

**Mary Taylor, CPA**  
Auditor of State



**SANDY VALLEY LOCAL SCHOOL DISTRICT  
STARK COUNTY**

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# Mary Taylor, CPA

Auditor of State

## INDEPENDENT ACCOUNTANTS' REPORT

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

To the Board of Education:

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate discretely presented component unit and remaining fund information of Sandy Valley Local School District, Stark County, Ohio, (the District) as of and for the year ended June 30, 2008, which collectively comprise the District's basic financial statements as listed in the Table of Contents. These financial statements are the responsibility of the District's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate discretely presented component unit and remaining fund information of Sandy Valley Local School District, Stark County, Ohio, as of June 30, 2008, and the respective changes in financial position, thereof and the budgetary comparison for the General Fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated March 6, 2009, on our consideration of the District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. While we did not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting and compliance and the results of that testing. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*. You should read it in conjunction with this report in assessing the results of our audit.

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

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

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

**Mary Taylor, CPA**  
Auditor of State

March 6, 2009

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2008  
(UNAUDITED)**

The management's discussion and analysis of the Sandy Valley Local School District's ("the District") financial performance provides an overall review of the District's financial activities for the fiscal year ended June 30, 2008. 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 2008 are as follows:

- In total, net assets of governmental activities increased \$1,722,755 which represents a 5.41% increase from 2007.
- General revenues accounted for \$13,039,569 in revenue or 79.12% of all revenues. Program specific revenues in the form of charges for services and sales, grants and contributions accounted for \$3,441,484 or 20.88% of total revenues of \$16,481,053.
- The District had \$14,758,298 in expenses related to governmental activities; only \$3,441,484 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 \$13,039,569 were adequate to provide for these programs.
- The District's major governmental funds are the general fund, building fund and classroom facilities fund. The general fund had \$12,251,257 in revenues and \$12,149,546 in expenditures. During fiscal 2008, the general fund's fund balance increased \$101,711 from \$730,409 to \$832,120.
- The building fund had \$159,767 in revenues and \$1,764,065 in expenditures. During fiscal 2008, the building fund's fund balance decreased \$1,604,298 from \$3,868,674 to \$2,264,376.
- The classroom facilities fund had \$13,213,358 in revenues and \$20,520,820 in expenditures. During fiscal 2008, the classroom facilities fund's fund balance decreased \$7,307,462 from \$17,510,463 to \$10,203,001.

**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, building fund and classroom facilities fund are the only governmental funds reported as major funds.

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

MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2008  
(UNAUDITED)

**Reporting the District as a Whole**

*Statement of Net Assets and the Statement of Activities*

While this document contains the large number of funds used by the District to provide programs and activities, the view of the District as a whole looks at all financial transactions and asks the question, "How did we do financially during 2008?" The statement of net assets and the statement of activities answer this question. These statements include all assets, liabilities, revenues and expenses using the accrual basis of accounting similar to the accounting used by most private-sector companies. This basis of accounting will take into account all of the current year's revenues and expenses regardless of when cash is received or paid.

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

In the statement of net assets and the statement of activities, the governmental activities include the District's programs and services, including instruction, support services, operation and maintenance of plant, pupil transportation, extracurricular activities, and food service operations. The District's statement of net assets and statement of activities can be found on pages 13 - 15 of this report.

**Reporting the District's Most Significant Funds**

*Fund Financial Statements*

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

*Governmental Funds*

Most of the District's activities are reported in governmental funds, which focus on how money flows into and out of those funds and the balances left at year-end available for spending in future periods. These funds are reported using an accounting method called modified accrual accounting, which measures cash and all other financial assets than can readily be converted to cash. The governmental fund financial statements provide a detailed short-term view of the District's general government operations and the basic services it provides. Governmental fund information helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance educational programs. The relationship (or differences) between governmental activities (reported in the statement of net assets and the statement of activities) and governmental funds is reconciled in the basic financial statements. The basic governmental fund financial statements can be found on pages 16 - 20 of this report.

*Reporting the District's Fiduciary Responsibilities*

The District acts in a trustee capacity, or fiduciary, as an agent for individuals. These activities are reported in an agency fund. All of the District's fiduciary activities are reported in a separate statement of fiduciary net assets on page 21. These activities are excluded from the District's other financial statements because the assets cannot be utilized by the District to finance its operations.

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

MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2008  
(UNAUDITED)

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

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. These notes to the basic financial statements can be found on pages 23 - 53 of this report.

**The District as a Whole**

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

The table below provides a summary of the District's net assets for 2008 and 2007.

	<b>Net Assets</b>	
	Governmental Activities <u>2008</u>	Governmental Activities <u>2007</u>
<b><u>Assets</u></b>		
Current and other assets	\$ 24,814,936	\$ 43,786,239
Capital assets, net	<u>30,411,576</u>	<u>8,172,169</u>
Total assets	<u>55,226,512</u>	<u>51,958,408</u>
<b><u>Liabilities</u></b>		
Current liabilities	8,285,055	6,639,945
Long-term liabilities	<u>13,366,823</u>	<u>13,466,584</u>
Total liabilities	<u>21,651,878</u>	<u>20,106,529</u>
<b><u>Net assets</u></b>		
Invested in capital assets, net of related debt	26,401,448	7,924,004
Restricted	6,765,762	23,690,987
Unrestricted	<u>407,424</u>	<u>236,888</u>
Total net assets	<u>\$ 33,574,634</u>	<u>\$ 31,851,879</u>

Over time, net assets can serve as a useful indicator of a government's financial position. At June 30, 2008, the District's assets exceeded liabilities by \$33,574,634. Of this total, \$407,424 was unrestricted in its use.

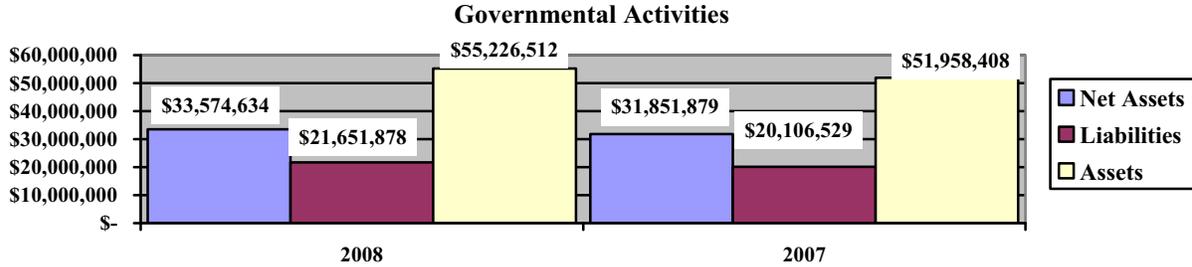
At year-end, capital assets represented 55.07% of total assets. Capital assets include land, construction in progress, land improvements, buildings and improvements, furniture and equipment and vehicles. Capital assets, net of related debt to acquire the assets at June 30, 2008, were \$26,401,448. These 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, \$6,765,762, represents resources that are subject to external restriction on how they may be used. The remaining balance of unrestricted net assets of \$407,424 may be used to meet the District's ongoing obligations to the students and creditors.

The graph below shows the District's assets, liabilities and net assets at June 30, 2008 and 2007.

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

MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2008  
(UNAUDITED)



The table below shows the change in net assets for fiscal years 2008 and 2007.

**Change in Net Assets**

	Governmental Activities <u>2008</u>	Governmental Activities <u>2007</u>
<b><u>Revenues</u></b>		
Program revenues:		
Charges for services and sales	\$ 1,017,321	\$ 928,367
Operating grants and contributions	2,415,550	1,813,598
Capital grants and contributions	8,613	15,505
General revenues:		
Property taxes	4,877,005	4,739,118
Grants and entitlements	7,145,250	29,616,320
Investment earnings	904,426	1,085,903
Other	112,888	227,977
Total revenues	<u>16,481,053</u>	<u>38,426,788</u>

- Continued

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

MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2008  
(UNAUDITED)

**Change in Net Assets**

	Governmental Activities <u>2008</u>	Governmental Activities <u>2007</u>
<b><u>Expenses</u></b>		
Program expenses:		
Instruction:		
Regular	\$ 5,647,761	\$ 5,490,066
Special	1,968,239	2,457,936
Vocational	354,875	348,712
Adult education	6,001	7,210
Other	357,905	478,420
Support services:		
Pupil	1,127,276	1,198,235
Instructional staff	154,611	186,049
Board of education	11,084	13,773
Administration	1,188,638	1,280,803
Fiscal	357,374	334,791
Business	48,810	57,762
Operations and maintenance	868,519	762,300
Pupil transportation	1,053,828	969,180
Central	24,590	29,760
Operation of non-instructional services:		
Food service operations	483,106	498,802
Other non-instructional services	77,666	74,007
Extracurricular activities	470,965	472,191
Interest and fiscal charges	<u>557,050</u>	<u>651,728</u>
Total expenses	<u>14,758,298</u>	<u>15,311,725</u>
Change in net assets	1,722,755	23,115,063
Net assets at beginning of year	<u>31,851,879</u>	<u>8,736,816</u>
Net assets at end of year	<u>\$ 33,574,634</u>	<u>\$ 31,851,879</u>

**Governmental Activities**

Net assets of the District's governmental activities increased \$1,722,755. Total governmental expenses of \$14,758,298 were offset by program revenues of \$3,441,484 and general revenues of \$13,039,569. Program revenues supported 23.32% of the total governmental expenses.

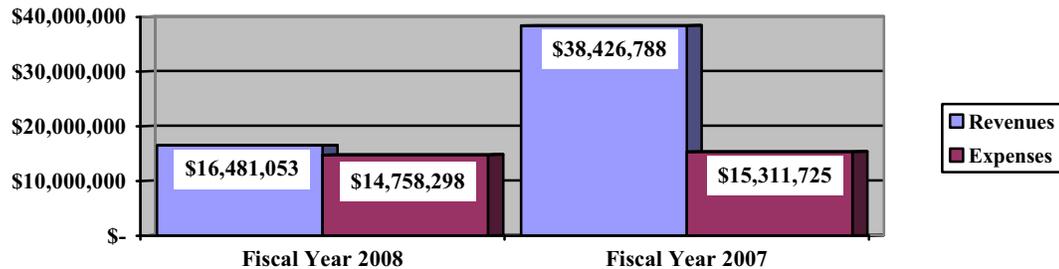
The primary sources of revenue for governmental activities are derived from property taxes, and unrestricted grants and entitlements. These revenue sources represent 72.95% of total governmental revenue. Operating grants and contributions revenue increased due to the District receiving more grants that were restricted to a particular purpose during 2008.

