



**SANDY VALLEY LOCAL SCHOOL DISTRICT  
STARK COUNTY**

**SINGLE AUDIT**

**FOR THE YEAR ENDED JUNE 30, 2007**



**Mary Taylor, CPA**  
Auditor of State



**SANDY VALLEY LOCAL SCHOOL DISTRICT  
STARK COUNTY**

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# Mary Taylor, CPA

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 discretely presented component unit and remaining fund information of Sandy Valley Local School District, Stark County, Ohio, (the District) as of and for the year ended June 30, 2007, 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 discretely presented component unit and remaining fund information of Sandy Valley Local School District, Stark County, Ohio, as of June 30, 2007, 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 January 16, 2008, 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.

Management's Discussion and Analysis is not a required part of the basic financial statements but is supplementary information accounting principles generally accepted in the United States of America requires. We have applied certain limited procedures, consisting principally of inquiries of management regarding the methods of measuring and presenting the required supplementary information. However, we did not audit the information and express no opinion on it.

We conducted our audit to opine on the financial statements that collectively comprise the District's basic financial statements. The Federal Awards Receipts and Expenditures Schedule is required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the basic financial statements. We subjected the Federal Awards Receipts and Expenditures Schedule to the auditing procedures applied in the audit of the basic financial statements. In our opinion, this information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

A handwritten signature in cursive script that reads "Mary Taylor".

**Mary Taylor, CPA**  
Auditor of State

January 16, 2008

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

MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2007  
(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, 2007. 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 2007 are as follows:

- In total, net assets of governmental activities increased \$23,115,063 which represents a 264.57% increase from 2006.
- General revenues accounted for \$35,669,318 in revenue or 92.82% of all revenues. Program specific revenues in the form of charges for services and sales, grants and contributions accounted for \$2,757,470 or 7.18% of total revenues of \$38,426,788.
- The District had \$15,311,725 in expenses related to governmental activities; only \$2,757,470 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 \$35,669,318 were adequate to provide for these programs.
- The District's major governmental funds are the general fund and classroom facilities fund. The general fund had \$12,039,452 in revenues and \$12,760,891 in expenditures. During fiscal 2007, the general fund's fund balance decreased \$721,439 from \$1,451,848 to \$730,409.
- The other of the District's major governmental funds is the classroom facilities fund. The classroom facilities fund had \$9,453,519 in revenues and \$3,524,393 in expenditures. During fiscal 2007, the classroom facilities fund's fund balance increased \$5,929,126 from \$11,581,337 to \$17,510,463.

**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 classroom facilities 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, 2007  
(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 2007?" 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 - 15 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 classroom facilities 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 16 - 20 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 21. 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, 2007  
(UNAUDITED)

***Notes to the Basic Financial Statements***

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. These notes to the basic financial statements can be found on pages 23 - 50 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 2007 and 2006.

	<b>Net Assets</b>	
	Governmental Activities 2007	Governmental Activities 2006
<b><u>Assets</u></b>		
Current and other assets	\$ 43,786,239	\$ 46,198,331
Capital assets, net	<u>8,172,169</u>	<u>4,726,366</u>
Total assets	<u>51,958,408</u>	<u>50,924,697</u>
<b><u>Liabilities</u></b>		
Current liabilities	6,639,945	28,341,519
Long-term liabilities	<u>13,466,584</u>	<u>13,846,362</u>
Total liabilities	<u>20,106,529</u>	<u>42,187,881</u>
<b><u>Net Assets</u></b>		
Invested in capital assets, net of related debt	7,924,004	4,203,025
Restricted	23,690,987	3,836,154
Unrestricted	<u>236,888</u>	<u>697,637</u>
Total net assets	<u>\$ 31,851,879</u>	<u>\$ 8,736,816</u>

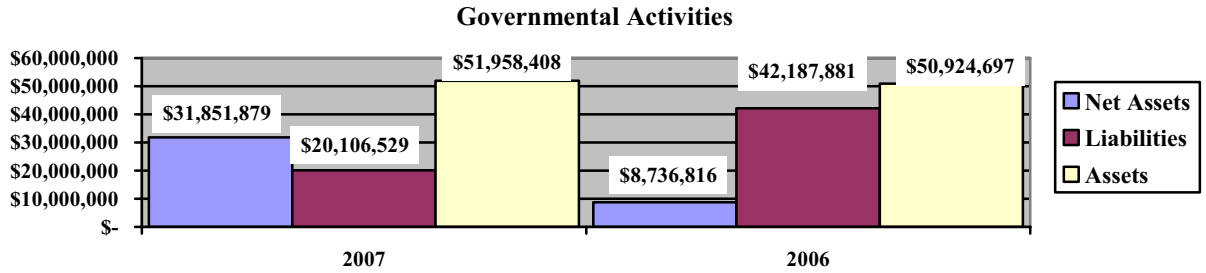
Over time, net assets can serve as a useful indicator of a government's financial position. At June 30, 2007, the District's assets exceeded liabilities by \$31,851,879. Of this total, \$236,888 was unrestricted in its use.

At year-end, capital assets represented 15.73% of total assets. Capital assets include land, construction in progress, land improvements, buildings and improvements, furniture and equipment and vehicles. Capital assets, net of related debt to acquire the assets at June 30, 2007, were \$7,924,004. 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, \$23,690,987, represents resources that are subject to external restriction on how they may be used. The remaining balance of unrestricted net assets of \$236,888 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, 2007  
(UNAUDITED)



The table below shows the change in net assets for fiscal years 2007 and 2006.

**Change in Net Assets**

	Governmental Activities <u>2007</u>	Governmental Activities <u>2006</u>
<b><u>Revenues</u></b>		
Program revenues:		
Charges for services and sales	\$ 928,367	\$ 975,295
Operating grants and contributions	1,813,598	1,091,138
Capital grants and contributions	15,505	-
General revenues:		
Property taxes	4,739,118	4,423,004
Grants and entitlements	29,616,320	11,188,202
Investment earnings	1,085,903	493,459
Other	<u>227,977</u>	<u>225,313</u>
Total revenues	<u>38,426,788</u>	<u>18,396,411</u>

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

MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2007  
(UNAUDITED)

**Change in Net Assets**

	Governmental Activities <u>2007</u>	Governmental Activities <u>2006</u>
<b><u>Expenses</u></b>		
Program expenses:		
Instruction:		
Regular	\$ 5,490,066	\$ 5,507,455
Special	2,457,936	2,041,223
Vocational	348,712	390,537
Adult education	7,210	6,238
Other	478,420	373,904
Support services:		
Pupil	1,198,235	1,109,169
Instructional staff	186,049	166,546
Board of education	13,773	12,990
Administration	1,280,803	1,146,430
Fiscal	334,791	326,908
Business	57,762	58,066
Operations and maintenance	762,300	832,316
Pupil transportation	969,180	962,604
Central	29,760	29,662
Operations of non-instructional services	74,007	64,256
Extracurricular activities	472,191	414,627
Food service operations	498,802	539,916
Interest and fiscal charges	<u>651,728</u>	<u>304,573</u>
Total expenses	<u>15,311,725</u>	<u>14,287,420</u>
Change in net assets	23,115,063	4,108,991
Net assets at beginning of year	<u>8,736,816</u>	<u>4,627,825</u>
Net assets at end of year	<u>\$ 31,851,879</u>	<u>\$ 8,736,816</u>

**Governmental Activities**

Net assets of the District's governmental activities increased \$23,115,063. Total governmental expenses of \$15,311,725 were offset by program revenues of \$2,757,470 and general revenues of \$35,669,318. Program revenues supported 18.01% of the total governmental expenses.

The primary sources of revenue for governmental activities are derived from property taxes, and grants and entitlements. These revenue sources represent 89.40% of total governmental revenue. Operating grants and contributions revenue increased due to the District receiving more grants that were restricted to a particular purpose during 2007. General revenue grants and entitlements increased due to all the requirements being met for the OSFC grant. Interest revenue increased due to higher interest rates in 2007.

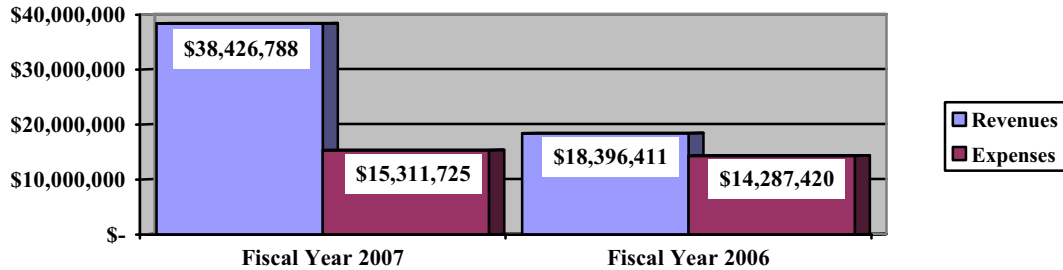
The largest expense of the District is for instructional programs. Instruction expenses totaled \$8,782,344 or 57.36% of total governmental expenses for fiscal 2007. Expenditures remained consistent with the prior fiscal year.

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

MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2007  
(UNAUDITED)

The graph below presents the District's governmental activities revenue and expenses for fiscal years 2007 and 2006.

