	2013 Second Half Collections		2014 First Half Collections	
	<u>Amount</u>	<u>Percent</u>	<u>Amount</u>	<u>Percent</u>
Agricultural/residential and other real estate	\$ 118,708,540	90.95	\$ 122,807,120	90.43
Public utility personal	<u>11,817,090</u>	<u>9.05</u>	<u>12,997,340</u>	<u>9.57</u>
Total	<u>\$ 130,525,630</u>	<u>100.00</u>	<u>\$ 135,804,460</u>	<u>100.00</u>
Tax rate per \$1,000 of assessed valuation for:				
Operations	\$42.50		\$42.30	
Permanent improvements	2.50		2.50	
Bonded debt	5.80		5.70	

NOTE 7 - RECEIVABLES

Receivables at June 30, 2014 consisted of taxes, accounts, accrued interest, and intergovernmental grants and entitlements. All receivables are considered collectible in full due to the ability to foreclose for the nonpayment of taxes, the stable condition of State programs and the current year guarantee of Federal funds. A list of the principal items of receivables reported on the statement of net position follows:

Governmental activities:	
Taxes	\$ 4,642,479
Accounts	81,366
Intergovernmental	113,734
Accrued interest	<u>179</u>
Total	<u>\$ 4,837,758</u>

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, 2014

NOTE 8 - CAPITAL ASSETS

Capital asset activity for the fiscal year ended June 30, 2014, was as follows:

	<u>Balance</u> <u>6/30/13</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance</u> <u>6/30/14</u>
Governmental activities:				
<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	1,140,442	40,565	(8,960)	1,172,047
Building and improvements	39,410,992	10,600	-	39,421,592
Furniture and equipment	286,871	-	-	286,871
Vehicles	1,831,092	-	-	1,831,092
Total capital assets, being depreciated	<u>42,669,397</u>	<u>51,165</u>	<u>(8,960)</u>	<u>42,711,602</u>
<i>Less: accumulated depreciation</i>				
Land improvements	(690,476)	(50,491)	8,960	(732,007)
Building and improvements	(3,729,718)	(788,873)	-	(4,518,591)
Furniture and equipment	(92,433)	(22,045)	-	(114,478)
Vehicles	(914,964)	(157,064)	-	(1,072,028)
Total accumulated depreciation	<u>(5,427,591)</u>	<u>(1,018,473)</u>	<u>8,960</u>	<u>(6,437,104)</u>
Governmental activities capital assets, net	<u>\$ 38,490,464</u>	<u>\$ (967,308)</u>	<u>\$ -</u>	<u>\$ 37,523,156</u>

Depreciation expense was charged to governmental functions as follows:

<u>Instruction:</u>	
Regular	\$ 509,137
Special	41,987
Vocational	20,158
<u>Support services:</u>	
Pupil support	1,114
Instructional staff	33,472
Administration	39,900
Fiscal	12,268
Operations and maintenance	76,656
Pupil transportation	159,485
Extracurricular activities	53,555
Food service operations	<u>70,741</u>
Total depreciation expense	<u>\$1,018,473</u>

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014

NOTE 9 - 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 mature on December 1, 2014 (approximate initial offering yield at maturity 4.18%), 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 is \$730,000. A total of \$446,568 in accreted interest on the capital appreciation bonds has been included in the statement of net position at June 30, 2014.

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 2014 on the 2006 series general obligation bonds:

	Balance 6/30/13	Additions	Reductions	Balance 6/30/14
Current interest bonds	\$ 765,000	\$ -	\$ (360,000)	\$ 405,000
Capital appreciation bonds	179,985	-	-	179,985
Accreted interest	<u>357,903</u>	<u>88,665</u>	-	<u>446,568</u>
Total G.O. bonds	<u>\$ 1,302,888</u>	<u>\$ 88,665</u>	<u>\$ (360,000)</u>	<u>\$ 1,031,553</u>

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014

NOTE 9 - LONG-TERM OBLIGATIONS - (Continued)

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

<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>
2015	\$ 25,000	\$ 15,700	\$ 40,700	\$ 93,159	\$ 256,841	\$ 350,000
2016	-	15,200	15,200	86,826	293,174	380,000
2017	380,000	7,600	387,600	-	-	-
Total	<u>\$ 405,000</u>	<u>\$ 38,500</u>	<u>\$ 443,500</u>	<u>\$ 179,985</u>	<u>\$ 550,015</u>	<u>\$ 730,000</u>

