



VALLEY LOCAL SCHOOL DISTRICT

SCIOTO COUNTY

SINGLE AUDIT

For the Fiscal Year Ended June 30, 2015

J.L. UHRIG
AND ASSOCIATES INC.

CERTIFIED PUBLIC ACCOUNTANT AND MANAGEMENT CONSULTANTS





Dave Yost • Auditor of State

Board of Education
Valley Local School District
1821 State Route 728
Lucasville, Ohio 45648

We have reviewed the *Independent Auditor's Report* of the Valley Local School District, Scioto County, prepared by J.L. Uhrig and Associates, Inc., for the audit period July 1, 2014 through June 30, 2015. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

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

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

Dave Yost
Auditor of State

February 18, 2016

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Valley Local School District
Table of Contents
For the Fiscal Year Ended June 30, 2015

FINANCIAL SECTION

Independent Auditor’s Report	1
Management’s Discussion and Analysis	5
Basic Financial Statements:	
Government-wide Financial Statements	
Statement of Net Position – Modified Cash Basis	12
Statement of Activities – Modified Cash Basis	13
Fund Financial Statements	
Statement of Assets and Fund Balances – Modified Cash Basis - Governmental Funds	14
Statement of Receipts, Disbursements, and Changes in Fund Balance - Modified Cash Basis - Governmental Funds	15
Statement of Receipts, Disbursements, and Changes in Fund Balance - Budget and Actual (Non-GAAP Budgetary Basis) - General Fund	16
Statement of Fiduciary Net Position – Modified Cash Basis - Fiduciary Funds	17
Notes to the Basic Financial Statements.....	18

REQUIRED SUPPLEMENTAL SCHEDULES

Schedule of the School District’s Proportionate Share of the Net Pension Liability – SERS	40
Schedule of the School District’s Proportionate Share of the Net Pension Liability – STRS	41
Schedule of the School District Contributions – SERS.....	42
Schedule of the School District Contributions – STRS.....	43

Valley Local School District
Table of Contents
For the Fiscal Year Ended June 30, 2015

SUPPLEMENTAL INFORMATION

Schedule of Federal Awards Receipts and Expenditures 44

Notes to the Schedule of Federal Awards Receipts and Expenditures 45

AUDIT REPORTS

Independent Accountant’s Report on Internal Control over Financial Reporting and on
on Compliance and Other Matters Required by Government Auditing Standards..... 46

Independent Accountant’s Report on Compliance with Requirements Applicable to
Each Major Program and Internal Control over Compliance in Accordance with
OMB Circular A-133 48

Schedule of Findings 50

Schedule of Prior Audit Findings..... 53

Independent Auditor's Report

Board of Education
Valley Local School District
1821 State Route 728
Lucasville, OH 45648

Report on the Financial Statements

We have audited the accompanying modified cash basis financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Valley Local School District, Scioto County, Ohio (the School District), as of and for the year ended June 30, 2015, and related notes to the financial statements, which collectively comprise the School District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for preparing and fairly presenting these financial statements in accordance with the modified cash accounting basis Note 2 describes. This responsibility includes determining that the modified cash accounting basis is acceptable for the circumstances. Management is also responsible for 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' *Governmental 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 School District's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not to the extent needed to opine on the effectiveness of the School District's internal control. Accordingly, we express no opinion. An audit also includes evaluating the appropriateness of management's accounting policies and the reasonableness of their significant accounting estimates, as well as our evaluation of the overall financial statement presentation.

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective modified cash financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Valley Local School District, Scioto County, Ohio as of June 30, 2015, and the respective changes in modified cash financial position and the budgetary comparison for the General Fund thereof for the year then ended in accordance with the accounting basis described in Note 2.

Accounting Basis

Ohio Administrative Code Section 117-2-03(B) requires the School District to prepare its annual financial report in accordance with accounting principles generally accepted in the United States of America. We draw attention to Note 2 of the financial statements, which describes the basis applied to these statements. The financial statements are prepared on the modified cash basis of accounting, which is a basis other than generally accepted accounting principles. We did not modify our opinion regarding this matter.

Emphasis of Matter

As discussed in Note 3 to the financial statements, during the year ended June 30, 2015, the School District adopted Governmental Accounting Standard No. 68, *Accounting and Financial Reporting for Pensions – an amendment of GASB Statement No. 27* and GASB Statement No. 71 *Pension Transition for Contributions Made Subsequent to the Measurement Date – an amendment of GASB Statement No.68*. We did not modify our opinion regarding this matter.

Other Matters

Supplemental and Other Information

We audited to opine on the School District's financial statements that collectively comprise its basic financial statements.

The Schedule of Federal Award Receipts and Expenditures 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 this schedule to the auditing procedures applied to the basic financial statements. We also applied certain additional procedures, including comparing and reconciling the schedule directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves in accordance with auditing standards generally accepted in the United States of America. In our opinion, this schedule is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Other Information

We applied no procedures to Management's Discussion & Analysis or the schedules of proportionate share of net pension liabilities and pension contributions listed in the table of contents. Accordingly, we express no opinion or any other assurance on them.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued a report dated December 9, 2015, on our consideration of the School District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, and other matters. 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 School District's internal control over financial reporting and compliance.

J. L. Uhrig and Associates, Inc.

J. L. UHRIG AND ASSOCIATES, INC.
Chillicothe, Ohio

December 9, 2015

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Valley Local School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2015

As management of the Valley Local School District, we offer the readers of the School District's financial statements this narrative overview and analysis of the financial activities for the fiscal year ended June 30, 2015, within the limitations of the School District's modified cash basis of accounting. We encourage readers to consider the information presented here in conjunction with the additional information that we have provided in the basic financial statements and the notes to the basic financial statements to enhance their understanding of the School District's performance.

Financial Highlights

Net position of governmental activities increased \$1,702,412.

General cash receipts accounted for \$9,983,610 or 71 percent of all total revenues. Program specific cash receipts in the form of charges for services and sales, grants, and contributions accounted for \$4,151,488 or 29 percent of total cash receipts of \$14,135,098.

The School District had \$12,432,686 in expenses related to governmental activities; only \$4,151,488 of these cash disbursements were offset by program specific charges for services and sales, grants, and contributions. General cash receipts (primarily grants, entitlements, and property taxes) of \$9,983,610 were \$2,449,076 less than needed to provide for these programs.

USING THE BASIC FINANCIAL STATEMENTS

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

REPORT COMPONENTS

The *statement of net position- modified cash basis* and *statement of activities – modified cash basis* provide information about the modified cash basis activities of the School District as a whole.

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

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

BASIS OF ACCOUNTING

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

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

Valley Local School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2015

REPORTING THE DISTRICT AS A WHOLE

Statement of Net Position and Statement of Activities

The statement of net position and the statement of activities reflect how the School District did financially during 2015, within the limitations of the modified cash basis of accounting. The statement of net position presents the cash balances and investments of the governmental activities of the School District at year end. The statement of activities compares cash disbursements with program cash receipts for each governmental program. Program cash receipts include charges paid by the recipient of the program's goods or services and grants and contributions restricted to meeting the operational or capital requirements of a particular program. General cash receipts are all cash receipts not classified as program cash receipts. The comparison of cash disbursements with program cash receipts identifies how each governmental function draws from the School District's general cash receipts.

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

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

Reporting the School District's Most Significant Funds

Fund Financial Statements

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

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

Valley Local School District
Management's Discussion and Analysis
 For the Fiscal Year Ended June 30, 2015

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 School District's only fiduciary fund is an agency fund. Agency funds are custodial in nature (assets equal net position) and do not involve measurement of results of operations. In accordance with GASB 34, fiduciary funds are not included in the government-wide statements.

The School District's agency fund is used to maintain financial activity of the School District's student managed activities.

THE SCHOOL DISTRICT AS A WHOLE

Recall that the statement of net position provides the perspective of the School District as a whole. Table 1 provides a summary of the School District's net position for 2015 compared to 2014.

(Table 1)
 Net Position

	Governmental Activities	
	2015	2014
Assets		
Current and Other Assets	\$ 5,558,480	\$ 3,856,068
Total Assets	5,558,480	3,856,068
 Net Position		
Restricted	1,473,993	1,377,789
Unrestricted	4,084,487	2,478,279
Total Net Position	\$ 5,558,480	\$ 3,856,068

The change from the prior year is due to cash receipts exceeding cash disbursements as explained on page 9.