The largest expense of the District is for instructional programs. Instruction expenses totaled \$8,334,781 or 56.48% of total governmental expenses for fiscal 2008. Expenditures remained consistent with the prior fiscal year. The graph below presents the District's governmental activities revenue and expenses for fiscal years 2008 and 2007.

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

MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2008  
(UNAUDITED)

**Governmental Activities - Revenues and Expenses**



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

**Governmental Activities**

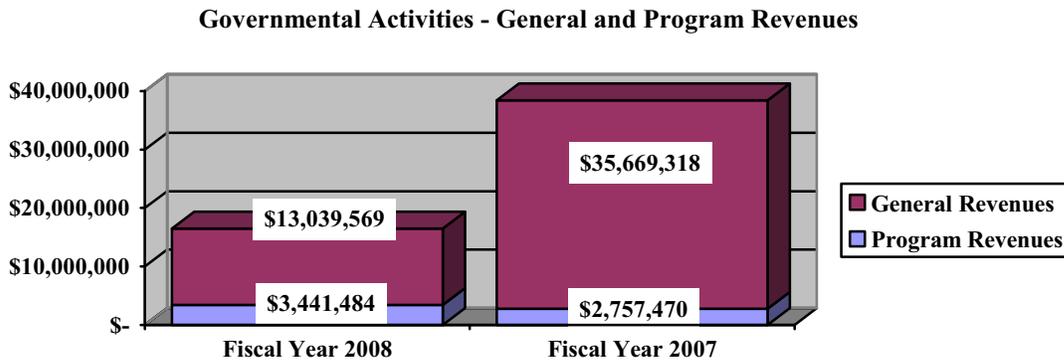
	Total Cost of Services <u>2008</u>	Net Cost of Services <u>2008</u>	Total Cost of Services <u>2007</u>	Net Cost of Services <u>2007</u>
<b>Program expenses</b>				
Instruction:				
Regular	\$ 5,647,761	\$ 4,600,706	\$ 5,490,066	\$ 4,885,122
Special	1,968,239	1,151,847	2,457,936	1,394,207
Vocational	354,875	182,897	348,712	224,495
Adult education	6,001	(685)	7,210	7,195
Other	357,905	262,637	478,420	374,723
Support services:				
Pupil	1,127,276	1,051,721	1,198,235	1,191,273
Instructional staff	154,611	142,798	186,049	177,539
Board of education	11,084	11,084	13,773	13,773
Administration	1,188,638	1,127,152	1,280,803	1,229,817
Fiscal	357,374	357,374	334,791	334,791
Business	48,810	48,810	57,762	57,762
Operations and maintenance	868,519	563,130	762,300	761,011
Pupil transportation	1,053,828	924,764	969,180	875,499
Central	24,590	24,590	29,760	29,760
Operation of non-instructional services:				
Food service operations	483,106	(20,894)	498,802	(2,209)
Other non-instructional services	77,666	(3,451)	74,007	10,745
Extracurricular activities	470,965	335,284	472,191	337,024
Interest and fiscal charges	557,050	557,050	651,728	651,728
<b>Total expenses</b>	<u>\$ 14,758,298</u>	<u>\$ 11,316,814</u>	<u>\$ 15,311,725</u>	<u>\$ 12,554,255</u>

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

MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2008  
(UNAUDITED)

The dependence upon tax and other general revenues for governmental activities is apparent, 74.36% of instruction activities are supported through taxes and other general revenues. For all governmental activities, general revenue support is 76.68%. 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 2008 and 2007.



**The District's Funds**

The District's governmental funds (as presented on the balance sheet on page 16) reported a combined fund balance of \$14,391,238, which is less than last year's total of \$22,694,532. The schedule below indicates the fund balance and the total change in fund balance as of June 30, 2008 and 2007.

	Fund Balance <u>June 30, 2008</u>	Fund Balance <u>June 30, 2007</u>	Increase <u>(Decrease)</u>
General	\$ 832,120	\$ 730,409	\$ 101,711
Building	2,264,376	3,868,674	(1,604,298)
Classroom facilities	10,203,001	17,510,463	(7,307,462)
Other governmental	<u>1,091,741</u>	<u>584,986</u>	<u>506,755</u>
Total	<u>\$ 14,391,238</u>	<u>\$ 22,694,532</u>	<u>\$ (8,303,294)</u>

**General Fund**

The District's general fund's fund balance increased \$101,711. The increase in fund balance can be attributed to increasing revenues and decreasing expenditures.

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

MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2008  
(UNAUDITED)

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

	2008 <u>Amount</u>	2007 <u>Amount</u>	Percentage <u>Change</u>
<b><u>Revenues</u></b>			
Taxes	\$ 3,699,352	\$ 3,679,756	0.53 %
Tuition	510,513	430,117	18.69 %
Earnings on investments	144,728	180,479	(19.81) %
Intergovernmental	7,727,135	7,518,539	2.77 %
Other revenues	<u>169,529</u>	<u>230,561</u>	(26.47) %
Total	<u>\$ 12,251,257</u>	<u>\$ 12,039,452</u>	1.76 %
<b><u>Expenditures</u></b>			
Instruction	\$ 7,364,646	\$ 7,845,245	(6.13) %
Support services	4,480,504	4,602,223	(2.64) %
Extracurricular activities	<u>304,396</u>	<u>313,423</u>	(2.88) %
Total	<u>\$ 12,149,546</u>	<u>\$ 12,760,891</u>	(4.79) %

The increase in tuition revenue is due to the increase in open enrollment students when compared to the prior fiscal year. The decrease in earnings on investments can be attributed to declining interest rates compared to fiscal year 2007. The decrease in other revenues is due to a decrease in miscellaneous receipts. Tax and intergovernmental revenue remained consistent with the prior year.

Expenditures decreased in each category. This is due the District's aggressive cost control policies.

***Building Fund***

The building fund had \$159,767 in revenues and \$1,764,065 in expenditures. During fiscal 2008, the building fund's fund balance decreased \$1,604,298 from \$3,868,674 to \$2,264,376. This decrease is due to the District's ongoing construction project.

***Classroom Facilities Fund***

The classroom facilities fund had \$13,213,358 in revenues and \$20,520,820 in expenditures. During fiscal 2008, the classroom facilities fund's fund balance decreased \$7,307,462 from \$17,510,463 to \$10,203,001. This decrease is due to the District's ongoing construction project.

***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 2008, the District amended its general fund budget numerous times. For the general fund, original and final budgeted revenues and other financing sources were \$12,488,045. Actual revenues and other financing sources for fiscal 2008 was \$12,325,627. This represents a \$162,418 decrease over final budgeted revenues and other financing sources.

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

MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2008  
(UNAUDITED)

General fund original appropriations (appropriated expenditures plus other financing uses) of \$12,436,943 were increased to \$12,448,031 in the final budget. The actual budget basis expenditures and other financing uses for fiscal year 2008 totaled \$12,420,431, which was \$27,600 less than the final budget appropriations.

**Capital Assets and Debt Administration**

*Capital Assets*

At the end of fiscal 2008, the District had \$30,411,576 invested in land, construction in progress, land improvements, buildings and improvements, furniture and equipment, and vehicles. This entire amount is reported in governmental activities. The following table shows fiscal 2008 balances compared to 2007:

<b>Capital Assets at June 30 (Net of Depreciation)</b>		
<u>Governmental Activities</u>		
	<u>2008</u>	<u>2007</u>
Land	\$ 1,248,658	\$ 1,248,658
Construction in progress	26,906,304	4,459,520
Land improvements	766,232	812,288
Building and improvements	1,109,322	1,162,362
Furniture and equipment	41,435	47,982
Vehicles	<u>339,625</u>	<u>441,359</u>
Total	<u>\$ 30,411,576</u>	<u>\$ 8,172,169</u>

Total additions to capital assets for 2008 were \$22,446,784. The total depreciation expense for 2008 was \$207,377.

See Note 7 to the basic financial statements for additional information on the District's capital assets.

*Debt Administration*

At June 30, 2008, the District had \$12,315,326 in general obligation bonds and lease purchase agreements outstanding. Of this total, \$325,858 is due within one year and \$11,989,468 is due in greater than one year. The following table summarizes the bonds and leases outstanding.

<b>Outstanding Debt, at Year End</b>		
	<u>Governmental Activities 2008</u>	<u>Governmental Activities 2007</u>
General obligation bonds	\$ 12,125,820	\$ 12,335,326
Lease purchase agreement	<u>189,506</u>	<u>248,165</u>
Total	<u>\$ 12,315,326</u>	<u>\$ 12,583,491</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, 2008  
(UNAUDITED)**

**Current Financial Related Activities**

At the end of the fiscal year the District's construction project with the Ohio Schools Facilities Commission was 70% complete. The plans call for moving into the new Elementary building in August, 2008 and the new Middle School/High School in early 2009. The project is on budget for both buildings.

Areas of concern for the District include property tax delinquencies, the elimination of the tangible personal property tax, State school funding, and high energy costs.

The fiscal year cash balance was relatively flat from the previous year indicating the District's efforts at controlling expenditures was showing positive results.