**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**

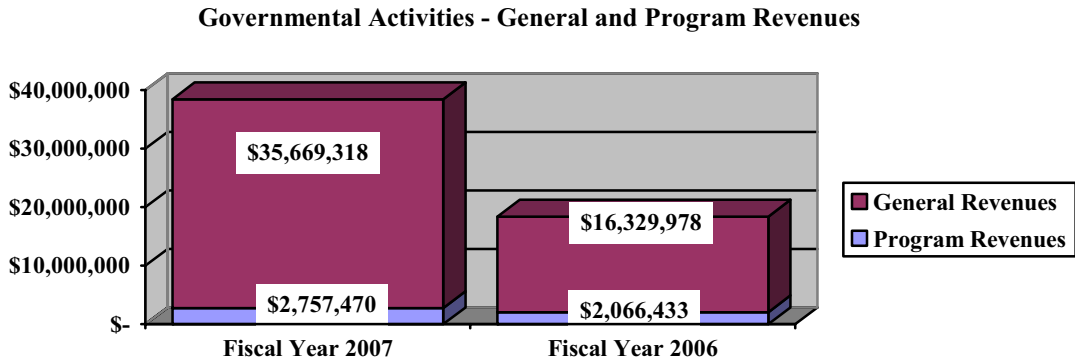
	Total Cost of Services 2007	Net Cost of Services 2007	Total Cost of Services 2006	Net Cost of Services 2006
<b>Program expenses</b>				
Instruction:				
Regular	\$ 5,490,066	\$ 4,885,122	\$ 5,507,455	\$ 4,938,138
Special	2,457,936	1,394,207	2,041,223	1,519,942
Vocational	348,712	224,495	390,537	390,537
Adult education	7,210	7,195	6,238	(1,553)
Other	478,420	374,723	373,904	253,277
Support services:				
Pupil	1,198,235	1,191,273	1,109,169	1,091,751
Instructional staff	186,049	177,539	166,546	144,877
Board of education	13,773	13,773	12,990	12,990
Administration	1,280,803	1,229,817	1,146,430	1,089,729
Fiscal	334,791	334,791	326,908	323,851
Business	57,762	57,762	58,066	58,066
Operations and maintenance	762,300	761,011	832,316	829,996
Pupil transportation	969,180	875,499	962,604	961,181
Central	29,760	29,760	29,662	29,662
Operations of non-instructional services	74,007	10,745	64,256	4,687
Extracurricular activities	472,191	337,024	414,627	268,820
Food service operations	498,802	(2,209)	539,916	463
Interest and fiscal charges	651,728	651,728	304,573	304,573
<b>Total expenses</b>	<u>\$ 15,311,725</u>	<u>\$ 12,554,255</u>	<u>\$ 14,287,420</u>	<u>\$ 12,220,987</u>

The dependence upon tax and other general revenues for governmental activities is apparent, 78.40% of instruction activities are supported through taxes and other general revenues. For all governmental activities, general revenue support is 81.99%. The District's taxpayers, as a whole, are by far the primary support for District's students.

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

MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2007  
(UNAUDITED)

The graph below presents the District's governmental activities revenue for fiscal years 2007 and 2006.



**The District's Funds**

The District's governmental funds (as presented on the balance sheet on page 16) reported a combined fund balance of \$22,694,532, which is greater than last year's total of \$17,272,370. The schedule below indicates the fund balance and the total change in fund balance as of June 30, 2007 and 2006.

	Fund Balance <u>June 30, 2007</u>	Fund Balance <u>June 30, 2006</u>	Increase <u>(Decrease)</u>
General	\$ 730,409	\$ 1,451,848	\$ (721,439)
Classroom Facilities	17,510,463	11,581,337	5,929,126
Other Governmental	<u>4,453,660</u>	<u>4,239,185</u>	<u>214,475</u>
Total	<u>\$ 22,694,532</u>	<u>\$ 17,272,370</u>	<u>\$ 5,422,162</u>

**General Fund**

The District's general fund's fund balance decreased \$721,439. The decrease in fund balance can be attributed to increasing expenditures and decreasing revenues. The table that follows assists in illustrating the financial activities and fund balance of the general fund.

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

MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2007  
(UNAUDITED)

	<u>2007</u> Amount	<u>2006</u> Amount	<u>Percentage</u> <u>Change</u>
<b><u>Revenues</u></b>			
Taxes	\$ 3,679,756	\$ 3,789,885	(2.91) %
Tuition	430,117	413,598	3.99 %
Earnings on investments	180,479	140,891	28.10 %
Intergovernmental	7,518,539	7,554,744	(0.48) %
Other revenues	<u>230,561</u>	<u>237,645</u>	(2.98) %
Total	<u>\$ 12,039,452</u>	<u>\$ 12,136,763</u>	(0.80) %
<b><u>Expenditures</u></b>			
Instruction	\$ 7,845,245	\$ 7,611,317	3.07 %
Support services	4,602,223	4,502,684	2.21 %
Extracurricular activities	313,423	251,189	24.78 %
Capital outlay	<u>-</u>	<u>305,132</u>	(100.00) %
Total	<u>\$ 12,760,891</u>	<u>\$ 12,670,322</u>	0.71 %

***Classroom Facilities Fund***

The other of the District's major governmental funds is the classroom facilities fund. The classroom facilities fund had \$9,453,519 in revenues and \$3,524,393 in expenditures. During fiscal 2007, the classroom facilities fund's fund balance increased \$5,929,126 from \$11,581,337 to \$17,510,463.

***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 2007, the District amended its general fund budget numerous times. For the general fund, original and final budgeted revenues and other financing sources were \$11,776,479. Actual revenues and other financing sources for fiscal 2007 was \$12,092,390. This represents a \$315,911 increase over final budgeted revenues and other financing sources. This increase is primarily due to conservative tax and intergovernmental estimates in the original and final budgeted amounts.

General fund original appropriations (appropriated expenditures plus other financing uses) of \$12,605,836 were increased to \$12,888,400 in the final budget. The actual budget basis expenditures and other financing uses for fiscal year 2007 totaled \$12,887,785, which was \$615 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, 2007  
(UNAUDITED)

**Capital Assets and Debt Administration**

***Capital Assets***

At the end of fiscal 2007, the District had \$8,172,169 invested in land, construction in progress, land improvements, buildings and improvements, furniture and equipment, and vehicles. This entire amount is reported in governmental activities. The following table shows fiscal 2007 balances compared to 2006:

<b>Capital Assets at June 30 (Net of Depreciation)</b>		
<u>Governmental Activities</u>		
	<u>2007</u>	<u>2006</u>
Land	\$ 1,248,658	\$ 1,248,658
Construction in progress	4,459,520	795,854
Land improvements	812,288	858,344
Building and improvements	1,162,362	1,215,402
Furniture and equipment	47,982	54,792
Vehicles	<u>441,359</u>	<u>553,316</u>
<b>Total</b>	<b><u>\$ 8,172,169</u></b>	<b><u>\$ 4,726,366</u></b>

Total additions to capital assets for 2007 were \$3,663,666. The total depreciation expense for 2007 was \$217,863.

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

***Debt Administration***

At June 30, 2007, the District had \$12,583,491 in general obligation bonds and lease purchase agreements outstanding. Of this total, \$303,659 is due within one year and \$12,279,832 is due in greater than one year. The following table summarizes the bonds and leases outstanding.

	Governmental Activities	Governmental Activities
	<u>2007</u>	<u>2006</u>
General obligation bonds:	\$ 12,335,326	\$ 12,404,855
Lease purchase agreement	248,165	428,341
Tax anticipation notes	-	<u>95,000</u>
<b>Total</b>	<b><u>\$ 12,583,491</u></b>	<b><u>\$ 12,928,196</u></b>

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, 2007  
(UNAUDITED)

**Current Financial Related Activities**

**Building Program**

The new building program continued to move forward. Bids from contractors interested in the early site work were received from eleven separate firms. Fetchko Excavating, Inc. submitted the lowest responsible bid for the Early Site Grading and Site Development package and was awarded the contract.

On January 24, 2007, a public bid opening was held and bids opened for campus site work in three separate areas. Responsible low bidders awarded contracts were:

Loop Master International Inc.	Geothermal well field and piping
Wood Electric, Inc.	Early site electrical, data, and communications
Newton Asphalt Paving, Inc.	Base course asphalt paving

Building construction bids were opened on May 31, 2007, and contracts were awarded to the following responsible low bidders:

C.T. Taylor	General Trades - both buildings
Moser Construction	Masonry - both buildings
S.S. Kemp	Kitchen Equipment - both buildings
S.A. Comunale	Fire Protection - both buildings
Doerschuk Plumbing	Plumbing - middle/high school
Standard Plumbing	Plumbing - elementary
Schmid	HVAC - both buildings
Wood Electric	Electric - both buildings
Abbot Electric	Data/phone/communication - both buildings
MT Bus. Tech.	Audio/visual sound - both buildings
Southeast Security	Building Security - both buildings
Hicks Roofing	Roofing - middle/high school
Meade Construction	Roofing - elementary school

Building footers were scheduled to begin being dug in early July. Completion of the project is scheduled for the fall of 2008.

**Finance**

In November 2006, the District's voters passed a 5 year \$750,000 emergency levy renewal. At the end of the school year, adjustments to certified and non-certified staff were made to address a decline in enrollment and the projected deficit in 2008-09. Property tax revenue increased somewhat due to the Stark County reappraisal, however, State Foundation was flat and down to the guarantee level. The state guarantee is in place for two more years and then will be addressed by the legislature. In the mean time, student enrollment will be carefully analyzed with respect to staffing.

**Contacting the District's Financial Management**

This financial report is designed to provide our citizen's taxpayers, and 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.