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 \$96,787 for series 2012 has been included on the statement of net position at June 30, 2014. 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.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014

NOTE 9 - LONG-TERM OBLIGATIONS - (Continued)

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
2015	\$ -	\$ 198,775	\$ 198,775	\$ 31,217	\$ 68,783	\$ 100,000
2016	-	198,775	198,775	17,065	82,935	100,000
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 - 2024	575,000	986,688	1,561,688	4,139	860,861	865,000
2025 - 2029	3,110,000	731,750	3,841,750	-	-	-
2030 - 2034	3,555,000	272,925	3,827,925	-	-	-
Total	<u>\$ 7,240,000</u>	<u>\$ 2,985,238</u>	<u>\$ 10,225,238</u>	<u>\$ 69,637</u>	<u>\$ 1,295,363</u>	<u>\$ 1,365,000</u>

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.

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 \$34,778 for series 2013 has been included on the statement of net position at June 30, 2014. 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.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014

NOTE 9 - LONG-TERM OBLIGATIONS - (Continued)

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>
2015	\$ 30,000	\$ 52,000	\$ 82,000	\$ -	\$ -	\$ -
2016	30,000	51,400	81,400	-	-	-
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 - 2022	1,355,000	54,750	1,409,750	-	-	-
Total	<u>\$ 1,975,000</u>	<u>\$ 301,250</u>	<u>\$ 2,276,250</u>	<u>\$ 104,960</u>	<u>\$ 225,040</u>	<u>\$ 330,000</u>

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014

NOTE 9 - LONG-TERM OBLIGATIONS - (Continued)

B. During the fiscal year 2014, the following changes occurred in governmental activities long-term obligations:

	<u>Balance</u> <u>06/30/13</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance</u> <u>06/30/14</u>	<u>Amounts</u> <u>Due in</u> <u>One Year</u>
Governmental activities:					
General obligation bonds - Series 2006:					
Current interest bonds - 2006	\$ 765,000	\$ -	\$ (360,000)	\$ 405,000	\$ 25,000
Capital appreciation bonds - 2006	179,985	-	-	179,985	93,159
Accreted interest - 2006	357,903	88,665	-	446,568	231,133
2012 Series Refunding Issue:					
Current interest bonds - 2012	7,350,000	-	(110,000)	7,240,000	-
Capital appreciation bonds - 2012	69,637	-	-	69,637	31,217
Accreted interest - 2012	22,014	74,773	-	96,787	43,093
2013 Series Refunding Issue:					
Current interest bonds - 2013	2,030,000	-	(55,000)	1,975,000	30,000
Capital appreciation bonds - 2013	104,960	-	-	104,960	-
Accreted interest - 2013	4,357	30,421	-	34,778	-
Total general obligation bonds	<u>10,883,856</u>	<u>193,859</u>	<u>(525,000)</u>	<u>10,552,715</u>	<u>453,602</u>
Tax anticipation note	296,800	-	(74,200)	222,600	74,200
Compensated absences payable	<u>580,262</u>	<u>176,362</u>	<u>(129,442)</u>	<u>627,182</u>	<u>227,459</u>
Total governmental activities long-term liabilities	<u>\$ 11,760,918</u>	<u>\$ 370,221</u>	<u>\$ (728,642)</u>	<u>11,402,497</u>	<u>\$ 755,261</u>
Add: unamortized premium				<u>1,445,847</u>	
Total on statement of net position				<u>\$ 12,848,344</u>	

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

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.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014

NOTE 9 - LONG-TERM OBLIGATIONS - (Continued)

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>
2015	\$ 74,200	\$ 5,472	\$ 79,672
2016	74,200	3,283	77,483
2017	74,200	1,095	75,295
Total	\$ 222,600	\$ 9,850	\$ 232,450

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, 2014, are a voted debt margin of \$2,879,205 (including available funds of \$631,386) and an unvoted debt margin of \$135,804.

NOTE 10 - 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 2014.

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

NOTE 11 - 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 25 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, 2014 and reduced to the maximum payment allowed by labor contracts (78 days for classified and 76 days for certified employees based on length of service), plus any additional salary related payments.