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

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

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

Valley Local School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2015

(Table 2)
Change in Net Position

	Governmental Activities	
	2015	2014
Cash Receipts		
Program Cash Receipts:		
Charges for Services and Sales	\$ 1,884,811	\$ 1,744,361
Operating Grants and Contributions	2,266,677	1,918,459
Total Program Cash Receipts	<u>4,151,488</u>	<u>3,662,820</u>
General Cash Receipts:		
Property Taxes	1,329,142	1,342,825
Grants and Entitlements not Restricted to Specific Programs	7,639,427	7,148,971
Gifts and Donations not Restricted	7,728	24,716
Interest	48,148	50,281
Proceeds from Sale of Capital Assets	25,157	-
Insurance Recoveries	84,430	-
Energy Conservation Bonds Issued	676,000	-
Premium on Energy Conservation Bonds Issued	16,386	-
Miscellaneous	47,841	51,498
Refund of Prior Year Expenditures	109,351	145,565
Total General Cash Receipts	<u>9,983,610</u>	<u>8,763,856</u>
Total Cash Receipts	<u>\$ 14,135,098</u>	<u>\$ 12,426,676</u>

Valley Local School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2015

(Table 2)
Change in Net Position
(continued)

	Governmental Activities	
	2015	2014
Program Cash Disbursements		
Instruction:		
Regular	\$ 5,201,958	\$ 4,759,801
Special	1,565,869	1,537,922
Vocational	38,530	4,321
Other	296,130	251,195
Support Services:		
Pupils	456,455	374,833
Instructional Staff	224,971	222,772
Board of Education	100,325	49,464
Administration	698,193	618,943
Fiscal	284,726	243,567
Operation and Maintenance of Plant	1,196,075	1,033,679
Pupil Transportation	843,077	848,139
Central	288,792	296,433
Operation of Non-Instructional Services	497,473	490,893
Extracurricular Activities	225,353	201,250
Capital Outlay	478,873	375
Debt Service:		
Principal	-	130,000
Interest and Fiscal Charges	19,500	19,500
Issuance Costs	16,386	-
Total Cash Disbursements	<u>12,432,686</u>	<u>11,083,087</u>
Change in Net Position	1,702,412	1,343,589
Net Position, Beginning of the Year	<u>3,856,068</u>	<u>2,512,479</u>
Net Position, End of the Year	<u>\$ 5,558,480</u>	<u>\$ 3,856,068</u>

Charges for services and sales increased due mainly to an increase in open enrollment funding. Grants and Entitlements not Restricted to specific programs increased primarily due to increased foundation receipts. Cash disbursements increased \$1,349,599 due mainly to an increase in capital outlay and regular instruction which were partially offset by a decrease in principal payments for the current fiscal year. Energy Conservation Bonds Issued, premiums, and capital outlay increased as a result of debt issuances during fiscal year 2015. Regular instruction increased due to the Improving Teacher Quality program. Board of Education increased as a result of increased purchased services.

Valley Local School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2015

Governmental Activities

Grants and entitlements not restricted to specific programs made up 54 percent of cash receipts for governmental activities of the School District for fiscal year 2015. Property tax receipts made up 9 percent of the total cash receipts for governmental activities for a total of 63 percent of all cash receipts coming from property taxes and grants and entitlements not restricted to specific programs.

Regular instruction comprises 42 percent of governmental program cash disbursements. Support services disbursements make up 33 percent of governmental cash disbursements.

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

(Table 3)
Governmental Activities

	Total Cost of Services 2015	Net Cost of Services 2015	Total Cost of Services 2014	Net Cost of Services 2014
Instruction	\$ 7,102,487	\$ 4,295,849	\$ 6,553,239	\$ 4,071,312
Support Services	4,092,614	3,342,240	3,687,830	3,007,109
Operation of Non-Instructional Services	497,473	(59,174)	490,893	24,183
Extracurricular Activities	225,353	187,524	201,250	167,788
Capital Outlay	478,873	478,873	375	375
Principal	-	-	130,000	130,000
Interest and Fiscal Charges and Issuance Costs	35,886	35,886	19,500	19,500
Total Cash Disbursements	\$ 12,432,686	\$ 8,281,198	\$ 11,083,087	\$ 7,420,267

The School District's Funds

The School District's governmental funds are accounted for using the modified cash basis of accounting. All governmental funds had total cash receipts and other financings sources of \$14,135,098 and cash disbursements of \$12,432,686.

The fund balance in the General Fund increased by \$1,849,927. This increase was due to increased foundation settlement receipts, open enrollment receipts and issuance of energy conservation bonds.

For the Bond Retirement Fund, the fund balance increased \$22,907, which is a result of receipts exceeding disbursements.

Valley Local School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2015

General Fund - Budget Highlights

The School District's budget is prepared according to Ohio law and is based on accounting for certain transactions on a basis of cash receipts, disbursements and encumbrances. The most significant budgeted fund is the General Fund. During the course of fiscal year 2015, the School District revised its budget as it attempted to deal with unexpected changes in receipts and disbursements. A summary of the General Fund's original and final budgeted amounts are listed on page 16, as well as the actual amounts. A variance comparison is presented between the final budgeted amounts and the actual amounts.

For fiscal year 2015, the School District filed an amended certificate of estimated receipts. For the General Fund, original estimated receipts were \$10,903,739, with final budgeted receipts of \$12,386,782 and actual receipts of \$12,465,274. The increase in budgeted and actual receipts is due primarily to the energy conservation bonds issued, open enrollment and foundation receipts.

At the end of fiscal year 2015, the School District filed an amended appropriations resolution. This resulted in the General Fund's final appropriations increasing \$753,616 from the original appropriations due mainly to increased appropriations for regular and other instruction and operation and maintenance of plant. Actual disbursements were \$10,734,077, which were \$646,349 under final appropriations due mainly to over estimates for regular instruction, operation and maintenance of plant, and pupil transportation.

Capital Assets

The School District does not record capital assets in the accompanying basic financial statements, but records payments for capital assets as disbursements. The School District had capital outlay disbursements of \$478,873 during fiscal year 2015.

Debt

Under the modified cash basis of accounting the School District does not report bonds or capital leases in the accompanying modified cash basis financial statements. However, in order to provide information to the readers of this report, we are providing the following detailed information about bonds and capital leases. At June 30, 2015, the School District had \$676,000 in Energy Conservation Bonds and \$1,250,110 in outstanding capital leases. For additional information regarding debt, please see notes 9 and 10 to the basic financial statements. Table 4 summarizes the outstanding debt:

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

	2015	2014
Energy Conservation Bonds	\$ 676,000	\$ -
Capital Lease	1,250,110	1,000,000
Totals	\$ 1,926,110	\$ 1,000,000

The School District's overall legal debt margin was \$5,742,082 with an unvoted debt margin of \$74,912 at June 30, 2015.

CONTACTING THE SCHOOL DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, investors and creditors with a general overview of the School District's finances and to show the School District's accountability for the money it receives. If you have any questions about this report or need additional information, contact Frieda Cyrus, Treasurer at Valley Local School District, 1821 State Route 728, Lucasville, Ohio 45648, or email frieda.cyrus@valleyls.org.

Valley Local School District
Statement of Net Position - Modified Cash Basis
June 30, 2015

		Governmental Activities
ASSETS:		
Equity in Pooled Cash, Cash Equivalents, and Investments	\$	4,385,052
Cash and Cash Equivalents in Segregated Accounts		15,909
Investments in Segregated Accounts		81,784
Investments with Escrow Agents		1,075,735
<i>Total Assets</i>		<u>5,558,480</u>
NET POSITION:		
Restricted for Debt Service		1,099,964
Restricted for Capital Outlay		14,238
Restricted for Other Purposes		323,739
Restricted for Set-Asides		36,052
Unrestricted		4,084,487
<i>Total Net Position</i>	<u>\$</u>	<u>5,558,480</u>

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

Valley Local School District
Statement of Activities - Modified Cash Basis
For the Fiscal Year Ended June 30, 2015

	Program Cash Receipts			Net (Disbursement) Receipt and Changes in Net Position
	Cash Disbursements	Charges for Services and Sales	Operating Grants and Contributions	Governmental Activities
Governmental Activities:				
Instruction:				
Regular	\$ 5,201,958	\$ 779,770	\$ 444,745	\$ (3,977,443)
Special	1,565,869	181,586	1,342,271	(42,012)
Vocational	38,530	6,468	2,087	(29,975)
Other	296,130	49,711	-	(246,419)
Support Services:				
Pupils	456,455	76,624	-	(379,831)
Instructional Staff	224,971	22,920	70,635	(131,416)
Board of Education	100,325	16,841	-	(83,484)
Administration	698,193	115,332	8,904	(573,957)
Fiscal	284,726	47,653	679	(236,394)
Operation and Maintenance of Plant	1,196,075	200,782	-	(995,293)
Pupil Transportation	843,077	141,525	-	(701,552)
Central	288,792	48,479	-	(240,313)
Operation of Non-Instructional Services	497,473	159,291	397,356	59,174
Extracurricular Activities	225,353	37,829	-	(187,524)
Capital Outlay	478,873	-	-	(478,873)
Debt Service:				
Interest and Fiscal Charges	19,500	-	-	(19,500)
Issuance Costs	16,386	-	-	(16,386)
Total Governmental Activities	\$ 12,432,686	\$ 1,884,811	\$ 2,266,677	\$ (8,281,198)

General Cash Receipts:	
Property Taxes Levied for:	
General Purposes	1,329,142
Grants and Entitlements, Not Restricted to Specific Programs	7,639,427
Gifts and Donations, Not Restricted to Specific Programs	7,728
Interest	48,148
Proceeds from Sale of Capital Assets	25,157
Insurance Recoveries	84,430
Energy Conservation Bonds Issued	676,000
Premium on Energy Conservation Bonds Issued	16,386
Miscellaneous	47,841
Refund of Prior Year Expenditures	109,351
Total General Cash Receipts	9,983,610
Change in Net Position	1,702,412
Net Position Beginning of Year	3,856,068
Net Position End of Year	\$ 5,558,480

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

Valley Local School District
Statement of Assets and Fund Balances - Modified Cash Basis
Governmental Funds
June 30, 2015

	<u>General</u>	<u>Bond Retirement</u>	<u>All Other Governmental Funds</u>	<u>Total Governmental Funds</u>
ASSETS:				
Equity in Pooled Cash, Cash Equivalents, and Investments	\$ 4,248,242	\$ 24,229	\$ 76,529	\$ 4,349,000
Cash and Cash Equivalents in Segregated Accounts	15,909	-	-	15,909
Investments in Segregated Accounts	81,784	-	-	81,784
Investments with Escrow Agents	-	1,075,735	-	1,075,735
Restricted Assets:				
Equity in Pooled Cash, Cash Equivalents, and Investments	<u>36,052</u>	<u>-</u>	<u>-</u>	<u>36,052</u>
<i>Total Assets</i>	<u>\$ 4,381,987</u>	<u>\$ 1,099,964</u>	<u>\$ 76,529</u>	<u>\$ 5,558,480</u>
FUND BALANCES:				
Nonspendable	\$ 806	\$ -	\$ -	\$ 806
Restricted	35,120	1,099,964	337,977	1,473,061
Assigned	218,048	-	-	218,048
Unassigned	<u>4,128,013</u>	<u>-</u>	<u>(261,448)</u>	<u>3,866,565</u>
<i>Total Fund Balances</i>	<u>\$ 4,381,987</u>	<u>\$ 1,099,964</u>	<u>\$ 76,529</u>	<u>\$ 5,558,480</u>