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

STATEMENT OF NET ASSETS  
JUNE 30, 2007

	<b>Primary Government</b>	<b>Component Unit</b>
	<b>Governmental Activities</b>	<b>Cardinal Digital Academy</b>
<b>Assets:</b>		
Equity in pooled cash and cash equivalents. . .	\$ 15,878,566	\$ 12,208
Investments . . . . .	8,862,561	-
Receivables:		
Taxes . . . . .	4,588,655	-
Intergovernmental . . . . .	14,082,777	-
Accrued interest . . . . .	137,251	-
Prepayments . . . . .	8,936	-
Materials and supplies inventory. . . . .	10,318	-
Unamortized bond issue costs . . . . .	217,175	-
Capital assets:		
Land. . . . .	1,248,658	-
Construction in progress. . . . .	4,459,520	-
Depreciable capital assets, net . . . . .	2,463,991	5,481
Total capital assets, net . . . . .	8,172,169	5,481
Total assets. . . . .	51,958,408	17,689
<b>Liabilities:</b>		
Accounts payable. . . . .	98,065	-
Contracts payable . . . . .	449,787	-
Retainage payable. . . . .	93,277	-
Accrued wages and benefits . . . . .	1,377,046	-
Intergovernmental payable . . . . .	180,979	-
Pension obligation payable. . . . .	323,860	-
Unearned revenue . . . . .	4,074,413	-
Accrued interest payable . . . . .	42,518	-
Long-term liabilities:		
Due within one year. . . . .	406,886	-
Due within more than one year . . . . .	13,059,698	-
Total liabilities . . . . .	20,106,529	-
<b>Net Assets:</b>		
Invested in capital assets, net		
of related debt. . . . .	7,924,004	5,481
Restricted for:		
Capital projects . . . . .	23,051,975	-
Debt service. . . . .	306,267	-
Classroom facilities maintenance . . . . .	147,110	-
State funded programs . . . . .	72,031	4,233
Federally funded programs . . . . .	31,088	-
Student activities . . . . .	67,011	-
Other purposes . . . . .	15,505	-
Unrestricted . . . . .	236,888	7,975
Total net assets . . . . .	\$ 31,851,879	\$ 17,689

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, 2007

	<u>Program Revenues</u>			
	<u>Expenses</u>	<u>Charges for Services and Sales</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>
<b>Governmental activities:</b>				
Instruction:				
Regular . . . . .	\$ 5,490,066	\$ 425,397	\$ 179,547	\$ -
Special . . . . .	2,457,936	41,874	1,021,855	-
Vocational . . . . .	348,712	-	124,217	-
Adult education . . . . .	7,210	15	-	-
Other . . . . .	478,420	63,197	40,500	-
Support services:				
Pupil. . . . .	1,198,235	-	6,962	-
Instructional staff . . . . .	186,049	-	8,510	-
Board of education . . . . .	13,773	-	-	-
Administration. . . . .	1,280,803	-	50,986	-
Fiscal. . . . .	334,791	-	-	-
Business. . . . .	57,762	-	-	-
Operations and maintenance . . . . .	762,300	1,289	-	-
Pupil transportation. . . . .	969,180	-	78,176	15,505
Central . . . . .	29,760	-	-	-
Operation of non-instructional services . . . . .	74,007	-	63,262	-
Extracurricular activities. . . . .	472,191	135,167	-	-
Food service operations . . . . .	498,802	261,428	239,583	-
Interest and fiscal charges . . . . .	651,728	-	-	-
Total governmental activities . . . . .	<u>\$ 15,311,725</u>	<u>\$ 928,367</u>	<u>\$ 1,813,598</u>	<u>\$ 15,505</u>
<b>Component Unit:</b>				
Cardinal Digital Academy	<u>\$ 156,276</u>	<u>\$ -</u>	<u>\$ 3,000</u>	<u>\$ -</u>

**General Revenues:**

Property taxes levied for:	
General purposes . . . . .	
Debt service. . . . .	
Special revenue . . . . .	
Capital projects . . . . .	
Grants and entitlements not restricted to specific programs. . . . .	
Grants and entitlements restricted for Ohio School Facilities Commission. . . . .	
Investment earnings . . . . .	
Miscellaneous . . . . .	
Total general revenues . . . . .	
Change in net assets . . . . .	
<b>Net assets at beginning of year . . . . .</b>	
<b>Net assets at end of year. . . . .</b>	

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**Net (Expense) Revenue and  
Changes in Net Assets**

<u>Primary Government</u>	<u>Component Unit</u>
<u>Governmental Activities</u>	<u>Cardinal Digital Academy</u>
\$ (4,885,122)	\$ -
(1,394,207)	-
(224,495)	-
(7,195)	-
(374,723)	-
(1,191,273)	-
(177,539)	-
(13,773)	-
(1,229,817)	-
(334,791)	-
(57,762)	-
(761,011)	-
(875,499)	-
(29,760)	-
(10,745)	-
(337,024)	-
2,209	-
(651,728)	-
<u>(12,554,255)</u>	<u>-</u>
<u>-</u>	<u>(153,276)</u>
3,726,773	-
787,414	-
67,106	-
157,825	-
7,016,557	146,467
22,599,763	-
1,085,903	475
227,977	2,400
<u>35,669,318</u>	<u>149,342</u>
23,115,063	(3,934)
<u>8,736,816</u>	<u>21,623</u>
<u>\$ 31,851,879</u>	<u>\$ 17,689</u>

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

BALANCE SHEET  
GOVERNMENTAL FUNDS  
JUNE 30, 2007

	<u>General</u>	<u>Classroom Facilities</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
<b>Assets:</b>				
Equity in pooled cash and cash equivalents . . . . .	\$ 2,261,031	\$ 10,691,793	\$ 2,910,237	\$ 15,863,061
Investments. . . . .	-	7,292,466	1,570,095	8,862,561
Receivables:				
Taxes. . . . .	3,529,459	-	1,059,196	4,588,655
Intergovernmental . . . . .	31,036	13,915,695	136,046	14,082,777
Accrued interest . . . . .	18,084	98,051	21,116	137,251
Interfund loans . . . . .	43,427	-	-	43,427
Prepayments . . . . .	8,936	-	-	8,936
Materials and supplies inventory . . . . .	-	-	10,318	10,318
Restricted assets:				
Equity in pooled cash and cash equivalents . . . . .	15,505	-	-	15,505
Total assets . . . . .	<u>\$ 5,907,478</u>	<u>\$ 31,998,005</u>	<u>\$ 5,707,008</u>	<u>\$ 43,612,491</u>
<b>Liabilities:</b>				
Accounts payable . . . . .	\$ 92,308	\$ -	\$ 5,757	\$ 98,065
Contracts payable . . . . .	-	434,714	15,073	449,787
Retainage payable. . . . .	-	93,277	-	93,277
Accrued wages and benefits . . . . .	1,251,055	-	125,991	1,377,046
Compensated absences payable . . . . .	40,301	-	-	40,301
Interfund loans payable. . . . .	-	-	43,427	43,427
Intergovernmental payable . . . . .	173,112	-	7,867	180,979
Pension obligation payable. . . . .	303,495	-	20,365	323,860
Deferred revenue . . . . .	186,065	13,959,551	91,188	14,236,804
Unearned revenue. . . . .	3,130,733	-	943,680	4,074,413
Total liabilities . . . . .	<u>5,177,069</u>	<u>14,487,542</u>	<u>1,253,348</u>	<u>20,917,959</u>
<b>Fund Balances:</b>				
Reserved for encumbrances . . . . .	18,611	2,361,237	221,477	2,601,325
Reserved for materials and supplies inventory. . . . .	-	-	10,318	10,318
Reserved for property tax unavailable for appropriation . . . . .	226,041	-	66,911	292,952
Reserved for prepayments . . . . .	8,936	-	-	8,936
Reserved for debt service . . . . .	-	-	254,657	254,657
Reserved for school bus purchases. . . . .	15,505	-	-	15,505
Unreserved, undesignated, reported in:				
General fund . . . . .	461,316	-	-	461,316
Special revenue funds. . . . .	-	-	235,072	235,072
Capital projects funds. . . . .	-	15,149,226	3,665,225	18,814,451
Total fund balances . . . . .	<u>730,409</u>	<u>17,510,463</u>	<u>4,453,660</u>	<u>22,694,532</u>
Total liabilities and fund balances . . . . .	<u>\$ 5,907,478</u>	<u>\$ 31,998,005</u>	<u>\$ 5,707,008</u>	<u>\$ 43,612,491</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, 2007

<b>Total governmental fund balances</b>		\$ 22,694,532
<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.		8,172,169
Other long-term assets are not available to pay for current-period expenditures and therefore are deferred in the funds.		
Taxes	\$ 221,290	
Interest revenue	66,681	
Intergovernmental	13,948,833	
Total		14,236,804
Unamortized premiums on bond issuances are not recognized in the funds.		(217,189)
Unamortized bond issuance costs are not recognized in the funds.		217,175
Accrued interest payable is not due and payable in the current period and therefore is not reported in the funds.		(42,518)
Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds.		
Compensated absences	625,603	
General obligation bonds	12,335,326	
Lease-purchase	248,165	
Total		(13,209,094)
<b>Net assets of governmental activities</b>		<b>\$ 31,851,879</b>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES OF FUND BALANCES  
GOVERNMENTAL FUNDS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2007

