

**OSNABURG LOCAL SCHOOL DISTRICT  
STARK COUNTY**

**REGULAR AUDIT**

**FOR THE YEAR ENDED JUNE 30, 2009**



**Mary Taylor, CPA**  
Auditor of State



**OSNABURG LOCAL SCHOOL DISTRICT  
STARK COUNTY**

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# Mary Taylor, CPA

Auditor of State

## INDEPENDENT ACCOUNTANTS' REPORT

Osnaburg Local School District  
Stark County  
310 Browning Ct. N  
East Canton, Ohio 44730

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 Osnaburg Local School District, Stark 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 the Osnaburg Local School District, Stark County, Ohio, as of June 30, 2009, and the respective changes in financial position thereof and the budgetary comparison for the General Fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 4, 2009, on our consideration of the District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. While we did not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting and compliance and the results of that testing. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*. You should read it in conjunction with this report in assessing the results of our audit.

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

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

**Mary Taylor, CPA**  
Auditor of State

December 4, 2009

**OSNABURG LOCAL SCHOOL DISTRICT  
STARK COUNTY, OHIO**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2009**

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

**Financial Highlights**

Key financial highlights for 2009 are as follows:

- In total, net assets of governmental activities decreased \$46,210 which represents a 0.23% decrease from 2008.
- General revenues accounted for \$7,441,921 in revenue or 78.74% of all revenues. Program specific revenues in the form of charges for services and sales, grants and contributions accounted for \$2,009,334 or 21.26% of total revenues of \$9,451,255.
- The District had \$9,497,465 in expenses related to governmental activities; \$2,009,334 of these expenses was offset by program specific charges for services, grants or contributions. General revenues supporting governmental activities (primarily taxes and unrestricted grants and entitlements) of \$7,441,921 were not adequate to provide for these programs.
- The District's major governmental funds are the general fund and classroom facilities fund. The general fund had \$7,174,993 in revenues and other financing sources and \$7,921,664 in expenditures and other financing uses. During fiscal year 2009, the general fund's fund balance decreased \$746,671 from \$3,545,155 to \$2,798,484.
- The classroom facilities fund had \$6,577,571 in revenues and \$8,613,548 in expenditures. During fiscal year 2009, the classroom facilities fund's fund balance decreased \$2,035,977 from \$13,297,876 to \$11,261,899.

**Using these Basic Financial Statements**

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

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

**OSNABURG LOCAL SCHOOL DISTRICT  
STARK COUNTY, OHIO**

MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2009

**Reporting the District as a Whole**

*Statement of Net Assets and the Statement of Activities*

While this document contains the large number of funds used by the District to provide programs and activities, the view of the District as a whole looks at all financial transactions and asks the question, "How did we do financially during 2009?" The statement of net assets and the statement of activities answer this question. These statements include all assets, liabilities, revenues and expenses using the accrual basis of accounting similar to the accounting used by most private-sector companies. This basis of accounting will take into account all of the current year's revenues and expenses regardless of when cash is received or paid.

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

In the statement of net assets and the statement of activities, the governmental activities include the District's programs and services, including instruction, support services, operation and maintenance of plant, pupil transportation, extracurricular activities and food service operations.

The District's statement of net assets and statement of activities can be found on pages 13-14 of this report.

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

*Fund Financial Statements*

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

*Governmental Funds*

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



**OSNABURG LOCAL SCHOOL DISTRICT  
STARK COUNTY, OHIO**

MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2009

***Reporting the District's Fiduciary Responsibilities***

The District is the trustee, or fiduciary, for its scholarship programs. These activities are presented as private-purpose trust funds. The District also acts in a trustee capacity as an agent for individuals or other entities. These activities are reported in agency funds. All of the District's fiduciary activities are reported in separate statements of fiduciary net assets and changes in fiduciary net assets on pages 20 and 21. These activities are excluded from the District's other financial statements because the assets cannot be utilized by the District to finance its operations.

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

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

**The District as a Whole**

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

The table below provides a summary of the District's net assets for 2009 and 2008.

	<b>Net Assets</b>	
	Governmental Activities <u>2009</u>	Governmental Activities <u>2008</u>
<b><u>Assets</u></b>		
Current and other assets	\$ 24,031,026	\$ 31,169,000
Capital assets, net	<u>11,188,513</u>	<u>2,402,541</u>
Total assets	<u>35,219,539</u>	<u>33,571,541</u>
<b><u>Liabilities</u></b>		
Current liabilities	5,511,111	3,806,191
Long-term liabilities	<u>9,520,403</u>	<u>9,531,115</u>
Total liabilities	<u>15,031,514</u>	<u>13,337,306</u>
<b><u>Net assets</u></b>		
Invested in capital assets, net of related debt	10,369,225	2,265,680
Restricted	6,921,107	14,585,009
Unrestricted	<u>2,897,693</u>	<u>3,383,546</u>
Total net assets	<u>\$ 20,188,025</u>	<u>\$ 20,234,235</u>

Over time, net assets can serve as a useful indicator of a government's financial position. At June 30, 2009, the District's assets exceeded liabilities by \$20,188,025.

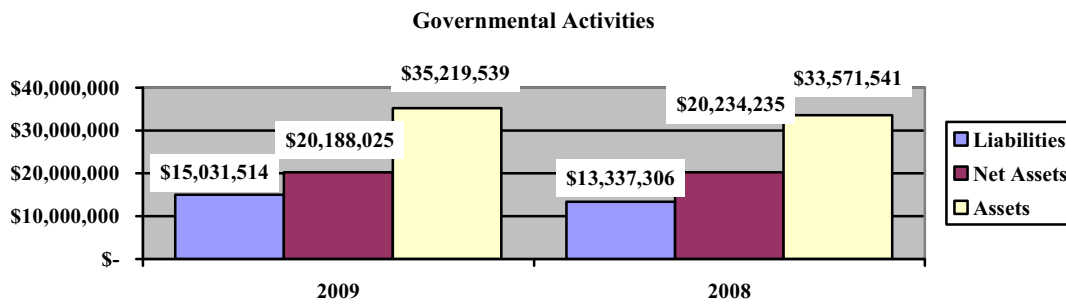
**OSNABURG LOCAL SCHOOL DISTRICT  
STARK COUNTY, OHIO**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2009**

At year-end, capital assets represented 31.77% of total assets. Capital assets include land, construction in progress, land improvements, buildings and improvements, furniture and equipment and vehicles. These capital assets are used to provide services to the students and are not available for future spending.

A portion of the District's net assets, \$6,921,107, represents resources that are subject to external restriction on how they may be used. The remaining balance of unrestricted net assets of \$2,897,693 may be used to meet the District's ongoing obligations to the students and creditors.

The graph below presents the District's assets, liabilities and net assets for fiscal year 2009 and 2008.



The table below shows the change in net assets for fiscal year 2009 and 2008.

**Change in Net Assets**

	Governmental Activities <u>2009</u>	Governmental Activities <u>2008</u>
<b><u>Revenues</u></b>		
Program revenues:		
Charges for services and sales	\$ 892,787	\$ 788,851
Operating grants and contributions	1,107,558	877,739
Capital grants and contributions	8,989	4,217
General revenues:		
Property taxes	2,795,597	2,636,501
Grants and entitlements	4,181,922	3,959,314
Investment earnings	418,980	729,265
Other	<u>45,422</u>	<u>66,422</u>
Total revenues	<u>9,451,255</u>	<u>9,062,309</u>

-continued

**OSNABURG LOCAL SCHOOL DISTRICT  
STARK COUNTY, OHIO**

MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2009

**Change in Net Assets (Continued)**

	Governmental Activities <u>2009</u>	Governmental Activities <u>2008</u>
<b><u>Expenses</u></b>		
Program expenses:		
Instruction:		
Regular	\$ 3,649,025	\$ 3,546,378
Special	786,975	666,107
Vocational	148,331	215,595
Other	857,554	723,241
Support services:		
Pupil	299,493	429,085
Instructional staff	171,941	170,400
Board of education	23,296	24,066
Administration	732,734	670,121
Fiscal	259,738	244,429
Business	10,880	7,324
Operations and maintenance	713,732	641,483
Pupil transportation	612,475	596,339
Central	25,991	26,344
Operations of non-instructional services	23,659	22,813
Food service operations	356,012	364,576
Extracurricular activities	457,157	457,485
Interest and fiscal charges	<u>368,472</u>	<u>426,868</u>
Total expenses	<u>9,497,465</u>	<u>9,232,654</u>
Change in net assets	(46,210)	(170,345)
Net assets at beginning of year	<u>20,234,235</u>	<u>20,404,580</u>
Net assets at end of year	<u>\$ 20,188,025</u>	<u>\$ 20,234,235</u>

**Governmental Activities**

Net assets of the District's governmental activities decreased \$46,210. Total governmental expenses of \$9,497,465 were offset by program revenues of \$2,009,334 and general revenues of \$7,441,921. Program revenues supported 21.16% of the total governmental expenses.

The primary sources of revenue for governmental activities are derived from property taxes and unrestricted grants and entitlements. These revenue sources represent 73.83% of total governmental revenue.

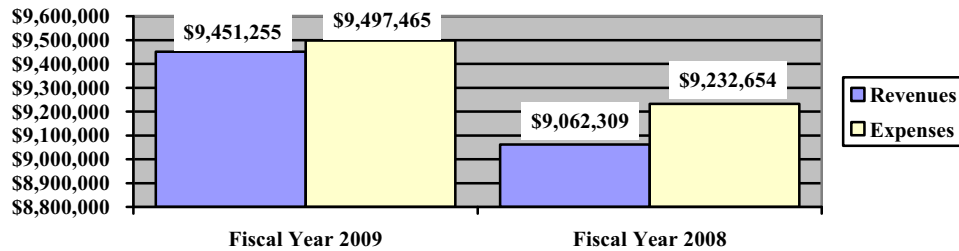
The largest expense of the District is for instructional programs. Instruction expenses totaled \$5,441,885 or 57.30% of total governmental expenses for fiscal year 2009.

**OSNABURG LOCAL SCHOOL DISTRICT  
STARK COUNTY, OHIO**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2009**

The graph below presents the District's governmental activities revenue and expenses for fiscal year 2009 and 2008.

