



Dave Yost • Auditor of State

**SANDY VALLEY LOCAL SCHOOL DISTRICT
STARK COUNTY**

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Dave Yost • Auditor of State

INDEPENDENT ACCOUNTANTS' REPORT

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

To the Board of Education:

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Sandy Valley Local School District, Stark County, Ohio, (the District) as of and for the year ended June 30, 2011, which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the District's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Sandy Valley Local School District, Stark County, Ohio, as of June 30, 2011, 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.

As described in Note 17, during the year ended June 30, 2011 the District adopted the provisions of Governmental Accounting Standards Board Statement No. 54, Fund Balance Reporting and Governmental Fund Type Definitions.

In accordance with *Government Auditing Standards*, we have also issued our report dated February 22, 2012, on our consideration of the District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. While we did not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting and compliance and the results of that testing. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*. You should read it in conjunction with this report in assessing the results of our audit.

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

We conducted our audit to opine on the financial statements that collectively comprise the District's basic financial statements taken as a whole. The federal awards receipts and expenditure schedule provides additional information required by the U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the basic financial statements. The federal awards receipts and expenditure schedule is management's responsibility, and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. This schedule was subject to the auditing procedures we applied to the basic financial statements. We also applied certain additional procedures, including comparing and reconciling this information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, in accordance with auditing standards generally accepted in the United States of America. In our opinion, this information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.



Dave Yost
Auditor of State

February 22, 2012

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

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, 2011. 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 2011 are as follows:

- In total, net assets of governmental activities increased \$40,860 which represents a 0.13% decrease from 2010
- General revenues accounted for \$13,301,663 in revenue or 78.92% of all revenues. Program specific revenues in the form of charges for services and sales, grants and contributions accounted for \$3,552,256 or 21.08% of total revenues of \$16,853,919.
- The District had \$16,813,059 in expenses related to governmental activities; only \$3,552,256 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 \$13,301,663 were adequate to provide for these programs.
- The District's major governmental funds are the general fund and bond retirement fund. The general fund had \$13,021,878 in revenues and \$12,655,222 in expenditures. During fiscal year 2011, the general fund's fund balance increased \$366,656 from \$843,924 to \$1,210,580.
- The bond retirement fund had \$911,704 in revenues and \$826,365 in expenditures. During fiscal 2011, the bond retirement fund's fund balance increased \$85,339 from \$551,375 to \$636,714.

Using the Basic Financial Statements

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

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

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 2011?" 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.

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

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

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

Reporting the District's Most Significant Funds

Fund Financial Statements

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

Governmental Funds

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

Reporting the District's Fiduciary Responsibilities

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

Notes to the Basic Financial Statements

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. These notes to the basic financial statements can be found on pages 21 - 50 of this report.

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

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 2011 and 2010.

	Net Assets	
	Governmental Activities 2011	Governmental Activities 2010
<u>Assets</u>		
Current and other assets	\$ 8,894,540	\$ 8,690,510
Capital assets, net	39,445,434	40,393,717
Total assets	48,339,974	49,084,227
<u>Liabilities</u>		
Current liabilities	5,944,305	5,850,061
Long-term liabilities	11,788,252	12,667,609
Total liabilities	17,732,557	18,517,670
<u>Net assets</u>		
Invested in capital assets, net of related debt	27,858,510	28,624,801
Restricted	1,553,708	1,464,942
Unrestricted	1,195,199	476,814
Total net assets	\$ 30,607,417	\$ 30,566,557

Over time, net assets can serve as a useful indicator of a government's financial position. At June 30, 2011, the District's assets exceeded liabilities by \$30,607,417. Of this total, \$1,195,199 was unrestricted in its use.

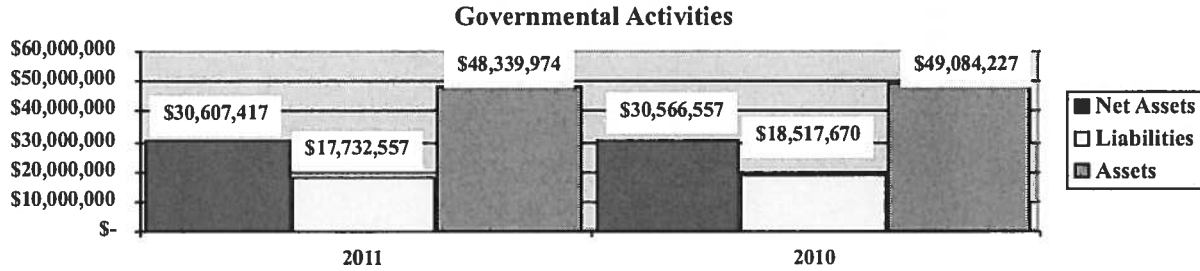
At year-end, capital assets represented 81.60% of total assets. Capital assets include land, land improvements, buildings and improvements, furniture and equipment and vehicles. Capital assets, net of related debt to acquire the assets at June 30, 2011, were \$27,858,510. These capital assets are used to provide services to the students and are not available for future spending. Although the District's investment in capital assets is reported net of related debt, it should be noted that the resources to repay the debt must be provided from other sources, since capital assets may not be used to liquidate these liabilities.

A portion of the District's net assets, \$1,553,708, represents resources that are subject to external restriction on how they may be used. The remaining balance of unrestricted net assets of \$1,195,199 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, 2011**

The graph below shows the District's assets, liabilities and net assets at June 30, 2011 and 2010.



The table below shows the change in net assets for fiscal years 2011 and 2010.

	Change in Net Assets	
	Governmental Activities 2011	Governmental Activities 2010
Revenues		
Program revenues:		
Charges for services and sales	\$ 1,084,485	\$ 1,075,924
Operating grants and contributions	2,467,771	2,233,269
Capital grants and contributions	-	16,822
General revenues:		
Property taxes	4,770,967	4,017,610
Grants and entitlements	8,375,697	8,215,098
Investment earnings	35,128	75,629
Other	119,871	80,115
Total revenues	16,853,919	15,714,467

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

	Change in Net Assets (Continued)	
	Governmental Activities 2011	Governmental Activities 2010
<u>Expenses</u>	<u>2011</u>	<u>2010</u>
Program expenses:		
Instruction:		
Regular	\$ 6,030,036	\$ 6,277,453
Special	2,346,573	2,264,913
Vocational	423,656	370,794
Adult education	8,169	6,210
Other	694,338	446,489
Support services:		
Pupil	1,134,078	1,321,634
Instructional staff	222,478	198,901
Board of education	11,894	12,378
Administration	1,412,167	1,390,082
Fiscal	400,549	388,517
Business	85,508	79,456
Operations and maintenance	1,140,356	1,529,508
Pupil transportation	998,591	1,042,273
Central	32,549	40,874
Operation of non-instructional services:		
Food service operations	770,038	677,530
Other non-instructional services	54,620	70,850
Extracurricular activities	506,116	538,188
Interest and fiscal charges	541,343	547,945
Total expenses	<u>16,813,059</u>	<u>17,203,995</u>
Change in net assets	40,860	(1,489,528)
Net assets at beginning of year	<u>30,566,557</u>	<u>32,056,085</u>
Net assets at end of year	<u>\$ 30,607,417</u>	<u>\$ 30,566,557</u>

Governmental Activities

Net assets of the District's governmental activities increased \$40,860. Total governmental expenses of \$16,813,059 were offset by program revenues of \$3,552,256 and general revenues of \$13,301,663. Program revenues supported 21.13% of the total governmental expenses.

The primary sources of revenue for governmental activities are derived from property taxes, and unrestricted grants and entitlements. These revenue sources represent 78.00% of total governmental revenue.

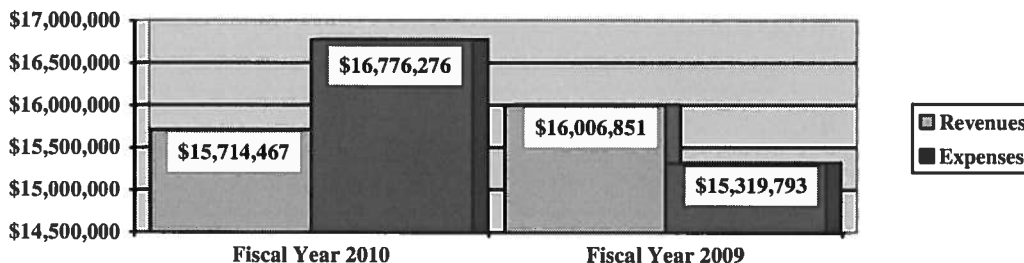
The largest expense of the District is for instructional programs. Instruction expenses totaled \$9,502,772 or 56.52% of total governmental expenses for fiscal 2011.

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

The graph below presents the District's governmental activities revenue and expenses for fiscal years 2011 and 2010.