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

Valley Local School District
Statement of Receipts, Disbursements and Changes in Fund Balances - Modified Cash Basis
 Governmental Funds
 For the Fiscal Year Ended June 30, 2015

	<u>General</u>	<u>Bond Retirement</u>	<u>All Other Governmental Funds</u>	<u>Total Governmental Funds</u>
CASH RECEIPTS:				
Property Taxes	\$ 1,329,142	\$ -	\$ -	\$ 1,329,142
Intergovernmental	8,597,073	-	1,305,628	9,902,701
Interest	5,635	42,407	106	48,148
Tuition and Fees	1,501,643	-	-	1,501,643
Rent	335	-	-	335
Extracurricular Activities	89,742	-	-	89,742
Gifts and Donations	7,728	-	3,403	11,131
Customer Sales and Services	133,800	-	159,291	293,091
Miscellaneous	47,841	-	-	47,841
<i>Total Cash Receipts</i>	<u>11,712,939</u>	<u>42,407</u>	<u>1,468,428</u>	<u>13,223,774</u>
CASH DISBURSEMENTS:				
Current:				
Instruction:				
Regular	4,645,157	-	556,801	5,201,958
Special	1,081,723	-	484,146	1,565,869
Vocational	38,530	-	-	38,530
Other	296,130	-	-	296,130
Support Services:				
Pupils	456,455	-	-	456,455
Instructional Staff	136,539	-	88,432	224,971
Board of Education	100,325	-	-	100,325
Administration	687,045	-	11,148	698,193
Fiscal	283,876	-	850	284,726
Operation and Maintenance of Plant	1,196,075	-	-	1,196,075
Pupil Transportation	843,077	-	-	843,077
Central	288,792	-	-	288,792
Operation of Non-Instructional Services	-	-	497,473	497,473
Extracurricular Activities	225,353	-	-	225,353
Capital Outlay	478,873	-	-	478,873
Debt Service:				
Interest and Fiscal Charges	-	19,500	-	19,500
Issuance Costs	16,386	-	-	16,386
<i>Total Cash Disbursements</i>	<u>10,774,336</u>	<u>19,500</u>	<u>1,638,850</u>	<u>12,432,686</u>
<i>Excess of Cash Receipts Over (Under) Cash Disbursements</i>	<u>938,603</u>	<u>22,907</u>	<u>(170,422)</u>	<u>791,088</u>
OTHER FINANCING SOURCES:				
Energy Conservation Bonds Issued	676,000	-	-	676,000
Premium on Energy Conservation Bonds	16,386	-	-	16,386
Proceeds from Sale of Capital Assets	25,157	-	-	25,157
Insurance Recoveries	84,430	-	-	84,430
Refund of Prior Year Expenditures	109,351	-	-	109,351
<i>Total Other Financing Sources</i>	<u>911,324</u>	<u>-</u>	<u>-</u>	<u>911,324</u>
<i>Net Change in Fund Balances</i>	1,849,927	22,907	(170,422)	1,702,412
<i>Fund Balances at Beginning of Year</i>	<u>2,532,060</u>	<u>1,077,057</u>	<u>246,951</u>	<u>3,856,068</u>
<i>Fund Balances at End of Year</i>	<u>\$ 4,381,987</u>	<u>\$ 1,099,964</u>	<u>\$ 76,529</u>	<u>\$ 5,558,480</u>

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

Valley Local School District
Statement of Receipts, Disbursements and Changes
In Fund Balance - Budget (Budgetary Basis) and Actual
General Fund
For the Fiscal Year Ended June 30, 2015

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	Variance with Final Budget Positive (Negative)
Total Cash Receipts and Other Financing Sources	\$ 10,903,739	\$ 12,386,782	\$ 12,465,274	\$ 78,492
Total Cash Disbursements and Other Financing Uses	<u>10,626,810</u>	<u>11,380,426</u>	<u>10,734,077</u>	<u>646,349</u>
Net Change in Fund Balance	276,929	1,006,356	1,731,197	724,841
Fund Balance at Beginning of Year	1,882,687	1,882,687	1,882,687	-
Prior Year Encumbrances Appropriated	<u>463,929</u>	<u>463,929</u>	<u>463,929</u>	<u>-</u>
Fund Balance at End of Year	<u>\$ 2,623,545</u>	<u>\$ 3,352,972</u>	<u>\$ 4,077,813</u>	<u>\$ 724,841</u>

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

Valley Local School District
Statement of Fiduciary Net Position - Modified Cash Basis
Fiduciary Fund
June 30, 2015

	<u>Agency Fund</u>
ASSETS:	
Equity in Pooled Cash, Cash Equivalents, and Investments	\$ 7,531
<i>Total Assets</i>	<u>\$ 7,531</u>
NET POSITION:	
Unrestricted	\$ 7,531
<i>Total Net Position</i>	<u>\$ 7,531</u>

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

Valley Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2015

NOTE 1 - DESCRIPTION OF THE SCHOOL DISTRICT AND REPORTING ENTITY

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

The School District was established in 1888 through the consolidation of existing land areas and school districts. The School District serves an area of approximately 48 square miles. It is located in Scioto County, and includes all of Valley Township and portions of Jefferson, Rush, Madison, and Morgan Townships. It is staffed by 39 non-certificated employees and 70 certificated full-time teaching personnel who provide services to 1,026 students and other community members. The School District currently operates three instructional buildings and one garage.

Reporting Entity:

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

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

The School District participates in four organizations, two of which are defined as jointly governed organizations, and one as a public entity shared risk pool, and one as an insurance purchasing pool. These organizations are the South Central Ohio Computer Association Council of Governments (SCOCA COG), the Southern Ohio Academy, the Optimal Health Initiatives Consortium, and the Ohio School Boards Association Workers' Compensation Group Rating Plan. These organizations are presented in Notes 11, 12 and 13 to the basic financial statements.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Basis of Presentation

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

Government-wide Financial Statements

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

Valley Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2015

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

Fund Financial Statements

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

B. Fund Accounting

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

Governmental Funds:

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

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

Bond Retirement Fund – The Bond Retirement Fund is a debt service fund used to account for the accumulation of financial resources restricted, committed, or assigned for the payment of general long-term debt. The major source of revenue for this fund is tax levy proceeds.

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

Valley Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2015

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Fiduciary Funds:

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

C. Basis of Accounting

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

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

Cash Receipts - Exchange and Non-exchange Transactions

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

Cash Disbursements

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

D. Budgetary Process

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

Valley Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2015

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

The certificate of estimated resources may be amended during the year if projected increases or decreases in revenue are identified by the School District Treasurer. The amounts reported as the original budgeted amounts in the budgetary statements reflect the amounts in the certificate when the original appropriations were adopted. The amounts reported in the final column of the budgetary statements reflect the amounts in the amended certificate in effect at the time the final appropriations were passed.

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

E. Cash, Cash Equivalents, and Investments

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

During fiscal year 2015, the School District's investments were limited to commercial paper, repurchase agreements, money market accounts, and donated common stock. Investments are reported at fair value, which is based on quoted market prices.

Following Ohio statutes, the Board of Education has, by resolution, specified the funds to receive an allocation of interest earnings. Interest revenue credited to the General Fund, the Bond Retirement Fund, and All Other Governmental Funds during fiscal year 2015 amounted to \$5,635, \$42,407, and \$106, respectively.

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

F. Capital Assets

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

G. Compensated Absences

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

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

H. Long-Term Obligations

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

I. Restricted Assets

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

J. Fund Balance

Fund balance is divided into five classifications based primarily on the extent to which the School 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 the spendable form, or legally or contractually 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 placed on the use of resources are either externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments or is imposed by law through constitutional provisions.

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 School District Board of Education. Those committed amounts cannot be used for any other purpose unless the School 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 School District for specific purposes but do not meet the criteria to be classified as restricted or 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 School District Board of Education.

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 used only to report a deficit balance resulting from overspending for specific purposes for which amounts had been restricted, committed, or assigned.

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

Valley Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2015

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

K. Net Position

Net position represents the cash assets held by the School District at year end. Net position is reported as restricted when there are limitations imposed on their use either through enabling legislation adopted by the School District or through external restrictions imposed by creditors, grantors or laws or regulations of other governments. Net position restricted for other purposes include resources restricted for food service operations and music and athletic programs, and federal and State grants restricted to disbursements for specified purposes.

The School District applies restricted resources when a disbursement is made for purposes for which both restricted and unrestricted net position is available.

As of June 30, 2015, of the School District's \$1,473,993 in restricted net position, none was restricted by enabling legislation.

L. Interfund Transactions

Exchange transactions between funds are reported as cash receipts in the seller funds and as cash disbursements in the purchaser funds. Flows of cash or goods from one fund to another without a requirement 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 cash disbursements to the funds that initially paid for them are not presented on the basic financial statements. In the government-wide financial statements transfers within governmental activities are eliminated. Flows of cash from one fund to another with a requirement for repayment are reported as advances in and out. Advances between governmental activities are eliminated in the statement of activities. The School District had no transfers or advances during the fiscal year.