**Contacting the District's Financial Management**

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

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

STATEMENT OF NET ASSETS  
JUNE 30, 2008

	<u>Primary Government</u>	<u>Component Unit</u>
	<u>Governmental Activities</u>	<u>Cardinal Digital Academy</u>
<b>Assets:</b>		
Equity in pooled cash and investments. . . . .	\$ 17,732,827	\$ 3,403
Cash with escrow agent. . . . .	284,244	-
Receivables:		
Taxes . . . . .	4,717,168	-
Accounts . . . . .	380	-
Intergovernmental . . . . .	1,850,790	-
Accrued interest . . . . .	1,821	-
Prepayments . . . . .	8,453	-
Materials and supplies inventory. . . . .	9,999	-
Unamortized bond issue costs . . . . .	209,254	-
Capital assets:		
Land. . . . .	1,248,658	-
Construction in progress. . . . .	26,906,304	-
Depreciable capital assets, net . . . . .	2,256,614	3,288
Total capital assets, net . . . . .	<u>30,411,576</u>	<u>3,288</u>
Total assets. . . . .	<u>55,226,512</u>	<u>6,691</u>
<b>Liabilities:</b>		
Accounts payable. . . . .	74,041	-
Contracts payable . . . . .	1,916,662	-
Retainage payable. . . . .	567,763	-
Accrued wages and benefits . . . . .	1,310,080	-
Intergovernmental payable . . . . .	102,247	-
Pension obligation payable. . . . .	303,854	-
Unearned revenue . . . . .	3,968,758	-
Accrued interest payable . . . . .	41,650	-
Long-term liabilities:		
Due within one year. . . . .	600,812	-
Due in more than one year . . . . .	12,766,011	-
Total liabilities . . . . .	<u>21,651,878</u>	<u>-</u>
<b>Net assets:</b>		
Invested in capital assets, net		
of related debt. . . . .	26,401,448	3,288
Restricted for:		
Capital projects . . . . .	5,675,237	-
Debt service. . . . .	502,439	-
Classroom facilities maintenance . . . . .	253,976	-
State funded programs . . . . .	213,541	4,233
Federally funded programs . . . . .	35,988	-
Student activities . . . . .	58,793	-
Other purposes . . . . .	25,788	-
Unrestricted (deficit). . . . .	407,424	(830)
Total net assets . . . . .	<u>\$ 33,574,634</u>	<u>\$ 6,691</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

STATEMENT OF ACTIVITIES  
FOR THE FISCAL YEAR ENDED JUNE 30, 2008  
(SEE ACCOUNTANT'S COMPILATION REPORT)

	<b>Program Revenues</b>			
<b>Expenses</b>	<b>Charges for Services and Sales</b>	<b>Operating Grants and Contributions</b>	<b>Capital Grants and Contributions</b>	
<b>Governmental activities:</b>				
Instruction:				
Regular . . . . .	\$ 5,647,761	\$ 487,036	\$ 556,739	\$ 3,280
Special . . . . .	1,968,239	60,655	755,737	-
Vocational . . . . .	354,875	-	171,978	-
Adult education . . . . .	6,001	6,686	-	-
Other . . . . .	357,905	71,384	23,884	-
Support services:				
Pupil . . . . .	1,127,276	623	74,932	-
Instructional staff . . . . .	154,611	-	11,813	-
Board of education . . . . .	11,084	-	-	-
Administration . . . . .	1,188,638	-	61,486	-
Fiscal . . . . .	357,374	-	-	-
Business . . . . .	48,810	-	-	-
Operations and maintenance . . . . .	868,519	20,178	285,211	-
Pupil transportation . . . . .	1,053,828	-	123,731	5,333
Central . . . . .	24,590	-	-	-
Operation of non-instructional services				
Food service operations . . . . .	483,106	247,604	256,396	-
Other non-instructional services . . . . .	77,666	-	81,117	-
Extracurricular activities . . . . .	470,965	123,155	12,526	-
Interest and fiscal charges . . . . .	557,050	-	-	-
Total governmental activities . . . . .	\$ 14,758,298	\$ 1,017,321	\$ 2,415,550	\$ 8,613
<b>Component unit:</b>				
Cardinal Digital Academy	\$ 58,747	\$ -	\$ -	\$ -

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

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

<b>Net (Expense) Revenue and Changes in Net Assets</b>	
<b>Primary Government</b>	<b>Component Unit</b>
<b>Governmental Activities</b>	<b>Cardinal Digital Academy</b>
\$ (4,600,706)	\$ -
(1,151,847)	-
(182,897)	-
685	-
(262,637)	-
(1,051,721)	-
(142,798)	-
(11,084)	-
(1,127,152)	-
(357,374)	-
(48,810)	-
(563,130)	-
(924,764)	-
(24,590)	-
20,894	-
3,451	-
(335,284)	-
(557,050)	-
(11,316,814)	-
-	(58,747)
3,797,292	-
860,275	-
62,023	-
157,415	-
7,145,250	47,693
904,426	56
112,888	-
13,039,569	47,749
1,722,755	(10,998)
31,851,879	17,689
\$ 33,574,634	\$ 6,691

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

BALANCE SHEET  
GOVERNMENTAL FUNDS  
JUNE 30, 2008

	<u>General</u>	<u>Building</u>	<u>Classroom Facilities</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
<b>Assets:</b>					
Equity in pooled cash and investments . . . . .	\$ 2,307,391	\$ 2,449,047	\$ 12,056,612	\$ 893,989	\$ 17,707,039
Cash with escrow agent . . . . .	-	48,009	236,235	-	284,244
Receivables:					
Taxes . . . . .	3,685,685	-	-	1,031,483	4,717,168
Accounts . . . . .	-	-	-	380	380
Intergovernmental . . . . .	-	-	1,357,381	493,409	1,850,790
Accrued interest . . . . .	1,821	-	-	-	1,821
Prepayments . . . . .	8,453	-	-	-	8,453
Materials and supplies inventory . . . . .	-	-	-	9,999	9,999
Restricted assets:					
Equity in pooled cash and investments . . . . .	25,788	-	-	-	25,788
Total assets . . . . .	<u>\$ 6,029,138</u>	<u>\$ 2,497,056</u>	<u>\$ 13,650,228</u>	<u>\$ 2,429,260</u>	<u>\$ 24,605,682</u>
<b>Liabilities:</b>					
Accounts payable . . . . .	\$ 56,530	\$ -	\$ -	\$ 17,511	\$ 74,041
Contracts payable . . . . .	-	148,041	1,605,322	163,299	1,916,662
Retainage payable . . . . .	-	83,239	484,524	-	567,763
Accrued wages and benefits . . . . .	1,193,130	-	-	116,950	1,310,080
Compensated absences payable . . . . .	102,586	-	-	-	102,586
Retirement incentive payable . . . . .	100,000	-	-	-	100,000
Intergovernmental payable . . . . .	91,358	-	-	10,889	102,247
Pension obligation payable . . . . .	276,223	1,400	-	26,231	303,854
Deferred revenue . . . . .	272,446	-	1,357,381	138,626	1,768,453
Unearned revenue . . . . .	3,104,745	-	-	864,013	3,968,758
Total liabilities . . . . .	<u>5,197,018</u>	<u>232,680</u>	<u>3,447,227</u>	<u>1,337,519</u>	<u>10,214,444</u>
<b>Fund balances:</b>					
Reserved for encumbrances . . . . .	62,320	1,132,093	8,227,854	53,146	9,475,413
Reserved for materials and supplies inventory . . . . .	-	-	-	9,999	9,999
Reserved for property tax unavailable for appropriation . . . . .	310,315	-	-	90,808	401,123
Reserved for prepayments . . . . .	8,453	-	-	-	8,453
Reserved for debt service . . . . .	-	-	-	407,953	407,953
Reserved for school bus purchases . . . . .	25,788	-	-	-	25,788
Unreserved, undesignated, reported in:					
General fund . . . . .	425,244	-	-	-	425,244
Special revenue funds . . . . .	-	-	-	466,590	466,590
Capital projects funds . . . . .	-	1,132,283	1,975,147	63,245	3,170,675
Total fund balances . . . . .	<u>832,120</u>	<u>2,264,376</u>	<u>10,203,001</u>	<u>1,091,741</u>	<u>14,391,238</u>
Total liabilities and fund balances . . . . .	<u>\$ 6,029,138</u>	<u>\$ 2,497,056</u>	<u>\$ 13,650,228</u>	<u>\$ 2,429,260</u>	<u>\$ 24,605,682</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

RECONCILIATION OF TOTAL GOVERNMENTAL FUND BALANCES TO  
NET ASSETS OF GOVERNMENTAL ACTIVITIES  
JUNE 30, 2008

<b>Total governmental fund balances</b>		\$ 14,391,238
<i>Amounts reported for governmental activities on the statement of net assets are different because:</i>		
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.		30,411,576
Other long-term assets are not available to pay for current-period expenditures and therefore are deferred in the funds.		
Taxes	\$ 347,287	
Interest revenue	1,821	
Intergovernmental	1,419,345	
Total		1,768,453
Unamortized premiums on bond issuances are not recognized in the funds.		(209,267)
Unamortized bond issuance costs are not recognized in the funds.		209,254
Accrued interest payable is not due and payable in the current period and therefore is not reported in the funds.		(41,650)
Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds.		
Compensated absences	(639,644)	
General obligation bonds	(12,125,820)	
Lease-purchase	(189,506)	
Total		(12,954,970)
<b>Net assets of governmental activities</b>		<b>\$ 33,574,634</b>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES OF FUND BALANCES  
GOVERNMENTAL FUNDS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2008

