



Dave Yost • Auditor of State

**VALLEY LOCAL SCHOOL DISTRICT
SCIOTO COUNTY**

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Dave Yost • Auditor of State

INDEPENDENT AUDITOR'S REPORT

Valley Local School District
Scioto County
1821 State Route 728
Lucasville, Ohio 45648

To the Board of Education:

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Valley Local School District, Scioto County, Ohio (the School District), as of and for the year ended June 30, 2014, and the 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' *Government Auditing Standards*. Those standards require us to plan and perform the audit to reasonably assure the financial statements are free from material misstatement.

An audit requires obtaining evidence about financial statement amounts and disclosures. The procedures selected depend on our judgment, including assessing the risks of material financial statement misstatement, whether due to fraud or error. In assessing those risks, we consider internal control relevant to the 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 Valley Local School District, Scioto County, Ohio, as of June 30, 2014, and the respective changes in modified cash financial position and 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 § 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.

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 we applied to the basic financial statements. We also applied certain additional procedures, including comparing and reconciling this schedule directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and 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.

We applied no procedures to the Management's Discussion & Analysis presented on pages 5-11 of the report, and accordingly, we express no opinion or any other assurance on it.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated June 4, 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.

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

Dave Yost
Auditor of State

Columbus, Ohio

June 4, 2015

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Valley Local School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2014

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, 2014, 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 \$1,343,589.

General cash receipts accounted for \$8,763,856 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 \$3,662,820 or 29 percent of total cash receipts of \$12,426,676.

The School District had \$11,083,087 in expenses related to governmental activities; only \$3,662,820 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 \$8,763,856 were \$1,343,589 more 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, 2014

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 2014, 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, 2014

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 2014 compared to 2013.

(Table 1)
 Net Position

	Governmental Activities	
	2014	2013
Assets		
Current and Other Assets	\$ 3,856,068	\$ 2,512,479
Total Assets	3,856,068	2,512,479
 Net Position		
Restricted	1,377,789	1,518,518
Unrestricted	2,478,279	993,961
Total Net Position	\$ 3,856,068	\$ 2,512,479

The change from the prior year is due to increases in receipts and decreases in 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, 2014

(Table 2)
Change in Net Position

Cash Receipts	Governmental Activities	
	2014	2013*
Program Cash Receipts:		
Charges for Services and Sales	\$ 1,744,361	\$ 1,591,967
Operating Grants and Contributions	1,918,459	1,931,789
Total Program Cash Receipts	3,662,820	3,523,756
General Cash Receipts:		
Property Taxes	1,342,825	1,368,016
Grants and Entitlements not Restricted to Specific Programs	7,148,971	6,860,689
Gifts and Donations not Restricted	24,716	10,876
Interest	50,281	54,481
Proceeds from Sale of Capital Assets	-	457
Miscellaneous	51,498	74,294
Refund of Prior Year Expenditures	145,565	-
Total General Cash Receipts	8,763,856	8,368,813
Total Cash Receipts	\$ 12,426,676	\$ 11,892,569

*Certain reclassifications have been made. These reclassifications had no effect on Net Position.

Valley Local School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2014

(Table 2)
Change in Net Position
(continued)

	Governmental Activities	
	2014	2013
Program Cash Disbursements		
Instruction:		
Regular	\$ 4,759,801	\$ 5,049,279
Special	1,537,922	1,491,515
Vocational	4,321	25,273
Other	251,195	269,287
Support Services:		
Pupils	374,833	428,207
Instructional Staff	222,772	536,787
Board of Education	49,464	33,693
Administration	618,943	613,558
Fiscal	243,567	245,603
Operation and Maintenance of Plant	1,033,679	1,038,851
Pupil Transportation	848,139	848,823
Central	296,433	302,526
Operation of Non-Instructional Services	490,893	513,645
Extracurricular Activities	201,250	218,786
Capital Outlay	375	11,949
Debt Service:		
Principal	130,000	210,000
Interest and Fiscal Charges	19,500	19,500
Total Cash Disbursements	<u>11,083,087</u>	<u>11,857,282</u>
Change in Net Position	1,343,589	35,287
Net Position, Beginning of the Year	2,512,479	2,477,192
Net Position, End of the Year	<u>\$ 3,856,068</u>	<u>\$ 2,512,479</u>

Total Program Cash receipts increased by \$139,064 due mainly to an increase in open enrollment funding. Grants and Entitlements not Restricted to specific programs increased primarily due to increased foundation receipts. Refund of Prior Year Expenditures increased due to a School Employees Retirement System and Bureau of Worker's Compensation return of overpaid contributions and premiums respectively. Cash disbursements decreased \$774,195 due mainly to a decrease in Instructional Staff and Regular Instruction disbursements as a result of decreased salary disbursements. Property taxes decreased primarily due to the School District's bond levy expiring.

Valley Local School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2014

Governmental Activities

Grants and entitlements not restricted to specific programs made up 58 percent of cash receipts for governmental activities of the School District for fiscal year 2014. Property tax receipts made up 11 percent of the total cash receipts for governmental activities for a total of 69 percent of all cash receipts coming from property taxes and grants and entitlements not restricted to specific programs.

Regular instruction comprises 43 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 2014	Net Cost of Services 2014	Total Cost of Services 2013	Net Cost of Services 2013*
Instruction	\$ 6,553,239	\$ 4,071,312	\$ 6,835,354	\$ 4,617,566
Support Services	3,687,830	3,007,109	4,048,048	3,329,076
Operation of Non-Instructional Services	490,893	24,183	513,645	(42,283)
Extracurricular Activities	201,250	167,788	218,786	187,718
Capital Outlay	375	375	11,949	11,949
Principal	130,000	130,000	210,000	210,000
Interest and Fiscal Charges	19,500	19,500	19,500	19,500
Total Cash Disbursements	<u>\$ 11,083,087</u>	<u>\$ 7,420,267</u>	<u>\$ 11,857,282</u>	<u>\$ 8,333,526</u>

*Certain reclassifications have been made. These reclassifications had no effect on Net Position.

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 \$12,426,676 and cash disbursements of \$11,083,087.

The fund balance in the General Fund increased by \$1,502,047. This increase was due to increased foundation settlement receipts and decreased disbursements for salaries.

For the Bond Retirement Fund, the fund balance decreased \$104,252, which is a result of less tax revenues than principal payments on bonds and interest payments on the capital lease.

Valley Local School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2014

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 2014, 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 14, as well as the actual amounts. A variance comparison is presented between the final budgeted amounts and the actual amounts.

For fiscal year 2014, the School District filed an amended certificate of estimated receipts. For the General Fund, original estimated receipts were \$10,068,597, with final receipts of \$10,903,725 and actual receipts of \$10,903,738.

At the end of fiscal year 2014, the School District filed an amended appropriations resolution. This resulted in the General Fund's final appropriations increasing \$197,302 from the original appropriations due mainly to increased appropriations for regular instruction and pupil transportation. Actual disbursements were \$9,922,819, which were \$191,831 over final appropriations.

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 \$375 during fiscal year 2014.

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, 2014, the School District had \$1,000,000 in outstanding capital leases. For additional information regarding debt, please see notes 8 and 9 to the basic financial statements. Table 4 summarizes the outstanding debt:

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

	2014	2013
2001 General Obligation Refunding Bonds	\$ -	\$ 18,704
Capital Lease	1,000,000	1,000,000
Totals	\$ 1,000,000	\$ 1,018,704

The School District's overall legal debt margin was \$5,646,516 with an unvoted debt margin of \$73,850 at June 30, 2014.

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 the current Treasurer as of February 13, 2015, Frieda Cyrus, Treasurer at Valley Local School District, 1821 State Route 728, Lucasville, Ohio 45648, or email frieda.cyrus@valleyls.org.