**Governmental Activities - Revenues and Expenses**



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

**Governmental Activities**

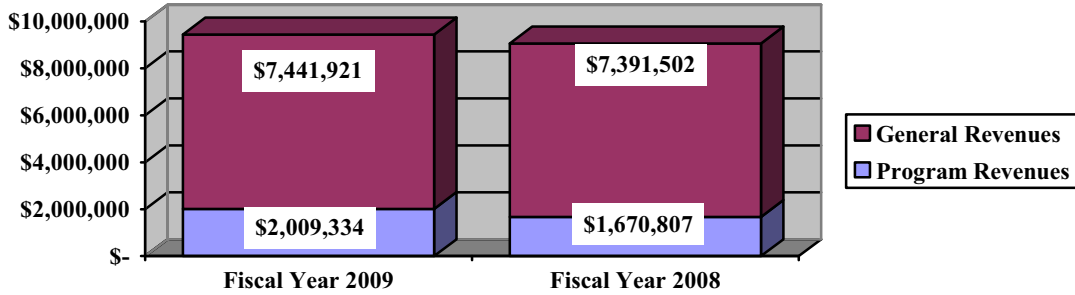
	Total Cost of Services 2009	Net Cost of Services 2009	Total Cost of Services 2008	Net Cost of Services 2008
<b>Program expenses</b>				
Instruction:				
Regular	\$ 3,649,025	\$ 2,995,949	\$ 3,546,378	\$ 3,073,580
Special	786,975	325,805	666,107	291,899
Vocational	148,331	91,151	215,595	128,614
Other	857,554	854,735	723,241	723,241
Support services:				
Pupil	299,493	171,680	429,085	279,822
Instructional staff	171,941	137,985	170,400	155,399
Board of education	23,296	23,296	24,066	24,066
Administration	732,734	704,939	670,121	656,022
Fiscal	259,738	259,666	244,429	244,429
Business	10,880	10,880	7,324	7,324
Operations and maintenance	713,732	713,732	641,483	641,483
Pupil transportation	612,475	520,358	596,339	569,436
Central	25,991	20,991	26,344	21,344
Operations of non-instructional services	23,659	23,659	22,813	22,813
Food service operations	356,012	(24,874)	364,576	12,050
Extracurricular activities	457,157	289,707	457,485	283,457
Interest and fiscal charges	368,472	368,472	426,868	426,868
<b>Total expenses</b>	<u>\$ 9,497,465</u>	<u>\$ 7,488,131</u>	<u>\$ 9,232,654</u>	<u>\$ 7,561,847</u>

The dependence upon tax and other general revenues for governmental activities is apparent, 78.42% of instruction activities are supported through taxes and other general revenues. For all governmental activities, general revenue support is 78.84%. The District's taxpayers, as a whole, are by far the primary support for District's students. The graph below presents the District's governmental activities revenue for fiscal year 2009 and 2008.

**OSNABURG LOCAL SCHOOL DISTRICT  
STARK COUNTY, OHIO**

MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2009

**Governmental Activities - General and Program Revenues**



**The District's Funds**

The District's governmental funds reported a combined fund balance of \$15,404,811, which is less than last year's total of \$18,126,329. This large decrease is mainly due to increased expenditures related to the District's construction project. The schedule below indicates the fund balance and the total change in fund balance as of June 30, 2009 and 2008.

	Fund Balance <u>June 30, 2009</u>	Fund Balance <u>June 30, 2008</u>	Increase <u>(Decrease)</u>	Percentage <u>Change</u>
General	\$ 2,798,484	\$ 3,545,155	\$ (746,671)	(21.06) %
Classroom facilities	11,261,899	13,297,876	(2,035,977)	(15.31) %
Other governmental	<u>1,344,428</u>	<u>1,283,298</u>	<u>61,130</u>	4.76 %
Total	<u>\$ 15,404,811</u>	<u>\$ 18,126,329</u>	<u>\$ (2,721,518)</u>	(15.01) %

**General Fund**

The District's general fund's fund balance decreased \$746,671. This was due to increasing expenditures and decreasing revenues, particularly tax revenues and earnings on investments.

**OSNABURG LOCAL SCHOOL DISTRICT  
STARK COUNTY, OHIO**

MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2009

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

	<u>2009</u> <u>Amount</u>	<u>2008</u> <u>Amount</u>	<u>Increase</u> <u>(Decrease)</u>	<u>Percentage</u> <u>Change</u>
<b><u>Revenues</u></b>				
Taxes	\$ 2,148,066	\$ 2,312,107	\$ (164,041)	(7.09) %
Earnings on investments	121,150	233,586	(112,436)	(48.13) %
Intergovernmental	4,345,156	4,278,656	66,500	1.55 %
Other revenues	<u>551,961</u>	<u>433,703</u>	<u>118,258</u>	27.27 %
Total	<u>\$ 7,166,333</u>	<u>\$ 7,258,052</u>	<u>\$ (91,719)</u>	(1.26) %
<b><u>Expenditures</u></b>				
Instruction	\$ 5,052,185	\$ 4,912,770	\$ 139,415	2.84 %
Support services	2,579,234	2,476,499	102,735	4.15 %
Non-instructional services	23,878	21,939	1,939	8.84 %
Extracurricular activities	247,463	251,487	(4,024)	(1.60) %
Facilities acquisition and construction	<u>3,220</u>	<u>10,796</u>	<u>(7,576)</u>	(70.17) %
Total	<u>\$ 7,905,980</u>	<u>\$ 7,673,491</u>	<u>\$ 232,489</u>	3.03 %

Tax revenues decreased 7.09% which is primarily due to the phase-out of tangible personal property tax revenues. The large decrease in earnings on investments is due to lower interest rates on the District's investments. The increase in other revenues is due in part to increased tuition revenues. There were no significant increases or decreases in general fund expenditures. In total, the overall increase in expenditures was not significant in the general fund.

***Classroom Facilities Fund***

The classroom facilities fund had \$6,577,571 in revenues and \$8,613,548 in expenditures. During fiscal year 2009, the classroom facilities fund's fund balance decreased \$2,035,977 from \$13,297,876 to \$11,261,899. This large decrease is primarily due to expenditures related to the District's on-going construction project.

***General Fund Budgeting Highlights***

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

During the course of fiscal 2009, the District amended its general fund budget several times. For the general fund, original budgeted revenues and other financing sources were \$7,288,187 and final budgeted revenues and other financing sources were \$7,254,820. Actual revenues and other financing sources for fiscal 2009 was \$7,269,007. This represents a \$14,187 increase over final budgeted revenues.

General fund original appropriations (appropriated expenditures including other financing uses) totaled \$8,266,787. General fund final appropriations totaled \$8,131,387. The actual budget basis expenditures and other financing uses for fiscal year 2009 totaled \$7,955,174, which is lower than final budgeted appropriations by \$176,213.

**OSNABURG LOCAL SCHOOL DISTRICT  
STARK COUNTY, OHIO**

MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2009

**Capital Assets and Debt Administration**

***Capital Assets***

At the end of fiscal 2009, the District had \$11,188,513 invested in land, construction in progress, land improvements, buildings and improvements, furniture and equipment and vehicles. This entire amount is reported in governmental activities. The following table shows fiscal 2009 balances compared to 2008:

**Capital Assets at June 30  
(Net of Depreciation)**

	Governmental Activities	
	2009	2008
Land	\$ 458,076	\$ 469,714
Construction in progress	9,888,021	996,505
Land improvements	290,328	331,781
Building and improvements	297,358	303,663
Furniture and equipment	57,143	100,295
Vehicles	197,587	200,583
 Total	 \$ 11,188,513	 \$ 2,402,541

The overall increase in capital assets of \$8,785,972 is due to capital outlays of \$8,981,220 exceeding depreciation expense of \$133,569 and disposals, net of accumulated depreciation, of \$61,679 during the fiscal year. Construction in progress increased as the District continued construction on the new K-12 school building.

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

***Debt Administration***

At June 30, 2009, the District had \$8,758,307 in general obligation bonds outstanding. Of this total, \$215,000 is due within one year and \$8,543,307 is due in more than one year.

**Outstanding Debt, at Year End**

	Governmental Activities	Governmental Activities
	2009	2008
General obligation bonds	\$ 8,758,307	\$ 8,739,925
Total	\$ 8,758,307	\$ 8,739,925

See Note 9 to the basic financial statements for additional information.

**OSNABURG LOCAL SCHOOL DISTRICT  
STARK COUNTY, OHIO**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2009**

**Current Financial Related Activities**

For the first time the District has been rated Excellent with Distinction on the State report card. The Primary Building and the High School have continued to maintain their excellent ratings, while the Middle School managed to improve its rating from Effective to Excellent last school year. The District continues to allocate funds to allow its students to receive the opportunities that they need in order to be successful.

The District expended more money than it received on in fiscal year 2009. This deficit spending pattern shall continue to eat away at the District's carryover. If there are no changes in the current spending, the District is projected to be in the red during the 2012-2013 school year.

The last operating levy was passed in 2000 and at that time District administrators assured the community that they would not ask for any new money until at least 2005. They have kept and exceeded that promise.

The District had a 6.7 mill Bond Issue on the November 7, 2006 ballot. The issue failed by four votes. In February of 2007 the 6.7 mill Bond Issue did pass and construction on a new K-12 building began at the end of August 2008. The building is going up and it is expected to be open for the 2010-2011 school year.

Traditionally, the community has been supportive of the District. Levies always pass, but often not on the first attempt. Rising health costs, an aging certificated staff, rising fuel and supplies costs all indicate that unless there is additional support from the state, an additional levy will be required.

**Contacting the District's Financial Management**

This financial report is designed to provide our citizens, taxpayers, and investors and creditors with a general overview of the District's finances and to show the District's accountability for the money it receives. If you have questions about this report or need additional financial information contact Ms. Christine Robenstine, Treasurer, Osnaburg Local School District, 310 Browning Street, East Canton, Ohio 44730.