	<u>General</u>	<u>Building</u>	<u>Classroom Facilities</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
<b>Revenues:</b>					
From local sources:					
Taxes . . . . .	\$ 3,699,352	\$ -	\$ -	\$ 1,051,656	\$ 4,751,008
Tuition . . . . .	510,513	-	-	-	510,513
Earnings on investments . . . . .	144,728	159,767	655,044	10,014	969,553
Charges for services . . . . .	-	-	-	247,604	247,604
Extracurricular . . . . .	-	-	-	195,162	195,162
Classroom materials and fees . . . . .	37,178	-	-	-	37,178
Other local revenues . . . . .	132,351	-	-	30,020	162,371
Intergovernmental - Intermediate . . . . .	16,740	-	-	-	16,740
Intergovernmental - State . . . . .	7,710,395	-	12,558,314	906,961	21,175,670
Intergovernmental - Federal . . . . .	-	-	-	883,605	883,605
Total revenue . . . . .	<u>12,251,257</u>	<u>159,767</u>	<u>13,213,358</u>	<u>3,325,022</u>	<u>28,949,404</u>
<b>Expenditures:</b>					
Current:					
Instruction:					
Regular . . . . .	5,076,660	-	-	502,636	5,579,296
Special . . . . .	1,704,752	-	-	274,908	1,979,660
Vocational . . . . .	331,109	-	-	-	331,109
Adult education . . . . .	-	-	-	6,001	6,001
Other . . . . .	252,125	-	-	105,029	357,154
Support services:					
Pupil . . . . .	1,065,972	-	-	61,625	1,127,597
Instructional staff . . . . .	141,922	-	-	11,132	153,054
Board of education . . . . .	11,084	-	-	-	11,084
Administration . . . . .	1,139,376	1,400	-	57,332	1,198,108
Fiscal . . . . .	330,863	-	-	22,831	353,694
Business . . . . .	48,810	-	-	-	48,810
Operations and maintenance . . . . .	812,885	-	-	58,810	871,695
Pupil transportation . . . . .	905,002	-	-	29,131	934,133
Central . . . . .	24,590	-	-	-	24,590
Operation of non-instructional services:					
Food service operations . . . . .	-	-	-	477,123	477,123
Other non-instructional services . . . . .	-	-	-	77,666	77,666
Extracurricular activities . . . . .	304,396	-	-	144,341	448,737
Facilities acquisition and construction . . . . .	-	1,762,665	20,520,820	163,299	22,446,784
Debt service:					
Principal retirement . . . . .	-	-	-	303,659	303,659
Interest and fiscal charges . . . . .	-	-	-	522,425	522,425
Total expenditures . . . . .	<u>12,149,546</u>	<u>1,764,065</u>	<u>20,520,820</u>	<u>2,817,948</u>	<u>37,252,379</u>
Net change in fund balances . . . . .	101,711	(1,604,298)	(7,307,462)	507,074	(8,302,975)
<b>Fund balances at beginning of year . . . . .</b>	<b>730,409</b>	<b>3,868,674</b>	<b>17,510,463</b>	<b>584,986</b>	<b>22,694,532</b>
<b>Decrease in reserve for inventory . . . . .</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(319)</b>	<b>(319)</b>
<b>Fund balances at end of year . . . . .</b>	<b><u>\$ 832,120</u></b>	<b><u>\$ 2,264,376</u></b>	<b><u>\$ 10,203,001</u></b>	<b><u>\$ 1,091,741</u></b>	<b><u>\$ 14,391,238</u></b>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES  
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS  
TO THE STATEMENT OF ACTIVITIES  
FOR THE FISCAL YEAR ENDED JUNE 30, 2008

**Net change in fund balances - total governmental funds** \$ (8,302,975)

*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  
outlays exceed depreciation expense in the current period.

Capital asset additions	\$ 22,446,784	
Current year depreciation	(207,377)	
Total		22,239,407

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

(319)

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

303,659

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

Taxes	125,997	
Intergovernmental revenue	(12,529,488)	
Accrued interest	(64,860)	
Total		(12,468,351)

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. Less interest is  
reported in the statement of activities due to the following:

Decrease in accrued interest payable	868	
Accreted interest on "capital appreciation bonds"	(35,494)	
Amortization of bond issuance costs	(7,921)	
Amortization of bond premiums	7,922	
Total		(34,625)

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.

(14,041)

**Change in net assets of governmental activities** \$ 1,722,755

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN  
FUND BALANCE - BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)  
GENERAL FUND  
FOR THE FISCAL YEAR ENDED JUNE 30, 2008

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
<b>Revenues:</b>				
From local sources:				
Taxes . . . . .	\$ 3,710,909	\$ 3,710,909	\$ 3,615,078	\$ (95,831)
Tuition. . . . .	429,800	429,800	510,513	80,713
Earnings on investments. . . . .	150,000	150,000	138,911	(11,089)
Classroom materials and supplies . . . . .	35,000	35,000	37,179	2,179
Other local revenues. . . . .	186,000	186,000	132,351	(53,649)
Intergovernmental - Intermediate . . . . .	12,000	12,000	16,740	4,740
Intergovernmental - State . . . . .	7,867,798	7,867,798	7,726,919	(140,879)
Total revenue . . . . .	<u>12,391,507</u>	<u>12,391,507</u>	<u>12,177,691</u>	<u>(213,816)</u>
<b>Expenditures:</b>				
Current:				
Instruction:				
Regular . . . . .	4,979,477	4,983,916	4,983,916	-
Special. . . . .	1,873,974	1,875,645	1,875,645	-
Vocational. . . . .	332,106	332,402	332,402	-
Other. . . . .	253,794	254,020	254,020	-
Support services:				
Pupil. . . . .	1,119,724	1,120,722	1,120,722	-
Instructional staff . . . . .	144,087	144,215	144,215	-
Board of education . . . . .	11,113	11,123	11,123	-
Administration. . . . .	1,167,004	1,168,044	1,168,044	-
Fiscal . . . . .	341,860	342,166	334,566	7,600
Business . . . . .	51,465	51,511	51,511	-
Operations and maintenance. . . . .	833,471	834,215	824,215	10,000
Pupil transportation . . . . .	931,549	932,380	922,380	10,000
Central. . . . .	24,569	24,590	24,590	-
Extracurricular activities. . . . .	308,460	308,735	308,735	-
Total expenditures . . . . .	<u>12,372,653</u>	<u>12,383,684</u>	<u>12,356,084</u>	<u>27,600</u>
Excess of revenues over (under) expenditures. . . . .	<u>18,854</u>	<u>7,823</u>	<u>(178,393)</u>	<u>(186,216)</u>
<b>Other financing sources (uses):</b>				
Refund of prior year expenditure . . . . .	42,000	42,000	40,163	(1,837)
Advances in. . . . .	54,538	54,538	107,773	53,235
Advances (out) . . . . .	(64,290)	(64,347)	(64,347)	-
Total other financing sources (uses) . . . . .	<u>32,248</u>	<u>32,191</u>	<u>83,589</u>	<u>51,398</u>
Net change in fund balance . . . . .	51,102	40,014	(94,804)	(134,818)
<b>Fund balance at beginning of year. . . . .</b>	<b>2,157,930</b>	<b>2,157,930</b>	<b>2,157,930</b>	<b>-</b>
<b>Prior year encumbrances appropriated . . . . .</b>	<b>130,127</b>	<b>130,127</b>	<b>130,127</b>	<b>-</b>
<b>Fund balance at end of year . . . . .</b>	<b><u>\$ 2,339,159</u></b>	<b><u>\$ 2,328,071</u></b>	<b><u>\$ 2,193,253</u></b>	<b><u>\$ (134,818)</u></b>

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, 2008

	<b>Agency</b>
<b>Assets:</b>	
Equity in pooled cash and investments . . . . .	\$ 51,432
Total assets . . . . .	\$ 51,432
<b>Liabilities:</b>	
Accounts payable. . . . .	\$ 437
Intergovernmental payable. . . . .	200
Due to students. . . . .	50,795
Total liabilities . . . . .	\$ 51,432

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2008

**NOTE 1 - DESCRIPTION OF THE SCHOOL DISTRICT**

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

The District encompasses all or portions of several villages and townships which are almost entirely located in Stark County, Ohio. The District is the 375th largest in the State of Ohio (among 896 public school districts) in terms of total enrollment. The District's facilities are staffed by 71 classified employees and 120 certificated employees who provide services to 1,438 students and other community members. The District operates five school buildings, a bus garage, a warehouse, and an administration building staffed by administrators, teachers, and non-certified personnel providing educational opportunities to its students.

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

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

**A. Reporting Entity**

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

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

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

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2008  
(CONTINUED)

**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 Director's consists of the District's Superintendent, Technology Coordinator, Curriculum Director, and two additional Board members appointed by the District. The Sandy Valley Local School District is the sponsoring District of the Academy under Ohio Revised Code Section 3314. The superintendent of the District serves as the Chief Administrative Officer of the Academy and the Treasurer serves as the Chief Financial Officer. Based on the significant services provided by the District to the Academy, the Academy's purpose of servicing the students within the District, and the relationship between the Board of Education of the District and the Board of Directors of the Academy, the Academy is a component unit of the District. Separately issued financial statements can be obtained from the Treasurer of the Academy at 5362 State Rt. 183 NE, Magnolia, Ohio 44643.

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

*JOINTLY GOVERNED ORGANIZATIONS*

Stark/Portage Area Computer Consortium

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

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

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

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2008  
(CONTINUED)

**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 Comp Management, Inc. to administer the group and to manage any injury claims. Premium savings created by the group are prorated to each member entity annually based on its payroll percent of the group.

**B. Fund Accounting**

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

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

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2008  
(CONTINUED)

**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.

Building - This fund used to account for monies received and expended in connection with the renovation and construction of District buildings.

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

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

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

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2008  
(CONTINUED)

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

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

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

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

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 5).

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

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2008  
(CONTINUED)

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

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

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

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, 2008, but which were levied to finance fiscal year 2009 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, 2008 are recorded as deferred revenue.

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

Expenses/Expenditures - On the accrual basis of accounting, expenses are recognized at the time they are incurred. The 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 costs, such as depreciation and amortization, are not recognized in governmental funds.

**E. Budgets**

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

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

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2008  
(CONTINUED)

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

Alternate Tax Budget:

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

Estimated Resources:

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

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

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2008  
(CONTINUED)

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

Lapsing of Appropriations:

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

**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 investments" on the basic financial statements.

During fiscal year 2008, investments were limited to federal agency securities, U.S. Government money market mutual funds and State Treasury Asset Reserve of Ohio (STAR Ohio). Except for nonparticipating investment contracts, investments are reported at fair value, which is based on quoted market prices.

Under existing Ohio statutes all investment earning are assigned to the general fund unless statutorily required to be credited to a specific fund. The Board of Education has, by resolution, specified the funds to receive an allocation of interest earnings. Interest revenue credited to the general fund during fiscal year 2008 amounted to \$144,728 which includes \$29,517 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.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2008  
(CONTINUED)

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

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.

