

Dave Yost • Auditor of State

**SANDY VALLEY LOCAL SCHOOL DISTRICT
STARK COUNTY**

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Dave Yost • Auditor of State

INDEPENDENT ACCOUNTANTS' REPORT

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 financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Sandy Valley Local School District, Stark County, Ohio, (the District), as of and for the year ended June 30, 2010, which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the District's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*. Those standards require that we plan and perform the audit to reasonably assure 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 our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Sandy Valley Local School District, Stark County, Ohio, as of June 30, 2010, and the respective changes in financial position thereof and the budgetary comparison for the General Fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated March 10, 2011, on our consideration of the District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. While we did not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting and compliance and the results of that testing. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*. You should read it in conjunction with this report in assessing the results of our audit.

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

We conducted our audit to opine on the financial statements that collectively comprise the District's basic financial statements taken as a whole. The federal awards receipts and expenditures schedule provides additional information required by the 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 basic financial statements. The federal awards receipts and expenditures schedule is management's responsibility, and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. This schedule was subject to the auditing procedures we applied to the basic financial statements. We also applied certain additional procedures, including comparing and reconciling this information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, in accordance with auditing standards generally accepted in the United States of America. In our opinion, this information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.



Dave Yost
Auditor of State

March 10, 2011

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010
(UNAUDITED)**

The management's discussion and analysis of the Sandy Valley Local School District's ("the District") financial performance provides an overall review of the District's financial activities for the fiscal year ended June 30, 2010. The intent of this discussion and analysis is to look at the District's financial performance as a whole; readers should also review the basic financial statements and the notes to the basic financial statements to enhance their understanding of the District's financial performance.

Financial Highlights

Key financial highlights for 2010 are as follows:

- In total, net assets of governmental activities decreased \$1,489,528 which represents a 4.65% decrease from 2009.
- General revenues accounted for \$12,388,452 in revenue or 78.83% of all revenues. Program specific revenues in the form of charges for services and sales, grants and contributions accounted for \$3,326,015 or 21.17% of total revenues of \$15,714,467.
- The District had \$17,203,995 in expenses related to governmental activities; only \$3,326,015 of these expenses was offset by program specific charges for services, grants or contributions. General revenues supporting governmental activities (primarily taxes and unrestricted grants and entitlements) of \$12,388,452 were not adequate to provide for these programs.
- The District's major governmental funds are the general fund and bond retirement fund. The general fund had \$12,213,885 in revenues and \$12,560,067 in expenditures. During fiscal year 2010, the general fund's fund balance decreased \$346,182 from \$1,161,645 to \$815,463.
- The bond retirement fund had \$789,673 in revenues and \$792,338 in expenditures. During fiscal 2010, the bond retirement fund's fund balance decreased \$2,665 from \$554,040 to \$551,375.

Using the Basic Financial Statements

This annual report consists of a series of financial statements and notes to those statements. These statements are organized so the reader can understand the District as a financial whole, an entire operating entity. The statements then proceed to provide an increasingly detailed look at specific financial activities.

The statement of net assets and statement of activities provide information about the activities of the whole District, presenting both an aggregate view of the District's finances and a longer-term view of those finances. Fund financial statements provide the next level of detail. For governmental funds, these statements tell how services were financed in the short-term as well as what remains for future spending. The fund financial statements also look at the District's most significant funds with all other nonmajor funds presented in total in one column. In the case of the District, the general fund and bond retirement fund are the only governmental funds reported as major funds.

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

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010
(UNAUDITED)

Reporting the District as a Whole

Statement of Net Assets and the Statement of Activities

While this document contains the large number of funds used by the District to provide programs and activities, the view of the District as a whole looks at all financial transactions and asks the question, "How did we do financially during 2010?" The statement of net assets and the statement of activities answer this question. These statements include all assets, liabilities, revenues and expenses using the accrual basis of accounting similar to the accounting used by most private-sector companies. This basis of accounting will take into account all of the current year's revenues and expenses regardless of when cash is received or paid.

These two statements report the District's net assets and changes in those assets. This change in net assets is important because it tells the reader that, for the District as a whole, the financial position of the District has improved or diminished. The causes of this change may be the result of many factors, some financial, some not. Non-financial factors include the District's property tax base, current property tax laws in Ohio restricting revenue growth, facility conditions, required educational programs and other factors.

In the statement of net assets and the statement of activities, the governmental activities include the District's programs and services, including instruction, support services, operation and maintenance of plant, pupil transportation, extracurricular activities, and food service operations. The District's statement of net assets and statement of activities can be found on pages 13 - 14 of this report.

Reporting the District's Most Significant Funds

Fund Financial Statements

The analysis of the District's major governmental funds begins on page 9. Fund financial reports provide detailed information about the District's major funds. The District uses many funds to account for a multitude of financial transactions. However, these fund financial statements focus on the District's most significant funds. The District's major governmental funds are the general fund and bond retirement fund.

Governmental Funds

Most of the District's activities are reported in governmental funds, which focus on how money flows into and out of those funds and the balances left at year-end available for spending in future periods. These funds are reported using an accounting method called modified accrual accounting, which measures cash and all other financial assets than can readily be converted to cash. The governmental fund financial statements provide a detailed short-term view of the District's general government operations and the basic services it provides. Governmental fund information helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance educational programs. The relationship (or differences) between governmental activities (reported in the statement of net assets and the statement of activities) and governmental funds is reconciled in the basic financial statements. The basic governmental fund financial statements can be found on pages 15 - 19 of this report.

Reporting the District's Fiduciary Responsibilities

The District acts in a trustee capacity, or fiduciary, as an agent for individuals. These activities are reported in an agency fund. All of the District's fiduciary activities are reported in a separate statement of fiduciary net assets on page 20. These activities are excluded from the District's other financial statements because the assets cannot be utilized by the District to finance its operations.

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

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010
(UNAUDITED)

Notes to the Basic Financial Statements

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. These notes to the basic financial statements can be found on pages 21 - 49 of this report.

The District as a Whole

The statement of net assets provides the perspective of the District as a whole.

The table below provides a summary of the District's net assets for 2010 and 2009.

	Net Assets	
	Governmental Activities 2010	Governmental Activities 2009
<u>Assets</u>		
Current and other assets	\$ 8,690,510	\$ 11,498,527
Capital assets, net	<u>40,393,717</u>	<u>39,829,515</u>
Total assets	<u>49,084,227</u>	<u>51,328,042</u>
<u>Liabilities</u>		
Current liabilities	5,850,061	6,319,121
Long-term liabilities	<u>12,667,609</u>	<u>12,952,836</u>
Total liabilities	<u>18,517,670</u>	<u>19,271,957</u>
<u>Net assets</u>		
Invested in capital assets, net of related debt	28,624,801	29,168,636
Restricted	1,464,942	2,107,057
Unrestricted	<u>476,814</u>	<u>780,392</u>
Total net assets	<u>\$ 30,566,557</u>	<u>\$ 32,056,085</u>

Over time, net assets can serve as a useful indicator of a government's financial position. At June 30, 2010, the District's assets exceeded liabilities by \$30,566,557. Of this total, \$476,814 was unrestricted in its use.

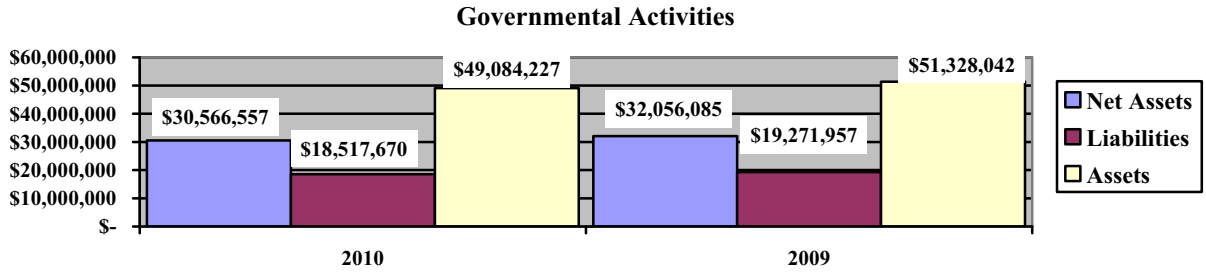
At year-end, capital assets represented 82.29% of total assets. Capital assets include land, land improvements, buildings and improvements, furniture and equipment and vehicles. Capital assets, net of related debt to acquire the assets at June 30, 2010, were \$28,624,801. These capital assets are used to provide services to the students and are not available for future spending. Although the District's investment in capital assets is reported net of related debt, it should be noted that the resources to repay the debt must be provided from other sources, since capital assets may not be used to liquidate these liabilities.

A portion of the District's net assets, \$1,464,942, represents resources that are subject to external restriction on how they may be used. The remaining balance of unrestricted net assets of \$476,814 may be used to meet the District's ongoing obligations to the students and creditors.

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

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010
(UNAUDITED)

The graph below shows the District's assets, liabilities and net assets at June 30, 2010 and 2009.



The table below shows the change in net assets for fiscal years 2010 and 2009.

	Change in Net Assets	
	Governmental Activities <u>2010</u>	Governmental Activities <u>2009</u>
<u>Revenues</u>		
Program revenues:		
Charges for services and sales	\$ 1,075,924	\$ 1,067,049
Operating grants and contributions	2,233,269	2,348,044
Capital grants and contributions	16,822	23,165
General revenues:		
Property taxes	4,017,610	4,349,288
Grants and entitlements	8,215,098	7,911,800
Investment earnings	75,629	212,076
Other	<u>80,115</u>	<u>95,429</u>
Total revenues	<u>15,714,467</u>	<u>16,006,851</u>

- Continued

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

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010
(UNAUDITED)

Change in Net Assets (Continued)

	Governmental Activities <u>2010</u>	Governmental Activities <u>2009</u>
<u>Expenses</u>		
Program expenses:		
Instruction:		
Regular	\$ 6,277,453	\$ 5,877,776
Special	2,264,913	2,042,888
Vocational	370,794	361,492
Adult education	6,210	8,504
Other	446,489	348,938
Support services:		
Pupil	1,321,634	1,150,856
Instructional staff	198,901	192,766
Board of education	12,378	12,159
Administration	1,390,082	1,326,498
Fiscal	388,517	379,713
Business	79,456	62,995
Operations and maintenance	1,529,508	898,843
Pupil transportation	1,042,273	970,846
Central	40,874	27,184
Operation of non-instructional services:		
Food service operations	677,530	578,617
Other non-instructional services	70,850	62,741
Extracurricular activities	538,188	465,305
Interest and fiscal charges	<u>547,945</u>	<u>551,672</u>
Total expenses	<u>17,203,995</u>	<u>15,319,793</u>
Special item	<u>-</u>	<u>(2,205,607)</u>
Change in net assets	(1,489,528)	(1,518,549)
Net assets at beginning of year	<u>32,056,085</u>	<u>33,574,634</u>
Net assets at end of year	<u>\$ 30,566,557</u>	<u>\$ 32,056,085</u>

Governmental Activities

Net assets of the District's governmental activities decreased \$1,489,528. Total governmental expenses of \$17,203,995 were offset by program revenues of \$3,326,015 and general revenues of \$12,388,452. Program revenues supported 19.33% of the total governmental expenses.