	<u>General</u>	<u>Classroom Facilities</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
<b>Revenues:</b>				
From local sources:				
Taxes . . . . .	\$ 3,679,756	\$ -	\$ 994,585	\$ 4,674,341
Tuition . . . . .	430,117	-	15	430,132
Earnings on investments . . . . .	180,479	769,451	196,886	1,146,816
Charges for services . . . . .	-	-	261,428	261,428
Extracurricular . . . . .	-	-	198,364	198,364
Classroom materials and fees . . . . .	37,154	-	-	37,154
Other local revenues . . . . .	193,407	-	35,859	229,266
Intergovernmental - Intermediate . . . . .	11,160	-	-	11,160
Intergovernmental - State . . . . .	7,507,379	8,684,068	387,982	16,579,429
Intergovernmental - Federal . . . . .	-	-	917,019	917,019
Total revenue . . . . .	<u>12,039,452</u>	<u>9,453,519</u>	<u>2,992,138</u>	<u>24,485,109</u>
<b>Expenditures:</b>				
Current:				
Instruction:				
Regular . . . . .	5,240,832	-	156,680	5,397,512
Special . . . . .	1,913,282	-	539,316	2,452,598
Vocational . . . . .	348,712	-	-	348,712
Adult education . . . . .	-	-	7,210	7,210
Other . . . . .	342,419	-	135,367	477,786
Support Services:				
Pupil . . . . .	1,185,998	-	9,215	1,195,213
Instructional staff . . . . .	145,396	-	16,540	161,936
Board of education . . . . .	13,773	-	-	13,773
Administration . . . . .	1,253,091	-	49,442	1,302,533
Fiscal . . . . .	311,601	-	18,255	329,856
Business . . . . .	57,762	-	-	57,762
Operations and maintenance . . . . .	761,465	-	11,601	773,066
Pupil transportation . . . . .	843,377	-	-	843,377
Central . . . . .	29,760	-	-	29,760
Operation of non-instructional services . . . . .	-	-	66,304	66,304
Extracurricular activities . . . . .	313,423	-	136,540	449,963
Facilities acquisition and construction . . . . .	-	3,524,393	139,273	3,663,666
Food service operations . . . . .	-	-	496,677	496,677
Debt service:				
Principal retirement . . . . .	-	-	375,176	375,176
Interest and fiscal charges . . . . .	-	-	623,595	623,595
Total expenditures . . . . .	<u>12,760,891</u>	<u>3,524,393</u>	<u>2,781,191</u>	<u>19,066,475</u>
Excess of revenues over (under) expenditures . . . . .	<u>(721,439)</u>	<u>5,929,126</u>	<u>210,947</u>	<u>5,418,634</u>
<b>Other financing sources (uses):</b>				
Transfers in . . . . .	-	-	97,138	97,138
Transfers (out) . . . . .	-	-	(97,138)	(97,138)
Total other financing sources (uses) . . . . .	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net change in fund balances . . . . .	(721,439)	5,929,126	210,947	5,418,634
<b>Fund balances at beginning of year . . . . .</b>	<b>1,451,848</b>	<b>11,581,337</b>	<b>4,239,185</b>	<b>17,272,370</b>
<b>Increase in reserve for inventory . . . . .</b>	<b>-</b>	<b>-</b>	<b>3,528</b>	<b>3,528</b>
<b>Fund balances at end of year . . . . .</b>	<u><b>\$ 730,409</b></u>	<u><b>\$ 17,510,463</b></u>	<u><b>\$ 4,453,660</b></u>	<u><b>\$ 22,694,532</b></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, 2007

**Net change in fund balances - total governmental funds** \$ 5,418,634

*Amounts reported for governmental activities in the  
statement of activities are different because:*

Governmental funds report capital outlays as expenditures.  
However, on 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 exceed depreciation expense in the current period.

Capital asset additions	\$	3,663,666	
Current year depreciation		(217,863)	
Total			3,445,803

Governmental funds report expenditures for inventory when  
purchased. However, on the statement of activities, they are  
reported as an expense when incurred.

3,528

Principal payments on bonds, notes and capital lease obligations  
are expenditures in the governmental funds, but the repayment  
reduces long-term liabilities on the statements of net assets.

375,176

Premiums on debt issuances are recognized as revenues in the  
governmental funds, however, they are amortized over the life  
of the issuance on the statement of activities.

7,922

Bond issuance costs are recognized as expenditures in the  
governmental funds, however, they are amortized over the life  
of the issuance on the statement of activities.

(7,922)

Revenue on the statement of activities that do not provide  
current financial resources are not reported as revenue in  
the funds.

Taxes		64,777	
Intergovernmental revenue		13,937,815	
Accrued interest		(60,913)	
Total			13,941,679

In the statement of activities, interest is accrued on outstanding bonds,  
whereas in governmental funds, interest is expensed when due.

Accrued interest		2,338	
Accreted interest on capital appreciation bonds		(30,471)	
Total			(28,133)

Some expenses reported on 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.

(41,624)

**Change in net assets of governmental activities** \$ 23,115,063

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, 2007

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
<b>Revenues:</b>				
From local sources:				
Taxes . . . . .	\$ 3,416,286	\$ 3,416,286	\$ 3,675,056	\$ 258,770
Tuition. . . . .	-	-	430,117	430,117
Earnings on investments. . . . .	110,000	110,000	176,469	66,469
Classroom materials and supplies . . . . .	-	-	37,154	37,154
Other local revenues. . . . .	376,282	376,282	193,407	(182,875)
Intergovernmental - Intermediate . . . . .	-	-	11,160	11,160
Intergovernmental - State . . . . .	7,835,911	7,835,911	7,507,379	(328,532)
Total revenue . . . . .	<u>11,738,479</u>	<u>11,738,479</u>	<u>12,030,742</u>	<u>292,263</u>
<b>Expenditures:</b>				
Current:				
Instruction:				
Regular . . . . .	5,220,958	5,337,987	5,337,987	-
Special. . . . .	1,810,804	1,851,394	1,848,662	2,732
Vocational. . . . .	349,931	357,775	357,775	-
Other. . . . .	338,606	346,196	346,196	-
Support Services:				
Pupil. . . . .	1,133,211	1,158,612	1,158,612	-
Instructional staff . . . . .	145,227	148,482	148,482	-
Board of education . . . . .	13,482	13,784	13,784	-
Administration. . . . .	1,208,942	1,236,041	1,236,041	-
Fiscal . . . . .	307,007	313,889	311,156	2,733
Business . . . . .	61,971	63,360	63,360	-
Operations and maintenance. . . . .	771,407	788,698	793,548	(4,850)
Pupil transportation . . . . .	846,553	865,529	865,529	-
Central. . . . .	29,108	29,760	29,760	-
Extracurricular activities. . . . .	297,882	304,560	304,560	-
Total expenditures . . . . .	<u>12,535,089</u>	<u>12,816,067</u>	<u>12,815,452</u>	<u>615</u>
Excess of revenues over (under) expenditures. . . . .	<u>(796,610)</u>	<u>(1,077,588)</u>	<u>(784,710)</u>	<u>292,878</u>
<b>Other financing sources (uses):</b>				
Refund of prior year expenditure . . . . .	-	-	32,742	32,742
Advances in. . . . .	38,000	38,000	28,906	(9,094)
Advances (out) . . . . .	(70,747)	(72,333)	(72,333)	-
Total other financing sources (uses) . . . . .	<u>(32,747)</u>	<u>(34,333)</u>	<u>(10,685)</u>	<u>23,648</u>
Net change in fund balance . . . . .	(829,357)	(1,111,921)	(795,395)	316,526
<b>Fund balance at beginning of year. . . . .</b>	2,815,409	2,815,409	2,815,409	-
<b>Prior year encumbrances appropriated . . . . .</b>	137,916	137,916	137,916	-
<b>Fund balance at end of year . . . . .</b>	<u>\$ 2,123,968</u>	<u>\$ 1,841,404</u>	<u>\$ 2,157,930</u>	<u>\$ 316,526</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, 2007

		<b>Agency</b>
<b>Assets:</b>		
Equity in pooled cash and cash equivalents . . . . .	\$	32,306
Receivables:		
Accounts . . . . .		76
Total assets . . . . .	\$	32,382
<b>Liabilities:</b>		
Accounts payable. . . . .	\$	3,412
Due to students. . . . .		28,970
Total liabilities . . . . .	\$	32,382

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, 2007

**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 right 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 375<sup>th</sup> largest in the State of Ohio (among 876 public school districts) in terms of total enrollment. The District's facilities are staffed by 78 classified employees and 128 certificated employees who provide services to 1,443 students and other community members. The District operates five school buildings, a bus garage, a warehouse, and an administration building staffed by administrators, teachers, and non-certified personnel providing educational opportunities to its students.

**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) Statements and Interpretations issued on or before November 30, 1989, to its governmental activities provided they do 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, component units and other organizations that are included to ensure that the basic financial statements of the District are not misleading. The primary government consists of all funds, departments, boards and agencies that are not legally separate from the District. For the District, this includes general operations, foods 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. Based upon the application of these criteria, the District has one component unit. The basic financial statements of the reporting entity include only those of the District (the primary government). The following organizations are described due to their relationship to the District:

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

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2007

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

*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 Director's 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 Section 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. Separately issued financial statements can be obtained from the Treasurer of the Academy at 5362 State Rt. 183 NE, Magnolia, Ohio 44643.

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 38<sup>th</sup> Street NW, Canton, Ohio 44709.

Stark County Tax Incentive Review Council

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

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

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2007

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

*PUBLIC ENTITY RISK POOLS*

**Shared Risk Pool**

Stark County Schools Council of Governments Health Benefit Plan

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

**Insurance Purchasing Pool**

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

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

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

**B. Fund Accounting**

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

*GOVERNMENTAL FUNDS*

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

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

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2007

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

*Classroom Facilities* - This fund is used to account for monies received and expended in connection with contracts entered into by the District and the Ohio Department of Education for the building and equipping of classroom facilities.