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Valley Local School District
Statement of Net Position - Modified Cash Basis
June 30, 2014

		Governmental Activities
ASSETS:		
Equity in Pooled Cash, Cash Equivalents, and Investments	\$	2,730,483
Cash and Cash Equivalents in Segregated Accounts		13,540
Investments in Segregated Accounts		78,717
Investments with Escrow Agents		1,033,328
<i>Total Assets</i>		3,856,068
NET POSITION:		
Restricted for Debt Service		1,077,057
Restricted for Capital Outlay		14,237
Restricted for Other Purposes		250,443
Restricted for Set-Asides		36,052
Unrestricted		2,478,279
<i>Total Net Position</i>	\$	3,856,068

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, 2014

	<u>Program Cash Receipts</u>			Net (Disbursement) Receipt and Changes in Net Position
	<u>Cash Disbursements</u>	<u>Charges for Services and Sales</u>	<u>Operating Grants and Contributions</u>	<u>Governmental Activities</u>
Governmental Activities:				
Instruction:				
Regular	\$ 4,759,801	\$ 774,458	\$ 260,447	\$ (3,724,896)
Special	1,537,922	230,693	1,171,781	(135,448)
Vocational	4,321	718	2,064	(1,539)
Other	251,195	41,766	-	(209,429)
Support Services:				
Pupils	374,833	62,323	-	(312,510)
Instructional Staff	222,772	32,685	66,923	(123,164)
Board of Education	49,464	8,224	-	(41,240)
Administration	618,943	102,578	5,113	(511,252)
Fiscal	243,567	40,462	239	(202,866)
Operation and Maintenance of Plant	1,033,679	171,868	-	(861,811)
Pupil Transportation	848,139	141,019	-	(707,120)
Central	296,433	49,287	-	(247,146)
Operation of Non-Instructional Services	490,893	54,818	411,892	(24,183)
Extracurricular Activities	201,250	33,462	-	(167,788)
Capital Outlay	375	-	-	(375)
Debt Service:				
Principal	130,000	-	-	(130,000)
Interest and Fiscal Charges	19,500	-	-	(19,500)
<i>Total Governmental Activities</i>	<u>\$ 11,083,087</u>	<u>\$ 1,744,361</u>	<u>\$ 1,918,459</u>	<u>\$ (7,420,267)</u>
General Cash Receipts:				
Property Taxes Levied for:				
General Purposes				1,330,186
Classroom Facilities Maintenance				8,945
Debt Service				3,694
Grants and Entitlements, Not Restricted to Specific Programs				7,148,971
Gifts and Donations, Not Restricted to Specific Programs				24,716
Interest				50,281
Miscellaneous				51,498
Refund of Prior Year Expenditures				145,565
<i>Total General Cash Receipts</i>				<u>8,763,856</u>
<i>Change in Net Position</i>				1,343,589
<i>Net Position Beginning of Year</i>				<u>2,512,479</u>
<i>Net Position End of Year</i>				<u>\$ 3,856,068</u>

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

Valley Local School District
Statement of Assets and Fund Balances - Modified Cash Basis
Governmental Funds
June 30, 2014

	<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	\$ 2,403,751	\$ 43,729	\$ 246,951	\$ 2,694,431
Cash and Cash Equivalents in Segregated Accounts	13,540	-	-	13,540
Investments in Segregated Accounts	78,717	-	-	78,717
Investments with Escrow Agents	-	1,033,328	-	1,033,328
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>\$ 2,532,060</u>	<u>\$ 1,077,057</u>	<u>\$ 246,951</u>	<u>\$ 3,856,068</u>
FUND BALANCES:				
Nonspendable	\$ 806	\$ -	\$ -	\$ 806
Restricted	48,731	1,077,057	264,680	1,390,468
Assigned	586,811	-	-	586,811
Unassigned	<u>1,895,712</u>	<u>-</u>	<u>(17,729)</u>	<u>1,877,983</u>
<i>Total Fund Balances</i>	<u>\$ 2,532,060</u>	<u>\$ 1,077,057</u>	<u>\$ 246,951</u>	<u>\$ 3,856,068</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, 2014

	<u>General</u>	<u>Bond Retirement</u>	<u>All Other Governmental Funds</u>	<u>Total Governmental Funds</u>
CASH RECEIPTS:				
Property Taxes	\$ 1,330,186	\$ 3,694	\$ 8,945	\$ 1,342,825
Intergovernmental	7,946,401	878	1,120,151	9,067,430
Interest	9,426	40,795	60	50,281
Tuition and Fees	1,418,550	-	-	1,418,550
Rent	520	-	-	520
Extracurricular Activities	90,671	-	-	90,671
Gifts and Donations	12,960	-	11,756	24,716
Customer Sales and Services	84,401	-	150,219	234,620
Miscellaneous	51,498	-	-	51,498
<i>Total Cash Receipts</i>	<u>10,944,613</u>	<u>45,367</u>	<u>1,291,131</u>	<u>12,281,111</u>
CASH DISBURSEMENTS:				
Current:				
Instruction:				
Regular	4,449,460	-	310,341	4,759,801
Special	1,079,844	-	458,078	1,537,922
Vocational	4,321	-	-	4,321
Other	251,195	-	-	251,195
Support Services:				
Pupils	374,833	-	-	374,833
Instructional Staff	143,029	-	79,743	222,772
Board of Education	49,464	-	-	49,464
Administration	612,850	-	6,093	618,943
Fiscal	243,163	119	285	243,567
Operation and Maintenance of Plant	1,033,679	-	-	1,033,679
Pupil Transportation	848,139	-	-	848,139
Central	296,433	-	-	296,433
Operation of Non-Instructional Services	96	-	490,797	490,893
Extracurricular Activities	201,250	-	-	201,250
Capital Outlay	375	-	-	375
Debt Service:				
Principal	-	130,000	-	130,000
Interest and Fiscal Charges	-	19,500	-	19,500
<i>Total Cash Disbursements</i>	<u>9,588,131</u>	<u>149,619</u>	<u>1,345,337</u>	<u>11,083,087</u>
<i>Excess of Cash Receipts Over (Under) Cash Disbursements</i>	<u>1,356,482</u>	<u>(104,252)</u>	<u>(54,206)</u>	<u>1,198,024</u>
OTHER FINANCING SOURCES:				
Refund of Prior Year Expenditures	145,565	-	-	145,565
<i>Total Other Financing Sources</i>	<u>145,565</u>	<u>-</u>	<u>-</u>	<u>145,565</u>
<i>Net Change in Fund Balances</i>	1,502,047	(104,252)	(54,206)	1,343,589
<i>Fund Balances at Beginning of Year</i>	<u>1,030,013</u>	<u>1,181,309</u>	<u>301,157</u>	<u>2,512,479</u>
<i>Fund Balances at End of Year</i>	<u>\$ 2,532,060</u>	<u>\$ 1,077,057</u>	<u>\$ 246,951</u>	<u>\$ 3,856,068</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, 2014

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	Variance with Final Budget Positive (Negative)
Total Cash Receipts and Other Financing Sources	\$ 10,068,597	\$ 10,903,725	\$ 10,903,738	\$ 13
Total Cash Disbursements and Other Financing Uses	<u>9,533,686</u>	<u>9,730,988</u>	<u>9,922,819</u>	<u>(191,831)</u>
Net Change in Fund Balance	534,911	1,172,737	980,919	(191,818)
Fund Balance at Beginning of Year	697,439	697,439	697,439	-
Prior Year Encumbrances Appropriated	<u>204,329</u>	<u>204,329</u>	<u>204,329</u>	<u>-</u>
Fund Balance at End of Year	<u>\$ 1,436,679</u>	<u>\$ 2,074,505</u>	<u>\$ 1,882,687</u>	<u>\$ (191,818)</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, 2014

	<u>Agency Fund</u>
ASSETS:	
Equity in Pooled Cash, Cash Equivalents, and Investments	\$ 6,025
<i>Total Assets</i>	<u>\$ 6,025</u>
NET POSITION:	
Unrestricted	\$ 6,025
<i>Total Net Position</i>	<u>\$ 6,025</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, 2014

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 42 non-certificated employees and 66 certificated full-time teaching personnel who provide services to 1,000 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 10, 11 and 12 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, 2014

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, 2014

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, 2014

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 2014, the School District's investments were limited to the State Treasury Assets Reserve of Ohio (STAR Ohio), commercial paper, repurchase agreements, money market accounts, and donated common stock. Investments are reported at fair value, which is based on quoted market prices.

