



**SANDY VALLEY LOCAL SCHOOL DISTRICT
STARK COUNTY**

SINGLE AUDIT

FOR THE YEAR ENDED JUNE 30, 2000



JIM PETRO
AUDITOR OF STATE

STATE OF OHIO

**SANDY VALLEY LOCAL SCHOOL DISTRICT
STARK COUNTY**

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REPORT OF INDEPENDENT ACCOUNTANTS

Sandy Valley Local School District
Stark County
5362 State Route 183, N.E.
Magnolia, Ohio 44643

To the Board of Education:

We have audited the accompanying general purpose financial statements of Sandy Valley Local School District, Stark County, (the District) as of and for the year ended June 30, 2000, as listed in the Table of Contents. These general purpose financial statements are the responsibility of the District's management. Our responsibility is to express an opinion on these general purpose financial statements based on our audit.

We conducted our audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the general purpose financial statements referred to above present fairly, in all material respects, the financial position of Sandy Valley Local School District as of June 30, 2000, and the results of its operations and the cash flows of its proprietary fund types for the year then ended in conformity with generally accepted accounting principles.

In accordance with *Government Auditing Standards*, we have also issued our report dated November 27, 2000 on our consideration of the District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

Sandy Valley Local School District
Stark County
Report of Independent Accountants
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The accompanying Schedule of Receipts and Expenditures of Federal Awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the general purpose financial statements. Such information has been subjected to the auditing procedures applied in the audit of the general purpose financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the general purpose financial statements taken as a whole.

Jim Petro
Auditor of State

November 27, 2000

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SANDY VALLEY LOCAL SCHOOL DISTRICT
STARK COUNTY

COMBINED BALANCE SHEET
ALL FUND TYPES AND ACCOUNT GROUPS
AS OF JUNE 30, 2000

	GOVERNMENTAL FUND TYPES		
	GENERAL	SPECIAL REVENUE	CAPITAL PROJECTS
<u>Assets and Other Debits</u>			
Cash, Cash Equivalents and Investments	\$ 2,374,237	\$ 330,608	\$ 221,110
Restricted Cash and Cash Equivalents	125,566	-	-
Receivable (Net of Allowances for Uncollectibles)			
Taxes - Current	3,199,210	-	162,437
Taxes - Delinquent	229,353	-	11,389
Accounts	2,536	-	-
Due From Other Governments	1,900	1,000	-
Prepaid Insurance	4,146	-	-
Interfund Receivable	210,148	-	-
Inventory Held for Resale	-	-	-
Materials and Supplies Inventory	-	-	-
Property, Plant and Equipment (Net of Accumulated Depreciation)	-	-	-
Amount to be provided for Retirement of General Long-Term Obligations	-	-	-
Total Assets and Other Debits	\$ 6,147,096	\$ 331,608	\$ 394,936

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

PROPRIETARY FUND TYPE	FIDUCIARY FUNDS	ACCOUNT GROUPS		TOTALS (MEMO- RANDOM ONLY)
		GENERAL FIXED ASSETS	GENERAL LONG-TERM OBLIGATIONS	
ENTERPRISE	TRUST AND AGENCY			
\$ 33,171	\$ 34,729	\$ -	\$ -	\$ 2,993,855
-	-	-	-	125,566
-	-	-	-	3,361,647
-	-	-	-	240,742
-	-	-	-	2,536
16,770	-	-	-	19,670
-	-	-	-	4,146
-	-	-	-	210,148
2,228	-	-	-	2,228
393	-	-	-	393
47,771	-	7,178,918	-	7,226,689
-	-	-	481,246	481,246
\$ 100,333	\$ 34,729	\$ 7,178,918	\$ 481,246	\$ 14,668,866

SANDY VALLEY LOCAL SCHOOL DISTRICT
STARK COUNTY

COMBINED BALANCE SHEET
ALL FUND TYPES AND ACCOUNT GROUPS
AS OF JUNE 30, 2000
(Continued)

	GOVERNMENTAL FUND TYPES		
	GENERAL	SPECIAL REVENUE	CAPITAL PROJECTS
<u>Liabilities, Equity and Other Credits</u>			
<u>Liabilities</u>			
Accounts Payable	\$ 86,026	\$ 32,200	\$ 17,492
Accrued Wages and Benefits	695,732	57,780	-
Compensated Absences Payable	16,701	14,405	-
Due To Other Governments	128,336	10,995	-
Deferred Revenue	3,164,730	-	161,478
Due To Students	-	-	-
Tax Anticipation Note Payable	-	-	61,225
General Obligation Bonds Payable	-	-	-
Interfund Payable	-	10,500	193,648
Total Liabilities	4,091,525	125,880	433,843
<u>Equity and Other Credits</u>			
Investment in General Fixed Assets	-	-	-
Retained Earnings : Unreserved	-	-	-
Fund Balances:			
Reserved for Encumbrances	268,194	93,493	203,616
Reserved for Prepays	4,146	-	-
Reserved for Long-Term Advances	6,000	-	-
Reserved for Budget Stabilization / Textbooks	125,566	-	-
Reserved for Property Taxes	263,833	-	12,348
Unreserved - Undesignated	1,387,832	112,235	(254,871)
Total Equity and Other Credits	2,055,571	205,728	(38,907)
Total Liabilities, Equity and Other Credits	\$ 6,147,096	\$ 331,608	\$ 394,936

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

PROPRIETARY FUND TYPE	FIDUCIARY FUNDS	ACCOUNT GROUPS		TOTALS (MEMO- RANDUM ONLY)
		GENERAL FIXED ASSETS	GENERAL LONG-TERM OBLIGATIONS	
ENTERPRISE	TRUST AND AGENCY			
\$ 2,650	\$ 971	\$ -	\$ -	\$ 139,339
21,849	-	-	-	775,361
11,037	-	-	296,025	338,168
9,088	-	-	65,221	213,640
1,068	-	-	-	3,327,276
-	27,401	-	-	27,401
-	-	-	-	61,225
-	-	-	120,000	120,000
6,000	-	-	-	210,148
51,692	28,372	-	481,246	5,212,558
-	-	7,178,918	-	7,178,918
48,641	-	-	-	48,641
-	-	-	-	565,303
-	-	-	-	4,146
-	-	-	-	6,000
-	-	-	-	125,566
-	-	-	-	276,181
-	6,357	-	-	1,251,553
48,641	6,357	7,178,918	-	9,456,308
\$ 100,333	\$ 34,729	\$ 7,178,918	\$ 481,246	\$ 14,668,866

SANDY VALLEY LOCAL SCHOOL DISTRICT
STARK COUNTY

COMBINED STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
ALL GOVERNMENTAL FUND TYPES AND SIMILAR FIDUCIARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2000

	GOVERNMENTAL FUND TYPES			
	GENERAL	SPECIAL REVENUE	DEBT SERVICE	CAPITAL PROJECTS
Revenues				
Taxes	\$ 3,567,040	\$ -	\$ -	\$ 177,919
Tuition and Fees	181,126	-	-	63,725
Earnings on Investments	176,375	335	-	-
Intergovernmental	5,184,266	792,737	-	-
Classroom Materials and Fees	28,332	-	-	-
Extracurricular Activities	-	180,052	-	-
Miscellaneous	63,064	29,167	-	-
Total Revenues	9,200,203	1,002,291	-	241,644
Expenditures				
Instruction:				
Regular	3,541,517	233,252	-	26,541
Special	1,164,336	373,749	-	-
Vocational	244,346	837	-	5,897
Other	117,690	82,438	-	-
Support Services:				
Pupils	596,070	138,852	-	-
Instructional Staff	74,279	22,077	-	-
Board of Education	6,846	-	-	-
Administration	869,591	44,540	-	750
Fiscal	247,922	-	-	1,395
Business	18,232	-	-	-
Operations and Maintenance	839,329	-	-	53,767
Pupil Transportation	612,163	2,118	-	-
Central	21,792	5,000	-	-
Extracurricular Activities	182,692	126,987	-	-
Facilities Acquisition	1,254	-	-	362,611
Operation of Non-Instructional Services	-	43,061	-	-
Debt Service:				
Principal Retirement	-	-	40,000	-
Interest and Fiscal Charges	-	-	8,080	-
Total Expenditures	\$ 8,538,059	\$ 1,072,911	\$ 48,080	\$ 450,961

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

<u>FIDUCIARY FUND</u> <u>EXPENDABLE</u> <u>TRUST</u>	<u>TOTALS</u> <u>(MEMORANDUM</u> <u>ONLY)</u>
\$ -	\$ 3,744,959
-	244,851
-	176,710
-	5,977,003
-	28,332
-	180,052
2,300	94,531
2,300	10,446,438
4,627	3,805,937
-	1,538,085
-	251,080
3,187	203,315
-	734,922
-	96,356
-	6,846
-	914,881
-	249,317
-	18,232
-	893,096
-	614,281
-	26,792
-	309,679
-	363,865
-	43,061
-	40,000
-	8,080
\$ 7,814	\$ 10,117,825

SANDY VALLEY LOCAL SCHOOL DISTRICT
STARK COUNTY

COMBINED STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
ALL GOVERNMENTAL FUND TYPES AND SIMILAR FIDUCIARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2000
(Continued)