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	55,000
Administrators	90,000

C. Retirement Incentive

A one-time retirement bonus in the amount of \$20,000 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, 2014. In fiscal year 2014, one employee accepted the retirement incentive, which will be paid in January 2015. This liability has been included in the compensated absences payable balance presented in Note 9.B.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014

NOTE 12 - 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 2014, 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	\$46,364,960	\$5,000
Inland Marine Coverage	various	500
Boiler and Machinery	included	5,000
Automobile Liability	1,000,000	0
Uninsured Motorists	50,000	500
General Liability:		
Per occurrence	1,000,000	0
Aggregate	2,000,000	
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	

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 100% of medical and dental premiums for the superintendent, budgetary clerk and assistant treasurer, 85% of medical and dental premiums for the treasurer, certified staff and all other administrators and 90% of medical premiums and 100% of dental premiums for all classified staff.

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.

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

NOTE 12 - RISK MANAGEMENT - (Continued)

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 13 - PENSION PLANS

A. School Employees Retirement System

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

Funding Policy - Plan members are required to contribute 10 percent of their annual covered salary and the District is required to contribute at an actuarially determined rate. The current District rate is 14 percent of annual covered payroll. A portion of the District's contribution is used to fund pension obligations with the remainder being used to fund health care benefits. For fiscal year 2014, 13.05 percent and 0.05 percent of annual covered salary was the portion used to fund pension obligations and death benefits, respectively. The contribution requirements of plan members and employers are established and may be amended by the SERS' Retirement Board up to a statutory maximum amount of 14 percent for plan members and 14 percent for employers. Chapter 3309 of the Ohio Revised Code provides statutory authority for member and employer contributions. The District's required contributions for pension obligations and death benefits to SERS for the fiscal years ended June 30, 2014, 2013 and 2012 were \$213,008, \$212,689 and \$206,996, respectively; 81.05 percent has been contributed for fiscal year 2014 and 100 percent for fiscal years 2013 and 2012.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014

NOTE 13 - PENSION PLANS - (Continued)

B. State Teachers Retirement System of Ohio

Plan Description - The District participates in the State Teachers Retirement System of Ohio (STRS Ohio), a cost-sharing, multiple-employer public employee retirement plan. STRS Ohio provides retirement and disability benefits to members and death and survivor benefits to beneficiaries. STRS Ohio issues a stand-alone financial report that may be obtained by writing to STRS Ohio, 275 E. Broad St., Columbus, OH 43215-3771, by calling (888) 227-7877, or by visiting the STRS Ohio website at www.strsoh.org, under "Publications".

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

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

Funding Policy - For fiscal year 2014, plan members were required to contribute 11 percent of their annual covered salaries. The District was required to contribute 14 percent; 13 percent was the portion used to fund pension obligations. Contribution rates are established by the State Teachers Retirement Board, upon recommendations of its consulting actuary, not to exceed statutory maximum rates of 14 percent for members and 14 percent for employers. Chapter 3307 of the Ohio Revised Code provides statutory authority for member and employer contributions.

The District's required contributions for pension obligations to STRS Ohio for the fiscal years ended June 30, 2014, 2013 and 2012 were \$775,474, \$767,196 and \$775,726, respectively; 83.99 percent has been contributed for fiscal year 2014 and 100 percent for fiscal years 2013 and 2012. Contributions to the DC and Combined Plans for fiscal year 2014 were \$34,047 made by the District and \$26,752 made by the plan members.

C. Social Security System

Effective July 1, 1991, all employees not otherwise covered by the SERS/STRS Ohio have an option to choose Social Security or the SERS/STRS Ohio. As of June 30, 2014 certain members of the Board of Education have elected Social Security. The District's liability is 6.2 percent of wages paid.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014

NOTE 14 - POSTEMPLOYMENT BENEFITS

A. School Employees Retirement System

Plan Description - The District participates in two cost-sharing, multiple employer postemployment benefit plans administered by the School Employees Retirement System (SERS) for non-certificated retirees and their beneficiaries, a Health Care Plan and a Medicare Part B Plan. The Health Care Plan includes hospitalization and physicians' fees through several types of plans including HMO's, PPO's, Medicare Advantage, and traditional indemnity plans. A prescription drug program is also available to those who elect health coverage. SERS employs two third-party administrators and a pharmacy benefit manager to manage the self-insurance and prescription drug plans, respectively. The Medicare Part B Plan reimburses Medicare Part B premiums paid by eligible retirees and beneficiaries as set forth in Section 3309.69 of the Ohio Revised Code. Qualified benefit recipients who pay Medicare Part B premiums may apply for and receive a monthly reimbursement from SERS. The reimbursement amount is limited by statute to the lesser of the January 1, 1999 Medicare Part B premium or the current premium. The Medicare Part B monthly premium for calendar year 2014 was \$104.90 for most participants, but could be as high as \$335.70 per month depending on their income and the SERS' reimbursement to retirees was \$45.50. Benefit provisions and the obligations to contribute are established by the System based on authority granted by State statute. The financial reports of both Plans are included in the SERS Comprehensive Annual Financial Report which is available by contacting SERS at 300 East Broad St., Suite 100, Columbus, Ohio 43215-3746. It is also posted on the SERS' Ohio website, www.ohsers.org, under "Employers/Audit Resources".