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

<u>Description</u>	<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 did not have any short-term interfund loans outstanding at June 30, 2008.

**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.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2008  
(CONTINUED)

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

The total liability for vacation and sick leave payments has been calculated using pay rates in effect at June 30, 2008, 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.

**K. Accrued Liabilities and Long-Term Obligations**

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

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

**L. Fund Balance Reserves**

The District reserves those portions of fund equity which are legally segregated for a specific future use or which do not represent available expendable resources and therefore are not available for appropriation or expenditure. Unreserved fund balance indicates that portion of fund equity which is available for appropriation in future periods. Fund equity reserves have been established for encumbrances, materials and supplies inventory, prepayments, debt service, property taxes unavailable for appropriation and school bus purchases. The reserve for property taxes unavailable for appropriation represents taxes recognized as revenue under GAAP but not available for appropriation under State statute.

**M. Net Assets**

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

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

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

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2008  
(CONTINUED)

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

**N. Prepayments**

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

**O. Estimates**

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

**P. Interfund Activity**

Exchange transactions between funds are reported as revenues in the seller funds and as expenditures/expenses in the purchaser funds. Flows of cash or goods from one fund to another without a requirement for repayment are reported as interfund transfers. Interfund transfers are reported as other financing sources/uses in governmental funds. Repayments from funds responsible for particular expenditures/expenses to the funds that initially paid for them are not presented on the basic financial statements. The District did not have any interfund transfers during fiscal year 2008.

**Q. Restricted Assets**

Restricted assets in the general fund represent cash and investments set-aside to establish a reserve for school bus purchases. This reserve is required by State statute. A schedule of statutory reserves is presented in Note 16.

**R. 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

**SANDY VALLEY LOCAL SCHOOL DISTRICT  
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NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2008  
(CONTINUED)

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

**S. Nonpublic Schools**

Within the District boundaries, St. Phillip and James Catholic Schools are 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.

**T. Extraordinary and Special Items**

Extraordinary items are transactions or events that are both unusual in nature and infrequent in occurrence. Special items are transactions or events that are within the control of the Board of Education and that are either unusual in nature or infrequent in occurrence. Neither type of transaction occurred during fiscal year 2008.

**U. Vocational Education**

The District has entered into an agreement with the Canton Local School District, Perry Local School District and the Osnaburg Local School District to provide career technical education programs for students. The Canton Local School District is the principal agency for the programs and is responsible for the physical facilities of the programs. For fiscal year 2008, State aid fully covered the District's students attending the Canton Local School District for these programs.

**NOTE 3 - ACCOUNTABILITY AND COMPLIANCE**

**A. Change in Accounting Principles**

For fiscal year 2008, the District has implemented GASB Statement No. 45, "Accounting and Financial Reporting for Postemployment Benefits Other than Pensions", GASB Statement No. 48, "Sales and Pledges of Receivables and Future Revenues and Intra-Entity Transfers of Assets and Future Revenues", and GASB Statement No. 50, "Pension Disclosures".

GASB Statement No. 45 establishes uniform standards of financial reporting for other postemployment benefits and increases the usefulness and improves the faithfulness of representations in the financial reports. The implementation of GASB Statement No. 45 did not have an effect on the financial statements of the District; however, certain disclosures related to postemployment benefits (see Note 13) have been modified to conform to the new reporting requirements.

GASB Statement No. 48 establishes criteria to ascertain whether certain transactions should be regarded as sales or as collateralized borrowings, as well as disclosure requirements for future revenues that are pledged and sold. The implementation of GASB Statement No. 48 did not have an effect on the financial statements of the District.

GASB Statement No. 50 establishes standards that more closely align the financial reporting requirements for pensions with those of other postemployment benefits. The implementation of GASB Statement No. 50 did not have an effect on the financial statements of the District.

**SANDY VALLEY LOCAL SCHOOL DISTRICT  
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NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2008  
(CONTINUED)

**NOTE 3 - ACCOUNTABILITY AND COMPLIANCE - (Continued)**

**B. Deficit Fund Balances**

Fund balances at June 30, 2008 included the following individual fund deficits:

	<u>Deficit</u>
<u>Nonmajor funds</u>	
Food service	\$ 11,077
Management information systems	257
Entry year grant	10
Poverty aid	7,998
Improving teacher quality	1,362

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

**NOTE 4 - DEPOSITS AND INVESTMENTS**

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

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

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

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

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

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

**SANDY VALLEY LOCAL SCHOOL DISTRICT  
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NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2008  
(CONTINUED)

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

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

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

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

**A. Cash on Hand**

At year-end, the District had \$1,275 in undeposited cash on hand which is included on the financial statements of the District as part of "equity in pooled cash and investments."

**B. Cash with Escrow Agent**

At fiscal year-end, \$284,244 was on deposit in the District's escrow account 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".

**SANDY VALLEY LOCAL SCHOOL DISTRICT  
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NOTES TO THE BASIC FINANCIAL STATEMENTS  
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(CONTINUED)

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

**C. Deposits with Financial Institutions**

At June 30, 2008, the carrying amount of all District deposits was \$709,971. Based on the criteria described in GASB Statement No. 40, “Deposits and Investment Risk Disclosures”, as of June 30, 2008, \$579,186 of the District’s bank balance of \$724,577 was exposed to custodial risk as discussed below, while \$145,391 was covered by the Federal Deposit Insurance Corporation.

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

**D. Investments**

As of June 30, 2008, the District had the following investments and maturities:

<u>Investment type</u>	<u>Fair value</u>	<u>Investment maturities</u>			
		<u>6 months or less</u>	<u>7 to 12 months</u>	<u>13 to 18 months</u>	<u>19 to 24 months</u>
STAR Ohio	\$ 13,751,252	\$ 13,751,252	\$ -	\$ -	\$ -
FHLB	298,500	-	-	-	298,500
U.S. Government money market	3,023,261	3,023,261	-	-	-
	<u>\$ 17,073,013</u>	<u>\$ 16,774,513</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 298,500</u>

The weighted average maturity of investments is .03 years.

*Interest Rate Risk:* Interest rate risk arises potential purchasers of debt securities will not agree to pay face value for those securities if interest rates subsequently increase. As a means of limiting its exposure to fair value losses arising from rising interest rates and according to State law, the District’s investment policy limits investment portfolio maturities to five years or less.

*Credit Risk:* STAR Ohio carries a rating of AAAM by Standard & Poor’s. Ohio law requires that STAR Ohio maintain the highest rating provided by at least one nationally recognized standard service rating. The District’s investment in U.S. Government money market funds carries a rating of AAAM by Standard & Poor’s. The District’s investments in federal agency securities were rated AAA and Aaa by Standard & Poor’s and Moody’s Investor Services, respectively.

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NOTES TO THE BASIC FINANCIAL STATEMENTS  
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(CONTINUED)

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

*Custodial Credit Risk:* For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the District will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The federal agency securities are exposed to custodial credit risk in that they are uninsured, unregistered and held by the counterparty's trust department or agent but not in the District's name. The District has no investment policy dealing with investment custodial risk beyond the requirement in State statute that prohibits payment for investments prior to the delivery of the securities representing such investments to the Treasurer or qualified trustee.

*Concentration of Credit Risk:* The District places no limit on the amount that may be invested in any one issuer. The following table includes the percentage of each investment type held by the District at June 30, 2008:

<u>Investment type</u>	<u>Fair value</u>	<u>% of total</u>
STAR Ohio	\$ 13,751,252	80.54
FHLB	298,500	1.75
U.S. Government money market	<u>3,023,261</u>	<u>17.71</u>
Total investments	<u>\$ 17,073,013</u>	<u>100.00</u>

**E. Reconciliation of Cash and Investments to the Financial Statements**

The following is a reconciliation of cash and investments as reported in the footnote above to cash and investments as reported on the financial statements as of June 30, 2008:

<u>Cash and investments per footnote</u>	
Carrying amount of deposits	\$ 709,971
Investments	17,073,013
Cash with escrow agent	284,244
Cash on hand	<u>1,275</u>
Total	<u>\$ 18,068,503</u>
 <u>Cash and investments per financial statements</u>	
Governmental activities	\$ 18,017,071
Agency fund	<u>51,432</u>
Total	<u>\$ 18,068,503</u>

**NOTE 5 - 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 distributions 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.

**SANDY VALLEY LOCAL SCHOOL DISTRICT  
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NOTES TO THE BASIC FINANCIAL STATEMENTS  
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(CONTINUED)

**NOTE 5 - PROPERTY TAXES - (Continued)**

Property taxes include amounts levied against all real, public utility and tangible personal property (used in business) located in the District. Real property tax revenue received in calendar 2008 represents collections of calendar year 2007 taxes. Real property taxes received in calendar year 2008 were levied after April 1, 2007, on the assessed value listed as of January 1, 2007, the lien date. Assessed values for real property taxes are established by State law at thirty-five percent of appraised market value. Real property taxes are payable annually or semi-annually. If paid annually, payment is due December 31; if paid semi-annually, the first payment is due December 31 with the remainder payable by June 20. Under certain circumstances, State statute permits alternate payment dates to be established.

Public utility property tax revenue received in calendar 2008 represents collections of calendar year 2007 taxes. Public utility real and tangible personal property taxes received in calendar year 2008 became a lien December 31, 2006, were levied after April 1, 2007 and are collected in 2008 with real property taxes. Public utility real property is assessed at thirty-five percent of true value; public utility tangible personal property currently is assessed at varying percentages of true value.

Tangible personal property tax revenue received during calendar 2008 (other than public utility property) represents the collection of 2008 taxes. Tangible personal property taxes received in calendar year 2008 were levied after April 1, 2007, on the value as of December 31, 2007. Tangible personal property tax is being phased out. For 2007, tangible personal property was assessed at 12.50% for property, including inventory. This percentage was reduced to 6.25% for 2008 and will be reduced to zero for 2009. Payments by multi-county taxpayers are due September 20. Single county taxpayers may pay annually or semi-annually. If paid annually, payment is due April 30; if paid semi-annually, the first payment is due April 30, with the remainder payable by September 20. Tangible personal property taxes paid by April 30 are usually received by the District prior to June 30.