STAROhio is an investment pool managed by the State Treasurer's Office which allows governments within the State to pool their funds for investment purposes. STAROhio is not registered with the SEC as an investment company, but does operate in a manner consistent with Rule 2a7 of the Investment Company Act of 1940. Investments in STAROhio are valued at STAROhio's share price which is the price the investment could be sold for on June 30, 2014.

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 2014 amounted to \$9,426, \$40,795, and \$60, 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, 2014

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, 2014, of the School District's \$1,377,789 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.

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)	\$1,502,047
Perspective Difference:	
Activity of Funds Reclassified for Cash Reporting Purposes	(57,199)
Encumbrances	(463,929)
Budget Basis	<u>\$980,919</u>

Valley Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2014

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, 2014

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, 2014, the School District’s bank balance of \$2,000,667 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, 2014, the School District had the following investments:

	Fair Value	Weighted Average Maturity
STAR Ohio	\$775,184	< 1 Year
Donated Common Stock	78,717	N/A
American Express Credit Corporation		
Discount Commercial Paper	956,558	< 1 Year
US Gov’t Money Market	76,770	< 1 Year
Total Investments	\$1,887,229	

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, 2014

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 STAR Ohio, 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 STAR Ohio and US Government Money Market were rated AAAM by Standard & Poor’s. Investments in the American Express Credit Corporation Discount Commercial Paper were rated AAA by Standard & Poor’s and Aa3 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. 41.08% of the School District’s investments are in STAROhio, 50.69% are in American Express discount commercial paper, 4.07% are in US Governmental Money Market Funds, and 4.17% 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 2014 represents collections of calendar year 2013 taxes. Real property taxes received in calendar year 2014 were levied after April 1, 2013, on the assessed value listed as of January 1, 2013, 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 2014 represents collections of calendar year 2013 taxes. Public utility real and tangible personal property taxes received in calendar year 2014 became a lien December 31, 2013, were levied after April 1, 2014, and are collected in 2014 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, 2014

NOTE 5 - PROPERTY TAXES (continued)

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

	2013 Second- Half Collections		2014 First- Half Collections	
	Amount	Percent	Amount	Percent
Agricultural/Residential and Other Real Estate	\$ 65,240,690	92.66%	\$ 68,285,790	92.47%
Public Utility	5,171,010	7.34%	5,564,390	7.53%
Total Assessed Value	<u>\$ 70,411,700</u>	<u>100.00%</u>	<u>\$ 73,850,180</u>	<u>100.00%</u>
Tax rate per \$1,000 of assessed valuation	\$25.86		\$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 2014, the School District contracted with Liberty Mutual Group for property and fleet insurance, inland marine coverage, and general liability insurance. Insurance coverage provided includes the following:

Property - including inland marine, miscellaneous equipment, and automobile physical damage catastrophic coverage (\$1,000 deductible)	\$38,220,243
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 11), 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 2014, the School District participated in the Ohio School Boards Association Workers' Compensation Group Rating Plan (GRP), an insurance purchasing pool (Note 12). 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, 2014

NOTE 7 - DEFINED BENEFIT PENSION PLANS AND OTHER POSTEMPLOYMENT BENEFITS

A. Defined Benefit Pension Plans

School Employees Retirement System

The School District contributes to the School Employees Retirement System of Ohio (SERS), a cost-sharing multiple-employer defined benefit pension plan. 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 Chapter 3309 of the Ohio Revised Code. SERS issues a publicly available, stand-alone financial report that includes financial statements and required supplementary information. That report can be obtained on SERS' website, at www.ohsers.org, under *Employers/Audit Resources*.

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, up to statutory maximum amounts, by the SERS' Retirement Board. The Retirement Board acting with the advice of the actuary, allocates the employer contribution rate among four of the funds (Pension Trust Fund, Death Benefit Fund, Medicare B Fund, and Health Care Fund) of the System. For fiscal year 2014, the allocation to pension and death benefits is 13.10 percent. The remaining 0.90 percent of the 14 percent employer contribution rate is allocated to the Health Care and Medicare B Funds. The School District's contributions to SERS for the fiscal years ended June 30, 2014, 2013 and 2012 were \$313,728, \$299,784, and \$286,512, respectively, which equaled the required annual contribution for each year.

State Teachers Retirement System

State Teachers Retirement System of Ohio (STRS Ohio) is a cost-sharing, multiple-employer public employee retirement system.

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

Plan Options – New members have a choice of three retirement plan options. In addition to the Defined Benefit (DB) Plan, new members are offered a Defined Contribution (DC) Plan and a Combined Plan. The DC Plan allows members to allocate all their member contributions and employer contributions equal to 9.5 percent of earned compensation among various investment choices. The Combined Plan offers features of the DC Plan and the DB Plan. In the Combined Plan, member contributions are allocated to investment choices by the member, and employer contributions are used to fund a defined benefit payment at a reduced level from the regular DB Plan. Contributions into the DC Plan and the Combined Plan are credited to member accounts as employers submit their payroll information to STRS Ohio, generally on a biweekly basis. DC and Combined Plan members will transfer to the DB Plan during their fifth year of membership unless they permanently select the DC or Combined Plan.

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

Valley Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2014

NOTE 7 - DEFINED BENEFIT PENSION PLANS AND OTHER POSTEMPLOYMENT BENEFITS (continued)

DC Plan Benefits – Benefits are established under Sections 3307.80 to 3307.89 of the Revised Code. For members who select the DC Plan, all member contributions and employer contributions at a rate of 9.5% are placed in an investment account. The member determines how to allocate the member and employer money among various investment choices. A member is eligible to receive a retirement benefit at age 50 and termination of employment. The member may elect to receive a lifetime monthly annuity or a lump-sum withdrawal. Employer contributions into members' accounts are vested after the first anniversary of the first day of paid service. Members in the DC Plan who become disabled are entitled only to their account balance. If a member dies before retirement benefits begin, the member's designated beneficiary is entitled to receive the member's account balance.

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

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

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

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

Chapter 3307 of the Revised Code provides statutory authority for member and employer contributions. Contribution rates are established by the State Teachers Retirement Board, upon recommendations of its consulting actuary, not to exceed statutory maximum rates of 9.5% for members and 14% for employers.

For fiscal year 2014 plan members were required to contribute 11% of their annual covered salaries. For fiscal years 2013 and 2012, plan members were required to contribute 10% of their annual covered salaries. The School District was required to contribute 14 percent; 13 percent was the portion used fund pension obligations. The School District's required contributions for pension obligations to STRS Ohio for the fiscal years ended June 30, 2014, 2013, and 2012 were \$616,992, \$606,576, and \$612,012, respectively; which were equal to the required amounts for those years.

STRS Ohio issues a stand-alone financial report. Additional information or copies of STRS Ohio's Comprehensive Annual Financial Report can be requested by writing to STRS Ohio, 275 E. Broad St., Columbus, OH 43215-3771, by calling (888) 227-7877, or by visiting the STRS Ohio website at www.strsoh.org.

Effective July 1, 2014, plan members will be required to contribute 12% of their covered salaries.

Valley Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2014

NOTE 7 - DEFINED BENEFIT PENSION PLANS AND OTHER POSTEMPLOYMENT BENEFITS (continued)

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, 2014, one member of the Board of Education has elected Social Security. The Board's liability is 6.2 percent of wages paid.

B. Postemployment Benefits

State Teachers Retirement System

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 benefit recipients, 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.

Under Ohio law, funding for post-employment health care may be deducted from employer contributions. Of the 14 percent employer contribution rate, 1 percent of covered payroll was allocated to post-employment health care for the years ended June 30, 2014, 2013, and 2012. The 14 percent employer contribution rate is the maximum rate established under Ohio law. For the District, these amounts equaled \$44,071, \$43,327, and \$43,715 for fiscal years 2014, 2013, and 2012, respectively; which is equal to the required amounts for those years.

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 2014 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.