**OSNABURG LOCAL SCHOOL DISTRICT  
STARK COUNTY, OHIO**

STATEMENT OF NET ASSETS  
JUNE 30, 2009

	<b>Governmental Activities</b>
<b>Assets:</b>	
Equity in pooled cash and cash equivalents. . . . .	\$ 10,876,679
Cash with escrow agent . . . . .	118,795
Investments . . . . .	7,194,950
Receivables:	
Taxes . . . . .	3,182,001
Accounts . . . . .	7,161
Intergovernmental . . . . .	2,482,934
Accrued interest . . . . .	3,260
Prepayments . . . . .	4,145
Materials and supplies inventory . . . . .	3,970
Unamortized bond issue costs . . . . .	157,131
Capital assets:	
Land . . . . .	458,076
Construction in progress . . . . .	9,888,021
Depreciable capital assets, net . . . . .	842,416
Total capital assets, net. . . . .	11,188,513
Total assets. . . . .	35,219,539
<b>Liabilities:</b>	
Accounts payable. . . . .	13,255
Contracts payable. . . . .	1,432,247
Retainage payable . . . . .	324,647
Accrued wages and benefits . . . . .	849,178
Pension obligation payable. . . . .	259,901
Intergovernmental payable . . . . .	26,528
Accrued interest payable . . . . .	13,834
Unearned revenue . . . . .	2,591,521
Long-term liabilities:	
Due within one year. . . . .	337,938
Due in more than one year . . . . .	9,182,465
Total liabilities . . . . .	15,031,514
<b>Net assets:</b>	
Invested in capital assets, net	
of related debt. . . . .	10,369,225
Restricted for:	
Capital projects . . . . .	6,395,783
Debt service . . . . .	237,789
Classroom facilities maintenance . . . . .	108,018
State funded programs. . . . .	27,803
Federally funded programs. . . . .	42
Student activities. . . . .	63,037
Other purposes. . . . .	88,635
Unrestricted . . . . .	2,897,693
Total net assets . . . . .	\$ 20,188,025

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**OSNABURG LOCAL SCHOOL DISTRICT  
STARK COUNTY, OHIO**

STATEMENT OF ACTIVITIES  
FOR THE FISCAL YEAR ENDED JUNE 30, 2009

	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Assets
		Charges for Services and Sales	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities
<b>Governmental activities:</b>					
Instruction:					
Regular . . . . .	\$ 3,649,025	\$ 509,006	\$ 144,070	\$ -	\$ (2,995,949)
Special . . . . .	786,975	6,006	455,164	-	(325,805)
Vocational . . . . .	148,331	-	57,180	-	(91,151)
Other . . . . .	857,554	-	2,819	-	(854,735)
Support services:					
Pupil . . . . .	299,493	-	127,813	-	(171,680)
Instructional staff . . . . .	171,941	-	33,956	-	(137,985)
Board of education . . . . .	23,296	-	-	-	(23,296)
Administration . . . . .	732,734	-	27,795	-	(704,939)
Fiscal . . . . .	259,738	-	72	-	(259,666)
Business . . . . .	10,880	-	-	-	(10,880)
Operations and maintenance . . . . .	713,732	-	-	-	(713,732)
Pupil transportation . . . . .	612,475	-	83,128	8,989	(520,358)
Central . . . . .	25,991	-	5,000	-	(20,991)
Operation of non-instructional services:					
Food service operations . . . . .	356,012	210,325	170,561	-	24,874
Other non-instructional services . . . . .	23,659	-	-	-	(23,659)
Extracurricular activities . . . . .	457,157	167,450	-	-	(289,707)
Interest and fiscal charges . . . . .	368,472	-	-	-	(368,472)
<b>Total governmental activities . . . . .</b>	<b>\$ 9,497,465</b>	<b>\$ 892,787</b>	<b>\$ 1,107,558</b>	<b>\$ 8,989</b>	<b>(7,488,131)</b>

**General revenues:**

Property taxes levied for:	
General purposes . . . . .	2,217,256
Classroom facilities maintenance . . . . .	41,082
Debt service . . . . .	537,259
Grants and entitlements not restricted	
to specific programs . . . . .	4,181,922
Investment earnings . . . . .	418,980
Miscellaneous . . . . .	45,422
<b>Total general revenues . . . . .</b>	<b>7,441,921</b>
 Change in net assets . . . . .	 (46,210)
 <b>Net assets at beginning of year . . . . .</b>	 <b>20,234,235</b>
<b>Net assets at end of year . . . . .</b>	<b>\$ 20,188,025</b>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**OSNABURG LOCAL SCHOOL DISTRICT  
STARK COUNTY, OHIO**

BALANCE SHEET  
GOVERNMENTAL FUNDS  
JUNE 30, 2009

	<u>General</u>	<u>Classroom Facilities</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
<b>Assets:</b>				
Equity in pooled cash and cash equivalents . . . . .	\$ 3,731,081	\$ 6,155,755	\$ 961,734	\$ 10,848,570
Cash with escrow agent . . . . .	-	114,036	4,759	118,795
Investments . . . . .	-	6,676,414	518,536	7,194,950
Receivables:				
Taxes . . . . .	2,517,192	-	664,809	3,182,001
Accounts . . . . .	7,161	-	-	7,161
Intergovernmental . . . . .	120,841	2,348,145	13,948	2,482,934
Accrued interest . . . . .	-	3,025	235	3,260
Prepayments . . . . .	4,145	-	-	4,145
Materials and supplies inventory . . . . .	-	-	3,970	3,970
Restricted assets:				
Equity in pooled cash and cash equivalents . . . . .	28,109	-	-	28,109
Total assets . . . . .	<u>\$ 6,408,529</u>	<u>\$ 15,297,375</u>	<u>\$ 2,167,991</u>	<u>\$ 23,873,895</u>
<b>Liabilities:</b>				
Accounts payable . . . . .	\$ 8,914	\$ -	\$ 4,341	\$ 13,255
Contracts payable . . . . .	-	1,374,384	57,863	1,432,247
Retainage payable . . . . .	-	311,531	13,116	324,647
Accrued wages and benefits . . . . .	772,422	-	76,756	849,178
Compensated absences payable . . . . .	98,986	-	-	98,986
Pension obligation payable. . . . .	235,300	-	24,601	259,901
Intergovernmental payable. . . . .	24,779	-	1,749	26,528
Deferred revenue. . . . .	427,072	2,349,561	96,188	2,872,821
Unearned revenue . . . . .	2,042,572	-	548,949	2,591,521
Total liabilities . . . . .	<u>3,610,045</u>	<u>4,035,476</u>	<u>823,563</u>	<u>8,469,084</u>
<b>Fund balances:</b>				
Reserved for encumbrances . . . . .	69,812	9,306,986	500,903	9,877,701
Reserved for materials and supplies inventory. . . . .	-	-	3,970	3,970
Reserved for prepayments . . . . .	4,145	-	-	4,145
Reserved for property tax unavailable for appropriation . . . . .	116,600	-	33,730	150,330
Reserved for school bus purchase . . . . .	1,153	-	-	1,153
Reserved for budget stabilization. . . . .	26,956	-	-	26,956
Unreserved, undesignated, reported in:				
General fund . . . . .	2,579,818	-	-	2,579,818
Special revenue funds . . . . .	-	-	215,571	215,571
Debt service fund . . . . .	-	-	143,803	143,803
Capital projects funds. . . . .	-	1,954,913	446,451	2,401,364
Total fund balances . . . . .	<u>2,798,484</u>	<u>11,261,899</u>	<u>1,344,428</u>	<u>15,404,811</u>
Total liabilities and fund balances . . . . .	<u>\$ 6,408,529</u>	<u>\$ 15,297,375</u>	<u>\$ 2,167,991</u>	<u>\$ 23,873,895</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**OSNABURG LOCAL SCHOOL DISTRICT  
STARK COUNTY, OHIO**

RECONCILIATION OF TOTAL GOVERNMENTAL FUND BALANCES TO  
NET ASSETS OF GOVERNMENTAL ACTIVITIES  
JUNE 30, 2009

<b>Total governmental fund balances</b>		\$ 15,404,811
<i>Amounts reported for governmental activities on the statement of net assets are different because:</i>		
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.		11,188,513
Other long-term assets are not available to pay for current-period expenditures and therefore are deferred in the funds.		
Taxes receivable	\$ 440,150	
Intergovernmental receivable	2,431,145	
Accrued interest receivable	1,526	
Total		2,872,821
Accrued interest payable on long-term bonds payable is not due and payable in the current period and therefore is not reported in the funds.		(13,834)
Unamortized premiums on bond issuances are not recognized in the funds.		(289,000)
Unamortized bond issuance costs are not recognized in the funds.		157,131
Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds.		
General obligation bonds	8,758,307	
Compensated absences payable	374,110	
Total		(9,132,417)
<b>Net assets of governmental activities</b>		<b>\$ 20,188,025</b>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**OSNABURG LOCAL SCHOOL DISTRICT  
STARK COUNTY, OHIO**

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES  
GOVERNMENTAL FUNDS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2009

	<u>General</u>	<u>Classroom Facilities</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
<b>Revenues:</b>				
From local sources:				
Taxes . . . . .	\$ 2,148,066	\$ -	\$ 549,991	\$ 2,698,057
Tuition. . . . .	465,449	-	-	465,449
Charges for services. . . . .	-	-	209,445	209,445
Earnings on investments. . . . .	121,150	279,221	25,146	425,517
Extracurricular. . . . .	-	-	167,450	167,450
Classroom materials and fees . . . . .	30,083	-	-	30,083
Other local revenues. . . . .	56,429	-	-	56,429
Intergovernmental - intermediate. . . . .	-	-	100	100
Intergovernmental - state . . . . .	4,345,156	6,298,350	438,401	11,081,907
Intergovernmental - federal . . . . .	-	-	431,625	431,625
Total revenue . . . . .	<u>7,166,333</u>	<u>6,577,571</u>	<u>1,822,158</u>	<u>15,566,062</u>
<b>Expenditures:</b>				
Current:				
Instruction:				
Regular . . . . .	3,485,562	-	119,675	3,605,237
Special. . . . .	564,363	-	218,060	782,423
Vocational. . . . .	147,677	-	-	147,677
Other . . . . .	854,583	-	2,971	857,554
Support services:				
Pupil. . . . .	163,233	-	134,430	297,663
Instructional staff . . . . .	142,124	-	29,043	171,167
Board of education . . . . .	23,296	-	-	23,296
Administration. . . . .	724,429	-	29,570	753,999
Fiscal . . . . .	249,117	-	10,777	259,894
Business . . . . .	10,880	-	-	10,880
Operations and maintenance. . . . .	701,493	-	9,933	711,426
Pupil transportation . . . . .	544,051	-	64,936	608,987
Central. . . . .	20,611	-	4,977	25,588
Operation of non-instructional services:				
Food service operations . . . . .	336	-	349,926	350,262
Other non-instructional services. . . . .	23,542	-	-	23,542
Extracurricular activities. . . . .	247,463	-	154,279	401,742
Facilities acquisition and construction . . . . .	3,220	8,613,548	279,179	8,895,947
Debt service:				
Principal retirement . . . . .	-	-	25,000	25,000
Interest and fiscal charges . . . . .	-	-	343,956	343,956
Total expenditures . . . . .	<u>7,905,980</u>	<u>8,613,548</u>	<u>1,776,712</u>	<u>18,296,240</u>
Excess (deficiency) of revenues over (under) expenditures . . . . .	<u>(739,647)</u>	<u>(2,035,977)</u>	<u>45,446</u>	<u>(2,730,178)</u>
<b>Other financing sources (uses):</b>				
Transfers in . . . . .	-	-	15,684	15,684
Transfers (out). . . . .	(15,684)	-	-	(15,684)
Sale of assets . . . . .	8,660	-	-	8,660
Total other financing sources (uses) . . . . .	<u>(7,024)</u>	<u>-</u>	<u>15,684</u>	<u>8,660</u>
Net change in fund balances . . . . .	(746,671)	(2,035,977)	61,130	(2,721,518)
<b>Fund balances at beginning of year . . . . .</b>	<u>3,545,155</u>	<u>13,297,876</u>	<u>1,283,298</u>	<u>18,126,329</u>
<b>Fund balances at end of year . . . . .</b>	<u>\$ 2,798,484</u>	<u>\$ 11,261,899</u>	<u>\$ 1,344,428</u>	<u>\$ 15,404,811</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**OSNABURG LOCAL SCHOOL DISTRICT  
STARK COUNTY, OHIO**