Other governmental funds of the District are used to account for (a) the accumulation of resources for, and payment of, general long-term debt principal, interest and related costs; (b) financial resources to be used for the acquisition, construction, or improvement of capital facilities not already accounted for in the Classroom Facilities Fund; and (c) for grants and other resources whose use is restricted to a particular purpose.

*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 fund accounts 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.

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.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2007

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

All governmental funds are accounted for using a flow of current financial resources measurement focus. With this measurement focus, only current assets and current 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.

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, grants, student fees and rentals.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2007

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

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, 2007, but which were levied to finance fiscal year 2008 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, 2007 are recorded as deferred revenue.

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 fair 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 costs, 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.

Alternate 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 15 and the filing by January 20. The Budget Commission now requires an alternate tax budget be submitted by January 20 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, 2007

**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 Commissions' certificate of estimated resources, which states the projected revenue of each fund. Prior to June 30, the District must revise its budget so that total contemplated expenditures from any fund during the ensuing year will not exceed the amount stated in the certificate of estimated resources. The revised budget then serves as the basis for the appropriation measure. On or about July 1, the certificate is amended to include any unencumbered cash balances from the preceding year. The certificate may be further amended during the year if projected increases or decreases in revenue are identified by the District Treasurer. The amounts reported in the budgetary statements reflect the amounts from the certificate of amended resources that was in effect at the time the original and 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 budget amounts reflect the first appropriation for that fund covered the entire fiscal year, including amounts automatically carried over from prior year. The amounts reported as the final budgeted amounts represent the final appropriation amounts passed by the Board during the 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, 2007

**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 2007, investments were limited to federal agency securities, U.S. Government money market mutual funds and State Treasury Asset Reserve of Ohio (STAR Ohio). Except for nonparticipating investment contracts, investments are reported at fair value, which is based on quoted market prices.

Under existing Ohio statutes all investment earning 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 2007 amounted to \$180,479 which includes \$24,098 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, inventories are presented at the lower of cost or market 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, 2007

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

All reported capital assets except land and construction in progress 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>	Governmental Activities <u>Estimated Lives</u>
Land improvements	20 years
Buildings and improvements	20 - 50 years
Furniture and equipment	5 - 20 years
Vehicles	6 - 10 years

**I. Interfund Balances**

On fund financial statements, receivables and payables resulting from short-term interfund loans are classified as “interfund receivables/payables.” These amounts are eliminated in the governmental activities column on the statement of net assets.

**J. Compensated Absences**

The District reports compensated absences in accordance with the provisions of GASB No. 16, “Accounting for Compensated Absences”. Vacation benefits are accrued as a liability as the benefits are earned if the employee’s rights to receive compensation are attributable to services already rendered and it is probable that the District will compensate the employees for the benefits through paid time off or some other means. Sick leave benefits are accrued as a liability using the vesting method. The liability is based on the sick leave accumulated at June 30, by those employees who are currently eligible to receive termination benefits and by those employees who are expected to become eligible in the future.

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

For governmental fund financial statements, compensated absences are recognized as liabilities and expenditures as payments come due each period upon the occurrence of employee resignations and retirements.

**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, compensated absences, and contractually required pension contributions 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 are recognized as a liability on the fund financial statements when due.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2007

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

**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, property taxes unavailable for appropriation, and school bus purchases. 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 by State statute for school bus purchases.

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

**N. Prepayments**

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

**O. Estimates**

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

**P. Interfund Activity**

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

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

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2007

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

**Q. Restricted Assets**

Restricted assets in the general fund represent cash and cash equivalents set-aside to establish a reserve for school bus purchases. This reserve is required by State statute. A schedule of statutory reserves is presented in Note 17.

**R. Unamortized Bond Issuance Costs and Bond Premium**

On government-wide financial statements, bond issuance costs are deferred and amortized over the term of the bonds using the straight line method, which approximates the effective interest method. Unamortized bond issuance costs are recorded as an asset on the financial statements.

Bond premiums are deferred and accreted over the term of the bonds. Bond premiums are presented as an addition to the face amount of the bonds. Capital appreciation bond discounts are accreted over the term of the bonds.

On the governmental fund financial statements, issuance costs and bond premiums are recognized in the current period.

**S. 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 school 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.

**T. 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 occurred during fiscal year 2007.

**U. 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. For fiscal year 2007, the District was required to pay the Canton Local School District a service charge equal to \$237,000 reduced by all State aid for District students attending the Canton Local School District for these programs.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2007

**NOTE 3 - ACCOUNTABILITY AND COMPLIANCE**

**Deficit Fund Balances**

Fund balances at June 30, 2007 included the following individual fund deficits:

<u>Nonmajor Funds</u>	<u>Deficit</u>
Food Service	\$ 37,635
Management Information Systems	1,892
Entry Year Grant	64
Title I	3,551
Improving Teacher Quality	1,873
Miscellaneous Federal Grants	15
Permanent Improvement	2,260

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 AND INVESTMENTS**

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

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

Inactive deposits are public deposits that the Board of Education has identified as not required for use within the current 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 moneys 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, 2007

**NOTE 4 - DEPOSITS AND INVESTMENTS - (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 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. Deposits with Financial Institutions**

At June 30, 2007, the carrying amount of all District deposits was \$786,512. Based on the criteria described in GASB Statement No. 40, "Deposits and Investment Risk Disclosures", as of June 30, 2007, \$624,194 of the District's bank balance of \$825,906 was exposed to custodial risk as discussed below, while \$201,712 was covered by the Federal Deposit Insurance Corporation.

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.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2007

**NOTE 4 - DEPOSITS AND INVESTMENTS - (Continued)**

**C. Investments**

As of June 30, 2007, the District had the following investments and maturities:

<u>Investment type</u>	<u>Fair Value</u>	<u>Investment Maturities</u>				
		<u>6 months or less</u>	<u>7 to 12 months</u>	<u>13 to 18 months</u>	<u>19 to 24 months</u>	<u>Greater than 24 months</u>
STAR Ohio	\$ 12,714,118	\$ 12,714,118	\$ -	\$ -	\$ -	\$ -
FHLB	6,304,183	2,525,897	3,134,284	494,845	-	149,157
FNMA	2,902,122	1,546,396	428,925	926,801	-	-
FHLMC	1,295,132	798,384	496,748	-	-	-
U.S. Government money market	770,191	770,191	-	-	-	-
	<u>\$ 23,985,746</u>	<u>\$ 18,354,986</u>	<u>\$ 4,059,957</u>	<u>\$ 1,421,646</u>	<u>\$ -</u>	<u>\$ 149,157</u>

The weighted average maturity of investments is .27 years.

*Interest Rate Risk:* As a means of limiting its exposure to fair value losses arising from rising interest rates and according to state law, the District's investment policy limits investment portfolio maturities to five years or less.

*Credit Risk:* The District's investments, except STAR Ohio, were rated AAA and Aaa by Standard & Poor's and Moody's Investor Services, respectively. Standard & Poor's has assigned STAR Ohio an AAAM money market rating.

*Custodial Credit Risk:* For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the District will not be able to recover the value of its investment or collateral securities that are in the possession of an outside party. The federal agency securities are exposed to custodial credit risk in that they are uninsured, unregistered and held by the counterparty's trust department or agent but not in the District's name.

*Concentration of Credit Risk:* The District places no limit on the amount that may be invested in any one issuer. The following table includes the percentage of each investment type held by the District at June 30, 2007:

<u>Investment type</u>	<u>Fair Value</u>	<u>% of Total</u>
STAR Ohio	\$ 12,714,118	53.01
FHLB	6,304,183	26.28
FNMA	2,902,122	12.10
FHLMC	1,295,132	5.40
U.S. Government money market	770,191	3.21
Total investments	<u>\$ 23,985,746</u>	<u>100.00</u>



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**NOTE 4 - DEPOSITS AND INVESTMENTS - (Continued)**

**D. Reconciliation of Cash and Investments to the Statement of Net Assets**

The following is a reconciliation of cash and investments as reported in the footnote above to cash and investments as reported on the statement of net assets as of June 30, 2007:

<u>Cash and Investments per footnote</u>	
Carrying amount of deposits	\$ 786,512
Investments	23,985,746
Cash on hand	<u>1,175</u>
Total	<u>\$ 24,773,433</u>

<u>Cash and investments per Statement of Net Assets</u>	
Governmental activities	\$ 24,741,127
Agency fund	<u>32,306</u>
Total	<u>\$ 24,773,433</u>

**NOTE 5 - INTERFUND TRANSACTIONS**

- A.** Interfund balances at June 30, 2007 as reported on the fund statements, consist of the following individual interfund loans receivable and payable:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General fund	Nonmajor governmental funds	<u>\$ 43,427</u>

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

Interfund balances between governmental funds are eliminated on the government-wide financial statements; therefore, no internal balances at June 30, 2007 are reported on the statement of net assets.

- B.** Interfund transfers for the year ended June 30, 2007, consisted of the following, as reported on the fund financial statements:

	<u>Amount</u>
Transfers to Nonmajor Governmental funds from:	
Nonmajor Governmental funds	<u>\$ 97,138</u>

Transfers are used to (1) move revenues from the fund that statute or budget requires to collect them to the fund that statute or budget requires to expend them, and (2) use unrestricted revenues collected in the general fund to finance various programs accounted for in other funds in accordance with budgetary authorizations.