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 2014, 2013, and 2012, the actuarially required allocations were 0.76 percent, 0.74 percent, and 0.75 percent, respectively. For the District, contributions for the years ended June 30, 2014, 2013, and 2012, were \$17,031, \$15,846, and \$15,349, 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, 2014

NOTE 7 - DEFINED BENEFIT PENSION PLANS AND OTHER POSTEMPLOYMENT BENEFITS (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, 2014, 2013, and 2012, the health care allocations were 0.14 percent, 0.16 percent, and 0.55 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 2014, the minimum compensation level was established at \$20,250. 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 2014, 2013, and 2012 fiscal years equaled \$31,787, \$32,415, and \$41,054, 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*.

NOTE 8 – CAPITAL LEASES - LESSEE DISCLOSURE

In a previous fiscal year, the School District entered into a capital lease. This lease relates to a renovation project involving the buildings of the School District. Five more classrooms 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.

Valley Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2014

NOTE 8 – CAPITAL LEASES - LESSEE DISCLOSURE (continued)

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, 2014:

Fiscal Year Ending June 30,	Total Payments
2015	\$ 19,500
2016	1,019,500
Total	1,039,000
Less: Amount Representing Interest	(39,000)
Present Value of Net Minimum Lease Payments	\$ 1,000,000

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
2015	\$ -	\$ 19,500	\$ 19,500
2016	1,000,000	19,500	1,019,500
	\$ 1,000,000	\$ 39,000	\$ 1,039,000

NOTE 9 - LONG-TERM OBLIGATIONS

The changes in the School District's long-term obligations during fiscal year 2014 were as follows:

	Amount Outstanding 6/30/13	Additions	Deductions	Amount Outstanding 6/30/14	Amount Due in One Year
<u>General Obligation Bonds:</u>					
2001 Obligation Refunding					
Bonds 2001 2.05 - 4.00 %					
Capital Appreciation Bonds	\$ 18,704	-	\$ 18,704	\$ -	\$ -
<u>Other Long-Term Obligations:</u>					
Capital Lease	1,000,000	-	-	1,000,000	-
Total Long-Term Obligations	\$ 1,018,704	\$ -	\$ 18,704	\$ 1,000,000	\$ -

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

The above obligation schedule (principal payments) does not agree to the principal payments amount on pages 11 and 13 because it does not include the \$111,296 accreted portion of the capital appreciation bonds that matured in 2014. The last accretion payment was made in fiscal year 2014.

The School District's overall legal debt margin was \$5,646,516 with an unvoted debt margin of \$73,850 at June 30, 2014.

Valley Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2014

NOTE 10 - 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 \$77,462 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.

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 11 - 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 12 - 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.

Valley Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2014

NOTE 13 - 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, 2014, 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.

	Capital Acquisition	Budget Stablization
Set-aside Balance as of June 30, 2013	\$ -	\$ 36,052
Current Year Set-aside Requirement	178,168	-
Current Year Qualifying Disbursements	(178,168)	-
Totals	\$ -	\$ 36,052
Balance Carried Forward to Fiscal Year 2014	\$ -	\$ 36,052
Set-aside Balance as of June 30, 2014	\$ -	\$ 36,052

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 14 - 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, 2014, if applicable, cannot be determined at this time.

B. Litigation

The School District is not party to any legal proceedings.

NOTE 15 – 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, 2014

NOTE 16 - 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 government 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	-	-	37,161	37,161
Food Service Operations	-	-	33,241	33,241
Classroom Facilities	-	-	180,041	180,041
Athletics	48,731	-	-	48,731
Debt Services Payments	-	1,077,057	-	1,077,057
Capital Projects	-	-	14,237	14,237
Total Restricted	<u>48,731</u>	<u>1,077,057</u>	<u>264,680</u>	<u>1,390,468</u>
Assigned to				
Budget Stabilization	36,052	-	-	36,052
Other Purposes	550,759	-	-	550,759
Total Assigned	<u>586,811</u>	<u>-</u>	<u>-</u>	<u>586,811</u>
Unassigned (Deficit)	<u>1,895,712</u>	<u>-</u>	<u>(17,729)</u>	<u>1,877,983</u>
Total Fund Balances	<u>\$ 2,532,060</u>	<u>\$ 1,077,057</u>	<u>\$ 246,951</u>	<u>\$ 3,856,068</u>

NOTE 17 - CHANGES IN ACCOUNTING PRINCIPLES

For 2014, the District implemented Governmental Accounting Standards Board (GASB) Statement No. 66, "Technical Corrections – 2012 – An Amendment of GASB Statements No. 10 and No. 62," GASB Statement No. 69, "Government Combinations and Disposals of Government Operations," and GASB Statement No. 70, "Accounting and Financial Reporting for Nonexchange Financial Guarantees."

Statement No. 66 resolves conflicting guidance that resulted from the issuance of two pronouncements, Statements No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, and No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*.

This Statement amends Statement No. 10, *Accounting and Financial Reporting for Risk Financing and Related Insurance Issues*, by removing the provision that limits fund-based reporting of an entity's risk financing activities to the general fund and the internal service fund type. As a result, governments should base their decisions about fund type classification on the nature of the activity to be reported, as required in Statement 54 and Statement No. 34, *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments*.

This Statement also amends Statement 62 by modifying the specific guidance on accounting for (1) operating lease payments that vary from a straight-line basis, (2) the difference between the initial investment (purchase price) and the principal amount of a purchased loan or group of loans, and (3) servicing fees related to mortgage loans that are sold when the stated service fee rate differs significantly from a current (normal) servicing fee rate. These changes clarify how to apply Statement No. 13, *Accounting for Operating Leases with Scheduled Rent Increases*, and result in guidance that is consistent with the requirements in Statement No. 48, *Sales and Pledges of Receivables and Future Revenues and Intra-Entity Transfers of Assets and Future Revenues*, respectively.

Valley Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2014

NOTE 17 - CHANGES IN ACCOUNTING PRINCIPLES (continued)

Statement No. 69 establishes accounting and financial reporting standards related to government combinations and disposals of government operations. As used in this Statement, the term *government combinations* include a variety of transactions referred to as mergers, and transfers of operations.

Statement No. 70 improves accounting and financial reporting by state and local governments that extend and receive non exchange financial guarantees. This statement requires a government that extends a nonexchange financial guarantee to recognize a liability when qualitative factors and historical data, if any, indicate that it is more likely than not that the government will be required to make a payment on the guarantee.

The implementation of GASB Statements No. 66, 69, and 70 had no effect on the financial statements.

NOTE 18 – ACCOUNTABILITY

The following funds had deficit fund balances at June 30, 2014.

<u>Other Governmental Funds</u>	<u>Deficit</u>
IDEA, Part B Special Education, Education of Handicapped Children Fund	\$ 8,051
Improving Teacher Quality Fund	9,678

These deficits were created as these funds are awaiting receipt of requested grant funds.

NOTE 19 – SUBSEQUENT EVENTS

On October 24, 2014, the Board approved the HB 264 project at a proposed cost of \$900,726 with ABM Building Solutions, pending Ohio School Facilities Commission review and approval. The School District issued School Energy Conservation Improvement Bonds in the amount of \$676,000 on March 25, 2015, for 15 years, at an interest rate of 3.24%, for the purpose of energy conservation measures for the HB 264 project.

