



**Mary Taylor, CPA**  
Auditor of State



**ORRVILLE CITY SCHOOL DISTRICT  
WAYNE COUNTY**

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# Mary Taylor, CPA

Auditor of State

## INDEPENDENT ACCOUNTANTS' REPORT

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

To the Board of Education:

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

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Orrville City School District, Wayne County, Ohio, as of June 30, 2008, and the respective changes in financial position and where applicable, cash flows, thereof and the budgetary comparison for the General Fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated March 20, 2009, on our consideration of the District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. While we did not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting and compliance and the results of that testing. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*. You should read it in conjunction with this report in assessing the results of our audit.

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

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

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

**Mary Taylor, CPA**  
Auditor of State

March 20, 2009

**Orrville City School District**  
*Management's Discussion and Analysis*  
*For the Fiscal Year Ended June 30, 2008*

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The discussion and analysis of the Orrville City School District's (the "School District") financial performance provides an overall review of the School District's financial activities for the fiscal year ended June 30, 2008. The intent of this discussion and analysis is to look at the School District's performance as a whole; readers should also review notes to the basic financial statements and financial statements to enhance their understanding of the School District's financial performance.

**Financial Highlights**

Key financial highlights for 2008 are as follows:

- General revenues accounted for \$16,547,879 in revenue or 86 percent of all revenues. Program specific revenues in the form of charges for services and sales, grants, and contributions accounted for \$2,694,572 or 14 percent of total revenues of \$19,242,451.
- Total program expenses were \$19,366,598.
- In total, net assets decreased \$124,147.
- Outstanding debt increased from \$30,810,000 to \$32,408,571 through the issuance of a school facilities note.

**Using this Annual Financial Report**

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

**Reporting the School District as a Whole**

*Statement of Net Assets and the Statement of Activities*

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

A question typically asked about the District's finances "How did we do financially during fiscal year 2008?" The Statement of Net Assets and the Statement of Activities answer this question. These statements include *all assets* and *liabilities* using the *accrual basis of accounting* similar to the accounting used by most private-sector companies. This basis of accounting takes into account all of the current year's revenues and expenses regardless of when cash is received or paid.

**Orrville City School District**  
*Management's Discussion and Analysis (Continued)*  
*For the Fiscal Year Ended June 30, 2008*  
*(Unaudited)*

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

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

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

#### *Fund Financial Statements*

The analysis of the School District's funds begins on page 8. Fund financial reports provide detailed information about the School District's major funds. The School District uses many funds to account for a multitude of financial transactions. However, these fund financial statements focus on the School District's most significant funds. The School District's major governmental funds are the general fund, bond retirement fund and building fund.

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

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

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

**Notes to the Financial Statements** - The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements begin on page 23.



**Orrville City School District**  
*Management's Discussion and Analysis (Continued)*  
*For the Fiscal Year Ended June 30, 2008*  
*(Unaudited)*

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

Recall that the *Statement of Net Assets* provides the perspective of the School District as a whole. Table 1 provides a summary of the School District's net assets for 2008 compared to 2007:

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

	2008	2007
<b>Assets</b>		
Current and Other Assets	\$ 29,755,055	\$ 35,847,892
Capital Assets	17,973,324	11,749,271
Total Assets	47,728,379	47,597,163
<b>Liabilities</b>		
Long-Term Liabilities	34,303,453	32,969,467
Other Liabilities	10,158,925	11,237,548
Total Liabilities	44,462,378	44,207,015
<b>Net Assets</b>		
Invested in Capital Assets, Net of Related Debt	3,838,914	5,601,970
Restricted	2,532,012	1,251,967
Unrestricted (Deficit)	(3,104,925)	(3,463,789)
Total Net Assets	\$ 3,266,001	\$ 3,390,148

Total assets increased by \$131,216. This increase is primarily due to addition of the new of the middle school building being added to capital assets. The contributing factor for the \$255,363 increase in total liabilities is a new \$1,000,000 note for construction and improvements to the elementary schools.

**Orrville City School District**  
*Management's Discussion and Analysis (Continued)*  
*For the Fiscal Year Ended June 30, 2008*  
*(Unaudited)*

Table 2 shows the changes in net assets for fiscal year 2008 compared to 2007.

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

	<u>2008</u>	<u>2007</u>
<b>Revenues</b>		
<b><i>Program Revenues</i></b>		
Charges for Services and Sales	\$ 966,317	\$ 885,779
Operating Grants and Contributions	1,555,731	1,624,099
Capital Grants and Contributions	172,524	135,036
<i>Total Program Revenues</i>	<u>2,694,572</u>	<u>2,644,914</u>
<b><i>General Revenues</i></b>		
Property Taxes	8,391,541	7,491,451
Grants and Entitlements	6,835,578	6,265,117
Investment Earnings	1,284,458	772,460
Other	36,302	21,130
Premium on Bonds Issued	0	7,443
<i>Total General Revenues</i>	<u>16,547,879</u>	<u>14,557,601</u>
<i>Total Revenues</i>	19,242,451	17,202,515
<b><i>Program Expenses</i></b>		
Instruction	10,672,295	9,487,840
Support Services:		
Pupils and Instructional Staff	1,631,129	1,650,500
Board of Education, Administration, Fiscal and Business	2,257,422	1,968,616
Operation and Maintenance	1,388,473	1,181,918
Pupil Transportation	443,838	367,022
Central	57,890	41,578
Operation of Non-instructional Services:		
Food Service Operations	651,310	677,759
Community Services	0	1,036
Extracurricular Activities	455,691	474,461
Interest and Fiscal Charges	1,808,550	778,593
<i>Total Program Expenses</i>	<u>19,366,598</u>	<u>16,629,323</u>
<i>Increase in Net Assets</i>	(124,147)	573,192
<i>Net Assets Beginning of Year</i>	<u>3,390,148</u>	<u>2,816,956</u>
<i>Net Assets End of Year</i>	<u>\$ 3,266,001</u>	<u>\$ 3,390,148</u>

**Orrville City School District**  
*Management's Discussion and Analysis (Continued)*  
*For the Fiscal Year Ended June 30, 2008*  
*(Unaudited)*

The vast majority of revenues supporting governmental activities are the general revenues. General revenue totaled \$16,547,879 which is approximately 86 percent of total revenue. The most significant portion of the general revenues is property taxes which are approximately 44 percent of total revenue. The intergovernmental revenues consist of State foundation, homestead and rollback, and personal property and tax exemption. Intergovernmental revenues account for 35 percent of total revenue and interest income accounts for 7 percent of total revenue. The remaining amount of revenue received was in the form of program revenues, which equaled \$2,694,572 or 14 percent of total revenue.