	GOVERNMENTAL FUND TYPES			
	GENERAL	SPECIAL REVENUE	DEBT SERVICE	CAPITAL PROJECTS
Excess (Deficit) of Revenues Over (Under) Expenditures	\$ 662,144	\$ (70,620)	\$ (48,080)	\$ (209,317)
<u>Other Financing Sources/ (Uses)</u>				
Operating Transfers In	174,716	-	48,080	81,432
Operating Transfers Out	(304,228)	-	-	-
Refund of Prior Year Expenditure	1,254	-	-	-
Total Other Financing Sources/ (Uses)	(128,258)	-	48,080	81,432
Excess (Deficit) of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	533,886	(70,620)	-	(127,885)
Fund Balances - July 1, 1999	1,521,685	276,348	-	88,978
Fund Balances - June 30, 2000	\$ 2,055,571	\$ 205,728	\$ -	\$ (38,907)

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

FIDUCIARY FUND TYPE EXPENDABLE TRUST	TOTALS (MEMORANDUM ONLY)
\$ (5,514)	\$ 328,613
-	304,228
-	(304,228)
-	1,254
-	1,254
(5,514)	329,867
11,871	1,898,882
\$ 6,357	\$ 2,228,749

SANDY VALLEY LOCAL SCHOOL DISTRICT
STARK COUNTY

COMBINED STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCES, BUDGET - ACTUAL (NON-GAAP BUDGETARY BASIS)
ALL GOVERNMENTAL AND SIMILAR FIDUCIARY FUND TYPES
FOR THE YEAR ENDED JUNE 30, 2000

	GENERAL FUND		
	REVISED BUDGET	ACTUAL	VARIANCE FAVORABLE / (UNFAVORABLE)
Revenues			
Taxes	\$3,169,066	\$3,485,092	\$ 316,026
Tuition and Fees	146,961	181,126	34,165
Earnings on Investments	150,751	176,375	25,624
Extracurricular Activities	-	-	-
Intergovernmental	4,713,496	5,183,266	469,770
Classroom Materials and Fees	28,332	28,332	-
Miscellaneous	55,733	64,274	8,541
Total Revenues	<u>8,264,339</u>	<u>9,118,465</u>	<u>854,126</u>
Expenditures			
Instruction:			
Regular Instruction	3,482,283	3,482,283	-
Special Instruction	1,161,369	1,161,369	-
Vocational Instruction	264,410	264,410	-
Other Instruction	114,502	114,502	-
Support Services:			
Pupils	606,457	606,457	-
Instructional Staff	71,011	71,011	-
Board of Education	7,213	7,213	-
School Administration	794,788	794,788	-
Fiscal	236,023	235,174	849
Business	9,743	9,743	-
Operations and Maintenance	921,754	902,754	19,000
Pupil Transportation	679,666	658,676	20,990
Central	21,792	21,792	-
Operation of Non-Instructional	-	-	-
Facilities Acquisition	-	-	-
Extracurricular Activities	192,191	192,191	-
Debt Service:			
Principal Retirement	-	-	-
Interest and Fiscal Charges	-	-	-
Total Expenditures	<u>\$ 8,563,202</u>	<u>\$ 8,522,363</u>	<u>\$ 40,839</u>

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

SPECIAL REVENUE FUNDS			DEBT SERVICE FUND		
REVISED BUDGET	ACTUAL	VARIANCE FAVORABLE / (UNFAVORABLE)	REVISED BUDGET	ACTUAL	VARIANCE FAVORABLE / (UNFAVORABLE)
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	-	-	-
335	335	-	-	-	-
208,520	180,052	(28,468)	-	-	-
921,425	791,737	(129,688)	-	-	-
-	-	-	-	-	-
29,167	29,167	-	-	-	-
<u>1,159,447</u>	<u>1,001,291</u>	<u>(158,156)</u>	<u>-</u>	<u>-</u>	<u>-</u>
280,399	225,312	55,087	-	-	-
487,380	374,946	112,434	-	-	-
837	837	-	-	-	-
104,339	88,698	15,641	-	-	-
197,247	163,828	33,419	-	-	-
25,288	25,288	-	-	-	-
-	-	-	-	-	-
40,951	37,084	3,867	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
2,118	2,118	-	-	-	-
5,000	5,000	-	-	-	-
65,255	54,092	11,163	-	-	-
-	-	-	-	-	-
171,677	171,677	-	-	-	-
-	-	-	40,000	40,000	-
-	-	-	20,326	20,326	-
<u>\$ 1,380,491</u>	<u>\$ 1,148,880</u>	<u>\$ 231,611</u>	<u>\$ 60,326</u>	<u>\$ 60,326</u>	<u>\$ -</u>

SANDY VALLEY LOCAL SCHOOL DISTRICT
STARK COUNTY

COMBINED STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCES, BUDGET - ACTUAL (NON-GAAP BUDGETARY BASIS)
ALL GOVERNMENTAL AND SIMILAR FIDUCIARY FUND TYPES
FOR THE YEAR ENDED JUNE 30, 2000

(Continued)

	GENERAL FUND		
	REVISED BUDGET	ACTUAL	VARIANCE FAVORABLE / (UNFAVORABLE)
Excess (Deficit) of Revenues Over (Under) Expenditures	(298,863)	596,102	894,965
<u>Other Financing Sources/ (Uses)</u>			
Refund of Prior Year Expenditures	1,254	1,254	-
Operating Transfers In	-	-	-
Operating Transfers Out	(129,512)	(129,512)	-
Advances-In	34,783	34,783	-
Advances-Out	(204,148)	(204,148)	-
Total Other Financing Sources/ (Uses)	(297,623)	(297,623)	-
Excess (Deficit) of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	(596,486)	298,479	894,965
Prior Year Encumbrances Appropriated	203,458	203,458	-
Fund Balances - July 1, 1999	1,713,042	1,713,042	-
Fund Balances - June 30, 2000	\$ 1,320,014	\$ 2,214,979	\$ 894,965

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

SPECIAL REVENUE FUNDS			DEBT SERVICE FUND		
REVISED BUDGET	ACTUAL	VARIANCE FAVORABLE / (UNFAVORABLE)	REVISED BUDGET	ACTUAL	VARIANCE FAVORABLE / (UNFAVORABLE)
(221,044)	(147,589)	73,455	(60,326)	(60,326)	-
-	-	-	-	-	-
-	-	-	60,326	60,326	-
-	-	-	-	-	-
10,500	10,500	-	-	-	-
-	-	-	-	-	-
10,500	10,500	-	60,326	60,326	-
(210,544)	(137,089)	73,455	-	-	-
80,459	80,459	-	-	-	-
260,786	260,786	-	-	-	-
\$ 130,701	\$ 204,156	\$ 73,455	\$ -	\$ -	-

SANDY VALLEY LOCAL SCHOOL DISTRICT
STARK COUNTY

COMBINED STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCES, BUDGET - ACTUAL (NON-GAAP BUDGETARY BASIS)
ALL GOVERNMENTAL AND SIMILAR FIDUCIARY FUND TYPES
FOR THE YEAR ENDED JUNE 30, 2000

(Continued)

	CAPITAL PROJECTS FUND		
	REVISED BUDGET	ACTUAL	VARIANCE FAVORABLE / (UNFAVORABLE)
Revenues			
Taxes	\$ 170,071	\$ 170,071	\$ -
Tuition and Fees	-	-	-
Earnings on Investments	-	-	-
Extracurricular Activities	-	-	-
Intergovernmental	63,725	63,725	-
Classroom Materials and Fees	-	-	-
Other Revenues	-	-	-
Total Revenues	<u>233,796</u>	<u>233,796</u>	<u>-</u>
Expenditures			
Instruction:			
Regular Instruction	27,136	27,136	-
Special Instruction	-	-	-
Vocational Instruction	5,897	5,897	-
Other Instruction	-	-	-
Support Services:			
Pupils	12,897	12,897	-
Instructional Staff	-	-	-
Board of Education	-	-	-
School Administration	750	750	-
Fiscal	1,395	1,395	-
Business	-	-	-
Operations and Maintenance	53,767	53,767	-
Pupil Transportation	-	-	-
Central	-	-	-
Operation of Non-Instructional	-	-	-
Facilities Acquisition	544,755	544,755	-
Extracurricular Activities	-	-	-
Debt Service:			
Principal Retirement	-	-	-
Interest and Fiscal Charges	-	-	-
Total Expenditures	<u>\$ 646,597</u>	<u>\$ 646,597</u>	<u>\$ -</u>

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

EXPENDABLE TRUST FUND				TOTALS (MEMORANDUM ONLY)			
REVISED BUDGET	ACTUAL	VARIANCE FAVORABLE / (UNFAVORABLE)		REVISED BUDGET	ACTUAL	VARIANCE FAVORABLE / (UNFAVORABLE)	
\$ -	\$ -	\$ -		\$ 3,339,137	\$ 3,655,163	\$ 316,026	
-	-	-		146,961	181,126	34,165	
-	-	-		151,086	176,710	25,624	
-	-	-		208,520	180,052	(28,468)	
-	-	-		5,698,646	6,038,728	340,082	
-	-	-		28,332	28,332	-	
2,300	2,300	-		87,200	95,741	8,541	
2,300	2,300	-		9,659,882	10,355,852	695,970	
5,171	5,171	-		3,794,989	3,739,902	55,087	
-	-	-		1,648,749	1,536,315	112,434	
-	-	-		271,144	271,144	-	
3,187	3,187	-		222,028	206,387	15,641	
-	-	-		816,601	783,182	33,419	
-	-	-		96,299	96,299	-	
-	-	-		7,213	7,213	-	
-	-	-		836,489	832,622	3,867	
-	-	-		237,418	236,569	849	
-	-	-		9,743	9,743	-	
-	-	-		975,521	956,521	19,000	
-	-	-		681,784	660,794	20,990	
-	-	-		26,792	26,792	-	
-	-	-		65,255	54,092	11,163	
-	-	-		544,755	544,755	-	
-	-	-		363,868	363,868	-	
-	-	-		40,000	40,000	-	
-	-	-		20,326	20,326	-	
\$ 8,358	\$ 8,358	\$ -		\$ 10,658,974	\$ 10,386,524	\$ 272,450	