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES  
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS  
TO THE STATEMENT OF ACTIVITIES  
FOR THE FISCAL YEAR ENDED JUNE 30, 2009

**Net change in fund balances - total governmental funds** \$ (2,721,518)

*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.

Capital asset additions	\$ 8,981,220	
Current year depreciation	(133,569)	
<b>Total</b>		<b>8,847,651</b>

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.

Capital asset disposals	(214,060)	
Accumulated depreciation on disposals	152,381	
<b>Total</b>		<b>(61,679)</b>

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

Taxes	97,540	
Intergovernmental revenue	(6,215,350)	
Accrued interest	(5,657)	
<b>Total</b>		<b>(6,123,467)</b>

In the statement of activities, interest is accrued on outstanding bonds, whereas in governmental funds, interest is expensed when due. The items resulted in additional interest expense being reported in the statement of activities:

Decrease in accrued interest	13,874	
Accreted interest on "capital appreciation" bonds	(43,382)	
Amortization of bond premium	10,940	
Amortization of bond issuance costs	(5,948)	
<b>Total</b>		<b>(24,516)</b>

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

25,000

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

12,319

**Change in net assets of governmental activities** **\$ (46,210)**

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**OSNABURG LOCAL SCHOOL DISTRICT  
STARK COUNTY, OHIO**

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN  
FUND BALANCE - BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)  
GENERAL FUND  
FOR THE FISCAL YEAR ENDED JUNE 30, 2009

	<u>Budgeted Amounts</u>			<b>Variance with Final Budget Positive (Negative)</b>
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
<b>Revenues:</b>				
From local sources:				
Taxes . . . . .	\$ 2,179,981	\$ 2,170,000	\$ 2,168,746	\$ (1,254)
Tuition . . . . .	460,810	458,700	460,269	1,569
Earnings on investments . . . . .	134,616	134,000	123,803	(10,197)
Classroom materials and fees . . . . .	30,138	30,000	30,224	224
Other local revenues . . . . .	53,746	53,500	62,680	9,180
Intergovernmental - state . . . . .	4,305,210	4,285,500	4,293,367	7,867
Total revenue . . . . .	<u>7,164,501</u>	<u>7,131,700</u>	<u>7,139,089</u>	<u>7,389</u>
<b>Expenditures:</b>				
Current:				
Instruction:				
Regular . . . . .	3,637,488	3,577,910	3,482,964	94,946
Special . . . . .	591,987	582,291	560,449	21,842
Vocational . . . . .	165,721	163,007	163,007	-
Other . . . . .	921,184	906,096	905,953	143
Support services:				
Pupil . . . . .	197,414	194,181	194,181	-
Instructional staff . . . . .	139,835	137,545	136,170	1,375
Board of education . . . . .	32,739	32,203	23,297	8,906
Administration . . . . .	700,586	689,111	678,982	10,129
Fiscal . . . . .	253,576	249,423	249,418	5
Business . . . . .	11,061	10,880	10,880	-
Operations and maintenance . . . . .	705,134	693,585	687,207	6,378
Pupil transportation . . . . .	599,340	589,523	557,034	32,489
Central . . . . .	20,923	20,580	20,580	-
Operation of non-instructional services:				
Food service operations . . . . .	342	336	336	-
Other non-instructional services . . . . .	23,993	23,600	23,600	-
Extracurricular activities . . . . .	246,245	242,212	242,212	-
Facilities acquisition and construction . . . . .	3,274	3,220	3,220	-
Total expenditures . . . . .	<u>8,250,842</u>	<u>8,115,703</u>	<u>7,939,490</u>	<u>176,213</u>
Excess (deficiency) of revenues over (under) expenditures . . . . .	<u>(1,086,341)</u>	<u>(984,003)</u>	<u>(800,401)</u>	<u>183,602</u>
<b>Other financing sources (uses):</b>				
Refund of prior year expenditure . . . . .	22,101	22,000	22,238	238
Transfers (out) . . . . .	(15,945)	(15,684)	(15,684)	-
Advances in . . . . .	99,475	99,020	99,020	-
Sale of assets . . . . .	2,110	2,100	8,660	6,560
Total other financing sources (uses) . . . . .	<u>107,741</u>	<u>107,436</u>	<u>114,234</u>	<u>6,798</u>
Net change in fund balance . . . . .	(978,600)	(876,567)	(686,167)	190,400
<b>Fund balance at beginning of year . . . . .</b>	<b>4,299,416</b>	<b>4,299,416</b>	<b>4,299,416</b>	<b>-</b>
<b>Prior year encumbrances appropriated . . . . .</b>	<b>73,487</b>	<b>73,487</b>	<b>73,487</b>	<b>-</b>
<b>Fund balance at end of year . . . . .</b>	<b><u>\$ 3,394,303</u></b>	<b><u>\$ 3,496,336</u></b>	<b><u>\$ 3,686,736</u></b>	<b><u>\$ 190,400</u></b>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**OSNABURG LOCAL SCHOOL DISTRICT  
STARK COUNTY, OHIO**

STATEMENT OF FIDUCIARY NET ASSETS  
FIDUCIARY FUNDS  
JUNE 30, 2009

	<b>Private-Purpose Trusts</b>	
	<b>Scholarships</b>	<b>Agency</b>
<b>Assets:</b>		
Equity in pooled cash and cash equivalents . . . . .	\$ 120,419	\$ 51,123
Total assets . . . . .	120,419	\$ 51,123
<b>Liabilities:</b>		
Due to students . . . . .	-	\$ 51,123
Total liabilities . . . . .	-	\$ 51,123
<b>Net assets:</b>		
Held in trust for scholarships . . . . .	120,419	
Total net assets . . . . .	\$ 120,419	

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS



**OSNABURG LOCAL SCHOOL DISTRICT  
STARK COUNTY, OHIO**

STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS  
FIDUCIARY FUNDS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2009

	<b>Private-Purpose Trusts</b>
	<b>Scholarships</b>
<b>Additions:</b>	
Interest . . . . .	\$ 2,946
Gifts and contributions. . . . .	24,223
	27,169
<b>Deductions:</b>	
Scholarships awarded . . . . .	14,925
	12,244
Change in net assets . . . . .	12,244
<b>Net assets at beginning of year. . . . .</b>	<b>108,175</b>
<b>Net assets at end of year . . . . .</b>	<b>\$ 120,419</b>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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**OSNABURG LOCAL SCHOOL DISTRICT  
STARK COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2009

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

The Osnaburg Local School District (the "District") is organized under Article VI, Sections 2 and 3 of the Constitution of the State of Ohio. The District operates under a locally-elected Board form of government consisting of five members elected at-large for staggered four-year terms. The District provides educational services as authorized by State statute and/or federal guidelines.

The District is located in East Canton, Stark County, Ohio. The District is the 515<sup>th</sup> largest in the State of Ohio (among the 922 public school districts and community schools) in terms of enrollment. It is staffed by 44 non-certified employees and 64 certified employees who provide services to 887 students and other community members. The District operates one elementary school (K-3), one middle school (4-8) and a high school (9-12).

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

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

**A. Reporting Entity**

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

Component units are legally separate organizations for which the District is financially accountable. The District is financially accountable for an organization if the District appoints a voting majority of the organization's Governing Board and (1) the District is able to significantly influence the programs or services performed or provided by the organization; or (2) the District is legally entitled to or can otherwise access the organization's resources; or (3) the District is legally obligated or has otherwise assumed the responsibility to finance the deficits of, or provide financial support to, the organization; or (4) the District is obligated for the debt of the organization. Component units may also include organizations that are fiscally dependent on the District in that the District approves the budget, the issuance of debt or the levying of taxes. Certain organizations are also included as component units if the nature and significance of the relationship between the primary government and the organization is such that exclusion by the primary government would render the primary governments financial statements incomplete or misleading. Based upon the application of these criteria, the District has no component units. The basic financial statements of the reporting entity include only those of the District (the primary government).

**OSNABURG LOCAL SCHOOL DISTRICT  
STARK COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2009

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

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

*JOINTLY GOVERNED ORGANIZATIONS*

Stark-Portage Area Computer Consortium (SPARCC)

The District is a member of the SPARCC, a jointly governed organization which provides computer services to the school districts within the boundaries of Stark and Portage Counties. Each District's superintendent serves as a representative on the Board, which consists of approximately 31 member districts. However, SPARCC is primarily governed by a five member Executive Board which is made up of two representatives from Stark County, two from Portage County, and a Treasurer. The Board meets monthly to address any current issues.

