



**Mary Taylor, CPA**  
Auditor of State



**ORRVILLE CITY SCHOOL DISTRICT  
WAYNE COUNTY**

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# Mary Taylor, CPA

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## INDEPENDENT ACCOUNTANTS' REPORT

Orrville City School District  
Wayne County  
815 North Ella Street  
Orrville, Ohio 44667

To the Board of Education:

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Orrville City School District, Wayne County, Ohio, (the District) as of and for the year ended June 30, 2009, which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the District's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Orrville City School District, Wayne County, Ohio, as of June 30, 2009, and the respective changes in financial position and where applicable, cash flows, 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 February 10, 2010, 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.

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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 the U.S. Office of Management and Budget Circular A-133, *Audits of State, 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.



**Mary Taylor, CPA**  
Auditor of State

February 10, 2010

**Orrville City School District**  
*Management's Discussion and Analysis*  
*For the Fiscal Year Ended June 30, 2009*

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The discussion and analysis of the Orrville City School District's (the "School District") financial performance provides an overall review of the School District's financial activities for the fiscal year ended June 30, 2009. The intent of this discussion and analysis is to look at the School District's performance as a whole; readers should also review notes to the basic financial statements and financial statements to enhance their understanding of the School District's financial performance.

**Financial Highlights**

Key financial highlights for 2009 are as follows:

- General revenues accounted for \$15,390,726 in revenue or 83.5 percent of all revenues. Program specific revenues in the form of charges for services and sales, grants, and contributions accounted for \$3,051,116 or 16.5 percent of total revenues of \$18,441,842.
- Total program expenses were \$18,433,581.
- In total, net assets increased \$8,261.
- Outstanding debt decreased from \$32,408,571 to \$31,993,433 through the payment of debt.

**Using this Annual Financial Report**

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

**Reporting the School District as a Whole**

*Statement of Net Assets and the Statement of Activities*

The *Statement of Net Assets* and *Statement of Activities* provide information about the activities of the whole School District, presenting both an aggregate view of the School 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 School District's most significant funds with all other non-major funds presented in total in one column. In the case of the Orrville City School District, the general fund, bond retirement fund and building fund are by far the most significant funds.

A question typically asked about the District's finances "How did we do financially during fiscal year 2009?" The *Statement of Net Assets* and the *Statement of Activities* answer this question. These statements include *all assets* and *liabilities* using the *accrual basis of accounting* similar to the accounting used by most private-sector companies. This basis of accounting takes into account all of the current year's revenues and expenses regardless of when cash is received or paid.

**Orrville City School District**  
*Management's Discussion and Analysis (Continued)*  
*For the Fiscal Year Ended June 30, 2009*  
*(Unaudited)*

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These two statements report the School District's *net assets* and *changes in those assets*. This change in net assets is important because it tells the reader that, for the School District as a whole, the *financial position* of the School 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 School District's property tax base, current property tax laws in Ohio which restrict revenue growth, facility conditions, required educational programs, and other factors.

In the Statement of Net Assets and the Statement of Activities, all of the School District's activities are classified as governmental. Most of the School District's programs and services are reported here including instruction, support services, operation and maintenance of plant, pupil transportation, food services and extracurricular activities.

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

#### *Fund Financial Statements*

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

**Governmental Funds** - Most of the School District's activities are reported in governmental funds, which focus on how money flows into and out of those funds and the balances left at year-end available for spending in future periods. These funds are reported using an accounting method called modified accrual accounting, which measures cash and all other financial assets that can readily be converted to cash. The governmental fund statements provide a detailed short-term view of the School 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 financial statements.

**Proprietary Funds** - Proprietary funds have historically operated as *enterprise* and *internal service funds* using the same basis of accounting as business-type activities. The internal service fund accounts for the self-insurance fund for health insurance coverage and is reported separately as the School District's only proprietary fund.

The School District was self-insured for its medical and dental insurance programs until December 1, 2007. On December 1 2007, the School District contracted with Stark County Schools Council of Governments to provide employee medical/ surgical benefits.

**Fiduciary Funds** – The School District's only fiduciary fund is for student managed activities. The School District's fiduciary activities are reported in the Statement of Fiduciary Assets and Liabilities. We exclude those activities from the School District's other financial statements because the assets cannot be used by the School District to finance operations.

**Orrville City School District**  
*Management's Discussion and Analysis (Continued)*  
*For the Fiscal Year Ended June 30, 2009*  
*(Unaudited)*

**Notes to the 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. The notes to the financial statements begin on page 23.

***The School District as a Whole***

Recall that the *Statement of Net Assets* provides the perspective of the School District as a whole. Table 1 provides a summary of the School District's net assets for 2009 compared to 2008:

**Table 1**  
**Net Assets**  
**Governmental Activities**

	2009	2008
<b>Assets</b>		
Current and Other Assets	\$ 22,879,914	\$ 29,755,055
Capital Assets	24,080,099	17,973,324
Total Assets	46,960,013	47,728,379
<b>Liabilities</b>		
Long-Term Liabilities	33,699,348	34,303,453
Other Liabilities	9,986,403	10,158,925
Total Liabilities	43,685,751	44,462,378
<b>Net Assets</b>		
Invested in Capital Assets, Net of Related Debt	4,390,553	3,838,914
Restricted	2,132,642	2,532,012
Unrestricted (Deficit)	(3,248,933)	(3,104,925)
Total Net Assets	\$ 3,274,262	\$ 3,266,001

Total assets decreased by \$768,366. This decrease is primarily due to the decrease in taxes receivable. The decrease in taxes is attributed to the phasing out of personal property tax on general business and railroad property. The contributing factor for the \$776,627 decrease in total liabilities was the payment of debt.

**Orrville City School District**  
*Management's Discussion and Analysis (Continued)*  
*For the Fiscal Year Ended June 30, 2009*  
*(Unaudited)*

Table 2 shows the changes in net assets for fiscal year 2009 compared to 2008.

**Table 2**  
Change in Net Assets  
Governmental Activities

	<u>2009</u>	<u>2008</u>
<b>Revenues</b>		
<b><i>Program Revenues</i></b>		
Charges for Services and Sales	\$ 897,862	\$ 966,317
Operating Grants, Contributions and Interest	1,670,770	1,555,731
Capital Grants, Contributions and Interest	482,484	172,524
<i>Total Program Revenues</i>	<u>3,051,116</u>	<u>2,694,572</u>
<b><i>General Revenues</i></b>		
Property Taxes	8,252,136	8,391,541
Grants and Entitlements	7,050,900	6,835,578
Investment Earnings	56,179	1,284,458
Other	31,511	36,302
<i>Total General Revenues</i>	<u>15,390,726</u>	<u>16,547,879</u>
<i>Total Revenues</i>	18,441,842	19,242,451
<b><i>Program Expenses</i></b>		
Instruction	10,376,810	10,672,295
Support Services:		
Pupils and Instructional Staff	1,705,124	1,631,129
Board of Education, Administration, Fiscal and Business	2,085,237	2,257,422
Operation and Maintenance	1,349,833	1,388,473
Pupil Transportation	539,401	443,838
Central	51,448	57,890
Operation of Non-instructional Services:		
Food Service Operations	701,831	651,310
Extracurricular Activities	428,401	455,691
Interest and Fiscal Charges	1,195,496	1,808,550
<i>Total Program Expenses</i>	<u>18,433,581</u>	<u>19,366,598</u>
<i>Increase in Net Assets</i>	8,261	(124,147)
<i>Net Assets Beginning of Year</i>	<u>3,266,001</u>	<u>3,390,148</u>
<i>Net Assets End of Year</i>	<u>\$ 3,274,262</u>	<u>\$ 3,266,001</u>

**Orrville City School District**  
*Management's Discussion and Analysis (Continued)*  
*For the Fiscal Year Ended June 30, 2009*  
*(Unaudited)*

The vast majority of revenues supporting governmental activities are the general revenues. General revenue totaled \$15,390,726 which is approximately 83.5 percent of total revenue. The most significant portion of the general revenues is property taxes which are approximately 44.7 percent of total revenue. The intergovernmental revenues consist of State foundation, homestead and rollback, and personal property and tax exemption. Intergovernmental revenues account for 38.2 percent of total revenue and interest income accounts for .3 percent of total revenue. The remaining amount of revenue received was in the form of program revenues, which equaled \$3,051,116 or 16.5 percent of total revenue.

**Governmental Activities**

The School District has carefully planned its financial existence by forecasting its revenues and expenses over the next five years. The School District's revenue growth is mostly dependent upon property tax increases and new construction. Property taxes made up 44.7 percent of revenues for governmental activities for Orrville City School District in fiscal year 2009. Although the School District relies heavily upon local property taxes to support its operations, the School District does actively solicit and receive additional grant and entitlement funds to help offset some operating cost.

Instruction comprises 56.3 percent of governmental program expenses. Additional supporting services for pupils, staff and business operations encompassed an additional 31.1 percent. The remaining 12.6 percent of program expenses is used for other obligations of the School District such as non-instructional services, extracurricular activities and interest and fiscal charges.

The Statement of Activities shows the cost of program services and the charges for services and grants offsetting those services. Table 3 shows, for government 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 entitlements. Comparisons of 2009 to 2008 have been made in Table 3.

**Table 3**  
**Total and Net Cost of Program Services**  
**Governmental Activities**

	Total Cost of Services 2009	Total Cost of Services 2008	Net Cost of Service 2009	Net Cost of Service 2008
Instruction	\$ 10,376,810	\$ 10,672,295	\$ (8,663,929)	\$ (9,515,900)
Support Services:				
Pupil and Instructional Staff	1,705,124	1,631,129	(1,412,536)	(1,339,467)
Board of Education, Administration, Fiscal and Business	2,085,237	2,257,422	(2,075,527)	(2,082,610)
Operation and Maintenance of Plant	1,349,833	1,388,473	(1,349,833)	(1,221,095)
Pupil Transportation	539,401	443,838	(500,891)	(438,692)
Central	51,448	57,890	(34,448)	(37,068)
Operation of Non-Instructional Services:				
Food Service Operations	701,831	651,310	(7,971)	18,462
Extracurricular Activities	428,401	455,691	(141,834)	(247,106)
Interest and Fiscal Charges	1,195,496	1,808,550	(1,195,496)	(1,808,550)
<b>Total</b>	<b>\$ 18,433,581</b>	<b>\$ 19,366,598</b>	<b>\$ (15,382,465)</b>	<b>\$ (16,672,026)</b>

**Orrville City School District**  
*Management's Discussion and Analysis (Continued)*  
*For the Fiscal Year Ended June 30, 2009*  
*(Unaudited)*

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The dependence upon tax revenues for governmental activities is apparent. 44.7 percent of expenses are directly supported by local property taxes. Program revenues only account for 16.5 percent of all governmental expenses. Program revenues include charges for services, grants and contributions that are program specific. Surrounding schools with resident students attending Orrville City School District pay the School District per pupil under Ohio's open enrollment plan. The community, as a whole, is by far the primary support for Orrville City School District students.

### **The School District's Funds**

Information about the School District's major funds starts on page 14. These funds are accounted for using the modified accrual basis of accounting. All governmental funds had total revenues and other financing sources of \$18,470,588 and expenditures of \$25,241,059. The net change in fund balance for the year was most significant in the building capital projects fund totaling a decrease of \$6,718,804 due to the completion of the new middle school.

### ***General Fund Budgeting Highlights***

The School 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 year 2009, the School District amended its general fund budget several times. For the general fund, the final budget basis revenue was \$13,744,286 representing a \$471,591 increase from the original budget estimate of \$13,272,695. Most of this difference was due to an underestimation of intergovernmental revenues. The School District's general fund unencumbered cash balance at the end of the fiscal year was \$1,281,364.

The original and final general fund appropriations totaled \$14,127,358 and \$14,785,021 respectively.

The School District uses a site-based budgeting system designed to tightly control total site budgets but provide flexibility for site management. Building principals are given a per pupil allocation for textbooks, instructional materials and equipment.