SANDY VALLEY LOCAL SCHOOL DISTRICT
STARK COUNTY

COMBINED STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCES, BUDGET - ACTUAL (NON-GAAP BUDGETARY BASIS)
ALL GOVERNMENTAL AND SIMILAR FIDUCIARY FUND TYPES
FOR THE YEAR ENDED JUNE 30, 2000
(Continued)

	CAPITAL PROJECTS FUND		
	REVISED BUDGET	ACTUAL	VARIANCE FAVORABLE / (UNFAVORABLE)
Excess (Deficit) of Revenues Over (Under) Expenditures	(412,801)	(412,801)	-
<u>Other Financing Sources/ (Uses)</u>			
Sale and Loss of Asset	-	-	-
Operating Transfers In	69,186	69,186	-
Operating Transfers Out	-	-	-
Advances-In	193,648	193,648	-
Advances-Out	-	(32,991)	(32,991)
Total Other Financing Sources/ (Uses)	262,834	229,843	(32,991)
Excess (Deficit) of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	(149,967)	(182,958)	(32,991)
Prior Year Encumbrances Appropriated	18,330	18,330	-
Fund Balances - July 1, 1999	178,973	178,973	-
Fund Balances - June 30, 2000	\$ 47,336	\$ 14,345	\$ (32,991)

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

EXPENDABLE TRUST FUND			TOTALS (MEMORANDUM ONLY)		
REVISED BUDGET	ACTUAL	VARIANCE FAVORABLE / (UNFAVORABLE)	REVISED BUDGET	ACTUAL	VARIANCE FAVORABLE / (UNFAVORABLE)
(6,058)	(6,058)	-	(999,092)	(30,672)	968,420
-	-	-	1,254	1,254	-
-	-	-	129,512	129,512	-
-	-	-	(129,512)	(129,512)	-
-	-	-	238,931	238,931	-
-	-	-	(204,148)	(237,139)	(32,991)
-	-	-	36,037	3,046	(32,991)
(6,058)	(6,058)	-	(963,055)	(27,626)	935,429
-	-	-	302,247	302,247	-
11,872	11,872	-	2,164,673	2,164,673	-
\$ 5,814	\$ 5,814	\$ -	\$ 1,503,865	\$ 2,439,294	\$ 935,429

SANDY VALLEY LOCAL SCHOOL DISTRICT
STARK COUNTY

COMBINED STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN
RETAINED EARNINGS - ALL PROPRIETARY FUND TYPES
FOR THE YEAR ENDED JUNE 30, 2000

	ENTERPRISE FUND
<u>Operating Revenues</u>	
Tuition and Fees	\$ 6,511
Food Services	288,380
Total Operating Revenues	294,891
<u>Operating Expenses</u>	
Salaries	123,874
Fringe Benefits	70,491
Purchased Services	12,514
Materials and Supplies	229,078
Other Operating Expenses	859
Total Operating Expenses	436,816
Operating Loss	(141,925)
<u>Nonoperating Revenues</u>	
Other Non Operating Revenues	98
Earnings on Investments	554
Intergovernmental Revenues	127,812
Donated Commodities	24,159
Total Nonoperating Revenues	152,623
Net Income	10,698
Retained Earnings - July 1, 1999	43,147
Retained Earnings - June 30, 2000	\$ 53,845

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

SANDY VALLEY LOCAL SCHOOL DISTRICT
STARK COUNTY

COMBINED STATEMENT OF CASH FLOWS
ALL PROPRIETARY FUND TYPES
FOR THE YEAR ENDED JUNE 30, 2000

	<u>ENTERPRISE FUND</u>
<u>Cash Flows from Operating Activities</u>	
Operating Loss	\$ (141,925)
Adjustments to Reconcile Operating Loss to Net Cash Used In Operating Activities:	
<i>(Increase) Decrease in Assets:</i>	
Due from other governments	11,678
Accounts Receivable	1,793
Inventory held for resale	1,037
Materials and supplies inventory	85
<i>Increase (Decrease) in Liabilities:</i>	
Accrued salaries and benefits payable	2,661
Compensated absences payable	6,143
Deferred revenues	(1,142)
Interfund Payable	(1,792)
Accounts Payable	2,650
Due to other governments	(15,415)
Total Adjustments	<u>7,698</u>
Net cash used in operating activities	(134,227)
<u>Cash Flows from Noncapital Financing Activities</u>	
Other Non Operating Revenues	98
Earnings on Investments	554
Intergovernmental revenues	127,812
Donated Commodities	<u>24,159</u>
Net cash provided by noncapital financing activities	<u>152,623</u>
<u>Cash Flows from Capital and Related Financing Activities</u>	
Capital asset acquisitions	<u>(3,920)</u>
Net cash used in capital and related financing activities	<u>(3,920)</u>
Net increase in cash and cash equivalents	14,476
Cash and cash equivalents - July 1, 1999	<u>18,695</u>
Cash and cash equivalents - June 30, 2000	<u><u>\$ 33,171</u></u>

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

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SANDY VALLEY LOCAL SCHOOL DISTRICT
STARK COUNTY
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2000

1. Description of the School District and Reporting Entity

The Sandy Valley Local School District (the District) is a body politic and corporate established for the purpose of exercising the rights and privileges conveyed to it by the constitution and laws of the State of Ohio. The District is governed by a five-member board of education (the Board) elected by its citizens. The Board controls the District's five school buildings, bus garage, warehouse, and administration building staffed by administrators, teachers, and non-certified personnel providing educational opportunities to its students.

The Reporting Entity

A reporting entity is comprised of the primary government, component units and other organizations that are included to ensure that the general purpose financial statements of the District are not misleading.

The primary government consists of all funds, departments, boards, and agencies that are not legally separate from the District. For the District, this includes general operations, food service, and student related activities of the District. The District has no component units.

The District is involved with Stark-Portage Area Regional Computer Consortium (SPARCC), which is defined as a jointly governed organization. Additional information concerning SPARCC is presented in Note 14.

Management believes the general purpose financial statements included in the report represents all of the funds of the District over which the District has the ability to exercise direct operating control.

The following organization is not part of the reporting entity and are excluded from the accompanying financial statements:

Non-Public School - Within the District's boundaries, St. Phillip and James Catholic School is operated by a religious organization. Current state legislation provides funding to this school. The monies are received and disbursed on behalf of the non-public schools by the Treasurer of the District. The accounting of these state monies are reflected as part of the District's Special Revenue Funds.

SANDY VALLEY LOCAL SCHOOL DISTRICT
STARK COUNTY
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2000
(Continued)

2. Summary of Significant Accounting Policies

The general purpose financial statements of the District have been prepared in conformity with generally accepted accounting principles (GAAP) as it applies to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. Under the guidelines of Governmental Accounting Standards Board (GASB) Statement No. 20, *Accounting and Financial Reporting for Proprietary Funds and Other Governmental Units That Use Proprietary Fund Accounting*, the District has elected not to apply Financial Accounting Standards Board (FASB) Statements and interpretations issued after November 30, 1989, to its proprietary activities. The adoption of this approach to accounting for proprietary activities by the District has required no change from prior years.

The District's significant accounting policies are described below.

A. Basis of Presentation

Fund Accounting

The District uses funds and account groups to report on its financial position and the results of its operations. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain District functions or activities.

A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts recording cash and other financial resources, together with all related liabilities and residual equities or balances, and changes therein, which are segregated for the purpose of carrying on specific activities or attaining certain objectives in accordance with special restrictions or limitations. An account group is a financial reporting device designed to provide accountability for certain assets and liabilities not recorded in the funds because they do not directly affect net available resources. For financial statement presentation purposes, the various funds of the District are grouped into the following generic fund types under the broad fund categories governmental, proprietary, and fiduciary.

Governmental Fund Types

Governmental funds are those through which most governmental functions of the District are financed. The acquisition, use, and balances of the District's expendable financial resources and the related current liabilities (except those accounted for in proprietary funds and trust funds) are accounted for through governmental funds. The following are the District's governmental fund types:

SANDY VALLEY LOCAL SCHOOL DISTRICT
STARK COUNTY
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2000
(Continued)

2. Summary of Significant Accounting Policies (Continued)

A. Basis of Presentation (Continued)

General Fund (Continued)

The General Fund is the operating fund of the District and is used to account for all financial resources except those required to be accounted for in another fund.

The General Fund balance is available to the District for any purpose provided it is expended or transferred according to the general laws of Ohio.

Special Revenue Funds

Special Revenue Funds are used to account for the proceeds of specific revenue sources, other than expendable trusts or major capital projects that are legally restricted to expenditure for specified purposes.

Debt Service Fund

The Debt Service Fund is used to account for financial resources for, and the payment of, general long-term obligation principal, interest, and related costs.

Capital Projects Fund

The Capital Projects Fund is used to account for financial resources to be used for the acquisition or construction of major capital facilities, other than those financed by proprietary funds or trust funds.