*PUBLIC ENTITY RISK POOLS*

Risk Sharing Pool

The Stark County Schools Council of Governments Health Benefits Program is a shared risk pool created pursuant to State statute for the purpose of administering health care benefits. The consortium is governed by an assembly which consists of one representative from each participating member. The assembly elects officers for one year terms to serve on the Board of Directors. The assembly exercises control over the operation of the Consortium. All Consortium revenues are generated from charges for services.

Insurance Purchasing Pool

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

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

**B. Fund Accounting**

The District uses funds to maintain its financial records during the year. A fund is defined as a fiscal and accounting entity with a self balancing set of accounts. There are three categories of funds: governmental, proprietary and fiduciary. The District does not have proprietary funds.

*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.

**OSNABURG LOCAL SCHOOL DISTRICT  
STARK COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2009

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

The following are the District's major governmental funds:

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

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

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

*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 District under a trust agreement for individuals, private organizations, or other governments and are therefore not available to support the District's own programs. The District's only trust funds are private-purpose trusts which account for scholarship programs for students. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. The District's agency fund accounts for student activities.

**C. Basis of Presentation and Measurement Focus**

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

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

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

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

**OSNABURG LOCAL SCHOOL DISTRICT  
STARK COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2009

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

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

The private-purpose trust funds are reported using the economic resources measurement focus. The agency fund does not report a measurement focus as it does not report operations.

**D. Basis of Accounting**

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

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

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

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

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

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

**OSNABURG LOCAL SCHOOL DISTRICT  
STARK COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2009

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

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, and other revenues received in advance of the fiscal year for which they are intended to finance, have been recorded as unearned revenue. Grants and entitlements received before the eligibility requirements are met and delinquent property taxes due at June 30, 2009 are recorded as deferred revenue in the governmental funds.

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

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

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

**E. Budgets**

The District is required by State statute to adopt an annual appropriated cash basis budget for all funds, except agency funds. The specific timetable for fiscal year 2009 is as follows:

1. Prior to January 15, the Superintendent and Treasurer submit to the Board of Education a proposed operating budget for the fiscal year commencing the following July 1. The budget includes proposed expenditures and the means of financing for all funds. Public hearings are publicized and conducted to obtain taxpayers' comments. The purpose of this budget document is to reflect the need for existing (or increased) tax rates.
2. On October 25, 2005, the Stark County Budget Commission voted to waive the requirement that school districts adopt a tax budget as required by Section 5705.28 of the Ohio Revised Code, by January 15<sup>th</sup> and the filing by January 20<sup>th</sup>. The Budget Commission now requires an alternate tax budget be submitted by January 20<sup>th</sup>, which no longer requires specific Board approval.
3. Prior to April 1, the Board of Education accepts, by formal resolution, the tax rates as determined by the Budget Commission and receives the Commission's certificate of estimated resources which states the projected revenue of each fund. Prior to June 30, the District must revise its budget so that total contemplated expenditures from any fund during the ensuing year will not exceed the amount stated in the certificate of estimated resources. The revised budget then serves as a basis for the appropriation measure. On or about July 1, the certificate is amended to include any unencumbered balances from the preceding year as reported by the District Treasurer. The certificate may be further amended during the year if projected increases or decreases in revenue are identified by the District Treasurer. The budget figures, as shown in the accompanying budgetary statement, reflect the amounts set forth in the original and final amended certificates of estimated resources issued for fiscal year 2009.

**OSNABURG LOCAL SCHOOL DISTRICT  
STARK COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2009

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

4. By July 1, the annual appropriation resolution is legally enacted by the Board of Education at the fund level of expenditures, which is the legal level of budgetary control. State statute permits a temporary appropriation to be effective until no later than October 1 of each year. Although the legal level of budgetary control was established at the fund level of expenditures, the District has elected to present budgetary statement comparisons at the fund and function level of expenditures. Resolution appropriations by fund must be within the estimated resources as certified by the County Budget Commission and the total of expenditures and encumbrances may not exceed the appropriation totals.
5. Any revisions that alter the total of any fund appropriation must be approved by the Board of Education.
6. Formal budgetary integration is employed as a management control device during the year for all funds consistent with the general obligation bond indenture and other statutory provisions. All funds completed the year within the amount of their legally authorized cash basis appropriation.
7. Appropriation amounts are reported as originally adopted, or as amended by the Board of Education through the year by supplemental appropriations, which either reallocated or increased the original appropriated amounts. All supplemental appropriations were legally enacted by the Board prior to June 30, 2009. The budget figures, as shown in the accompanying budgetary statement, reflect the original and final appropriation amounts including all amendments and modifications.
8. Unencumbered appropriations lapse at year-end. Encumbered appropriations are carried forward to the succeeding fiscal year and need not be reappropriated. Expenditures plus encumbrances may not legally exceed budgeted appropriations at the fund level.

**F. Cash and Investments**

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

During fiscal year 2009, investments were limited to State Treasury Asset Reserve of Ohio (STAR Ohio), federal agency securities, a U.S. Government money market mutual fund and negotiable CD's. Except for nonparticipating investment contracts, investments are reported at fair value, which is based on quoted market prices.

The District has invested funds in STAR Ohio during fiscal year 2009. STAR Ohio is an investment pool managed by the State Treasurer's Office, which allows governments within the State to pool their funds for investment purposes. STAR Ohio 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 STAR Ohio are valued at STAR Ohio's shares price which is the price the investment could be sold for on June 30, 2009.

Under existing Ohio statutes all investment earnings are assigned to the general fund unless statutorily required to be credited to a specific fund. Interest revenue credited to the general fund during fiscal year 2009 amounted to \$121,150, which includes \$9,294 assigned from other funds.



**OSNABURG LOCAL SCHOOL DISTRICT  
STARK COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2009

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

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

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

**G. Inventory**

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

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

**H. Capital Assets**

Capital assets generally result from expenditures in the governmental funds. These assets are reported in the governmental activities column of the government-wide statement of net assets, but are not reported in the fund financial statements.

All capital assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the year. Donated capital assets are recorded at their fair market values as of the date received. Effective beginning in fiscal year 2009, the District increased the capitalization threshold from \$2,850 to \$5,000. Improvements are capitalized; the costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not. The District does not possess infrastructure.

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

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

**I. Interfund Balances**

On the fund financial statements, receivables and payables resulting from short-term interfund loans are classified as "interfund receivables/payables." These amounts are eliminated in the governmental activities column of the statement of net assets. The District had no interfund loans outstanding at June 30, 2009.

**OSNABURG LOCAL SCHOOL DISTRICT  
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NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2009

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

**J. Compensated Absences**

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

In accordance with the provisions of GASB Statement No. 16, "Accounting for Compensated Absences", a liability for vacation leave is accrued if a) the employees' rights to payment are attributable to services already rendered; and b) it is probable that the employer will compensate the employees for the benefits through paid time off or other means, such as cash payment at termination or retirement. An accrual for earned sick leave is made to the extent that it is probable that the benefits will result in termination (severance) payments. A liability for sick leave is accrued using the vesting method; i.e., the liability is based on the sick leave accumulated at June 30, 2009, by those employees who are currently eligible to receive termination (severance) payments, as well as those employees expected to become eligible in the future. For purposes of establishing a liability for sick leave on employees expected to become eligible to retire in the future, all employees age fifty or greater with ten or more years of service or all employees with twenty or more years of service regardless of their age, were considered expected to become eligible to retire in accordance with GASB Statement No. 16.

The total liability for vacation and sick leave payments has been calculated using pay rates in effect at June 30, 2009 and reduced to the maximum payment allowed by labor contract and/or statute, plus any applicable additional salary related payments.

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

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

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

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

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

**OSNABURG LOCAL SCHOOL DISTRICT  
STARK COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2009

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

**L. Fund Balance Reserves**

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

**M. Net Assets**

Net assets represent the difference between assets and liabilities. Net assets invested in capital assets consist of capital assets, net of accumulated depreciation, reduced by all applicable debt. Net assets are reported as restricted when there are limitations imposed on their use either through the enabling legislation or through external restrictions imposed by creditors, grantors or laws or regulations of other governments. The amount restricted for other purposes represents amounts restricted by State statute for food service, adult education, public school support, school bus purchases and budget stabilization.

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

**N. Estimates**

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

**O. Prepayments**

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

**P. Restricted Assets**

Assets are reported as restricted assets when limitations on their use change the normal understanding of the availability of the asset. Such constraints are either imposed by creditors, contributors, grantors, or laws of other governments or imposed by enabling legislation. Restricted assets include the amount required by State statute to be set aside to create a reserve for budget stabilization and school bus purchases. See Note 16 for details.

**OSNABURG LOCAL SCHOOL DISTRICT  
STARK COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2009

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

**Q. Extraordinary and Special Items**

Extraordinary items are transactions or events that are both unusual in nature and infrequent in occurrence. Special items are transactions or events that are within the control of the Board of Education and that are either unusual in nature or infrequent in occurrence. Neither type of transaction occurred during fiscal year 2009.

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

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

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

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

**S. Vocational Education**

The District has entered into an agreement with the Canton Local School District, Perry Local School District and the Sandy Valley Local School District to provide career technical education programs for students. The Canton Local School District is the principal agency for the programs and is responsible for the physical facilities of the programs. For fiscal year 2009, the District was required to pay the Canton Local School District a service charge equal to \$95,000 reduced by all State aid for District students attending the Canton Local School District for these programs.

**NOTE 3 - ACCOUNTABILITY AND COMPLIANCE**

**A. Change in Accounting Principles**

For fiscal year 2009, the District has implemented GASB Statement No. 49, "Accounting and Financial Reporting for Pollution Remediation Obligations", 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. 49 addresses accounting and financial reporting standards for pollution remediation obligations, which are obligations to address the current or potential detrimental effects of existing pollution by participating in pollution remediation activities such as site assessments and cleanups. The implementation of GASB Statement No. 49 did not have an effect on the financial statements of the District.

**OSNABURG LOCAL SCHOOL DISTRICT  
STARK COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2009

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

GASB Statement No. 52 improves the quality of financial reporting by requiring endowments to report their land and other real estate investments at fair value, creating consistency in reporting among similar entities that exist to invest resources for the purpose of generating income. The implementation of GASB Statement No. 52 did not have an effect on the financial statements of the District.

GASB Statement No. 55 incorporates the hierarchy of generally accepted accounting principles (GAAP) for state and local governments into the GASB's authoritative literature. The implementation of GASB Statement No. 55 did not have an effect on the financial statements of the District.