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VALLEY LOCAL SCHOOL DISTRICT
SCIOTO COUNTY

SCHEDULE OF FEDERAL AWARDS RECEIPTS AND EXPENDITURES
FOR THE FISCAL YEAR ENDED JUNE 30, 2014

FEDERAL GRANTOR/ <i>Pass Through Grantor</i> Program / Cluster Title	Grant Year	Federal CFDA Number	Receipts	Expenditures
U.S. DEPARTMENT OF AGRICULTURE				
<i>Passed Through Ohio Department of Education:</i>				
Child Nutrition Cluster:				
School Breakfast Program	2013/2014	10.553	\$ 84,596	\$ 84,596
National School Lunch Program	2013/2014	10.555	<u>256,936</u>	<u>256,936</u>
Total Child Nutrition Cluster			<u>341,532</u>	<u>341,532</u>
Total U.S. Department of Agriculture			341,532	341,532
U.S. DEPARTMENT OF EDUCATION				
<i>Passed Through Ohio Department of Education:</i>				
Title I Grants to Local Educational Agencies	2013 2014	84.010	25,618 <u>208,649</u>	44,625 <u>198,555</u>
Total Title I Grants to Local Educational Agencies			234,267	243,180
Special Education - Grants to States (IDEA, Part B)	2013 2014	84.027	18,246 <u>179,731</u>	34,583 <u>186,735</u>
Total Special Education - Grants to States (IDEA, Part B)			197,977	221,318
Rural Education	2013 2014	34.358	(217) <u>3,265</u>	0 <u>0</u>
Total Rural Education			3,048	0
Improving Teacher Quality State Grants	2013 2014	84.367	(9,586) <u>63,665</u>	8,962 <u>55,429</u>
Total Improving Teacher Quality State Grants			54,079	64,391
Teacher Incentive Fund Cluster				
Teacher Incentive Fund	2013 2014	84.374A	45,298 144,308	52,445 157,615
ARRA - Teacher Incentive Fund, Recovery Act	2013	84.385A	<u>20,080</u>	<u>19,557</u>
Total Teacher Incentive Fund Cluster			209,686	229,617
Total U.S. Department of Education			<u>699,057</u>	<u>758,506</u>
Total Federal Awards Receipts and Expenditures			<u>\$ 1,040,589</u>	<u>\$ 1,100,038</u>

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

**VALLEY LOCAL SCHOOL DISTRICT
SCIOTO COUNTY**

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

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's) 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.

NOTE D - TRANSFERS BETWEEN PROGRAM YEARS

Federal regulations require schools to obligate certain federal awards by June 30. However, with the Ohio Department of Education's consent, schools can transfer unobligated amounts to the subsequent fiscal year's program. These transfers resulted in the Schedule reporting negative receipts. The School District transferred the following amounts from 2013 to 2014 programs:

<u>Program Title</u>	<u>CFDA Number</u>	<u>Amount Transferred from 2013 to 2014</u>
Title I Grants to Local Educational Agencies	84.010	\$ 9,081
Special Education - Grants to States	84.027	1,047
Rural Education	84.358	3,265
Improving Teacher Quality State Grant	84.367	9,586

NOTE E – REPAYMENT OF FEDERAL MONIES

The Ohio Department of Education performed a review of the Teacher Incentive Fund Cluster (CFDA Numbers 84.374A and 84.385A) for year 2 (October 1, 2011 through September 30, 2012) of the grant. It was found that \$9,478 in purchased services expenditures were unallowable since the monies were expended prior to the start of the grant period. The School District repaid \$9,478 to the Treasurer of State via check #38701 on February 28, 2014. The repayment is not included on the Schedule.



Dave Yost • Auditor of State

INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS REQUIRED BY *GOVERNMENT AUDITING STANDARDS*

Valley Local School District
Scioto County
1821 State Route 728
Lucasville, Ohio 45648

To the Board of Education:

We have audited in accordance with auditing standards generally accepted in the United States and the Comptroller General of the United States' *Government Auditing Standards*, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Valley Local School District, Scioto County, Ohio (the School District) as of and for the year ended June 30, 2014, 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 June 4, 2015, wherein we noted the School District uses a special purpose framework other than generally accepted accounting principles.

Internal Control Over Financial Reporting

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

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

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

Compliance and Other Matters

As part of reasonably assuring 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 *Government Auditing Standards* which are described in the accompanying Schedule of Findings and Questioned Costs as items 2014-001 and 2014-002.

Entity's Response to Findings

The School District's response to the Findings identified in our audit is described in the accompanying Schedule of Findings and Questioned Costs. We did not audit the School District's response and, accordingly, we express no opinion on it.

Purpose of this Report

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



Dave Yost
Auditor of State

Columbus, Ohio

June 4, 2015



Dave Yost • Auditor of State

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

Valley Local School District
Scioto County
1821 State Route 728
Lucasville, Ohio 45648

To the Board of Education:

Report on Compliance for Each Major Federal Program

We have audited the Valley Local School District, Scioto County, Ohio (the School District), compliance with the applicable requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133, Compliance Supplement* that could directly and materially affect each of the Valley Local School District's major federal programs for the year ended June 30, 2014. The *Summary of Audit Results* in the accompanying Schedule of Findings and Questioned Costs identifies the School District's major federal programs.

Management's Responsibility

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

Auditor's Responsibility

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

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

Basis for Adverse Opinion on Title I Grants to States

As described in Findings 2014-003 through 2014-006 in the accompanying Schedule of Findings and Questioned Costs, the School District did not comply with requirements regarding the following:

Finding #	CFDA #	Program (or Cluster) Name	Compliance Requirement
2014-003 and 2014-004	84.010	Title I Grants to States	Activities Allowed or Unallowed and Allowable Costs/Cost Principles
2014-005	84.010	Title I Grants to States	Cash Management
2014-006	84.010	Title I Grants to States	Procurement and Suspension and Debarment

Compliance with these requirements is necessary, in our opinion, for the School District to comply with the requirements applicable to this program.

Adverse Opinion on Title I Grants to States

In our opinion, except for the noncompliance described in the *Basis for Adverse Opinion on Title I Grants to States* paragraph, the Valley Local School District complied, in all material respects, with the requirements referred to above that could directly and materially affect its Title I Grants to States for the year ended June 30, 2014.

Basis for Qualified Opinion on Teacher Incentive Fund Cluster

As described in Findings 2014-006 through 2014-009 in the accompanying Schedule of Findings and Questioned Costs, the School District did not comply with requirements regarding the following:

Finding #	CFDA #	Program (or Cluster) Name	Compliance Requirement
2014-006	84.374A and 84.385A	Teacher Incentive Fund Cluster	Procurement and Suspension and Debarment
2014-007	84.374A and 84.385A	Teacher Incentive Fund Cluster	Activities Allowed or Unallowed and Allowable Costs/Cost Principles
2014-008	84.374A and 84.385A	Teacher Incentive Fund Cluster	Cash Management
2014-009	84.374A and 84.385A	Teacher Incentive Fund Cluster	Period of Availability

Compliance with these requirements is necessary, in our opinion, for the School District to comply with the requirements applicable to this program.

Qualified Opinion on Teacher Incentive Fund Cluster

In our opinion, except for the noncompliance described in the *Basis for Qualified Opinion on Teacher Incentive Fund Cluster* paragraph, the Valley Local School District complied, in all material respects, with the requirements referred to above that could directly and materially affect its Teacher Incentive Fund Cluster for the year ended June 30, 2014.

Report on Internal Control Over Compliance

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

Our consideration of internal control over compliance was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. Therefore, we cannot assure we have identified all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. However, as discussed below, we identified certain deficiencies in internal control over compliance that we consider to be material weaknesses.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, when performing their assigned functions, to prevent, or to timely detect and correct, noncompliance with a federal program's applicable compliance requirement. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a federal program's compliance requirement will not be prevented, or timely detected and corrected. *A significant deficiency in internal control over compliance* is a deficiency or a combination of deficiencies in internal control over compliance with a federal program's applicable compliance requirement that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance. We consider the deficiencies in internal control over compliance described in the accompanying Schedule of Findings and Questioned Costs as items 2014-003 through 2014-009 to be material weaknesses.

The School District's response to our internal control over compliance findings is described in the accompanying Schedule of Findings and Questioned Costs and Corrective Action Plan. We did not audit the School District's response and, accordingly, we express no opinion on it.