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

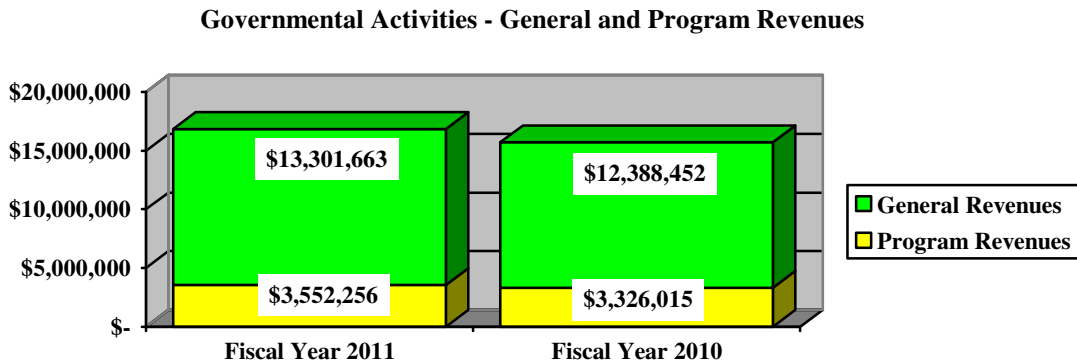
	Total Cost of Services 2011	Net Cost of Services 2011	Total Cost of Services 2010	Net Cost of Services 2010
Program expenses				
Instruction:				
Regular	\$ 6,030,036	\$ 4,799,150	\$ 6,277,453	\$ 5,633,582
Special	2,346,573	1,767,740	2,264,913	1,546,909
Vocational	423,656	234,301	370,794	187,766
Adult education	8,169	7,876	6,210	(3,665)
Other	694,338	525,568	446,489	275,088
Support services:				
Pupil	1,134,078	1,090,353	1,321,634	1,245,881
Instructional staff	222,478	195,118	198,901	179,636
Board of education	11,894	11,894	12,378	12,378
Administration	1,412,167	1,021,208	1,390,082	992,599
Fiscal	400,549	400,549	388,517	388,517
Business	85,508	85,508	79,456	79,456
Operations and maintenance	1,140,356	1,129,316	1,529,508	1,494,962
Pupil transportation	998,591	957,427	1,042,273	905,489
Central	32,549	32,549	40,874	40,874
Operation of non-instructional services:				
Food service operations	770,038	60,639	677,530	(45,746)
Other non-instructional services	54,620	7,230	70,850	6,151
Extracurricular activities	506,116	393,034	538,188	390,158
Interest and fiscal charges	541,343	541,343	547,945	547,945
Total expenses	\$ 16,813,059	\$ 13,260,803	\$ 17,203,995	\$ 13,877,980

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

The dependence upon tax and other general revenues for governmental activities is apparent, 77.18% of instruction activities are supported through taxes and other general revenues. For all governmental activities, general revenue support is 78.87%. The District's taxpayers and unrestricted grants and entitlements from the State are by far the primary support for District's students.

The graph below presents the District's governmental activities revenue for fiscal years 2011 and 2010.



The District's Funds

The District's governmental funds (as presented on the balance sheet on page 15) reported a combined fund balance of \$2,774,041, which is more than last year's total of \$2,151,095. The schedule below indicates the fund balance and the total change in fund balance as of June 30, 2011 and 2010.

	Fund Balance June 30, 2011	Fund Balance June 30, 2010 (Restated)	Increase
Major funds:			
General	\$ 1,210,580	\$ 843,924	\$ 366,656
Bond retirement	636,714	551,375	85,339
Other governmental	926,747	755,796	170,951
Total	<u>\$ 2,774,041</u>	<u>\$ 2,151,095</u>	<u>\$ 622,946</u>

General Fund

The District's general fund's fund balance increased \$366,656. The increase in fund balance can be attributed to revenue growth with small expenditure increases.

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

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

	2011 Amount	2010 Amount	Percentage Change
<u>Revenues</u>			
Taxes	\$ 3,761,323	\$ 3,170,714	18.63 %
Tuition	516,878	533,729	(3.16) %
Earnings on investments	53,862	70,684	(23.80) %
Intergovernmental	8,408,968	8,307,817	1.22 %
Other revenues	274,271	130,941	109.46 %
Total	<u>\$ 13,015,302</u>	<u>\$ 12,213,885</u>	6.56 %
<u>Expenditures</u>			
Instruction	\$ 7,893,902	\$ 7,731,793	2.10 %
Support services	4,442,209	4,509,305	(1.49) %
Extracurricular activities	319,111	318,969	0.04 %
Total	<u>\$ 12,655,222</u>	<u>\$ 12,560,067</u>	0.76 %

The increase in tax revenue is due to an increase in the amount of tax advances available from the County Auditor at the end of the year, but the decrease does not expect the trend to continue. Intergovernmental revenue also increased due to slight increases in State Foundation and Property Tax Allocations. Other revenue increase due to increase reimbursements for services the District provides to other entities.

Expenditures increased slightly in instruction due to customary wage and benefit increases. Support services decreased due to the District reexamining how it operates and trying to function more efficiently.

Bond Retirement Fund

The bond retirement fund had \$911,704 in revenues and \$826,365 in expenditures. During fiscal 2011, the bond retirement fund's fund balance increased \$85,339 from \$551,375 to \$636,714. This increase is due to the District's debt service bond levy receipts exceeding expenditures during fiscal year 2011.

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 2011, the District amended its general fund budget numerous times. For the general fund, original budgeted revenues and other financing sources were \$12,430,077 and final budgeted revenues and other financing sources were increased to \$12,442,276. Actual revenues and other financing sources for fiscal year 2011 was \$12,438,246. This represents a \$4,030 decrease from final budgeted revenues and other financing sources.

General fund original appropriations (appropriated expenditures plus other financing uses) of \$12,315,334 were increased to \$12,989,159 in the final budget. The actual budget basis expenditures for fiscal year 2011 totaled \$12,740,165, which was \$248,994 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, 2011**

Capital Assets and Debt Administration

Capital Assets

At the end of fiscal 2011, the District had \$39,445,434 invested in land, land improvements, buildings and improvements, furniture and equipment, and vehicles. This entire amount is reported in governmental activities. The following table shows fiscal 2011 balances compared to 2010:

	Capital Assets at June 30 (Net of Depreciation)	
	<u>Governmental Activities</u>	
	<u>2011</u>	<u>2010</u>
Land	\$ 1,248,658	\$ 1,248,658
Land improvements	507,173	554,706
Building and improvements	37,258,811	38,047,639
Furniture and equipment	86,408	77,389
Vehicles	344,384	414,927
Total	<u>\$ 39,445,434</u>	<u>\$ 40,343,319</u>

Total additions to capital assets for 2011 were \$38,434. The total depreciation expense for 2011 was \$936,319.

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

Debt Administration

At June 30, 2011, the District had \$11,401,424 in general obligation bonds and lease purchase agreements outstanding. Of this total, \$335,000 is due within one year and \$11,066,424 is due in greater than one year. The following table summarizes the bonds and leases outstanding.

	Outstanding Debt, at Year End	
	<u>Governmental Activities 2011</u>	<u>Governmental Activities 2010</u>
General obligation bonds	\$ 11,401,424	\$ 11,670,325
Lease purchase agreement	-	65,508
Total	<u>\$ 11,401,424</u>	<u>\$ 11,735,833</u>

See Note 9 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, 2011**

Current Financial Related Activities

The District's general fund expenditures exceeded general fund revenues by approximately \$109,018 on a cash basis. Expenses for personnel, supplies and materials, and capital outlay all decreased from last year, with purchased services and other expenses increasing. The reductions are largely due to restructuring how the district operates in efforts to continue to not replace personnel as they leave the District. Also in the 2010 school year, the District had to purchase a bus from its general fund, an expense it did not incur in 2011. As for the increases, the biggest reason is due to the cost to educate special needs students outside of the District. These expenses continue to rise and the District has few options available to save money.

The District's two largest revenue streams in the general fund, property taxes and state foundation aid, both saw increases in 2011 totaling slightly over \$70,000 on a cash basis. The property tax receipts will continue to be monitored closely moving forward as the local economy has remained stagnant and could lead to increased delinquencies and decreased property values. The outlook for state foundation funding also remains tenuous. Under the governor's biennium budget in place for the 2012 and 2013 school years, the District will lose all of its state funding that came from federal stimulus funding the previous two years, which totaled over \$1.1 million. The remaining portion of state foundation aid, which is state funded, will be based on a calculation which relies heavily on enrollment. The District is optimistic that enrollment will remain relatively stable which should help to stabilize the remaining foundation aid. The governor has stated that the current school funding formula is simply a bridge to the ultimate formula that he hopes to implement for the 2014/2015-biennium budget. At this time, the District has no way of knowing how its state funding will be impacted in the future under any potential new formulas.