Interfund transfers between governmental funds are eliminated for reporting in the statement of activities.

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**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, public utility and tangible personal property (used in business) located in the District. Real property tax revenue received in calendar 2007 represents collections of calendar year 2006 taxes. Real property taxes received in calendar year 2007 were levied after April 1, 2006, on the assessed value listed as of January 1, 2006, the lien date. Assessed values for real property taxes are established by state law at thirty-five percent of appraised market value. Real property taxes are payable annually or semi-annually. If paid annually, payment is due December 31; if paid semi-annually, the first payment is due December 31 with the remainder payable by June 20. Under certain circumstances, State statute permits alternate payment dates to be established.

Public utility property tax revenue received in calendar 2007 represents collections of calendar year 2006 taxes. Public utility real and tangible personal property taxes received in calendar year 2007 became a lien December 31, 2005, were levied after April 1, 2006 and are collected in 2007 with real property taxes. Public utility real property is assessed at thirty-five percent of true value; public utility tangible personal property currently is assessed at varying percentages of true value.

Tangible personal property tax revenue received during calendar 2007 (other than public utility property) represents the collection of 2007 taxes. Tangible personal property taxes received in calendar year 2007 were levied after April 1, 2007, on the value as of December 31, 2006. For 2006, tangible personal property is assessed at 18.75% for property including inventory. This percentage will be reduced to 12.5% for 2007, 6.25% for 2008 and zero for 2009. Payments by multi-county taxpayers are due September 20. Single county taxpayers may pay annually or semi-annually. If paid annually, payment is due April 30; if paid semi-annually, the first payment is due April 30, with the remainder payable by September 20. Tangible personal property taxes paid by April 30 are usually received by the District prior to June 30.

House Bill No. 66 was signed into law on June 30, 2005. House Bill No. 66 phases out the tax on tangible personal property of general businesses, telephone and telecommunications companies, and railroads. The tax on general business and railroad property will be eliminated by calendar year 2009, and the tax on telephone and telecommunications property will be eliminated by calendar year 2011. The tax is phased out by reducing the assessment rate on the property each year. The bill replaces the revenue lost by the District due to the phasing out of the tax. In calendar years 2006-2010, the District will be fully reimbursed for the lost revenue. In calendar years 2011-2017, the reimbursements will be phased out.

The District receives property taxes from Stark, Tuscarawas and Carroll Counties. The County Auditors periodically advances to the District its portion of the taxes collected. Second-half real property tax payments collected by the Counties by June 30, 2007, are available to finance fiscal year 2007 operations. The amount available as an advance at June 30, 2007 was \$226,041 in the General Fund, \$54,426 in the Bond Retirement fund, \$8,562 in the Permanent Improvement capital projects fund (nonmajor governmental fund) and \$3,923 in the Classroom Facilities Maintenance special revenue fund, (nonmajor governmental fund). The amount available as an advance at June 30, 2006 was \$221,341 in the General Fund, \$47,064 in the Bond Retirement fund, \$11,539 in the Permanent Improvement capital projects fund (nonmajor governmental fund) and \$1,429 in the Classroom Facilities Maintenance special revenue fund, (nonmajor governmental fund).

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**NOTE 6 - PROPERTY TAXES - (Continued)**

Accrued property taxes receivable includes real property, public utility property and tangible personal property taxes which are measurable as of June 30, 2007 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 a full accrual basis, collectible delinquent property taxes have been recorded as a receivable and revenue, while on a modified accrual basis the revenue has been deferred.

The assessed values upon which the fiscal year 2007 taxes were collected are:

	2006 Second		2007 First	
	Half Collections		Half Collections	
	Amount	Percent	Amount	Percent
Agricultural/residential and other real estate	\$ 114,770,190	84.65	\$ 123,208,870	87.65
Public utility personal	8,437,380	6.22	8,216,610	5.85
Tangible personal property	12,381,456	9.13	9,146,589	6.50
Total	<u>\$ 135,589,026</u>	<u>100.00</u>	<u>\$ 140,572,069</u>	<u>100.00</u>
Tax rate per \$1,000 of assessed valuation:				
Operations	\$42.40		\$42.00	
Permanent improvements	2.00		2.50	
Bonded debt	5.40		5.40	

**NOTE 7 - RECEIVABLES**

Receivables at June 30, 2007 consisted of taxes, 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	\$ 4,588,655
Intergovernmental	14,082,777
Accrued interest	<u>137,251</u>
Total	<u>\$ 18,808,683</u>

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

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NOTES TO THE BASIC FINANCIAL STATEMENTS  
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**NOTE 8 - CAPITAL ASSETS**

Capital asset activity for the fiscal year ended June 30, 2007, was as follows:

	<u>Balance</u> <u>06/30/06</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance</u> <u>06/30/07</u>
<b>Governmental Activities</b>				
<i>Capital assets, not being depreciated:</i>				
Land	\$ 1,248,658	\$ -	\$ -	\$ 1,248,658
Construction in progress	<u>795,854</u>	<u>3,663,666</u>	<u>-</u>	<u>4,459,520</u>
Total capital assets, not being depreciated	<u>2,044,512</u>	<u>3,663,666</u>	<u>-</u>	<u>5,708,178</u>
<i>Capital assets, being depreciated:</i>				
Land improvements	1,401,566	-	-	1,401,566
Building and improvements	3,773,999	-	-	3,773,999
Furniture and equipment	191,612	-	-	191,612
Vehicles	<u>1,322,482</u>	<u>-</u>	<u>-</u>	<u>1,322,482</u>
Total capital assets, being depreciated	<u>6,689,659</u>	<u>-</u>	<u>-</u>	<u>6,689,659</u>
<i>Less: accumulated depreciation</i>				
Land improvements	(543,222)	(46,056)	-	(589,278)
Building and improvements	(2,558,597)	(53,040)	-	(2,611,637)
Furniture and equipment	(136,820)	(6,810)	-	(143,630)
Vehicles	<u>(769,166)</u>	<u>(111,957)</u>	<u>-</u>	<u>(881,123)</u>
Total accumulated depreciation	<u>(4,007,805)</u>	<u>(217,863)</u>	<u>-</u>	<u>(4,225,668)</u>
Governmental activities capital assets, net	<u>\$ 4,726,366</u>	<u>\$ 3,445,803</u>	<u>\$ -</u>	<u>\$ 8,172,169</u>

Depreciation expense was charged to governmental functions as follows:

<u>Instruction:</u>	
Regular	\$ 70,526
<u>Support Services:</u>	
Instructional staff	897
Operations and maintenance	1,130
Pupil transportation	122,101
Extracurricular activities	22,228
Food service operations	<u>981</u>
Total depreciation expense	<u>\$ 217,863</u>

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**NOTE 9 - LEASE PURCHASE AGREEMENT - LESSEE DISCLOSURE**

During prior fiscal years, the District entered into lease purchase agreements for school buses, stadium bleachers, stadium lighting and a press box. These lease agreements meet the criteria of capital lease as defined by FASB Statement No. 13, "Accounting for Leases", 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 land improvements and vehicles have been capitalized in the amount of \$369,625 and \$305,132, respectively. These amounts represent the present value of the minimum lease payments at the time of acquisition. Accumulated depreciation as of June 30, 2007 for land improvements and vehicles was \$27,851 and \$57,531, respectively, leaving a current book value of \$341,774 and \$247,601, respectively. A corresponding liability is recorded in the government-wide financial statements. Principal payments in fiscal year 2007 totaled \$180,176 paid by the Permanent Improvement 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, 2007:

<u>Fiscal Year Ending June 30,</u>	<u>Amount</u>
2008	\$ 66,865
2009	66,823
2010	66,780
2011	<u>66,736</u>
Total minimum lease payments	267,204
Less amount representing interest	<u>(19,039)</u>
Total	<u><u>\$ 248,165</u></u>

**NOTE 10 - LONG-TERM OBLIGATIONS**

- A. The District has issued tax anticipation notes to provide funds for the purchase of land. These notes will be repaid from proceeds of an approved permanent improvement tax levy.

The following is a description of the District's notes outstanding as of June 30, 2007:

	<u>Interest Rate</u>	<u>Issue Date</u>	<u>Maturity Date</u>	<u>Outstanding 06/30/06</u>	<u>Retired in 2007</u>	<u>Outstanding 06/30/07</u>
Tax anticipation notes	4.50%	11/01/01	12/01/06	\$ 95,000	\$ (95,000)	\$ -
Total				<u>\$ 95,000</u>	<u>\$ (95,000)</u>	<u>\$ -</u>

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**NOTE 10 - LONG-TERM OBLIGATIONS - (Continued)**

**B.** 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 debt service fund. The source of payment is derived from a 5.4 mill bonded debt tax levy. In conjunction with the 5.4 mills which support the bond issue, the District also passed in fiscal 2006 a .5 mill levy to ultimately fund the maintenance costs of the new facilities. Tax revenue from this levy has been reported in the classroom facilities maintenance special revenue fund.

This issue is comprised of both current interest bonds, par value \$12,220,000, and capital appreciation bonds, par value \$730,000. The interest rates on the current interest bonds range from 3.50% to 4.25%. The capital appreciation bonds mature on December 1, 2014 (effective interest 15.86%), December 1, 2015 (effective interest 15.86%) at a redemption price equal to 100% of the principal, plus accrued interest to the redemption date. The present value (as of issue date) reported in the statement of net assets at June 30, 2007 is \$179,985. A total of \$35,341 in accreted interest on the capital appreciation bonds has been included in the statement of net assets at June 30, 2007.