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

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

Dave Yost
Auditor of State

Columbus, Ohio

June 4, 2015

VALLEY LOCAL SCHOOL DISTRICT
SCIOTO COUNTY

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
OMB CIRCULAR A-133 § .505
JUNE 30, 2014

1. SUMMARY OF AUDITOR'S RESULTS

<i>(d)(1)(i)</i>	Type of Financial Statement Opinion	Unmodified
<i>(d)(1)(ii)</i>	Were there any material control weaknesses reported at the financial statement level (GAGAS)?	No
<i>(d)(1)(ii)</i>	Were there any significant deficiencies in internal control reported at the financial statement level (GAGAS)?	No
<i>(d)(1)(iii)</i>	Was there any reported material noncompliance at the financial statement level (GAGAS)?	Yes
<i>(d)(1)(iv)</i>	Were there any material internal control weaknesses reported for major federal programs?	Yes
<i>(d)(1)(iv)</i>	Were there any significant deficiencies in internal control reported for major federal programs?	No
<i>(d)(1)(v)</i>	Type of Major Programs' Compliance Opinion	Adverse - Title I Grants to Local Educational Agencies: CFDA #84.010 Qualified – Teacher Incentive Fund Cluster: CFDA #84.374A and #84.385A
<i>(d)(1)(vi)</i>	Are there any reportable findings under §.510(a)?	Yes
<i>(d)(1)(vii)</i>	Major Programs (list):	Title I Grants to Local Educational Agencies: CFDA #84.010 Teacher Incentive Fund Cluster: CFDA #84.374A and #84.385A
<i>(d)(1)(viii)</i>	Dollar Threshold: Type A\B Programs	Type A: > \$300,000 Type B: all others
<i>(d)(1)(ix)</i>	Low Risk Auditee?	No

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

FINDING NUMBER 2014-001

Noncompliance

Ohio Rev. Code § 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 § 117-2-03 further clarifies the requirements of Ohio Rev. Code § 117.38.

Ohio Admin. Code § 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 § 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 the School District prepare its annual financial report in accordance with generally accepted accounting principles.

FINDING NUMBER 2014-002

Noncompliance

Ohio Rev. Code § 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 §§ 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 of 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 is otherwise lawful. This does not eliminate any otherwise applicable requirement for approval of expenditures by the School District.

FINDING NUMBER 2014-002
(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 issuance of the purchase order after the obligation had 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 also 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 funds are or will be available prior to an obligation being incurred by the School District. When prior certification is not possible, “then and now” certification should be used.

We recommend 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 that Ohio Rev. Code § 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 § 5705.41(D) are satisfied. The Treasurer should post approved purchase orders to the proper appropriation code to reduce the available appropriation.

3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS

Finding Number	2014-003
CFDA Title and Number	Title I Grants to Local Educational Agencies – CFDA # 84.010
Federal Award Number / Year	2013/2014
Federal Agency	U.S. Department of Education
Pass-Through Agency	Ohio Department of Education

Noncompliance, Material Weakness and Questioned Costs – Activities Allowed or Unallowed and Allowable Costs/Cost Principles

2 CFR § 225 (A-87) Appendix B 8.h(3) states: Where employees are expected to work solely on a single Federal award or cost objective, charges for their salaries and wages will be supported by periodic certifications that the employees worked solely on that program for the period covered by the certification. These certifications will be prepared at least semi annually and will be signed by the employee or supervisory official having first hand knowledge of the work performed by the employee.

During testing of the Title I Grants to Local Educational Agencies Federal Program, the salaries and benefits paid to the Teachers and Curriculum Director were not supported by semi-annual certificates to support that employees worked solely on a single Federal program or cost objective. Furthermore, there were no Board-approved contracts or salary notifications which assigned these employees specifically to Title I or the activity. Therefore, the identified employees' salaries and benefits that were charged to the 2013 and 2014 Title I Grants to Local Educational Agencies were determined to be unallowable. The total salaries paid in fiscal year 2014 on the 2013 grant were \$26,754 with estimated benefits paid totaling \$12,917. The total amount of \$39,671 is considered a questioned cost for the 2013 Title I Grants to Local Educational Agencies Program.

The total salaries paid in fiscal year 2014 on the 2014 grant were \$146,281 with estimated benefits paid totaling \$31,184. The total amount of \$177,465 is considered a questioned cost for the 2014 Title I Grants to Local Educational Agencies Program.

This represents total questioned costs in the amount of \$217,136 (\$39,671 + \$177,465).

It was also noted that salary notices and/or contracts only contained the position of the employee (i.e. Teacher, etc.); however, it was not specific as to type of position (i.e. Title I Teacher) for those being paid 100% from grant monies. Furthermore, it was noted that the salary notices were only signed by the Treasurer. This could result in further questions regarding salaries as well as the allowability of costs related to grants.

We recommend the School District review the federal guidance associated with maintaining semi-annual certifications and/or time and effort documentation and ensure all monies spent for the School District's Federal programs are within those parameters. We further recommend salary notices be specific as to position of employee and be signed by the Treasurer, Board President and employee. (See Finding Number 2014-004)

3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS (Continued)

Finding Number	2014-004
CFDA Title and Number	Title I Grants to Local Educational Agencies – CFDA # 84.010
Federal Award Number / Year	2013/2014
Federal Agency	U.S. Department of Education
Pass-Through Agency	Ohio Department of Education

Noncompliance, Material Weakness and Questioned Costs – Activities Allowed or Unallowed and Allowable Costs/Cost Principles

OBM Circular A-87 (codified in 2 CFR Part 225) establishes principles and standards for determining allowable direct and indirect for Federal awards. OMB Circular A-87, Appendix A, paragraph C.1 outlines the guidance for costs to be allowable under Federal awards. It states costs must meet the following general criteria to be allowable:

- (a) Be necessary and reasonable for the performance and administration of Federal awards.
- (b) Be allocable to Federal awards under the provisions of A-87.
- (c) Be authorized or not prohibited under State or local laws or regulations.
- (d) Conform to any limitations or exclusions set forth in A-87, Federal laws, terms and conditions of the Federal award, or other governing regulations as to types or amounts of cost items.
- (e) Be consistent with policies, regulations, and procedures that apply uniformly to both Federal awards and other activities of the governmental unit.
- (f) Be accorded consistent treatment. A cost may not be assigned to a Federal award as a direct cost if any other cost incurred for the same purpose in like circumstances has been allocated to the Federal award as an indirect cost.
- (g) Be determined in accordance with generally accepted accounting principles, except as otherwise provided in A-87.
- (h) Not be included as a cost or used to meet cost sharing or matching requirements of any other Federal award, except as specifically provided by Federal law or regulation.
- (i) Be net of all applicable credits.
- (j) Be adequately documented.

Also, for a cost to be allowable, it must be for a purpose the specific award permits.

**FINDING NUMBER 2014-004
 (Continued)**

During the testing of the Title I Grants to Local Educational Agencies Federal Program, costs were identified that were not reasonable to be paid from the program based on the guidelines stated above. We identified an substitute teachers' salaries and benefits that were charged to the Title I Grants to Local Educational Agencies that were determined to be unallowable since they were payments charged to the grant for substituting for teachers within the schoolwide building who were missing work due to sick leave and not for professional development (i.e. at a conference or training). The total salary paid in fiscal year 2014 was \$9,089 with estimated related fringe benefits of \$1,404. The total amount of \$10,493 is considered a questioned cost for the Title I Grants to Local Educational Agencies Program.

Also, during testing, we noted that timesheets were used to document work performed by substitutes that were paid from Title I as well as other funds. However, the timesheets did not indicate the funds in which the substitutes' pays were allocated to. In the absence of adequate information to determine the proper fund allocation, the Treasurer is unable to properly allocate these expenditures which could result in the financial statements being materially misstated as to the personal services provided in the Title I Fund. This also does not allow for proper budgeting of these funds in the subsequent year.

We recommend the School District review the federal guidance associated with allowable cost principles and ensure all monies spent for the School District's Federal programs are within those parameters. We further recommend timesheets include the fund allocation information. (See Finding Number 2014-003)

Finding Number	2014-005
CFDA Title and Number	Title I Grants to Local Educational Agencies – CFDA # 84.010
Federal Award Number / Year	2013/2014
Federal Agency	U.S. Department of Education
Pass-Through Agency	Ohio Department of Education

Noncompliance and Material Weakness – Cash Management

31 CFR §80.21 requires, through the Cash Management Improvement Act, that, to receive approval consideration, cash requests must be made *for immediate needs for the month requested*. Ohio Department of Education CCIP Note #284 states all cash requests must be compliant with the provisions of the Cash Management Improvement Act.

Ohio Department of Education Project Cash Request Instructions state payments must be requested as needed and for immediate cash needs. Funds may be requested for a maximum of one (1) month plus any negative cash balance. To comply with the “Cash Management Act” 31 CFR part 205, the time lapsed between the receipt and disbursement of funds must be minimized; this includes any draw down of project funds by June 30. Funds **MUST** be expended within the period of time for which cash is requested.