**Governmental Activities**

The School District has carefully planned its financial existence by forecasting its revenues and expenses over the next five years. The School District's revenue growth is mostly dependent upon property tax increases and new construction. Property taxes made up 44 percent of revenues for governmental activities for Orrville City School District in fiscal year 2008. Although the School District relies heavily upon local property taxes to support its operations, the School District does actively solicit and receive additional grant and entitlement funds to help offset some operating cost.

Instruction comprises 55 percent of governmental program expenses. Additional supporting services for pupils, staff and business operations encompassed an additional 30 percent. The remaining 15 percent of program expenses is used for other obligations of the School District such as non-instructional services, extracurricular activities and interest and fiscal charges.

The Statement of Activities shows the cost of program services and the charges for services and grants offsetting those services. Table 3 shows, for government activities, the total cost of services and the net cost of services. That is, it identifies the cost of these services supported by tax revenue and unrestricted State entitlements. Comparisons of 2008 to 2007 have been made in Table 3.

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

	Total Cost of Services 2008	Total Cost of Services 2007	Net Cost of Service 2008	Net Cost of Service 2007
Instruction	\$ 10,672,295	\$ 9,487,840	\$ (9,515,900)	\$ (8,357,796)
Support Services:				
Pupil and Instructional Staff	1,631,129	1,650,500	(1,339,467)	(1,306,593)
Board of Education, Administration, Fiscal and Business	2,257,422	1,968,616	(2,082,610)	(1,840,109)
Operation and Maintenance of Plant	1,388,473	1,181,918	(1,221,095)	(1,053,749)
Pupil Transportation	443,838	367,022	(438,692)	(360,155)
Central	57,890	41,578	(37,068)	(41,578)
Operation of Non-Instructional Services:				
Food Service Operations	651,310	677,759	18,462	(2,720)
Community Services	0	1,036	0	142
Extracurricular Activities	455,691	474,461	(247,106)	(243,258)
Interest and Fiscal Charges	1,808,550	778,593	(1,808,550)	(778,593)
<b>Total</b>	<b>\$ 19,366,598</b>	<b>\$ 16,629,323</b>	<b>\$ (16,672,026)</b>	<b>\$ (13,984,409)</b>

**Orrville City School District**  
*Management's Discussion and Analysis (Continued)*  
*For the Fiscal Year Ended June 30, 2008*  
*(Unaudited)*

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The dependence upon tax revenues for governmental activities is apparent. 43 percent of expenses are directly supported by local property taxes. Program revenues only account for 14 percent of all governmental expenses. Program revenues include charges for services, grants and contributions that are program specific. Surrounding schools with resident students attending Orrville City School District pay the School District per pupil under Ohio's open enrollment plan. The community, as a whole, is by far the primary support for Orrville City School District students.

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

Information about the School District's major funds starts on page 14. These funds are accounted for using the modified accrual basis of accounting. All governmental funds had total revenues and other financing sources of \$38,605,812 and expenditures of \$43,985,469. The net change in fund balance for the year was most significant in the building capital projects fund totaling a decrease of \$5,328,230 due to the completion of the new middle school.

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

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

During the course of fiscal year 2008, the School District amended its general fund budget several times. For the general fund, the final budget basis revenue was \$14,090,596 representing a \$1,096,063 increase from the original budget estimate of \$12,994,533. Most of this difference was due to an underestimation of intergovernmental revenues. The School District's general fund unencumbered cash balance at the end of the fiscal year was \$1,784,247.

The original and final general fund appropriations totaled \$14,003,277 and \$14,318,058 respectively.

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

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

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

At the end of fiscal year 2008, the School District had \$17,973,324 invested in land, construction in progress, buildings and improvements, furniture and equipment and vehicles. Table 4 shows fiscal year 2008 amounts compared to 2007. More detailed information is presented in Note 8 of the notes to the basic financial statements.

**Orrville City School District**  
*Management's Discussion and Analysis (Continued)*  
*For the Fiscal Year Ended June 30, 2008*  
*(Unaudited)*

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

	2008	2007
Land	\$ 1,576,075	\$ 1,588,575
Buildings and Improvements	13,589,762	1,722,460
Furniture and Equipment	1,436,980	564,743
Vehicles	236,996	208,287
Construction in Progress	1,133,511	7,665,206
<b>Totals</b>	<b>\$ 17,973,324</b>	<b>\$ 11,749,271</b>

All capital assets, except land and construction in progress are reported net of depreciation. The \$6,224,053 increase in capital assets was attributable to the completion of construction of a new middle school building exceeding depreciation expense.

House Bill 345 requires the School District to set aside \$162.09 per pupil in each of two areas, one for the purchase of textbooks and materials related to instruction and the other for capital outlay. For fiscal year 2008, this amounted to \$261,396 for each set aside. The School District had qualifying disbursements or offsets exceeding these requirements for textbooks and instructional materials and capital improvements. More detailed information is presented in Note 19.

***Debt***

At June 30, 2008, the School District had \$32,408,571 in debt outstanding with \$409,907 due within one year. Table 5 shows fiscal year 2008 amounts compared to 2007.

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

	2008	2007
Capital Lease	\$ 13,045,334	\$ 13,000,000
Library Improvement Bonds	0	2,670,000
Bond Anticipation Note	0	15,000,000
2008 School Facilities Note	1,000,000	0
2007 School Facilities Refunding Bonds		
Serial and Term Bonds	17,375,000	0
Capital Appreciation Bonds	160,000	0
Unamortized Premium	18,952	0
Refunding Loss	739,285	0
Emergency Levy Tax Anticipation Note	70,000	140,000
<b>Total</b>	<b>\$ 32,408,571</b>	<b>\$ 30,810,000</b>

**Orrville City School District**  
*Management's Discussion and Analysis (Continued)*  
*For the Fiscal Year Ended June 30, 2008*  
*(Unaudited)*

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The School District's total debt increased by \$1,598,571 during the current fiscal year. The key factors in this increase were the issuance of new notes and bonds.

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

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

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

#### **Current Issues**

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

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

Thus, school districts dependent upon property taxes are hampered by a lack of revenue growth and must regularly return to the voters to maintain a constant level of service. Property taxes made up 50.71 percent of general revenues for governmental activities for the Orrville City School District in fiscal year 2008.