M. Pensions

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

NOTE 3 - BUDGETARY BASIS OF ACCOUNTING

The budgetary basis as provided by law is based upon accounting for certain transactions on a basis of cash receipts, disbursements, and encumbrances. The statement of receipts, disbursements and changes in fund balance - budget (budgetary basis) and actual for the General Fund is presented on the budgetary basis to provide a meaningful comparison of actual results with the budget.

The following table summarizes the adjustments necessary to reconcile the modified cash basis and the budgetary basis statements for the General Fund.

Net Change in Fund Balance	
	General Fund
Modified Cash Basis (as reported)	\$1,849,927
Perspective Difference:	
Activity of Funds Reclassified for Cash Reporting Purposes	21,049
Encumbrances	(139,779)
Budget Basis	<u>\$1,731,197</u>

Valley Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2015

NOTE 4 – DEPOSITS AND INVESTMENTS

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

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

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

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

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

1. United States treasury notes, bills, bonds, or other obligations of or securities issued by the United States treasury or any other obligation guaranteed as to the payment of principal and interest by the United States;
2. Bonds, notes, debentures, or other obligations or securities issued by any federal government agency or instrumentality, including, but not limited to, the federal national mortgage association, federal home loan bank, federal farm credit bank, federal home loan mortgage corporation, government national mortgage association, and student loan marketing association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
3. Written repurchase agreements in the securities listed above, provided that the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least two percent and be marked to market daily, and that the term of the agreement must not exceed thirty days;
4. Bonds and other obligations of the State of Ohio;
5. Interim deposits in the eligible institutions applying for interim money as provided in section 135.08 of the Revised Code;
6. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2) and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions;
7. The State Treasurer's investment pool (STAR Ohio);
8. Commercial paper notes issued by any entity that is defined in division (D) of section 1705.01 of the Revised Code and has assets exceeding five hundred million dollars, and to which notes are rated at the time of purchase in the highest classification established by at least two standard rating services; the aggregate value of the notes does not exceed ten percent of the aggregate value of the outstanding commercial paper of the issuing corporation; the notes mature no later than one hundred eighty days after purchase; and
9. Bankers' acceptances of banks that are members of the federal deposit insurance corporation to which obligations both the following apply: obligations are eligible for purchase by the federal reserve system and the obligations mature no later than one hundred eighty days after purchase.

Valley Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2015

NOTE 4 - DEPOSITS AND INVESTMENTS (continued)

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

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

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

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

As of June 30, 2015, the School District’s bank balance of \$4,432,405 was either covered by FDIC or collateralized by the financial institution’s public entity deposit pool in the manner described above.

Investments: As of June 30, 2015, the School District had the following investments:

	Fair Value	Weighted Average Maturity
Donated Common Stock	\$81,784	N/A
General Electric Capital Corporation		
Discount Commercial Paper	999,375	< 1 Year
US Gov't Money Market	76,360	< 1 Year
Total Investments	\$1,157,519	

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

Valley Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2015

NOTE 4 - DEPOSITS AND INVESTMENTS (continued)

Credit risk – Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The School District’s investment policy limits their investments to donated common stock, discount commercial paper, repurchase agreements, and money market accounts, and states that investments in common stock should be rated “A” or better by Moody’s or S&P at the time of purchase. Investments in US Government Money Market were rated Aaa-mf by Moody’s. Investments in the General Electric Capital Corporation Discount Commercial Paper were rated A1 by Moody’s. Investment ratings for the donated common stock were not available.

Concentration of credit risk – Concentration of credit risk is the risk of loss attributed to the magnitude of a government’s investment in a single issuer. 86.34% are in General Electric discount commercial paper, 6.59% are in US Governmental Money Market Funds, and 7.07% are in common stock.

Custodial credit risk – Custodial credit risk is the risk that in the event of the failure of the counterparty, the School District will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The School District’s investment policy does not address this risk beyond the requirements of the Ohio Revised Code. All of the School District’s investments are held in the name of the School District.

NOTE 5 - PROPERTY TAXES

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

Property taxes include amounts levied against all real, public utility and tangible personal property (used in business) located in the School District. Real property tax revenue received in calendar year 2015 represents collections of calendar year 2014 taxes. Real property taxes received in calendar year 2015 were levied after April 1, 2014, on the assessed value listed as of January 1, 2014, the lien date. Assessed values for real property taxes are established by State law at thirty-five percent of appraised market value. Real property taxes are payable annually or semi-annually. If paid annually, payment is due December 31; if paid semi-annually, the first payment is due December 31 with the remainder payable by June 20. Under certain circumstances, State statute permits alternate payment dates to be established.

Public utility property tax revenue received in calendar year 2015 represents collections of calendar year 2014 taxes. Public utility real and tangible personal property taxes received in calendar year 2015 became a lien December 31, 2014, were levied after April 1, 2015, and are collected in 2015 with real property taxes. Public utility real property is assessed at thirty-five percent of true value; public utility tangible personal property currently is assessed at varying percentages of true value.

The Scioto County Treasurer collects property taxes on behalf of all taxing districts within the County. The Scioto County Auditor periodically remits to the taxing districts their portion of the taxes collected.

Valley Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2015

NOTE 5 - PROPERTY TAXES (continued)

The assessed values upon which fiscal year 2015 taxes were collected are:

	2014 Second- Half Collections		2015 First- Half Collections	
	Amount	Percent	Amount	Percent
Agricultural/Residential and Other Real Estate	\$ 68,285,790	92.47%	\$ 69,481,830	92.75%
Public Utility	5,564,390	7.53%	5,430,190	7.25%
Total Assessed Value	<u>\$ 73,850,180</u>	<u>100.00%</u>	<u>\$ 74,912,020</u>	<u>100.00%</u>
Tax rate per \$1,000 of assessed valuation	\$25.21		\$25.21	

NOTE 6 - RISK MANAGEMENT

The School District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During fiscal year 2015, the School District contracted with Wells Fargo for property and fleet insurance, inland marine coverage, and general liability insurance. Insurance coverage provided includes the following:

Property - including inland marine, miscellaneous equipment, and automobile physical damage catastrophic coverage (\$2,500 deductible)	\$39,134,396
Automobile liability (zero deductible)	1,000,000
Uninsured Motorists (zero deductible)	1,000,000
General Liability:	
Per occurrence	1,000,000
Annual Aggregate	2,000,000

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

The School District participates in the Optimal Health Initiatives Consortium (the "Consortium"), a public entity shared risk pool (Note 12), consisting of school districts whose self-insurance programs for health care benefits were administered previously under the Scioto Schools Council of Governments, the Northern Buckeye Education Council, and the Butler Health Plan. Premiums are paid to the fiscal agent who in turn pays the claims on the School District's behalf.

For fiscal year 2015, the School District participated in the Ohio School Boards Association Workers' Compensation Group Rating Plan (GRP), an insurance purchasing pool (Note 13). The intent of the GRP is to achieve the benefit of a reduced premium for the School District by virtue of its grouping and representation with other participants in the GRP. The workers' compensation experience of the participating school districts is calculated as one experience and a common premium rate is applied to all school districts in the GRP. Each participant pays its workers' compensation premium to the State based on the rate for the GRP rather than its individual rate. Total savings are then calculated and each participant's individual performance is compared to the overall savings percentage of the GRP. A participant will then either receive money from or be required to contribute to the "Equity Pooling Fund." This "equity pooling" arrangement ensures that each participant shares equally in the overall performance of the GRP. Participation in the GRP is limited to school districts that can meet the GRP's selection criteria. The firm of CompManagement, Inc. provides administrative, cost control and actuarial services to the GRP. Each year, the School District pays an enrollment fee to the GRP to cover the costs of administering the program.

Valley Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2015

NOTE 7 - DEFINED BENEFIT PENSION PLANS

Net Pension Liability

For fiscal year 2015, Governmental Accounting Standards Board (GASB) Statement No. 68, “Accounting and Financial Reporting for Pensions” and GASB Statement No. 71, “Pension Transition for Contributions Made Subsequent to the Measurement Date—an amendment of GASB Statement No. 68” were effective. These GASB pronouncements had no effect on beginning net position as reported June 30, 2014, as the net pension liability is not reported in the accompanying financial statements. The net pension liability has been disclosed below.

Pensions are a component of exchange transactions—between an employer and its employees—of salaries and benefits for employee services. Pensions are provided to an employee—on a deferred-payment basis—as part of the total compensation package offered by an employer for employee services each financial period.

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

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

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

Plan Description - School Employees Retirement System (SERS)

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

Age and service requirements for retirement are as follows:

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

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

Valley Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2015

NOTE 7 - DEFINED BENEFIT PENSION PLANS (continued)

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

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

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

Funding Policy – Plan members are required to contribute 10 percent of their annual covered salary and the School District is required to contribute 14 percent of annual covered payroll. The contribution requirements of plan members and employers are established and may be amended by the SERS' Retirement Board up to statutory maximum amounts of 10 percent for plan members and 14 percent for employers. The Retirement Board, acting with the advice of the actuary, allocates the employer contribution rate among four of the System's funds (Pension Trust Fund, Death Benefit Fund, Medicare B Fund, and Health Care Fund). For the fiscal year ended June 30, 2015, the allocation to pension, death benefits, and Medicare B was 13.18 percent. The remaining 0.82 percent of the 14 percent employer contribution rate was allocated to the Health Care Fund.

The School District's contractually required contribution to SERS was \$201,130 for fiscal year 2015.