Proprietary Fund Types

Proprietary Funds are used to account for the District's ongoing activities, which are similar to those found in the private sector. The following is the District's Proprietary Fund type:

SANDY VALLEY LOCAL SCHOOL DISTRICT
STARK COUNTY
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2000
(Continued)

2. Summary of Significant Accounting Policies (Continued)

A. Basis of Presentation (Continued)

Enterprise Funds

Enterprise Funds are used to account for District activities that are financed and operated in a manner similar to private business enterprises where the intent is that the costs of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges or where it has been decided that periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability, or other purposes.

Fiduciary Fund Types

Fiduciary Fund Types account for assets held by the District in a trustee capacity or as an agent on behalf of others. Fiduciary fund types are as follows:

Expendable Trust Fund

The Expendable Trust Fund is used to account for assets held by the District in a trustee capacity or as an agent for individuals, private organizations, other governmental units, and/or other funds. The Expendable Trust Fund is accounted for in essentially the same manner as the Governmental Funds.

Agency Funds

The Agency Fund is used to account for assets held by the District as an agent. Agency Funds are custodial in nature (Assets equal Liabilities) and do not involve measurement of results of operations.

Account Groups

To make a clear distinction between fixed assets related to specific funds and those of general government, and between long-term liabilities related to specific funds and those of a general nature, the following account groups are used:

General Fixed Assets Account Group

This account group is established to account for all fixed assets of the District, other than those accounted for in the Proprietary Fund.

SANDY VALLEY LOCAL SCHOOL DISTRICT
STARK COUNTY
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2000
(Continued)

2 Summary of Significant Accounting Policies (Continued)

A. Basis of Presentation (Continued)

General Long-Term Obligations Account Group

This account group is established to account for all long-term obligations of the District except those accounted for in the Proprietary Fund.

B. Measurement Focus and Basis of Accounting

Measurement Focus

The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. All Governmental and Expendable Trust Fund Types are accounted for using a flow of current financial resources measurement focus. With this measurement focus, only current assets and current liabilities are generally included on the balance sheet.

Operating statements of these funds present increases (i.e., revenues and other financing sources) and decreases (i.e., expenditures and other financing uses) in net current assets.

All Proprietary Funds are accounted for on a flow of economic resources measurement focus. With this measurement focus, all assets and all liabilities associated with the operation of these funds are included on the balance sheet. Fund equity (i.e., net total assets) is presented as retained earnings. Proprietary Fund operating statements present increases (i.e., revenues) and decreases (i.e., expenses) in net total assets.

Basis of Accounting

Basis of accounting refers to when revenues and expenditures or expenses are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurements made.

The modified accrual basis of accounting is followed for the Governmental, Expendable Trust, and Agency Funds. Under this basis, revenues are recognized in the accounting period when they become both measurable and available. "Measurable" means the amount of the transaction can be determined and "available" means collectible within the current fiscal year or soon enough thereafter to be used to pay liabilities of the current fiscal year.

The available period for the District is sixty days after fiscal year end.

SANDY VALLEY LOCAL SCHOOL DISTRICT
STARK COUNTY
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2000
(Continued)

2. Summary of Significant Accounting Policies (Continued)

B. Measurement Focus and Basis of Accounting (Continued)

In applying the susceptible to accrual concept under the modified accrual basis, the following revenue sources are deemed both measurable and available: interest, tuition, grants, and student fees.

The District reports deferred revenues on its combined balance sheet. Deferred revenues arise when a potential revenue does not meet both the measurable and available criteria for recognition in the current period. In the subsequent period, when both revenue recognition criteria are met, the liability for deferred revenue is removed from the combined balance sheet and revenue is recognized. Property taxes measurable as of June 30, 2000, and delinquent property taxes, whose availability is indeterminable and which are intended to finance fiscal year 2001 operations, have been recorded as deferred revenue.

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

The accrual basis of accounting is utilized for reporting purposes by the Proprietary Fund Type. Revenues are recognized in the accounting period in which they are earned, and expenses are recognized at the time they are incurred. The fair value of donated commodities used during the year is reported on the operating statement as an expense with a like amount reported as donated commodities revenue. Unused donated commodities are reported as deferred revenue.

C. Budgetary Process

The budgetary process is prescribed by provisions of the Ohio Revised Code and entails the preparation of budgetary documents within an established timetable. The major documents prepared are the Tax Budget, the Certificate of Estimated Resources, and the Appropriation Resolution, all of which are prepared on the budgetary basis of accounting. The Certificate of Estimated Resources and the Appropriations Resolution are subject to amendment throughout the year with the legal restriction that appropriations cannot exceed estimated resources, as certified by the County Auditor.

All funds, other than agency funds, are legally required to be budgeted and appropriated. The primary level of budgetary control is at the fund level for all funds. Any budgetary modifications at this level may only be made by resolution of the Board of Education.

SANDY VALLEY LOCAL SCHOOL DISTRICT
STARK COUNTY
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2000
(Continued)

2. Summary of Significant Accounting Policies (Continued)

C. Budgetary Process (Continued)

Tax Budget

Prior to January 15, the Superintendent and Treasurer submit to the Board of Education a proposed operating budget for the fiscal year commencing the following July 1. The budget includes proposed expenditures and the means of financing for all funds.

Public hearings are publicized and conducted to obtain taxpayers' comments. The express purpose of this budget document is to reflect the need for existing or increased tax rates. By no later than January 20, the Board adopted budget is filed with the Stark County Budget Commission for rate determination.

Estimated Resources

Prior to April 1, the Board of Education accepts, by formal resolution, the tax rates as determined by the County Budget Commission and receives the commission's certificate of estimated resources which states the projected revenue of each fund. Prior to June 30, the District must revise its budget so that total contemplated expenditures from any fund during the ensuing year will not exceed the amount stated in the Certificate of Estimated Resources. The revised budget then serves as the basis for the appropriation measure. On or about July 1, the certificate is amended to include any unencumbered cash balances from the preceding year. The certificate may be further amended during the year if projected increases or decreases in revenue are identified by the District Treasurer. The amounts reported in the budgetary statements reflect the amounts in the final Amended Certificate issued during fiscal year 2000.

SANDY VALLEY LOCAL SCHOOL DISTRICT
STARK COUNTY
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2000
(Continued)

2. Summary of Significant Accounting Policies (Continued)

C. Budgetary Process (Continued)

Appropriations

Upon receipt from the County Auditor of an Amended Certificate of Estimated Resources based on final assessed values and tax rates or a certificate saying no new certificate is necessary, the Annual Appropriation Resolution must be legally enacted by the Board of Education at the fund, function, and object level of expenditures, which are the legal levels of budgetary control. Prior to the passage of the annual appropriation measure, the Board may pass a temporary appropriation measure to meet the ordinary expenses of the District. The appropriation resolution, by fund, must be within the estimated resources as certified by the County Budget Commission and the total of expenditures and encumbrances may not exceed the appropriation totals at any level of control. Any revisions that alter the total of any fund appropriation, or alter total function appropriations within a fund, or alter object appropriations within functions, must be approved by the Board of Education.

The Board may pass supplemental fund appropriations so long as the total appropriations by fund do not exceed the amounts set forth in the most recent Certificate of Estimated Resources. During the year, several supplemental appropriations were legally enacted.

The budget figures, which appear in the statements of budgetary comparisons, represent the final appropriation amounts, including all supplemental appropriations. Formal budgetary integration is employed as a management control device during the year for all funds other than Agency Funds, consistent with statutory provisions.

Encumbrances

As part of formal budgetary control, purchase orders, contracts, and other commitments for the expenditure of monies are recorded as the equivalent of expenditures on the non-GAAP budgetary basis in order to reserve that portion of the applicable appropriation and to determine and maintain legal compliance. Expenditures plus encumbrances may not legally exceed appropriations. On the GAAP basis, encumbrances outstanding at fiscal year end are reported as a reservation of fund balance for subsequent year end expenditures of Governmental Funds.

SANDY VALLEY LOCAL SCHOOL DISTRICT
STARK COUNTY
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2000
(Continued)

2. Summary of Significant Accounting Policies (Continued)

C. Budgetary Process (Continued)

Lapsing of Appropriations

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

D. Cash and Cash Equivalents

To improve cash management, all cash received by the District is pooled in various accounts at a central bank. Monies for all funds, including proprietary funds, are maintained in these accounts or temporarily used to purchase short term investments. Individual fund integrity is maintained through District records. Each fund's interest in the pool is presented as "Equity in Pooled Cash and Cash Equivalents" on the balance sheet.

During fiscal year 2000, investments were limited to STAR Ohio and Repurchase Agreements. Following Ohio statutes, the Board of Education has, by resolution, specified the funds to receive an allocation of interest earnings. Interest revenue credited during fiscal year 2000 amounted to \$177,264.

For purposes of the Combined Statement of Cash Flows and for presentation on the Combined Balance Sheet, 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 District are considered to be cash equivalents.

The District has invested funds in the State Treasury Asset Reserve of Ohio (STAR Ohio) during 2000. STAR Ohio is an investment pool managed by the State Treasurer's Office, which allows governments within the state to pool their funds for investment purposes. STAR Ohio 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 STAR Ohio are valued at STAR Ohio's share price, which is the price the investment could be sold for on June 30, 2000.