The primary sources of revenue for governmental activities are derived from property taxes, and unrestricted grants and entitlements. These revenue sources represent 77.84% of total governmental revenue.

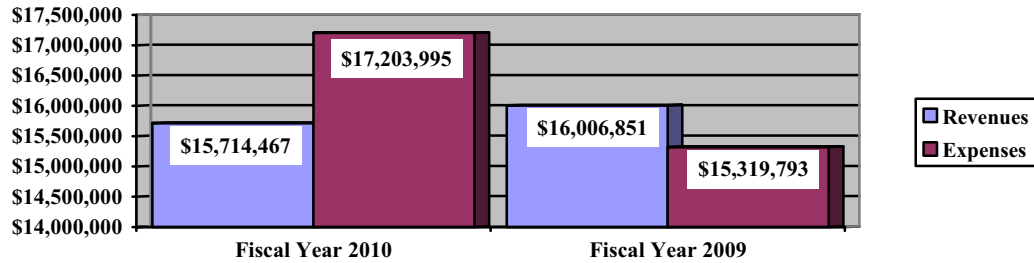
The largest expense of the District is for instructional programs. Instruction expenses totaled \$9,365,859 or 54.44% of total governmental expenses for fiscal 2010.

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

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010
(UNAUDITED)

The graph below presents the District's governmental activities revenue and expenses for fiscal years 2010 and 2009.

Governmental Activities - Revenues and Expenses



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

Governmental Activities

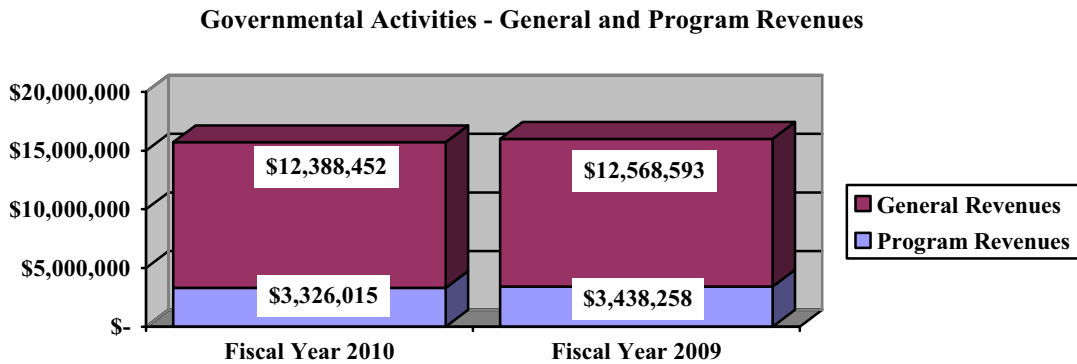
	Total Cost of Services <u>2010</u>	Net Cost of Services <u>2010</u>	Total Cost of Services <u>2009</u>	Net Cost of Services <u>2009</u>
Program expenses				
Instruction:				
Regular	\$ 6,277,453	\$ 5,633,582	\$ 5,877,776	\$ 4,945,486
Special	2,264,913	1,546,909	2,042,888	1,096,868
Vocational	370,794	187,766	361,492	179,826
Adult education	6,210	(3,665)	8,504	8,344
Other	446,489	275,088	348,938	193,517
Support services:				
Pupil	1,321,634	1,245,881	1,150,856	1,060,571
Instructional staff	198,901	179,636	192,766	173,601
Board of education	12,378	12,378	12,159	12,159
Administration	1,390,082	992,599	1,326,498	1,253,728
Fiscal	388,517	388,517	379,713	379,713
Business	79,456	79,456	62,995	62,332
Operations and maintenance	1,529,508	1,494,962	898,843	857,596
Pupil transportation	1,042,273	905,489	970,846	846,085
Central	40,874	40,874	27,184	27,184
Operation of non-instructional services:				
Food service operations	677,530	(45,746)	578,617	(79,446)
Other non-instructional services	70,850	6,151	62,741	(8,306)
Extracurricular activities	538,188	390,158	465,305	320,605
Interest and fiscal charges	547,945	547,945	551,672	551,672
Total expenses	\$ 17,203,995	\$ 13,877,980	\$ 15,319,793	\$ 11,881,535

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

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010
(UNAUDITED)

The dependence upon tax and other general revenues for governmental activities is apparent, 81.57% of instruction activities are supported through taxes and other general revenues. For all governmental activities, general revenue support is 80.67%. The District's taxpayers and unrestricted grants and entitlements from the State are by far the primary support for District's students.

The graph below presents the District's governmental activities revenue for fiscal years 2010 and 2009.



The District's Funds

The District's governmental funds (as presented on the balance sheet on page 15) reported a combined fund balance of \$2,151,095, which is less than last year's total of \$4,363,841. The schedule below indicates the fund balance and the total change in fund balance as of June 30, 2010 and 2009.

	Fund Balance <u>June 30, 2010</u>	Fund Balance <u>June 30, 2009</u>	<u>(Decrease)</u>
Major funds:			
General	\$ 815,463	\$ 1,161,645	\$ (346,182)
Bond retirement	551,375	554,040	(2,665)
Other governmental	<u>784,257</u>	<u>2,648,156</u>	<u>(1,863,899)</u>
Total	<u>\$ 2,151,095</u>	<u>\$ 4,363,841</u>	<u>\$ (2,212,746)</u>

General Fund

The District's general fund's fund balance decreased \$346,182. The decrease in fund balance can be attributed to decreased revenues and increased expenditures.

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

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010
(UNAUDITED)

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

	<u>2010</u> <u>Amount</u>	<u>2009</u> <u>Amount</u>	<u>Percentage</u> <u>Change</u>
<u>Revenues</u>			
Taxes	\$ 3,170,714	\$ 3,314,616	(4.34) %
Tuition	533,729	502,576	6.20 %
Earnings on investments	70,684	51,533	37.16 %
Intergovernmental	8,307,817	8,618,226	(3.60) %
Other revenues	<u>130,941</u>	<u>132,812</u>	(1.41) %
Total	<u>\$ 12,213,885</u>	<u>\$ 12,619,763</u>	(3.22) %
<u>Expenditures</u>			
Instruction	\$ 7,731,793	\$ 7,495,652	3.15 %
Support services	4,509,305	4,487,295	0.49 %
Extracurricular activities	<u>318,969</u>	<u>307,291</u>	3.80 %
Total	<u>\$ 12,560,067</u>	<u>\$ 12,290,238</u>	2.20 %

The decrease in tax revenue is due to the phase out of the tangible personal property tax under HB 66 and a decrease in the assessed valuation. Intergovernmental revenue also decreased due to a slight decrease in State Foundation funding. All other revenues remained consistent with the prior year.

Expenditures increased slightly in each category. This is due to the overall increase in the price of purchased goods and services and customary wage and benefit increases.

Bond Retirement Fund

The bond retirement fund had \$789,673 in revenues and \$792,338 in expenditures. During fiscal 2010, the bond retirement fund's fund balance decreased \$2,665 from \$554,040 to \$551,375. This decrease is due to the District's debt service expenditures exceeding bond levy receipts during fiscal year 2010.

General Fund Budgeting Highlights

The District's budget is prepared according to Ohio law and is based on accounting for certain transactions on a basis of cash receipts, disbursements and encumbrances. The most significant budgeted fund is the general fund.

During the course of fiscal 2010, the District amended its general fund budget numerous times. For the general fund, original budgeted revenues and other financing sources were \$12,489,279 and final budgeted revenues and other financing sources were increased to \$12,492,279. Actual revenues and other financing sources for fiscal year 2010 was \$12,360,252. This represents a \$132,027 decrease from final budgeted revenues and other financing sources.

General fund original appropriations (appropriated expenditures plus other financing uses) of \$12,767,214 were increased to \$12,784,251 in the final budget. The actual budget basis expenditures for fiscal year 2010 totaled \$12,743,258, which was \$40,993 less than the final budget appropriations.

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

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010
(UNAUDITED)

Capital Assets and Debt Administration

Capital Assets

At the end of fiscal 2010, the District had \$40,393,717 invested in land, land improvements, buildings and improvements, furniture and equipment, and vehicles. This entire amount is reported in governmental activities. The following table shows fiscal 2010 balances compared to 2009:

Capital Assets at June 30 (Net of Depreciation)		
<u>Governmental Activities</u>		
	<u>2010</u>	<u>2009</u>
Land	\$ 1,248,658	\$ 1,248,658
Construction in progress	-	352,690
Land improvements	601,875	1,091,190
Building and improvements	38,047,639	36,689,728
Furniture and equipment	78,273	88,236
Vehicles	<u>417,272</u>	<u>359,013</u>
Total	<u>\$ 40,393,717</u>	<u>\$ 39,829,515</u>

Total additions to capital assets for 2010 were \$1,918,401. Total disposals of capital assets for 2010 were \$427,719 (net of accumulated depreciation). The total depreciation expense for 2010 was \$926,480.

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

Debt Administration

At June 30, 2010, the District had \$11,735,833 in general obligation bonds and lease purchase agreements outstanding. Of this total, \$390,508 is due within one year and \$11,345,325 is due in greater than one year. The following table summarizes the bonds and leases outstanding.

Outstanding Debt, at Year End		
	Governmental Activities <u>2010</u>	Governmental Activities <u>2009</u>
General obligation bonds	\$ 11,670,325	\$ 11,902,165
Lease purchase agreement	<u>65,508</u>	<u>128,648</u>
Total	<u>\$ 11,735,833</u>	<u>\$ 12,030,813</u>

See Note 10 to the basic financial statements for additional information on the District's debt administration.

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

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010
(UNAUDITED)

Current Financial Related Activities

The District's general fund expenditures exceeded general fund revenues by approximately \$398,901 on a cash basis. Every expense line item increased over the prior year with the biggest increases in purchased services, supplies and capital outlay. The cost to educate special needs students outside of the District was a major factor in these increases. The purchase of one new school bus out of the general fund was the reason for the capital outlay increase.

Real estate tax collections continue to be a major concern with end of year delinquencies from all counties of approximately \$385,000. Our real estate valuations remain flat and are expected to stay that way for another 3-5 years according to the Ohio Department of Taxation consultants.

At the end of the fiscal year six certified positions were eliminated through attrition and reductions in force. One more position was vacated in August, 2010.

We are very concerned with potential State Foundation cuts beginning in July, 2012. Estimates from our legislators range from 22.7% to 30.1%. Our forecast calls for a more optimistic cut in the 10% range.