**Orrville City School District**  
*Management's Discussion and Analysis (Continued)*  
*For the Fiscal Year Ended June 30, 2008*  
*(Unaudited)*

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

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

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

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

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

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

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

**Orrville City School District**

*Statement of Net Assets*

*June 30, 2008*

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	<u>Governmental Activities</u>
<b>Assets</b>	
Equity in Pooled Cash and Cash Equivalents	\$ 19,171,553
Cash and Cash Equivalents in Segregated Accounts	82,648
Cash and Cash Equivalents Held with Trustee	1,600,106
Receivables:	
Taxes	8,547,543
Accounts	230
Intergovernmental	89,453
Prepaid Items	270
Inventory Held For Resale	22,928
Materials and Supplies Inventory	2,059
Deferred Charges	238,265
Nondepreciable Capital Assets	2,709,586
Depreciable Capital Assets, Net	<u>15,263,738</u>
<i>Total Assets</i>	<u>47,728,379</u>
<b>Liabilities</b>	
Accounts Payable	222,786
Contracts Payable	191,037
Accrued Wages and Benefits	1,472,412
Matured Compensated Absences Payable	82,597
Accrued Interest	75,996
Intergovernmental Payable	392,291
Deferred Revenue	7,509,147
Early Retirement Incentive Payable	60,000
Claims Payable	152,659
Long Term Liabilities:	
Due Within One Year	501,136
Due in More Than One Year	<u>33,802,317</u>
<i>Total Liabilities</i>	<u>44,462,378</u>
<b>Net Assets</b>	
Invested in Capital Assets, Net of Related Debt	3,838,914
Restricted for:	
Capital Projects	1,762,403
Debt Service	473,579
Other Purposes	296,030
Unrestricted	<u>(3,104,925)</u>
<i>Total Net Assets</i>	<u>\$ 3,266,001</u>

See accompanying notes to the basic financial statements.



**Orrville City School District**  
*Statement of Activities*  
For the Fiscal Year Ended June 30, 2008

	Program Revenues				Net (Expense) Revenue and Changes in Net Assets
	Expenses	Charges for Services and Sales	Operating Grants, Contributions and Interest	Capital Grants and Contributions	Governmental Activities
<b>Governmental Activities</b>					
Instruction:					
Regular	\$ 8,536,349	\$ 282,599	\$ 316,354	\$ 0	\$ (7,937,396)
Special	1,103,488	0	520,607	0	(582,881)
Vocational	285,890	0	35,676	0	(250,214)
Other	746,568	0	1,159	0	(745,409)
Support Services:					
Pupils	874,802	550	256,984	0	(617,268)
Instructional Staff	756,327	226	33,902	0	(722,199)
Board of Education	213,340	0	0	0	(213,340)
Administration	1,487,852	128,522	9,302	0	(1,350,028)
Fiscal	492,285	23,473	0	0	(468,812)
Business	63,945	13,515	0	0	(50,430)
Operation and Maintenance of Plant	1,388,473	0	0	167,378	(1,221,095)
Pupil Transportation	443,838	0	0	5,146	(438,692)
Central	57,890	0	20,822	0	(37,068)
Operation of Non-Instructional Services:					
Food Service Operations	651,310	308,847	360,925	0	18,462
Extracurricular Activities	455,691	208,585	0	0	(247,106)
Interest and Fiscal Charges	1,808,550	0	0	0	(1,808,550)
<i>Total Governmental Activities</i>	<u>\$ 19,366,598</u>	<u>\$ 966,317</u>	<u>\$ 1,555,731</u>	<u>\$ 172,524</u>	<u>(16,672,026)</u>

**General Revenues**

Property Taxes Levied for:

General Purposes	6,765,347
Debt Service	851,632
Other Purposes	774,562
Grants and Entitlements not Restricted to Specific Programs	6,835,578
Investment Earnings	1,284,458
Miscellaneous	36,302

*Total General Revenues* 16,547,879

*Change in Net Assets* (124,147)

*Net Assets Beginning of Year* 3,390,148

*Net Assets End of Year* \$ 3,266,001

See accompanying notes to the basic financial statements.

**Orrville City School District**

*Balance Sheet*

*Governmental Funds*

*June 30, 2008*

	General	Bond Retirement	Building	Other Governmental Funds	Total Governmental Funds
<b>Assets</b>					
Equity in Pooled Cash and Cash Equivalents	\$ 1,999,121	\$ 398,703	\$ 14,827,182	\$ 1,333,872	\$ 18,558,878
Restricted Cash and Cash Equivalents	5,146	0	0	0	5,146
Cash and Cash Equivalents in Segregated Accounts	0	0	82,648	0	82,648
Cash and Cash Equivalents Held with Trustee	0	0	1,600,106	0	1,600,106
Receivables:					
Taxes	6,562,295	1,247,095	0	738,153	8,547,543
Accounts	230	0	0	0	230
Intergovernmental	0	0	0	89,453	89,453
Prepaid Items	270	0	0	0	270
Inventory Held For Resale	0	0	0	22,928	22,928
Materials and Supplies Inventory	0	0	0	2,059	2,059
<i>Total Assets</i>	<u>\$ 8,567,062</u>	<u>\$ 1,645,798</u>	<u>\$ 16,509,936</u>	<u>\$ 2,186,465</u>	<u>\$ 28,909,261</u>
<b>Liabilities and Fund Balances</b>					
<b>Liabilities</b>					
Accounts Payable	\$ 112,680	\$ 0	\$ 24,863	\$ 85,243	\$ 222,786
Contracts Payable	0	0	191,037	0	191,037
Accrued Wages and Benefits	1,327,934	0	0	144,478	1,472,412
Matured Compensated Absences Payable	82,597	0	0	0	82,597
Intergovernmental Payable	336,746	0	0	55,545	392,291
Deferred Revenue	6,154,811	1,170,090	0	782,096	8,106,997
Early Retirement Incentive Payable	60,000	0	0	0	60,000
<i>Total Liabilities</i>	<u>8,074,768</u>	<u>1,170,090</u>	<u>215,900</u>	<u>1,067,362</u>	<u>10,528,120</u>
<b>Fund Balances</b>					
Fund Balances:					
Reserved for Encumbrances	58,964	0	1,163,042	143,349	1,365,355
Reserved for Bus Purchases	5,146	0	0	0	5,146
Reserved for Prepaid Items	270	0	0	0	270
Reserved for Property Taxes	407,484	77,005	0	45,510	529,999
Unreserved:					
Undesignated, Reported in:					
General Fund	20,430	0	0	0	20,430
Special Revenue Funds	0	0	0	135,352	135,352
Debt Service Fund	0	398,703	0	0	398,703
Capital Projects Funds	0	0	15,130,994	794,892	15,925,886
<i>Total Fund Balances</i>	<u>492,294</u>	<u>475,708</u>	<u>16,294,036</u>	<u>1,119,103</u>	<u>18,381,141</u>
<i>Total Liabilities and Fund Balances</i>	<u>\$ 8,567,062</u>	<u>\$ 1,645,798</u>	<u>\$ 16,509,936</u>	<u>\$ 2,186,465</u>	<u>\$ 28,909,261</u>

See accompanying notes to the basic financial statements.