### **Capital Assets and Debt Administration**

#### ***Capital Assets***

At the end of fiscal year 2009, the School District had \$24,080,099 invested in land, construction in progress, buildings and improvements, furniture and equipment and vehicles. Table 4 shows fiscal year 2009 amounts compared to 2008. More detailed information is presented in Note 8 of the notes to the basic financial statements.

**Orrville City School District**  
*Management's Discussion and Analysis (Continued)*  
*For the Fiscal Year Ended June 30, 2009*  
*(Unaudited)*

**Table 4**  
**Capital Assets at June 30**  
**Governmental Activities**

	2009	2008
Land	\$ 1,688,479	\$ 1,576,075
Buildings and Improvements	13,196,203	13,589,762
Furniture and Equipment	1,458,171	1,436,980
Vehicles	283,145	236,996
Construction in Progress	7,454,101	1,133,511
<b>Totals</b>	<b>\$ 24,080,099</b>	<b>\$ 17,973,324</b>

All capital assets, except land and construction in progress are reported net of depreciation. The \$6,106,775 increase in capital assets was attributable to the construction in progress of a new elementary school building exceeding depreciation expense.

House Bill 345 requires the School District to set aside \$166.95 per pupil in each of two areas, one for the purchase of textbooks and materials related to instruction and the other for capital outlay. For fiscal year 2009, this amounted to \$265,671 for each set aside. The School District had qualifying disbursements or offsets exceeding these requirements for textbooks and instructional materials and capital improvements. More detailed information is presented in Note 19.

***Debt***

At June 30, 2009, the School District had \$31,993,433 in debt outstanding with \$332,593 due within one year. Table 5 shows fiscal year 2009 amounts compared to 2008.

**Table 5**  
**Outstanding Debt at June 30**  
**Governmental Activities**

	2009	2008
Capital Lease	\$ 13,032,614	\$ 13,045,334
2008 School Facilities Note	974,000	1,000,000
2007 School Facilities Refunding Bonds		
Serial and Term Bonds	17,075,000	17,375,000
Capital Appreciation Bonds	160,000	160,000
Accretion of Capital Appreciation Bonds	38,937	18,952
Unamortized Premium	712,882	739,285
Emergency Levy Tax Anticipation Note	0	70,000
<b>Total</b>	<b>\$ 31,993,433</b>	<b>\$ 32,408,571</b>

**Orrville City School District**  
*Management's Discussion and Analysis (Continued)*  
*For the Fiscal Year Ended June 30, 2009*  
*(Unaudited)*

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The School District's total debt decreased by \$415,138 during the current fiscal year. The key factor in this decrease was the payment of debt.

On September 18, 2007, the School District issued \$17,670,000 in voted general obligation bonds, which included serial, term and capital appreciation (deep discount) bonds in the amount of \$11,275,000, \$6,235,000 and \$160,000, respectively. The bonds refunded \$2,670,000 of outstanding 1997 Library Bonds and \$15,000,000 of outstanding 2008 School Facilities Construction and Improvement Notes. The bonds were issued for a twenty-nine year period with final maturities at December 31, 2035.

On February 28, 2008, the School District entered into a note with the Columbus Regional Airport Authority for improvements and construction of school facilities, constructing additions to and renovating and improving school facilities under the Ohio School Facilities Commission Expedited Local Partnership Program. As part of the agreement, the Columbus Regional Airport deposited \$1,000,000 with a trustee. Amounts are paid to contractors by the trustee at the discretion of the School District as the project progresses. The note will be paid from tax levy proceeds.

More detailed information is presented in Note 12 and Note 13.

#### **Current Issues**

The Orrville City School District continues to receive strong support from the residents of the School District. As the preceding information shows, the School District relies heavily on its local property taxpayers. The last operating levy passed by the residents of the district was a five year emergency levy in February 2003. That levy was renewed by the voters for five more years in November 2007. The residents approved the renewal of a permanent improvement levy for a continuing period of time at the May 2005 election. A \$16 million bond issue was approved by voters at the May 2008 election. This will allow the Board of Education to build a new elementary school close to current school buildings inline with the long range facility plan of the District to create a central campus.

Real estate tax collections have shown small increases. The unique nature of property taxes in Ohio creates the need to routinely seek voter approval for operating funds. The overall revenue generated by a levy will not increase solely as a result of inflation due to Ohio House Bill 920 (passed in 1976). As an example, a homeowner with a home valued at \$100,000 and taxed at 1.0 mill would pay \$35.00 annually in taxes. If three years later the home was reappraised and increased to \$200,000 (and this inflationary increase in value is comparable to other property owners) the effective tax rate would become .5 mills and the owner would still pay \$35.00.

Thus, school districts dependent upon property taxes are hampered by a lack of revenue growth and must regularly return to the voters to maintain a constant level of service. Property taxes made up 53.6 percent of general revenues for governmental activities for the Orrville City School District in fiscal year 2009.

The School District has also been affected by changes in the personal property tax structure (utility deregulation) commercial business/property uncertainties and the elimination of tangible personal property taxes. Management has diligently planned expenses so that the last levy has stretched for more than the five years it was planned. Management has reduced staff through attrition over the past three years. This has been made increasingly difficult with mandates in gifted education, rising utility costs, costs of federal No Child Left Behind, increased special education services required for our students, and significant increases in health insurance and property/liability/fleet insurance.

**Orrville City School District**  
*Management's Discussion and Analysis (Continued)*  
*For the Fiscal Year Ended June 30, 2009*  
*(Unaudited)*

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From a State funding perspective, the State of Ohio was found by the Ohio Supreme Court in March, 1997 to be operating an unconstitutional education system, one that was neither "adequate" nor "equitable". Since 1997, the State has directed its tax revenue growth toward school districts with little property tax wealth (which is unlike our District). It is still undetermined whether the State has met the standards of the Ohio Supreme Court.

The Orrville City School District has not anticipated any meaningful growth in State revenue. The concern is that, to meet the requirements of the Court, the State may require redistribution of state funding based upon each district's property wealth. This could have a significant impact on the School District. How the legislature plans to fund education programs during a weakened economy remains a concern. The District is preparing for potential cuts in State aid relating to the economic climate.

All scenarios require management to plan carefully and prudently to provide the resources to meet student needs over the next several years.

In addition, the School District's systems of budgeting and internal controls are well regarded. All of the School District's financial abilities will be needed to meet the challenges of the future.

**Contacting the School District's Financial Management**

This financial report is designed to provide our citizens, taxpayers, investors, and creditors with a general overview of the School District's finances and to show the School District's accountability for the money it receives. If you have any questions about this report or need additional financial information, contact Mark Dickerhoof, Treasurer of Orrville City Schools, 815 North Ella Street, Orrville, Ohio 44667, e-mail [orvl\\_mardick@tccsa.net](mailto:orvl_mardick@tccsa.net).

**Orrville City School District**

*Statement of Net Assets*

*June 30, 2009*

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	<u>Governmental Activities</u>
<b>Assets</b>	
Equity in Pooled Cash and Investments	\$ 13,105,660
Cash and Investments Held with Trustee	1,377,680
Receivables:	
Taxes	8,085,433
Accounts	268
Intergovernmental	64,511
Inventory Held For Resale	14,795
Materials and Supplies Inventory	1,811
Deferred Charges	229,756
Nondepreciable Capital Assets	9,142,580
Depreciable Capital Assets, Net	<u>14,937,519</u>
<i>Total Assets</i>	<u>46,960,013</u>
<b>Liabilities</b>	
Accounts Payable	98,090
Contracts Payable	1,016,729
Accrued Wages and Benefits	1,561,427
Matured Compensated Absences Payable	87,133
Accrued Interest	74,408
Intergovernmental Payable	427,242
Deferred Revenue	6,721,374
Long Term Liabilities:	
Due Within One Year	421,345
Due in More Than One Year	<u>33,278,003</u>
<i>Total Liabilities</i>	<u>43,685,751</u>
<b>Net Assets</b>	
Invested in Capital Assets, Net of Related Debt	4,390,553
Restricted for:	
Capital Projects	1,392,698
Debt Service	551,565
Other Purposes	188,379
Unrestricted	<u>(3,248,933)</u>
<i>Total Net Assets</i>	<u>\$ 3,274,262</u>

See accompanying notes to the basic financial statements.

**Orrville City School District**  
*Statement of Activities*  
For the Fiscal Year Ended June 30, 2009

	Program Revenues				Net (Expense) Revenue and Changes in Net Assets
	Expenses	Charges for Services and Sales	Operating Grants, Contributions, and Interest	Capital Grants, Contributions and Interest	Governmental Activities
<b>Governmental Activities</b>					
Instruction:					
Regular	\$ 7,995,633	\$ 307,806	\$ 312,377	\$ 437,252	\$ (6,938,198)
Special	1,183,107	0	617,966	0	(565,141)
Vocational	182,090	0	35,437	0	(146,653)
Student Intervention Services	127,625	0	0	0	(127,625)
Other	888,355	0	2,043	0	(886,312)
Support Services:					
Pupils	862,589	0	252,210	0	(610,379)
Instructional Staff	842,535	0	33,656	6,722	(802,157)
Board of Education	130,252	0	0	0	(130,252)
Administration	1,438,946	0	9,710	0	(1,429,236)
Fiscal	419,931	0	0	0	(419,931)
Business	96,108	0	0	0	(96,108)
Operation and Maintenance of Plant	1,349,833	0	0	0	(1,349,833)
Pupil Transportation	539,401	0	0	38,510	(500,891)
Central	51,448	0	17,000	0	(34,448)
Operation of Non-Instructional Services:					
Food Service Operations	701,831	303,489	390,371	0	(7,971)
Extracurricular Activities	428,401	286,567	0	0	(141,834)
Interest and Fiscal Charges	1,195,496	0	0	0	(1,195,496)
<i>Total Governmental Activities</i>	<u>\$ 18,433,581</u>	<u>\$ 897,862</u>	<u>\$ 1,670,770</u>	<u>\$ 482,484</u>	<u>(15,382,465)</u>
 <b>General Revenues</b>					
Property Taxes Levied for:					
General Purposes					6,398,030
Debt Service					1,163,268
Other Purposes					690,838
Grants and Entitlements not Restricted to Specific Programs					7,050,900
Investment Earnings					56,179
Miscellaneous					31,511
<i>Total General Revenues</i>					<u>15,390,726</u>
<i>Change in Net Assets</i>					8,261
<i>Net Assets Beginning of Year</i>					<u>3,266,001</u>
<i>Net Assets End of Year</i>					<u>\$ 3,274,262</u>

See accompanying notes to the basic financial statements.

**Orrville City School District**

*Balance Sheet*

*Governmental Funds*

*June 30, 2009*

	General	Bond Retirement	Building	Other Governmental Funds	Total Governmental Funds
<b>Assets</b>					
Equity in Pooled Cash and Investments	\$ 1,505,088	\$ 444,398	\$ 9,215,739	\$ 1,497,885	\$ 12,663,110
Cash and Investments Held with Trustee	0	0	1,377,680	0	1,377,680
Receivables:					
Taxes	6,176,018	1,222,003	0	687,412	8,085,433
Accounts	268	0	0	0	268
Interfund	7,000	0	0	0	7,000
Intergovernmental	21,899	0	0	42,612	64,511
Inventory Held For Resale	0	0	0	14,795	14,795
Materials and Supplies Inventory	0	0	0	1,811	1,811
<i>Total Assets</i>	<u>\$ 7,710,273</u>	<u>\$ 1,666,401</u>	<u>\$ 10,593,419</u>	<u>\$ 2,244,515</u>	<u>\$ 22,214,608</u>
<b>Liabilities and Fund Balances</b>					
<b>Liabilities</b>					
Accounts Payable	\$ 59,391	\$ 0	\$ 4,770	\$ 33,929	\$ 98,090
Contracts Payable	0	0	1,013,417	3,312	1,016,729
Accrued Wages and Benefits	1,420,628	0	0	140,799	1,561,427
Matured Compensated Absences Payable	87,133	0	0	0	87,133
Interfund Payable	0	0	0	7,000	7,000
Intergovernmental Payable	392,628	0	0	34,614	427,242
Deferred Revenue	5,621,512	1,119,003	0	665,802	7,406,317
<i>Total Liabilities</i>	<u>7,581,292</u>	<u>1,119,003</u>	<u>1,018,187</u>	<u>885,456</u>	<u>10,603,938</u>
<b>Fund Balances</b>					
Fund Balances:					
Reserved for Encumbrances	200,149	0	6,199,281	126,035	6,525,465
Reserved for Property Taxes	570,000	103,000	0	64,000	737,000
Unreserved:					
Undesignated, Reported in:					
General Fund	(641,168)	0	0	0	(641,168)
Special Revenue Funds	0	0	0	216,893	216,893
Debt Service Fund	0	444,398	0	0	444,398
Capital Projects Funds	0	0	3,375,951	952,131	4,328,082
<i>Total Fund Balances</i>	<u>128,981</u>	<u>547,398</u>	<u>9,575,232</u>	<u>1,359,059</u>	<u>11,610,670</u>
<i>Total Liabilities and Fund Balances</i>	<u>\$ 7,710,273</u>	<u>\$ 1,666,401</u>	<u>\$ 10,593,419</u>	<u>\$ 2,244,515</u>	<u>\$ 22,214,608</u>

See accompanying notes to the basic financial statements.