Contacting the District's Financial Management

This financial report is designed to provide our citizens, taxpayers, investors and creditors with a general overview of the District's finances and to show the District's accountability for the money it receives. If you have questions about this report or need additional financial information contact Mr. Paul Lattavo, Treasurer, Sandy Valley Local School District, 5362 State Route 183 NE, Magnolia, Ohio 44643.

BASIC
FINANCIAL STATEMENTS

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

STATEMENT OF NET ASSETS
JUNE 30, 2010

	Governmental Activities
Assets:	
Equity in pooled cash and cash equivalents. . . .	\$ 3,804,697
Cash with escrow agent.	32,595
Receivables:	
Taxes	4,532,671
Accounts.	405
Intergovernmental	76,640
Accrued interest	21,292
Prepayments	11,050
Materials and supplies inventory.	17,748
Unamortized bond issue costs.	193,412
Capital assets:	
Land.	1,248,658
Depreciable capital assets, net.	39,145,059
Capital assets, net	40,393,717
 Total assets.	 49,084,227
 Liabilities:	
Accounts payable.	78,883
Retainage payable	32,595
Accrued wages and benefits	1,390,852
Intergovernmental payable	57,090
Pension obligation payable.	341,469
Accrued interest payable	41,109
Unearned revenue	3,908,063
Long-term liabilities:	
Due within one year.	550,019
Due in more than one year.	12,117,590
 Total liabilities	 18,517,670
 Net assets:	
Invested in capital assets, net of related debt.	28,624,801
Restricted for:	
Capital projects	274,231
Classroom facilities maintenance	284,037
Debt service.	583,725
Locally funded programs	1,451
State funded programs.	14,984
Federally funded programs	2,087
Public school support	28,461
Student activities	67,581
Other purposes	208,385
Unrestricted	476,814
 Total net assets	 \$ 30,566,557

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

STATEMENT OF ACTIVITIES
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Assets
		Charges for Services and Sales	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities
Governmental activities:					
Instruction:					
Regular	\$ 6,277,453	\$ 513,482	\$ 130,389	\$ -	\$ (5,633,582)
Special	2,264,913	52,004	666,000	-	(1,546,909)
Vocational	370,794	-	183,028	-	(187,766)
Adult/continuing.	6,210	9,875	-	-	3,665
Other	446,489	71,266	100,135	-	(275,088)
Support services:					
Pupil.	1,321,634	-	75,753	-	(1,245,881)
Instructional staff	198,901	-	19,265	-	(179,636)
Board of education	12,378	-	-	-	(12,378)
Administration.	1,390,082	-	397,483	-	(992,599)
Fiscal.	388,517	-	-	-	(388,517)
Business.	79,456	-	-	-	(79,456)
Operations and maintenance	1,529,508	9,041	8,683	16,822	(1,494,962)
Pupil transportation.	1,042,273	11,166	125,618	-	(905,489)
Central	40,874	-	-	-	(40,874)
Operation of non-instructional services:					
Food service operations	677,530	273,694	449,582	-	45,746
Other non-instructional services	70,850	-	64,699	-	(6,151)
Extracurricular activities.	538,188	135,396	12,634	-	(390,158)
Interest and fiscal charges	547,945	-	-	-	(547,945)
Totals	\$ 17,203,995	\$ 1,075,924	\$ 2,233,269	\$ 16,822	(13,877,980)

General revenues:

Property taxes levied for:	
General purposes	3,159,930
Debt service.	676,167
Classroom facilities maintenance.	52,516
Permanent improvement.	128,997
Grants and entitlements not restricted to specific programs	
Investment earnings	8,215,098
Miscellaneous	75,629
	80,115
Total general revenues	12,388,452
Change in net assets	(1,489,528)
Net assets at beginning of year.	32,056,085
Net assets at end of year	\$ 30,566,557

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2010

	<u>General</u>	<u>Bond Retirement</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
Assets:				
Equity in pooled cash and cash equivalents.	\$ 2,298,687	\$ 517,141	\$ 988,869	\$ 3,804,697
Cash with escrow agent.	-	-	32,595	32,595
Receivables:				
Taxes.	3,570,324	758,500	203,847	4,532,671
Accounts.	405	-	-	405
Intergovernmental	-	-	76,640	76,640
Accrued interest	21,292	-	-	21,292
Prepayments.	11,050	-	-	11,050
Materials and supplies inventory.	-	-	17,748	17,748
Total assets	<u>\$ 5,901,758</u>	<u>\$ 1,275,641</u>	<u>\$ 1,319,699</u>	<u>\$ 8,497,098</u>
Liabilities:				
Accounts payable	\$ 68,126	\$ -	\$ 10,757	\$ 78,883
Retainage payable.	-	-	32,595	32,595
Accrued wages and benefits.	1,201,273	-	189,579	1,390,852
Compensated absences payable	39,258	-	25,647	64,905
Intergovernmental payable	45,371	-	11,719	57,090
Pension obligation payable	292,527	-	48,942	341,469
Deferred revenue	359,765	73,459	38,922	472,146
Unearned revenue.	3,079,975	650,807	177,281	3,908,063
Total liabilities.	<u>5,086,295</u>	<u>724,266</u>	<u>535,442</u>	<u>6,346,003</u>
Fund balances:				
Reserved for encumbrances	104,336	-	128,015	232,351
Reserved for supplies inventory	-	-	17,748	17,748
Reserved for prepayments.	11,050	-	-	11,050
Reserved for tax revenue unavailable for appropriation	151,876	34,234	8,206	194,316
Reserved for debt service	-	517,141	-	517,141
Unreserved, undesignated, reported in:				
General fund.	548,201	-	-	548,201
Special revenue funds	-	-	457,957	457,957
Capital projects funds	-	-	172,331	172,331
Total fund balances	<u>815,463</u>	<u>551,375</u>	<u>784,257</u>	<u>2,151,095</u>
Total liabilities and fund balances	<u>\$ 5,901,758</u>	<u>\$ 1,275,641</u>	<u>\$ 1,319,699</u>	<u>\$ 8,497,098</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

RECONCILIATION OF TOTAL GOVERNMENTAL FUND BALANCES TO
NET ASSETS OF GOVERNMENTAL ACTIVITIES
JUNE 30, 2010

Total governmental fund balances		\$ 2,151,095
<i>Amounts reported for governmental activities in the statement of net assets are different because:</i>		
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.		40,393,717
Other long-term assets are not available to pay for current-period expenditures and therefore are deferred in the funds.		
Taxes receivable	\$ 430,292	
Interest receivable	21,292	
Intergovernmental receivable	20,562	
Total	472,146	472,146
Unamortized premiums on bond issuances are not recognized in the funds.		(193,423)
Unamortized bond issuance costs are not recognized in the funds.		193,412
Accrued interest payable is not due and payable in the current period and therefore is not reported in the funds.		(41,109)
Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds.		
General obligation bonds	(11,670,325)	
Compensated absences	(673,448)	
Lease-purchase	(65,508)	
Total	(12,409,281)	(12,409,281)
Net assets of governmental activities		\$ 30,566,557

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

	<u>General</u>	<u>Bond Retirement</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
Revenues:				
From local sources:				
Taxes	\$ 3,170,714	\$ 681,486	\$ 182,191	\$ 4,034,391
Tuition.	533,729	-	-	533,729
Transportation fees.	11,166	-	-	11,166
Earnings on investments	70,684	-	34,519	105,203
Charges for services	-	-	273,694	273,694
Extracurricular.	-	-	206,662	206,662
Classroom materials and fees	31,757	-	-	31,757
Other local revenues	88,018	-	46,434	134,452
Intergovernmental - intermediate	14,558	-	-	14,558
Intergovernmental - state	8,263,650	108,187	285,964	8,657,801
Intergovernmental - federal	29,609	-	1,808,351	1,837,960
Total revenue	<u>12,213,885</u>	<u>789,673</u>	<u>2,837,815</u>	<u>15,841,373</u>
Expenditures:				
Current:				
Instruction:				
Regular.	5,288,858	-	482,027	5,770,885
Special	1,851,440	-	355,404	2,206,844
Vocational	349,507	-	-	349,507
Adult/continuing	-	-	6,210	6,210
Other	241,988	-	203,315	445,303
Support services:				
Pupil	1,209,407	-	102,425	1,311,832
Instructional staff	148,153	-	16,875	165,028
Board of education	12,378	-	-	12,378
Administration	873,275	-	441,991	1,315,266
Fiscal	358,938	16,582	4,444	379,964
Business.	79,456	-	-	79,456
Operations and maintenance	850,702	-	137,248	987,950
Pupil transportation	936,122	-	153,287	1,089,409
Central	40,874	-	-	40,874
Operation of non-instructional services:				
Food service operations	-	-	592,632	592,632
Operation of non-instructional.	-	-	70,850	70,850
Extracurricular activities	318,969	-	140,569	459,538
Facilities acquisition and construction.	-	-	1,939,905	1,939,905
Debt service:				
Principal retirement.	-	280,000	63,140	343,140
Interest and fiscal charges	-	495,756	3,640	499,396
Total expenditures	<u>12,560,067</u>	<u>792,338</u>	<u>4,713,962</u>	<u>18,066,367</u>
Excess of expenditures over revenues.	<u>(346,182)</u>	<u>(2,665)</u>	<u>(1,876,147)</u>	<u>(2,224,994)</u>
Other financing sources (uses):				
Transfers in.	-	-	584,398	584,398
Transfers (out)	-	-	(584,398)	(584,398)
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net change in fund balances	(346,182)	(2,665)	(1,876,147)	(2,224,994)
Fund balances at beginning of year	1,161,645	554,040	2,648,156	4,363,841
Decrease in reserve for inventory	-	-	12,248	12,248
Fund balances at end of year.	<u>\$ 815,463</u>	<u>\$ 551,375</u>	<u>\$ 784,257</u>	<u>\$ 2,151,095</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

Net change in fund balances - total governmental funds	\$	(2,224,994)
<i>Amounts reported for governmental activities in the statement of activities are different because:</i>		
Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which capital outlays exceeds depreciation expense in the current period.		
Capital asset additions	\$ 1,918,401	
Current year depreciation	(926,480)	
Total		991,921
The net effect of various miscellaneous transactions involving capital assets (i.e., sales, disposals, trade-ins, and donations) is to decrease net assets.		
		(427,719)
Governmental funds report expenditures for inventory when purchased. However, in the statement of activities, they are reported as an expense when incurred.		
		12,248
Repayment of bond and lease principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets.		
		343,140
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.		
Taxes	(16,781)	
Interest revenue	(29,574)	
Intergovernmental revenue	(80,551)	
Total		(126,906)
Governmental funds report expenditures for interest when it is due. In the statement of activities, interest expense is recognized as the interest accrues, regardless of when it is due. More interest is reported in the statement of activities due to the following:		
Increase in accrued interest payable	(390)	
Accreted interest on "capital appreciation bonds"	(48,160)	
Amortization of bond issuance costs	(7,921)	
Amortization of bond premiums	7,922	
Total		(48,549)
Some expenses reported in the statement of activities, such as compensated absences, do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds.		
		(8,669)
Change in net assets of governmental activities	\$	(1,489,528)