GASB Statement No. 56 incorporates into the GASB's authoritative literature certain accounting and financial reporting guidance presented in the American Institute of Certified Public Accountants' (AICPA) Statements on Auditing Standards. The implementation of GASB Statement No. 56 did not have an effect on the financial statements of the District.

**B. Deficit Fund Balances**

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

<u>Nonmajor funds</u>	<u>Deficit</u>
Public school preschool	\$ 5,386
Poverty aid	2,139
Title VI-B	11,419
Title I	2,691
Reducing class size	2,832

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

**NOTE 4 - DEPOSITS AND INVESTMENTS**

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

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

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

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

**OSNABURG LOCAL SCHOOL DISTRICT  
STARK COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2009

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

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

1. United States Treasury Notes, Bills, Bonds, or any other obligation or security issued by the United States Treasury or any other obligation guaranteed as to principal and interest by the United States;
2. Bonds, notes, debentures, or any other obligations or securities issued by any federal government agency or instrumentality, including, but not limited to, the Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, Government National Mortgage Association, and Student Loan Marketing Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
3. Written repurchase agreements in the securities listed above provided that the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least two percent and be marked to market daily, and that the term of the agreement must not exceed thirty days;
4. Bonds and other obligations of the State of Ohio;
5. No-load money market mutual funds consisting exclusively of obligations described in items (1) and (2) above and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions;
6. The State Treasurer's investment pool (STAR Ohio);
7. Certain banker's acceptance and commercial paper notes for a period not to exceed one hundred eighty days from the purchase date in an amount not to exceed twenty-five percent of the interim monies available for investment at any one time; and,
8. Under limited circumstances, corporate debt interests rated in either of the two highest classifications by at least two nationally recognized rating agencies.

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

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

**OSNABURG LOCAL SCHOOL DISTRICT  
STARK COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2009

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

**A. Cash on Hand**

At fiscal year end, the District had \$50 in undeposited cash on hand which is included on the financial statements of the District as part of “equity in pooled cash and cash equivalents.”

**B. Cash with Escrow Agent**

At fiscal year end, \$118,795 was on deposit in the District’s escrow accounts for retainage obligations to contractors, and was excluded from the total amount of deposits reported below. This amount is not part of the internal cash pool, but is reported on the financial statements as “cash with escrow agent.”

**C. Deposits with Financial Institutions**

At June 30, 2009, the carrying amount of all District deposits was \$8,760,191. Based on the criteria described in GASB Statement No. 40, “Deposits and Investment Risk Disclosures”, as of June 30, 2009, \$9,461,990 of the District’s bank balance of \$9,984,590 was exposed to custodial risk as discussed below, while \$522,600 was covered by the FDIC.

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

**D. Investments**

As of June 30, 2009, the District had the following investments and maturities:

<u>Investment type</u>	<u>Fair Value</u>	<u>Investment Maturities</u>		
		<u>6 months or less</u>	<u>7 to 12 months</u>	<u>13 to 18 months</u>
FHLB discount notes	\$ 1,700,000	\$ 1,700,000	\$ -	\$ -
Negotiable CD's	5,494,950	2,000,000	2,500,000	994,950
STAR Ohio	2,128,964	2,128,964	-	-
U.S. Government money market	159,016	159,016	-	-
	<u>\$ 9,482,930</u>	<u>\$ 5,987,980</u>	<u>\$ 2,500,000</u>	<u>\$ 994,950</u>

The weighted average maturity of investments is 0.49 years.

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

**OSNABURG LOCAL SCHOOL DISTRICT  
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NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2009

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

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

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

*Concentration of Credit Risk:* The District places no limit on the amount that may be invested in any one issuer. The following table includes the percentage of each investment type held by the District at June 30, 2009:

<u>Investment type</u>	<u>Fair Value</u>	<u>% to Total</u>
FHLB discount notes	\$ 1,700,000	17.93
Negotiable CD's	5,494,950	57.94
STAR Ohio	2,128,964	22.45
U.S. Government money market	<u>159,016</u>	<u>1.68</u>
	<u>\$ 9,482,930</u>	<u>100.00</u>

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

The following is a reconciliation of cash and investments as reported in the note above to cash and investments as reported on the statement of net assets as of June 30, 2009:

<u>Cash and investments per note</u>	
Carrying amount of deposits	\$ 8,760,191
Investments	9,482,930
Cash with escrow agent	118,795
Cash on hand	<u>50</u>
 Total	 <u>\$ 18,361,966</u>
 <u>Cash and investments per statement of net assets</u>	
Governmental activities	\$ 18,190,424
Private-purpose trust funds	120,419
Agency fund	<u>51,123</u>
 Total	 <u>\$ 18,361,966</u>



**OSNABURG LOCAL SCHOOL DISTRICT  
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NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2009

**NOTE 5 - INTERFUND TRANSACATIONS**

Interfund transfers for the year ended June 30, 2009 consisted of the following as reported on the fund financial statements:

<u>Transfers to nonmajor governmental funds from:</u>	<u>Amount</u>
General fund	\$ 15,684

Transfers are used to move revenues from the fund that statute or budget required to collect them to the fund that statute or budget requires to expend them and to use unrestricted revenues collected in the general fund to finance various programs accounted for in other funds in accordance with budgetary authorizations. Transfers between governmental funds are eliminated in the statement of activities.

**NOTE 6 - PROPERTY TAXES**

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

Property taxes include amounts levied against all real property, public utility property, and tangible personal (used in business) property located in the District. Real property tax revenues received in calendar year 2009 represent the collection of calendar year 2008 taxes. Real property taxes received in calendar year 2009 were levied after April 1, 2008, on the assessed values as of January 1, 2008, the lien date. Assessed values for real property taxes are established by State statute at 35 percent of appraised market value. Real property taxes are payable annually or semiannually. If paid annually, payment is due December 31; if paid semiannually, the first payment is due December 31, with the remainder payable by June 20. Under certain circumstances, State statute permits alternate payment dates to be established. Public utility property tax revenues received in calendar year 2009 represent the collection of calendar year 2008 taxes. Public utility real and tangible personal property taxes received in calendar year 2009 became a lien on December 31, 2007, were levied after April 1, 2008, and are collected with real property taxes. Public utility real property is assessed at 35 percent of true value; public utility tangible personal property is currently assessed at varying percentages of true value.

Tangible personal property tax revenues received in calendar year 2009 (other than public utility property) represent 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 31, 2008. Amounts paid by multi-county taxpayers are due September 20. Single county taxpayers may pay annually or semiannually. If paid annually, payment is due April 30; if paid semiannually, the first payment is due April 30, with the remainder payable by September 20. Tangible personal property taxes paid by April 30 are usually received by the District prior to June 30.

**OSNABURG LOCAL SCHOOL DISTRICT  
STARK COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2009

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

The District receives property taxes from Stark County. The County Auditor periodically advances to the 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 as an advance at June 30, 2009 was \$116,600 in the general fund, \$2,340 in the classroom facilities maintenance fund (a nonmajor governmental fund) and \$31,390 in the bond retirement debt service fund (a nonmajor governmental fund). This amount is recorded as revenue. The amount available for advance at June 30, 2008 was \$137,280 in the general fund, \$2,760 in the classroom facilities maintenance fund (a nonmajor governmental fund) and \$34,240 in the bond retirement debt service fund (a nonmajor governmental fund). The amount of second-half real property taxes available for advance at fiscal year end can vary based on the date the tax bills are sent.

Accrued property taxes receivable includes real property, public utility property and tangible personal property taxes which are measurable as of June 30, 2009 and for which there is an enforceable legal claim. Although total property tax collections for the next fiscal year are measurable, only the amount of real property taxes available as an advance at June 30 was levied to finance current fiscal year operations and is reported as revenue at fiscal year end. The portion of the receivable not levied to finance current fiscal year operations is offset by a credit to unearned revenue.

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

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

	2008 Second Half Collections		2009 First Half Collections	
	<u>Amount</u>	<u>Percent</u>	<u>Amount</u>	<u>Percent</u>
Agricultural/residential and other real estate	\$ 90,265,190	95.07	\$ 90,897,670	96.65
Public utility personal	2,734,380	2.88	2,859,910	3.04
Tangible personal property	<u>1,951,007</u>	<u>2.05</u>	<u>295,760</u>	<u>0.31</u>
Total	<u>\$ 94,950,577</u>	<u>100.00</u>	<u>\$ 94,053,340</u>	<u>100.00</u>
Tax rate per \$1,000 of assessed valuation	\$63.90		\$64.40	

**OSNABURG LOCAL SCHOOL DISTRICT  
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NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2009

**NOTE 7 - RECEIVABLES**

Receivables at June 30, 2009 consisted of taxes, accounts (billings for user charged services and student fees), intergovernmental grants and entitlements and accrued interest. All receivables are considered collectible in full due to the ability to foreclose for the nonpayment of taxes, the stable condition of State programs and the current year guarantee of federal funds. A summary of the principal items of receivables reported on the statement of net assets follows:

**Governmental activities:**

Taxes	\$ 3,182,001
Accounts	7,161
Intergovernmental	2,482,934
Accrued interest	<u>3,260</u>
Total	<u>\$ 5,675,356</u>

Receivables have been disaggregated on the face of the basic financial statements. All receivables, except \$2,348,145 due from the Ohio School Facilities Commission (OSFC) included in intergovernmental receivables, are expected to be collected within the subsequent year.