**Orrville City School District**  
*Reconciliation of Total Governmental Fund Balances to  
 Net Assets of Governmental Activities  
 June 30, 2009*

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**Total Governmental Fund Balances** \$ 11,610,670

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

Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds. 24,080,099

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

Grants	\$ 42,390
Delinquent Property Taxes	627,059
Charges for Services	<u>15,494</u>

Total 684,943

In the statement of activities, bond issuance costs are amortized over the term of the bonds, whereas in governmental funds a bond issuance expenditure is reported when bonds are issued. 229,756

In the statement of activities, interest is accrued on outstanding debt, whereas in governmental funds, an interest expenditure is reported when due. (74,408)

An internal service fund is used by management to charge the costs of insurance to individual funds. The assets and liabilities of the internal service fund are included in governmental activities in the statement of net assets. 442,550

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

Capital Leases Payable	(13,032,614)
General Obligation Bonds	(17,075,000)
Capital Appreciation Bonds	(160,000)
Bond Accretion	(38,937)
Unamortized Bond Premium	(712,882)
School Facilities Note	(974,000)
Compensated Absences	<u>(1,705,915)</u>

Total (33,699,348)

*Net Assets of Governmental Activities* \$ 3,274,262

See accompanying notes to the basic financial statements.

**Orrville City School District**  
*Statement of Revenues, Expenditures and Changes in Fund Balances*  
*Governmental Funds*  
*For the Fiscal Year Ended June 30, 2009*

	General	Bond Retirement	Building	Other Governmental Funds	Total Governmental Funds
<b>Revenues</b>					
Property and Other Local Taxes	\$ 6,297,416	\$ 1,158,560	\$ 0	\$ 677,498	\$ 8,133,474
Intergovernmental	7,213,691	168,275	0	1,515,782	8,897,748
Investment Income	56,179	0	292,041	8,493	356,713
Tuition and Fees	307,054	0	0	0	307,054
Rent	753	0	0	0	753
Extracurricular Activities	19,048	0	0	267,520	286,568
Gifts and Donations	29,723	0	0	23,210	52,933
Charges for Services	0	0	0	303,489	303,489
Miscellaneous	23,399	0	0	8,112	31,511
<i>Total Revenues</i>	<u>13,947,263</u>	<u>1,326,835</u>	<u>292,041</u>	<u>2,804,104</u>	<u>18,370,243</u>
<b>Expenditures</b>					
Current:					
Instruction:					
Regular	6,889,847	0	0	364,685	7,254,532
Special	963,573	0	0	207,919	1,171,492
Vocational	175,702	0	0	0	175,702
Student Intervention Services	23,675	0	0	103,950	127,625
Other	884,538	0	0	2,777	887,315
Support Services:					
Pupils	607,990	0	0	267,726	875,716
Instructional Staff	707,142	0	0	146,083	853,225
Board of Education	130,129	0	0	0	130,129
Administration	1,309,793	0	0	112,154	1,421,947
Fiscal	403,604	29,246	0	12,186	445,036
Business	71,196	0	0	0	71,196
Operation and Maintenance of Plant	1,366,032	0	0	0	1,366,032
Pupil Transportation	422,718	0	0	115,897	538,615
Central	22,476	0	0	37,520	59,996
Extracurricular Activities	255,624	0	0	171,831	427,455
Operation of Non-instructional Services:					
Food Service Operations	0	0	0	677,840	677,840
Capital Outlay	4,017	0	7,010,845	138,631	7,153,493
Debt Service:					
Principal Retirement	70,000	326,000	0	12,720	408,720
Interest and Fiscal Charges	2,520	899,899	0	292,574	1,194,993
<i>Total Expenditures</i>	<u>14,310,576</u>	<u>1,255,145</u>	<u>7,010,845</u>	<u>2,664,493</u>	<u>25,241,059</u>
<i>Excess of Revenues Over (Under) Expenditures</i>	<u>(363,313)</u>	<u>71,690</u>	<u>(6,718,804)</u>	<u>139,611</u>	<u>(6,870,816)</u>
<b>Other Financing Sources</b>					
Gain on the Sales of Capital Assets	0	0	0	100,345	100,345
<i>Net Change in Fund Balances</i>	<u>(363,313)</u>	<u>71,690</u>	<u>(6,718,804)</u>	<u>239,956</u>	<u>(6,770,471)</u>
<i>Fund Balances Beginning of Year</i>	<u>492,294</u>	<u>475,708</u>	<u>16,294,036</u>	<u>1,119,103</u>	<u>18,381,141</u>
<i>Fund Balances End of Year</i>	<u>\$ 128,981</u>	<u>\$ 547,398</u>	<u>\$ 9,575,232</u>	<u>\$ 1,359,059</u>	<u>\$ 11,610,670</u>

See accompanying notes to the basic financial statements.

**Orrville City School District**  
*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, 2009*

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**Net Change in Fund Balances - Total Governmental Funds** \$ (6,770,471)

*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 exceeded depreciation in the current period.

Capital Asset Additions	\$ 6,884,657	
Current Year Depreciation	<u>(750,839)</u>	6,133,818

Governmental funds only report the disposal of capital assets to the extent proceeds are received from the sale. In the statement of activities, a gain or loss is reported for each disposal.

(27,043)

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

Grants	(47,063)	
Delinquent Property Taxes	118,662	
Charges for Services	<u>15,494</u>	87,093

In the statement of activities, interest is accrued on outstanding debt, where as in governmental funds, an interest expenditure is reported when due. Funds report the effects of premiums and issuance costs when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities.

Accrued Interest	1,588	
Accretion on Capital Appreciation Bonds	(19,985)	
Bond Issuance Costs	(8,509)	
Bond Premium	<u>26,403</u>	(503)

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

General Obligation Bonds	300,000	
Capital Leases	12,720	
School Facilities Note	26,000	
Tax Anticipation Note	<u>70,000</u>	408,720

Compensated absences reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds.

188,967

The internal service fund used by management to charge the costs of insurance to individual funds is not reported in the district-wide statement of activities. Governmental fund expenditures and related internal service fund revenues are eliminated. The net revenue (expense) of the internal service fund is allocated among the governmental activities.

(12,320)

*Change in Net Assets of Governmental Activities*

\$ 8,261

See accompanying notes to the basic financial statements.

**Orrville City School District**  
*Statement of Revenues, Expenditures, and Changes in Fund Balance -  
 Budget (Non-GAAP Basis) and Actual  
 General Fund  
 For the Fiscal Year Ended June 30, 2009*

	Budgeted Amounts			Variance with Final Budget Over (Under)
	Original	Final	Actual	
<b>Revenues</b>				
Taxes	\$ 6,208,566	\$ 6,208,566	\$ 6,143,538	\$ (65,028)
Intergovernmental	6,724,129	7,100,000	7,198,648	98,648
Investment Income	65,000	50,000	56,179	6,179
Tuition and Fees	200,000	310,000	307,284	(2,716)
Extracurricular Activities	20,000	20,000	19,048	(952)
Rentals	0	0	753	753
Contributions and Donations	25,000	25,000	29,723	4,723
Miscellaneous	30,000	30,720	23,056	(7,664)
<i>Total Revenues</i>	<u>13,272,695</u>	<u>13,744,286</u>	<u>13,778,229</u>	<u>33,943</u>
<b>Expenditures</b>				
Current:				
Instruction:				
Regular	6,759,849	6,790,736	6,903,383	(112,647)
Special	891,111	939,085	950,792	(11,707)
Vocational	219,582	224,882	222,311	2,571
Student Intervention Services	26,380	26,380	23,675	2,705
Other	1,000,300	1,168,161	918,791	249,370
Support Services:				
Pupils	556,746	579,626	614,371	(34,745)
Instructional Staff	537,361	679,636	688,890	(9,254)
Board of Education	183,067	198,945	224,568	(25,623)
Administration	1,359,494	1,432,144	1,302,957	129,187
Fiscal	383,964	425,615	397,774	27,841
Business	67,425	67,425	67,185	240
Operation and Maintenance of Plant	1,370,000	1,422,759	1,388,552	34,207
Pupil Transportation	408,901	466,449	435,488	30,961
Central	30,000	30,000	22,476	7,524
Extracurricular Activities	261,128	261,128	256,504	4,624
Capital Outlay	0	0	3,971	(3,971)
Debt Service:				
Principal Retirement	70,000	70,000	70,000	0
Interest and Fiscal Charges	2,050	2,050	2,520	(470)
<i>Total Expenditures</i>	<u>14,127,358</u>	<u>14,785,021</u>	<u>14,494,208</u>	<u>290,813</u>
<i>Excess of Revenues (Under) Expenditures</i>	<u>(854,663)</u>	<u>(1,040,735)</u>	<u>(715,979)</u>	<u>324,756</u>
<b>Other Financing Sources</b>				
Refund of Prior Year Expenditures	0	0	80	80
Other Financing Uses	0	0	(5)	(5)
Advances Out	0	0	(7,000)	(7,000)
<i>Total Other Financing Sources</i>	<u>0</u>	<u>0</u>	<u>(6,925)</u>	<u>(6,925)</u>
<i>Net Change in Fund Balance</i>	<u>(854,663)</u>	<u>(1,040,735)</u>	<u>(722,904)</u>	<u>317,831</u>
<i>Fund Balance Beginning of Year</i>	<u>1,784,247</u>	<u>1,784,247</u>	<u>1,784,247</u>	<u>0</u>
Prior Year Encumbrances Appropriated	<u>220,021</u>	<u>220,021</u>	<u>220,021</u>	<u>0</u>
<i>Fund Balance End of Year</i>	<u>\$ 1,149,605</u>	<u>\$ 963,533</u>	<u>\$ 1,281,364</u>	<u>\$ 317,831</u>

See accompanying notes to the basic financial statements.

**Orrville City School District**  
*Statement of Fund Net Assets*  
*Proprietary Fund*  
*June 30, 2009*

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	<u>Governmental Activities - Internal Service Fund</u>
<b>Assets</b>	
Equity in Pooled Cash and Investments	<u>\$ 442,550</u>
<b>Net Assets</b>	
Unrestricted	<u>\$ 442,550</u>

See accompanying notes to the basic financial statements.

**Orrville City School District**  
*Statement of Revenues, Expenses, and Changes in Fund Net Assets*  
*Proprietary Fund*  
*For the Fiscal Year Ended June 30, 2009*

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	<u>Governmental Activities - Internal Service Fund</u>
<b>Operating Revenues</b>	
Charges for Services	<u>\$ 1,161</u>
<b>Operating Expenses</b>	
Claims	<u>13,481</u>
<i>Change in Net Assets</i>	(12,320)
<i>Net Assets Beginning of Year</i>	<u>454,870</u>
<i>Net Assets End of Year</i>	<u><u>\$ 442,550</u></u>

See accompanying notes to the basic financial statements.