**Orrville City School District**  
*Reconciliation of Total Governmental Fund Balances to  
 Net Assets of Governmental Activities  
 June 30, 2008*

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**Total Governmental Fund Balances** \$ 18,381,141

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

Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds. 17,973,324

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

Grants	\$ 89,453
Delinquent Property Taxes	<u>508,397</u>

Total 597,850

In the statement of activities, bond issuance costs are amortized over the term of the bonds, whereas in governmental funds a bond issuance expenditure is reported when bonds are issued. 238,265

In the statement of activities, interest is accrued on outstanding debt, whereas in governmental funds, an interest expenditure is reported when due. (75,996)

An internal service fund is used by management to charge the costs of insurance to individual funds. The assets and liabilities of the internal service fund are included in governmental activities in the statement of net assets. 454,870

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

Capital Leases Payable	(13,045,334)
General Obligation Bonds	(17,375,000)
Capital Appreciation Bonds	(160,000)
Bond Accretion	(18,952)
Unamortized Bond Premium	(739,285)
Tax Anticipation Note	(70,000)
School Facilities Note	(1,000,000)
Compensated Absences	<u>(1,894,882)</u>

Total (34,303,453)

*Net Assets of Governmental Activities* \$ 3,266,001

See accompanying notes to the basic financial statements.

**Orrville City School District**  
*Statement of Revenues, Expenditures and Changes in Fund Balances*  
*Governmental Funds*  
*For the Fiscal Year Ended June 30, 2008*

	General	Bond Retirement	Building	Other Governmental Funds	Total Governmental Funds
<b>Revenues</b>					
Property and Other Local Taxes	\$ 6,662,591	\$ 786,982	\$ 0	\$ 763,858	\$ 8,213,431
Intergovernmental	7,011,744	99,067	0	1,483,883	8,594,694
Investment Income	194,655	0	1,075,266	17,613	1,287,534
Tuition and Fees	277,897	0	0	305	278,202
Rent	6,463	0	0	0	6,463
Extracurricular Activities	17,785	0	0	283,880	301,665
Gifts and Donations	10	0	0	14,389	14,399
Charges for Services	0	0	0	379,977	379,977
Miscellaneous	8,023	0	1,000	27,279	36,302
<i>Total Revenues</i>	<u>14,179,168</u>	<u>886,049</u>	<u>1,076,266</u>	<u>2,971,184</u>	<u>19,112,667</u>
<b>Expenditures</b>					
Current:					
Instruction:					
Regular	6,862,015	0	0	343,198	7,205,213
Special	880,409	0	0	217,938	1,098,347
Vocational	308,741	0	0	0	308,741
Other	642,467	0	0	103,172	745,639
Support Services:					
Pupils	570,941	0	0	322,802	893,743
Instructional Staff	706,841	0	0	69,541	776,382
Board of Education	213,566	0	0	0	213,566
Administration	1,344,717	0	0	138,073	1,482,790
Fiscal	414,034	16,265	0	48,536	478,835
Business	37,045	0	0	16,167	53,212
Operation and Maintenance of Plant	1,422,023	0	0	0	1,422,023
Pupil Transportation	455,065	0	0	1,976	457,041
Central	32,835	0	0	26,586	59,421
Extracurricular Activities	250,383	0	0	204,383	454,766
Operation of Non-instructional Services:					
Food Service Operations	0	0	0	647,530	647,530
Capital Outlay	3,563	0	7,404,496	364,016	7,772,075
Debt Service:					
Principal Retirement	70,000	17,805,000	0	12,123	17,887,123
Interest and Fiscal Charges	5,040	977,571	0	799,637	1,782,248
Issuance Costs	0	246,774	0	0	246,774
<i>Total Expenditures</i>	<u>14,219,685</u>	<u>19,045,610</u>	<u>7,404,496</u>	<u>3,315,678</u>	<u>43,985,469</u>
<i>Excess of Revenues Over (Under) Expenditures</i>	<u>(40,517)</u>	<u>(18,159,561)</u>	<u>(6,328,230)</u>	<u>(344,494)</u>	<u>(24,872,802)</u>
<b>Other Financing Sources</b>					
Proceeds of Notes	0	0	1,000,000	0	1,000,000
Proceeds from Inception of Capital Lease	0	0	0	57,457	57,457
Premium on Debt Issuance	0	765,688	0	0	765,688
Proceeds of General Obligation Bonds	0	17,670,000	0	0	17,670,000
<i>Total Other Financing Sources</i>	<u>0</u>	<u>18,435,688</u>	<u>1,000,000</u>	<u>57,457</u>	<u>19,493,145</u>
<i>Net Change in Fund Balances</i>	<u>(40,517)</u>	<u>276,127</u>	<u>(5,328,230)</u>	<u>(287,037)</u>	<u>(5,379,657)</u>
<i>Fund Balances Beginning of Year</i>	<u>532,811</u>	<u>199,581</u>	<u>21,622,266</u>	<u>1,406,140</u>	<u>23,760,798</u>
<i>Fund Balances End of Year</i>	<u>\$ 492,294</u>	<u>\$ 475,708</u>	<u>\$ 16,294,036</u>	<u>\$ 1,119,103</u>	<u>\$ 18,381,141</u>

See accompanying notes to the basic financial statements.

**Orrville City School District**  
*Reconciliation of the Statement of Revenues, Expenditures and Changes  
in Fund Balances of Governmental Funds to the Statement of Activities  
For the Fiscal Year Ended June 30, 2008*

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**Net Change in Fund Balances - Total Governmental Funds** \$ (5,379,657)

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

Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the current period.

Capital Asset Additions	\$ 7,161,924	
Current Year Depreciation	<u>(727,262)</u>	6,434,662

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.

(210,609)

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

Grants	(48,326)	
Delinquent Property Taxes	<u>178,110</u>	129,784

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

Accrued Interest	(25,244)	
Accretion on Capital Appreciation Bonds	(18,952)	
Bond Premium	<u>(739,285)</u>	(783,481)

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

General Obligation Bonds	2,805,000	
Capital Leases	12,123	
Bond Anticipation Note Payable	15,000,000	
Tax Anticipation Note	<u>70,000</u>	17,887,123

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

238,265

General obligation bonds and notes issued in the governmental funds that increase long-term liabilities in the statement of net assets are not reported as revenues.