Plan Description - State Teachers Retirement System (STRS)

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

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

The DC Plan allows members to place all their member contributions and 9.5 percent of the 14 percent employer contributions into an investment account. Investment allocation decisions are determined by the member. The remaining 4.5 percent of the 14 percent employer rate is allocated to the defined benefit unfunded liability. A member is eligible to receive a retirement benefit at age 50 and termination of employment. The member may elect to receive a lifetime monthly annuity or a lump sum withdrawal.

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

Valley Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2015

NOTE 7 - DEFINED BENEFIT PENSION PLANS (continued)

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

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

A DB or Combined Plan member with five or more years of credited service who is determined to be disabled may qualify for a disability benefit. Eligible survivors of members who die before service retirement may qualify for monthly benefits. New members on or after July 1, 2013, must have at least ten years of qualifying service credit that apply for disability benefits. Members in the DC Plan who become disabled are entitled only to their account balance. If a member of the DC Plan dies before retirement benefits begin, the member's designated beneficiary is entitled to receive the member's account balance.

Funding Policy – Employer and member contribution rates are established by the State Teachers Retirement Board and limited by Chapter 3307 of the Ohio Revised Code. The statutory maximum employee contribution rate was increased one percent July 1, 2014, and will be increased one percent each year until it reaches 14 percent on July 1, 2016. For the fiscal year ended June 30, 2015, plan members were required to contribute 12 percent of their annual covered salary. The School District was required to contribute 14 percent; the entire 14 percent was the portion used to fund pension obligations. The fiscal year 2015 contribution rates were equal to the statutory maximum rates.

The School District's contractually required contribution to STRS Ohio was \$533,868 for fiscal year 2015.

Net Pension Liability

The net pension liability was measured as of June 30, 2014, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The School District's proportion of the net pension liability was based on the School District's share of contributions to the pension plan relative to the projected contributions of all participating entities. Following is information related to the proportionate share:

	<u>SERS</u>	<u>STRS</u>	<u>Total</u>
Proportionate Share of the Net Pension Liability	\$2,436,186	\$9,417,964	\$11,854,150
Proportion of the Net Pension Liability	0.048137%	0.03871967%	

Actuarial Assumptions - SERS

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

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

Valley Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2015

NOTE 7 - DEFINED BENEFIT PENSION PLANS (continued)

Actuarial Assumptions – SERS (Continued)

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

Key methods and assumptions used in calculating the total pension liability in the latest actuarial valuation, prepared as of June 30, 2014, are presented below:

Wage Inflation	3.25 percent
Future Salary Increases, including inflation	4.00 percent to 22 percent
COLA or Ad Hoc COLA	3 percent
Investment Rate of Return	7.75 percent net of investments expense, including inflation
Actuarial Cost Method	Entry Age Normal

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

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

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

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

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

Valley Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2015

NOTE 7 - DEFINED BENEFIT PENSION PLANS (continued)

Actuarial Assumptions – SERS (Continued)

Sensitivity of the School District's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate

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

	1% Decrease █ (6.75%)	Current █ Discount Rate (7.75%)	1% Increase █ (8.75%)
School District's proportionate share of the net pension liability	\$3,475,714	\$2,436,186	\$1,561,854

Actuarial Assumptions - STRS

The total pension liability in the June 30, 2014, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

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

Mortality rates were based on the RP-2000 Combined Mortality Table (Projection 2022—Scale AA) for Males and Females. Males' ages are set-back two years through age 89 and no set-back for age 90 and above.

Females younger than age 80 are set back four years, one year set back from age 80 through 89 and not set back from age 90 and above.

Actuarial assumptions used in the June 30, 2014, valuation are based on the results of an actuarial experience study, effective July 1, 2012.

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

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

Valley Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2015

NOTE 7 - DEFINED BENEFIT PENSION PLANS (continued)

Actuarial Assumptions – STRS (Continued)

Discount Rate The discount rate used to measure the total pension liability was 7.75 percent as of June 30, 2014. The projection of cash flows used to determine the discount rate assumes member and employer contributions will be made at the statutory contribution rates in accordance with rate increases described above. For this purpose, only employer contributions that are intended to fund benefits of current plan members and their beneficiaries are included. Projected employer contributions that are intended to fund the service costs of future plan members and their beneficiaries, as well as projected contributions from future plan members, are not included. Based on those assumptions, STRS' fiduciary net position was projected to be available to make all projected future benefit payments to current plan members as of June 30, 2014. Therefore, the long-term expected rate of return on pension plan investments of 7.75 percent was applied to all periods of projected benefit payment to determine the total pension liability as of June 30, 2014.

Sensitivity of the School District's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate

The following table presents the School District's proportionate share of the net pension liability calculated using the current period discount rate assumption of 7.75 percent, as well as what the School District's proportionate share of the net pension liability would be if it were calculated using a discount rate that is one-percentage-point lower (6.75 percent) or one-percentage-point higher (8.75 percent) than the current rate:

	1% Decrease (6.75%)	Current Discount Rate (7.75%)	1% Increase (8.75%)
School District's proportionate share of the net pension liability	\$13,482,842	\$9,417,964	\$5,980,445

Social Security System

Effective July 1, 1991, all employees not otherwise covered by the School Employees Retirement System or the State Teachers Retirement System have an option to choose Social Security or the School Employees Retirement System/State Teachers Retirement System. As of June 30, 2015, one member of the Board of Education has elected Social Security. The Board's liability is 6.2 percent of wages paid.

NOTE 8 - POSTEMPLOYMENT BENEFITS

School Employees Retirement System

In addition to a cost-sharing multiple-employer defined benefit pension plan, the School Employees Retirement System of Ohio (SERS) administers two postemployment benefit plans.

Medicare Part B Plan

The Medicare B plan reimburses Medicare Part B premiums paid by eligible retirees and beneficiaries as set forth in Ohio Revised Code 3309.69. 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 premium for calendar year 2015 was \$104.90 for most participants, but could be as high as \$335.70 per month depending on their income. SERS' reimbursement to retirees was \$45.50 if they participated in one of SERS' health care plans.

The Retirement Board, acting with the advice of the actuary, allocates a portion of the current employer contribution rate to the Medicare B Fund. For fiscal years 2015, 2014, and 2013, the actuarially required allocations were 0.74 percent, 0.76 percent, and 0.74 percent, respectively. For the District, contributions for the years ended June 30, 2015, 2014, and 2013, were \$17,075, \$17,031, and \$15,846, which equaled the required contributions for those years.

Valley Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2015

NOTE 8 - POSTEMPLOYMENT BENEFITS (continued)

School Employees Retirement System (Continued)

Health Care Plan

Ohio Revised Code 3309.375 and 3309.69 permit SERS to offer health care benefits to eligible retirees and beneficiaries. SERS' Retirement Board reserves the right to change or discontinue any health plan or program. SERS offers several types of health plans from various vendors, including HMOs, PPOs, 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 Ohio Revised Code provides the statutory authority to fund SERS' post-employment benefits through employer contributions. Active members do not make contributions to the post-employment benefit plans.

The Health Care Fund was established under, and is administered in accordance with Internal Revenue Code 105(e). Each year after the allocation for statutorily required benefits, the Retirement Board allocates the remainder of the employer 14 percent contribution to the Health Care Fund. At June 30, 2015, 2014, and 2013, the health care allocations were 0.82 percent, 0.14 percent, and 0.16 percent, respectively. 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 percent of that employer's SERS-covered payroll; nor may SERS collect in aggregate more than 1.5 percent of the total statewide SERS-covered payroll for the health care surcharge. For fiscal year 2015, the minimum compensation level was established at \$20,450. The surcharge, added to the unallocated portion of the 14% employer contribution rate is the total amount assigned to the Health Care Fund. For the School District, the amounts assigned to health care, including the surcharge, during the 2015, 2014, and 2013 fiscal years equaled \$43,719, \$31,787, and \$32,415, respectively; which is equal to the required amounts for those years.

The SERS 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 upon the plan selected, qualified years of service, Medicare eligibility, and retirement status.

The financial reports of SERS' Health Care and Medicare B plans are included in its *Comprehensive Annual Financial Report*. The report can be obtained on SERS' website at www.ohsers.org under *Employer/Audit Resources*.

State Teachers Retirement System of Ohio

STRS Ohio administers a pension plan that is comprised of: a Defined Benefit Plan; a self-directed Defined Contribution Plan; and a Combined Plan, which is a hybrid of the Defined Benefit and Defined Contribution Plan.

Ohio law authorizes STRS Ohio to offer a cost-sharing, multiple-employer health care plan. STRS Ohio provides access to health care coverage to eligible retirees who participated in the Defined Benefit or Combined Plans. Coverage under the current program includes hospitalization, physicians' fees, prescription drugs and reimbursement of monthly Medicare Part B premiums.

Pursuant to Section 3307 of the Revised Code, the Retirement Board has discretionary authority over how much, if any, of the associated health care costs will be absorbed by STRS Ohio. All health care plan enrollees, for the most recent year, pay a portion of the health care costs in the form of a monthly premium.

STRS Ohio issues a stand-alone financial report. Interested parties can view the most recent Comprehensive Annual Financial Report by visiting www.strsoh.org or by requesting a copy by calling toll free (888) 227-7877.

Valley Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2015

NOTE 8 - POSTEMPLOYMENT BENEFITS (continued)

State Teachers Retirement System of Ohio (Continued)

Under Ohio law, funding for post-employment health care may be deducted from employer contributions. Of the 14 percent employer contribution rate, 0 percent of covered payroll was allocated to post-employment health care for 2015, while 1 percent of covered payroll was allocated to post-employment health care for the years ended June 30, 2014 and 2013. The 14 percent employer contribution rate is the maximum rate established under Ohio law. For the District, these amounts equaled \$0, \$44,071, and \$43,327, for fiscal years 2015, 2014, and 2013, respectively; which is equal to the required amounts for those years.