Contacting the District's Financial Management

This financial report is designed to provide our citizens, taxpayers, investors and creditors with a general overview of the District's finances and to show the District's accountability for the money it receives. If you have questions about this report or need additional financial information contact Mr. James Carman, 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, 2011

	Governmental Activities
Assets	
<i>Current Assets</i>	
Cash and Cash Equivalents	\$ 3,863,087
Cash and Cash Equivalents with Escrow Agent	32,610
Accounts Receivable	44,815
Taxes Receivable	4,547,594
Accrued Interest Receivable	12,251
Due From Other Governments	193,490
Inventories	15,202
Unamortized Bond Issue Costs	185,491
<i>Total Current Assets</i>	8,894,540
<i>Noncurrent Assets</i>	
Capital Assets:	
Land	1,248,658
Other Capital Assets, Net of Depreciation	38,196,776
<i>Total Noncurrent Assets</i>	39,445,434
Total Assets	\$ 48,339,974
Liabilities	
<i>Current Liabilities</i>	
Accounts Payable	\$ 236,814
Accrued Wages and Benefits	1,341,895
Due to Other Governments	35,504
Retainage Payable	32,610
Pension Obligation Payable	329,980
Accrued Interest Payable	39,957
Unearned Revenue	3,359,938
Long Term Liabilities Due Within One Year	567,607
<i>Total Current Liabilities</i>	5,944,305
<i>Noncurrent Liabilities</i>	
Long Term Liabilities Due Within More Than One Year	11,788,252
Total Liabilities	17,732,557
Net Assets	
Invested in Capital Assets, Net of Related Debt	27,858,510
Restricted for:	
Capital Projects	296,207
Classroom Facilities Maintenance	308,207
Debt Service	630,996
Food Service Program	190,613
State Funded Programs	23,912
Student Activities	89,268
Other Purposes	14,505
Unrestricted	1,195,199
Total Net Assets	30,607,417
Total Liabilities and Net Assets	\$ 48,339,974

See accompanying notes to the basic financial statements

**Sandy Valley Local School District
Stark County, Ohio**

Statement of Activities
For the year ended June 30, 2011

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Assets
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	
<i>Governmental Activities</i>					Governmental Activities
Regular Instruction	\$ 6,030,036	\$ 550,793	\$ 680,093	\$ -	\$ (4,799,150)
Special Instruction	2,346,573	69,972	508,861	-	(1,767,740)
Vocational Instruction	423,656	-	189,355	-	(234,301)
Adult Instruction	8,169	-	293	-	(7,876)
Other Instruction	694,338	77,613	91,157	-	(525,568)
Pupil Support	1,134,078	-	43,725	-	(1,090,353)
Instructional Staff Support	222,478	-	27,360	-	(195,118)
Board of Education	11,894	-	-	-	(11,894)
Administration	1,412,167	-	390,959	-	(1,021,208)
Fiscal	400,549	-	-	-	(400,549)
Business	85,508	-	-	-	(85,508)
Operations and Maintenance	1,140,356	11,040	-	-	(1,129,316)
Pupil Transportation	998,591	22,186	18,978	-	(957,427)
Central Office Support	32,549	-	-	-	(32,549)
Food Service Operations	770,038	252,145	457,254	-	(60,639)
Other Non-Instructional Services	54,620	-	47,390	-	(7,230)
Extracurricular Activities	506,116	100,736	12,346	-	(393,034)
Interest on Long-Term Debt	541,343	-	-	-	(541,343)
Total Governmental Activities	16,813,059	1,084,485	2,467,771	-	(13,260,803)

General revenues:	
Property Taxes Levied for:	
General Purposes	3,754,090
Debt Service	797,777
Classroom Facilities Maintenance	62,452
Permanent Improvement	156,648
Grants and Entitlements Not Restricted to Specific Programs	8,375,697
Interest and Investment Earnings	35,128
Other	119,871
Total General Revenues	13,301,663
Change in Net Assets	40,860
Net Assets -- Beginning	30,566,557
Net Assets -- Ending	\$ 30,607,417

See accompanying notes to the basic financial statements

**Sandy Valley Local School District
Stark County, Ohio**

Balance Sheet
Governmental Funds
June 30, 2011

	General	Bond Retirement	Other Governmental Funds	Total Governmental Funds
Assets				
Equity in Pooled Cash and Cash Equivalents	\$ 2,233,785	\$ 506,083	\$ 1,123,219	\$ 3,863,087
Cash and Cash Equivalents with Fiscal Agents	-	-	32,610	32,610
Taxes Receivable-Current	3,583,898	756,698	206,998	4,547,594
Accounts Receivable	43,790	-	1,025	44,815
Interest Receivable	12,251	-	-	12,251
Due From Other Funds	90,000	-	13,733	103,733
Due From Other Governments	8,831	-	184,659	193,490
Inventories	-	-	15,202	15,202
Total Assets	\$ 5,972,555	\$ 1,262,781	\$ 1,577,446	\$ 8,812,782
Liabilities				
<i>Current</i>				
Accounts Payable	\$ 175,675	\$ -	\$ 61,139	\$ 236,814
Accrued Wages and Benefits	1,114,493	-	227,402	1,341,895
Compensated Absences	158,978	-	-	158,978
Due to Other Funds	-	-	103,733	103,733
Due to Other Governments	31,328	-	4,176	35,504
Retainage Payable	-	-	32,610	32,610
Deferred Revenue	3,001,217	626,067	171,943	3,799,227
Pension Obligation Payable	280,284	-	49,696	329,980
Total Liabilities	4,761,975	626,067	650,699	6,038,741
Fund Balances				
Nonspendable	-	-	15,202	15,202
Restricted	-	636,714	905,273	1,541,987
Committed	-	-	10,532	10,532
Assigned	45,914	-	-	45,914
Unassigned	1,164,666	-	(4,260)	1,160,406
<i>Total Fund Balances</i>	<u>1,210,580</u>	<u>636,714</u>	<u>926,747</u>	<u>2,774,041</u>
Total Liabilities and Fund Balances	\$ 5,972,555	\$ 1,262,781	\$ 1,577,446	\$ 8,812,782

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, 2011

Total Governmental Fund Balances \$ 2,774,041

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

Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.

Land	1,248,658	
Land Improvements (net of depreciation)	507,173	
Buildings and Improvements (net of depreciation)	37,258,811	
Furniture and Equipment (net of depreciation)	86,408	
Vehicles (net of depreciation)	344,384	
Total	39,445,434	39,445,434

Other long-term assets are not available to pay for current-period expenditures and therefore are deferred in the funds

Property Taxes	419,794	
Interest	2,002	
Contract Service Fee	17,493	
Total	439,289	439,289

Unamortized premiums on bond issuances are not recognized in the funds. (185,500)

Unamortized bond issuance costs are not recognized in the funds. 185,491

Accrued interest payable is not due and payable in the current period and therefore is not reported in the funds. (39,957)

Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds.

General Obligation Bonds	(11,401,424)	
Compensated Absences	(609,957)	
Total	(12,011,381)	(12,011,381)

Net Assets of Governmental Activities **\$ 30,607,417**

Sandy Valley Local School District

Stark County, Ohio

Statement of Revenues, Expenditures
and Changes in Fund Balances
Governmental Funds

For the year ended June 30, 2011

	General	Bond Retirement	Other Governmental Funds	Total Governmental Funds
Revenues				
Property and Other Taxes	\$ 3,761,323	\$ 803,495	\$ 216,647	\$ 4,781,465
Tuition	516,878	-	-	516,878
Charges for Services	-	-	252,145	252,145
Transport Fees	22,186	-	-	22,186
Extracurricular	77,613	-	149,105	226,718
Classroom Materials & Fees	33,915	-	-	33,915
Interest	53,862	-	556	54,418
Contributions and Donations	23,296	-	33,389	56,685
Contract Services	52,479	-	-	52,479
Intergovernmental-Intermediate	20,614	-	-	20,614
Intergovernmental-State	8,325,404	108,209	281,840	8,715,453
Intergovernmental-Federal	62,950	-	2,008,327	2,071,277
Rentals	9,000	-	2,040	11,040
Other	55,782	-	9,144	64,926
Total Revenues	13,015,302	911,704	2,953,193	16,880,199
Expenditures				
Current				
Regular Instruction	4,951,467	-	580,307	5,531,774
Special Instruction	1,942,928	-	374,442	2,317,370
Vocational Instruction	383,743	-	-	383,743
Adult Instruction	-	-	8,169	8,169
Other Instruction	615,764	-	80,555	696,319
Pupil Support	1,073,561	-	100,862	1,174,423
Instructional Staff Support	154,093	-	34,199	188,292
Board of Education	11,893	-	-	11,893
Administration	975,222	-	393,883	1,369,105
Fiscal	399,101	16,196	5,221	420,518
Business	85,508	-	-	85,508
Operations and Maintenance	853,772	-	170,754	1,024,526
Pupil Transportation	856,510	-	48,768	905,278
Central Office Support	32,549	-	-	32,549
Operation of Non-Instructional	-	-	54,620	54,620
Food Service Operations	-	-	694,806	694,806
Extracurricular Activities	319,111	-	139,879	458,990
Facilities Acquisition and Construction	-	-	29,041	29,041
Debt Service				
Principal	-	325,000	65,508	390,508
Interest and Fiscal Charges	-	485,169	1,228	486,397
Total Expenditures	12,655,222	826,365	2,782,242	16,263,829
<i>Excess Revenues Over (Under) Expenditures</i>	<i>360,080</i>	<i>85,339</i>	<i>170,951</i>	<i>616,370</i>
Other Financing Sources (Uses)				
Reduction of P/Y Expenditures	6,576	-	-	6,576
Operating Transfers In	-	-	3,382	3,382
Operating Transfers Out	-	-	(3,382)	(3,382)
Total Other Financing Sources and Uses	6,576	-	-	6,576
Net Change in Fund Balance	366,656	85,339	170,951	622,946
<i>Fund Balance at Beginning of Year (Restated)</i>	<i>843,924</i>	<i>551,375</i>	<i>755,796</i>	<i>2,151,095</i>
<i>Fund Balance at End of Year</i>	<i>\$ 1,210,580</i>	<i>\$ 636,714</i>	<i>\$ 926,747</i>	<i>\$ 2,774,041</i>

**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 year ended June 30, 2011

Net change in fund balances-Total Government Funds \$ 622,946

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

Governmental funds report capital outlays as expenditures.