(18,670,000)

Inception of capital lease in the governmental funds increase long-term liabilities in the statement of net assets is not reported as revenues in the statement of activities.

(57,457)

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

264,585

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

22,638

*Change in Net Assets of Governmental Activities*

\$ (124,147)

See accompanying notes to the basic financial statements.

**Orrville City School District**  
*Statement of Revenues, Expenditures, and Changes in Fund Balance -  
 Budget (Non-GAAP Basis) and Actual*  
 General Fund  
 For the Fiscal Year Ended June 30, 2008

	Budgeted Amounts			Variance with Final Budget Over (Under)
	Original	Final	Actual	
<b>Revenues</b>				
Taxes	\$ 6,129,464	\$ 6,242,253	\$ 6,515,107	\$ 272,854
Intergovernmental	6,467,069	7,450,343	7,002,621	(447,722)
Investment Income	136,018	136,018	224,121	88,103
Tuition and Fees	205,982	205,982	278,019	72,037
Extracurricular Activities	16,000	16,000	17,785	1,785
Rentals	7,500	7,500	6,463	(1,037)
Contributions and Donations	0	0	10	10
Miscellaneous	32,500	32,500	84,697	52,197
<i>Total Revenues</i>	<u>12,994,533</u>	<u>14,090,596</u>	<u>14,128,823</u>	<u>38,227</u>
<b>Expenditures</b>				
Current:				
Instruction:				
Regular	6,901,267	7,139,779	6,873,073	266,706
Special	869,016	887,016	882,280	4,736
Vocational	271,418	272,018	264,844	7,174
Other	545,750	549,250	639,304	(90,054)
Support Services:				
Pupils	591,820	593,729	605,604	(11,875)
Instructional Staff	712,318	702,043	699,279	2,764
Board of Education	147,350	138,465	190,698	(52,233)
Administration	1,379,736	1,395,840	1,337,716	58,124
Fiscal	448,692	449,092	416,990	32,102
Business	108,928	108,928	73,023	35,905
Operation and Maintenance of Plant	1,337,278	1,386,843	1,465,120	(78,277)
Pupil Transportation	339,075	344,183	500,027	(155,844)
Central	35,830	35,830	37,112	(1,282)
Extracurricular Activities	239,259	239,502	251,389	(11,887)
Capital Outlay	500	500	3,563	(3,063)
Debt Service:				
Principal Retirement	70,000	70,000	70,000	0
Interest and Fiscal Charges	5,040	5,040	5,040	0
<i>Total Expenditures</i>	<u>14,003,277</u>	<u>14,318,058</u>	<u>14,315,062</u>	<u>2,996</u>
<i>Net Change in Fund Balance</i>	(1,008,744)	(227,462)	(186,239)	41,223
<i>Fund Balance Beginning of Year</i>	1,877,428	1,877,428	1,877,428	0
Prior Year Encumbrances Appropriated	93,058	93,058	93,058	0
<i>Fund Balance End of Year</i>	<u>\$ 961,742</u>	<u>\$ 1,743,024</u>	<u>\$ 1,784,247</u>	<u>\$ 41,223</u>

See accompanying notes to the basic financial statements.

**Orrville City School District**  
*Statement of Fund Net Assets*  
*Proprietary Fund*  
*June 30, 2008*

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	<u>Governmental Activities - Internal Service Fund</u>
<b>Assets</b>	
Equity in Pooled Cash and Cash Equivalents	<u>\$ 607,529</u>
<b>Liabilities</b>	
Claims Payable	<u>152,659</u>
<b>Net Assets</b>	
Unrestricted	<u><u>\$ 454,870</u></u>

See accompanying notes to the basic financial statements.

**Orrville City School District**  
*Statement of Revenues, Expenses, and Changes in Fund Net Assets*  
*Proprietary Fund*  
*For the Fiscal Year Ended June 30, 2008*

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	<u>Governmental Activities - Internal Service Fund</u>
<b>Operating Revenues</b>	
Charges for Services	<u>\$ 756,613</u>
<b>Operating Expenses</b>	
Claims	<u>733,975</u>
<i>Change in Net Assets</i>	22,638
<i>Net Assets Beginning of Year</i>	<u>432,232</u>
<i>Net Assets End of Year</i>	<u><u>\$ 454,870</u></u>

See accompanying notes to the basic financial statements.



**Orrville City School District**  
*Statement of Cash Flows*  
*Proprietary Fund*  
For the Fiscal Year Ended June 30, 2008

	<u>Governmental Activities - Internal Service Fund</u>
<i>Decrease in Cash and Cash Equivalents</i>	
<b>Cash Flows From Operating Activities</b>	
Cash Received for Interfund Services	\$ 756,613
Cash Payments for Claims	<u>(835,024)</u>
<i>Net Cash Used for Operating Activities</i>	<u>(78,411)</u>
<i>Net Decrease in Cash and Cash Equivalents</i>	(78,411)
<i>Cash and Cash Equivalents Beginning of Year</i>	<u>685,940</u>
<i>Cash and Cash Equivalents End of Year</i>	<u><u>\$ 607,529</u></u>
<b>Reconciliation of Operating Income to Net Cash Used for Operating Activities</b>	
<i>Operating Income</i>	<u>\$ 22,638</u>
Adjustments:	
Decrease in Liabilities:	
Claims Payable	<u>(101,049)</u>
<i>Net Cash Used for Operating Activities</i>	<u><u>\$ (78,411)</u></u>

See accompanying notes to the basic financial statements.

**Orrville City School District**  
*Statement of Fiduciary Assets and Liabilities*  
*Agency Fund*  
*June 30, 2008*

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	<u>Agency</u>
<b>Assets</b>	
Equity in Pooled Cash and Cash Equivalents	\$ 34,321
Accounts Receivable	<u>115</u>
<i>Total Assets</i>	<u><u>\$ 34,436</u></u>
<b>Liabilities</b>	
Accounts Payable	\$ 496
Due to Students	<u>33,940</u>
<i>Total Liabilities</i>	<u><u>\$ 34,436</u></u>

See accompanying notes to the basic financial statements.

**Orrville City School District**  
*Notes To The Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2008*

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

The Orrville City School District (the “School District”) was established for the purpose of exercising the rights and privileges conveyed to it by the constitution and laws of the State of Ohio. The School District is a school district as defined by Section 3311.02 of the Ohio Revised Code. The School District operates under an elected Board of Education, consisting of five members, and is responsible for providing public education to residents of the School District. Average daily membership on, or as of, October 1, 2007, was 1,674. The School District employs 135 certificated and 87 non-certificated employees.