NOTE 9 – CAPITAL LEASES - LESSEE DISCLOSURE

During the current fiscal year, the School District entered into a capital lease for the purpose of capital improvements of the Athletic Complex. In a previous fiscal year, the School District entered into a capital lease for the purpose of a renovation project involving the buildings of the School District. Five more classrooms were added to the middle school along with other renovations to the building. The elementary and high school buildings were also renovated. As part of the agreement, Banc One Leasing Corporation, as lessor, deposited \$1,000,000 in the School District's name, with an escrow agent for the renovations to the buildings. The renovation work was completed during fiscal year 2008. The School District makes annual interest payments to the lessor and annual sinking fund payments to the escrow agent. The escrow agent is investing the School District's deposits and has guaranteed a return on the investments to meet the School District's lease liability. Banc One will be repaid in fiscal year 2016 when the \$1,000,000 lease payment is due. There are mandatory deposits required to be made with the escrow agent in order to ensure that the lease is paid timely. The School District is current on the deposits. Due to the School District reporting on a modified cash basis, an inception of capital lease and proceeds from lease were not recorded within the financial statements.

The following is a schedule of the future minimum lease payments required under the capital lease and the present value of the minimum lease payments as of June 30, 2015:

Fiscal Year Ending June 30,	Total Payments
2016	\$ 1,075,445
2017	55,945
2018	55,945
2019	55,945
2020	55,945
Total	1,299,225
Less: Amount Representing Interest	(49,115)
Present Value of Net Minimum Lease Payments	\$ 1,250,110

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

Fiscal Year Ending June 30,	Principal	Interest	Total Lease Payments
2016	\$ 1,000,000	\$ 19,500	\$ 1,019,500
	\$ 1,000,000	\$ 19,500	\$ 1,019,500

Valley Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2015

NOTE 10 - LONG-TERM OBLIGATIONS

The changes in the School District's long-term obligations during fiscal year 2015 were as follows:

	Amount Outstanding 6/30/14	Additions	Deductions	Amount Outstanding 6/30/15	Amount Due in One Year
2015 School Energy Conservation					
Improvement Bonds	\$ -	\$ 676,000	\$ -	\$ 676,000	\$ 42,000
Capital Lease	1,000,000	250,110		1,250,110	1,046,316
Total Long-Term Obligations	<u>\$ 1,000,000</u>	<u>\$ 926,110</u>	<u>\$ -</u>	<u>\$ 1,926,110</u>	<u>\$ 1,088,316</u>

One March 25, 2015, the School District issued School Energy Conservation Improvement Bonds in the amount of \$676,000. The bonds were for the purpose of a HB264 project for energy conservation measures. The bonds bear an interest at the rate of 3.24% per annum payable on June 1 and December 1 of each year commencing December 1, 2015 and maturing December 1, 2029.

The School District's overall legal debt margin was \$5,742,082 with an unvoted debt margin of \$74,912 at June 30, 2015.

Principal and interest requirements to retire the improvement bonds outstanding at June 30, 2015, are as follows:

Fiscal Year Ending June 30,	Energy Conservation Improvement Bonds	
	Principal	Interest
2016	\$ 42,000	\$ 25,238
2017	36,000	19,959
2018	38,000	18,760
2019	39,000	17,512
2020	40,000	16,232
2021-2025	221,000	60,506
2026-2030	260,000	21,578
	<u>\$ 676,000</u>	<u>\$ 179,785</u>

NOTE 11 - JOINTLY GOVERNED ORGANIZATIONS

South Central Ohio Computer Association Council of Governments

The District is a participant in the South Central Ohio Computer Association Council of Governments (SCOCA COG) which is an information technology center. SCOCA COG is a council of governments providing information technology services to 58 public education entities, 58 non-public education entities, and public libraries from 24 Ohio counties. The organization was formed for the purpose of applying modern technology with the aid of computers and other electronic equipment to administrative and instructional functions among member school districts. The governing board of SCOCA COG consists of two representatives from each county elected by majority vote of all charter member school districts within each county, two treasurers elected by majority vote of all charter member school districts, and one representative from the fiscal agent. The District paid SCOCA COG \$130,922 for services provided during the year. Financial information for SCOCA COG can be obtained from their fiscal office located at Pike County Joint Vocational School District, P.O. Box 577, 175 Beaver Creek, Piketon, Ohio 45661.

Valley Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2015

NOTE 11 - JOINTLY GOVERNED ORGANIZATIONS (continued)

Southern Ohio Academy

The School District is a participant in the Southern Ohio Academy, a jointly governed, non-profit corporation established pursuant to Ohio Rev. Code Chapters 3314 and 1702 to address the needs of students in grades seven through twelve. The Academy operates under the direction of a nine-member Board of Directors. The Board membership consists of superintendents from Bloom-Vernon, Clay, Green, Manchester, Minford, Northwest, Oak Hill, Valley, Washington Nile, and Wheelersburg school districts. Because ORC requires an odd number of members, the Board has determined that Board membership will rotate annually with one school district not being represented each year. The Academy was formed to offer students a non-traditional approach for reaching educational goals and to enhance and facilitate student learning among nontraditional student populations while utilizing a variety of innovative resources and educational strategies, which are customized to meet the needs of individual students. The Board exercises total control over the operations of the Academy including budget, appropriating, contracting and designating management. Each School District's degree of control is limited to its representation on the Board. Financial information can be obtained from Andrew T. Riehl, fiscal agent for the Southern Ohio Academy, at the South Central Ohio Educational Service Center, 522 Glenwood Avenue, New Boston, Ohio 45662, or by calling 740-354-0234.

NOTE 12 - PUBLIC ENTITY SHARED RISK POOL

Optimal Health Initiatives Consortium

The School District is a member of the Optimal Health Initiatives Consortium (the "Consortium"), a public entity shared risk pool, consisting of school districts whose self-insurance programs for health care benefits were administered previously under the Scioto County Schools Council of Governments, the Northern Buckeye Education Council, and the Butler Health Plan. The overall objective of the Consortium is to enable its members to purchase employee benefits and related products and services using the Consortium's economics of scale to create cost-savings. The Consortium's business and affairs are managed by an Executive Board of Trustees, consisting of the chairperson of each division's board of trustees and the chairperson of the Butler Health Plan. The participants pay an administrative fee to the fiscal agent to cover the costs of administering the Consortium. To obtain financial information, write to the fiscal agent, Jennifer Jostworth, CoWorth Financial Services at 10999 Reed Hartman Highway, Suite 304-E, Cincinnati, Ohio 45242.

NOTE 13 - INSURANCE PURCHASING POOL

Ohio School Boards Association Workers' Compensation Group Rating Plan

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

NOTE 14 - SET-ASIDE CALCULATIONS

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

For the fiscal year ended June 30, 2015, the School District was no longer required to set aside funds in the budget reserve set-aside, with the exception of monies refunded from the Bureau of Workers' Compensation, which must be retained for budget stabilization or spent for specified purposes.

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

Valley Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2015

NOTE 14 - SET-ASIDE CALCULATIONS (continued)

	<u>Capital Acquisition</u>	<u>Budget Stablization</u>
Set-aside Balance as of June 30, 2014	\$ -	\$ 36,052
Current Year Set-aside Requirement	184,859	-
Current Year Qualifying Disbursements	(184,859)	-
Totals	<u>\$ -</u>	<u>\$ 36,052</u>
Balance Carried Forward to Fiscal Year 2015	<u>\$ -</u>	<u>\$ 36,052</u>
Set-aside Balance as of June 30, 2015	<u>\$ -</u>	<u>\$ 36,052</u>

Although the School District had qualifying disbursements during the fiscal year that reduced the set-aside amounts to below zero for capital acquisition, this extra amount may not be used to reduce the set-aside requirements of future fiscal years. Negative amounts are therefore not presented as being carried forward to the next fiscal year for the capital acquisition set-aside.

NOTE 15 - CONTINGENCIES

A. Grants

The School District received financial assistance from federal and State agencies in the form of grants. The expenditure of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and are subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the General Fund or other applicable funds. However, the effect of any such disallowed claims on the overall financial position of the School District at June 30, 2015, if applicable, cannot be determined at this time.

B. Litigation

The School District is not party to any legal proceedings.

NOTE 16 – COMPLIANCE

Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03 (B) require the School District to prepare its financial statements in accordance with generally accepted accounting principles. However, the School District opts to prepare its financial statements in accordance with the modified cash basis of accounting.

Valley Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2015

NOTE 17 - FUND BALANCES

Fund balance is classified as nonspendable, restricted, committed, assigned and/or unassigned based primarily on the extent to which the School District is bound to observe constraints imposed upon the use of the resources in the governmental funds. The constraints placed on the fund balance for the major governmental funds and all other governmental funds are presented below:

Fund Balances	General	Bond Retirement	Nonmajor Governmental Funds	Total Governmental Funds
Nonspendable				
Unclaimed Monies	\$ 806	\$ -	\$ -	\$ 806
Restricted for				
Other Purposes	-	-	73,278	73,278
Food Service Operations	-	-	29,104	29,104
Classroom Facilities	-	-	221,357	221,357
Athletics	35,120	-	-	35,120
Debt Services Payments	-	1,099,964	-	1,099,964
Capital Projects	-	-	14,238	14,238
Total Restricted	<u>35,120</u>	<u>1,099,964</u>	<u>337,977</u>	<u>1,473,061</u>
Assigned to				
Budget Stabilization	36,052	-	-	36,052
Other Purposes	181,996	-	-	181,996
Total Assigned	<u>218,048</u>	<u>-</u>	<u>-</u>	<u>218,048</u>
Unassigned (Deficit)	<u>4,128,013</u>	<u>-</u>	<u>(261,448)</u>	<u>3,866,565</u>
Total Fund Balances	<u>\$ 4,381,987</u>	<u>\$ 1,099,964</u>	<u>\$ 76,529</u>	<u>\$ 5,558,480</u>

NOTE 18 - CHANGES IN ACCOUNTING PRINCIPLES

For 2015, the District implemented Governmental Accounting Standards Board (GASB) Statement No. 68, "Accounting and Financial Reporting for Pensions-an Amendment of GASB Statement No.27."