SANDY VALLEY LOCAL SCHOOL DISTRICT
STARK COUNTY
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2000
(Continued)

2. Summary of Significant Accounting Policies (Continued)

E. Restricted Assets

Restricted assets in the General Fund represent cash and cash equivalents set aside to establish a budget stabilization reserve, textbook/instructional materials reserve, and capital maintenance reserve. These reserves are required by State statute. The budget stabilization reserve can be used only after receiving approval from the State Superintendent of Public Instruction. The capital maintenance reserve and textbook/instructional materials reserve can only be used for capital outlay expenditures and instructional materials and equipment, respectively. During fiscal year 2000, the District set aside the amounts required by state statute. Fund balance reserve has also been established.

F. Estimates

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

G. Inventory

Inventories are valued at cost (first in, first out) and are determined by physical count. Inventory in Proprietary Funds consist of expendable supplies held for consumption and food service items held for resale. The cost has been recorded as an expense at the time individual inventory items were consumed.

H. Fixed Assets and Depreciation

General fixed assets are not capitalized in the funds used to acquire or construct them. Instead, capital acquisition and construction costs are reflected as expenditures in governmental funds, and the related assets are reported in the General Fixed Assets Account Group.

Fixed assets utilized in the Proprietary Funds are capitalized in those funds. All fixed assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the year. Donated fixed assets are recorded at their fair market values as of the date received. The District maintains a capitalization threshold of \$500. The District does not have any infrastructure.

SANDY VALLEY LOCAL SCHOOL DISTRICT
STARK COUNTY
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2000
(Continued)

2. Summary of Significant Accounting Policies (Continued)

H. Fixed Assets and Depreciation

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not capitalized.

Assets in the General Fixed Assets Account Group are not depreciated. Depreciation of furniture and equipment in the Enterprise Fund is computed using the straight-line method over an estimated useful lives of eight to twenty years.

I. Intergovernmental Revenues

For governmental funds, intergovernmental revenues, such as entitlements and grants awarded on a non-reimbursement basis, are recorded as receivables and revenues when measurable and available. Reimbursement type grants are recorded as receivables and revenues when the related expenditures are incurred. Other than commodities, grants and entitlements for proprietary fund operations are recognized as nonoperating revenues in the accounting period in which they are earned and become measurable. The District currently participates in various state and federal programs categorized as follows:

Entitlements

General Fund

State Foundation Program

State Property Tax Relief

Nonreimbursable Grants

Special Revenue Funds

Drug Free Grant

Title I

Title VI

Title VI-B Flow Through

Goals 2000

Capital Projects Fund

School Net

Reimbursable Grants

General Fund

Driver Education Reimbursement

School Bus Purchase Allowance

Telecommunications Act Grant

SANDY VALLEY LOCAL SCHOOL DISTRICT
STARK COUNTY
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2000
(Continued)

2. Summary of Significant Accounting Policies (Continued)

Enterprise Fund
National School Lunch Program
School Breakfast Program
Child Care Program
Government Donated Commodities

Grants and entitlements amounted to approximately 54 percent of the District's operating revenue during the 2000 fiscal year.

J. Interfund Assets and Liabilities

Receivables and payables resulting from transactions between funds for services provided or goods received are classified as "Interfund Receivable" or "Interfund Payable". Long-term interfund loans are recorded as reservation of fund balance to indicate that they do not constitute available expendable resources since they are not a component of net current assets.

K. Compensated Absences

Vacation benefits are accrued as a liability as the benefits are earned if the employees' rights to receive compensation are attributable to services already rendered and it is probable that the District will compensate the employees for the benefits through paid time off or some other means. Sick leave benefits are accrued as a liability using the vesting method. The liability includes the employees who are currently eligible to receive termination benefits and those the District has identified as probable of receiving payment in the future, in accordance with the provisions of Governmental Accounting Standards Board Statement No. 16, Accounting for Compensated Absences. The amount is based on accumulated sick leave and employees' wage rates at fiscal year end, taking into consideration any limits specified in the District's termination policy.

For Governmental Funds, the District records a liability for accumulated unused vacation time when earned for all employees with more than one year of service. The District records a liability for accumulated unused sick leave for both classified and certified employees once they meet the eligibility requirements for retirement from one of the State retirement systems. The current portion of unpaid compensated absences is the amount expected to be paid using available expendable resources. These amounts are recorded in the account "Compensated Absences Payable" in the fund from which the employees are paid. The remainder is reported in the General Long-Term Obligations Account Group. In Proprietary Funds, the entire amount of compensated absences is reported as a fund liability.

SANDY VALLEY LOCAL SCHOOL DISTRICT
STARK COUNTY
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2000
(Continued)

2. Summary of Significant Accounting Policies (Continued)

L. Accrued Liabilities and Long-Term Obligations

In general, Governmental Fund payables and accrued liabilities are reported as obligations of the funds regardless of whether they will be liquidated with current resources. However, claims and judgments, compensated absences, contractually required pension contributions, and special termination benefits that will be paid from governmental funds are reported as a liability in the General Long-Term Obligations Account Group to the extent that they will not be paid with available expendable financial resources. Bonds, capital leases, and long-term loans are reported as a liability of the General Long-Term Obligations Account Group until due. Long-term debt and other obligations financed by Proprietary Funds are reported as liabilities of those funds.

M. Interfund Transactions

Quasi-external transactions are accounted for as revenues and expenditures or expenses. Transactions that constitute reimbursements to a fund for expenditures/expenses initially made from it that are properly applicable to another fund are recorded as expenditures/expenses in the reimbursing fund and as reductions of expenditures/expenses in the fund that is reimbursed. Nonrecurring or nonroutine permanent transfers of equity are reported as residual equity transfers. All other interfund transfers are reported as operating transfers.

N. Fund Balance Reserves

The District records reservations for portions of fund equity which are legally segregated for specific future use or which do not represent available expendable resources and therefore are not available for appropriation or expenditure. Unreserved fund balance indicates that portion of fund equity which is available for appropriation in future periods. Fund equity reserves are established for encumbrances, prepaids, property taxes, budget stabilization and long-term advances to other funds. The reserve for property taxes represents taxes recognized as revenue under generally accepted accounting principles but not available for appropriations under State statute.

O. Total Columns on General Purpose Financial Statements

Total columns on the general purpose financial statements are captioned "Totals (Memorandum Only)" to indicate that they are presented only to facilitate financial analysis. Data in these columns do not present financial position, results of operations, or cash flows in conformity with generally accepted accounting principles. Neither is such data comparable to a consolidation. Interfund eliminations have not been made in aggregation of this data.

SANDY VALLEY LOCAL SCHOOL DISTRICT
STARK COUNTY
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2000
(Continued)

3. Budgetary Basis of Accounting

While the District is reporting financial position, results of operations, and changes in fund balance/retained earnings on the basis of generally accepted accounting principles (GAAP), the budgetary basis as provided by law is based upon accounting for certain transactions on a basis of cash receipts, disbursements, and encumbrances. The Combined Statement of Revenues, Expenditures and Changes in Fund Balances, Budget -Actual (Non-GAAP Budgetary Basis) - All Governmental and Similar Fiduciary Fund Types are presented on the budgetary basis to provide a meaningful comparison of actual results with the budget. The major differences between the Budgetary basis and GAAP basis are that:

1. Revenues are recorded when received in cash (Budgetary basis) as opposed to when susceptible to accrual (GAAP basis).
2. Expenditures are recorded when paid in cash (Budgetary basis) as opposed to when the liability is incurred (GAAP basis).
3. Encumbrances are treated as expenditure equivalents for all funds (Budgetary basis) rather than as a reservation of fund balance for governmental fund types (GAAP basis).

The following table summarizes the adjustments necessary to reconcile the Budgetary and GAAP basis statements by fund type.

Excess (Deficiency) of Revenues and Other Financing Sources
Over (Under) Expenditures and Other Financing Uses

	General	Special Revenue	Capital Projects	Expendable Trust
Budget Basis	\$298,479	\$(137,089)	\$(182,958)	\$(6,058)
Adjustments for Revenue Accruals	81,735	(9,500)	20,095	-
Adjustments for Expenditure Accruals	(131,144)	(50,486)	(171,784)	(971)
Adjustments for Encumbrances	<u>284,816</u>	<u>126,455</u>	<u>206,762</u>	<u>1,515</u>
GAAP Basis	<u>\$533,886</u>	<u>\$ (70,620)</u>	<u>\$(127,885)</u>	<u>\$(5,514)</u>

The Debt Service Fund is not reflected in this presentation as its basis was zero under both the Budgetary and GAAP bases.

SANDY VALLEY LOCAL SCHOOL DISTRICT
STARK COUNTY
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2000
(Continued)

4. Deposits and Investments

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

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

Inactive deposits are public deposits that the Board of Education has identified as not required for use within the current two year period of designation of depositories. Inactive deposits must either be evidenced by certificates of deposit maturing no later than the end of the current period of designation of depositories, or by savings or deposit accounts including, but not limited to, passbook accounts.

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

Protection of District's deposits is provided by the Federal Deposit Insurance Corporation, 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.

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

1. United States Treasury Notes, Bills, Bonds, or any other obligation or security issued by the United States treasury or any other obligation guaranteed as to principal or interest by the United States;
2. Bonds, notes, debentures, or any other obligations or securities issued by any federal government agency or instrumentality, including but not limited to, the Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, Government National Mortgage Association, and Student Loan Marketing Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;

SANDY VALLEY LOCAL SCHOOL DISTRICT
STARK COUNTY
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2000
(Continued)

4. Deposits and Investments (Continued)

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

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

The following information classifies deposits and investments by categories of risk as defined in GASB Statement No 3, Deposits with Financial Institutions, Investments and Reverse Repurchase Agreements.