However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which capital outlay exceed depreciation in the current period.

Capital Outlay	\$ 38,434	
Depreciation Expense	<u>(986,717)</u>	(948,283)

Repayment of long-term debt is reported as an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets.

Bond Principal Payments	325,000	
Capital Lease Payments	<u>65,508</u>	390,508

Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.

Property Taxes	(10,498)	
Interest Revenue	(19,290)	
Intergovernmental-state	(20,562)	
Contract Services	<u>17,493</u>	(32,857)

Governmental funds report expenditures for interest when it is due. In the statement of activities, interest expense is recognized as the interest accrues, regardless of when it is due. More interest is reported in the statement of activities due to the following:

Decrease in accrued interest payable	1,152	
Accreted interest on capital appreciation bonds	(56,099)	
Amortization of bond issuance costs	(7,921)	
Amortization of bond premiums	<u>7,922</u>	(54,946)

Some expenses reported in the statement of activities, such as compensated absences, do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds.

63,492

Change in Net Assets of Governmental Activities

\$ 40,860

Sandy Valley Local School District
Stark County, Ohio
Statement of Revenues, Expenditures
and Changes in Fund Balances - Budget (Non-GAAP Basis) and Actual
General Fund
For the year ended June 30, 2011

	General Fund			
	Budgeted Amounts		Actual Amounts	Variance with Final Budget Over/(Under)
	Original	Final		
Revenues				
Property and Other Taxes	\$ 3,310,599	\$ 3,305,526	\$ 3,311,023	\$ 5,497
Tuition	516,812	516,879	516,878	(1)
Transport Fees	16,183	15,384	16,185	801
Classroom Materials & Fees	33,588	27,005	33,592	6,587
Interest	43,601	44,000	43,607	(393)
Contributions and Donations	14,550	14,552	14,552	-
Contract Services	34,982	51,507	34,986	(16,521)
Intergovernmental-Intermediate	18,612	18,614	18,614	-
Intergovernmental-State	8,324,337	8,325,404	8,325,404	-
Intergovernmental-Federal	54,112	54,119	54,119	-
Rentals	8,999	9,000	9,000	-
Other	53,702	53,710	53,710	-
Total Revenues	<u>12,430,077</u>	<u>12,435,700</u>	<u>12,431,670</u>	<u>(4,030)</u>
Expenditures				
<i>Current</i>				
Regular Instruction	4,871,204	5,101,434	5,003,643	97,791
Special Instruction	1,903,496	1,993,461	1,955,248	38,213
Vocational Instruction	362,933	380,086	372,800	7,286
Other Instruction	514,048	538,344	528,024	10,320
Pupil Support	1,049,536	1,099,141	1,078,071	21,070
Instructional Staff Support	152,534	159,743	156,681	3,062
Board of Education	11,583	12,131	11,898	233
Administration	878,383	919,899	902,265	17,634
Fiscal	394,091	412,718	404,806	7,912
Business	83,570	87,520	85,842	1,678
Operations and Maintenance	906,307	949,142	930,948	18,194
Pupil Transportation	842,996	882,839	865,916	16,923
Central Office Support	31,687	33,185	32,549	636
Extracurricular Activities	312,966	327,757	321,474	6,283
Total Expenditures	<u>12,315,334</u>	<u>12,897,400</u>	<u>12,650,165</u>	<u>247,234</u>
<i>Excess Revenues (Under) Expenditures</i>	<u>114,743</u>	<u>(461,700)</u>	<u>(218,495)</u>	<u>243,205</u>
Other Financing Sources (Uses)				
Refund of P/Y Receipts	-	6,576	6,576	-
Advances Out	-	(91,759)	(90,000)	1,759
Total Other Financing (Uses)	<u>-</u>	<u>(85,183)</u>	<u>(83,424)</u>	<u>1,759</u>
Net Change in Fund Balance	114,743	(546,883)	(301,919)	244,964
<i>Fund Balance at Beginning of Year</i>	2,174,862	2,174,862	2,174,862	-
Prior Year Encumbrances	123,825	123,825	123,825	-
Fund Balance at End of Year	<u>\$ 2,413,430</u>	<u>\$ 1,751,804</u>	<u>\$ 1,996,768</u>	<u>\$ 244,964</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, 2011

		Agency Funds	
Assets			
Equity in Pooled Cash and Cash Equivalents	\$	53,045	
Liabilities			
Accounts Payable	\$	4,010	
Due to Students		49,035	
Total Liabilities	\$	53,045	

Net Assets - Held in Trust for Individuals

See accompanying notes to 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, 2011**

NOTE 1 - DESCRIPTION OF THE SCHOOL DISTRICT

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

The District encompasses all or portions of several villages and townships which are almost entirely located in Stark County, Ohio. The District's facilities are staffed by 72 classified employees and 121 certified employees who provide services to 1,508 students and other community members. The District operates a middle/high school building, an elementary school, a bus garage, and a warehouse.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

A. Reporting Entity

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

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

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

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

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

DISCRETELY PRESENTED COMPONENT UNIT

The Cardinal Digital Academy

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

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

JOINTLY GOVERNED ORGANIZATIONS

Stark/Portage Area Computer Consortium

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

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

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

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

Stark County Tax Incentive Review Council

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

PUBLIC ENTITY RISK POOLS

Shared Risk Pool

Stark County Schools Council of Governments Health Benefit Plan

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

Insurance Purchasing Pool

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

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

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

B. Fund Accounting

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

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

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

GOVERNMENTAL FUNDS

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

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

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

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

PROPRIETARY FUNDS

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

FIDUCIARY FUNDS

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

C. Basis of Presentation and Measurement Focus

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

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

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

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

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

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

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

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

D. Basis of Accounting

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

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

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

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

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

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

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

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

Property taxes for which there is an enforceable legal claim as of June 30, 2011, but which were levied to finance fiscal year 2012 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, 2011 are recorded as deferred revenue in the governmental funds.

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

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

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

E. Budgets

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

Tax Budget:

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

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

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

Estimated Resources:

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

Appropriations:

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

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

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

Lapsing of Appropriations:

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

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

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 2011, investments were limited to nonnegotiable certificates of deposit. Except for nonparticipating investment contracts, investments are reported at fair value, which is based on quoted market prices.

Under existing Ohio statutes all investment earnings are assigned to the general fund unless statutorily required to be credited to a specific fund. The Board of Education has, by resolution, specified the funds to receive an allocation of interest earnings. Interest revenue credited to the general fund during fiscal year 2011 amounted to \$53,862, which includes \$19,831 assigned from other District funds.

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

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

G. Inventory

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

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

H. Capital Assets

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

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

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

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

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

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

I. Interfund Balances

On fund financial statements, receivables and payables resulting from short-term interfund loans are classified as “interfund receivables/payables”. These amounts are eliminated in the governmental activities column on the statement of net assets. The District had two such interfund loans outstanding at June 30, 2011.

J. Compensated Absences

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

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

The total liability for vacation and sick leave payments has been calculated using pay rates in effect at June 30, 2011 and reduced to the maximum payment allowed by labor contract and/or statute, plus any additional salary related payments.

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

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

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

K. Accrued Liabilities and Long-Term Obligations

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

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

L. Fund Balance

Fund balance is divided into five classifications based primarily on the extent to which the District is bound to observe constraints imposed upon the use of the resources in the governmental funds. The classifications are as follows:

Nonspendable The nonspendable fund balance category includes amounts that cannot be spent because they are not in spendable form, or legally or contractually required to be maintained intact. The “not in spendable form” criterion includes items that are not expected to be converted to cash. It also includes the long-term amount of interfund loans.

Restricted Fund balance is reported as restricted when constraints placed on the use of resources are either externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments or is imposed by law through constitutional provisions or enabling legislation (Board Resolution).

Enabling legislation authorizes the Board to assess, levy, charge, or otherwise mandate payment of resources (from external resource providers) and includes a legally enforceable requirement that those resources be used only for the specific purposes stipulated in the legislation. Legal enforceability means that the Board can be compelled by an external party-such as citizens, public interest groups, or the judiciary to use resources created by enabling legislation only for the purposes specified by the legislation.