**FINDING NUMBER 2014-005
 (Continued)**

While testing Title I, we noted that the School District received monies for the fiscal year 2013 grant on August 2, 2013. There was a balance of \$4,456 held in that fund from August 30, 2013 through June 26, 2014 when a memo expenditure was posted to that fund. However, the Treasurer did not properly account for the fiscal year 2012 grant carryover balance in the accounting system. As a result, the actual cash balance on hand was \$9,081 at the time the memo expenditure was posted. The \$9,081 cash balance on hand equals the fiscal year 2013 grant carryover balance that should have been transferred in the accounting to the fiscal year 2014 grant. Had the Treasurer properly accounted for the grant carryover, a memo expenditure would have been unnecessary since the cash balance on hand in the fiscal year 2013 grant fund would have been \$0 after the transfer.

Furthermore, for the fiscal year 2014 Title I grant, the School District did not submit the first project cash request until January 31, 2014, when the School District's cash balance on hand was (\$96,791) based on the Financial Detail Report (FINDET) and including \$9,081 carryover from the fiscal year 2013 Title I grant. The information included on the project cash request form showed that the School District had a cash balance on hand of (\$89,018). The second project cash request was not done until April 9, 2014, when the School District's cash balance on hand was (\$16,511) based on the FINDET and including the \$9,081 carryover. The information included on the project cash request form showed that the School District had a cash balance on hand of (\$8,737). The final project cash request in fiscal year 2014 was done on June 9, 2014, when the School District's cash balance on hand was (\$27,346) based on the FINDET and including the \$9,081 carryover. The information included on the project cash request form showed that the School District had a cash balance on hand of (\$26,472). This could result in questions regarding the timeliness in which Federal monies are disbursed and possible questioned costs.

We recommend the Treasurer request less than 10% of the budget amount when preparing project cash request forms when it becomes apparent that funds are not going to be disbursed within the month in which funds were requested. We further recommend the Treasurer take due care in preparing the project cash request forms to ensure that accurate information is input that agrees back to the School District's accounting system and that project cash request forms are prepared more frequently (i.e. monthly) to further ensure that monies are disbursed in a timely manner.

Finding Number	2014-006
CFDA Title and Number	Title I Grants to Local Educational Agencies – CFDA # 84.010 Teacher Incentive Fund Cluster: CFDA #84.374A and #84.385A
Federal Award Number / Year	2013/2014
Federal Agency	U.S. Department of Education
Pass-Through Agency	Ohio Department of Education

FINDING NUMBER 2014-006
(Continued)

Noncompliance and Material Weakness – Procurement and Suspension and Debarment

2 CFR Part 180 contained suspension and debarment requirements which implements Executive Orders 12549 and 12689. These requirements prohibit non-federal entities from contracting with or making subawards under covered transactions to parties that are suspended or debarred or whose principals are suspended or debarred. "Covered transactions" include those procurement contracts for goods and services awarded under a non-procurement transaction (e.g., grant or cooperative agreement) that are expected to equal or exceed \$25,000 or meet certain other specified criteria. 2 CFR § 180.220 of the government wide non-procurement debarment and suspension guidance contains those additional limited circumstances. All non-procurement transactions (i.e., subawards to subrecipients), irrespective of award amount, are considered covered transactions.

When a non-federal entity enters into a covered transaction with an entity at a lower tier, the non-federal entity must verify that the entity is not suspended or debarred or otherwise excluded. This verification may be accomplished by checking the *Excluded Parties List System (EPLS)* maintained by the General Services Administration (GSA), collecting a certification from the entity, or adding a clause or condition to the covered transaction with that entity (2 CFR § 180.300).

In addition to the requirements above, federal procurement guidelines also state that price quotes should be obtained from an adequate number of sources for any type of small purchases (which are defined by the federal government as less than \$150,000 or the state's bidding threshold). The School District had purchased services expenditures for the Teacher Incentive Fund Cluster Federal Program totaling \$69,440. The EPLS database was not checked for the vendors. The School District did not obtain any type of price quotes for expenditures with various vendors in the amount of \$5,538 for the Teacher Incentive Fund Cluster Federal Program and \$11,403 for the Title I Grants to States Federal Program.

Without obtaining quotes from an adequate number of sources, it would be difficult to determine if the District received the best price for the services rendered or goods purchased. Also, by not checking the Excluded Party Listing, the School District could risk awarding a contract to a vendor which has been suspended or debarred.

We recommend the School District perform a search on the Excluded Parties List System before awarding any contracts with federal funds. We further recommend the School District establish procedures to perform a verification check for covered transactions by checking the EPLS and maintaining support on file for the verification, collecting a certification from the entity, or adding a clause or condition to the covered transaction with the entity whenever purchases are being made from federal grant funds. In addition, we recommend the School District develop a single process (policy) requiring competitive quotes or bids before obtaining goods or services with federal funds so that limited financial resources can be used more effectively to deliver educational services.

FINDING NUMBER 2014-007

Finding Number	2014-007
CFDA Title and Number	Teacher Incentive Fund Cluster: CFDA #84.374A and #84.385A
Federal Award Number / Year	2013/2014
Federal Agency	U.S. Department of Education
Pass-Through Agency	Ohio Department of Education

Noncompliance, Material Weakness and Questioned Costs – Activities Allowed or Unallowed and Allowable Costs/Cost Principles

OBM Circular A-87 (codified in 2 CFR Part 225) establishes principles and standards for determining allowable direct and indirect for Federal awards. OMB Circular A-87, Appendix A, paragraph C.1 outlines the guidance for costs to be allowable under Federal awards. It states costs must meet the following general criteria to be allowable:

- (a) Be necessary and reasonable for the performance and administration of Federal awards.
- (b) Be allocable to Federal awards under the provisions of A-87.
- (c) Be authorized or not prohibited under State or local laws or regulations.
- (d) Conform to any limitations or exclusions set forth in A-87, Federal laws, terms and conditions of the Federal award, or other governing regulations as to types or amounts of cost items.
- (e) Be consistent with policies, regulations, and procedures that apply uniformly to both Federal awards and other activities of the governmental unit.
- (f) Be accorded consistent treatment. A cost may not be assigned to a Federal award as a direct cost if any other cost incurred for the same purpose in like circumstances has been allocated to the Federal award as an indirect cost.
- (g) Be determined in accordance with generally accepted accounting principles, except as otherwise provided in A-87.
- (h) Not be included as a cost or used to meet cost sharing or matching requirements of any other Federal award, except as specifically provided by Federal law or regulation.
- (i) Be net of all applicable credits.
- (j) Be adequately documented.

Also, for a cost to be allowable, it must be for a purpose the specific award permits.

**FINDING NUMBER 2014-007
 (Continued)**

During the testing of the Teacher Incentive Fund (TIF) Federal Program, costs were identified that were not reasonable to be paid from the program based on the guidelines stated above. We identified \$30,000 in salaries that were moved from the General Fund to the Teacher Incentive Fund Federal Program for the TIF Operating Budget Year 3 grant that was determined to be unallowable. The \$30,000 was to cover a portion of the TIF Coordinator's salary. However, the TIF Coordinator was also the Grant Coordinator/Curriculum Director for the District whose salary was split 50/50 between two federal grants. This is not considered an allowable cost for the Teacher Incentive Fund Program.

The total salary costs charged to the TIF Operating Budget Year 3 of \$30,000 is considered a questioned cost for the Teacher Incentive Fund Program.

We recommend the School District review the federal guidance associated with allowable costs/cost principles and ensure all monies spent for the School District's Federal programs are within those parameters. (See Finding Number 2014-009.)

Finding Number	2014-008
CFDA Title and Number	Teacher Incentive Fund Cluster: CFDA #84.374A and #84.385A
Federal Award Number / Year	2013/2014
Federal Agency	U.S. Department of Education
Pass-Through Agency	Ohio Department of Education

Noncompliance and Material Weakness – Cash Management

31 CFR 80.21 requires, through the Cash Management Improvement Act, that, to receive approval consideration, cash requests must be made *for immediate needs for the month requested*.