Statement No. 68 requires governments providing defined benefit pensions to recognize their unfunded pension benefit obligation as a liability for the first time, and to more comprehensively and comparably measure the annual costs of pension benefits. The statement also enhances accountability and transparency through revised note disclosures and required supplemental information (RSI). The total pension liability will be computed on a different basis than the current actuarial accrued liability and it is deemed likely that this pronouncement would have a material impact on governments who prepare their financial statements in accordance with accounting principles generally accepted in the United States of America. Since the District currently reports on the cash basis of accounting, there is not any effect on the financial statements; however, there are additional disclosure requirements which are included in Note 7.

NOTE 19 – ACCOUNTABILITY

The following fund had a deficit fund balance at June 30, 2015.

Other Governmental Funds	Deficit
Improving Teacher Quality Fund	\$ 261,448

This deficit was created as this fund is awaiting receipt of requested grant funds.

Valley Local School District
Required Supplementary Information
Schedule of the School District's Proportionate Share of the Net Pension Liability
School Employees Retirement System of Ohio
Last Two Years

	<u>2014</u>	<u>2013</u>
Total plan pension liability	\$ 17,881,827,171	\$ 17,247,161,078
Plan net position	<u>12,820,884,107</u>	<u>11,300,482,029</u>
Net pension liability	5,060,943,064	5,946,679,049
School District's proportion of the net pension liability	0.048137%	0.048137%
School District's proportionate share of the net pension liability	\$ 2,436,186	\$ 2,862,553
District's covered-employee payroll	\$ 1,485,789	\$ 2,166,069
School District's proportionate share of the net pension liability as a percentage of its covered-employee payroll	164.00%	132.20%
Plan fiduciary net position as a percentage of the total pension liability	71.70%	65.50%

Valley Local School District
Required Supplementary Information
Schedule of the School District's Proportionate Share of the Net Pension Liability
State Teachers Retirement System of Ohio
Last Two Years

	<u>2014</u>	<u>2013</u>
Total plan pension liability	\$ 96,167,057,104	\$ 94,366,693,720
Plan net position	<u>71,843,596,331</u>	<u>65,392,746,348</u>
Net pension liability	24,323,460,773	28,973,947,372
School District's proportion of the net pension liability	0.03871967%	0.03871967%
School District's proportionate share of the net pension liability	\$ 9,417,964	\$ 11,218,617
School District's covered-employee payroll	\$ 4,260,392	\$ 4,665,969
School District's proportionate share of the net pension liability as a percentage of its covered-employee payroll	221.10%	240.40%
Plan fiduciary net position as a percentage of the total pension liability	74.70%	69.30%

Valley Local School District
Required Supplementary Information
Schedule of School District Contributions
School Employees Retirement System of Ohio
Last Ten Years

	2015	2014	2013	2012	2011	2010	2009	2008	2007	2006
Contractually required contribution	\$ 201,130	\$ 195,827	\$ 299,784	\$ 286,512	\$ 275,040	\$ 247,368	\$ 246,084	\$ 235,031	\$ 223,679	\$ 205,593
Contributions in relation to the contractually required contribution	(201,130)	(195,827)	(299,784)	(286,512)	(275,040)	(247,368)	(246,084)	(235,031)	(223,679)	(205,593)
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
School District's covered-employee payroll	\$ 1,451,154	\$ 1,485,789	\$ 2,166,069	\$ 2,130,201	\$ 2,188,067	\$ 1,826,942	\$ 2,500,854	\$ 2,393,391	\$ 2,094,373	\$ 1,943,223
Contributions as a percentage of covered employee payroll	13.86%	13.18%	13.84%	13.45%	12.57%	13.54%	9.84%	9.82%	10.68%	10.58%

Valley Local School District
 Required Supplementary Information
 Schedule of School District Contributions
 State Teachers Retirement System of Ohio
 Last Ten Years

	2015	2014	2013	2012	2011	2010	2009	2008	2007	2006
Contractually required contribution	\$ 533,868	\$ 553,851	\$ 606,576	\$ 612,012	\$ 726,768	\$ 712,800	\$ 698,316	\$ 677,604	\$ 649,789	\$ 586,395
Contributions in relation to the contractually required contribution	(533,868)	(553,851)	(606,576)	(612,012)	(726,768)	(712,800)	(698,316)	(677,604)	(649,789)	(586,395)
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
School District covered-employee payroll	\$ 3,813,343	\$ 4,260,392	\$ 4,665,969	\$ 4,707,785	\$ 5,590,523	\$ 5,483,077	\$ 5,371,662	\$ 5,212,338	\$ 4,998,377	\$ 4,510,731
Contributions as a percentage of covered-employee payroll	14.00%	13.00%	13.00%	13.00%	13.00%	13.00%	13.00%	13.00%	13.00%	13.00%

VALLEY LOCAL SCHOOL DISTRICT
Schedule of Federal Awards Receipts and Expenditures
For the Fiscal Year Ended June 30, 2015

Federal Grantor / Pass Through Grantor / Program Title	Grant Year	Federal CFDA Number	Cash Receipts	Non-Cash Receipts	Cash Expenditures	Non-Cash Expenditures
<u>U.S. Department of Agriculture</u>						
<i>Passed Through Ohio Department of Education:</i>						
<i>Nutrition Cluster:</i>						
School Breakfast Program	2014/2015	10.553	\$79,796	\$0	\$79,796	\$0
National School Lunch Program	2014/2015	10.555	236,083	31,516	236,083	31,516
Total Nutrition Cluster			315,879	31,516	315,879	31,516
Total U.S. Department of Agriculture			315,879	31,516	315,879	31,516
<u>U.S. Department of Education</u>						
<i>Passed Through Ohio Department of Education:</i>						
<i>Title I Cluster:</i>						
Title I Grants to Local Educational Agencies	2014	84.010	26,741	0	27,755	0
Title I Grants to Local Educational Agencies	2015	84.010	258,013	0	231,689	0
Total Title I Cluster			284,754	0	259,444	0
<i>Special Education Cluster:</i>						
Special Education - Grants to States (IDEA Part B)	2014	84.027	35,956	0	27,905	0
Special Education - Grants to States (IDEA Part B)	2015	84.027	213,501	0	196,795	0
Total Special Education Cluster			249,457	0	224,700	0
Rural Education	2014	84.358	0	0	1,123	0
Improving Teacher Quality	2014	84.367	129	0	0	0
Improving Teacher Quality	2015	84.367	78,293	0	68,646	0
Total Improving Teacher Quality			78,422	0	68,646	0
Teacher Incentive Award	2014	84.374	0	0	110,180	0
Teacher Incentive Award	2015	84.374	160,253	0	311,615	0
Total Teacher Incentive Award			160,253	0	421,795	0
Total U.S. Department of Education			772,886	0	975,708	0
Total Federal Financial Assistance			\$1,088,765	\$31,516	\$1,291,587	\$31,516

The accompanying notes to the Schedule of Federal Awards Revenues and Expenditures are an integral part of the Schedule.

VALLEY LOCAL SCHOOL DISTRICT
Notes to the Schedule of Federal Awards Receipts and Expenditures
For the Fiscal Year Ended June 30, 2015

NOTE A - SIGNIFICANT ACCOUNTING POLICIES

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

NOTE B - CHILD NUTRITION CLUSTER

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

NOTE C - FOOD DONATION PROGRAM

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

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

Board of Education
Valley Local School District
1821 State Route 728
Lucasville, OH 45648

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States of America, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Valley Local School District (the School District), Scioto County, as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the School District's basic financial statements and have issued our report thereon dated December 9, 2015, wherein we noted the School District adopted new accounting guidelines in Governmental Accounting Standards Board Statement No. 68, *Accounting and Financial Reporting for Pensions-an amendment of GASB Statement No. 27* and GASB Statement No. 71 *Pension Transition for Contributions Made Subsequent to the Measurement Date – an amendment of GASB Statement No.68*.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the School District's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of supporting our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the School District's internal control. Accordingly, we do not express an opinion on the effectiveness of the School District's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency or combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the School District's financial statements will not be prevented, or detected and corrected on a timely basis. 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 deficiencies in internal control that might be material weakness or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Board of Education
Valley Local School District
Independent Auditor's Report on Internal Control Over Financial Reporting
and on Compliance and Other Matters Based on an Audit of Financial Statements
Performed in Accordance With *Government Auditing Standards*

Compliance and Other Matters

As part of obtaining reasonable assurance whether the School District's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, opining on compliance with those provisions was not an objective of our audit and accordingly, we do not express an opinion. The results of our tests disclosed instances of noncompliance or other matters we must report under *Governmental Auditing Standards* which are described in the accompanying schedule of findings as items 2015-001 and 2015-002.

Entity's Response to Findings

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

Purpose of this Report

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

J. L. Uhrig and Associates, Inc.

J. L. UHRIG AND ASSOCIATES, INC.
Chillicothe, Ohio

December 9, 2015

**Independent Auditor's Report on Compliance with Requirements Applicable for Each Major Program
and on Internal Control over Compliance Required by OMB Circular A-133**

Board of Education
Valley Local School District
1821 State Route 728
Lucasville, OH 45648

Report on Compliance for Each Major Federal Program

We have audited the Valley Local School District (the School District), Scioto County, compliance with the types of applicable requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133, Compliance Supplement* that could have a direct and material effect on the District's major federal programs for the year ended June 30, 2015. The School District's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings.