Committed The committed fund balance classification includes amounts that can be used only for the specific purposes imposed by formal action (resolution) of the Board of Education. Those committed amounts cannot be used for any other purpose unless the Board removes or changes the specified use by taking the same type of action (resolution) it employed to previously commit those amounts. In contrast to fund balance that is restricted by enabling legislation, committed fund balance classification may be redeployed for other purposes with appropriate due process. The Board, separate from the authorization to raise the underlying revenue, imposes constraints imposed on the use of committed amounts; therefore, compliance with these constraints is not considered to be legally enforceable. Committed fund balance also incorporates contractual obligations to the extent that existing resources in the fund have been specifically committed for use in satisfying those contractual requirements.

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

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

Assigned Amounts in the assigned fund balance classification are intended to be used by the District for specific purposes but do not meet the criteria to be classified as restricted or committed. In governmental funds other than the general fund, assigned fund balance represents the remaining amount that is not restricted or committed. In the general fund, assigned amounts represent intended uses established by the Board or by State Statute.

Unassigned Unassigned fund balance is the residual classification for the general fund and includes all spendable amounts not contained in the other classifications. In other governmental funds, the unassigned classification is used only to report a deficit balance resulting from overspending for specific purposes for which amounts had been restricted, committed, or assigned.

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

M. Net Assets

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

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

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.

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

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

P. Interfund Activity

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

Q. Unamortized Bond Issuance Costs and Bond Premium

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

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

On the governmental fund financial statements, issuance costs and bond premiums are recognized in the current period. A reconciliation of the bonds face value and the amount reported on the statement of net assets is presented in Note 9.B.

R. Nonpublic Schools

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

S. Extraordinary and Special Items

Extraordinary items are transactions or events that are both unusual in nature and infrequent in occurrence. Special items are transactions or events that are within the control of the Board of Education and that are either unusual in nature or infrequent in occurrence. Neither type of transaction was reported for fiscal year 2011.

T. Vocational Education

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

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

NOTE 3 – FUND BALANCE

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

Fund Balance	General Fund	Bond Retirement	Nonmajor Governmental Funds	Total
<i>Nonspendable:</i>				
Inventory	\$ -	\$ -	\$ 15,202	\$ 15,202
<i>Restricted for:</i>				
Food Service Operations	-	-	179,908	179,908
Special Project Grants	-	-	3,973	3,973
Maintenance	-	-	308,752	308,752
Districted Managed Activities	-	-	89,268	89,268
Auxiliary Activities	-	-	18,491	18,491
EMIS	-	-	4,000	4,000
Preschool Grants	-	-	1,421	1,421
Educational Jobs Grants	-	-	443	443
Title I Grants	-	-	560	560
Teacher Professional Development Grants	-	-	5,248	5,248
Bond Retirement	-	636,714	-	636,714
Permanent Improvement Building Project	-	-	236,735	236,735
Classroom Facility	-	-	52,185	52,185
Total Restricted	-	636,714	905,273	1,541,987
<i>Committed</i>				
Adult Education	-	-	10,532	10,532
<i>Assigned</i>				
Public Education Support	45,914	-	-	45,914
<i>Unassigned</i>				
General Fund Operations	1,164,666	-	-	1,164,666
Special Education Grants	-	-	(4,260)	(4,260)
Total Unassigned	1,164,666	-	(4,260)	1,160,406
Total Fund Balances	\$ 1,210,580	\$ 636,714	\$ 926,747	\$ 2,774,041

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

NOTE 4 - DEPOSITS

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

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

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

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

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

1. United States Treasury Notes, Bills, Bonds, or any other obligation or security issued by the United States Treasury or any other obligation guaranteed as to principal and interest by the United States;
2. Bonds, notes, debentures, or any other obligations or securities issued by any federal government agency or instrumentality, including, but not limited to, the Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, Government National Mortgage Association, and Student Loan Marketing Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
3. Written repurchase agreements in the securities listed above provided that the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least two percent and be marked to market daily, and that the term of the agreement must not exceed thirty days;
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.

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

NOTE 4 - DEPOSITS - (Continued)

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

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

A. Cash on Hand

At fiscal year end, the District had \$1,225 in undeposited cash on hand which is included on the financial statements of the District as part of "equity in pooled cash and cash equivalents".

B. Cash with Escrow Agent

At fiscal year end, \$32,610 was on deposit in the District's escrow accounts and excluded from the total amount of deposits reported below. This amount is not part of the internal cash pool, but reported on the financial statements as "cash with escrow agent".

C. Deposits with Financial Institutions

At June 30, 2011, the carrying amount of all District deposits was \$3,914,907. Based on the criteria described in GASB Statement No. 40, "Deposits and Investment Risk Disclosures", as of June 30, 2011, \$1,185,826 of the District's bank balance of \$3,953,032 was exposed to custodial risk as discussed below, while \$2,767,206 was covered by the FDIC.

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

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

NOTE 4 - DEPOSITS - (Continued)

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

The following is a reconciliation of cash and cash equivalents as reported in the note above to cash and cash equivalents as reported on the statement of net assets as of June 30, 2011:

<u>Cash and cash equivalents per note</u>	
Carrying amount of deposits	\$ 3,914,907
Cash with escrow agent	32,610
Cash on hand	<u>1,225</u>
Total	<u>\$ 3,948,742</u>
 <u>Cash and cash equivalents per statement of net assets</u>	
Governmental activities	\$ 3,895,697
Agency funds	<u>53,045</u>
Total	<u>\$ 3,948,742</u>

NOTE 5 - INTERFUND TRANSACTIONS

Interfund transfers for the year ended June 30, 2011, consisted of the following, as reported on the fund financial statements:

Transfers to nonmajor governmental funds from:	<u>Amount</u>
Nonmajor governmental funds	<u>\$ 3,382</u>

The purpose of this transfer was to move residual grant equity from one special cost center to another. Interfund transfers between governmental funds are eliminated on the government-wide financial statements. No interfund transfers are reported in the statement of activities.

At June 30, 2011 the General Fund had a due from other funds outstanding from the Nonmajor Governmental Funds of \$90,000. This represents an advance the General Fund sent to the Nonmajor Permanent Improvement Fund to help fund a large tech purchase the District decided to undertake following the renewal of its permanent improvement levy. It is expected the advance will be repaid over the next two years. A second due to/due from was outstanding in the Nonmajor Governmental Funds for \$13,733. This internal borrowing represents an advance from the District's Nonmajor Maintenance Fund to the District's Nonmajor Classroom Facility Fund. The funds were needed to cover ongoing construction issues the District is experiencing with its geo-thermal heating system. The District plans to repay the advance once the project is completed.

	<u>Due to</u>		
	General	Nonmajor	
	Fund	Governmental	
	<u>Fund</u>	<u>Fund</u>	<u>Total</u>
Nonmajor Governmental Fund	\$ 90,000	\$ 13,733	\$ 103,733

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

NOTE 6 - PROPERTY TAXES

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

Property taxes include amounts levied against all real property, public utility property, and certain tangible personal (used in business) property located in the District. Real property tax revenues received in calendar year 2011 represent the collection of calendar year 2010 taxes. Real property taxes received in calendar year 2011 were levied after April 1, 2010, on the assessed values as of January 1, 2010, the lien date. Assessed values for real property taxes are established by State statute at 35 percent of appraised market value. Real property taxes are payable annually or semiannually. If paid annually, payment is due December 31; if paid semiannually, the first payment is due December 31, with the remainder payable by June 20. Under certain circumstances, State statute permits alternate payment dates to be established. Public utility property tax revenues received in calendar year 2011 represent the collection of calendar year 2010 taxes. Public utility real and tangible personal property taxes received in calendar year 2011 became a lien on December 31, 2009, were levied after April 1, 2010, and are collected with real property taxes. Public utility real property is assessed at 35 percent of true value; public utility tangible personal property is currently assessed at varying percentages of true value.

Tangible personal property tax revenues received in calendar year 2011 (other than public utility property) represent the collection of calendar year 2011 taxes levied against local and inter-exchange telephone companies. Tangible personal property taxes received from telephone companies in calendar year 2011 were levied after October 1, 2010, on the value as of December 31, 2010. Amounts paid by multi-county taxpayers are due September 20. Single county taxpayers may pay annually or semiannually. If paid annually, payment is due April 30; if paid semiannually, the first payment is due April 30, with the remainder payable by September 20. Tangible personal property taxes paid by April 30 are usually received by the District prior to June 30.

The District receives property taxes from Stark, Carroll and Tuscarawas Counties. The County Auditors periodically advance to the District their portion of the taxes collected. Second-half real property tax payments collected by the County by June 30, 2010, are available to finance fiscal year 2011 operations. The amount available as an advance at June 30, 2011 was \$602,176 in the general fund, \$130,631 in the bond retirement fund, \$24,856 in the permanent improvement fund, a nonmajor governmental fund, and \$10,199 in the classroom facilities maintenance fund, a nonmajor governmental fund. This amount is recorded as revenue. The amount available for advance at June 30, 2010 was \$151,876 in the general fund, \$34,234 in the bond retirement fund, \$5,505 in the permanent improvement fund, a nonmajor governmental fund, and \$2,701 in the classroom facilities maintenance fund, a nonmajor governmental fund. The amount of second-half real property taxes available for advance at fiscal year-end can vary based on the date the tax bills are sent.