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCE - BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)
GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

	<u>Budgeted Amounts</u>		<u>Actual</u>	Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>		
Revenues:				
From local sources:				
Taxes	\$ 3,222,223	\$ 3,222,997	\$ 3,294,921	\$ 71,924
Tuition.	491,882	492,000	533,729	41,729
Transportation fees.	-	-	12,254	12,254
Earnings on investments	24,994	25,000	72,311	47,311
Classroom materials and fees	36,491	36,500	31,757	(4,743)
Other local revenues	82,480	82,500	88,207	5,707
Intergovernmental - intermediate	17,196	17,200	14,558	(2,642)
Intergovernmental - state	8,596,019	8,598,084	8,267,011	(331,073)
Intergovernmental - federal	-	-	29,609	29,609
Total revenue	<u>12,471,285</u>	<u>12,474,281</u>	<u>12,344,357</u>	<u>(129,924)</u>
Expenditures:				
Current:				
Instruction:				
Regular	5,335,310	5,342,431	5,342,431	-
Special.	1,969,223	1,971,851	1,971,851	-
Vocational.	363,183	363,668	363,668	-
Other.	250,975	251,310	251,310	-
Support services:				
Pupil.	1,172,320	1,173,884	1,173,884	-
Instructional staff	152,907	153,111	153,111	-
Board of education	12,358	12,374	12,374	-
Administration.	888,113	889,298	889,298	-
Fiscal	363,714	364,199	353,206	10,993
Business	88,434	88,552	88,552	-
Operations and maintenance.	858,330	859,475	839,475	20,000
Pupil transportation	951,063	952,332	942,332	10,000
Central.	40,820	40,874	40,874	-
Extracurricular activities.	320,464	320,892	320,892	-
Total expenditures	<u>12,767,214</u>	<u>12,784,251</u>	<u>12,743,258</u>	<u>40,993</u>
Excess of expenditures over revenues.	<u>(295,929)</u>	<u>(309,970)</u>	<u>(398,901)</u>	<u>(88,931)</u>
Other financing sources:				
Advances in.	17,994	17,998	15,895	(2,103)
Total other financing sources	<u>17,994</u>	<u>17,998</u>	<u>15,895</u>	<u>(2,103)</u>
Net change in fund balance	(277,935)	(291,972)	(383,006)	(91,034)
Fund balance at beginning of year	2,402,358	2,402,358	2,402,358	-
Prior year encumbrances appropriated	155,510	155,510	155,510	-
Fund balance at end of year	<u>\$ 2,279,933</u>	<u>\$ 2,265,896</u>	<u>\$ 2,174,862</u>	<u>\$ (91,034)</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

STATEMENT OF FIDUCIARY NET ASSETS
FIDUCIARY FUNDS
JUNE 30, 2010

		Agency
Assets:		
Equity in pooled cash and cash equivalents	\$	60,903
Receivables:		
Accounts		1,324
Total assets	\$	62,227
Liabilities:		
Accounts payable.	\$	7,270
Due to students.		54,957
Total liabilities	\$	62,227

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

NOTE 1 - DESCRIPTION OF THE SCHOOL DISTRICT

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

The District encompasses all or portions of several villages and townships which are almost entirely located in Stark County, Ohio. The District is the 381st largest in the State of Ohio (among 905 public school districts and community schools) in terms of total enrollment. The District’s facilities are staffed by 78 classified employees and 120 certified employees who provide services to 1,425 students and other community members. The District operates a middle/high school building, an elementary school, a bus garage, and a warehouse.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The basic financial statements of the District have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The District also applies Financial Accounting Standards Board (FASB) guidance issued on or before November 30, 1989, to its governmental activities provided it does not conflict with or contradict GASB pronouncements. The District’s significant accounting policies are described below.

A. Reporting Entity

The reporting entity has been defined in accordance with GASB Statement No. 14, “The Financial Reporting Entity” as amended by GASB Statement No. 39, “Determining Whether Certain Organizations Are Component Units”. The reporting entity is composed of the primary government and component units. The primary government consists of all funds, departments, boards and agencies that are not legally separate from the District. For the District, this includes general operations, food service, and student related activities of the District.

Component units are legally separate organizations for which the District is financially accountable. The District is financially accountable for an organization if the District appoints a voting majority of the organization’s governing board and (1) the District is able to significantly influence the programs or services performed or provided by the organization; or (2) the District is legally entitled to or can otherwise access the organization’s resources; or (3) the District is legally obligated or has otherwise assumed the responsibility to finance the deficits of, or provide financial support to, the organization; or (4) the District is obligated for the debt of the organization. Component units may also include organizations that are fiscally dependent on the District in that the District approves the budget, the issuance of debt or the levying of taxes. Certain organizations are also included as component units if the nature and significance of the relationship between the primary government and the organization is such that exclusion by the primary government would render the primary governments financial statements incomplete or misleading. Based upon the application of these criteria, the District has one component unit.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

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

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

DISCRETELY PRESENTED COMPONENT UNIT

The Cardinal Digital Academy

The Cardinal Digital Academy (the "Academy") is a legally separate, conversion community school, served by a Board of Directors. The Academy provides students within the District and throughout Northeast Ohio with curriculum and instruction via distance learning technology. The Board of Directors consists of the District's Superintendent, Technology Coordinator, Curriculum Director, and two additional Board members appointed by the District. The Sandy Valley Local School District is the sponsoring District of the Academy under Ohio Revised Code Chapter 3314. The Superintendent of the District serves as the Chief Administrative Officer of the Academy and the Treasurer serves as the Chief Financial Officer. Based on the significant services provided by the District to the Academy, the Academy's purpose of servicing the students within the District, and the relationship between the Board of Education of the District and the Board of Directors of the Academy, the Academy is a component unit of the District.

The District suspended operations of the Academy effective July 1, 2007 due to lack of funding sources.

JOINTLY GOVERNED ORGANIZATIONS

Stark/Portage Area Computer Consortium

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

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

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

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

Stark County Tax Incentive Review Council

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

PUBLIC ENTITY RISK POOLS

Shared Risk Pool

Stark County Schools Council of Governments Health Benefit Plan

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

Insurance Purchasing Pool

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

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

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

B. Fund Accounting

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

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

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

GOVERNMENTAL FUNDS

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

General fund - The general fund is used to account for all financial resources except those required to be accounted for in another fund. The general fund balance is available for any purpose provided it is expended or transferred according to the general laws of Ohio.

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

Other governmental funds of the District are used to account for (a) financial resources to be used for the acquisition, construction, or improvement of capital facilities; (b) grants and other resources whose use is restricted to a particular purpose; and (c) food service operations.

PROPRIETARY FUNDS

Proprietary funds are used to account for the District's ongoing activities which are similar to those often found in the private sector. The District has no proprietary funds.

FIDUCIARY FUNDS

Fiduciary fund reporting focuses on net assets and changes in net assets. The fiduciary fund category is split into four classifications: pension trust funds, investment trust funds, private-purpose trust funds and agency funds. The District has no trust funds. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. The District's agency funds account for student activities.

C. Basis of Presentation and Measurement Focus

Government-wide Financial Statements - The statement of net assets and the statement of activities display information about the District as a whole. These statements include the financial activities of the primary government, except for fiduciary funds.

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

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

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

The government-wide financial statements are prepared using the economic resources measurement focus. All assets and all liabilities associated with the operation of the District are included on the statement of net assets.

Fund Financial Statements - Fund financial statements report detailed information about the District. The focus of governmental fund financial statements is on major funds rather than reporting funds by type. Each major fund is presented in a separate column, and all nonmajor funds are aggregated into one column. Fiduciary funds are reported by fund type.

All governmental funds are accounted for using a flow of current financial resources measurement focus. With this measurement focus, only current assets and current liabilities generally are included on the balance sheet. The statement of revenues, expenditures and changes in fund balances reports on the sources (i.e., revenues and other financing sources) and uses (i.e., expenditures and other financing uses) of current financial resources. This approach differs from the manner in which the governmental activities of the government-wide financial statements are prepared. Governmental fund financial statements therefore include a reconciliation with brief explanations to better identify the relationship between the government-wide statements and the statements for governmental funds.

Agency funds do not report a measurement focus as they do not report operations.

D. Basis of Accounting

Basis of accounting determines when transactions are recorded in the financial records and reported on the financial statements. Government-wide financial statements are prepared using the accrual basis of accounting. Governmental funds use the modified accrual basis of accounting. Fiduciary funds also use the accrual basis of accounting.

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

Nonexchange transactions, in which the District receives value without directly giving equal value in return, include property taxes, grants, entitlements and donations. On an accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied (See Note 6).

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

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

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

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

Unearned Revenue and Deferred Revenue - Unearned revenue and deferred revenue arise when assets are recognized before revenue recognition criteria have been satisfied.

Property taxes for which there is an enforceable legal claim as of June 30, 2010, but which were levied to finance fiscal year 2011 operations, and other revenues received in advance of the fiscal year for which they are intended to finance, have been recorded as unearned revenue. Grants and entitlements received before the eligibility requirements are met and delinquent property taxes due at June 30, 2010 are recorded as deferred revenue in the governmental funds.

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

Expenses/Expenditures - On the accrual basis of accounting, expenses are recognized at the time they are incurred. The entitlement value of donated commodities received during the year is reported in the statement of revenues, expenditures and changes in fund balances as an expenditure with a like amount reported as intergovernmental revenue. Unused donated commodities are reported as intergovernmental revenue.

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

E. Budgets

The budgetary process is prescribed by provisions of the Ohio Revised Code and entails the preparation of budgetary documents within an established timetable. The major documents prepared are the tax budget, the certificate of estimated resources, and the appropriation resolution, all of which are prepared on the budgetary basis of accounting. The certificate of estimated resources and the appropriations resolution are subject to amendment throughout the year with the legal restriction that appropriations cannot exceed estimated resources, as certified. All funds, other than agency funds, are legally required to be budgeted and appropriated. The legal level of budgetary control has been established by the Board of Education at the fund level. Any budgetary modifications at this level may only be made by resolution of the Board of Education.

Tax Budget:

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

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

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

Estimated Resources:

By April 1, the Board of Education accepts, by formal resolution, the tax rates as determined by the Budget Commission and receives the Commission's certificate of estimated resources, which states the projected revenue of each fund. Prior to 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 as the original budgeted amounts in the budgetary statements reflect the amounts in the certificate of estimated resources when the original appropriations were adopted. The amounts reported as the final budgeted amounts in the budgetary statements reflect the amounts in the final amended certificate of estimated resources in effect when the final appropriations were passed by the Board of Education.