**Orrville City School District**  
*Statement of Cash Flows*  
*Proprietary Fund*  
For the Fiscal Year Ended June 30, 2009

	<u>Governmental Activities - Internal Service Fund</u>
<i>(Decrease) in Cash and Cash Equivalents</i>	
<b>Cash Flows From Operating Activities</b>	
Cash Received for Interfund Services	\$ 1,161
Cash Payments for Claims	<u>(166,140)</u>
<i>Net Cash Used for Operating Activities</i>	<u>(164,979)</u>
<i>Net Decrease in Cash and Cash Equivalents</i>	(164,979)
<i>Cash and Cash Equivalents Beginning of Year</i>	<u>607,529</u>
<i>Cash and Cash Equivalents End of Year</i>	<u><u>\$ 442,550</u></u>
 <b>Reconciliation of Operating Income to Net Cash Used for Operating Activities</b>	
<i>Operating Loss</i>	<u>\$ (12,320)</u>
Adjustments:	
Decrease in Liabilities:	
Claims Payable	<u>(152,659)</u>
<i>Net Cash Used for Operating Activities</i>	<u><u>\$ (164,979)</u></u>

See accompanying notes to the basic financial statements.

**Orrville City School District**  
*Statement of Fiduciary Assets and Liabilities*  
*Agency Fund*  
*June 30, 2009*

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	<u>Agency</u>
<b>Assets</b>	
Equity in Pooled Cash and Investments	\$ 32,717
	<hr/> <hr/>
<b>Liabilities</b>	
Accounts Payable	\$ 87
Due to Students	32,630
	<hr/>
<i>Total Liabilities</i>	\$ 32,717
	<hr/> <hr/>

See accompanying notes to the basic financial statements.

**Orrville City School District**  
*Notes To The Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2009*

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**NOTE 1: NATURE OF BASIC OPERATIONS AND DESCRIPTION OF THE ENTITY**

The Orrville City School District (the “School District”) was established for the purpose of exercising the rights and privileges conveyed to it by the constitution and laws of the State of Ohio. The School District is a school district as defined by Section 3311.02 of the Ohio Revised Code. The School District operates under an elected Board of Education, consisting of five members, and is responsible for providing public education to residents of the School District. Average daily membership on, or as of, October 1, 2008, was 1,609. The School District employs 145 certificated and 94 non-certificated employees.

The reporting entity is required to be composed of the primary government, component units and other organizations that are included to ensure that the financial statements of the School District are not misleading. The primary government consists of all funds, departments, boards, and agencies that are not legally separate from the School District. For the School District, this includes general operations, food service, and student related activities of the School District.

Component units are legally separate organizations for which the School District is financially accountable. The School District is financially accountable for an organization if the School District appoints a voting majority of the organizations’ governing board and 1) the School District is able to significantly influence the programs or services performed or provided by the organization; or 2) the School District is legally obligated or has otherwise assumed the responsibility to finance the deficits of or provided financial support to the organization; or the School District is obligated for the debt of the organization. Component units may also include organizations that are fiscally dependent on the School District in that the School District approves the budget, the issuance of debt or the levying of taxes. The School District has no component units.

The School District is involved with Tri-County Computer Service Association (TCCSA) and Wayne County Career Center, which are defined as jointly governed organizations, the Orrville Public Library, which is defined as a related organization and the Stark County Schools Council of Governments Health Benefit Plan, which is a public entity risk pool. Additional information concerning these organizations is presented in Notes 15, 16 and 17.

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

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

**Orrville City School District**  
*Notes To The Basic Financial Statements (Continued)*  
*For the Fiscal Year Ended June 30, 2009*

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

**A. Basis of Presentation**

The School District's basic financial statements consist of government-wide statements, including a statement of net assets and a statement of activities, and fund financial statements which provide a more detailed level of financial information.

**Government-wide Financial Statements**

The statement of net assets and the statement of activities display information about the School District as a whole. These statements include the financial activities of the primary government, except for fiduciary funds. The activity of the internal service fund is also eliminated to avoid "doubling up" revenues and expenses.

The statement of net assets presents the financial condition of the governmental type activities of the School District at year-end. The statement of activities presents a comparison between direct expenses and program revenues for each program or function of the School District's governmental activities. 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 charges paid by the recipient of the goods or services offered by the program, grants and contributions that are restricted to meeting the operational or capital requirements of a particular program, and interest earned on grants that is required to be used to support a particular program. Revenues which are not classified as program revenues are presented as general revenues of the School District, with certain limitations. The comparison of direct expenses with program revenues identifies the extent to which each governmental function is self-financing or draws from the general revenues of the School District.

**Fund Financial Statements**

During the year, the School District segregates transactions related to certain School District functions or activities in separate funds in order to aid financial management and to demonstrate legal compliance. Fund financial statements are designed to present financial information of the School District at this more detailed level. The focus of governmental fund financial statements is on major funds. Each major fund is presented in a separate column. Nonmajor funds are aggregated and presented in a single column. The internal service fund is presented in a single column on the face of the proprietary fund statements. The fiduciary fund is reported by type.

**B. Fund Accounting**

The School 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.

**Orrville City School District**  
*Notes To The Basic Financial Statements (Continued)*  
*For the Fiscal Year Ended June 30, 2009*

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**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 School District's major governmental funds:

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

***Bond Retirement Fund*** - The bond retirement debt service fund is used to account for the accumulation of property tax revenues for, and the payment of, general obligation bonds used for the upgrade of school facilities.

***Building Fund*** - The building capital projects fund accounts for financial resources to be used for the construction of new middle and elementary schools.

The other governmental funds of the School District account for grants and other resources whose use is restricted to a particular purpose.

**Proprietary Funds**

Proprietary funds focus on the determination of changes in net assets, financial position and cash flows and are classified as either enterprise or internal service. The School District's only proprietary fund is an internal service fund.

***Internal Service Fund*** – The internal service fund accounts for the financing of services provided by one department or agency to other departments or agencies of the School District on a cost reimbursement basis. The School District's only internal service fund accounts for a self-insurance program for employee health insurance benefits. As of December 1, 2007, the School District has contracted with Stark County Schools Council of Governments (the "Council") to provide employee medical/surgical benefits.

**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. Trust funds are used to account for assets held by the School District under a trust agreement for individuals, private organizations, or other governments and are, therefore, not available to support the School District's own programs. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. The School District's only fiduciary fund is an agency fund that accounts for student activities.

**Orrville City School District**  
*Notes To The Basic Financial Statements (Continued)*  
*For the Fiscal Year Ended June 30, 2009*

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

**C. Measurement Focus**

**Government-wide Financial Statements**

The government-wide financial statements are prepared using the economic resources measurement focus. All assets and all liabilities associated with the operation of the School District are included on the statement of net assets. The statement of activities presents increases (i.e., revenues) and decreases (i.e., expenses) in total net assets.

**Fund Financial Statements**

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.

Like the government-wide statements, the internal service fund is accounted for on a flow of economic resources measurement focus. All assets and all liabilities associated with the operation of the fund are included on the statement of net assets. The statement of changes in fund net assets presents increases (i.e., revenues) and decreases (i.e., expenses) in total net assets. The statement of cash flows provides information about how the School District finances and meets the cash flow needs of its internal service fund activity.

**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. Differences in the accrual and the modified accrual basis of accounting arise in the recognition of revenue, the recording of deferred revenue, and in the presentation of expenses versus expenditures.

**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 School District, available means expected to be received within sixty days of the fiscal year-end.

**Orrville City School District**  
*Notes To The Basic Financial Statements (Continued)*  
*For the Fiscal Year Ended June 30, 2009*

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

Non-exchange transactions, in which the School District receives value without directly giving equal value in return, include property taxes, grants, entitlements, and donations. Revenue from property taxes is recognized in the fiscal year for which the taxes are levied (See Note 6). Revenue from grants, entitlements, and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the fiscal year when use is first permitted, matching requirements, in which the School District must provide local resources to be used for a specified purpose, and expenditure requirements, in which the resources are provided to the School District on a reimbursement basis. On a modified accrual basis, revenue from non-exchange 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.

**Deferred Revenue**

Deferred revenue arises 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, 2009, but which were levied to finance fiscal year 2010 operations, have been recorded as deferred revenue. Grants and entitlements received before the eligibility requirements are met are also recorded as deferred revenue.

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

**Expenses/Expenditures**

On the accrual basis of accounting, expenses are recognized at the time they are incurred.

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

**Orrville City School District**  
*Notes To The Basic Financial Statements (Continued)*  
*For the Fiscal Year Ended June 30, 2009*

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

**E. Cash and Investments**

To improve cash management, all cash received by the School District is pooled. Monies for all funds, including the proprietary funds, are maintained in this pool. Individual fund integrity is maintained through the School District's records. Each fund's interest in the pool is presented as "equity in pooled cash and investments" on the financial statements.

During fiscal year 2009, investments were limited to certificates of deposit, a repurchase agreement, government securities, U.S. Treasury Notes, STAR Ohio and money market fund.

Except for nonparticipating investment contracts, investments are reported at fair value, which is based on quoted market prices. Nonparticipating investment contracts such as nonnegotiable certificates of deposit and repurchase agreements are reported at cost.

The School District has invested funds in the State Treasury Asset Reserve of Ohio (STAROhio) during fiscal year 2009. STAROhio is an investment pool managed by the State Treasurer's Office which allows governments within the State to pool their funds for investment purposes. STAROhio is not registered with the SEC as an investment company, but does operate in a manner consistent with Rule 2a7 of the Investment Company Act of 1940. Investments in STAROhio are valued at STAROhio's share price which is the price the investment could be sold for on June 30, 2009.

Following Ohio statutes, 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 2009 amounted to \$56,179, which includes \$50,600 assigned from other School District funds.

Investments of the cash management pool and investments with an original maturity of three months or less at the time they are purchased by the School District are presented on the financial statements as "equity in pooled cash and investments". Investments with an original maturity of more than three months that are not made from the pool are reported as "investments".

**F. Inventory**

Inventories are presented at cost on a first-in, first-out basis and are expensed when used. Inventories are accounted for using the consumption method, which means that the costs of inventory items are recorded as expenditures in the governmental funds when consumed. Inventories consist of expendable supplies held for consumption and donated and purchased food held for resale.

**Orrville City School District**  
*Notes To The Basic Financial Statements (Continued)*  
*For the Fiscal Year Ended June 30, 2009*

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

**G. Deferred Charges**

On the governmental fund statements, bond issuance costs are recorded as an expenditure when incurred. Bond issuance costs are reported as deferred and amortized over the term of the bonds using the straight-line method on the government-wide statements since the results are not significantly different from straight line method.

**H. Capital Assets**

All capital assets of the School District are classified as general capital assets. These assets generally result from expenditures in the governmental funds. The assets are reported in the governmental activities column of the government-wide statement of net assets but are not reported in the fund financial statements.

All capital assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the year. Donated capital assets are recorded at their fair market values as of the date received. The School District maintains a capitalization threshold of three thousand dollars. The School 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 assets 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>Estimated Lives</u>
Buildings and Improvements	10 - 40 Years
Furniture and Equipment	5 - 20 Years
Vehicles	10 Years

**Orrville City School District**  
*Notes To The Basic Financial Statements (Continued)*  
*For the Fiscal Year Ended June 30, 2009*

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

**I. Compensated Absences**

Vacation benefits are accrued as a liability as the benefits are earned if the employees' rights to receive compensation are attributable to services already rendered and it is probable that the employer will compensate the employees for the benefits through paid time off or some other means.

Sick leave benefits are accrued as a liability using the termination method. An accrual for earned sick leave is made to the extent that it is probable that benefits will result in termination payments. The liability is an estimate based on the School District's past experience of making termination payments.

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

On the governmental fund statements, compensated absences are recognized as a liability and expenditure to the extent payments come due each period upon the occurrence of employee resignations and retirements. These amounts are recorded in the account "Matured Compensated Absences Payable" in the funds from which the employee will be paid.

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

All payables, accrued liabilities, and long-term obligations are reported in the government-wide financial statements, and all payables and accrued liabilities from the internal service fund are reported on the proprietary fund 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 fiscal year. Bonds are recognized as a liability on the fund financial statements when due.