House Bill No. 66 was signed into law on June 30, 2005. House Bill No. 66 phases out the tax on tangible personal property of general businesses, telephone and telecommunications companies, and railroads. The tax on general business and railroad property will be eliminated by calendar year 2009, and the tax on telephone and telecommunications property will be eliminated by calendar year 2011. The tax is phased out by reducing the assessment rate on the property each year. The bill replaces the revenue lost by the District due to the phasing out of the tax. In calendar years 2008-2010, the District will be fully reimbursed for the lost revenue. In calendar years 2011-2017, the reimbursements will be phased out.

The District receives property taxes from Stark, Tuscarawas and Carroll Counties. The County Auditors periodically advances to the District its portion of the taxes collected. Second-half real property tax payments collected by the Counties by June 30, 2008, are available to finance fiscal year 2008 operations. The amount available as an advance at June 30, 2008 was \$310,315 in the general fund, \$73,593 in the bond retirement fund, a nonmajor governmental fund, \$11,924 in the permanent improvement fund, a nonmajor governmental fund and \$5,291 in the classroom facilities maintenance fund, a nonmajor governmental fund. The amount available as an advance at June 30, 2007 was \$226,041 in the general fund, \$54,426 in the bond retirement fund, a nonmajor governmental fund, \$8,562 in the permanent improvement fund, a nonmajor governmental fund and \$3,923 in the classroom facilities maintenance fund, a nonmajor governmental fund.

**SANDY VALLEY LOCAL SCHOOL DISTRICT  
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NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2008  
(CONTINUED)

**NOTE 5 - PROPERTY TAXES - (Continued)**

Accrued property taxes receivable includes real property, public utility property and tangible personal property taxes which are measurable as of June 30, 2008 and for which there is an enforceable legal claim. Although total property tax collections for the next fiscal year are measurable, only the amount of real property taxes available as an advance at June 30 was levied to finance current fiscal year operations and is reported as revenue at fiscal year end. The portion of the receivable not levied to finance current fiscal year operations is offset by a credit to unearned revenue.

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

The assessed values upon which the fiscal year 2008 taxes were collected are:

	2007 Second		2008 First	
	Half Collections		Half Collections	
	<u>Amount</u>	<u>Percent</u>	<u>Amount</u>	<u>Percent</u>
Agricultural/residential and other real estate	\$ 123,208,870	87.65	\$ 128,535,520	91.35
Public utility personal	8,216,610	5.85	7,518,570	5.35
Tangible personal property	<u>9,146,589</u>	<u>6.50</u>	<u>4,656,828</u>	<u>3.30</u>
Total	<u>\$ 140,572,069</u>	<u>100.00</u>	<u>\$ 140,710,918</u>	<u>100.00</u>
Tax rate per \$1,000 of assessed valuation:				
Operations	\$42.00		\$42.20	
Permanent improvements	2.50		2.50	
Bonded debt	5.40		5.40	

**NOTE 6 - RECEIVABLES**

Receivables at June 30, 2008 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	\$ 4,717,168
Accounts	380
Intergovernmental	1,850,790
Accrued interest	<u>1,821</u>
Total	<u>\$ 6,570,159</u>

Receivables have been disaggregated on the face of the basic financial statements. All receivables, except intergovernmental grants from the Ohio Schools Facilities Commission (OSFC), are expected to be collected within the subsequent year.

**SANDY VALLEY LOCAL SCHOOL DISTRICT  
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NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2008  
(CONTINUED)

**NOTE 7 - CAPITAL ASSETS**

Capital asset activity for the fiscal year ended June 30, 2008, was as follows:

	<u>Balance</u> <u>6/30/07</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance</u> <u>6/30/08</u>
<b>Governmental activities:</b>				
<i>Capital assets, not being depreciated:</i>				
Land	\$ 1,248,658	\$ -	\$ -	\$ 1,248,658
Construction in progress	4,459,520	22,446,784	-	26,906,304
Total capital assets, not being depreciated	<u>5,708,178</u>	<u>22,446,784</u>	<u>-</u>	<u>28,154,962</u>
<i>Capital assets, being depreciated:</i>				
Land improvements	1,401,566	-	-	1,401,566
Building and improvements	3,773,999	-	-	3,773,999
Furniture and equipment	191,612	-	-	191,612
Vehicles	1,322,482	-	-	1,322,482
Total capital assets, being depreciated	<u>6,689,659</u>	<u>-</u>	<u>-</u>	<u>6,689,659</u>
<i>Less: accumulated depreciation</i>				
Land improvements	(589,278)	(46,056)	-	(635,334)
Building and improvements	(2,611,637)	(53,040)	-	(2,664,677)
Furniture and equipment	(143,630)	(6,547)	-	(150,177)
Vehicles	(881,123)	(101,734)	-	(982,857)
Total accumulated depreciation	<u>(4,225,668)</u>	<u>(207,377)</u>	<u>-</u>	<u>(4,433,045)</u>
Governmental activities capital assets, net	<u>\$ 8,172,169</u>	<u>\$22,239,407</u>	<u>\$ -</u>	<u>\$ 30,411,576</u>

Depreciation expense was charged to governmental functions as follows:

<u>Instruction:</u>	
Regular	\$ 70,526
<u>Support services:</u>	
Instructional staff	897
Operations and maintenance	1,130
Pupil transportation	111,615
Extracurricular activities	22,228
Food service operations	<u>981</u>
Total depreciation expense	<u>\$ 207,377</u>

**SANDY VALLEY LOCAL SCHOOL DISTRICT  
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NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2008  
(CONTINUED)

**NOTE 8 - LEASE PURCHASE AGREEMENT - LESSEE DISCLOSURE**

During prior fiscal years, the District entered into a lease purchase agreement for school buses. This lease agreement meets the criteria of capital lease as defined by FASB Statement No. 13, "Accounting for Leases", which defines a capital lease generally as one which transfers benefits and risks of ownership to the lessee. Capital lease payments will be reclassified and are reflected as debt service expenditures in the financial statements for the governmental funds. These expenditures will be reported as function expenditures on the budgetary statements.

Capital assets consisting vehicles have been capitalized in the amount of \$305,132. This amount represents the present value of the minimum lease payments at the time of acquisition. Accumulated depreciation as of June 30, 2008 was \$95,354, leaving a current book value of \$209,778. A corresponding liability is recorded in the government-wide financial statements. Principal payments in fiscal year 2008 totaled \$58,659 paid by the permanent improvement fund, a nonmajor governmental fund.

The following is a schedule of the future long-term minimum lease payments required under the capital lease and the present value of the future minimum lease payments as of June 30, 2008:

<u>Fiscal Year Ending June 30,</u>	<u>Amount</u>
2009	\$ 66,823
2010	66,780
2011	<u>66,736</u>
Total minimum lease payments	200,339
Less amount representing interest	<u>(10,833)</u>
Total	<u>\$ 189,506</u>

**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 has awarded the District a \$26,158,531 grant for the project, and will make quarterly disbursements to the District until the project is completed. These bonds are general obligations of the District for which the full faith and credit of the District is pledged for repayment. Accordingly, such unmatured obligations of the District are accounted for in the statement of net assets. Payments of principal and interest relating to this bond issue are recorded as an expenditure in the bond retirement fund, a nonmajor governmental fund. The source of payment is derived from a 5.4 mill bonded debt tax levy. In conjunction with the 5.4 mills which support the bond issue, the District also passed in fiscal 2006 a .5 mill levy to ultimately fund the maintenance costs of the new facilities. Tax revenue from this levy has been reported in the classroom facilities maintenance fund, a nonmajor governmental fund.

**SANDY VALLEY LOCAL SCHOOL DISTRICT  
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NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2008  
(CONTINUED)

**NOTE 9 - LONG-TERM OBLIGATIONS - (Continued)**

This issue is comprised of both current interest bonds, par value \$12,220,000, and capital appreciation bonds, par value \$730,000. The interest rates on the current interest bonds range from 3.50% to 4.25%. The capital appreciation bonds mature on December 1, 2014 (effective interest 15.86%), December 1, 2015 (effective interest 15.86%) at a redemption price equal to 100% of the principal, plus accrued interest to the redemption date. The present value (as of issue date) reported in the statement of net assets at June 30, 2008 is \$250,820. A total of \$70,835 in accreted interest on the capital appreciation bonds has been included in the statement of net assets at June 30, 2008.

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.

At June 30, 2008, the District had \$8,234,376 of unspent proceeds remaining on this bond issue.

The following is a schedule of activity for fiscal 2008 on the 2006 series general obligation bonds:

	Balance 6/30/07	Additions	Reductions	Balance 6/30/08
Current interest bonds	\$ 12,120,000	\$ -	\$ (245,000)	\$ 11,875,000
Capital appreciation bonds	179,985	-	-	179,985
Accreted interest	35,341	35,494	-	70,835
Total G.O. bonds	\$ 12,335,326	\$ 35,494	\$ (245,000)	\$ 12,125,820

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
2009	\$ 265,000	\$ 505,294	\$ 770,294	\$ -	\$ -	\$ -
2010	280,000	495,756	775,756	-	-	-
2011	325,000	485,169	810,169	-	-	-
2012	335,000	473,200	808,200	-	-	-
2013	350,000	459,919	809,919	-	-	-
2014 - 2018	1,160,000	2,165,594	3,325,594	179,985	550,015	730,000
2019 - 2023	2,220,000	1,810,628	4,030,628	-	-	-
2024 - 2028	2,735,000	1,273,796	4,008,796	-	-	-
2029 - 2033	3,425,000	574,609	3,999,609	-	-	-
2034	780,000	17,550	797,550	-	-	-
Total	\$ 11,875,000	\$ 8,261,515	\$ 20,136,515	\$ 179,985	\$ 550,015	\$ 730,000

**SANDY VALLEY LOCAL SCHOOL DISTRICT  
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NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2008  
(CONTINUED)

**NOTE 9 - LONG-TERM OBLIGATIONS - (Continued)**

- B.** During the fiscal year 2008, the following changes occurred in governmental activities long-term obligations:

	<u>Balance</u> <u>06/30/07</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance</u> <u>06/30/08</u>	<u>Amounts</u> <u>Due in</u> <u>One Year</u>
<b>Governmental activities:</b>					
General obligation bonds	\$ 12,335,326	\$ 35,494	\$ (245,000)	\$ 12,125,820	\$ 265,000
Lease purchase agreement	248,165	-	(58,659)	189,506	60,858
Compensated absences payable	665,904	177,661	(101,335)	742,230	174,954
Retirement incentive	<u>-</u>	<u>100,000</u>	<u>-</u>	<u>100,000</u>	<u>100,000</u>
Total governmental activities long-term liabilities	<u>\$ 13,249,395</u>	<u>\$ 313,155</u>	<u>\$ (404,994)</u>	13,157,556	<u>\$ 600,812</u>
Add: unamortized premium				<u>209,267</u>	
Total on statement of net assets				<u>\$ 13,366,823</u>	

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

The lease purchase agreement will be paid from the permanent improvement fund, a nonmajor governmental fund. See Note 8 for details.