Appropriations:

Upon receipt from the County Auditor of an amended certificate of estimated resources based on final assessed values and tax rates or a certificate saying no new certificate is necessary, the annual appropriation resolution is enacted by the Board of Education. Prior to the passage of the annual appropriation measure, the Board may pass a temporary appropriation measure to meet the ordinary expenses of the District. The appropriation resolution, at the fund level must be within the estimated resources as certified by the County Budget Commission and the total of expenditures may not exceed the appropriation totals at any level of control. Any revisions that alter the level of budgetary control must be approved by the Board of Education.

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

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

Lapsing of Appropriations:

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

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

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

F. Cash and Investments

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

During fiscal year 2010, investments were limited to nonnegotiable certificates of deposit. Except for nonparticipating investment contracts, investments are reported at fair value, which is based on quoted market prices.

Under existing Ohio statutes all investment earnings are assigned to the general fund unless statutorily required to be credited to a specific fund. The Board of Education has, by resolution, specified the funds to receive an allocation of interest earnings. Interest revenue credited to the general fund during fiscal year 2010 amounted to \$70,684 which includes \$26,003 assigned from other District funds.

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

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

G. Inventory

On government-wide and fund financial statements, purchased inventories are presented at the lower of cost or market and donated commodities are presented at their entitlement value. Inventories are reported on a first-in, first-out basis and are expensed when used. Inventories are accounted for using the purchase method on the fund financial statements and using the consumption method on the government-wide financial statements.

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

H. Capital Assets

General capital assets are those assets specifically related to governmental activities. These assets result from expenditures in the governmental funds. These assets are reported in the governmental activities column of the government-wide statement of net assets but are not reported in the fund financial statements.

All capital assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the year. Donated capital assets are recorded at their fair market values as of the date received. The District maintains its capitalization threshold at \$5,000. The District does not possess any infrastructure. Improvements are capitalized; the costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

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

All reported capital assets, except land, are depreciated. Improvements are depreciated over the remaining useful lives of the related capital assets. Depreciation is computed using the straight-line method over the following useful lives:

<u>Description</u>	<u>Governmental Activities Estimated Lives</u>
Land improvements	20 years
Buildings and improvements	20 - 50 years
Furniture and equipment	5 - 20 years
Vehicles	6 - 10 years

I. Interfund Balances

On fund financial statements, receivables and payables resulting from short-term interfund loans are classified as “interfund receivables/payables”. These amounts are eliminated in the governmental activities column on the statement of net assets. The District had no interfund loans outstanding at June 30, 2010.

J. Compensated Absences

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

In accordance with the provisions of GASB Statement No. 16, “Accounting for Compensated Absences”, a liability for vacation leave is accrued if a) the employees’ rights to payment are attributable to services already rendered; and b) it is probable that the employer will compensate the employees for the benefits through paid time off or other means, such as cash payment at termination or retirement. An accrual for earned sick leave is made to the extent that it is probable that the benefits will result in termination (severance) payments. A liability for sick leave is accrued using the vesting method; i.e., the liability is based on the sick leave accumulated at the balance sheet date by those employees who are currently eligible to receive termination (severance) payments, as well as those employees expected to become eligible in the future. For purposes of establishing a liability for sick leave on employees expected to become eligible to retire in the future, all employees age fifty seven or greater with at least two years of service, all employees age fifty two or greater with at least twenty two years of service, or any employee with twenty seven years of service were considered expected to become eligible to retire in accordance with GASB Statement No. 16.

The total liability for vacation and sick leave payments has been calculated using pay rates in effect at June 30, 2010 and reduced to the maximum payment allowed by labor contract and/or statute, plus any additional salary related payments.

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010**

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

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

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

K. Accrued Liabilities and Long-Term Obligations

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

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

L. Fund Balance Reserves

The District reserves those portions of fund equity which are legally segregated for a 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 have been established for encumbrances, materials and supplies inventory, prepayments, debt service, and property taxes unavailable for appropriation. The reserve for property taxes unavailable for appropriation represents taxes recognized as revenue under GAAP, but not available for appropriation under State statute.

M. Net Assets

Net assets represent the difference between assets and liabilities. Net assets invested in capital assets, net of related debt consist of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction or improvement of those assets. Net assets are reported as restricted when there are limitations imposed on their use either through enabling legislation or through external restrictions imposed by creditors, grantors or laws or regulations of other governments. The amount restricted for other purposes represents amounts restricted for food service operations.

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

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

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

N. Prepayments

Certain payments to vendors reflect the costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements. These items are reported as assets on the balance sheet using the consumption method. A current asset for the prepaid amounts is recorded at the time of the purchase and the expenditure/expense is reported in the year in which services are consumed.

O. Estimates

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

P. Interfund Activity

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

Q. Unamortized Bond Issuance Costs and Bond Premium

On government-wide financial statements, issuance costs are deferred and amortized over the term of the bonds using the straight-line method. Unamortized issuance costs are recorded as a separate line item on the statement of net assets.

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

On the governmental fund financial statements, issuance costs and bond premiums are recognized in the current period. A reconciliation of the bonds face value and the amount reported on the statement of net assets is presented in Note 10.B.

R. Nonpublic Schools

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

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

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

S. Extraordinary and Special Items

Extraordinary items are transactions or events that are both unusual in nature and infrequent in occurrence. Special items are transactions or events that are within the control of the Board of Education and that are either unusual in nature or infrequent in occurrence. Neither type of transaction was reported for fiscal year 2010.

T. Vocational Education

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

NOTE 3 - ACCOUNTABILITY AND COMPLIANCE

A. Change in Accounting Principles

For fiscal year 2010, the District has implemented GASB Statement No. 51, "Accounting and Financial Reporting for Intangible Assets", GASB Statement No. 53, "Accounting and Financial Reporting for Derivative Instruments", and GASB Statement No. 58, "Accounting and Financial Reporting for Chapter 9 Bankruptcies".

GASB Statement No. 51 addresses accounting and financial reporting standards for intangible assets, which are assets that lack physical substance, are nonfinancial in nature, and have an initial useful life extending beyond a single reporting period. Examples of intangible assets include easements, water rights, computer software, patents, and trademarks. GASB Statement No. 51 improves the quality of financial reporting by creating consistency in the recognition, initial measurement, and amortization of intangible assets. The implementation of GASB Statement No. 51 did not have an effect on the financial statements of the District.

GASB Statement No. 53 addresses the recognition, measurement, and disclosure of information regarding derivative instruments entered into by state and local governments. Derivative instruments are financial arrangements used by governments to manage specific risks or to make investments. Common types of derivative instruments include interest rate and commodity swaps, interest rate locks, options, swaptions, forward contracts, and futures contracts. The implementation of GASB Statement No. 53 did not have an effect on the financial statements of the District.

GASB Statement No. 58 establishes accounting and financial reporting guidance for governments that have petitioned for protection from creditors by filing for bankruptcy under Chapter 9 of the United States Bankruptcy Code. GASB Statement No. 58 requires governments to remeasure liabilities that are adjusted in bankruptcy when the bankruptcy court confirms a new payment plan. The implementation of GASB Statement No. 58 did not have an effect on the financial statements of the District.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

NOTE 3 - ACCOUNTABILITY AND COMPLIANCE - (Continued)

B. Deficit Fund Balances

Fund balances at June 30, 2010 included the following individual fund deficits:

<u>Nonmajor governmental funds:</u>	<u>Deficit</u>
Public school preschool	\$ 1,335
Title VI-B	14,160
Education stabilization	52,310
Title I	30,539
Improving teacher quality	676

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

NOTE 4 - DEPOSITS

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

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

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

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

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

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

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

NOTE 4 - DEPOSITS - (Continued)

4. Bonds and other obligations of the State of Ohio;
5. No-load money market mutual funds consisting exclusively of obligations described in items (1) and (2) above and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions;
6. The State Treasurer's investment pool (STAR Ohio);
7. Certain banker's acceptance and commercial paper notes for a period not to exceed one hundred eighty days from the purchase date in an amount not to exceed twenty-five percent of the interim monies available for investment at any one time; and,
8. Under limited circumstances, corporate debt interests rated in either of the two highest classifications by at least two nationally recognized rating agencies.

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

Investments in stripped principal or interest obligations, reverse repurchase agreements and derivatives are prohibited. The issuance of taxable notes for the purpose of arbitrage, the use of leverage and short selling are also prohibited. An investment must mature within five years from the date of purchase unless matched to a specific obligation or debt of the District, and must be purchased with the expectation that it will be held to maturity. Investments may only be made through specified dealers and institutions. Payment for investments may be made only upon delivery of the securities representing the investments to the Treasurer or, if the securities are not represented by a certificate, upon receipt of confirmation of transfer from the custodian.

A. Cash on Hand

At fiscal year end, the District had \$1,175 in undeposited cash on hand which is included on the financial statements of the District as part of "equity in pooled cash and cash equivalents".

B. Cash with Escrow Agent

At fiscal year end, \$32,595 was on deposit in the District's escrow accounts and excluded from the total amount of deposits reported below. This amount is not part of the internal cash pool, but reported on the financial statements as "cash with escrow agent".

C. Deposits with Financial Institutions

At June 30, 2010, the carrying amount of all District deposits was \$3,864,425. Based on the criteria described in GASB Statement No. 40, "Deposits and Investment Risk Disclosures", as of June 30, 2010, \$3,400,553 of the District's bank balance of \$3,900,553 was exposed to custodial risk as discussed below, while \$500,000 was covered by the FDIC.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

NOTE 4 - DEPOSITS - (Continued)

Custodial credit risk is the risk that, in the event of bank failure, the District's deposits may not be returned. All deposits are collateralized with eligible securities in amounts equal to at least 105% of the carrying value of the deposits. Such collateral, as permitted by the Ohio Revised Code, is held in single financial institution collateral pools at Federal Reserve Banks, or at member banks of the federal reserve system, in the name of the respective depository bank and pledged as a pool of collateral against all of the public deposits it holds or as specific collateral held at the Federal Reserve Bank in the name of the District. The District has no deposit policy for custodial credit risk beyond the requirements of State statute. Although the securities were held by the pledging institutions' trust department and all statutory requirements for the deposit of money had been followed, noncompliance with federal requirements could potentially subject the District to a successful claim by the FDIC.

D. Reconciliation of Cash and Cash Equivalents to the Statement of Net Assets

The following is a reconciliation of cash and cash equivalents as reported in the note above to cash and cash equivalents as reported on the statement of net assets as of June 30, 2010:

<u>Cash and cash equivalents per note</u>	
Carrying amount of deposits	\$ 3,864,425
Cash with escrow agent	32,595
Cash on hand	<u>1,175</u>
Total	<u>\$ 3,898,195</u>
 <u>Cash and cash equivalents per statement of net assets</u>	
Governmental activities	\$ 3,837,292
Agency funds	<u>60,903</u>
Total	<u>\$ 3,898,195</u>

NOTE 5 - INTERFUND TRANSACTIONS

Interfund transfers for the year ended June 30, 2010, consisted of the following, as reported on the fund financial statements:

Transfers to nonmajor governmental funds from:	<u>Amount</u>
Nonmajor governmental funds	<u>\$ 584,398</u>

The purpose of these transfers was to move interest earnings between the classroom facilities fund, a nonmajor governmental fund and the building fund, a nonmajor governmental fund.