Ohio Department of Education Project Cash Request Instructions state payments must be requested as needed and for immediate cash needs. Funds may be requested for a maximum of one (1) month plus any negative cash balance. To comply with the "Cash Management Act" 31 CFR part 205, the time lapsed between the receipt and disbursement of funds must be minimized; this includes any draw down of project funds by June 30. Funds MUST be expended within the period of time for which cash is requested.

For the Teacher Incentive Fund (TIF) Supplemental Grant, the School District received \$20,080 from its only cash request for this grant on August 1, 2013. As of September 1, 2013, the School District had a cash balance on hand of \$17,934 for this grant.

For the TIF Year 3 Grant, the School District received \$124,488 from its only cash request for this grant on February 4, 2014. As of March 6, 2014, the School District had a cash balance on hand of \$6,497.

This could result in questions regarding the timeliness in which Federal monies are disbursed and possible questioned costs.

**FINDING NUMBER 2014-008
 (Continued)**

We recommend the Treasurer request less than 10% of the budget amount when preparing project cash request forms when it becomes apparent that funds are not going to be disbursed within the month in which funds were requested. We further recommend the Treasurer take due care in preparing the project cash request forms to ensure that accurate information is input that agrees back to the School District's accounting system and that project cash request forms are prepared more frequently (i.e. monthly) to further ensure that monies are disbursed in a timely manner.

Finding Number	2014-009
CFDA Title and Number	Teacher Incentive Fund Cluster: CFDA #84.374A and #84.385A
Federal Award Number / Year	2013/2014
Federal Agency	U.S. Department of Education
Pass-Through Agency	Ohio Department of Education

Noncompliance, Material Weakness and Questioned Costs – Period of Availability

2 CFR § 215.28 provides guidance stating federal awards may specify a time period during which the non-Federal entity may use the Federal funds. Where a funding period is specified, a non-Federal entity may charge to the award only costs resulting from obligations incurred during the funding period and any pre-award costs authorized by the Federal awarding agency. Also, if authorized by the Federal program, unobligated balances may be carried over and charged for obligations of a subsequent funding period. Obligations means the amounts of orders placed, contracts and subgrants awarded, goods and services received, and similar transactions during a given period that will require payment by the non-Federal entity during the same or a future period.

Each of the Teacher Incentive Fund (TIF) grants had different award periods as well as different obligation and liquidation dates. During testing of expenditures, we noted the following disbursements posted to the grants after available period and the obligation/liquidation date:

- A disbursement expended from the fiscal year 2013 TIF Supplemental Grant in the amount of \$5,600, written on check number 38859, to Houghton Mifflin Harcourt Publishing, was disbursed on April 18, 2014; however, it was not obligated or disbursed by September 30, 2013 as required by this grant.
- A disbursement expended from the TIF Operating Budget Year 2013 (in amount of \$11,570) and from the Supplemental Year 3 Battelle grant (in amount of \$4,779), written on check number 38301, to Battelle for Kids, in the amount of \$16,349, was disbursed on November 26, 2013; however, it was not obligated or disbursed by September 30, 2013 as required by both of these grants.
- There were disbursements (totaling \$4,034) made to teachers on June 20, 2014 for completing the professional development activities through the Year 4 Year TIF Collaborative Learning Practitioner. The professional development activities took place on May 27 and 28, 2014; however, the grant award states that monies must be obligated and liquidated by May 31, 2014.
- There were disbursements (totaling \$346) made to teachers on October 11, 2013 through the TIF Assessments Grant. However, the grant award states that monies must be liquidated by September 30, 2013.

FINDING NUMBER 2014-009
(Continued)

- Lastly, there was a disbursement of \$392 from the fiscal year 14 TIF Incentive Grant via check number 38989, on May 14, 2014, to the Bureau of Workers Compensation. However, the grant award states that monies must be liquidated by March 31, 2014.

The total amount of \$26,721 (\$11,570 + \$5,600 + \$4,779 + \$4,034 + \$346 + \$392) is considered a questioned cost for the Teacher Incentive Fund Program.

We recommend the Treasurer monitor expenditures to ensure that all payments are made in a timely fashion and within the available period of the grant. (See Finding Number 2014-007.)

Officials' Response:

As the new Treasurer for the School District, effective as of February 13, 2015, I feel that the various new procedures that I have or will be implementing will rectify many of the findings and concerns addressed in the Auditor of State's report for year ending June 30, 2014. I also will be utilizing GAAP vs the previous Treasurer's preference of cash accounting, thereby removing the District's automatic current label of being a "High Risk" in the future.

VALLEY LOCAL SCHOOL DISTRICT
SCIOTO COUNTY

SCHEDULE OF PRIOR AUDIT FINDINGS
OMB CIRCULAR A-133 § .315(B)
JUNE 30, 2014

Finding Number	Finding Summary	Fully Corrected?	Not Corrected; Partially Corrected; Significantly Difference Corrective Action Taken; or Finding No Longer Valid; <i>Explain</i>
2013-01	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).	No	Not Corrected. Reissued as Finding Number 2014-001.

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**VALLEY LOCAL SCHOOL DISTRICT
SCIOTO COUNTY**

**CORRECTIVE ACTION PLAN
OMB CIRCULAR A-133 § .315(c)
JUNE 30, 2014**

Finding Number	Planned Corrective Action	Anticipated Completion Date	Responsible Contact Person
2014-001	As the new Treasurer for the School District, effective as of February 13, 2015, I feel that the various new procedures that I have or will be implementing will rectify many of the findings and concerns addressed in the Auditor of State's report for year ending June 30, 2014. I will be utilizing GAAP vs the previous Treasurer's preference of cash accounting, thereby removing the District's automatic current label of being a "High Risk" in the future.	June 30, 2015	Frieda Cyrus, Treasurer
2014-002	As the new Treasurer for the School District, effective as of February 13, 2015, I feel that the various new procedures that I have or will be implementing will rectify many of the findings and concerns addressed in the Auditor of State's report for year ending June 30, 2014.	June 30, 2015	Frieda Cyrus, Treasurer
2014-003	As the new Treasurer for the School District, effective as of February 13, 2015, I feel that the various new procedures that I have or will be implementing will rectify many of the findings and concerns addressed in the Auditor of State's report for year ending June 30, 2014.	June 30, 2015	Frieda Cyrus, Treasurer
2014-004	As the new Treasurer for the School District, effective as of February 13, 2015, I feel that the various new procedures that I have or will be implementing will rectify many of the findings and concerns addressed in the Auditor of State's report for year ending June 30, 2014.	June 30, 2015	Frieda Cyrus, Treasurer
2014-005	As the new Treasurer for the School District, effective as of February 13, 2015, I feel that the various new procedures that I have or will be implementing will rectify many of the findings and concerns addressed in the Auditor of State's report for year ending June 30, 2014.	June 30, 2015	Frieda Cyrus, Treasurer
2014-006	As the new Treasurer for the School District, effective as of February 13, 2015, I feel that the various new procedures that I have or will be implementing will rectify many of the findings and concerns addressed in the Auditor of State's report for year ending June 30, 2014.	June 30, 2015	Frieda Cyrus, Treasurer
2014-007	As the new Treasurer for the School District, effective as of February 13, 2015, I feel that the various new procedures that I have or will be implementing will rectify many of the findings and concerns addressed in the Auditor of State's report for year ending June 30, 2014.	June 30, 2015	Frieda Cyrus, Treasurer

Finding Number	Planned Corrective Action	Anticipated Completion Date	Responsible Contact Person
2014-008	As the new Treasurer for the School District, effective as of February 13, 2015, I feel that the various new procedures that I have or will be implementing will rectify many of the findings and concerns addressed in the Auditor of State's report for year ending June 30, 2014.	June 30, 2015	Frieda Cyrus, Treasurer
2014-009	As the new Treasurer for the School District, effective as of February 13, 2015, I feel that the various new procedures that I have or will be implementing will rectify many of the findings and concerns addressed in the Auditor of State's report for year ending June 30, 2014.	June 30, 2015	Frieda Cyrus, Treasurer



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
JUNE 18, 2015