Funding Policy - State statute permits SERS to fund the health care benefits through employer contributions. Each year, after the allocation for statutorily required benefits, the Retirement Board allocates the remainder of the employer contribution of 14 percent of covered payroll to the Health Care Fund. The Health Care Fund was established and is administered in accordance with Internal Revenue Code Section 105(e). For 2014, 0.14 percent of covered payroll was allocated to health care. An additional health care surcharge on employers is collected for employees earning less than an actuarially determined minimum compensation amount, pro-rated according to service credit earned. Statutes provide that no employer shall pay a health care surcharge greater than 2.0 percent of that employer's SERS-covered payroll; nor may SERS collect in aggregate more than 1.5 percent of the statewide SERS-covered payroll for the health care surcharge. For fiscal year 2014, the actuarially determined amount was \$20,250.

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

The District's contributions for health care (including surcharge) for the fiscal years ended June 30, 2014, 2013 and 2012 were \$29,829, \$26,718 and \$35,167, respectively; 81.05 percent has been contributed for fiscal year 2014 and 100 percent for fiscal years 2013 and 2012.

The Retirement Board, acting with advice of the actuary, allocates a portion of the employer contribution to the Medicare B Fund. For fiscal year 2014, this actuarially required allocation was 0.76 percent of covered payroll. The District's contributions for Medicare Part B for the fiscal years ended June 30, 2014, 2013, and 2012 were \$12,358, \$12,014 and \$12,224, respectively; 81.05 percent has been contributed for fiscal year 2014 and 100 percent for fiscal years 2013 and 2012.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014

NOTE 14 - POSTEMPLOYMENT BENEFITS - (Continued)

B. State Teachers Retirement System of Ohio

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

Funding Policy - Ohio law authorizes STRS Ohio to offer the Plan and gives the Retirement Board authority over how much, if any, of the health care costs will be absorbed by STRS Ohio. Active employee members do not contribute to the Plan. All benefit recipients pay a monthly premium. Under Ohio law, funding for post-employment health care may be deducted from employer contributions. For 2014, STRS Ohio allocated employer contributions equal to 1 percent of covered payroll to the Health Care Stabilization Fund. The District's contributions for health care for the fiscal years ended June 30, 2014, 2013 and 2012 were \$59,652, \$59,015 and \$59,671, respectively; 83.99 percent has been contributed for fiscal year 2014 and 100 percent for fiscal years 2013 and 2012.

NOTE 15 - BUDGETARY BASIS OF ACCOUNTING

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

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

- (a) Revenues and other financing sources are recorded when received in cash (budget basis) as opposed to when susceptible to accrual (GAAP basis);
- (b) Expenditures and other financing uses are recorded when paid in cash (budget basis) as opposed to when the liability is incurred (GAAP basis);
- (c) In order to determine compliance with Ohio law, and to reserve that portion of the applicable appropriation, total outstanding encumbrances (budget basis) are recorded as the equivalent of an expenditure, as opposed to assigned or committed fund balance for that portion of outstanding encumbrances not already recognized as an account payable (GAAP basis);
- (d) Advances-in and advances-out are operating transactions (budget basis) as opposed to balance sheet transactions (GAAP basis); and,
- (e) 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, 2014

NOTE 15 - 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	\$ (16,957)
Net adjustment for revenue accruals	(27,097)
Net adjustment for expenditure accruals	(40,427)
Net adjustment for other sources/uses	(48,256)
Funds budgeted elsewhere	(304)
Adjustment for encumbrances	521,357
GAAP basis	\$ 388,316

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 16 - 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.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014

NOTE 17 - 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, 2013	\$ -
Current year set-aside requirement	238,649
Current year offsets	<u>(283,764)</u>
Total	<u>\$ (45,115)</u>
Balance carried forward to fiscal year 2015	<u>\$ -</u>
Set-aside balance June 30, 2014	<u><u>\$ -</u></u>