Interfund transfers between governmental funds are eliminated on the government-wide financial statements. No interfund transfers are reported in the statement of activities.

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010**

NOTE 6 - PROPERTY TAXES

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

Property taxes include amounts levied against all real property, public utility property, and certain tangible personal (used in business) property located in the District. Real property tax revenues received in calendar year 2010 represent the collection of calendar year 2009 taxes. Real property taxes received in calendar year 2010 were levied after April 1, 2009, on the assessed values as of January 1, 2009, the lien date. Assessed values for real property taxes are established by State statute at 35 percent of appraised market value. Real property taxes are payable annually or semiannually. If paid annually, payment is due December 31; if paid semiannually, the first payment is due December 31, with the remainder payable by June 20. Under certain circumstances, State statute permits alternate payment dates to be established. Public utility property tax revenues received in calendar year 2010 represent the collection of calendar year 2009 taxes. Public utility real and tangible personal property taxes received in calendar year 2010 became a lien on December 31, 2008, were levied after April 1, 2009, and are collected with real property taxes. Public utility real property is assessed at 35 percent of true value; public utility tangible personal property is currently assessed at varying percentages of true value.

Tangible personal property tax revenues received in calendar year 2010 (other than public utility property) represent the collection of calendar year 2010 taxes levied against local and inter-exchange telephone companies. Tangible personal property taxes received from telephone companies in calendar year 2010 were levied after October 1, 2009, on the value as of December 31, 2009. Amounts paid by multi-county taxpayers are due September 20. Single county taxpayers may pay annually or semiannually. If paid annually, payment is due April 30; if paid semiannually, the first payment is due April 30, with the remainder payable by September 20. Tangible personal property taxes paid by April 30 are usually received by the District prior to June 30.

The District receives property taxes from Stark, Carroll and Tuscarawas Counties. The County Auditors periodically advance to the District their portion of the taxes collected. Second-half real property tax payments collected by the County by June 30, 2010, are available to finance fiscal year 2010 operations. The amount available as an advance at June 30, 2010 was \$151,876 in the general fund, \$34,234 in the bond retirement fund, \$5,505 in the permanent improvement fund, a nonmajor governmental fund, and \$2,701 in the classroom facilities maintenance fund, a nonmajor governmental fund. This amount is recorded as revenue. The amount available for advance at June 30, 2009 was \$276,083 in the general fund, \$66,451 in the bond retirement fund, \$11,260 in the permanent improvement fund, a nonmajor governmental fund, and \$5,191 in the classroom facilities maintenance fund, a nonmajor governmental fund. The amount of second-half real property taxes available for advance at fiscal year-end can vary based on the date the tax bills are sent.

Accrued property taxes receivable includes real property, public utility property and tangible personal property taxes which are measurable as of June 30, 2010 and for which there is an enforceable legal claim. Although total property tax collections for the next fiscal year are measurable, only the amount of real property taxes available as an advance at June 30 was levied to finance current fiscal year operations and is reported as revenue at fiscal year end. The portion of the receivable not levied to finance current fiscal year operations is offset by a credit to unearned revenue.

On the accrual basis of accounting, collectible delinquent property taxes have been recorded as a receivable and revenue, while on a modified accrual basis of accounting the revenue has been deferred.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

NOTE 6 - PROPERTY TAXES - (Continued)

The assessed values upon which the fiscal year 2010 taxes were collected are:

	2009 Second Half Collections		2010 First Half Collections	
	<u>Amount</u>	<u>Percent</u>	<u>Amount</u>	<u>Percent</u>
Agricultural/residential and other real estate	\$ 129,247,500	94.19	\$ 127,822,470	94.26
Public utility personal	7,652,460	5.58	7,635,250	5.63
Tangible personal property	<u>321,740</u>	<u>0.23</u>	<u>160,870</u>	<u>0.11</u>
Total	<u>\$ 137,221,700</u>	<u>100.00</u>	<u>\$ 135,618,590</u>	<u>100.00</u>
Tax rate per \$1,000 of assessed valuation:				
Operations	\$42.00		\$42.20	
Permanent improvements	2.50		2.50	
Bonded debt	5.40		5.90	

NOTE 7 - RECEIVABLES

Receivables at June 30, 2010 consisted of taxes, accounts, accrued interest, and intergovernmental grants and entitlements. All receivables are considered collectible in full due to the ability to foreclose for the nonpayment of taxes, the stable condition of State programs and the current year guarantee of Federal funds. A summary of the principal items of receivables reported on the statement of net assets follows:

Governmental activities:

Taxes	\$ 4,532,671
Accounts	405
Intergovernmental	76,640
Accrued interest	<u>21,292</u>
Total	<u>\$ 4,631,008</u>

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

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

NOTE 8 - CAPITAL ASSETS

Capital asset activity for the fiscal year ended June 30, 2010, was as follows:

	<u>Balance</u> <u>6/30/09</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance</u> <u>6/30/10</u>
Governmental activities:				
<i>Capital assets, not being depreciated:</i>				
Land	\$ 1,248,658	\$ -	\$ -	\$ 1,248,658
Construction in progress	<u>352,690</u>	<u>1,730,852</u>	<u>(2,083,542)</u>	<u>-</u>
Total capital assets, not being depreciated	<u>1,601,348</u>	<u>1,730,852</u>	<u>(2,083,542)</u>	<u>1,248,658</u>
<i>Capital assets, being depreciated:</i>				
Land improvements	1,564,007	-	(462,399)	1,101,608
Building and improvements	37,604,671	2,125,545	(319,224)	39,410,992
Furniture and equipment	118,586	-	-	118,586
Vehicles	<u>1,402,440</u>	<u>145,546</u>	<u>(51,459)</u>	<u>1,496,527</u>
Total capital assets, being depreciated	<u>40,689,704</u>	<u>2,271,091</u>	<u>(833,082)</u>	<u>42,127,713</u>
<i>Less: accumulated depreciation</i>				
Land improvements	(472,817)	(61,596)	34,680	(499,733)
Building and improvements	(914,943)	(767,634)	319,224	(1,363,353)
Furniture and equipment	(30,350)	(9,963)	-	(40,313)
Vehicles	<u>(1,043,427)</u>	<u>(87,287)</u>	<u>51,459</u>	<u>(1,079,255)</u>
Total accumulated depreciation	<u>(2,461,537)</u>	<u>(926,480)</u>	<u>405,363</u>	<u>(2,982,654)</u>
Governmental activities capital assets, net	<u>\$ 39,829,515</u>	<u>\$ 3,075,463</u>	<u>\$ (2,511,261)</u>	<u>\$ 40,393,717</u>

Depreciation expense was charged to governmental functions as follows:

<u>Instruction:</u>	
Regular	\$ 508,503
Special	41,272
Vocational	20,063
<u>Support services:</u>	
Instructional staff	33,366
Administration	33,681
Fiscal	6,134
Operations and maintenance	90,169
Pupil transportation	91,751
Extracurricular activities	31,008
Food service operations	<u>70,533</u>
Total depreciation expense	<u>\$ 926,480</u>

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

NOTE 9 - LEASE PURCHASE AGREEMENT - LESSEE DISCLOSURE

During prior fiscal years, the District entered into a lease purchase agreement for school buses. This lease agreement meets the criteria of capital lease as defined by generally accepted accounting principles, which defines a capital lease generally as one which transfers benefits and risks of ownership to the lessee. Capital lease payments will be reclassified and are reflected as debt service expenditures in the financial statements for the governmental funds. These expenditures will be reported as function expenditures on the budgetary statements.

Capital assets consisting of vehicles have been capitalized in the amount of \$305,132. This amount represents the present value of the minimum lease payments at the time of acquisition. Accumulated depreciation as of June 30, 2010 was \$162,101, leaving a current book value of \$143,031. A corresponding liability is recorded in the government-wide financial statements. Principal payments in fiscal year 2010 totaled \$63,140 paid by the permanent improvement fund, a nonmajor governmental fund.

The following is a schedule of the future long-term minimum lease payments required under the capital lease and the present value of the future minimum lease payments as of June 30, 2010:

<u>Fiscal Year Ending June 30,</u>	<u>Amount</u>
2011	<u>\$ 66,736</u>
Total minimum lease payments	66,736
Less amount representing interest	<u>(1,228)</u>
Total	<u>\$ 65,508</u>

NOTE 10 - LONG-TERM OBLIGATIONS

A. On March 29, 2006, the District issued \$12,399,985 in general obligations bonds (Series 2006 School Facilities Construction and Improvement Bonds). The bond issue represents the District's local share and local funded initiatives of a construction project approved and significantly funded by the Ohio School Facilities Commission (OSFC). The OSFC has awarded the District a \$26,158,531 grant for the project, and will make quarterly disbursements to the District until the project is completed. These bonds are general obligations of the District for which the full faith and credit of the District is pledged for repayment. Accordingly, such unmatured obligations of the District are accounted for in the statement of net assets. Payments of principal and interest relating to this bond issue are recorded as an expenditure in the bond retirement fund. The source of payment is derived from a 5.9 mil bonded debt tax levy. In conjunction with the 5.9 mils which support the bond issue, the District also passed in fiscal year 2006 a .5 mil levy to ultimately fund the maintenance costs of the new facilities. Tax revenue from this levy has been reported in the classroom facilities maintenance fund, a nonmajor governmental fund.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

NOTE 10 - LONG-TERM OBLIGATIONS - (Continued)

This issue is comprised of both current interest bonds, par value \$12,220,000, and capital appreciation bonds, par value \$179,985. The interest rates on the current interest bonds range from 3.50% to 4.25%. The capital appreciation bonds mature on December 1, 2014 (approximate initial offering yield at maturity 4.18%), December 1, 2015 (approximate initial offering yield to maturity 4.23%) at a redemption price equal to 100% of the principal, plus accrued interest to the redemption date. The accreted value at maturity for the capital appreciation bonds is \$730,000. A total of \$160,340 in accreted interest on the capital appreciation bonds has been included in the statement of net assets at June 30, 2010.