**K. Bond Premiums**

Bond premiums are recorded as another financing source on the governmental fund statements. On the government-wide financial statements, bond premiums are deferred and amortized over the term of the bond using the effective interest method. Bond premiums are presented as an increase of the face amount of the bonds payable.

**Orrville City School District**  
*Notes To The Basic Financial Statements (Continued)*  
*For the Fiscal Year Ended June 30, 2009*

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

**L. Net Assets**

Net assets represent the difference between assets and liabilities. Net assets invested in capital assets, net of related debt consists 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 the enabling legislation adopted by the School District or through external restrictions imposed by creditors, grantors, or laws or regulations of other governments. At June 30, 2009, none of the School District's net assets were restricted by enabling legislation. Net assets restricted for other purposes include instructional activities, grants and extracurricular activities.

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

**M. Fund Balance Reserves**

The School District reserves those portions of fund equity which are legally segregated for specific future use or which do not represent available expendable resources and, therefore, are not available for appropriations or expenditures. Unreserved fund balance indicates that portion of fund equity, which is available for appropriation, in future periods. Fund balance reserves are established for encumbrances and property taxes.

The reserve for property taxes represents taxes recognized as revenue under generally accepted accounting principles but not available for appropriations under State statute.

**N. Operating Revenues and Expenses**

Operating revenues are those revenues that are generated directly from the primary activity of the proprietary fund. For the School District, these revenues are charges for services for the employee self-insurance program. Operating expenses are necessary costs incurred to provide services that are the primary activity of the fund. All revenues and expenses not meeting these definitions are reported as non-operating.

**O. 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 financial statements.

**Orrville City School District**  
*Notes To The Basic Financial Statements (Continued)*  
*For the Fiscal Year Ended June 30, 2009*

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

**P. Extraordinary and Special Items**

Extraordinary items are transactions or events that are both unusual 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 2009.

**Q. Estimates**

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

**R. Budgetary Data**

All funds, other than agency funds, are legally required to be budgeted and appropriated. The major documents prepared are the tax budget, the appropriation resolution and the certificate of estimated resources, which are prepared on the budgetary basis of accounting. The tax budget demonstrates a need for existing or increased tax rates. The certificate of estimated resources establishes a limit on the amounts that the Board of Education may appropriate. The appropriation resolution is the Board's authorization to spend resources and sets annual limits on expenditures plus encumbrances at a level of control selected by the Board. The legal level of budgetary control has been established by the Board of Education at the fund level for all funds. The treasurer has been given the authority to allocate Board appropriations to the function and object levels within each fund.

The certificate of estimated resources may be 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 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 in effect when the final appropriations were passed.

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 in the budgetary statements reflect the final appropriations passed by the Board during the year.

**Orrville City School District**  
*Notes To The Basic Financial Statements (Continued)*  
*For the Fiscal Year Ended June 30, 2009*

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

**S. Changes in Accounting Principles**

For the year ended June 30, 2009, the School District has implemented GASB Statement No. 52, *“Land and Other Real Estate Held as Investments by Endowments”*, GASB Statement No. 55, *“The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments”*, and GASB Statement No. 56, *“Codification of Accounting and Financial Reporting Guidance Contained in the AICPA Statements on Auditing Standards”*.

GASB Statement No. 52 establishes consistent standards for the reporting of land and other real estate held as investments by essentially similar entities. It requires endowments to report their land and other real estate investments at fair value. Governments also are required to report the changes in fair value as investment income and to disclose the methods and significant assumptions employed to determine fair value, and other information that they currently present for other investments reported at fair value.

GASB Statement No. 55 incorporates the hierarchy of generally accepted accounting principles (GAAP) for state and local governments into the Governmental Accounting Standards Board's (GASB) authoritative literature.

GASB Statement No. 56 incorporates into the Governmental Accounting Standards Board's (GASB) authoritative literature certain accounting and financial reporting guidance presented in the American Institute of Certified Public Accountants' Statements on Auditing Standards.

Implementation of these GASB Statements did not affect the presentation of the financial statements of the School District.

**NOTE 3: FUND DEFICITS**

Fund balances at June 30, 2009 included the following individual fund deficits:

	Deficit
Nonmajor Special Revenue Funds:	
Alternative Education	\$ 5,496
Poverty Aid	12,467
Title I	28,613
Title VIB	52,947
Title VI	35
Title VI-R	6,107
Character Education Grant	435

The deficit fund balances resulted from adjustments for accrued liabilities. The general fund is liable for any deficit in these funds and provides operating transfers when cash is required, rather than when accruals occur.

**Orrville City School District**  
*Notes To The Basic Financial Statements (Continued)*  
*For the Fiscal Year Ended June 30, 2009*

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**NOTE 4: BUDGETARY BASIS OF ACCOUNTING**

While the School District is 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, disbursements, and encumbrances. The Statement of Revenues, Expenditures, and Changes in Fund Balance – Budget (Non-GAAP Basis) and Actual, is presented for the general fund on the budgetary basis to provide meaningful comparison of actual results with the budget. The major differences between the budget basis and GAAP basis are that:

1. Revenues are recorded when received in cash (budget) as opposed to when susceptible to accrual (GAAP).
2. Expenditures/expenses are recorded when paid in cash (budget) as opposed to when the liability is incurred (GAAP).
3. Encumbrances are treated as expenditures (budget) rather than as a reservation of fund balance (GAAP).
4. Advances in and advances out are operating transactions (budget) as opposed to balance sheet transactions (GAAP).

The following table summarizes the adjustments necessary to reconcile the GAAP basis statement to the budgetary basis statement for the general fund.

**Net Change in Fund Balance**

	<u>General</u>
GAAP Basis	\$ (363,313)
Net Adjustments for Revenue Accruals	(169,039)
Net Adjustment for Expenditure Accruals	40,172
Advance Out	(7,000)
Adjustment for Encumbrances	(223,724)
Budget Basis	\$ (722,904)

**Orrville City School District**  
*Notes To The Basic Financial Statements (Continued)*  
*For the Fiscal Year Ended June 30, 2009*

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**NOTE 5: DEPOSITS AND INVESTMENTS**

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

Active monies are public deposits necessary to meet the demands on the treasury. Such monies must be maintained either as cash in the School 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 identified as not required for use within the current five year period of designation of depositories. Inactive deposits must either be evidenced by certificates of deposit maturing not later than the end of the current period of designation of depositories, or by savings or deposit accounts including, but not limited to, passbook accounts.

Interim deposits are deposits of interim monies. Interim monies are those 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 or interest by the United States;
- 2) Bonds, notes, debentures, or any other obligations or securities issued by any federal government agency or instrumentality, including but not limited to, the Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, Government National Mortgage Association, and Student Loan Marketing Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
- 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 2% and be marked to market daily, and that the term of the agreement must not exceed 30 days;

**Orrville City School District**  
*Notes To The Basic Financial Statements (Continued)*  
*For the Fiscal Year Ended June 30, 2009*

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**NOTE 5: DEPOSITS AND INVESTMENTS (Continued)**

- 4) Bonds and any other obligations of the State of Ohio;
- 5) No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2) of this section and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions;
- 6) The State Treasurer's Investment Pool (STAR Ohio);
- 7) Certain bankers acceptances and commercial paper notes for a period not to exceed 180 days from the purchase date in any amount not to exceed 25 percent of the interim monies available for investment at any one time; and
- 8) Under limited circumstances, corporate debt interests noted in either of the two highest rating classifications by at least two nationally recognized rating agencies.

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 School 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.

According to State law, public depositories must give security for all public funds on deposit. These institutions may either specifically collateralize individual accounts in lieu of amounts insured by FDIC, or may pledge a pool of government securities valued at least 105 percent of the total value of uninsured public monies on deposit at the institution. Repurchase agreements must be secured by the specific government securities upon which the repurchase agreements are based. These securities must be obligations of or guaranteed by the United States and mature or be redeemable within five years of the date of the related repurchase agreement. State law does not require security for public deposits and investments to be maintained in the School District's name. During 2009, the School District and public depositories complied with the provisions of these statutes.

**Orrville City School District**  
*Notes To The Basic Financial Statements (Continued)*  
For the Fiscal Year Ended June 30, 2009

**NOTE 5: DEPOSITS AND INVESTMENTS (Continued)**

**Deposits with Financial Institutions**

Custodial credit risk is the risk that, in the event of a bank failure, the School District's deposits may not be returned. All deposits are collateralized with eligible securities in amounts equal to at least 105 percent 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 collateral against all of the public deposits it holds or as specific collateral held at the Federal Reserve Bank in the name of the School District.

At fiscal year-end, the carrying amount of the School District's deposits was \$1,136,122. Based on the criteria described in GASB Statement No. 40, "Deposits and Investment Risk Disclosures," as of June 30, 2009, \$757,147 of the School District's bank balance of \$1,313,794 was exposed to custodial risk as discussed above, while \$556,647 was covered by Federal Deposit Insurance Corporation.

**Funds Held by Trustee**

U.S. Bank acts as a trustee for the School District. U.S. Bank held on account as of June 30, 2009, \$1,377,680. This money is held in trustee accounts for the construction of a new middle school and other building renovations and improvements. Collateral is held on direct deposit with the Federal Reserve.

**Investments**

As of June 30, 2009, the School 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>
FHLB Discount Notes	\$ 1,648,835	\$ 1,648,835
FHLMC Discount Notes	3,373,858	3,373,858
FNMA Discount Notes	1,548,330	1,548,330
STAR Ohio	2,594,752	2,594,752
First American Treasury Money Market Fund	894,353	894,353
Repurchase Agreement	143,000	143,000
U.S. Treasury Notes	1,799,127	1,799,127
	<u>\$ 12,002,255</u>	<u>\$ 12,002,255</u>

***Interest Rate Risk.*** As a means of limiting its exposure to fair value losses arising from rising interest rates and according to state law, the maturity length for the School District is determined by market conditions and interest rate forecasts, with the goal being to buy where relative value exists along the maturity spectrum.

***Credit Risk.*** Standard & Poor's has assigned the FHLB, FHLMC and FNMA notes an AAA rating. STAROhio was rated AAAM by Standard & Poor's. The U.S. Treasury notes were rated AAA by Standard & Poor's. The School District's investments in the federal agency securities that underlie the District's repurchase agreement were rated Aaa by Moody's Investor Services.

**Orrville City School District**  
*Notes To The Basic Financial Statements (Continued)*  
*For the Fiscal Year Ended June 30, 2009*

**NOTE 5: 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 School 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 School District's investment in repurchase agreements is collateralized by underlying securities pledged by the investment's counterparty, not in the name of the School District. Ohio law requires the market value of the securities subject to repurchase agreements must exceed the principal value of the securities subject to a repurchase agreement by 2%. The School District has no investment policy dealing with investment custodial risk beyond the requirement in Ohio law 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 School District places no limit on the amount that may be invested in any one issuer. The following table includes the percentage to total of each investment type held by the School District at June 30, 2009:

<u>Investment Type</u>	<u>Fair Value</u>	<u>Percent of Total</u>
FHLB Discount Notes	\$ 1,648,835	13.74%
FHLMC Discount Notes	3,373,858	28.11%
FNMA Discount Notes	1,548,330	12.90%
STAR Ohio	2,594,752	21.62%
First American Treasury Money Market Fund	894,353	7.45%
Repurchase Agreement	143,000	1.19%
U.S. Treasury Notes	1,799,127	14.99%
	<u>\$ 12,002,255</u>	<u>100.00%</u>

**NOTE 6: PROPERTY TAXES**

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

Property taxes include amounts levied against all real, public utility and tangible personal property (used in business) located in the School District. Real property tax revenue received in calendar 2009 represents collections of calendar year 2008 taxes. Real property taxes received in calendar year 2009 were levied after April 1, 2008, on the assessed value listed as of January 1, 2008, 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 semiannually, the first payment is due December 31 with the remainder payable by June 20. Under certain circumstances, State statute permits alternate payment dates to be established.