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

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

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

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

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

**Orrville City School District**  
*Notes To The Basic Financial Statements (Continued)*  
*For the Fiscal Year Ended June 30, 2008*

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

**A. Basis of Presentation**

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

**Government-wide Financial Statements**

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

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

**Fund Financial Statements**

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

**B. Fund Accounting**

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

**Orrville City School District**  
*Notes To The Basic Financial Statements (Continued)*  
*For the Fiscal Year Ended June 30, 2008*

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

**Governmental Funds**

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

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

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

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

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

**Proprietary Funds**

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

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

**Fiduciary Funds**

Fiduciary fund reporting focuses on net assets and changes in net assets. The fiduciary fund category is split into four classifications: pension trust funds, investment trust funds, private purpose trust funds, and agency funds. Trust funds are used to account for assets held by the School District under a trust agreement for individuals, private organizations, or other governments and are, therefore, not available to support the School District's own programs. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. The School District's only fiduciary fund is an agency fund that accounts for student activities.

**Orrville City School District**  
*Notes To The Basic Financial Statements (Continued)*  
*For the Fiscal Year Ended June 30, 2008*

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

**C. Measurement Focus**

**Government-wide Financial Statements**

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

**Fund Financial Statements**

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

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

**D. Basis of Accounting**

Basis of accounting determines when transactions are recorded in the financial records and reported on the financial statements. Government-wide financial statements are prepared using the accrual basis of accounting. Governmental funds use the modified accrual basis of accounting. Fiduciary funds also use the accrual basis of accounting. Differences in the accrual and the modified accrual basis of accounting arise in the recognition of revenue, the recording of deferred revenue, and in the presentation of expenses versus expenditures.

**Revenues – Exchange and Non-Exchange Transactions**

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

**Orrville City School District**  
*Notes To The Basic Financial Statements (Continued)*  
*For the Fiscal Year Ended June 30, 2008*

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

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

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

**Deferred Revenue**

Deferred revenue arises when assets are recognized before revenue recognition criteria have been satisfied.

Property taxes for which there is an enforceable legal claim as of June 30, 2008, but which were levied to finance fiscal year 2009 operations, have been recorded as deferred revenue. Grants and entitlements received before the eligibility requirements are met are also recorded as deferred revenue.

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

**Expenses/Expenditures**

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

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

**Orrville City School District**  
*Notes To The Basic Financial Statements (Continued)*  
*For the Fiscal Year Ended June 30, 2008*

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

**E. Cash and Cash Equivalents**

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

During fiscal year 2008, investments were limited to certificates of deposit, a repurchase agreement, government securities and U.S. Treasury Notes.

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

Following Ohio statutes, the Board of Education has, by resolution, specified the funds to receive an allocation of interest earnings. Interest revenue credited to the general fund during fiscal year 2008 amounted to \$194,655, which includes \$178,581 assigned from other School District funds.

Investments of the cash management pool and investments with an original maturity of three months or less at the time they are purchased by the School District are reported as cash equivalents.

**F. Prepaid Items**

Payments made to vendors for services that will benefit periods beyond June 30, 2008, are recorded as prepaid items using the consumption method. A current asset for the prepaid amount is recorded at the time of the purchase and an expenditure/expense is reported in the year in which services are consumed.

**G. Inventory**

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



**Orrville City School District**  
*Notes To The Basic Financial Statements (Continued)*  
*For the Fiscal Year Ended June 30, 2008*

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

**H. Restricted Assets**

Assets are reported as restricted 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 of the general fund include unspent resources restricted for the purchase of buses.

**I. Capital Assets**

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

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

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

<u>Description</u>	<u>Estimated Lives</u>
Buildings and Improvements	10 - 40 Years
Furniture and Equipment	5 - 20 Years
Vehicles	10 Years

**J. Compensated Absences**

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

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

**Orrville City School District**  
*Notes To The Basic Financial Statements (Continued)*  
*For the Fiscal Year Ended June 30, 2008*

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

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

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

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

All payables, accrued liabilities, and long-term obligations are reported in the government-wide financial statements, and all payables and accrued liabilities from the internal service fund are reported on the proprietary fund financial statements.

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

**L. Net Assets**

Net assets represent the difference between assets and liabilities. Net assets invested in capital assets, net of related debt consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction, or improvement of those assets. Net assets are reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the School District or through external restrictions imposed by creditors, grantors, or laws or regulations of other governments. At June 30, 2008, none of the School District's net assets were restricted by enabling legislation. Net assets restricted for other purposes include instructional activities, grants and extracurricular activities.

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

**M. Fund Balance Reserves**

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

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

**Orrville City School District**  
*Notes To The Basic Financial Statements (Continued)*  
*For the Fiscal Year Ended June 30, 2008*

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

**N. Operating Revenues and Expenses**

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

**O. Extraordinary and Special Items**

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

**P. Estimates**

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

**Q. Budgetary Data**

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

The certificate of estimated resources may be amended during the year if projected increases or decreases in revenue are identified by the District Treasurer. The amounts reported as the original budgeted amounts in the budgetary statements reflect the amounts in the certificate when the original appropriations were adopted. The amounts reported as the final budgeted amounts in the budgetary statements reflect the amounts in the final amended certificate in effect when the final appropriations were passed.

**Orrville City School District**  
*Notes To The Basic Financial Statements (Continued)*  
*For the Fiscal Year Ended June 30, 2008*

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

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

**R. Implementation of New Accounting Policies**

For the year ended June 30, 2008, the School District has implemented GASB Statement No. 45, *“Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions”*, GASB Statement No. 48, *“Sales and Pledges of Receivables and Future Revenues and Intra-Entity Transfers of Assets and Future Revenues”*, GASB Statement No. 49, *“Accounting and Financial Reporting for Pollution Remediation Obligations”*, and GASB Statement No. 50, *“Pension Disclosures – An Amendment of GASB Statements No. 25 and No. 27.”*

GASB Statement No. 45 provides guidance on all aspects of OPEB reporting by employers. This Statement establishes standards for the measurement, recognition, and display of OPEB expense/expenditures and related liabilities (assets), note disclosures, and, if applicable, required supplementary information (RSI) in the financial reports of state and local governmental employers.

GASB Statement No. 48 provides guidance on accounting for sales and pledges of receivables and future revenues. The Statement also requires governments to disclose in the notes to the financial statements the amount of future revenues that have been pledged or sold.

GASB Statement No. 49 provides guidance on how to calculate and report the costs and obligations associated with pollution cleanup efforts.