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 2007 on the 2006 series general obligation bonds:

	Balance 06/30/06	Additions	Reductions	Balance 06/30/07
Current interest bonds	\$ 12,220,000	\$ -	\$ (100,000)	\$ 12,120,000
Capital appreciation bonds	184,855	30,471	-	215,326
<b>Total G.O. bonds</b>	<b>\$ 12,404,855</b>	<b>\$ 30,471</b>	<b>\$ (100,000)</b>	<b>\$ 12,335,326</b>

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		
	Principal	Interest	Total	Principal	Interest	Total
2008	\$ 245,000	\$ 514,219	\$ 759,219	\$ -	\$ -	\$ -
2009	265,000	505,294	770,294	-	-	-
2010	280,000	495,756	775,756	-	-	-
2011	325,000	485,169	810,169	-	-	-
2012	335,000	473,200	808,200	-	-	-
2013 - 2017	1,115,000	2,211,094	3,326,094	179,985	550,015	730,000
2018 - 2022	2,135,000	1,901,122	4,036,122	-	-	-
2023 - 2027	2,615,000	1,394,121	4,009,121	-	-	-
2028 - 2032	3,280,000	726,346	4,006,346	-	-	-
2033 - 2035	1,525,000	69,413	1,594,413	-	-	-
<b>Total</b>	<b>\$ 12,120,000</b>	<b>\$ 8,775,734</b>	<b>\$ 20,895,734</b>	<b>\$ 179,985</b>	<b>\$ 550,015</b>	<b>\$ 730,000</b>

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**NOTE 10 - LONG-TERM OBLIGATIONS - (Continued)**

C. During the fiscal year 2007, the following changes occurred in governmental activities long-term obligations:

	Balance			Balance	Amounts
	<u>06/30/06</u>	<u>Additions</u>	<u>Reductions</u>	<u>06/30/07</u>	<u>Due in</u>
					<u>One Year</u>
<b>Governmental Activities</b>					
General obligation bonds	\$ 12,404,855	\$ 30,471	\$ (100,000)	\$ 12,335,326	\$ 245,000
Lease purchase agreement	428,341	-	(180,176)	248,165	58,659
Compensated absences payable	693,055	89,208	(116,359)	665,904	103,227
Tax anticipation note	<u>95,000</u>	<u>-</u>	<u>(95,000)</u>	<u>-</u>	<u>-</u>
Total governmental activities long-term liabilities	<u>\$ 13,621,251</u>	<u>\$ 119,679</u>	<u>\$ (491,535)</u>	<u>\$ 13,249,395</u>	<u>\$ 406,886</u>
Add: unamortized premium				<u>217,189</u>	
Total on statement of net assets				<u>\$ 13,466,584</u>	

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

**D. 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 use 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, 2007, resulted in no voted remaining debt margin and an unvoted debt margin of \$130,318.

**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 20 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, 2007 and reduced to the maximum payment allowed by labor contracts (58 days for classified and 72 days for certified employees based on length of service), plus any additional salary related payments.

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**NOTE 11 - OTHER EMPLOYEE BENEFITS – (Continued)**

**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 in the amount of \$50,000.

**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 2007, 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	\$26,845,915	\$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	0
Umbrella Liability:		
Per occurrence	5,000,000	10,000
Aggregate	5,000,000	
Errors and Omission:		
Per occurrence	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 employee's medical premiums, 90% of all other employee's 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.



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NOTES TO THE BASIC FINANCIAL STATEMENTS  
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**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 Comp Management, Inc. provides administrative, cost control and actuarial services to the GRP.

**NOTE 13 - PENSION PLANS**

**A. School Employees Retirement System**

The District contributes to the School Employees Retirement System (SERS), a cost-sharing multiple employer defined benefit pension plan. SERS provides retirement and disability 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 or by calling (800) 878-5853. It is also posted on SERS' website, [www.ohsers.org](http://www.ohsers.org), under Forms and Publications.

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 2007, 10.68 percent of annual covered salary was the portion used to fund pension obligations. For fiscal year 2006, 10.58 percent of annual covered salary was the portion used to fund pension obligations. For fiscal year 2005, 10.57 percent of annual covered salary was the portion used to fund pension obligations. The contribution requirements of plan members and employers are established and may be amended, up to statutory maximum amounts, by the SERS' Retirement Board. The District's required contributions for pension obligations to SERS for the fiscal years ended June 30, 2007, 2006, and 2005 were \$179,560, \$183,098, and \$162,043, respectively; 43.71% has been contributed for fiscal year 2007 and 100% for the fiscal years 2006 and 2005. \$101,072 represents the unpaid pension contribution for fiscal year 2007 and is recorded as a liability within the respective funds.

**B. State Teachers Retirement System of Ohio**

The District participates in the State Teachers Retirement System of Ohio (STRS Ohio), a cost-sharing, multiple-employer public employee retirement system. 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 43215-3371 or by calling (614) 227-4090 or by visiting the STRS Ohio website at [www.strsoh.org](http://www.strsoh.org).

**SANDY VALLEY LOCAL SCHOOL DISTRICT  
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NOTES TO THE BASIC FINANCIAL STATEMENTS  
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**NOTE 13 - PENSION PLANS - (Continued)**

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 member contributions and earned interest matched by STRS Ohio funds times 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 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. DC and Combined Plan members will transfer to the Defined Benefit Plan during their fifth year of membership unless they permanently select the DC or Combined Plan. Existing members with less than five years of service credit as of June 30, 2001, were given the option of making a one time irrevocable decision to transfer their account balances from the existing DB Plan into the DC Plan or the Combined Plan. This option expired on December 31, 2001. 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 dies before retirement benefits begin, the member's designated beneficiary is entitled to receive the member's account balance.

For the fiscal year ended June 30, 2007, 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. For fiscal years 2006 and 2005, the portion used to fund pension obligations was also 13 percent. Contribution rates are established by the State Teachers Retirement Board, upon recommendation 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 the DB plan for the fiscal years ended June 30, 2007, 2006, and 2005 were \$850,018, \$841,203, and \$808,547, respectively; 82.82% has been contributed for fiscal year 2007 and 100% for the fiscal years 2006 and 2005. \$146,020 represents the unpaid pension contribution for fiscal year 2007 and is recorded as a liability within the respective funds. Contributions to the DC and Combined Plans for fiscal year 2007 were \$19,736 made by the District and \$22,692 made by plan members.

**C. Social Security System**

Effective July 1, 1991, all employees not otherwise covered by the SERS or the STRS Ohio have an option to choose Social Security or the SERS/STRS Ohio. As of June 30, 2007, certain members of the Board of Education have elected Social Security. The District's liability is 6.2% of wages paid.

**NOTE 14 - POSTEMPLOYMENT BENEFITS**

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

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

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2007

**NOTE 14 - POSTEMPLOYMENT BENEFITS – (Continued)**

STRS Ohio retirees who participated in the DB or combined plans and their dependents are eligible for health care coverage. The STRS Ohio Board has statutory authority over how much, if any, of the health care costs will be absorbed by STRS Ohio. All benefit recipients pay a portion of health care cost in the form of a monthly premium. By law, the cost of coverage paid from STRS Ohio funds is included in the employer contribution rate, currently 14 percent of covered payroll. For the fiscal year ended June 30, 2007, the STRS Ohio Board allocated employer contributions equal to 1 percent of covered payroll to the Health Care Reserve Fund. For the District, this amount equaled \$65,386 for fiscal year 2007.

STRS Ohio pays health care benefits from the Health Care Stabilization Fund. At June 30, 2006 (the latest information available), the balance in the Health Care Stabilization Fund was \$3.5 billion. For the fiscal year ended June 30, 2006 (the latest information available), net health care costs paid by STRS Ohio were \$282.743 million and STRS Ohio had 119,184 eligible benefit recipients.

For SERS, coverage is made available to service retirees with ten or more fiscal years of qualifying service credit, and to disability and survivor benefit recipients. All retirees and beneficiaries are required to pay a portion of their premium for health care. The portion is based on years of service, Medicare eligibility, and retirement status. Premiums may be reduced for retirees whose household income falls below the poverty level.

After the allocation for basic benefits, the remainder of the employer's 14 percent contribution is allocated to providing health care benefits. For the fiscal year ended June 30, 2007, employer contributions to fund health care benefits were 3.32 percent of covered payroll, a decrease of .10 percent from fiscal year 2006. In addition, SERS levies a surcharge to fund health care benefits equal to 14 percent of the difference between a minimum pay and the member's pay, pro-rated for partial service credit. For fiscal year 2007, the minimum pay was established at \$35,800. However, the surcharge is capped at 2 percent of each employer's SERS salaries. For the 2007 fiscal year, District paid \$87,793 to fund health care benefits, including the surcharge.

The surcharge, added to the unallocated portion of the 14 percent employer contribution rate, provides for maintenance of the asset target level for the health care fund. The target level for the health care reserve is 150 percent of annual health care expenses. Expenses for health care for the fiscal year ended June 30, 2006 (the latest information available) were \$158.751 million. At June 30, 2006 (the latest information available), SERS had net assets available for payment of health care benefits of \$295.6 million. On the basis of actuarial projections, the allocated contributions will be insufficient in the long term, to provide for a health care reserve equal to at least 150 percent of estimated annual net claim costs. At June 30, 2006 (the latest information available), SERS had 59,492 participants currently receiving health care benefits.