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

The following is a schedule of activity for fiscal year 2010 on the 2006 series general obligation bonds:

	Balance <u>6/30/09</u>	<u>Additions</u>	<u>Reductions</u>	Balance <u>6/30/10</u>
Current interest bonds	\$ 11,610,000	\$ -	\$ (280,000)	\$ 11,330,000
Capital appreciation bonds	179,985	-	-	179,985
Accreted interest	<u>112,180</u>	<u>48,160</u>	<u>-</u>	<u>160,340</u>
Total G.O. bonds	<u>\$ 11,902,165</u>	<u>\$ 48,160</u>	<u>\$ (280,000)</u>	<u>\$ 11,670,325</u>

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

Year Ended	Current Interest Bonds			Capital Appreciation Bonds		
	<u>Principal</u>	<u>Interest</u>	<u>Total</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2011	\$ 325,000	\$ 485,169	\$ 810,169	\$ -	\$ -	\$ -
2012	335,000	473,200	808,200	-	-	-
2013	350,000	459,919	809,919	-	-	-
2014	360,000	445,719	805,719	-	-	-
2015	25,000	438,018	463,018	93,159	256,841	350,000
2016 - 2020	1,610,000	2,061,529	3,671,529	86,826	293,174	380,000
2021 - 2025	2,405,000	1,614,593	4,019,593	-	-	-
2026 - 2030	2,995,000	1,011,980	4,006,980	-	-	-
2031 - 2034	<u>2,925,000</u>	<u>270,338</u>	<u>3,195,338</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total	<u>\$ 11,330,000</u>	<u>\$ 7,260,465</u>	<u>\$ 18,590,465</u>	<u>\$ 179,985</u>	<u>\$ 550,015</u>	<u>\$ 730,000</u>

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

NOTE 10 - LONG-TERM OBLIGATIONS - (Continued)

- B.** During the fiscal year 2010, the following changes occurred in governmental activities long-term obligations:

	Balance <u>06/30/09</u>	<u>Additions</u>	<u>Reductions</u>	Balance <u>06/30/10</u>	Amounts Due in <u>One Year</u>
Governmental activities:					
General obligation bonds	\$ 11,902,165	\$ 48,160	\$ (280,000)	\$ 11,670,325	\$ 325,000
Lease purchase agreement	128,648	-	(63,140)	65,508	65,508
Compensated absences payable	<u>720,678</u>	<u>151,620</u>	<u>(133,945)</u>	<u>738,353</u>	<u>159,511</u>
Total governmental activities long-term liabilities	<u>\$ 12,751,491</u>	<u>\$ 199,780</u>	<u>\$ (477,085)</u>	12,474,186	<u>\$ 550,019</u>
Add: unamortized premium				<u>193,423</u>	
Total on statement of net assets				<u>\$ 12,667,609</u>	

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

The lease purchase agreement will be paid from the permanent improvement fund, a nonmajor governmental fund. See Note 9 for details.

C. Legal Debt Margin

The Ohio Revised Code provides that voted net general obligation debt of the District shall never exceed 9% of the total assessed valuation of the District. The code further provides that unvoted indebtedness shall not exceed 1/10 of 1% of the property valuation of the District. The code additionally states that unvoted indebtedness related to energy conservation debt shall not exceed 9/10 of 1% of the property valuation of the District. The assessed valuation used in determining the District's legal debt margin has been modified by House Bill 530 which became effective March 30, 2006. In accordance with House Bill 530, the assessed valuation used in the District's legal debt margin calculation excluded tangible personal property used in business, telephone or telegraph property, interexchange telecommunications company property, and personal property owned or leased by a railroad company and used in railroad operations. The effects of these debt limitations at June 30, 2010, are a voted debt margin of \$1,235,036 (including available funds of \$551,375) and an unvoted debt margin of \$135,485.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

NOTE 11 - OTHER EMPLOYEE BENEFITS

A. Compensated Absences

The criteria for determining vacation, personal and sick leave components are derived from negotiated agreements and State laws. Classified employees earn 10 to 25 days of vacation per fiscal year, depending upon length of service. Accumulated, unused vacation time is paid to classified employees and administrators upon termination of employment. Teachers do not earn vacation time.

Teachers, administrators and classified employees earn sick leave at the rate of 1.25 days per month. A liability for sick leave is based on the accumulated sick leave at the balance sheet date by those employees who are currently eligible to receive severance benefits. The District's severance liability has been calculated using the pay rates in effect at June 30, 2010 and reduced to the maximum payment allowed by labor contracts (76 days for classified and 76 days for certified employees based on length of service), plus any additional salary related payments.

B. Insurance Benefits

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

<u>Employee Classification</u>	<u>Amount</u>
Certified	\$ 70,000
Classified	55,000
Administrators	90,000

C. Retirement Incentive

A one-time retirement bonus in the amount of \$20,000 was available to certified employees who became first-time eligible for retirement and retired effective at the end of the school year.

An irrevocable notice of intent to retire had to be received by the District Superintendent by April 1, 2010. In fiscal year 2010, no employees accepted the retirement incentive.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

NOTE 12 - RISK MANAGEMENT

A. Comprehensive

The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions, injuries to employees and natural disasters. During fiscal year 2010, the District has contracted with private for various types of insurance as follows:

<u>Type of Coverage</u>	<u>Amount of Coverage</u>	<u>Deductible</u>
Buildings and Contents:		
Replacement Cost	\$41,395,775	\$5,000
Inland Marine Coverage	various	500
Boiler and Machinery	included	5,000
Automobile Liability	1,000,000	250
Uninsured Motorists	50,000	500
General Liability:		
Per occurrence	1,000,000	0
Aggregate	2,000,000	
Umbrella Liability:		
Per occurrence	5,000,000	10,000
Aggregate	5,000,000	
Errors and Omission:		
Each wrongful act	1,000,000	2,500
Aggregate	1,000,000	

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

B. Group Health and Dental Insurance

The District participates in the Stark County Schools Council of Governments Health Benefit Plan, a shared risk pool (Note 2.A.) to provide employee medical/surgical benefits. Rates are set through an annual calculation process. The District pays a monthly contribution which is placed in a common fund from which claim payments are made for all participating districts. The District's Board of Education pays 100% of administrative employees' medical premiums, 90% of all other employees' medical premiums and 100% of dental monthly premiums.

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

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

NOTE 12 - RISK MANAGEMENT - (Continued)

C. Workers' Compensation

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

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

NOTE 13 - PENSION PLANS

A. School Employees Retirement System

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

Funding Policy - Plan members are required to contribute 10 percent of their annual covered salary and the District is required to contribute at an actuarially determined rate. The current District rate is 14 percent of annual covered payroll. A portion of the District's contribution is used to fund pension obligations with the remainder being used to fund health care benefits. For fiscal year 2010, 12.78 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 by the SERS' Retirement Board up to a statutory maximum amount of 10 percent for plan members and 14 percent for employers. Chapter 3309 of the Ohio Revised Code provides statutory authority for member and employer contributions. The District's required contributions for pension obligations to SERS for the fiscal years ended June 30, 2010, 2009 and 2008 were \$215,902, \$149,991 and \$149,125, respectively; 41.67 percent has been contributed for fiscal year 2010 and 100 percent for fiscal years 2009 and 2008.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

NOTE 13 - PENSION PLANS - (Continued)

B. State Teachers Retirement System of Ohio

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

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

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

Funding Policy - For fiscal year 2010, plan members were required to contribute 10 percent of their annual covered salaries. The District was required to contribute 14 percent; 13 percent was the portion used to fund pension obligations. Contribution rates are established by the State Teachers Retirement Board, upon recommendations of its consulting actuary, not to exceed statutory maximum rates of 10 percent for members and 14 percent for employers. Chapter 3307 of the Ohio Revised Code provides statutory authority for member and employer contributions.

The District's required contributions for pension obligations to STRS Ohio for the fiscal years ended June 30, 2010, 2009 and 2008 were \$848,006, \$829,367 and \$819,631, respectively; 83.22 percent has been contributed for fiscal year 2010 and 100 percent for fiscal years 2009 and 2008. Contributions to the DC and Combined Plans for fiscal year 2010 were \$31,865 made by the District and \$22,761 made by the plan members.

C. Social Security System

Effective July 1, 1991, all employees not otherwise covered by the SERS/STRS Ohio have an option to choose Social Security or the SERS/STRS Ohio. As of June 30, 2010, certain members of the Board of Education have elected Social Security. The District's liability is 6.2 percent of wages paid.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

NOTE 14 - POSTEMPLOYMENT BENEFITS

A. School Employees Retirement System

Plan Description - The District participates in two cost-sharing, multiple employer postemployment benefit plans administered by the School Employees Retirement System (SERS) for non-certificated retirees and their beneficiaries, a Health Care Plan and a Medicare Part B Plan. The Health Care Plan includes hospitalization and physicians' fees through several types of plans including HMO's, PPO's, Medicare Advantage, and traditional indemnity plans. A prescription drug program is also available to those who elect health coverage. SERS employs two third-party administrators and a pharmacy benefit manager to manage the self-insurance and prescription drug plans, respectively. The Medicare Part B Plan reimburses Medicare Part B premiums paid by eligible retirees and beneficiaries as set forth in Chapter 3309.69 of the Ohio Revised Code. Qualified benefit recipients who pay Medicare Part B premiums may apply for and receive a monthly reimbursement from SERS. The reimbursement amount is limited by statute to the lesser of the January 1, 1999 Medicare Part B premium or the current premium. The Medicare Part B premium for calendar year 2009 was \$96.40 and SERS' reimbursement to retirees was \$45.50. Benefit provisions and the obligations to contribute are established by the System based on authority granted by State statute. The financial reports of both Plans are included in the SERS Comprehensive Annual Financial Report which is available by contacting SERS at 300 East Broad St., Suite 100, Columbus, Ohio 43215-3746. It is also posted on the SERS' Ohio website, www.ohsers.org, under *Employers/Audit Resources*.

Funding Policy - State statute permits SERS to fund the health care benefits through employer contributions. Each year, after the allocation for statutorily required benefits, the Retirement Board allocates the remainder of the employer contribution of 14 percent of covered payroll to the Health Care Fund. The Health Care Fund was established and is administered in accordance with Internal Revenue Code Section 105(e). For 2010, 0.46 percent of covered payroll was allocated to health care. An additional health care surcharge on employers is collected for employees earning less than an actuarially determined minimum compensation amount, pro-rated according to service credit earned. Statutes provide that no employer shall pay a health care surcharge greater than 2.0 percent of that employer's SERS-covered payroll; nor may SERS collect in aggregate more than 1.5 percent of the statewide SERS-covered payroll for the health care surcharge. For fiscal year 2010, the actuarially determined amount was \$35,800.

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

The District's contributions for health care (including surcharge) for the fiscal years ended June 30, 2010, 2009, and 2008 were \$40,858, \$101,879 and \$102,166, respectively; 41.67 percent has been contributed for fiscal year 2010 and 100 percent for fiscal years 2009 and 2008.

The Retirement Board, acting with advice of the actuary, allocates a portion of the employer contribution to the Medicare B Fund. For fiscal year 2010, this actuarially required allocation was 0.76 percent of covered payroll. The District's contributions for Medicare Part B for the fiscal years ended June 30, 2010, 2009, and 2008 were \$12,839, \$12,375 and \$10,745, respectively; 41.67 percent has been contributed for fiscal year 2010 and 100 percent for fiscal years 2009 and 2008.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

NOTE 14 - POSTEMPLOYMENT BENEFITS - (Continued)

B. State Teachers Retirement System of Ohio

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

Funding Policy - Ohio law authorizes STRS Ohio to offer the Plan and gives the Retirement Board authority over how much, if any, of the health care costs will be absorbed by STRS Ohio. Active employee members do not contribute to the Plan. All benefit recipients pay a monthly premium. Under Ohio law, funding for post-employment health care may be deducted from employer contributions. For 2010, STRS Ohio allocated employer contributions equal to 1 percent of covered payroll to the Health Care Stabilization Fund. The District's contributions for health care for the fiscal years ended June 30, 2010, 2009, and 2008 were \$65,231, \$63,797 and \$63,049, respectively; 83.22 percent has been contributed for fiscal year 2010 and 100 percent for fiscal years 2009 and 2008.