**C. Legal Debt Margin**

The Ohio Revised Code provides that voted net general obligation debt of the District shall never exceed 9% of the total assessed valuation of the District. The code further provides that unvoted indebtedness shall not exceed 1/10 of 1% of the property valuation of the District. The code additionally states that unvoted indebtedness related to energy conservation debt shall not exceed 9/10 of 1% of the property valuation of the District. The assessed valuation used in determining the District's legal debt margin has been modified by House Bill 530 which became effective March 30, 2006. In accordance with House Bill 530, the assessed valuation used in the District's legal debt margin calculation excluded tangible personal property used in business, telephone or telegraph property, interexchange telecommunications company property, and personal property owned or leased by a railroad company and used in railroad operations. The effects of these debt limitations at June 30, 2008, are a voted debt margin of \$660,568 (including available funds of \$481,546) and an unvoted debt margin of \$135,933.

**SANDY VALLEY LOCAL SCHOOL DISTRICT  
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NOTES TO THE BASIC FINANCIAL STATEMENTS  
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(CONTINUED)

**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 20 days of vacation per fiscal year, depending upon length of service. Accumulated, unused vacation time is paid to classified employees and administrators upon termination of employment. Teachers do not earn vacation time.

Teachers, administrators and classified employees earn sick leave at the rate of 1.25 days per month. A liability for sick leave is based on the accumulated sick leave at the balance sheet date by those employees who are currently eligible to receive severance benefits. The District's severance liability has been calculated using the pay rates in effect at June 30, 2008 and reduced to the maximum payment allowed by labor contracts (58 days for classified and 72 days for certified employees based on length of service), plus any additional salary related payments.

**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 \$25,000 was available to certified employees who became first-time eligible for retirement and retired effective at the end of the school year.

An irrevocable notice of intent to retire had to be received by the District Superintendent by April 1, 2008. The payment of the bonus will be made in January, 2009.

In fiscal year 2008, four employees accepted the retirement incentive.

**SANDY VALLEY LOCAL SCHOOL DISTRICT  
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NOTES TO THE BASIC FINANCIAL STATEMENTS  
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**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 2008, the District has contracted with private for various types of insurance as follows:

<u>Type of Coverage</u>	<u>Amount of Coverage</u>	<u>Deductible</u>
Buildings and Contents:		
Replacement Cost	\$26,845,915	\$5,000
Inland Marine Coverage	various	500
Boiler and Machinery	included	5,000
Automobile Liability	1,000,000	250
Uninsured Motorists	50,000	500
General Liability:		
Per occurrence	1,000,000	0
Aggregate	2,000,000	0
Umbrella Liability:		
Per occurrence	5,000,000	10,000
Aggregate	5,000,000	0
Errors and Omission:		
Per occurrence	1,000,000	2,500
Aggregate	1,000,000	0

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

**B. Group Health and Dental Insurance**

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

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

**SANDY VALLEY LOCAL SCHOOL DISTRICT  
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NOTES TO THE BASIC FINANCIAL STATEMENTS  
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(CONTINUED)

**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 Comp Management, 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 and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Authority to establish and amend benefits is provided by Chapter 3309 of the Ohio Revised Code. SERS issues a publicly available, stand-alone financial report that includes financial statements and required supplementary information. That report may be obtained by writing to the School Employees Retirement System, 300 East Broad Street, Suite 100, Columbus, Ohio 43215-3746. It is also posted on the SERS' Ohio website, [www.ohsers.org](http://www.ohsers.org), under *Forms and Publications*.

Funding Policy - Plan members are required to contribute 10 percent of their annual covered salary and the District is required to contribute at an actuarially determined rate. The current District rate is 14 percent of annual covered payroll. A portion of the District's contribution is used to fund pension obligations with the remainder being used to fund health care benefits. For fiscal year 2008, 9.16 percent of annual covered salary was the portion used to fund pension obligations. The contribution requirements of plan members and employers are established and may be amended by the SERS' Retirement Board up to a statutory maximum amount of 10 percent for plan members and 14 percent for employers. Chapter 3309 of the Ohio Revised Code provides statutory authority for member and employer contributions. The District's required contributions for pension obligations to SERS for the fiscal years ended June 30, 2008, 2007 and 2006 were \$149,125, \$168,127 and \$169,599, respectively; 43.42 percent has been contributed for fiscal year 2008 and 100 percent for fiscal years 2007 and 2006.

**SANDY VALLEY LOCAL SCHOOL DISTRICT  
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NOTES TO THE BASIC FINANCIAL STATEMENTS  
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(CONTINUED)

**NOTE 12 - PENSION PLANS - (Continued)**

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

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

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

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

Funding Policy - For fiscal year 2008, 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, 2008, 2007, and 2006 were \$819,631, \$850,018, and \$841,203, respectively; 83.95 percent has been contributed for fiscal year 2008 and 100 percent for fiscal years 2007 and 2006. Contributions to the DC and Combined Plans for fiscal year 2008 were \$19,732 made by the District and \$22,891 made by the plan members.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2008  
(CONTINUED)

**NOTE 12 - PENSION PLANS - (Continued)**

**C. Social Security System**

Effective July 1, 1991, all employees not otherwise covered by the School Employees Retirement System or the State Teachers Retirement System of Ohio have an option to choose Social Security or the School Employees Retirement System/State Teachers Retirement System of Ohio. As of June 30, 2008, certain members of the Board of Education have elected Social Security. The District's liability is 6.2 percent of wages paid.

**NOTE 13 - POSTEMPLOYMENT BENEFITS**

**A. School Employees Retirement System**

**Plan Description** - The District participates in two cost-sharing, multiple employer postemployment benefit plans administered by the School Employees Retirement System (SERS) for non-certificated retirees and their beneficiaries, a Health Care Plan and a Medicare Part B Plan. The Health Care Plan includes hospitalization and physicians' fees through several types of plans including HMO's, PPO's and traditional indemnity plans as well as a prescription drug program. The Medicare Part B Plan reimburses Medicare Part B premiums paid by eligible retirees and beneficiaries up to a statutory limit. Benefit provisions and the obligations to contribute are established by the System based on authority granted by State statute. The financial reports of both Plans are included in the SERS Comprehensive Annual Financial Report which is available by contacting SERS at 300 East Broad St., Suite 100, Columbus, Ohio 43215-3746.

**Funding Policy** - State statute permits SERS to fund the health care benefits through employer contributions. Each year, after the allocation for statutorily required benefits, the Retirement Board allocates the remainder of the employer contribution of 14 percent of covered payroll to the Health Care Fund. The Health Care Fund was established and is administered in accordance with Internal Revenue Code Section 401h. For 2008, 4.18 percent of covered payroll was allocated to health care. In addition, employers pay a surcharge for employees earning less than an actuarially determined amount; for 2008, this amount was \$35,800.

Active employee members do not contribute to the Health Care Plan. Retirees and their beneficiaries are required to pay a health care premium that varies depending on the plan selected, the number of qualified years of service, Medicare eligibility and retirement status.

The District's contributions for health care for the fiscal years ended June 30, 2008, 2007, and 2006 were \$102,166, \$87,793, and \$66,911, respectively; 43.42 percent has been contributed for fiscal year 2008 and 100 percent for fiscal years 2007 and 2006.

The Retirement Board, acting with advice of the actuary, allocates a portion of the employer contribution to the Medicare B Fund. For fiscal year 2008, this actuarially required allocation was 0.66 percent of covered payroll. The District's contributions for Medicare Part B for the fiscal years ended June 30, 2008, 2007, and 2006 were \$10,745, \$11,433, and \$13,499, respectively; 43.42 percent has been contributed for fiscal year 2008 and 100 percent for fiscal years 2007 and 2006.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2008  
(CONTINUED)

**NOTE 13 - POSTEMPLOYMENT BENEFITS - (Continued)**

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

Plan Description - The District contributes to the cost sharing, multiple employer defined benefit Health Plan (the "Plan") administered by the State Teachers Retirement System of Ohio (STRS Ohio) for eligible retirees who participated in the defined benefit or combined pension plans offered by STRS Ohio. Benefits include hospitalization, physicians' fees, prescription drugs and reimbursement of monthly Medicare Part B premiums. The Plan is included in the report of STRS Ohio which may be obtained by visiting [www.strsoh.org](http://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 2008, 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, 2008, 2007, and 2006 were \$63,049, \$65,386, and \$64,708, respectively; 83.95 percent has been contributed for fiscal year 2008 and 100 percent for fiscal years 2007 and 2006.

**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);
- (d) Investments are reported at fair value (GAAP basis) rather than cost (budget basis);
- (e) Advance-in and advances-out are operating transactions (budget basis) as opposed to balance sheet transactions (GAAP basis).