**NOTE 8 - CAPITAL ASSETS**

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

	<u>Balance</u> <u>06/30/08</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance</u> <u>06/30/09</u>
<b>Governmental activities:</b>				
<i>Capital assets, not being depreciated:</i>				
Land	\$ 469,714	\$ -	\$ (11,638)	\$ 458,076
Construction in progress	<u>996,505</u>	<u>8,891,516</u>	<u>-</u>	<u>9,888,021</u>
Total capital assets, not being depreciated	<u>1,466,219</u>	<u>8,891,516</u>	<u>(11,638)</u>	<u>10,346,097</u>
<i>Capital assets, being depreciated:</i>				
Land improvements	694,666	-	(5,960)	688,706
Buildings and improvements	2,148,042	22,499	(15,766)	2,154,775
Furniture and equipment	408,576	-	(169,413)	239,163
Vehicles	<u>846,001</u>	<u>67,205</u>	<u>(11,283)</u>	<u>901,923</u>
Total capital assets, being depreciated	<u>4,097,285</u>	<u>89,704</u>	<u>(202,422)</u>	<u>3,984,567</u>
<i>Less: accumulated depreciation</i>				
Land improvements	(362,885)	(38,890)	3,397	(398,378)
Buildings and improvements	(1,844,379)	(18,369)	5,331	(1,857,417)
Furniture and equipment	(308,281)	(12,407)	138,668	(182,020)
Vehicles	<u>(645,418)</u>	<u>(63,903)</u>	<u>4,985</u>	<u>(704,336)</u>
Total accumulated depreciation	<u>(3,160,963)</u>	<u>(133,569)</u>	<u>152,381</u>	<u>(3,142,151)</u>
Governmental activities capital assets, net	<u>\$ 2,402,541</u>	<u>\$ 8,847,651</u>	<u>\$ (61,679)</u>	<u>\$ 11,188,513</u>

**OSNABURG LOCAL SCHOOL DISTRICT  
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FOR THE FISCAL YEAR ENDED JUNE 30, 2009

**NOTE 8 - CAPITAL ASSETS - (Continued)**

Depreciation expense was charged to governmental functions as follows:

<u>Instruction:</u>	
Regular	\$ 10,420
Special	1,691
Vocational	786
 <u>Support services:</u>	
Pupil	714
Instructional staff	452
Administration	3,221
Fiscal	262
Operations and maintenance	8,049
Pupil transportation	64,714
Other non-instruction services	452
Extracurricular	1,245
Food service operations	<u>41,563</u>
 Total depreciation expense	 <u>\$ 133,569</u>

**NOTE 9 - LONG-TERM OBLIGATIONS**

- A. On May 9, 2007, the District issued \$8,701,615 in general obligations bonds (Series 2007 School Facilities Construction and Improvement Bonds). The bond issue represents the District's local share and local funded initiatives of a construction project approved and significantly funded by the Ohio School Facilities Commission (OSFC). The OSFC has awarded the District a \$14,797,046 grant for the project, and will make quarterly disbursements to the District until the project is completed. These bonds are general obligations of the District for which the full faith and credit of the District is pledged for repayment. Accordingly, such unmatured obligations of the District are accounted for in the statement of net assets. Payments of principal and interest relating to this bond issue are recorded as an expenditure in the bond retirement fund (a nonmajor governmental fund). The source of payment is derived from a 6.2 mil bonded debt tax levy. In conjunction with the 6.2 mils which support the bond issue, the District also passed in fiscal 2007 a .5 mil levy to ultimately fund the maintenance costs of the new facilities. Tax revenue from this levy will be reported in the classroom facilities maintenance fund (a nonmajor governmental fund).

This issue is comprised of both current interest bonds, par value \$8,520,000, and capital appreciation bonds, par value \$181,615. The interest rates on the current interest bonds range from 4.000% to 4.125%. The capital appreciation bonds mature on December 1, 2014 (effective interest 18.139%), December 1, 2015 (effective interest 18.139%) and December 16, 2016 (effective interest 18.139%) at a redemption price equal to 100% of the principal, plus accrued interest to the redemption date. The accreted value at maturity for each capital appreciation bond is \$265,000. A total of \$81,692 in accreted interest on the capital appreciation bonds has been included in the statement of net assets at June 30, 2009.

At June 30, 2009, the District had \$8,146,327 of unspent proceeds remaining on this bond issue.

**OSNABURG LOCAL SCHOOL DISTRICT  
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NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2009

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

Interest payments on the current interest bonds are due on June 1 and December 1 of each year. The final maturity stated in the issue is December 1, 2035.

The following is a schedule of activity for fiscal year 2009 on the Series 2007 general obligation bonds:

	Balance 06/30/08	Additions	Reductions	Balance 06/30/09
Current interest bonds	\$ 8,520,000	\$ -	\$ (25,000)	\$ 8,495,000
Capital appreciation bonds	181,615	-	-	181,615
Accreted interest	38,310	43,382	-	81,692
Total G.O. bonds	\$ 8,739,925	\$ 43,382	\$ (25,000)	\$ 8,758,307

The following is a summary of the future debt service requirements to maturity for the Series 2007 general obligation bonds:

Fiscal Year	Current Interest Bonds			Capital Appreciation Bonds		
	Principal	Interest	Total	Principal	Interest	Total
2010	\$ 215,000	\$ 339,157	\$ 554,157	\$ -	\$ -	\$ -
2011	225,000	330,356	555,356	-	-	-
2012	235,000	321,156	556,156	-	-	-
2013	245,000	311,557	556,557	-	-	-
2014	255,000	301,556	556,556	-	-	-
2015 - 2019	540,000	1,460,881	2,000,881	181,615	613,385	795,000
2020 - 2024	1,550,000	1,224,081	2,774,081	-	-	-
2025 - 2029	1,880,000	881,881	2,761,881	-	-	-
2030 - 2034	2,295,000	461,219	2,756,219	-	-	-
2035 - 2036	1,055,000	44,035	1,099,035	-	-	-
Total	\$ 8,495,000	\$ 5,675,879	\$ 14,170,879	\$ 181,615	\$ 613,385	\$ 795,000

**OSNABURG LOCAL SCHOOL DISTRICT  
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NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2009

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

- B.** During fiscal year 2009, the following changes occurred in governmental activities long-term obligations:

	<u>Balance</u> <u>06/30/08</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance</u> <u>06/30/09</u>	<u>Amounts</u> <u>Due in</u> <u>One Year</u>
<b>Governmental activities:</b>					
General obligation bonds	\$ 8,739,925	\$ 43,382	\$ (25,000)	\$ 8,758,307	\$ 215,000
Compensated absences payable	<u>491,250</u>	<u>108,743</u>	<u>(126,897)</u>	<u>473,096</u>	<u>122,938</u>
Total governmental activities long-term liabilities	<u>\$ 9,231,175</u>	<u>\$ 152,125</u>	<u>\$ (151,897)</u>	9,231,403	<u>\$ 337,938</u>
Add: unamortized premium				<u>289,000</u>	
Total on statement of net assets				<u>\$ 9,520,403</u>	

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

**C. Legal Debt Margin**

The Ohio Revised Code provides that voted net general obligation debt of the District shall never exceed 9% of the total assessed valuation of the District. The code further provides that unvoted indebtedness shall not exceed 1/10 of 1% of the property valuation of the District. The code additionally states that unvoted indebtedness related to energy conservation debt shall not exceed 9/10 of 1% of the property valuation of the District. The assessed valuation used in determining the District's legal debt margin has been modified by House Bill 530 which became effective March 30, 2006. In accordance with House Bill 530, the assessed valuation used in the District's legal debt margin calculation excluded tangible personal property used in business, telephone or telegraph property, interexchange telecommunications company property, and personal property owned or leased by a railroad company and used in railroad operations. The effects of these debt limitations at June 30, 2009, resulted in no remaining voted debt margin and an unvoted debt margin of \$93,765.

**NOTE 10 - EMPLOYEE BENEFITS**

**A. Compensated Absences**

The criteria for determining vested vacation and sick leave benefits are derived from negotiated agreements and state laws. Classified employees earn 10 to 30 days of vacation per year, depending upon length of service and hours worked. Teachers do not earn vacation time. Administrators employed to work 260 days per year earn 20 days of vacation annually. Teachers, administrators and classified employees earn sick leave at the rate of one and one-fourth days per month up to a maximum of 310 days for classified employees and 315 days for certified employees. Upon retirement, classified employees and certified employees receive payment for one-fourth of the total sick leave accumulation, up to a maximum of 66 days for certified employees and 66 days for classified employees.

**OSNABURG LOCAL SCHOOL DISTRICT  
STARK COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2009

**NOTE 10 - EMPLOYEE BENEFITS - (Continued)**

**B. Life Insurance**

The District provides life insurance and accidental death and dismemberment insurance to most employees. Life insurance is provided through the Stark County Schools Council of Governments Health Benefits Program, an insurance purchasing pool (Note 2.A.).

**C. Retirement Incentive**

The District had a retirement incentive bonus in place during fiscal year 2009. This bonus is available to certified teaching employees in the amount of \$15,000. Employees retiring the first time they are eligible to retire based upon STRS Ohio eligibility will receive the bonus. First time eligibility means:

Any age with at least 30 years of service credit  
Age 55 or over with at least 25 years of service credit  
Age 60 or over with at least 5 years of service credit

During fiscal year 2009, three employees met the qualifications and elected to retire.

**NOTE 11 - RISK MANAGEMENT**

**A. Comprehensive**

The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees and natural disasters. The District has contracted with Indiana Insurance Company for property, general and excess liability insurance, boiler and machinery and inland marine with a \$5,000 deductible.

Indiana Insurance Company also covers computers, audio/visual equipment, musical instruments, playground, and miscellaneous equipment with a \$500 deductible.

Professional liability is protected by Indiana Insurance Company with a \$5,000,000 single occurrence, \$5,000,000 aggregate and \$1,000 deductible. Vehicles are also covered by Indiana Insurance Company and have a \$500 deductible for comprehensive and a \$250 deductible for collision. Automobile liability and vehicle liability both have a \$1,000,000 single limit of liability.

Settled claims have not exceeded this commercial coverage in any of the past three years. There has been no significant reduction in coverage from 2008.

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NOTES TO THE BASIC FINANCIAL STATEMENTS  
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**NOTE 11 - RISK MANAGEMENT - (Continued)**

**B. Workers' Compensation Plan**

For fiscal year 2009, the District participated in the Stark County Schools Council of Governments Workers' Compensation Group Rating Plan (GRP), an insurance purchasing pool (Note 2.A.). The intent of the GRP is to achieve the benefit of a reduced premium for the District by virtue of its grouping and representation with other participants in the GRP. The workers' compensation experience of the participating school districts is calculated as one experience and a common premium rate is applied to all school districts in the GRP. Each participant pays its workers' compensation premium to the State based on the rate for the GRP rather than its individual rate. Total savings are then calculated and each participant's individual performance is compared to the overall savings percentage of the GRP. A participant will then either receive money from or be required to contribute to the "group savings fund". This "group savings" arrangement insures that each participant shares equally in the overall performance of the GRP. Participation in the GRP is limited to school districts that can meet the GRP's selection criteria. The firm of CompManagement Inc. provides administrative, cost control and actuarial services to the GRP.