NOTE 15 - BUDGETARY BASIS OF ACCOUNTING

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

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

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

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

NOTE 15 - BUDGETARY BASIS OF ACCOUNTING - (Continued)

The adjustments necessary to convert the results of operations for the year on the budget basis to the GAAP basis for the general fund is as follows:

Net Change in Fund Balance

	<u>General Fund</u>
Budget basis	\$ (383,006)
Net adjustment for revenue accruals	(130,472)
Net adjustment for expenditure accruals	59,366
Net adjustment for other financing sources/(uses)	(15,895)
Adjustment for encumbrances	123,825
GAAP basis	\$ (346,182)

NOTE 16 - CONTINGENCIES

A. Grants

The District receives significant financial assistance from numerous federal, State and local agencies in the form of grants. The disbursement of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and are subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the District. However, in the opinion of management, any such disallowed claims will not have a material effect on the financial position of the District.

B. Litigation

The District is not a party to legal proceedings that, in the opinion of management, would have a material adverse effect on the financial statements.

NOTE 17 - 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 the end of the fiscal year or offset by similarly restricted resources received during the year must be held in cash at year end. These amounts must be carried forward to be used for the same purposes in future years.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

NOTE 17 - STATUTORY RESERVES - (Continued)

The following cash basis information describes the change in the year end set-aside amounts for textbooks/instructional materials, and capital acquisition. Disclosure of this information is required by State statute.

	Textbooks/ Instructional <u>Materials</u>	Capital <u>Acquisition</u>
Set-aside balance as of June 30, 2009	\$ (1,102,915)	\$ -
Current year set-aside requirement	251,811	251,811
Current year offsets	-	(470,437)
Qualifying disbursements	<u>(367,735)</u>	<u>-</u>
Total	<u>\$ (1,218,839)</u>	<u>\$ (218,626)</u>
Balance carried forward to fiscal year 2011	<u>\$ (1,218,839)</u>	<u>\$ -</u>

The District had offsets and qualifying disbursements during the year that reduced the set-aside amounts below zero for the textbook/instructional materials and capital acquisition reserves. For textbook/instructional materials this extra amount may be used to reduce the set-aside requirements for future years. For capital acquisition, the extra amount may not be used to reduce the set-aside requirements for future years. The negative amount for textbooks/instructional materials is therefore presented as being carried forward to next fiscal year.

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**SANDY VALLEY LOCAL SCHOOL DISTRICT
STARK COUNTY**

**FEDERAL AWARDS RECEIPTS AND EXPENDITURES SCHEDULE
FOR THE YEAR ENDED JUNE 30, 2010**

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>						
Child Nutrition Cluster:						
School Breakfast Program	Not Applicable	10.553	\$167,253		\$167,253	
National School Lunch Program	Not Applicable	10.555	249,737		249,737	
Total Child Nutrition Cluster			416,990		416,990	
Food Distribution Program	Not Applicable	10.550		\$25,491		\$25,491
Total U.S. Department of Agriculture			416,990	25,491	416,990	25,491
U.S. ENVIRONMENTAL PROTECTION AGENCY						
<i>Passed Through Ohio Environmental Protection Agency</i>						
ARRA - State Clean Diesel Grant Program		66.040	39,509		39,509	
U.S. DEPARTMENT OF EDUCATION						
<i>Passed Through Ohio Department of Education:</i>						
Special Education Cluster						
Special Education - Grants to States	049940-6BSF-2010	84.027	266,722		255,798	
	049940-6BSF-2009		18,035		22,077	
			284,757		277,875	
ARRA Special Education - Grants to States		84.391	127,345		115,980	
Total Special Education Cluster			412,102		393,855	
Title I Cluster						
Title I - Grants to Local Educational Agencies	049940-C1S1-2010	84.010	207,742		193,577	
	049940-C1S1-2009		12,351		31,686	
			220,093		225,263	
ARRA Title I - Grants to Local Educational Agencies		84.389	109,030		105,821	
Total Title I Cluster			329,123		331,084	
ARRA State Fiscal Stabilization Fund (SFSF)		84.394	493,785		490,402	
State Grants for Innovative Programs	049940-C2S1-2010	84.298	14		14	
	049940-C2S1-2009		2,050		3,435	
			2,064		3,449	
Safe and Drug Free Schools and Communities - State Grant:	049940-DRWS1-2010	84.186	1,103		1,018	
	049940-DRWS1-2009		426		426	
Total Safe and Drug Free Schools			1,529		1,444	
Improving Teacher Quality State Grants	049940-TRS1-2010	84.367	58,188		57,065	
	049940-TRS1-2009		4,374		6,637	
Total Improving Teacher Quality State Grants			62,562		63,702	
Education Technology State Grants	049940-TJS1-2010	84.318	2,194		2,048	
	049940-TJS1-2009		488		1,060	
			2,682		3,108	
Total U.S. Department of Education			1,303,847		1,287,044	
Total			1,760,346	\$25,491	1,743,543	\$25,491

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

**SANDY VALLEY LOCAL SCHOOL DISTRICT
STARK COUNTY**

**NOTES TO THE FEDERAL AWARDS RECEIPTS AND EXPENDITURES SCHEDULE
FISCAL YEAR ENDED JUNE 30, 2010**

NOTE A - SIGNIFICANT ACCOUNTING POLICIES

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

NOTE B - CHILD NUTRITION CLUSTER

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

NOTE C – FOOD DONATION PROGRAM

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



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

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

To the Board of Education:

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Sandy Valley Local School District, Stark County, Ohio, (the District) as of and for the year ended June 30, 2010, which collectively comprise the District's basic financial statements and have issued our report thereon dated March 10, 2011. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the District's internal control over financial reporting as a basis for designing our audit procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of opining on the effectiveness of the District's internal control over financial reporting. Accordingly, we have not opined on the effectiveness of the District's internal control over financial reporting.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, when performing their assigned functions, to prevent, or detect and timely correct misstatements. A *material weakness* is a deficiency, or combination of internal control deficiencies resulting in more than a reasonable possibility that a material misstatement of the District's financial statements will not be prevented, or detected and timely corrected.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider material weaknesses, as defined above.

Compliance and Other Matters

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

We did note certain matters not requiring inclusion in this report that we reported to the District's management in a separate letter dated March 10, 2011.

We intend this report solely for the information and use of management, the Board of Education, federal awarding agencies and pass-through entities, and others within the District. We intend it for no one other than these specified parties.

A handwritten signature in black ink that reads "Dave Yost". The signature is written in a cursive, flowing style.

Dave Yost
Auditor of State

March 10, 2011



Dave Yost • Auditor of State

Independent Accountants' Report on Compliance with Requirements Applicable to Each Major Federal Program and on Internal Control Over Compliance Required by OMB Circular A-133

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

To the Board of Education:

Compliance

We have audited the compliance of Sandy Valley Local School District, Stark County, Ohio, (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 could directly and materially affect each of the Sandy Valley Local School District's major federal programs for the year ended June 30, 2010. The summary of auditor's results section of the accompanying Schedule of Findings identifies the District's major federal programs. The District's management is responsible for complying with the requirements of laws, regulations, contracts, and grants applicable to each major federal program. 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 auditing standards generally accepted in the United States of America; the standards applicable to financial audits included in the Comptroller General of the United States' *Government Auditing Standards*; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to reasonably assure whether noncompliance occurred with the compliance requirements referred to above that could directly and materially affect a major federal program. An audit includes examining, on a test basis, evidence about the District's compliance with those requirements and performing other procedures we considered necessary in the circumstances. We believe 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 Sandy Valley Local School District complied, in all material respects, with the requirements referred to above that could directly and materially affect each of its major federal programs for the year ended June 30, 2010.

Internal Control Over Compliance

The District's management is responsible for establishing and maintaining effective internal control over compliance with the 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 directly and materially affect a major federal program to determine our auditing procedures for the purpose of opining on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of opining on the effectiveness of internal control over compliance. Accordingly, we have not opined on the effectiveness of the District's internal control over compliance.

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www.auditor.state.oh.us

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, when performing their assigned functions, to prevent, or to timely detect and correct, noncompliance with a federal program compliance requirement. A *material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a federal program compliance requirement will not be prevented, or timely detected and corrected.

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

We noted a matter involving federal compliance or internal control over federal compliance not requiring inclusion in this report, that we reported to the District's management in a separate letter dated March 10, 2011.

We intend this report solely for the information and use of management, the Board of Education, others within the District, and federal awarding agencies, and pass-through entities. It is not intended for anyone other than these specified parties.



Dave Yost
Auditor of State

March 10, 2011

**SANDY VALLEY LOCAL SCHOOL DISTRICT
STARK COUNTY**

**SCHEDULE OF FINDINGS
OMB CIRCULAR A -133 § .505
JUNE 30, 2010**

1. SUMMARY OF AUDITOR'S RESULTS

<i>(d)(1)(i)</i>	Type of Financial Statement Opinion	Unqualified
<i>(d)(1)(ii)</i>	Were there any material control weaknesses reported at the financial statement level (GAGAS)?	No
<i>(d)(1)(ii)</i>	Were there any significant deficiencies in internal control reported at the financial statement level (GAGAS)?	No
<i>(d)(1)(iii)</i>	Was there any reported material noncompliance at the financial statement level (GAGAS)?	No
<i>(d)(1)(iv)</i>	Were there any material internal control weaknesses reported for major federal programs?	No
<i>(d)(1)(iv)</i>	Were there any significant deficiencies in internal control reported for major federal programs?	No
<i>(d)(1)(v)</i>	Type of Major Programs' Compliance Opinion	Unqualified
<i>(d)(1)(vi)</i>	Are there any reportable findings under § .510(a)?	No
<i>(d)(1)(vii)</i>	Major Programs (list):	Special Education Cluster: Special Education Grants to States CFDA #84.027 and #84.391; Title 1 Grants to Local Agencies CFDA #84.010 and #84.389; State Fiscal Stabilization Fund CFDA #84.394
<i>(d)(1)(viii)</i>	Dollar Threshold: Type A/B Programs	Type A: > \$ 300,000 Type B: all others
<i>(d)(1)(ix)</i>	Low Risk Auditee?	Yes

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

None

3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS

None

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SANDY VALLEY LOCAL SCHOOL DISTRICT

STARK COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
APRIL 12, 2011**