Deposits: At year end, the carrying amount of the District's deposits was \$117,330 and the bank balance was \$123,526. The bank balance was covered by federal depository insurance or by collateral held by the depository, or by their trust department agent, but not in the District's name. Of the bank balance:

1. \$100,000 was covered by federal depository insurance; and
2. \$23,526 was uninsured and uncollateralized. Although all statutory requirements for the deposits of money had been followed, non compliance with federal requirements could potentially subject the District to a successful claim by the FDIC.

SANDY VALLEY LOCAL SCHOOL DISTRICT
STARK COUNTY
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2000
(Continued)

4. Deposits and Investments (Continued)

Investments: The District's investments are categorized to give an indication of the level of custodial credit risk assumed by the District at fiscal year end. Category 1 includes investments that are insured or registered or for which the securities are held by the District or its agent in the District's name. Category 2 includes insured and unregistered investments which are held by the counterparty's trust department or agent in the District's name. Category 3 includes uninsured and unregistered investments for which the securities are held by the counterparty, or by its trust department or agent but not in the District's name. The District's investment in STAR Ohio, an investment pool operated by the Ohio State Treasurer, is unclassified since it is not evidenced by securities that exist in physical or book entry form. The carrying and fair value of the District's investment in STAR Ohio at year end was \$3,002,091.

5. Property Taxes

Property taxes are levied and assessed on a calendar year basis. Second half distributions occur in a new fiscal year. Property taxes include amounts levied against all real, public utility, and tangible personal (used in business) property located in the District. Real property taxes are levied after April 1 on the assessed value listed as of the prior January 1, the lien date. Public utility property taxes attached as a lien on December 31 of the prior year, were levied after April 1 and are collected with real property taxes. Assessed values for real property taxes are established by State law at 35 percent of appraised market value. All property is required to be revalued every six years. Public utility property taxes are assessed on tangible personal property at 88 percent of true value. Tangible personal property taxes are levied after April 1 on the value listed as of December 31 of the current year. Tangible personal property assessments are 25 percent of true 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.

Tangible personal property taxes paid by multi-county taxpayers are due September 20. Single county taxpayers may pay annually or semi-annually. If paid annually, payment is due April 30; if paid semi-annually, the first payment is due April 30, with the remainder payable by September 20.

The District receives property taxes from Stark, Tuscarawas, and Carroll Counties. These County Auditors periodically advances to the District its portion of the taxes collected. Second-half real property tax payments collected by the County by June 30, 2000, are available to finance fiscal year 2001 operations. The amount available to be advanced can vary based on the date the tax bills are sent.

SANDY VALLEY LOCAL SCHOOL DISTRICT
STARK COUNTY
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2000
(Continued)

5. Property Taxes (Continued)

Accrued property taxes receivable represents delinquent taxes outstanding and real property, tangible personal property, and public utility taxes which became measurable as of June 30, 2000. Although total property tax collections for the next fiscal year are measurable, only the amount available as an advance at June 30 is intended to finance current fiscal year operations. The receivable is therefore offset by a credit to a deferred revenue for that portion not intended to finance current year operations. The amount available to the District as an advance at June 30, 2000, was \$263,833 and \$12,348 in the General and Capital Projects Funds, respectively.

6. Interfund Activity

At June 30, 2000, outstanding interfund balances consisted of the following.

	<u>Interfund Receivables</u>	<u>Interfund Payables</u>
General Fund	\$210,148	\$ -
Special Revenue Fund – Tech Prep Expanded Enrollment Grant	-	10,500
Capital Projects Fund – Permanent Improvement Fund	-	193,648
Enterprise Fund - Food Service	-	<u>6,000</u>
Total	<u>\$210,148</u>	<u>\$210,148</u>

A portion of the above advances occurred during the 1995 fiscal year and have not yet been repaid to the General Fund. Therefore, a portion of the General Fund balance has been reserved to indicate that the amount does not represent available expendable resources.

SANDY VALLEY LOCAL SCHOOL DISTRICT
STARK COUNTY
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2000
(Continued)

7. Fixed Assets

A summary of the changes in the General Fixed Asset Account Group during the fiscal year is as follows:

	Balance 7/1/99	Additions	Disposals	Balance 6/30/00
Land and Land Improvements	\$ 718,012	\$ -	\$ -	\$ 718,012
Buildings and Building Improvements	2,694,475	12,633	-	2,707,108
Furniture, Fixtures, and Equipment	2,101,370	256,258	-	2,357,628
Vehicles	991,561	110,016	-	1,101,577
Construction in Progress	-	294,593	-	294,593
Totals	<u>\$ 6,505,418</u>	<u>\$ 673,500</u>	<u>\$ -</u>	<u>\$ 7,178,918</u>

A summary of the Enterprise Funds' fixed assets at June 30, 2000 is as follows:

	Balance 7/1/99	Additions	Disposals	Balance 6/30/00
Furniture, Fixtures, and Equipment	\$ 193,223	\$ 3,920	\$ (15,629)	\$ 181,514
Less: Accumulated Depreciation	<u>(144,168)</u>	<u>(-)</u>	<u>10,425</u>	<u>(133,743)</u>
Net Fixed Assets	<u>\$ 49,055</u>	<u>\$ 3,920</u>	<u>\$ (5,204)</u>	<u>\$ 47,771</u>

8. Long-Term Debt and Other Obligations

Debt outstanding at June 30, 2000 consisted of the following:

General Obligation Bonds

Principal Outstanding	\$120,000
Interest Rate	5.05%
Issue Date	12/93
Maturity Date	06/03

SANDY VALLEY LOCAL SCHOOL DISTRICT
STARK COUNTY
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2000
(Continued)

8. Long-Term Debt and Other Obligations (Continued)

Tax Anticipation Note

Principal Outstanding	\$ 61,225
Interest Rate	5.90%
Issue Date	08/94
Maturity Date	08/04

No new debt was issued during the year.

Outstanding general obligation bonds consist of an energy conservation bond issue.

All bonds outstanding are general obligations of the District for which the full faith and credit of the District is pledged for repayment. Accordingly, such unmatured obligations of the District are accounted for in the General Long-Term Obligations Account Group. Payments of principal and interest relating to these liabilities are recorded as expenditures in the Debt Service Fund when due and payable.

A ten year note was issued during December 1994 for the purpose of building improvements. These notes were of the tax anticipation type and are recorded as a liability of the Capital Projects Fund.

The annual requirements to amortize all bond and note indebtedness as of June 30, 2000, including interest payments of \$12,120 and \$10,837, respectively, are as follows:

<u>Year ending</u> <u>June 30</u>	<u>General</u> <u>Obligation Bonds</u>	<u>Tax Anticipation</u> <u>Note</u>
2001	46,060	15,861
2002	44,040	15,132
2003	42,020	14,412
2004	-	13,689
2005	-	12,968
TOTAL	<u>\$132,120</u>	<u>\$72,062</u>

The District utilizes trustees to service the bonds. Payments are recorded as disbursements in the year deposited with the trustee.

SANDY VALLEY LOCAL SCHOOL DISTRICT
STARK COUNTY
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2000
(Continued)

8. Long-Term Debt and Other Obligations (Continued)

Long-term debt and other obligations at June 30, 2000 and the related transactions for the year are summarized as follows:

	Balance 7/1/99	Additions	Reductions	Balance 6/30/00
G.O. Bonds Payable	\$ 160,000	\$ -	\$ 40,000	\$120,000
Tax Anticipaion Notes	73,471	-	12,246	61,225
Compensated Absences Payable	280,006	16,019	-	296,025
Due to Other Governments	<u>73,125</u>	<u>-</u>	<u>7,904</u>	<u>65,221</u>
Total	<u>\$ 586,602</u>	<u>\$16,019</u>	<u>\$60,150</u>	<u>\$542,471</u>

9. Compensated Absences

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

Teachers, administrators, and classified employees earn sick leave at a rate of one and one-fourth days per month. A liability for sick leave is based on the accumulated sick leave at the balance sheet date by those employees who are currently eligible to receive sick pay benefits. The District's sick pay liability has been calculated using the pay rates in effect at June 30, 2000 and reduced to the maximum payment allowed by labor contracts (52 days for classified, and 42 or 69 days for certified employees, based on length of service), plus any additional salary related payments.

10. Risk Management

Comprehensive - The District is exposed to various risks of loss related to torts, theft or damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During fiscal year 2000, the District contracted with private carriers for property and fleet insurance, liability insurance, and inland marine coverage. Coverage provided by these carriers is as follows:

SANDY VALLEY LOCAL SCHOOL DISTRICT
STARK COUNTY
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2000
(Continued)

10. Risk Management (Continued)

Building and Contents-replacement cost - \$20,015,416 (\$5,000 deductible)

Inland Marine Coverage - No Limit (\$100 deductible)

Boiler and Machinery - (\$1,000 deductible)

Automobile Liability - \$1,000,000 (\$500 deductible)

Uninsured Motorists - \$1,000,000 (\$500 deductible)

General Liability - \$4,000,000 per occurrence/ \$7,000,000 aggregate

Settled claims have not exceeded this commercial coverage in any of the past three years.