**C. Employee Group Health Insurance**

The District has contracted with the Stark County Schools Council of Governments Health Benefits Program, an insurance purchasing pool (Note 2.A.), to provide employee medical/surgical and dental benefits. Rates are set through an annual calculation process. The District pays a monthly contribution which is paid in a common fund from which claim payments are made for all participants regardless of claims flow. The Board of Directors has the right to return monies to an exiting school district subsequent to the settlements of all expenses and claims. The District pays health premiums of \$1,035.08 for family coverage and \$426.09 for single coverage per employee per month and the District pays dental premiums of \$133.47 for family coverage and \$54.10 for single coverage per employee per month.

**NOTE 12 - PENSION PLANS**

**A. School Employees Retirement System**

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



**OSNABURG LOCAL SCHOOL DISTRICT  
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NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2009

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

Funding Policy - Plan members are required to contribute 10 percent of their annual covered salary and the District is required to contribute at an actuarially determined rate. The current District rate is 14 percent of annual covered payroll. A portion of the District's contribution is used to fund pension obligations with the remainder being used to fund health care benefits. For fiscal year 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 District's required contributions for pension obligations to SERS for the fiscal years ended June 30, 2009, 2008 and 2007 were \$89,551, \$84,911 and \$88,066, respectively; 43.04 percent has been contributed for fiscal year 2009 and 100 percent for fiscal years 2008 and 2007. The District has elected to pay or "pick-up" 6% of the plan members required 10% retirement contribution as an employee fringe benefit. In addition, the District pays all additional retirement charges resulting from the "pick-up" (this is known as "pick-up" on "pick-up"), therefore resulting in no additional charges to the employee.

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

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

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

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

**OSNABURG LOCAL SCHOOL DISTRICT  
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NOTES TO THE BASIC FINANCIAL STATEMENTS  
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**NOTE 12 - PENSION PLANS - (Continued)**

Funding Policy - For fiscal year 2009, plan members were required to contribute 10 percent of their annual covered salaries. The District was required to contribute 14 percent; 13 percent was the portion used to fund pension obligations. Contribution rates are established by the State Teachers Retirement Board, upon recommendations of its consulting actuary, not to exceed statutory maximum rates of 10 percent for members and 14 percent for employers. Chapter 3307 of the Ohio Revised Code provides statutory authority for member and employer contributions.

The District's required contributions for pension obligations to STRS Ohio for the fiscal years ended June 30, 2009, 2008 and 2007 were \$462,905, \$452,828 and \$440,441, respectively; 81.30 percent has been contributed for fiscal year 2009 and 100 percent for fiscal years 2008 and 2007. Contributions to the DC and Combined Plans for fiscal year 2009 were \$156 made by the District and \$149 made by the plan members. The District has elected to pay or "pick-up" 6% of the plan members required 10% retirement contribution as an employee fringe benefit. In addition, the District pays all additional retirement charges resulting from the "pick-up" (this is known as "pick-up" on "pick-up"), therefore resulting in no additional charges to the employee.

**C. Social Security System**

Effective July 1, 1991, all employees not otherwise covered by the SERS/STRS Ohio have an option to choose Social Security or the SERS/STRS Ohio. As of June 30, 2009, certain members of the Board of Education have elected Social Security. The District's liability is 6.2 percent of wages paid.

**NOTE 13 - POSTEMPLOYMENT BENEFITS**

**A. School Employees Retirement System**

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

Funding Policy - State statute permits SERS to fund the health care benefits through employer contributions. Each year, after the allocation for statutorily required benefits, the Retirement Board allocates the remainder of the employer contribution of 14 percent of covered payroll to the Health Care Fund. The Health Care Fund was established and is administered in accordance with Internal Revenue Code Section 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, the actuarially determined 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.

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

The District's contributions for health care (including surcharge) for the fiscal years ended June 30, 2009, 2008, and 2007 were \$60,715, \$57,646 and \$48,036, respectively; 43.04 percent has been contributed for fiscal year 2009 and 100 percent for 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 fiscal year 2009, this actuarially required allocation was 0.75 percent of covered payroll. The District's contributions for Medicare Part B for the fiscal years ended June 30, 2009, 2008, and 2007 were \$7,389, \$6,118 and \$5,989, respectively; 43.04 percent has been contributed for fiscal year 2009 and 100 percent for fiscal years 2008 and 2007.

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

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

Funding Policy - Ohio law authorizes STRS Ohio to offer the Plan and gives the Retirement Board authority over how much, if any, of the health care costs will be absorbed by STRS Ohio. Active employee members do not contribute to the Plan. All benefit recipients pay a monthly premium. Under Ohio law, funding for post-employment health care may be deducted from employer contributions. For 2009, STRS Ohio allocated employer contributions equal to 1 percent of covered payroll to the Health Care Stabilization Fund. The District's contributions for health care for the fiscal years ended June 30, 2009, 2008, and 2007 were \$35,608, \$34,833 and \$33,880, respectively; 81.30 percent has been contributed for fiscal year 2009 and 100 percent for fiscal years 2008 and 2007.

**NOTE 14 - BUDGETARY BASIS OF ACCOUNTING**

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

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

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

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**NOTE 14 - BUDGETARY BASIS OF ACCOUNTING - (Continued)**

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

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

**Net Change in Fund Balance**

	<u>General Fund</u>
Budget basis	\$ (686,167)
Net adjustment for revenue accruals	27,244
Net adjustment for expenditure accruals	(38,944)
Net adjustment for other sources/uses	(121,258)
Adjustment for encumbrances	<u>72,454</u>
GAAP basis	<u>\$ (746,671)</u>

**NOTE 15 - CONTINGENCIES**

**A. Grants**

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

**B. Litigation**

The District is involved in no material litigation as either plaintiff or defendant.

**OSNABURG LOCAL SCHOOL DISTRICT  
STARK COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2009

**NOTE 16 - STATUTORY RESERVES**

The District is required by State law to set-aside certain general fund revenue amounts, as defined by statute, into various reserves. These reserves are calculated and presented on a cash basis. During the fiscal year ended June 30, 2009, the reserve activity was as follows:

	<u>Textbooks/ Instructional Materials</u>	<u>Capital Acquisition</u>	<u>BWC Refunds</u>
Set-aside balance as of June 30, 2008	\$ (477,308)	\$ (8,533,466)	\$ 26,956
Current year set-aside requirement	143,307	143,307	-
Qualifying disbursements	<u>(154,800)</u>	<u>(110,089)</u>	<u>-</u>
Total	<u>\$ (488,801)</u>	<u>\$ (8,500,248)</u>	<u>\$ 26,956</u>
Balance carried forward to FY 2010	<u>\$ (488,801)</u>	<u>\$ (8,500,248)</u>	<u>\$ 26,956</u>

Monies representing Bureau of Workers' Compensation (BWC) refunds that were received prior to April 10, 2001, have been shown as a restricted asset and reserved fund balance for budget stabilization in the general fund since allowable expenditures are restricted by State statute. The District is still required by State law to maintain the textbooks/instructional materials reserve and the capital acquisition reserve.

The District had offsets and qualifying disbursements during the year that reduced the set-aside amounts below zero for the textbooks/instructional materials and capital acquisition reserves, these extra amounts may be used to reduce the set-aside requirements for future years. The negative amounts are therefore presented as being carried forward to next fiscal year.

In addition to the above statutory reserves, the District also received monies restricted for school bus purchase.

A schedule of the restricted assets at June 30, 2009 follows:

Amount restricted for school bus purchase	\$ 1,153
Amounts restricted for budget stabilization	<u>26,956</u>
Total restricted assets	<u>\$ 28,109</u>

**OSNABURG LOCAL SCHOOL DISTRICT  
STARK COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2009

**NOTE 17 - CONTRACTUAL COMMITMENTS**

The District entered into the following contracts for the construction project:

Contractor	Date Approved	Contract Amount	Expended	Balance 6/30/09
DiPietro Excavating	8/25/2008	\$ 2,174,879	\$ 991,224	\$ 1,183,655
Jeffrey Carr Construction	9/8/2008	8,728,535	3,331,476	5,397,059
Feinman Mechanical	9/8/2008	3,295,667	1,677,587	1,618,080
Fire Foe Corporation	9/8/2008	246,400	29,220	217,180
Wood Electric	9/8/2008	1,532,405	566,465	965,940
Burkett & Sons, Inc.	10/7/2008	238,611	42,893	195,718
Midwest Telephone Systems	10/7/2008	955,116	-	955,116
		<u>\$ 17,171,613</u>	<u>\$ 6,638,865</u>	<u>\$ 10,532,748</u>

These contractual commitments relate to the OSFC project undertaken by the District. In addition to the amounts paid above, the District has recorded contracts payable and retainage payable in the amounts of \$1,432,247 and \$324,647, respectively, for costs incurred prior to fiscal year end on the OSFC project. Costs incurred by fiscal year end (including contracts and retainage payable) have been recorded as construction-in-progress in the District's capital assets (See Note 8).



# 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*

Osnaburg Local School District  
Stark County  
310 Browning Ct. N  
East Canton, Ohio 44730

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 Osnaburg Local School District, Stark 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 December 4, 2009. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*.

### Internal Control Over Financial Reporting

In planning and performing our audit, we considered the District's internal control over financial reporting as a basis for designing our audit procedures for expressing our 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.

### **Compliance and Other Matters**

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

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

December 4, 2009





# Mary Taylor, CPA

Auditor of State

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

Osnaburg Local School District  
Stark County  
310 Browning Ct. N  
East Canton, Ohio 44730

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 Osnaburg Local 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 on December 17, 2007 and revised the policy on February 19, 2008.
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 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;

- (6) A procedure for documenting any prohibited incident that is reported;
- (7) A procedure for responding to and investigating any reported incident;
- (8) A strategy for protecting a victim from additional harassment, intimidation, or bullying, and from retaliation following a report;
- (9) 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;
- (10) 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.

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

December 4, 2009



Mary Taylor, CPA  
Auditor of State

OSNABURG LOCAL SCHOOL DISTRICT  
STARK COUNTY

CLERK'S CERTIFICATION

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

*Susan Babbitt*

CLERK OF THE BUREAU

CERTIFIED  
JANUARY 21, 2010