**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);

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

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2007

**NOTE 15 - BUDGETARY BASIS OF ACCOUNTING – (Continued)**

- (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).

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	\$ (795,395)
Net adjustment for revenue accruals	8,710
Net adjustment for expenditure accruals	(75,566)
Net adjustment for other financing sources/(uses)	10,685
Adjustment for encumbrances	130,127
GAAP basis	\$ (721,439)

**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**

A lawsuit has been filed by the Columbia Gas Transmission Corporation arguing that the Corporation's public utility property tax assessment rate should be 25% of true value rather than the 88% used by the Tax Commissioner. The Board of Tax Appeals has agreed with the Corporation and the case has been appealed by the Tax Commissioner to the Ohio Supreme Court. The District receives a significant amount of property tax from the Corporation. Should the Corporation prevail in the Supreme Court, it may be entitled to a refund from the District based on the lower assessment rate beginning from tax year 2001. The amount of the refund is estimated to be approximately \$14,646 per year. A portion of the refund may be recovered from additional state entitlement payments.

The District is party to other legal proceedings seeking damages generally incidental to its operations. The District management is of the opinion that disposition of the claim and legal proceedings will not have a material effect, if any, on the financial condition of the District.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2007

**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.

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

	<u>Textbooks/ Instructional Materials</u>	<u>Capital Acquisition</u>
Set-aside cash balance as of June 30, 2006	\$ (1,033,188)	\$ 152,500
Current year set-aside requirement	230,719	230,719
Current year offsets	-	(418,165)
Qualifying disbursements	<u>(292,456)</u>	<u>-</u>
Total	<u>\$ (1,094,925)</u>	<u>\$ (34,946)</u>
Balance carried forward to FY 2008	<u>\$ (1,094,925)</u>	<u>\$ (34,946)</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, these extra amounts may be used to reduce the set-aside requirements for future years. The negative amounts are therefore presented as being carried forward to next fiscal year.

A schedule of the restricted assets at June 30, 2007 follows:

Amount restricted for school bus purchases	<u>\$ 15,505</u>
Total restricted assets at June 30, 2007	<u>\$ 15,505</u>

**NOTE 18 - OPERATING LEASES - LESSEE DISCLOSURE**

In prior years, the District entered into operating lease agreements for modular classroom structures and copiers. The copier lease began on April 11, 2005 and has a forty-two month term. The second modular classroom lease began June 11, 2003 and has a sixty month term. Fiscal year 2007 rental costs on the operating leases were \$97,692.

The following is a schedule of the future minimum rental payments required under the operating leases:

<u>Fiscal Year</u>	<u>Amount</u>
2008	\$ 92,489
2009	<u>22,609</u>
Total minimum rental payments	<u>\$ 115,098</u>

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

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2007

**NOTE 19 – CONTRACTUAL COMMITMENTS**

As of June 30, 2007, the District has commitments with the following companies for the construction project.

	Contract Amount	Amount Paid as of June 30, 2007	Amount Remaining on Contract
Fechko Excavating, Inc.	\$ 1,331,673	\$ 1,254,759	\$ 76,914
Loop Master International Inc.	1,143,100	700,103	442,997
Newton Asphalt Paving, Inc.	242,745	-	242,745
Wood Electric Inc.	139,028	121,144	17,884
Hammond Construction Inc.	1,960,680	622,506	1,338,174
MKC Associates Inc.	2,096,515	1,525,462	571,053
Total	<u>\$ 6,913,741</u>	<u>\$ 4,223,974</u>	<u>\$ 2,689,767</u>

SANDY VALLEY LOCAL SCHOOL DISTRICT  
STARK COUNTY

FEDERAL AWARDS RECEIPTS AND EXPENDITURES SCHEDULE  
FOR THE YEAR ENDED JUNE 30, 2007

FEDERAL GRANTOR/ <i>Pass Through Grantor/ Program Title</i>	Pass Through Entity Number	Federal CFDA Number	Receipts	Non-Cash Receipts	Disbursements	Non-Cash Disbursements
<b>U.S. DEPARTMENT OF AGRICULTURE</b>						
<i>Passed Through Ohio Department of Education:</i>						
Child Nutrition Cluster:						
National School Lunch Program	Not Applicable	10.555	\$180,740		\$180,740	
Total Child Nutrition Cluster			180,740		180,740	
Food Distribution Program	Not Applicable	10.550		\$44,159		\$44,159
Total U.S. Department of Agriculture			<b>180,740</b>	<b>44,159</b>	<b>180,740</b>	<b>44,159</b>
<b>U.S. DEPARTMENT OF EDUCATION</b>						
<i>Passed Through Ohio Department of Education:</i>						
Special Education Cluster		84.027	283,828		267,827	
049940-6BSF-2007			7,241		28,998	
049940-6BSF-2006			291,069		296,825	
Total Special Education Cluster						
Title I Grants to Local Educational Agencies		84.010	272,396		248,766	
049940-C1S1-2007			22,522		38,513	
049940-C1S1-2006			294,918		287,279	
Total Title I Grants to Local Educational Agencies						
State Grants for Innovative Programs		84.298	2,366		2,173	
Safe and Drug Free Schools		84.186	8,715		7,705	
049940-DRWS1-2007			(1,420)			
049940-DRWS1-2006			7,295		7,705	
Total Safe and Drug Free Schools						
Title II - A Improving Teacher Quality		84.367	75,506		70,711	
049940-TRS1-2007			3,673		9,098	
049940-TRS1-2006			79,180		79,809	
Total Title II - A Improving Teacher Quality						
Title II - D Education Technology		84.318	4,278		4,278	
049940-TJS1-2007			(885)			
049940-TJS1-2006			3,393		4,278	
Total Title II - D Education Technology						
Total U.S. Department of Education			<b>678,221</b>		<b>678,069</b>	
<b>Total</b>			<b>\$858,961</b>	<b>\$44,159</b>	<b>\$858,809</b>	<b>\$44,159</b>

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, 2007**

**NOTE A – SIGNIFICANT ACCOUNTING POLICIES**

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

**NOTE B – FOOD DISTRIBUTION PROGRAM**

Program regulations do not require the District to maintain separate inventory records for purchased food and food received from the U.S. Department of Agriculture. This non-monetary assistance (expenditures) is reported in the Schedule at the fair market value of the commodities received.

**NOTE C – CHILD NUTRITION CLUSTER**

Cash receipts from the U.S. Department of Agriculture are commingled with State grants. It is assumed federal monies are expended first.





# Mary Taylor, CPA

Auditor of State

## 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 discretely presented component unit and remaining fund information of Sandy Valley Local School District, Stark County, Ohio, (the District) as of and for the year ended June 30, 2007, which collectively comprise the District's basic financial statements and have issued our report thereon dated January 16, 2008. 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 expressing our opinions on the financial statements, but not to opine 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 control deficiency exists when the design or operation of a control does not allow management or employees, in performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the District's ability to initiate, authorize, record, process, or report financial data reliably in accordance with its applicable accounting basis, such that there is more than a remote likelihood that the District's internal control will not prevent or detect a more-than-inconsequential financial statement misstatement.

A material weakness is a significant deficiency, or combination of significant deficiencies resulting in more than a remote likelihood that the District's internal control will not prevent or detect a material financial statement misstatement.

A material weakness is a significant deficiency, or combination of significant deficiencies resulting in more than a remote likelihood that the District's internal control will not prevent or detect a material financial statement misstatement.

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

We noted a certain internal control matter that we reported to the District's management in a separate letter dated January 16, 2008.

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



**Mary Taylor, CPA**  
Auditor of State

January 16, 2008



# Mary Taylor, CPA

Auditor of State

## INDEPENDENT ACCOUNTANTS' REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO ITS MAJOR FEDERAL PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133

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

To the Board of Education:

### Compliance

We have audited the compliance of Sandy Valley Local School District, Stark County, 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 apply to its major federal program for the year ended June 30, 2007. The summary of auditor's results section of the accompanying Schedule of Findings identifies the District's major federal program. The District's management is responsible for complying with the requirements of laws, regulations, contracts, and grants applicable to its 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 contained in *Government Auditing Standards* issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to reasonably assure whether noncompliance occurred with the types of 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 District complied, in all material respects, with the requirements referred to above that apply to its major federal program for the year ended June 30, 2007.

### 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 in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the District's internal control over compliance.

A *control deficiency* in internal control over compliance exists when the design or operation of a control does not allow management or employees, when performing their assigned functions, to prevent or detect noncompliance with a federal program compliance requirement on a timely basis. A *significant deficiency* is a control deficiency, or combination of control deficiencies, that adversely affects the District's ability to administer a federal program such that there is more than a remote likelihood that the District's internal control will not prevent or detect more-than-inconsequential noncompliance with a federal program compliance requirement.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that the District's internal control will not prevent or detect material noncompliance with a federal program's compliance requirements.

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 that might be 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 intend this report solely for the information and use of the audit committee, management, and the Board of Education, and federal awarding agencies and pass-through entities. It is not intended for anyone other than these specified parties.



**Mary Taylor, CPA**  
Auditor of State

January 16, 2008

**SANDY VALLEY LOCAL SCHOOL DISTRICT  
STARK COUNTY**

**SCHEDULE OF FINDINGS  
OMB CIRCULAR A -133 § .505  
JUNE 30, 2007**

**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 other 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 other 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?	No
<i>(d)(1)(vii)</i>	Major Programs (list):	Special Education Cluster CFDA # 84.027
<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





**Mary Taylor, CPA**  
Auditor of State

**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  
FEBRUARY 15, 2008**