Accrued property taxes receivable includes real property, public utility property and tangible personal property taxes, which are measurable as of June 30, 2011 and for which there is an enforceable legal claim. Although total property tax collections for the next fiscal year are measurable, only the amount of real property taxes available as an advance at June 30 was levied to finance current fiscal year operations and is reported as revenue at fiscal year end. The portion of the receivable not levied to finance current fiscal year operations is offset by a credit to unearned revenue.

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

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

NOTE 6 - PROPERTY TAXES - (Continued)

The assessed values upon which the fiscal year 2011 taxes were collected are:

	2010 Second Half Collections		2011 First Half Collections	
	<u>Amount</u>	<u>Percent</u>	<u>Amount</u>	<u>Percent</u>
Agricultural/residential and other real estate	\$ 127,688,090	94.24	\$ 129,181,230	94.26
Public utility personal	7,635,250	5.64	7,810,210	5.63
Tangible personal property	<u>162,143</u>	<u>0.12</u>	<u>-</u>	<u>0.11</u>
Total	<u>\$ 135,485,483</u>	<u>100.00</u>	<u>\$ 136,991,440</u>	<u>100.00</u>
Tax rate per \$1,000 of assessed valuation:				
Operations	\$42.20		\$42.00	
Permanent improvements	2.50		2.50	
Bonded debt	5.90		5.80	

NOTE 7 - RECEIVABLES

Receivables at June 30, 2011 consisted of taxes, accounts, accrued interest, and intergovernmental grants and entitlements. All receivables are considered collectible in full due to the ability to foreclose for the nonpayment of taxes, the stable condition of State programs and the current year guarantee of Federal funds. A summary of the principal items of receivables reported on the statement of net assets follows:

Governmental activities:	
Taxes	\$ 4,547,594
Accounts	44,815
Intergovernmental	193,490
Accrued interest	<u>12,251</u>
Total	<u>\$ 4,798,150</u>

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

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

NOTE 8 - CAPITAL ASSETS

Capital asset activity for the fiscal year ended June 30, 2011, was as follows:

	<u>Balance</u> <u>6/30/10</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance</u> <u>6/30/11</u>
Governmental activities:				
<i>Capital assets, not being depreciated:</i>				
Land	\$ 1,248,658	\$ -	\$ -	\$ 1,248,658
<i>Capital assets, being depreciated:</i>				
Land improvements	1,101,608	-	-	1,101,608
Building and improvements	39,410,992	-	-	39,410,992
Furniture and equipment	118,586	19,984	-	138,570
Vehicles	<u>1,496,527</u>	<u>18,450</u>	-	<u>1,514,977</u>
Total capital assets, being depreciated	<u>42,127,713</u>	<u>38,434</u>	-	<u>42,166,147</u>
<i>Less: accumulated depreciation</i>				
Land improvements	(499,733)	(94,702)	-	(594,435)
Building and improvements	(1,363,353)	(788,828)	-	(2,152,181)
Furniture and equipment	(40,313)	(11,849)	-	(52,162)
Vehicles	<u>(1,079,255)</u>	<u>(91,338)</u>	-	<u>(1,170,593)</u>
Total accumulated depreciation	<u>(2,982,654)</u>	<u>(986,717)</u>	-	<u>(3,969,371)</u>
Governmental activities capital assets, net	<u>\$ 40,393,717</u>	<u>\$ (948,283)</u>	<u>\$ -</u>	<u>\$ 39,445,434</u>

Depreciation expense was charged to governmental functions as follows:

<u>Instruction:</u>	
Regular	\$ 510,830
Special	41,685
Vocational	20,153
<u>Support services:</u>	
Instructional staff	33,467
Administration	39,896
Fiscal	12,268
Operations and maintenance	68,373
Pupil transportation	95,016
Extracurricular activities	94,295
Food service operations	<u>70,734</u>
Total depreciation expense	<u>\$ 986,717</u>

**SANDY VALLEY LOCAL SCHOOL DISTRICT
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**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

NOTE 9 - LONG-TERM OBLIGATIONS

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

This issue is comprised of both current interest bonds, par value \$12,220,000, and capital appreciation bonds, par value \$179,985. The interest rates on the current interest bonds range from 3.50% to 4.25%. The capital appreciation bonds mature on December 1, 2014 (approximate initial offering yield at maturity 4.18%), December 1, 2015 (approximate initial offering yield to maturity 4.23%) at a redemption price equal to 100% of the principal, plus accrued interest to the redemption date. The accreted value at maturity for the capital appreciation bonds is \$730,000. A total of \$216,349 in accreted interest on the capital appreciation bonds has been included in the statement of net assets at June 30, 2011.

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

The following is a schedule of activity for fiscal year 2011 on the 2006 series general obligation bonds:

	Balance 6/30/10	Additions	Reductions	Balance 6/30/11
Current interest bonds	\$ 11,330,000	\$ -	\$ (325,000)	\$ 11,005,000
Capital appreciation bond	179,985	-	-	179,985
Accreted interest	160,340	56,099	-	216,439
Total G.O. bonds	\$ 11,670,325	\$ 56,099	\$ (325,000)	\$ 11,401,424

**SANDY VALLEY LOCAL SCHOOL DISTRICT
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**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

NOTE 9 - LONG-TERM OBLIGATIONS - (Continued)

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

B. During the fiscal year 2011, the following changes occurred in governmental activities long-term obligations:

	Balance 06/30/10	Additions	Reductions	Balance 06/30/11	Amounts Due in One Year
Governmental activities:					
General obligation bonds	\$ 11,670,325	\$ 56,099	\$ (325,000)	\$ 11,401,424	\$ 335,000
Lease purchase agreement	65,508	-	(65,508)	-	-
Compensated absences payable	738,353	169,560	(138,978)	768,935	232,607
Total governmental activities long-term liabilities	<u>\$ 12,474,186</u>	<u>\$ 225,659</u>	<u>\$ (529,486)</u>	12,170,359	<u>\$ 567,607</u>
Add: unamortized premium				185,500	
Total on statement of net assets				<u>\$ 12,355,859</u>	

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

C. Legal Debt Margin

The Ohio Revised Code provides that voted net general obligation debt of the District shall never exceed 9% of the total assessed valuation of the District. The code further provides that unvoted indebtedness shall not exceed 1/10 of 1% of the property valuation of the District. The code additionally states that unvoted indebtedness related to energy conservation debt shall not exceed 9/10 of 1% of the property valuation of the District. The assessed valuation used in determining the District's legal debt margin has been modified by House Bill 530 which became effective March 30, 2006. In accordance with House Bill 530, the assessed valuation used in the District's legal debt margin calculation excluded tangible personal property used in business, telephone or telegraph property, interexchange telecommunications company property, and personal property owned or leased by a railroad company and used in railroad operations. The effects of these debt limitations at June 30, 2011, are a voted debt margin of \$1,789,180 (including available funds of \$636,714) and an unvoted debt margin of \$137,083.

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

NOTE 10 - OTHER EMPLOYEE BENEFITS

A. Compensated Absences

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

Teachers, administrators and classified employees earn sick leave at the rate of 1.25 days per month. A liability for sick leave is based on the accumulated sick leave at the balance sheet date by those employees who are currently eligible to receive severance benefits. The District's severance liability has been calculated using the pay rates in effect at June 30, 2011 and reduced to the maximum payment allowed by labor contracts (76 days for classified and 76 days for certified employees based on length of service), plus any additional salary related payments.

B. Insurance Benefits

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

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

C. Retirement Incentive

A one-time retirement bonus in the amount of \$20,000 was available to certified employees and a \$3,200 was available to classified employees who became first-time eligible for retirement and retired effective at the end of the school year.

An irrevocable notice of intent to retire had to be received by the District Superintendent by April 1, 2011. In fiscal year 2011, the District had two employees, one certified and one classified, accept the retirement incentive.

**SANDY VALLEY LOCAL SCHOOL DISTRICT
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**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

NOTE 11 - 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 2011, the District has contracted with private for various types of insurance as follows:

<u>Type of Coverage</u>	<u>Amount of Coverage</u>	<u>Deductible</u>
Buildings and Contents:		
Replacement Cost	\$41,347,490	\$5,000
Inland Marine Coverage	various	500
Boiler and Machinery	included	5,000
Automobile Liability	1,000,000	0
Uninsured Motorists	50,000	0
General Liability:		
Per occurrence	1,000,000	0
Aggregate	2,000,000	
Umbrella Liability:		
Per occurrence	5,000,000	10,000
Aggregate	5,000,000	
Errors and Omission:		
Each wrongful act	1,000,000	2,500
Aggregate	1,000,000	

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

B. Group Health and Dental Insurance

The District participates in the Stark County Schools Council of Governments Health Benefit Plan, a shared risk pool (Note 2.A.) to provide employee medical/surgical benefits. Rates are set through an annual calculation process. The District pays a monthly contribution, which is placed in a common fund from which claim payments are made for all participating districts. The District's Board of Education pays 100% of medical premiums for the superintendent and treasurer, 98% for all other administrative employees' medical premiums, 90% of all other employees' medical premiums and 100% of dental monthly premiums.