GASB Statement No. 50 more closely aligns the financial reporting requirements for pensions with those for other postemployment benefits (OPEB) and, in doing so, enhances information disclosed in notes to financial statements or presented as required supplementary information (RSI) by pension plans and by employers that provide pension benefits. The reporting changes required by this Statement amend applicable note disclosure and RSI requirements of GASB Statement No. 25, *“Financial Reporting for Defined Benefit Pension Plans and Note Disclosures for Deferred Contribution Plans”*, and GASB Statement No. 27, *“Accounting for Pensions by State and Local Governmental Employers”*, to conform with requirements of GASB Statement No. 43, *“Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans”*, and GASB Statement No. 45, *“Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions.”*

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

**Orrville City School District**  
*Notes To The Basic Financial Statements (Continued)*  
*For the Fiscal Year Ended June 30, 2008*

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**NOTE 3: FUND DEFICITS**

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

	<u>Deficit</u>
Nonmajor Special Revenue Funds:	
Alternative Education	\$ 5,140
Poverty Aid	12,190
Title I	42,072
Title VIB	45,777
Title VI	1,044
Title VI-R	9,544

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

**NOTE 4: BUDGETARY BASIS OF ACCOUNTING**

While the School District is reporting financial position, results of operations, and changes in fund balance on the basis of generally accepted accounting principles (GAAP), the budgetary basis as provided by law is based upon accounting for certain transactions on a basis of cash receipts, disbursements, and encumbrances. The Statement of Revenues, Expenditures, and Changes in Fund Balance – Budget (Non-GAAP Basis) and Actual, is presented for the general fund on the budgetary basis to provide meaningful comparison of actual results with the budget. The major differences between the budget basis and GAAP basis are that:

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

**Orrville City School District**  
*Notes To The Basic Financial Statements (Continued)*  
*For the Fiscal Year Ended June 30, 2008*

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**NOTE 4: BUDGETARY BASIS OF ACCOUNTING (Continued)**

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

**Net Change in Fund Balance**

	General
GAAP Basis	\$ (40,517)
Net Adjustments for Revenue Accruals	(50,345)
Net Adjustment for Expenditure Accruals	124,643
Adjustment for Encumbrances	(220,020)
 Budget Basis	 \$ (186,239)

**NOTE 5: DEPOSITS AND INVESTMENTS**

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

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

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

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

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

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

**Orrville City School District**  
*Notes To The Basic Financial Statements (Continued)*  
*For the Fiscal Year Ended June 30, 2008*

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

- 3) Written repurchase agreements in the securities listed above, provided that the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least 2% and be marked to market daily, and that the term of the agreement must not exceed 30 days;
- 4) Bonds and any other obligations of the State of Ohio;
- 5) No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2) of this section and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions;
- 6) The State Treasurer's Investment Pool (STAR Ohio);
- 7) Certain bankers acceptances and commercial paper notes for a period not to exceed 180 days from the purchase date in any amount not to exceed 25 percent of the interim monies available for investment at any one time; and
- 8) Under limited circumstances, corporate debt interests noted in either of the two highest rating classifications by at least two nationally recognized rating agencies.

Investments in stripped principal or interest obligations, reverse repurchase agreements and derivatives are prohibited. The issuance of taxable notes for the purpose of arbitrage, the use of leverage and short selling are also prohibited. An investment must mature within five years from the date of purchase unless matched to a specific obligation or debt of the School District, and must be purchased with the expectation that it will be held to maturity.

Investments may only be made through specified dealers and institutions. Payment for investments may be made only upon delivery of the securities representing the investments to the Treasurer or, if the securities are not represented by a certificate, upon receipt of confirmation of transfer from the custodian.

According to State law, public depositories must give security for all public funds on deposit. These institutions may either specifically collateralize individual accounts in lieu of amounts insured by FDIC, or may pledge a pool of government securities valued at least 105 percent of the total value of uninsured public monies on deposit at the institution. Repurchase agreements must be secured by the specific government securities upon which the repurchase agreements are based. These securities must be obligations of or guaranteed by the United States and mature or be redeemable within five years of the date of the related repurchase agreement. State law does not require security for public deposits and investments to be maintained in the School District's name. During 2008, the School District and public depositories complied with the provisions of these statutes.

**Orrville City School District**  
*Notes To The Basic Financial Statements (Continued)*  
*For the Fiscal Year Ended June 30, 2008*

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

**Deposits with Financial Institutions**

Custodial credit risk is the risk that, in the event of a bank failure, the School District's deposits may not be returned. All deposits are collateralized with eligible securities in amounts equal to at least 105 percent of the carrying value of the deposits. Such collateral, as permitted by the Ohio Revised Code, is held in single financial institution collateral pools at Federal Reserve Banks, or at member banks of the federal reserve system, in the name of the respective depository bank and pledged as collateral against all of the public deposits it holds or as specific collateral held at the Federal Reserve Bank in the name of the School District.

At fiscal year-end, the carrying amount of the School District's deposits was \$3,090,149. Based on the criteria described in GASB Statement No. 40, "Deposits and Investment Risk Disclosures," as of June 30, 2008, \$3,166,928 of the School District's bank balance of \$3,391,558 was exposed to custodial risk as discussed above, while \$224,630 was covered by Federal Deposit Insurance Corporation.

**Funds Held by Trustee**

U.S. Bank acts as a trustee for the School District. U.S. Bank held on account as of June 30, 2008, \$1,600,106. This money is held in trustee accounts for the construction of a new middle school and other building renovations and improvements. Collateral is held on direct deposit with the Federal Reserve.

**Investments**

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

<u>Investment Type</u>	<u>Fair Value</u>	<u>Investment Maturities</u>		
		<u>6 Months or Less</u>	<u>7 to 12 Months</u>	<u>13 to 18 Months</u>
FHLB	\$ 7,384,439	\$ 1,515,465	\$ 4,367,099	\$ 1,501,875
FHLMC	1,507,500	1,507,500	0	0
FNMA - Discount Note	3,418,268	2,168,258	1,250,010	0
FHLMC - Discount Note	3,015,170	3,015,170	0	0
Repurchase Agreement	770,000	770,000	0	0
U.S. Treasury Notes	102,996	102,996	0	0
	<u>\$ 16,198,373</u>	<u>\$ 9,079,389</u>	<u>\$ 5,617,109</u>	<u>\$ 1,501,875</u>

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

***Credit Risk.*** Standard & Poor's has assigned FHLB, FHLMC, FNMA Discount note and FHLMC discount note an AAA rating. The U.S. Treasury notes have no credit risk. The repurchase agreement is an unrated investment.