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

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2008  
(CONTINUED)

**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:

**Net Change in Fund Balance**

	<u>General Fund</u>
Budget basis	\$ (94,804)
Net adjustment for revenue accruals	73,566
Net adjustment for expenditure accruals	65,612
Net adjustment for other financing sources/(uses)	(83,589)
Adjustment for encumbrances	140,926
GAAP basis	\$ 101,711

**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.

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.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2008  
(CONTINUED)

**NOTE 16 - STATUTORY RESERVES - (Continued)**

	<u>Instructional Materials</u>	<u>Capital Acquisition</u>
Set-aside balance as of June 30, 2007	\$ (1,094,925)	\$ -
Current year set-aside requirement	224,936	224,936
Current year offsets	-	(395,632)
Qualifying disbursements	<u>(206,237)</u>	<u>-</u>
Total	<u>\$ (1,076,226)</u>	<u>\$ (170,696)</u>
Balance carried forward to FY 2009	<u>\$ (1,076,226)</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 reserves, these extra amounts may be used to reduce the set-aside requirements for future years. The negative amounts are therefore presented as being carried forward to next fiscal year.

A schedule of the restricted assets at June 30, 2008 follows:

Amount restricted for school bus purchases	<u>\$ 25,788</u>
Total restricted assets at June 30, 2008	<u>\$ 25,788</u>

**NOTE 17 - OPERATING LEASES - LESSEE DISCLOSURE**

In prior years, the District entered into operating lease agreements for modular classroom structures and copiers. The copier lease began on April 11, 2005 and has a forty-two month term. The second modular classroom lease began June 11, 2003 and has a sixty month term. The modular lease expired on June 30, 2008. Fiscal year 2008 rental costs on the operating leases were \$92,489.

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

<u>Fiscal Year</u>	<u>Amount</u>
2009	<u>\$ 22,609</u>
Total minimum rental payments	<u>\$ 22,609</u>

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

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

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2008  
(CONTINUED)

**NOTE 18 - CONTRACTUAL COMMITMENTS**

As of June 30, 2008, the District has commitments with the following companies for the construction project.

	Contract Amount	Amount Paid as of June 30, 2008	Amount Remaining on Contract
Abbot Electric	\$ 861,625	\$ 264,933	\$ 596,692
C.T. Taylor	9,733,249	6,431,853	3,301,396
Doerschuk Plumbing	629,236	442,344	186,892
Environmental Support	150,458	12,140	138,318
Fechko Excavating Inc.	1,298,482	1,298,482	-
Hammond Construction Inc.	1,960,680	1,424,453	536,227
Hicks Roofing	1,235,000	597,682	637,318
Loop Master International Inc.	1,143,100	1,143,100	-
Marzilli Concrete	396,000	-	396,000
Meade Construction	897,858	712,540	185,318
MKC Associates Inc.	2,096,515	1,753,722	342,793
Moser Construction	4,303,225	4,111,893	191,332
M.T. Business Tech	675,000	22,328	652,672
Newton Asphalt and Paving Inc.	303,075	303,075	-
Office Furniture Solutions	364,473	-	364,473
S.A. Comunale	409,989	286,268	123,721
Schmid	3,769,098	2,702,728	1,066,370
Southeast Security	119,027	83,258	35,769
S.S. Kemp	482,605	336,791	145,814
Standard Plumbing	370,040	346,841	23,199
Superior Paving	393,500	-	393,500
Wood Electric Inc.	3,014,334	2,143,845	870,489
<b>Total</b>	<b>\$ 34,606,569</b>	<b>\$ 24,418,276</b>	<b>\$ 10,188,293</b>

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**SANDY VALLEY LOCAL SCHOOL DISTRICT  
STARK COUNTY**

**FEDERAL AWARDS RECEIPTS AND EXPENDITURES SCHEDULE  
FOR THE YEAR ENDED JUNE 30, 2008**

<b>FEDERAL GRANTOR/ Pass Through Grantor/ Program Title</b>	<b>Pass Through Entity Number</b>	<b>Federal CFDA Number</b>	<b>Receipts</b>	<b>Non-Cash Receipts</b>	<b>Expenditures</b>	<b>Non-Cash Expenditures</b>
<b>U.S. DEPARTMENT OF AGRICULTURE</b>						
<i>Passed Through Ohio Department of Education:</i>						
Child Nutrition Cluster:						
School Breakfast Program	Not Applicable	10.553	\$46,062		\$46,062	
National School Lunch Program	Not Applicable	10.555	193,258		193,258	
Total Child Nutrition Cluster			239,320		239,320	
Food Distribution Program	Not Applicable	10.550		\$33,319		\$33,319
Total U.S. Department of Agriculture			239,320	33,319	239,320	33,319
<b>U.S. DEPARTMENT OF EDUCATION</b>						
<i>Passed Through Ohio Department of Education:</i>						
Special Education Cluster - Grants to States	049940-6BSF-2008	84.027	281,218		273,830	
	049940-6BSF-2007		23,969		39,970	
Total Special Education Cluster			305,187		313,800	
Title I Grants to Local Educational Agencies	049940-C1S1-2008	84.010	215,990		212,512	
	049940-C1S1-2007		12,500		36,131	
Total Title I Grants to Local Educational Agencies			228,490		248,643	
State Grants for Innovative Programs	049940-C2S1-2008	84.298	2,057		1,973	
	049940-C2S1-2007		(181)		12	
			1,876		1,985	
Safe and Drug Free Schools and Communities - State Grants	049940-DRWS1-2008	84.186	6,002		5,989	
	049940-DRWS1-2007		188		1,198	
Total Safe and Drug Free Schools			6,190		7,187	
Improving Teacher Quality State Grants	049940-TRS1-2008	84.367	73,249		70,626	
	049940-TRS1-2007		3,618		8,413	
Total Improving Teacher Quality State Grants			76,867		79,039	
Education Technology State Grants	049940-TJS1-2008	84.318	2,440		2,303	
Total U.S. Department of Education			621,050		652,957	
<b>Total</b>			<b>\$860,370</b>	<b>\$33,319</b>	<b>\$892,277</b>	<b>\$33,319</b>

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

**SANDY VALLEY LOCAL SCHOOL DISTRICT  
STARK COUNTY**

**NOTES TO THE FEDERAL AWARDS RECEIPTS AND EXPENDITURES SCHEDULE  
FISCAL YEAR ENDED JUNE 30, 2008**

**NOTE A – SIGNIFICANT ACCOUNTING POLICIES**

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

**NOTE B – FOOD DISTRIBUTION PROGRAM**

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

**NOTE C – CHILD NUTRITION CLUSTER**

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



# Mary Taylor, CPA

Auditor of State

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

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

To the Board of Education:

We have audited the financial statements of the governmental activities, each major fund, and the aggregate discretely presented component unit and remaining fund information of Sandy Valley Local School District, Stark County, Ohio, (the District) as of and for the year ended June 30, 2008, which collectively comprise the District's basic financial statements and have issued our report thereon dated March 6, 2009. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*.

### Internal Control Over Financial Reporting

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

A control deficiency exists when the design or operation of a control does not allow management or employees, in performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the District's ability to initiate, authorize, record, process, or report financial data reliably in accordance with its applicable accounting basis, such that there is more than a remote likelihood that the District's internal control will not prevent or detect a more-than-inconsequential financial statement misstatement.

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

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all internal control deficiencies that might be 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 intend this report solely for the information and use of the audit committee, management, and the Board of Education, and federal awarding agencies and pass-through entities. We intend it for no one other than these specified parties.

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

**Mary Taylor, CPA**  
Auditor of State

March 6, 2009



# Mary Taylor, CPA

Auditor of State

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

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

To the Board of Education:

### Compliance

We have audited the compliance of Sandy Valley Local School District, Stark County, Ohio, (the District) with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133, Compliance Supplement* that apply to its major federal program for the year ended June 30, 2008. The summary of auditor's results section of the accompanying Schedule of Findings identifies the District's major federal program. The District's management is responsible for complying with the requirements of laws, regulations, contracts, and grants applicable to its major federal program. Our responsibility is to express an opinion on the District's compliance based on our audit.

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

In our opinion, the District complied, in all material respects, with the requirements referred to above that apply to its major federal program for the year ended June 30, 2008.

### Internal Control Over Compliance

The District's management is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the District's internal control over compliance with requirements that could directly and materially affect a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the District's internal control over compliance.

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

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

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

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



**Mary Taylor, CPA**  
Auditor of State

March 6, 2009

**SANDY VALLEY LOCAL SCHOOL DISTRICT  
STARK COUNTY**

**SCHEDULE OF FINDINGS  
OMB CIRCULAR A -133 § .505  
JUNE 30, 2008**

**1. SUMMARY OF AUDITOR'S RESULTS**

<b>(d)(1)(i)</b>	<b>Type of Financial Statement Opinion</b>	Unqualified
<b>(d)(1)(ii)</b>	<b>Were there any material control weaknesses reported at the financial statement level (GAGAS)?</b>	No
<b>(d)(1)(ii)</b>	<b>Were there any other significant deficiencies in internal control reported at the financial statement level (GAGAS)?</b>	No
<b>(d)(1)(iii)</b>	<b>Was there any reported material noncompliance at the financial statement level (GAGAS)?</b>	No
<b>(d)(1)(iv)</b>	<b>Were there any material internal control weaknesses reported for major federal programs?</b>	No
<b>(d)(1)(iv)</b>	<b>Were there any other significant deficiencies in internal control reported for major federal programs?</b>	No
<b>(d)(1)(v)</b>	<b>Type of Major Programs' Compliance Opinion</b>	Unqualified
<b>(d)(1)(vi)</b>	<b>Are there any reportable findings under § .510?</b>	No
<b>(d)(1)(vii)</b>	<b>Major Programs (list):</b>	Child Nutrition Cluster CFDA # 10.553 and 10.555
<b>(d)(1)(viii)</b>	<b>Dollar Threshold: Type A/B Programs</b>	Type A: > \$ 300,000 Type B: all others
<b>(d)(1)(ix)</b>	<b>Low Risk Auditee?</b>	Yes

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

None

**3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS**

None





**Mary Taylor, CPA**  
Auditor of State

**SANDY VALLEY LOCAL SCHOOL DISTRICT**

**STARK COUNTY**

**CLERK'S CERTIFICATION**

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

*Susan Babbitt*

**CLERK OF THE BUREAU**

**CERTIFIED  
MARCH 26, 2009**