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

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

NOTE 11 - RISK MANAGEMENT - (Continued)

C. Workers' Compensation

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

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

NOTE 12 - PENSION PLANS

A. School Employees Retirement System

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

Funding Policy - Plan members are required to contribute 10% of their annual covered salary and the District is required to contribute 14% of annual covered payroll. The contribution requirements of plan members and employers are established and may be amended, up to statutory maximum amounts, 10 percent for plan members and 14 percent for employers, by the SERS' Retirement Board. Chapter 3309 of the Ohio Revised Code provides statutory authority for member and employer contributions. The Retirement Board acting with the advice of the actuary, allocates the employer contribution rate among four of the funds (Pension Trust Fund, Death Benefit Fund, Medicare B Fund, and Health Care Fund) of the System. For fiscal year ending June 30, 2011, the allocation to pension and death benefits is 11.81%. The remaining 2.19% of the 14% employer contribution rate is allocated to the Health Care and Medicare B Funds. The District's required contributions for pension obligations to SERS for the fiscal years ended June 30, 2011, 2010 and 2009 were \$211,134, \$215,902 and \$149,991, respectively; 54.23 percent has been contributed for fiscal year 2011 and 100 percent for fiscal years 2010 and 2009.

B. State Teachers Retirement System of Ohio

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

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

NOTE 12 - 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 a member's lifetime contributions and earned interest matched by STRS Ohio funds divided by an actuarially determined annuity factor. The DC Plan allows members to place all their member contributions and employer contributions equal to 10.5 percent of earned compensation into an investment account. Investment decisions are made by the member. A member is eligible to receive a retirement benefit at age 50 and termination of employment. The member may elect to receive a lifetime monthly annuity or a lump sum withdrawal. The Combined Plan offers features of both the DC Plan and the DB Plan. In the Combined Plan, member contributions are invested by the member, and employer contributions are used to fund the defined benefit payment at a reduced level from the regular DB Plan. The DB portion of the Combined Plan payment is payable to a member on or after age 60; the DC portion of the account may be taken as a lump sum or converted to a lifetime monthly annuity at age 50. Benefits are established by Chapter 3307 of the Ohio Revised Code.

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

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

The District's required contributions for pension obligations to STRS Ohio for the fiscal years ended June 30, 2011, 2010 and 2009 were \$795,478, \$848,006 and \$829,367, respectively; 83.66 percent has been contributed for fiscal year 2011 and 100 percent for fiscal years 2010 and 2009. Contributions to the DC and Combined Plans for fiscal year 2011 were \$32,543 made by the District and \$23,245 made by the plan members.

C. Social Security System

Effective July 1, 1991, all employees not otherwise covered by the SERS/STRS Ohio have an option to choose Social Security or the SERS/STRS Ohio. As of June 30, 2011, certain members of the Board of Education have elected Social Security. The District's liability is 4.2 percent of wages paid.

**SANDY VALLEY LOCAL SCHOOL DISTRICT
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**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

NOTE 13 - POSTEMPLOYMENT BENEFITS

A. School Employees Retirement System

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

Medicare Part B Plan - The Medicare Part B plan reimburses Medicare Part B premiums paid by eligible retirees and beneficiaries as set forth in Ohio Revised Code (ORC) 3309.69. Qualified benefit recipients who pay Medicare Part B premiums may apply for and receive a monthly reimbursement from SERS. The reimbursement amount is limited by statute to the lesser of the January 1, 1999 Medicare Part B premium or the current premium. The Medicare Part B monthly premium for calendar year 2011 was \$96.40 for most participants, but could be as high as \$369.10 per month depending on their income. SERS' reimbursement to retirees was \$45.50. The Retirement Board, acting with the advice of the actuary, allocates a portion of the current employer contribution rate to the Medicare B Fund. For fiscal year 2011, the actuarially required allocation is .76%. The District's contributions for Medicare Part B for the fiscal years ended June 30, 2011, 2010, and 2009 were \$13,587, \$12,839 and \$12,375, respectively; 54.23 percent has been contributed for fiscal year 2011 and 100 percent for fiscal years 2010 and 2009.

Health Care Plan - ORC 3309.375 and 3309.69 permit SERS to offer health care benefits to eligible retirees and beneficiaries. SERS' Retirement Board reserves the right to change or discontinue any health plan or program. SERS offers several types of health plans from various vendors, including HMO s, PPOs, Medicare Advantage and traditional indemnity plans. A prescription drug program is also available to those who elect health coverage. SERS employs two third-party administrators and a pharmacy benefit manager to manage the self-insurance and prescription drug plans, respectively.

The ORC provides the statutory authority to fund SERS' postemployment benefits through employer contributions. Active members do not make contributions to the postemployment benefit plans.

The Health Care Fund was established under, and is administered in accordance with Internal Revenue Code § 105(e). Each year after the allocation for statutorily required benefits, the Retirement Board allocates the remainder of the employer 14% contribution to the Health Care Fund. For the year ended June 30, 2011, the health care allocation is 1.43%. An additional health care surcharge on employers is collected for employees earning less than an actuarially determined minimum compensation amount, pro-rated according to service credit earned. State law provides that no employer shall pay a health care surcharge greater than 2% of that employer's SERS-covered payroll; nor may SERS collect in aggregate more than 1.5% of the total statewide SERS-covered payroll for the health care surcharge. For fiscal year 2011, the minimum compensation level was established at \$35,800. The surcharge, added to the unallocated portion of the 14% employer contribution rate is the total amount assigned to the Health Care Fund. The District's contributions for health care (including surcharge) for the fiscal years ended June 30, 2011, 2010, and 2009 were \$51,481, \$40,858 and \$101,879, respectively; 54.23 percent has been contributed for fiscal year 2011 and 100 percent for fiscal years 2010 and 2009.

The SERS Retirement Board establishes the rules for the premiums paid by the retirees for health care coverage for themselves and their dependents or for their surviving beneficiaries. Premiums vary depending on the plan selected, qualified years of service, Medicare eligibility, and retirement status.

**SANDY VALLEY LOCAL SCHOOL DISTRICT
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**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

NOTE 13 - POSTEMPLOYMENT BENEFITS - (Continued)

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

B. State Teachers Retirement System of Ohio

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

Funding Policy - Ohio law authorizes STRS Ohio to offer the Plan and gives the Retirement Board authority over how much, if any, of the health care costs will be absorbed by STRS Ohio. Active employee members do not contribute to the Plan. All benefit recipients pay a monthly premium. Under Ohio law, funding for post-employment health care may be deducted from employer contributions. For 2011, STRS Ohio allocated employer contributions equal to 1 percent of covered payroll to the Health Care Stabilization Fund. The District's contributions for health care for the fiscal years ended June 30, 2011, 2010, and 2009 were \$61,191, \$65,231 and \$63,797, respectively; 83.66 percent has been contributed for fiscal year 2011 and 100 percent for fiscal years 2010 and 2009.

NOTE 14 - BUDGETARY BASIS OF ACCOUNTING

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

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

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

**SANDY VALLEY LOCAL SCHOOL DISTRICT
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**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

NOTE 14 - BUDGETARY BASIS OF ACCOUNTING - (Continued)

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

	<u>General Fund</u>
Budget basis	\$ (301,919)
Net adjustment for revenue accruals	493,205
Net adjustment for expenditure accruals	(124,984)
Net adjustment for other financing sources/(uses)	90,000
**Funds Budgeted Elsewhere	17,453
Adjustment for encumbrances	<u>192,901</u>
GAAP basis	<u>\$ 366,656</u>

** As part of Governmental Accounting Standards Board Statement No. 54 "Fund Balance and Governmental Fund Type Definition," certain funds that are legally budgeted in separate special revenue funds are considered part of the General Fund on a GAAP basis. This includes public school support funds.

NOTE 15 - CONTINGENCIES

A. Grants

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

B. Litigation

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

NOTE 16 - STATUTORY RESERVES

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

**SANDY VALLEY LOCAL SCHOOL DISTRICT
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**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

NOTE 16 - STATUTORY RESERVES - (Continued)

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

	<u>Textbooks/ Instructional Materials</u>	<u>Capital Acquisition</u>
Set-aside balance as of June 30, 2010	\$ (1,218,839)	\$ -
Current year set-aside requirement	223,068	223,068
Current year offsets	-	(612,189)
Qualifying disbursements	<u>(245,942)</u>	<u>-</u>
Total	<u>\$ (1,241,713)</u>	<u>\$ (389,121)</u>
Balance carried forward to fiscal year 2012	<u>\$ -</u>	<u>\$ -</u>

The District had offsets and qualifying disbursements during the year that reduced the set-aside amounts below zero for the textbook/instructional materials and capital acquisition reserves. For capital acquisition, the extra amount may not be used to reduce the set-aside requirements for future years. Effective July 1, 2011, textbook set-aside laws have been repealed. Therefore, the negative amount is not being reported as carried forward to the future fiscal year.

NOTE 17 - ACCOUNTABILITY AND COMPLIANCE

A. Change in Accounting Principles

For fiscal year 2011, the District has implemented GASB Statement No. 54, "Fund Balance Reporting and Governmental Fund Type Definitions".