Workers Compensation - For fiscal year 2000, the District participated in a program with the Stark County Board of Education to obtain workers' compensation coverage. This program is administered by CompManagement, Inc. The experience of each of the participating school districts is calculated as one experience rate and applied to all participants in the program. Each participant pays its workers' compensation premium to the State's Bureau of Workers' Compensation based on this calculation. Total savings are then calculated and each participant's individual performance is compared to the overall savings percentage of the program. A participant will then either receive money from or be required to contribute to the program. This "equity pooling" arrangement insures that each participant shares equally in the overall performance of the program. Participation in the program is limited to school districts that can meet its selection criteria.

Health Insurance - The District is a participant in the Stark County Schools Council of Government (COG) for the purpose of obtaining benefits at a reduced premium for health care. The program for health care is administered by Mutual Health Services Company and Aultcare. Payments are made to the COG for the monthly attachment point, monthly stop-loss premiums, and administrative charges. The fiscal officer of the COG is the Treasurer of the Stark County Educational Service Center. The fiscal agent pays Mutual Health Services and Aultcare monthly for the actual amount of claims processed, the stop-loss premium, and the administrative charges.

SANDY VALLEY LOCAL SCHOOL DISTRICT
STARK COUNTY
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2000
(Continued)

11. Defined Benefit Pension Plans

A. School Employees Retirement System

The District contributes to the School Employees Retirement System of Ohio (SERS), a cost-sharing multiple employer public employee retirement system administered by the School Employees Retirement Board. SERS provides basic retirement benefits, disability, survivor, and health care benefits based on eligible service credit to members and beneficiaries. Benefits are established by Chapter 3309 of the Ohio Revised Code. SERS issues a publicly available financial report that includes financial statements and required supplementary information for SERS. The report may be obtained by writing to the School Employees Retirement System, 45 North Fourth Street, Columbus, Ohio 43215-3634.

Plan members are required to contribute 9 percent of their annual covered salary and the District is required to contribute at an actuarially determined rate. The contribution rate is 14 percent of annual covered payroll. A portion of the District's contribution is used to fund pension obligations with the remainder being used to fund health care benefits; for fiscal year 1999, 7.7 percent of annual covered salary was the portion used to fund pension obligations. 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 District's required contributions for pension obligations to SERS for the fiscal years ended June 30, 2000, 1999, and 1998 were \$168,018, \$142,296, and \$152,389, respectively. 50% has been contributed for the fiscal year 2000 and 100% for fiscal years 1999 and 1998. \$88,452 representing the unpaid contribution for the fiscal year 2000, is recorded as a liability within the respective funds and the General Long-Term Obligations Account Group.

B. State Teachers Retirement System

The District also contributes to the State Teachers Retirement System of Ohio (STRS), a cost-sharing multiple employer public employee retirement system. STRS provides basic retirement benefits, disability, survivor, and health care benefits based on eligible service credit to members and beneficiaries. Benefits are established by Chapter 3307 of the Ohio Revised Code. STRS issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by writing to the State Teachers Retirement System, 275 East Broad Street, Columbus, Ohio 43215-3771.

SANDY VALLEY LOCAL SCHOOL DISTRICT
STARK COUNTY
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2000
(Continued)

11. Defined Benefit Pension Plans (Continued)

B. State Teachers Retirement System (Continued)

For the fiscal year ended June 30, 2000, plan members are required to contribute 9.3 percent of their annual covered salary and the District is required to contribute 14 percent; 6 percent was the portion used to fund pension obligations. Contribution rates are established by STRS, upon recommendation of its consulting actuary, not to exceed statutory maximum rates of 10 percent for members and 14 percent for employers. The District's required contributions for pension obligations to STRS for the fiscal years ended June 30, 2000, 1999, and 1998 were \$646,104, \$598,072, and \$599,157, respectively. 84% has been contributed for the fiscal year 2000 and 100% for the fiscal years 1999 and 1998. \$107,828 representing the unpaid contribution for the fiscal year 2000, is recorded as a liability within the respective funds.

12. Post Employment Benefits

The District provides comprehensive health care benefits to retired teachers and their dependents through the State Teachers Retirement System (STRS), and to retired non-certified employees and their dependents through the School Employees Retirement System (SERS). Benefits include hospitalization, physicians' fees, prescription drugs, and reimbursement of monthly Medicare premiums. Benefit provisions and the obligations to contribute are established by the Systems based on authority granted by State Statute. Both systems are funded on a pay-as-you-go basis.

The STRS Board has statutory authority over how much, if any, of the health care costs will be absorbed by STRS. Most benefit recipients pay a portion of health care cost in the form of a monthly premium. By Ohio law, the cost of coverage paid from the STRS funds shall be included in the employer contribution rate, currently 14 percent of covered payroll. For the fiscal year ended June 30, 2000, the STRS Board allocated employer contributions equal to 8 percent of covered payroll to the Health Care Reserve Fund.

STRS pays health care benefits from the Health Care Reserve Fund. The balance in the Health Care Reserve Fund was \$2,783 million on June 30, 1999 (the latest information available). For the fiscal year ended June 30, 1999, eligible benefit recipients totaled 95,796 and net health care costs paid by STRS were \$249,929,000.

For SERS, coverage is made available to service retirees with ten or more fiscal years of qualifying service credit, disability, and survivor benefit recipients. Members retiring on or after August 1, 1989, with less than twenty-five years of service credit must pay a portion of their premium for health care. The portion is based on years of service up to a maximum of 75 percent of the premium.

SANDY VALLEY LOCAL SCHOOL DISTRICT
STARK COUNTY
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2000
(Continued)

12. Post Employment Benefits (Continued)

For this fiscal year, employer contributions to fund health care benefits were 4.98 percent of covered payroll and increase from 4.21 percent for fiscal year 1999. In addition, SERS levies a surcharge to fund health care benefits equal to 14 percent of the difference between a minimum pay and the member's pay, pro-rated for partial service credit. For fiscal year 2000, the minimum pay was established at \$12,400. The surcharge rate added to the unallocated portion of the 14 percent employer contribution provides for maintenance of the asset target level for the health care fund. The target level for the health care reserve is 125 percent of annual health care expenses. For the fiscal year ended June 30, 1999 (the latest information available), net health care costs paid by SERS were \$111,900,575 and the target level was \$139.9 million. Net assets available for payment as of June 30, 1998 by the Retirement System were \$160.3 million, at cost. The number of participants currently receiving health care benefits is approximately 50,000. The portion of the District's contributions that were used to fund postemployment benefits was \$88,144.

13. Segment Information for Enterprise Funds

The District maintains three enterprise funds to account for the operations of food service, uniform school supplies, and adult education. The table below reflects the more significant financial data relating to the enterprise funds of the District as of and for the fiscal year ended June 30, 2000.

	Food Service	School Supplies	Adult Education	Total
Operating Revenues	\$288,380	\$ -	\$ 6,511	\$ 294,891
Operating Expenses				
Before Depreciation	428,157	280	8,379	436,816
Operating Income(Loss)	(139,959)	(280)	(1,868)	(141,925)
Nonoperating Revenues	152,525	-	98	152,623
Net Income (Loss)	12,748	(280)	(1,770)	10,698
Fixed Assets Additions	3,920	-	-	3,920
Net Working Capital	7,708	3,927	6,272	17,907
Total Assets	90,134	3,927	6,272	100,333
Total Equity	38,442	3,927	6,272	48,641

SANDY VALLEY LOCAL SCHOOL DISTRICT
STARK COUNTY
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2000
(Continued)

14. Jointly Governed Organization

The District is a member of the Stark-Portage Area Computer Consortium (SPARCC), a jointly governed organization which provides computer services to the school districts within the boundaries of Stark and Portage counties. Each District's superintendent serves as a representative on the Board which consists of approximately 31 member districts. However, SPARCC is primarily governed by a five member executive Board which is made up of two representatives from Stark County, two from Portage County, and a Treasurer. The Board meets monthly to address any current issues.

15. Contingencies and Commitments

Grants

The 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 is 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, in the opinion of management, any such disallowed claims will not have a material adverse effect on the overall financial position of the District at June 30, 2000.

School Funding Decision

On March 24, 1997, the Ohio Supreme Court rendered a decision declaring certain portions of the Ohio school funding plan unconstitutional. The Court stayed the effect of its ruling for one year to allow the State's legislature to design a plan to remedy the perceived defects in that system. Declared unconstitutional was the State's "school foundation program," which provides significant amounts of monetary support to this District. During the fiscal year ended June 30, 2000, the District received \$4,435,448 of school foundation support for its General Fund, and \$4,621,812 in total (all funds) support.

Since the Court's ruling, numerous pieces of legislation have been passed by the State General Assembly in an attempt to address the issues identified by the Court. The Court of Common Pleas in Perry County has reviewing the new laws and, in a decision issued on February 26, 1999, determined they are not sufficiently responsive to the constitutional issues raised under the "thorough and efficient" clause of the Ohio Constitution. The state appealed the decision made by the Court of Common Pleas to the Ohio Supreme Court. On May 11, 2000, the Ohio Supreme Court rendered an opinion on this issue. The Court concluded, "... the mandate of the Ohio Constitution has not been fulfilled." The Court's majority recognized efforts by the Ohio General Assembly taken in response to the Court's March 24, 1997, decision, however, it found seven "... major areas warrant(ing) further attention, study, and development by the General Assembly..."

SANDY VALLEY LOCAL SCHOOL DISTRICT
STARK COUNTY
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2000
(Continued)

15. Contingencies and Commitments (Continued)

including the state's reliance on local property tax funding, the state's basic aid formula, the school foundation program, as discussed above, the mechanism for, and adequacy of, funding for school facilities, and the existence of the State's School Solvency Assistance Fund, which the Court found took the place of the unconstitutional emergency school loan assistance program.