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	\$ 398,275
Other governmental	<u>65,876</u>
Total	<u><u>\$ 464,151</u></u>

**SANDY VALLEY LOCAL SCHOOL DISTRICT
STARK COUNTY
FEDERAL AWARDS RECEIPTS AND EXPENDITURES SCHEDULE
FOR THE YEAR ENDED JUNE 30, 2014**

FEDERAL GRANTOR Pass Through Grantor Program Title	Federal CFDA Number	Receipts	Non-Cash Receipts	Disbursements	Non-Cash Disbursements
U.S. DEPARTMENT OF AGRICULTURE					
<i>Passed Through Ohio Department of Education</i>					
Child Nutrition Cluster:					
School Breakfast Program	10.553	\$149,286		\$149,286	
National School Lunch Program	10.555	285,773	\$42,642	285,773	\$42,642
Total Child Nutrition Cluster		435,059	42,642	435,059	42,642
Total U.S. Department of Agriculture		435,059	42,642	435,059	42,642
U.S. DEPARTMENT OF EDUCATION					
<i>Passed Through Ohio Department of Education</i>					
Title I Grants to Local Educational Agencies	84.010	355,574		341,349	
Special Education Grants to States	84.027	289,929		268,393	
Improving Teacher Quality State Grants	84.367	74,094		69,937	
ARRA - Race to the Top Incentive Grants, Recovery Act - Resident Educator Program	84.395	2,800		2,800	
Total U.S. Department of Education		722,397		682,479	
Total		\$1,157,456	\$42,642	\$1,117,538	\$42,642

The accompanying notes are an integral part of this schedule.

**SANDY VALLEY LOCAL SCHOOL DISTRICT
STARK COUNTY**

**NOTES TO THE FEDERAL AWARDS RECEIPTS AND EXPENDITURES SCHEDULE
FISCAL YEAR ENDED JUNE 30, 2014**

NOTE A - SIGNIFICANT ACCOUNTING POLICIES

The accompanying Federal Awards Receipts and Expenditures Schedule (the Schedule) reports the Sandy Valley Local School District's (the District's) federal award programs' receipts and disbursements. The schedule has been prepared on the cash basis of accounting.

NOTE B - CHILD NUTRITION CLUSTER

The District commingles cash receipts from the U.S. Department of Agriculture with similar State grants. When reporting expenditures on this Schedule, the District assumes it expends federal monies first.

NOTE C – FOOD DONATION PROGRAM

The District reports commodities consumed on the Schedule at the entitlement value. The District allocated donated food commodities to the respective program that benefitted from the use of those donated food commodities.



Dave Yost • Auditor of State

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 Sandy Valley Local School District, Stark County, (the District) as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the District's basic financial statements and have issued our report thereon dated December 5, 2014.

Internal Control Over Financial Reporting

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

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

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

Compliance and Other Matters

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

Purpose of this Report

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

A handwritten signature in black ink that reads "Dave Yost". The signature is written in a cursive style with a large, looping "D" and "Y".

Dave Yost
Auditor of State
Columbus, Ohio

December 5, 2014



Dave Yost • Auditor of State

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO THE MAJOR FEDERAL PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY OMB CIRCULAR A-133

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 (the District) compliance with the applicable requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133, Compliance Supplement* that could directly and materially affect the Sandy Valley Local School District's major federal program for the year ended June 30, 2014. The *Summary of Auditor's Results* in the accompanying schedule of findings identifies the District's major federal program.

Management's Responsibility

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

Auditor's Responsibility

Our responsibility is to opine on the District's compliance for the 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 OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. These standards and OMB Circular A-133 require us to plan and perform the audit to reasonably assure whether noncompliance with the applicable compliance requirements referred to above that could directly and materially affect a major federal program occurred. An audit includes examining, on a test basis, evidence about the District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

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

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 year ended June 30, 2014.

Report on Internal Control Over Compliance

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

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

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

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



Dave Yost
Auditor of State
Columbus, Ohio

December 5, 2014

**SANDY VALLEY LOCAL SCHOOL DISTRICT
STARK COUNTY**

**SCHEDULE OF FINDINGS
OMB CIRCULAR A -133 § .505
JUNE 30, 2014**

1. SUMMARY OF AUDITOR'S RESULTS

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

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

None

3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS

None

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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 13, 2015**