**Orrville City School District**  
*Notes To The Basic Financial Statements (Continued)*  
*For the Fiscal Year Ended June 30, 2009*

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

Public utility property tax revenue received in calendar 2009 represents collections of calendar year 2008 taxes. Public utility real and tangible personal property taxes received in calendar year 2009 became a lien December 31, 2007, were levied after April 1, 2008 and are collected in 2009 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 2009 (other than public utility property) represents the collection of calendar year 2009 taxes levied against local and inter-exchange telephone companies. Tangible personal property tax on business inventory, manufacturing machinery and equipment, and furniture and fixtures is no longer levied and collected. The October 2008 tangible personal property tax settlement was the last property tax settlement for general personal property taxes. Tangible personal property taxes received from telephone companies in calendar year 2009 were levied after October 1, 2008 on the value as of December 21, 2008. Amounts paid by multi-county taxpayers are due September 20. Single county taxpayers may pay annually or semi-annually. If paid annually, payment is due April 30; if paid semi-annually, the first payment is due April 30, with the remainder payable by September 20. Tangible personal property taxes paid by April 30 are usually received by the School 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 communications companies, and railroads. The tax on general business and railroad property will be eliminated by calendar year 2009, and the tax on telephone and telecommunication 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 School District due to the phasing out of the tax. In calendar years 2009-2010, the School District will be fully reimbursed for the lost revenue. In calendar years 2011-2017, the reimbursements will be phased out.

The School District receives property taxes from Wayne County. The County Auditor periodically advances to the School District its portion of the taxes collected. Second-half real property tax payments collected by the County by June 30, 2009, are available to finance fiscal year 2009 operations. The amount available to be advanced can vary based on the date the tax bills are sent.

Accrued property taxes receivable includes real property, public utility property and tangible personal property taxes which are measurable as of June 30, 2009, and for which there is an enforceable legal claim. Although total property tax collections for the next fiscal year are measurable, only the delayed personal property tax and 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 deferred revenue.

The amount available as an advance at June 30, 2009, was \$570,000 in the general fund, \$103,000 in the bond retirement debt service fund and \$64,000 in the permanent improvements capital projects fund. The amount available as an advance at June 30, 2008, was \$407,484 in the general fund, \$77,005 in the bond retirement debt service fund and \$45,510 in the permanent improvements capital projects fund.

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.

**Orrville City School District**  
*Notes To The Basic Financial Statements (Continued)*  
*For the Fiscal Year Ended June 30, 2009*

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

The assessed values upon which the fiscal year 2009 taxes were collected are:

	2008 Second-Half Collections		2009 First-Half Collections	
	Amount	Percent	Amount	Percent
Agricultural/Residential	\$ 139,138,800	63%	\$ 148,840,700	69%
Commercial/Industrial/ Public Utility	58,155,420	26%	64,166,360	30%
Tangible Personal Property	22,292,560	10%	2,126,520	1%
Total Assessed Value	\$ 219,586,780	100%	\$ 215,133,580	100%
Tax rate per \$1,000 of assessed value	\$ 58.88		\$ 58.88	

**NOTE 7: RECEIVABLES**

Receivables at June 30, 2009 consisted of taxes, accounts (customer services and student fees), accrued interest, interfund and intergovernmental grants. 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. All are expected to be received within one year.

A summary of the principal items of intergovernmental receivables follow:

	Amounts
Major Fund:	
General Fund	\$ 21,899
Nonmajor Funds:	
Food Service	222
Title VI-B Grant	7,627
Title I Grant	29,033
Title IV Grant	77
Title V Grant	191
Title II-A Grant	5,198
Title II-D Grant	264
Total All Funds	\$ 64,511

**Orrville City School District**  
*Notes To The Basic Financial Statements (Continued)*  
For the Fiscal Year Ended June 30, 2009

**NOTE 8: CAPITAL ASSETS**

Capital assets activity for the fiscal year ended June 30, 2009, was as follows:

	Balance at 07/01/2008	Additions	Deletions	Balance at 06/30/2009
<b>Governmental Activities:</b>				
<b><i>Capital Assets, Not Being Depreciated:</i></b>				
Land	\$ 1,576,075	\$ 139,447	\$ (27,043)	\$ 1,688,479
Construction in Progress	1,133,511	6,641,713	(321,123)	7,454,101
<i>Total Capital Assets, Not Being Depreciated</i>	2,709,586	6,781,160	(348,166)	9,142,580
 <b><i>Capital Assets, Being Depreciated:</i></b>				
Building and Improvements	20,165,965	97,722	0	20,263,687
Furniture and Equipment	2,444,709	237,678	0	2,682,387
Vehicles	747,107	89,220	(108,532)	727,795
<i>Total Capital Assets, Being Depreciated</i>	23,357,781	424,620	(108,532)	23,673,869
 <b><i>Less Accumulated Depreciation:</i></b>				
Building and Improvements	(6,576,203)	(491,281)	0	(7,067,484)
Furniture and Equipment	(1,007,729)	(216,487)	0	(1,224,216)
Vehicles	(510,111)	(43,071)	108,532	(444,650)
<i>Total Accumulated Depreciation</i>	(8,094,043)	(750,839) *	108,532	(8,736,350)
<i>Total Capital Assets Being Depreciated, Net</i>	15,263,738	(326,219)	0	14,937,519
 <i>Governmental Activities Capital Assets, Net</i>	 \$ 17,973,324	 \$ 6,454,941	 \$ (348,166)	 \$ 24,080,099

\* Depreciation expense was charged to governmental functions as follows:

Instruction:	
Regular	\$ 655,256
Special	15,167
Vocational	7,508
Support Services:	
Pupil	14,566
Administration	19,448
Fiscal	13,065
Operation of Non-Instructional Services:	
Food Service Operations	25,829
Total Depreciation Expense	\$ 750,839

**Orrville City School District**  
*Notes To The Basic Financial Statements (Continued)*  
*For the Fiscal Year Ended June 30, 2009*

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**NOTE 9: RISK MANAGEMENT**

**A. General Insurance**

The School 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. The School District has a comprehensive property and casualty policy. The deductible is \$5,000 per incident on property and \$5,000 per incident on equipment. All vehicles are also insured with a \$1,000 deductible. All board members, administrators, and employees are covered under a school district liability policy. The limits of this coverage are \$1,000,000 per occurrence and \$2,000,000 in aggregate. Settled claims have not exceeded this commercial coverage in any of the past three years and there has not been a significant reduction in coverage from the prior year.

**B. Fidelity Bond**

The treasurer is covered under a surety bond in the amount of \$20,000. The board president and superintendent each have \$20,000 position bonds.

**C. Workers' Compensation**

The School District pays the State Workers' Compensation System a premium based on a rate per \$100 of salaries. The School District is a member of the Ohio School Board Association Group Rating System, an insurance purchasing pool. This rate is calculated based on accident history and administrative costs. The group presently consists of over 400 school districts.

**D. Employee Health Insurance**

The School District was self-insured for its medical and dental insurance programs until December 1, 2007. Premiums were paid into the self-insurance fund and were available to pay claims and administrative costs. A stop-loss insurance contract with a private insurance carrier covered specific liability claims in excess of \$40,000 per covered individual.

Changes in the fund's claims liability for the fiscal year 2009 are as follows:

	<u>Balance Beginning of Year</u>	<u>Current Year Claims</u>	<u>Claims Payments</u>	<u>Balance End of Year</u>
2008	\$ 253,708	\$ 733,975	\$ 835,024	\$ 152,659
2009	\$ 152,659	\$ 13,481	\$ 166,140	\$ 0

**Orrville City School District**  
*Notes To The Basic Financial Statements (Continued)*  
*For the Fiscal Year Ended June 30, 2009*

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**NOTE 9: RISK MANAGEMENT (Continued)**

Effective December 1, 2007, the School District has contracted with Stark County Schools Council of Governments (the “Council”) to provide employee medical/surgical benefits. The Council is a risk sharing pool created pursuant to State statute for the purpose of carrying out a cooperative program for the provision and administration of health care benefits. The Assembly is the legislative decision-making body of the Council. The Assembly is comprised of the superintendents or executive officers of the members, who have been appointed by the respective governing body of each member.

The intent of the insurance pool is to achieve a reduced, stable and competitive rate for the School District by grouping with other members of the Health Benefits Program. The experience of all participating districts is calculated as one, and a common premium rate is applied to all member districts.

Rates are set through an annual calculation process. The School District pays a monthly contribution which is placed in a common fund from which claim payments are made for all participating districts. The employees share the cost of the monthly premium with the Board. For fiscal year 2009, the School District’s monthly premiums were \$1,076.52 for family coverage and \$443.18 for single coverage. Dental insurance is also provided by the School District to qualified employees through the Stark County Schools Council for Governments. For fiscal year 2009, the School District’s cost was \$138.81 for family coverage and \$56.30 for single coverage per employee per month.

Claims are paid for all participants regardless of claims flow. Upon termination, all School District claims would be paid without regard to the School District’s account balance. The Stark County Schools Council of Government Board of Directors has the right to return monies to an existing school district subsequent to the settlement of all expenses and claims.

**NOTE 10: DEFINED BENEFIT PENSION PLANS**

**A. School Employees Retirement System**

Plan Description - The School District contributes to the School Employees Retirement System of Ohio (“SERS”), a cost-sharing multiple employer pension plan. SERS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Authority to establish and amend benefits is provided by Chapter 3309 of the Ohio Revised Code. SERS issues a publicly available, stand-alone financial report that includes financial statements and required supplementary information. That report may be obtained by writing to the School Employees Retirement System, 300 East Broad Street, Suite 100, Columbus, Ohio 43215-3746 or by calling toll free (800) 878-5853. It is also posted on SERS’ website at [www.ohsers.org](http://www.ohsers.org) under Employers/Audit Resources.

**Orrville City School District**  
*Notes To The Basic Financial Statements (Continued)*  
*For the Fiscal Year Ended June 30, 2009*

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**NOTE 10: DEFINED BENEFIT PENSION PLANS (Continued)**

Funding Policy - Plan members are required to contribute 10 percent of their annual covered salary and the School District is required to contribute at an actuarially determined rate. The current School District rate is 14 percent of annual covered payroll. A portion of the School District's contribution is used to fund pension obligations with the remainder being used to fund health care benefits; for fiscal year 2009, 9.09 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 School District's required contributions for pension obligations to SERS for the fiscal years ended June 30, 2009, 2008 and 2007 were \$231,626 \$239,017 and \$168,131, respectively; 42 percent has been contributed for fiscal year 2009 and 100 percent for the fiscal years 2008 and 2007.

**B. State Teachers Retirement System**

The School District participates in the State Teachers Retirement System of Ohio ("STRS Ohio"), a cost-sharing, multiple-employer defined benefit pension plan. STRS Ohio provides retirement and disability benefits to members and death and survivor benefits to beneficiaries. STRS Ohio issues a publicly-available, stand-alone financial report that includes financial statements and required supplementary information. That report may be obtained by writing to STRS Ohio, 275 East Broad Street, Columbus, Ohio 43215-3371, by calling (888) 227-7877, or by visiting the STRS Ohio website 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 member contributions and earned interest matched by STRS Ohio funds divided by an actuarially determined annuity factor. The DC Plan allows members to allocate their member contributions and employer contributions equal to 10.5 percent of earned compensation among various investment accounts. Investment decisions are made by the member. A member is eligible to receive a retirement benefit at age 50 and termination of employment. The Combined Plan offers features of both the DC Plan and the DB Plan. In the Combined Plan, member contributions are invested by the member, and employer contributions are used to fund the defined benefit payment at a reduced level from the regular DB Plan. DC and Combined Plan members will transfer to the DB Plan during their fifth year of membership unless they permanently select the DC or Combined Plan. Existing members with less than five years of service credit as of June 30, 2001 were given the option of making a one time irrevocable decision to transfer their account balances from the existing DB Plan into the DC Plan or the Combined Plan. This option expired on December 31, 2001. Benefits are established by Chapter 3307 of the Ohio Revised Code.

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

**Orrville City School District**  
*Notes To The Basic Financial Statements (Continued)*  
*For the Fiscal Year Ended June 30, 2009*

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**NOTE 10: DEFINED BENEFIT PENSION PLANS (Continued)**

For the fiscal year ended June 30, 2009, plan members were required to contribute 10 percent of their annual covered salaries. The School District was required to contribute 14 percent; 13 percent was the portion used to fund pension obligations. For fiscal year 2008, the portion used to fund pension obligations was also 13 percent. 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 employer contributions.