The Court decided to maintain jurisdiction over these issues and continued the case at least until June 15, 2001

As of the date of these financial statements, the District is unable to determine what effect, if any, this ongoing litigation will have on its future State funding under this program and on its financial operations.

16. Statutory Reserves

The District is required by State statute to annually set aside in the general fund an amount based on a statutory formula for the purchase of textbooks and other instructional materials and an equal amount for the acquisition and construction of capital improvements. Amounts not spent by year-end or offset by similarly restricted resources received during the year must be held in cash at year-end and carried forward to be used for the same purpose in future years. The District is also required to set aside money for budget stabilization. Set-aside requirements for fiscal year 2000 are as follows:

	<u>Textbooks</u>	<u>Capital Acquisition</u>	<u>Budget Stabilization</u>	<u>Totals</u>
Set-Aside Cash Balance as of June 30, 1999	\$ -	\$ -	\$109,695	\$109,695
Current Year Set-Aside Requirements	189,608	189,608	-	379,216
Qualifying Disbursements	<u>(173,737)</u>	<u>(414,282)</u>	<u>-</u>	<u>(588,019)</u>
Total	<u>\$ 15,871</u>	<u>\$ (224,674)</u>	<u>\$109,695</u>	<u>\$99,108</u>
Amount Carried Forward to Fund Fiscal Year 2001	<u>\$ -</u>	<u>\$224,674</u>	<u>\$45,837</u>	<u>\$270,511</u>
Cash Restricted for Budget Stabilization/Textbooks	<u>\$15,871</u>	<u>\$ -</u>	<u>\$109,695</u>	<u>\$125,566</u>

SANDY VALLEY LOCAL SCHOOL DISTRICT
STARK COUNTY
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2000
(Continued)

17. Fund Balance Deficit

Fund equity balances at June 30, 2000, included the following individual fund deficit:

Permanent Improvement Fund	\$(38,907)
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The deficit in this fund was caused by the application of Generally Accepted Accounting Principles. It will be funded by anticipated future intergovernmental revenues or other subsidies which were not recognized or recorded at year end.

This fund did however, comply with Ohio State law, which does not permit a cash basis deficit at year end.

**SANDY VALLEY LOCAL SCHOOL DISTRICT
STARK COUNTY**

**SCHEDULE OF RECEIPTS AND EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2000**

Federal Grantor/ Pass Through Grantor/ Program Title	Pass Through Entity Number	Federal CFDA Number	Receipts	Non-Cash Receipts	Disbursements	Non-Cash Disbursements
U.S. DEPARTMENT OF AGRICULTURE						
<i>Passed Through Ohio Department of Education:</i>						
Nutrition Cluster:						
Food Distribution Program	N/A	10.550		\$24,159		\$24,159
National School Breakfast Program	N/A	10.553	8,995		8,995	
National School Lunch Program	N/A	10.555	123,980		123,980	
Total U.S. Department of Agriculture - Nutrition Cluster			132,975	24,159	132,975	24,159
U.S. DEPARTMENT OF EDUCATION						
<i>Passed Through Ohio Department of Education:</i>						
Special Education Cluster:						
Special Education Grants to States	6B-SF 1999	84.027	87,173		85,524	
Title I Grants to Local Educational Agencies	C1-S1 1999 C1-S1 2000	84.010	29,706 267,560		314,943	
Total Title I Grants to Local Educational Agencies			297,266		314,943	
Innovative Educational Program Strategies	C2-S1 1999 C C2-S1 2000	84.298	1,115 8,162		6,503	
Total Innovative Educational Program Strategies			9,277		6,503	
Drug-Free Schools and Community State Grant	DR-S1 1999 DR-S1 2000	84.186	5,645 6,469		9,744	
Total Drug-Free Schools and Community State Grant			12,114		9,744	
Goals 2000 State and Local Education Systemic Improvement	G2-S2 1998 C G2-S2 1999	84.276	14,845 93,750		138,546	
Total Goals 2000 State and Local Education Systemic Improvement			108,595		138,546	
Eisenhower Professional Development State Grants	MS-S1 2000	84.281	7,576		2,269	
Technology Literacy Challenge Funds Grants	TF-24 1999 P TF-25 1999 P TF-VM 1999 P	84.318	37,500 25,000 27,000		104,157	
Total Technology Literacy Challenge Funds Grants			89,500		104,157	
Class Size Reduction	CR-S1 2000	84.340	35,838		29,417	
Total U.S. Department of Education			647,339		691,103	
Totals			\$780,314	\$24,159	\$824,078	\$24,159

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

**SANDY VALLEY LOCAL SCHOOL DISTRICT
STARK COUNTY**

**NOTES TO SCHEDULE OF RECEIPTS AND EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2000**

NOTE A - SIGNIFICANT ACCOUNTING POLICIES

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

NOTE B - FOOD DISTRIBUTION

Nonmonetary assistance is reported in the Schedule at the fair market value of the commodities received and disbursed. Monies are commingled with state grants. It is assumed federal monies are expended first. At June 30, 2000, the District had no significant food commodities in inventory.



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REPORT OF INDEPENDENT ACCOUNTANTS ON COMPLIANCE AND ON INTERNAL CONTROL REQUIRED BY *GOVERNMENT AUDITING STANDARDS*

Sandy Valley Local School District
Stark County
5362 State Route 183, N.E.
Magnolia, Ohio 44643

To the Board of Education:

We have audited the general purpose financial statements of Sandy Valley Local School District, Stark County, (the District) as of and for the year ended June 30, 2000, and have issued our report thereon dated November 27, 2000. We conducted our audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*.

However, we noted immaterial instances of noncompliance that we have reported to management of the District in a separate letter dated November 27, 2000.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the District's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over the financial reporting that might be a material weakness. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

Sandy Valley Local School District
Stark County
Report of Independent Accountants on Compliance and on
Internal Control Required by *Government Auditing Standards*
Page 2

However, we noted other matters involving the internal control over the financial reporting that do not require inclusion in this report, that we have reported to management of the District in a separate letter dated November 27, 2000.

This report is intended for the information and use of the Audit Committee, management, the Board of Education, and federal awarding agencies and pass-through entities, and is not intended to be and should not be used by anyone other than these specified parties.

Jim Petro
Auditor of State

November 27, 2000



STATE OF OHIO
OFFICE OF THE AUDITOR

JIM PETRO, AUDITOR OF STATE

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**REPORT OF INDEPENDENT ACCOUNTANTS ON COMPLIANCE WITH REQUIREMENTS
APPLICABLE TO EACH MAJOR FEDERAL PROGRAM AND INTERNAL CONTROL OVER
COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133**

Sandy Valley Local School District
Stark County
5362 State Route 183, N.E.
Magnolia, Ohio 44643

To the Board of Education:

Compliance

We have audited the compliance of Sandy Valley Local School District, Stark County, (the District) with the types of compliance requirements described in the *U. S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that are applicable to its major federal program for the year ended June 30, 2000. The District's major federal program is identified in the summary of auditor's results section of the accompanying Schedule of Findings. Compliance with the requirements of laws, regulations, contracts and grants applicable to its major federal program is the responsibility of the District's management. Our responsibility is to express an opinion on the District's compliance based on our audit.

We conducted our audit of compliance in accordance with generally accepted auditing standards; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance occurred with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program. An audit includes examining, on a test basis, evidence about the District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the District's compliance with those requirements.

In our opinion, the District complied, in all material respects, with the requirements referred to above that are applicable to its major federal program for the year ended June 30, 2000.

Internal Control Over Compliance

The management of the District is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered the District's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133.

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts and grants that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over compliance and its operation that we consider to be material weaknesses.

This report is intended for the information and use of the Audit Committee, management, the Board of Education, and federal awarding agencies and pass-through entities, and is not intended to be and should not be used by anyone other than these specified parties.

Jim Petro
Auditor of State

November 27, 2000

**SANDY VALLEY LOCAL SCHOOL DISTRICT
STARK COUNTY**

**SCHEDULE OF FINDINGS
OMB CIRCULAR A -133 § .505**

JUNE 30, 2000

1. SUMMARY OF AUDITOR'S RESULTS
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(d)(1)(i)	Type of Financial Statement Opinion	Unqualified
(d)(1)(ii)	Were there any material control weakness conditions reported at the financial statement level (GAGAS)?	No
(d)(1)(ii)	Were there any other reportable control weakness conditions reported at the financial statement level (GAGAS)?	No
(d)(1)(iii)	Was there any reported material non-compliance at the financial statement level (GAGAS)?	No
(d)(1)(iv)	Were there any material internal control weakness conditions reported for major federal programs?	No
(d)(1)(iv)	Were there any other reportable internal control weakness conditions reported for major federal programs?	No
(d)(1)(v)	Type of Major Programs' Compliance Opinion	Unqualified
(d)(1)(vi)	Are there any reportable findings under § .510?	No
(d)(1)(vii)	Major Programs (list):	Title I - Grants to Local Educational Agencies - CFDA #84.010
(d)(1)(viii)	Dollar Threshold: Type A/B Programs	Type A: > \$ 300,000 Type B: all others
(d)(1)(ix)	Low Risk Auditee?	Yes

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

None

3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS

None



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SANDY VALLEY LOCAL SCHOOL DISTRICT

STARK COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
JANUARY 02, 2001**