GASB Statement No. 54 enhances the usefulness of fund balance information by providing clearer fund balance classifications that can be more consistently applied and by clarifying the existing governmental fund type definitions. This statement establishes fund balance classifications that compromise a hierarchy based primarily on the extent to which a government is bound to observe constraints imposed upon the use of the resources reported in governmental funds.

**SANDY VALLEY LOCAL SCHOOL DISTRICT
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**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

NOTE 17 - ACCOUNTABILITY AND COMPLIANCE - (Continued)

B. Fund Reclassifications

Fund reclassifications are required in order to report in accordance with GASB Statement No. 54. These fund reclassifications had the following effect on the District's governmental fund balances as previously reported:

	<u>General</u>	<u>Bond Retirement</u>	<u>Nonmajor Governmental</u>	<u>Total Governmental</u>
Fund balance as previously reported	\$ 815,463	\$ 551,375	\$ 755,796	\$ 2,122,634
Fund Reclassifications:				
Public School Support Fund	<u>28,461</u>	<u>-</u>	<u>-</u>	<u>28,461</u>
Restated fund balance at July 1, 2010	<u>\$ 843,924</u>	<u>\$ 551,375</u>	<u>\$ 755,796</u>	<u>\$ 2,151,095</u>

C. Deficit Fund Balances

Fund balances at June 30, 2011 included the following individual fund deficit:

<u>Nonmajor governmental funds:</u>	<u>Deficit</u>
Title VI-B	4,260

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 balance resulted from adjustments for accrued liabilities.

**SANDY VALLEY LOCAL SCHOOL DISTRICT
STARK COUNTY**

**FEDERAL AWARDS RECEIPTS AND EXPENDITURES SCHEDULE
FOR THE YEAR ENDED JUNE 30, 2011**

FEDERAL GRANTOR <i>Pass Through Grantor</i> Program Title	Pass Through Entity Number	Federal CFDA Number	Receipts	Non-Cash Receipts	Disbursements	Non-Cash Disbursements
<u>U.S. DEPARTMENT OF AGRICULTURE</u>						
<i>Passed Through Ohio Department of Education</i>						
Child Nutrition Cluster:						
School Breakfast Program	Not Applicable	10.553	\$ 171,465		\$ 171,465	
National School Lunch Program	Not Applicable	10.555	276,355		276,355	
Total Child Nutrition Cluster			447,820	-	447,820	-
Food Distribution Program	Not Applicable	10.555		\$ 36,388		\$ 36,388
Total U.S. Department of Agriculture			447,820	36,388	447,820	36,388
<u>U.S. Department of Education</u>						
<i>Passed Through Ohio Department of Education</i>						
Special Education Cluster						
Special Education - Grant to States	049940-6BSF-2011 049940-6BSF-2010	84.027	274,351		271,020	
			-		2,469	
			274,351	-	273,489	-
ARRA Special Education - Grants to States		84.391	160,815		166,313	
Total Special Education Cluster			435,166	-	439,802	-
Title I Cluster						
Title I - Grants to Local Educational Agencies	049940-C1S1-2011 049940-C1S1-2010	84.010	228,798		210,282	
			18,703		32,868	
			247,501	-	243,150	-
ARRA Title I - Grants to Local Educational Agencies		84.389	24,808		27,235	
Total Title I Cluster			272,309	-	270,385	-
ARRA State Fiscal Stabilization Fund (SFSF)		84.394	625,578		628,960	
Safe and Drug Free Schools and Communities - State Grants	049940-DRWS1-2011 049940-DRWS1-2010	84.186	246		246	
			3,562		3,646	
			3,808	-	3,892	-
Improving Teacher Quality State Grants	049940-TRS1-2011 049940-TRS1-2010	84.367	70,756		64,567	
			5,750		6,873	
			76,506	-	71,440	-
Education Technology State Grants	049940-TJS1-2011 049940-TJS1-2010	84.318	797		797	
			-		-	
			797	-	797	-
Total U.S. Department of Education			1,414,164	-	1,415,276	-
Total			1,861,984	36,388	1,863,096	36,388

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, 2011**

NOTE A – SIGNIFICANT ACCOUNTING POLICIES

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

NOTE B – FOOD DONATION PROGRAM

Program regulations do not require the District to maintain separate inventory records for purchased food versus food commodities it receives from the U.S. Department of Agriculture. The District reports commodities consumed on the Schedule at the entitlement value.

NOTE C – CHILD NUTRITION CLUSTER

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



Dave Yost • 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 remaining fund information of Sandy Valley Local School District, Stark County, Ohio, (the District) as of and for the year ended June 30, 2011, which collectively comprise the District's basic financial statements and have issued our report thereon dated February 22, 2012. We noted the District adopted Governmental Accounting Standards Board Statement No. 54, Fund Balance Reporting and governmental Fund Type Definitions. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*.

Internal Control Over Financial Reporting

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

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

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

Compliance and Other Matters

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

We did note certain matters not requiring inclusion in this report that we reported to the District's management in a separate letter dated February 22, 2012.

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

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

Dave Yost
Auditor of State

February 22, 2012



Dave Yost • Auditor of State

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

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

To the Board of Education:

Compliance

We have audited the compliance of the Sandy Valley Local School District, Stark County, Ohio (the District) with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133, Compliance Supplement* that could directly and materially affect the District's major federal programs for the year ended June 30, 2011. The summary of auditor's results section of the accompanying schedule of findings identifies the District's major federal programs. The District's management is responsible for complying with the requirements of laws, regulations, contracts, and grants applicable to each major federal program. Our responsibility is to express an opinion on the District's compliance based on our audit.

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

In our opinion, the Sandy Valley Local School District complied, in all material respects, with the requirements referred to above that could directly and materially affect each of its major federal programs for the year ended June 30, 2011.

Internal Control Over Compliance

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

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

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

We noted matters involving federal compliance or internal control over federal compliance not requiring inclusion in this report, that we reported to the District's management in a separate letter dated February 22, 2012.

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



Dave Yost
Auditor of State

February 22, 2012

**SANDY VALLEY LOCAL SCHOOL DISTRICT
STARK COUNTY**

**SCHEDULE OF FINDINGS
OMB CIRCULAR A -133 § .505
JUNE 30, 2011**

1. SUMMARY OF AUDITOR'S RESULTS

(d)(1)(i)	Type of Financial Statement Opinion	Unqualified
(d)(1)(ii)	Were there any material control weaknesses reported at the financial statement level (GAGAS)?	No
(d)(1)(ii)	Were there any significant deficiencies in internal control reported at the financial statement level (GAGAS)?	No
(d)(1)(iii)	Was there any reported material noncompliance at the financial statement level (GAGAS)?	No
(d)(1)(iv)	Were there any material internal control weaknesses reported for major federal programs?	No
(d)(1)(iv)	Were there any significant deficiencies in internal control reported for major federal programs?	No
(d)(1)(v)	Type of Major Programs' Compliance Opinion	Unqualified
(d)(1)(vi)	Are there any reportable findings under § .510(a)?	No
(d)(1)(vii)	Major Programs (list):	Nutrition Cluster: National School Lunch Program, CFDA# 10.555; National Breakfast Program, CFDA #10.553, Special Education Cluster: CFDA #84.027 and CFDA #84.391 (ARRA); State Fiscal Stabilization Funds (ARRA), CFDA # 84.394
(d)(1)(viii)	Dollar Threshold: Type A/B Programs	Type A: > \$ 300,000 Type B: all others
(d)(1)(ix)	Low Risk Auditee?	Yes

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

None

3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS

None

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INDEPENDENT ACCOUNTANTS' REPORT ON APPLYING AGREED-UPON PROCEDURES

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

To the Board of Education:

Ohio Rev. Code Section 117.53 states "the auditor of state shall identify whether the school district or community school has adopted an anti-harassment policy in accordance with Section 3313.666 of the Revised Code. This determination shall be recorded in the audit report. The auditor of state shall not prescribe the content or operation of any anti-harassment policy adopted by a school district or community school."

Accordingly, we have performed the procedure enumerated below, which was agreed to by the Board, solely to assist the Board in evaluating whether Sandy Valley Local School District (the District) has updated its anti-harassment policy in accordance with Ohio Rev. Code Section 3313.666. Management is responsible for complying with this requirement. This agreed-upon procedure engagement was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants. The sufficiency of this procedure is solely the responsibility of the Board. Consequently; we make no representation regarding the sufficiency of the procedure described below either for the purpose for which this report has been requested or for any other purpose.

1. We noted the Board amended its anti-harassment policy at its meeting on January 10, 2011 to include violence within a dating relationship within its definition of harassment, intimidation or bullying. Ohio Rev. Code Section 3313.666 required the Board to amend its definition by September 28, 2010.

We were not engaged to and did not conduct an examination, the objective of which would be the expression of an opinion on compliance with the anti-harassment policy. Accordingly, we do not express such an opinion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

This report is intended solely for the information and use of the Board and is not intended to be and should not be used by anyone other than these specified parties.

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

Dave Yost
Auditor of State

February 22, 2012

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SANDY VALLEY LOCAL SCHOOL DISTRICT

STARK COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
MARCH 27, 2012**