The School District's required contributions for pension obligations to the DB Plan for the fiscal years ended June 30, 2009, 2008 and 2007 were \$973,609, \$1,048,714 and \$863,690, respectively; 83 percent has been contributed for fiscal year 2009 and 100 percent for the fiscal years 2008 and 2007. Contributions to the DC and Combined Plans for fiscal year 2009 were \$16,379 made by the School District and \$21,721 made by the plan members.

**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, 2009, all members of the Board of Education have elected social security. The Board's liability is 6.2 percent of wages paid.

**NOTE 11: POSTEMPLOYMENT BENEFITS**

**A. State Teachers Retirement System**

Plan Description – The School District contributes to the cost sharing multiple employer defined benefit Health 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 2009, STRS Ohio allocated employer contributions equal to 1 percent of covered payroll to the Health Care Stabilization Fund. The School District's contributions for health care for the fiscal years ended June 30, 2009, 2008, and 2007 were \$74,893, \$80,670 and \$66,458, respectively; 83 percent has been contributed for fiscal year 2009 and 100 percent for the fiscal years 2008 and 2007.

**Orrville City School District**  
*Notes To The Basic Financial Statements (Continued)*  
*For the Fiscal Year Ended June 30, 2009*

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**NOTE 11: POSTEMPLOYMENT BENEFITS (Continued)**

**B. School Employee Retirement System**

Plan Description – The School District participates in two cost-sharing multiple employer defined benefit OPEB plans administered by the School Employees Retirement System 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 105(e). For 2009, 4.16 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 2009, 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 School District's contributions for health care for the fiscal years ended June 30, 2009, 2008, and 2007 were \$106,003, \$109,071 and \$55,819, respectively; 42 percent has been contributed for fiscal year 2009 and 100 percent for the fiscal years 2008 and 2007.

The Retirement Board, acting with advice of the actuary, allocates a portion of the employer contribution to the Medicare B Fund. For 2009, this actuarially required allocation was 0.75 percent of covered payroll. The School District's contributions for Medicare Part B for the fiscal years ended June 30, 2009, 2008, and 2007 were \$19,111, \$17,222 and \$11,433, respectively; 42 percent has been contributed for fiscal year 2009 and 100 percent for the fiscal years 2008 and 2007.

**Orrville City School District**  
*Notes To The Basic Financial Statements (Continued)*  
For the Fiscal Year Ended June 30, 2009

**NOTE 12: LONG-TERM OBLIGATIONS**

The changes in the School District's long-term obligations during the fiscal year 2009 were as follows:

	Principal Outstanding 07/01/2008	Additions	Reductions	Principal Outstanding 06/30/2009	Due Within One Year
Emergency Levy Tax					
Anticipation Note, 3.6% interest rate, due December 1, 2008	\$ 70,000	\$ 0	\$ (70,000)	\$ 0	\$ 0
2008 Schools Facilities					
Construction and Improvement Note, 4.519% interest rate, due December 1, 2035	1,000,000	0	(26,000)	974,000	18,000
2007 School Facilities Construction					
Construction and Improvement and Refunding Bonds - \$17,510,000 - 4.25-5.25% Serial and Term Bonds	17,375,000	0	(300,000)	17,075,000	300,000
Capital Appreciation Bonds	160,000	0	0	160,000	0
Accretion on Capital Appreciation	18,952	19,985	0	38,937	0
Unamortized Premium	739,285	0	(26,403)	712,882	0
Capital Leases	13,045,334	0	(12,720)	13,032,614	14,593
Compensated Absences	1,894,882	0	(188,967)	1,705,915	88,752
Totals	<u>\$ 34,303,453</u>	<u>\$ 19,985</u>	<u>\$ (624,090)</u>	<u>\$ 33,699,348</u>	<u>\$ 421,345</u>

**Orrville City School District**  
*Notes To The Basic Financial Statements (Continued)*  
*For the Fiscal Year Ended June 30, 2009*

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**NOTE 12: LONG-TERM OBLIGATIONS (Continued)**

***2007 School Facilities Construction and Improvement and Refunding General Obligation Bonds***

On September 18, 2007, the School District issued \$17,670,000 in voted general obligation bonds, which included serial, term and capital appreciation (deep discount) bonds in the amount of \$11,275,000, \$6,235,000 and \$160,000, respectively. The bonds refunded \$2,670,000 of outstanding 1997 Library Bonds and \$15,000,000 of outstanding 2007 School Facilities Construction and Improvement Notes. The bonds were issued for a twenty-nine year period with final maturities at December 31, 2035.

At the date of refunding, \$18,435,688 (including premium and after underwriting fees and other issuance costs) was received to pay off old debt. As a result, \$2,670,000 of the 1997 Library Bonds and \$15,000,000 of the notes were retired. The bonds were issued with a premium of \$765,688, which is reported as an increase to bonds payable. The amounts are being amortized to interest expense over the life of the bonds using the straight-line method. The amortization of the premium for fiscal year 2009 was \$26,403. The issuance costs of \$246,774 are reported as deferred charges and are being amortized over the life of the bonds using the straight-line method. The amortization of the issuance costs for fiscal year 2009 was \$8,509.

The bond issue consists of serial, term and capital appreciation bonds. The serial bonds were issued with a varying interest rate of 4.250 to 5.250 percent. The term bonds that mature in fiscal year 2036 with an interest rate of 5.250 percent are subject to mandatory sinking fund redemption. The mandatory sinking fund redemption is to occur on December 1, 2029 at 100 percent of the principal amount thereof plus accrued interest to the date of redemption according to the following schedule.

<u>Fiscal Year</u>	<u>Principal Amount to be Redeemed</u>
2030	\$ 760,000
2031	800,000
2032	840,000
2033	885,000
2034	935,000
2035	980,000

The remaining principal amount of term bonds in the amount of \$1,035,000 will be paid at stated maturity on December 1, 2035.

The term bonds maturing after December 1, 2018 are subject to optional redemption, in whole or in part, on any date in order of maturity as determined by the School District and by lot within a maturity, at the option of the Board of Education on or after December 1, 2017.

**Orrville City School District**  
*Notes To The Basic Financial Statements (Continued)*  
For the Fiscal Year Ended June 30, 2009

**NOTE 12: LONG-TERM OBLIGATIONS (Continued)**

The capital appreciation bonds will mature December 1, 2018 and 2019. These bonds were purchased at a discount at the time of issuance and at maturity all compounded interest is paid and the bond holder collects the face value. However, since interest is technically earned and compounded semi-annually, the value of the bond increases. Therefore, as the value increases, the accretion is booked as principal. The maturity amount of the bonds is \$690,000. The fiscal year 2009 accretion amount is \$19,985.

***2008 School Facilities Construction and Improvement Note***

On February 28, 2008, the School District entered into a note with the Columbus Regional Airport Authority for improvements and construction of school facilities, constructing additions to and renovating and improving school facilities under the Ohio School Facilities Commission Expedited Local Partnership Program. As part of the agreement, the Columbus Regional Airport deposited \$1,000,000 with a trustee. Amounts are paid to contractors by the trustee at the discretion of the School District as the project progresses. The note will be paid from tax levy proceeds.

The general obligation bonds and note will be paid from the bond retirement debt service fund.

The tax anticipation note will be paid from the general fund.

Compensated absences will be paid from the general fund.

The capital lease will be paid from the permanent improvement fund.

Principal and interest requirements to retire general obligation bonds outstanding at June 30, 2009 are as follows:

	Construction and Improvement Note		General Obligation Bonds		Capital Appreciation Bonds		Total	
	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest
2010	\$ 18,000	\$ 46,899	\$ 300,000	\$ 839,181	\$ 0	\$ 0	\$ 318,000	\$ 886,080
2011	19,000	46,000	325,000	825,900	0	0	344,000	871,900
2012	20,000	45,052	350,000	811,556	0	0	370,000	856,608
2013	21,000	44,056	420,000	795,193	0	0	441,000	839,249
2014	22,000	43,011	455,000	776,600	0	0	477,000	819,611
2015-2019	126,000	197,656	2,750,000	3,532,258	100,000	105,000	2,976,000	3,834,914
2020-2024	159,000	163,175	2,970,000	2,891,190	60,000	425,000	3,189,000	3,479,365
2025-2029	205,000	119,194	3,270,000	2,080,401	0	0	3,475,000	2,199,595
2030-2034	261,000	62,816	4,220,000	1,105,653	0	0	4,481,000	1,168,469
2035-2036	123,000	6,051	2,015,000	107,232	0	0	2,138,000	113,283
Total	\$ 974,000	\$ 773,910	\$ 17,075,000	\$ 13,765,164	\$ 160,000	\$ 530,000	\$ 18,209,000	\$ 15,069,074

**Orrville City School District**  
*Notes To The Basic Financial Statements (Continued)*  
*For the Fiscal Year Ended June 30, 2009*

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**NOTE 13: CAPITALIZED LEASES-LESSEE DISCLOSURE**

In fiscal year 2006, the School District entered into a lease for the construction of a new middle school building. During fiscal year 2008, the School District entered into a lease for copiers. These leases meet the criteria of a capital lease as defined by Statement of Financial Accounting Standards No. 13, "Accounting for Leases," which defines a capital lease generally as one which transfers benefits and risks of ownership to the lessee.

The School District entered into a lease agreement with the Columbus Regional Airport Authority for the construction of a new middle school building. At the time the School District entered into this lease, the building had not yet been constructed. As part of the agreement, Columbus Regional Airport Authority, as lessor, deposited \$13,000,000 with a trustee for the construction of the building. Amounts are paid to contractors by the trustee at the discretion of the School District as the project progresses. At year end, capital assets being constructed under this lease have been capitalized. \$364,656 is still held by the trustee. All payments will be made to the U.S. Bank, third party administrator. Interest is calculated on a weekly basis using the BMA rate plus 73.1 bpts. At June 30, 2009 the interest rate was 1.081 percent.

Capital assets acquired by the leases have been capitalized in the amount of \$12,752,261. A corresponding liability was recorded in the statement of net assets and is reduced for each required principal payment. Interest only payments began in fiscal year 2007 for the new building lease. The first principal payment will be made in fiscal year 2011.

The following is a schedule of the future long term minimum lease payments required under the capital lease and the present value of the minimum lease payments as of June 30, 2009:

	Year ending June 30,				
	2010		\$	510,090	
	2011			842,265	
	2012			828,272	
	2013			825,216	
	2014			824,448	
	2015-2019			4,112,555	
	2020-2024			4,095,254	
	2025-2029			4,072,904	
	2030-2034			4,048,104	
				20,159,108	
	Less amount representing interest			7,126,494	
	Present value of minimum lease payment		\$	13,032,614	

**Orrville City School District**  
*Notes To The Basic Financial Statements (Continued)*  
*For the Fiscal Year Ended June 30, 2009*

**NOTE 14: CONTRACTUAL COMMITMENTS**

As of June 30, 2009, the School District had contractual commitments for the construction of a new elementary school.

	Contractual Commitment	Expended	Balance June 30, 2009
RP Carbone Company	\$ 871,113	\$ 474,320	\$ 396,793
S. A. Comunale	22,898	0	22,898
Balog, Steines & Hendricks	768,000	606,720	161,280
C. T. Taylor	7,822,174	3,874,864	3,947,310
S.S. Sprinkler	150,300	15,250	135,050
R.T. Hampton	411,694	168,728	242,966
Standard Plumbing & Heating	173,651	170,994	2,657
The K Company	1,714,781	726,353	988,428
Summit Electric	1,756,276	477,339	1,278,937
McClintock electric	88,061	0	88,061
Karpinski Engineering	19,500	18,633	867
	<u>\$ 13,798,448</u>	<u>\$ 6,533,201</u>	<u>\$ 7,265,247</u>

**NOTE 15: RELATED ORGANIZATION**

The Orrville Public Library (the "Library") is a related organization to the School District. The school board members are responsible for appointing all the trustees of the Library; however, the school board cannot influence the Library's operation, nor does the Library represent a potential financial benefit or burden to the School District. The School District serves in a ministerial capacity as the taxing authority for the Library. Once the Library determines to present a levy to the voters, including the determination of the rate and duration, the School District must place the levy on the ballot. The Library may not issue debt and determines its own budget. The Library did not receive any funding from the School District during fiscal year 2009.