Management's Responsibility

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

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for the School District's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audit contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the applicable compliance requirements referred to above that could have a direct and material effect on the major federal programs occurred. An audit includes examining, on a test basis, evidence about the School District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

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

Opinion on Each Major Federal Program

In our opinion, the School District complied, in all material aspects, with the compliance requirements referred to above that could have a direct and material effect on its major federal programs identified in the summary of auditor's results section of the accompanying schedule of findings for the year ended June 30, 2015.

Report on Internal Control over Compliance

Management of Valley Local School District is responsible for establishing and maintaining effective internal control over compliance with the applicable compliance requirements referred to above. In planning and performing our audit of compliance, we considered the School District's internal control over compliance with the applicable requirements that could have a direct and material effect on the major federal program, to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing our opinion on compliance for each federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the School District's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or to detect and correct, noncompliance with an applicable compliance requirement of a federal program on a timely basis. *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's compliance requirement will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with an applicable compliance requirement of a federal program 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 was not designed to 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.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

J. L. Uhrig and Associates, Inc.

J. L. UHRIG AND ASSOCIATES, INC.
Chillicothe, Ohio

December 9, 2015

VALLEY LOCAL SCHOOL DISTRICT

Schedule of Findings

For the Fiscal Year Ended June 30, 2015

A. SUMMARY OF AUDITOR'S RESULTS

1.	<i>Type of Financial Statement Opinion</i>	Unmodified
2.	<i>Were there any material internal control weaknesses reported at the financial statement level (GAGAS)?</i>	No
3.	<i>Were there any other significant internal control deficiency reported at the financial statement level (GAGAS)?</i>	No
4.	<i>Was there any material noncompliance reported at the financial statement level (GAGAS)?</i>	Yes
5.	<i>Were there any material internal control weaknesses reported for major federal programs?</i>	No
6.	<i>Were there any other significant internal control deficiency reported for major federal programs?</i>	No
7.	<i>Type of Major Programs' Compliance Opinion</i>	Unmodified
8.	<i>Are there any reportable findings under § .510?</i>	No
9.	<i>Major Programs (list):</i>	CFDA #10.553/10.555 Nutrition Cluster CFDA #84.374 Teacher Incentive Award
10.	<i>Dollar Threshold: Type A/B Programs</i>	Type A: >\$300,000 Type B: All Other Programs
11.	<i>Low Risk Auditee?</i>	No

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

Finding Number 2015-001

Annual Financial Report – Noncompliance Citation

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

VALLEY LOCAL SCHOOL DISTRICT

Schedule of Findings

For the Fiscal Year Ended June 30, 2015

Finding Number 2015-001 (continued)

Ohio Admin. Code Section 117-2-03(B) requires the School District to prepare its annual financial report in accordance with generally accepted accounting principles. However, the School District prepares its financial statements and notes in accordance with standards established by the Auditor of State for governmental entities not required to prepare annual reports in accordance with generally accepted accounting principles.

The accompanying financial statements and notes omit assets, liabilities, fund equities, and disclosures that, while material, cannot be determined at this time. Pursuant to Ohio Rev. Code Section 117.38, the School District may be fined and subject to various other administrative remedies for its failure to file the required financial report.

We recommend that the School District should prepare its annual financial report in accordance with generally accepted accounting principles.

Officials' Response:

As the district's new Treasurer, effective February 15, 2015, I started the process of switching the district annual financial report from cash to the generally accepted accounting principles (GAAP Reporting).

Finding Number 2015-002

Certification of Expenditures - Noncompliance Citation

Ohio Rev. Code Section 5705.41(D)(1) prohibits a subdivision or taxing entity from making any contract or ordering any expenditure of money unless a certificate signed by the Treasurer is attached thereto. The Treasurer must certify that the amount required to meet any such contract or expenditure has been lawfully appropriated and is in the treasury, or is in the process of collection to the credit of an appropriate fund free from any previous encumbrance. Further, contracts and orders for expenditures lacking prior certification shall be null and void.

There are several exceptions to the standard requirement stated above that a Treasurer's certificate must be obtained prior to a subdivision or taxing authority entering into a contract or order involving the expenditure of money. The main exceptions are: "then and now" certificates, blanket certificates, and super blanket certificates, which are provided for in Section 5705.41(D)(1) and 5705.41(D)(3), respectively, of the Ohio Revised Code.

1. "Then and Now" Certificate - If the Treasurer can certify that both at the time that the contract or order was made ("then"), and at the time that the Treasurer is completing the certification ("now"), that sufficient funds were available or in the process of collection, to the credit of a proper fund, properly appropriated and free from any previous encumbrance, the School District can authorize the drawing of a warrant for the payment of the amount due. The School District has thirty days from the receipt of the "then and now" certificate to approve payment by ordinance or resolution.

Amounts less than \$3,000 may be paid by the Treasurer without a resolution or ordinance upon completion of the "then and now" certificate, provided that the expenditure was otherwise lawful. This does not eliminate any otherwise applicable requirement for approval of expenditures by the School District.

VALLEY LOCAL SCHOOL DISTRICT

Schedule of Findings

For the Fiscal Year Ended June 30, 2015

Finding Number 2015-002 (continued)

2. Blanket Certificate - Treasurers may prepare “blanket” certificates for a certain sum of money not in excess of an amount established by resolution or ordinance adopted by a majority of the members of the legislative authority against any specific line item account over a period not running beyond the end of the current fiscal year. The blanket certificates may, but need not, be limited to a specific vendor. Only one blanket certificate may be outstanding at one particular time for any one particular line item appropriation. Purchase orders may not exceed an amount established by resolution or ordinance of the legislative authority, and cannot extend past the end of the fiscal year. In other words, blanket certificates cannot be issued unless there has been an amount approved by the legislative authority for the blanket.

3. Super Blanket Certificate - The School District may also make expenditures and contracts for any amount from a specific line-item appropriation account in a specified fund upon certification of the Treasurer for most professional services, fuel, oil, food items, and any other specific recurring and reasonably predictable operating expense. This certification is not to extend beyond the current year. More than one super blanket certificate may be outstanding at a particular time for any line item appropriation.

30% of disbursements were not properly encumbered at June 30, 2014 due to an issuance of the purchase order after the obligation has been made. Failure to certify the availability of funds properly can result in overspending funds and negative cash fund balances.

Unless the School District uses the exceptions noted above, prior certification is not only required by statute but is a key control in the disbursement process to assure that purchase commitments receive prior approval. To improve controls over disbursements and to help reduce the possibility of the School District’s funds exceeding budgetary spending limitations, we recommend the Treasurer certify that the funds are or will be available prior to obligation by the School District. When prior certification is not possible, “then and now” certification should be used.

We recommend that the School District officials and employees obtain the Treasurer’s certification of the availability of funds prior to the commitment being incurred. The most convenient certification method is to use purchase orders that include the certificate language the Ohio Rev. Code Section 5705.41(D) requires to authorize disbursements. The Treasurer should sign the certification at the time the School District incurs the commitment, and only when the requirements of Ohio Rev. Code Section 5705.41(D) are satisfied. The Treasurer should post approved purchase orders to the proper appropriation code to reduce the available appropriation.

Officials’ Response:

With new procedures and directly contacting those who purchase without an approved purchase order, resulting in the need for a “Then and Now Certification,” I anticipate this issue to be reduced significantly. Being that the district is moving from cash to GAAP accounting, more detailed accounts are being set up and reviewed for accuracy and there is now an additional person to assist the Fiscal office. Beginning FY16, more accurate and detailed accounts have been set up. We are utilizing quarterly purchase orders to reduce the need for “Then and Now Certificate;” in addition to creating purchase orders for various semi-yearly/yearly quarterly billings whenever possible.

C. FINDINGS FOR FEDERAL AWARDS

There were no findings related to Federal Awards to be reported.

VALLEY LOCAL SCHOOL DISTRICT
Schedule of Prior Audit Findings
For the Year Ended June 30, 2015

Finding Number	Description	Status	Comments
<i>Government Auditing Standards:</i>			
2014-001	Ohio Rev. Code 117.38 – District prepared its annual financial report using the modified cash basis of accounting instead of accounting principles generally accepted in the United States (GAAP).	Not Corrected	Reissued as Finding Number 2015-001
2014-002	Ohio Rev. Code 5705.41(D)(1) – Prior certification of funds.	Not Corrected	Reissued as Finding Number 2015-002
2014-003	Title I Grants to Local Educational Agencies – Activities Allowed or Unallowed and Allowable Costs/Cost Principles – Teacher Salary	Corrected	N/A
2014-004	Title I Grants to Local Educational Agencies – Activities Allowed or Unallowed and Allowable Costs/Cost Principles – Substitute Teacher Pay	Corrected	N/A
2014-005	Title I Grants to Local Educational Agencies – Cash Management	Corrected	N/A
2014-006	Title I Grants to Local Educational Agencies and Teacher Incentive Fund Cluster – Procurement and Suspension and Debarment	Corrected	N/A
2014-007	Teacher Incentive Fund Cluster – Activities Allowed or Unallowed and Allowable Costs/Cost Principles	Corrected	N/A
2014-008	Teacher Incentive Fund Cluster – Cash Management	Corrected	N/A
2014-009	Teacher Incentive Fund Cluster – Period of Availability	Corrected	N/A

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Dave Yost • Auditor of State

VALLEY LOCAL SCHOOL DISTRICT

SCIOTO COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

CERTIFIED
MARCH 1, 2016