**Orrville City School District**  
*Notes To The Basic Financial Statements (Continued)*  
*For the Fiscal Year Ended June 30, 2009*

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**NOTE 16: JOINTLY GOVERNED ORGANIZATIONS**

**A. Tri-County Computer Service Association (TCCSA)**

The Tri-County Computer Services Association (TCCSA) is a jointly governed organization comprised of 20 school districts. The jointly governed organization was formed for the purpose of applying modern technology with the aid of computers and other electronic equipment to administrative and instructional functions for member School Districts. Each of the governments of these School Districts supports TCCSA based on a per-pupil charge dependent upon the software package utilized. The TCCSA assembly consists of a superintendent or designated representative from each participating School District and a representative from the fiscal agent. TCCSA is governed by a board of directors chosen from the general membership of the TCCSA assembly. The board of directors consists of a representative from the fiscal agent, the chairman of each operating committee, and at least an assembly member from each county from which participating School Districts are located. Financial information can be obtained by contacting the Treasurer at the Wayne County Educational Service Center, which serves as fiscal agent, located at Wooster, Ohio. During the year ended June 30, 2009, the School District paid approximately \$156,350 to TCCSA for basic service charges.

**B. Wayne County Career Center**

The Career Center, a joint vocational school, is a jointly governed organization providing vocational services to its ten member school districts. The Career Center is governed by a board of education comprised of nine members appointed by the participating schools. The board controls the financial activity of the Career Center and reports to the Ohio Department of Education and the Auditor of State of Ohio. The continued existence of the Career Center is not dependent on the School District's continued participation and no equity interest exists.

**NOTE 17 – PUBLIC ENTITY RISK POOLS**

The School District is a member of the Stark County Schools Council of Governments Health Benefit Plan (the Council), through which a cooperative Health Benefit Program was created for the benefit of its members. The Health Benefit Program (the "Program") is an employee health benefit plan which covers the participating members' employees. The Council acts as a fiscal agent for the cash funds paid into the program by the participating school districts. These funds are pooled together for the purpose of paying health benefit claims for employees and their covered dependents, administrative expenses of the program, and premiums for stop-loss insurance coverage. The School District accounts for the premiums paid as expenditures in the general or applicable fund.

**Orrville City School District**  
*Notes To The Basic Financial Statements (Continued)*  
*For the Fiscal Year Ended June 30, 2009*

**NOTE 18: CONTINGENCIES**

**A. Grants**

The School District received financial assistance from federal and state 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 is subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the general fund or other applicable funds. However, in the opinion of management, any such disallowed claims will not have a material adverse effect on the overall financial position of the School District at June 30, 2009.

**B. Litigation**

The School District is not party to any claims or lawsuits that would, in the School District's opinion, have a material effect on the basic financial statements.

**NOTE 19: SET-ASIDES**

The School 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 changes in the year-end set-aside amounts for textbooks and capital acquisitions. Disclosure of this information is required by State statute.

	<u>Textbooks</u>	<u>Capital Acquisition</u>	<u>Totals</u>
Set-aside Reserve Balance as of June 30, 2008	\$ (115,481)	\$ 0	\$ (115,481)
Current Year Set-aside Requirement	265,671	265,671	531,342
Current Year Offsets	0	(832,433)	(832,433)
Qualifying Disbursements	<u>(359,355)</u>	<u>0</u>	<u>(359,355)</u>
<b>Totals</b>	<b><u>\$ (209,165)</u></b>	<b><u>\$ (566,762)</u></b>	<b><u>\$ (775,927)</u></b>
Set-aside Balance Carried Forward to Future Fiscal Years	<u>\$ (209,165)</u>	<u>\$ 0</u>	
Set-aside Reserve Balance as of June 30, 2009	<u>\$ 0</u>	<u>\$ 0</u>	

**Orrville City School District**  
*Notes To The Basic Financial Statements (Continued)*  
*For the Fiscal Year Ended June 30, 2009*

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**NOTE 19: SET-ASIDES (Continued)**

The School District had qualifying disbursements during the fiscal year that reduced the textbook set-aside amount below zero. This extra amount may be used to reduce the set-aside requirement in future years. Although the School District had qualifying disbursements and offsets during the fiscal year that reduced the set-aside amount below zero for the capital acquisition set-aside, this amount may not be used to reduce the set-aside requirement for future years. The total reserve balance for the two set-asides at the end of the fiscal year was \$-0-.

**NOTE 20: INTERFUND BALANCES**

As of June 30, 2009, receivables and payables that resulted from cash advances from the General Fund to other funds were as follows:

	Interfund Receivable	Interfund Payable
<b>Fund:</b>		
General	\$ 7,000	\$ 0
Other Governmental:		
Athletics	0	7,000
Totals	\$ 7,000	\$ 7,000

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

Interfund balances between governmental funds are eliminated on the government-wide financial statements; therefore, no internal balances at June 30, 2009 are reported on the Statement of Net Assets.

**ORRVILLE CITY SCHOOL DISTRICT  
WAYNE COUNTY**

**FEDERAL AWARDS RECEIPTS AND EXPENDITURES SCHEDULE  
FOR THE YEAR ENDED JUNE 30, 2009**

FEDERAL GRANTOR/ PASS THROUGH GRANTOR/ PROGRAM TITLE	FEDERAL CFDA NUMBER	RECEIPTS	NON-CASH RECEIPTS	EXPENDITURES	NON-CASH EXPENDITURES
<b><u>U.S. DEPARTMENT OF EDUCATION</u></b>					
<i>(Passed Through Ohio Department of Education)</i>					
Title I Grants to Local Educational Agencies	84.010	\$39,937 <u>216,806</u>		\$35,909 <u>205,789</u>	
Total Title I Grants to Local Educational Agencies		256,743		241,698	
Special Education - Grants to States	84.027	42,026 <u>368,257</u>		62,670 <u>364,123</u>	
Total Special Education - Grants to States		410,283		426,793	
Safe and Drug Free Schools and Communities State Grant	84.186	5,154		4,631	
State Grants for Innovative Programs	84.298	870 <u>13,104</u>		2,970 <u>10,563</u>	
Total State Grants for Innovative Programs		13,974		13,533	
Education Technology State Grants	84.318	0 <u>1,937</u>		112 <u>2,325</u>	
Total Education Technology State Grants		1,937		2,437	
Improving Teacher Quality State Grants	84.367	5,320 <u>87,519</u>		5,582 <u>83,570</u>	
Total Improving Teacher Quality State Grants		92,839		89,152	
Total U.S. Department of Education		<u>780,930</u>		<u>778,244</u>	
<b><u>U.S. DEPARTMENT OF AGRICULTURE</u></b>					
<i>(Passed Through Ohio Department of Education)</i>					
Child Nutrition Cluster:					
Non-Cash Assistance (Food Distribution):					
National School Lunch Program	10.555		\$85,068		\$85,068
Cash Assistance:					
National School Lunch Program	10.555	281,356		281,356	
School Breakfast Program	10.553	<u>56,396</u>		<u>56,396</u>	
Total Child Nutrition Cluster		<u>337,752</u>	<u>85,068</u>	<u>337,752</u>	<u>85,068</u>
Total U.S. Department of Agriculture		<u>337,752</u>	<u>85,068</u>	<u>337,752</u>	<u>85,068</u>
Total		<u>\$1,118,682</u>	<u>\$85,068</u>	<u>\$1,115,996</u>	<u>\$85,068</u>

The accompanying notes are an integral part of this schedule.

**ORRVILLE CITY SCHOOL DISTRICT  
WAYNE COUNTY**

**NOTES TO THE FEDERAL AWARDS RECEIPTS AND EXPENDITURES SCHEDULE  
FISCAL YEAR ENDED JUNE 30, 2009**

**NOTE A - SIGNIFICANT ACCOUNTING POLICIES**

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

**NOTE B - CHILD NUTRITION CLUSTER**

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

**NOTE C – FOOD DONATION PROGRAM**

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



# 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

Orrville City School District  
Wayne County  
815 North Ella Street  
Orrville, Ohio 44667

To the Board of Education:

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Orrville City School District, Wayne County, Ohio, (the District) as of and for the year ended June 30, 2009, which collectively comprise the District's basic financial statements and have issued our report thereon dated February 10, 2010. 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 opinion 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.

We noted certain matters that we reported to the District's management in a separate letter dated February 10, 2010.

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### **Compliance and Other Matters**

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

We did note a certain noncompliance or other matter that we reported to the District's management in a separate letter dated February 10, 2010.

We intend this report solely for the information and use of management, the Board of Education, 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

February 10, 2010



# Mary Taylor, CPA

Auditor of State

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

Orrville City School District  
Wayne County  
815 North Ella Street  
Orrville, Ohio 44667

To the Board of Education:

### Compliance

We have audited the compliance of Orrville City School District, Wayne 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, 2009. 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 each major federal program. Our responsibility is to express an opinion on the District's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits 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 Orrville City School 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, 2009. In a separate letter to the District's management dated February 10, 2010, we reported an other matter related to Federal noncompliance not requiring inclusion in this report.

### 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 management, the Board of Education, federal awarding agencies, and pass-through entities. It is not intended for anyone other than these specified parties.



**Mary Taylor, CPA**  
Auditor of State

February 10, 2010

**ORRVILLE CITY SCHOOL DISTRICT  
WAYNE COUNTY**

**SCHEDULE OF FINDINGS  
OMB CIRCULAR A -133 § .505  
JUNE 30, 2009**

**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>	Special Education_Grants to States – CFDA #84.027
<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

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# Mary Taylor, CPA

Auditor of State

## INDEPENDENT ACCOUNTANTS' REPORT ON APPLYING AGREED-UPON PROCEDURES

Orrville City School District  
Wayne County  
815 North Ella Street  
Orrville, Ohio 44667

To the Board of Education:

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

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

1. We noted the Board adopted an anti-harassment policy at its meeting on July 27, 2007.
2. We read the policy, noting it included the following requirements from Ohio Rev. Code Section 3313.666(B):
  - (1) A statement prohibiting harassment, intimidation, or bullying of any student on school property or at school-sponsored events;
  - (2) A definition of harassment, intimidation, or bullying that shall include the definition in division (A) of Ohio Rev. Code Section 3313.666;
  - (3) A procedure for reporting prohibited incidents;
  - (4) A requirement that school personnel report prohibited incidents of which they are aware to the school principal or other administrator designated by the principal;
  - (5) A strategy for protecting a victim from additional harassment, intimidation, or bullying, and from retaliation following a report;

- (6) A disciplinary procedure for any student guilty of harassment, intimidation, or bullying, which shall not infringe on any student's rights under the first amendment to the Constitution of the United States;
  - (7) A requirement that the district administration semiannually provide the president of the district board a written summary of all reported incidents and post the summary on its web site, if the district has a web site, to the extent permitted by section 3319.321 of the Revised Code and the "Family Educational Rights and Privacy Act of 1974," 88 Stat. 571, 20 U.S.C. 1232q, as amended.
3. We read the policy, noting it excluded the following requirements from Ohio Rev. Code Section 3313.666(B):
- (1) A procedure for responding to and investigating any reported incident;
  - (2) A procedure for documenting any prohibited incident that is reported;
  - (3) A requirement that parents or guardians of any student involved in a prohibited incident be notified and, to the extent permitted by section 3319.321 of the Revised Code and the "Family Educational Rights and Privacy Act of 1974," 88 Stat. 571, 20 U.S.C. 1232q, as amended, have access to any written reports pertaining to the prohibited incident.

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

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



**Mary Taylor, CPA**  
Auditor of State

February 10, 2010



Mary Taylor, CPA  
Auditor of State

ORRVILLE CITY SCHOOL DISTRICT  
WAYNE 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 16, 2010