**Orrville City School District**  
*Notes To The Basic Financial Statements (Continued)*  
*For the Fiscal Year Ended June 30, 2008*

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

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

<u>Investment Type</u>	<u>Fair Value</u>	<u>Percent of Total</u>
FHLB	\$ 7,384,439	45.59%
FHLMC	1,507,500	9.31%
FNMA- Discount Note	3,418,268	21.10%
FHLMC- Discount Note	3,015,170	18.61%
Repurchase Agreement	770,000	4.75%
U.S. Treasury Notes	102,996	0.64%
	<u>\$ 16,198,373</u>	<u>100.00%</u>

**NOTE 6: PROPERTY TAXES**

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

Property taxes include amounts levied against all real, public utility and tangible personal property (used in business) located in the School District. Real property tax revenue received in calendar 2008 represents collections of calendar year 2007 taxes. Real property taxes received in calendar year 2008 were levied after April 1, 2007, on the assessed value listed as of January 1, 2007, the lien date. Assessed values for real property taxes are established by State law at thirty-five percent of appraised market value. Real property taxes are payable annually or semi-annually. If paid annually, payment is due December 31; if paid 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 revenue received in calendar 2008 represents collections of calendar year 2007 taxes. Public utility real and tangible personal property taxes received in calendar year 2008 became a lien December 31, 2006, were levied after April 1, 2007 and are collected in 2008 with real property taxes. Public utility real property is assessed at thirty-five percent of true value; public utility tangible personal property currently is assessed at varying percentages of true value.

**Orrville City School District**  
*Notes To The Basic Financial Statements (Continued)*  
*For the Fiscal Year Ended June 30, 2008*

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

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

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

The School District receives property taxes from Wayne County. The County Auditor periodically advances to the School District its portion of the taxes collected. Second-half real property tax payments collected by the County by June 30, 2008, are available to finance fiscal year 2008 operations. The amount available to be advanced can vary based on the date the tax bills are sent.

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

The amount available as an advance at June 30, 2008, was \$407,484 in the general fund, \$77,005 in the bond retirement debt service fund and \$45,510 in the permanent improvements capital projects fund. The amount available as an advance at June 30, 2007, was \$260,000 in the general fund, \$10,000 in the bond retirement debt service fund and \$30,000 in the permanent improvements capital projects fund.

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

**Orrville City School District**  
*Notes To The Basic Financial Statements (Continued)*  
*For the Fiscal Year Ended June 30, 2008*

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

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

	2007 Second-Half Collections		2008 First-Half Collections	
	Amount	Percent	Amount	Percent
Agricultural/Residential	\$ 137,029,960	62%	\$ 139,138,800	63%
Commercial/Industrial/ Public Utility	53,207,730	24%	58,155,420	26%
Tangible Personal Property	31,132,860	14%	22,292,560	11%
Total Assessed Value	\$ 221,370,550	100%	\$ 219,586,780	100%
Tax rate per \$1,000 of assessed value	\$ 54.30		\$ 58.88	

**NOTE 7: RECEIVABLES**

Receivables at June 30, 2008 consisted of taxes, accounts (customer services and student fees), accrued interest and intergovernmental grants. All receivables are considered collectible in full due to the ability to foreclose for the nonpayment of taxes, the stable condition of State programs, and the current year guarantee of federal funds. All are expected to be received within one year.

A summary of the principal items of intergovernmental receivables follow:

	Amounts
Nonmajor Funds:	
Title VI-B Grant	\$ 42,026
Title I Grant	39,936
Alternative Schools	1,304
Title V Grant	869
Title II-A Grant	5,318
Total All Funds	\$ 89,453

**Orrville City School District**  
*Notes To The Basic Financial Statements (Continued)*  
For the Fiscal Year Ended June 30, 2008

**NOTE 8: CAPITAL ASSETS**

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

	Balance at 07/01/2007	Additions	Deletions	Balance at 06/30/2008
<b>Governmental Activities:</b>				
<b><i>Capital Assets, Not Being Depreciated:</i></b>				
Land	\$ 1,588,575	\$ 0	\$ (12,500)	\$ 1,576,075
Construction in Progress	7,665,206	1,133,511	(7,665,206)	1,133,511
<i>Total Capital Assets, Not Being Depreciated</i>	9,253,781	1,133,511	(7,677,706)	2,709,586
<b><i>Capital Assets, Being Depreciated:</i></b>				
Building and Improvements	9,123,390	12,540,102	(1,497,527)	20,165,965
Furniture and Equipment	1,415,955	1,079,010	(50,256)	2,444,709
Vehicles	672,600	74,507	0	747,107
<i>Total Capital Assets, Being Depreciated</i>	11,211,945	13,693,619	(1,547,783)	23,357,781
<b><i>Less Accumulated Depreciation:</i></b>				
Building and Improvements	(7,400,930)	(478,388)	1,303,115	(6,576,203)
Furniture and Equipment	(851,212)	(203,076)	46,559	(1,007,729)
Vehicles	(464,313)	(45,798)	0	(510,111)
<i>Total Accumulated Depreciation</i>	(8,716,455)	(727,262) *	1,349,674	(8,094,043)
<i>Total Capital Assets Being Depreciated, Net</i>	2,495,490	12,966,357	(198,109)	15,263,738
<i>Governmental Activities Capital Assets, Net</i>	\$ 11,749,271	\$ 14,099,868	\$ (7,875,815)	\$ 17,973,324

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

Instruction:	
Regular	\$ 634,680
Special	14,691
Vocational	7,273
Support Services:	
Pupil	14,109
Administration	18,837
Fiscal	12,654
Operation of Non-Instructional Services:	
Food Service Operations	25,018
Total Depreciation Expense	\$ 727,262

**Orrville City School District**  
*Notes To The Basic Financial Statements (Continued)*  
*For the Fiscal Year Ended June 30, 2008*

**NOTE 9: RISK MANAGEMENT**

**A. General Insurance**

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

**B. Fidelity Bond**

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

**C. Workers' Compensation**

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

**D. Employee Health Insurance**

The administrator of the self-insurance plan is Benefit Services, Inc. Premiums are paid into the self-insurance fund and are available to pay claims and administrative costs. A stop-loss insurance contract with a private insurance carrier covers specific liability claims in excess of \$40,000 per covered individual. The claims liability of \$152,659 reported in the Internal Service Fund at June 30, 2008 is based on an estimate provided by the third party administrator and the requirements of Government Accounting Standards Board Statement No. 10, which requires that a liability for unpaid claim costs, including estimates of costs relating to incurred but not reported claims, to be reported.

Changes in the fund's claims liability for the fiscal year 2008 are as follows:

	Balance Beginning of Year	Current Year Claims	Claims Payments	Balance End of Year
2007	\$ 229,198	\$ 1,543,398	\$ 1,518,888	\$ 253,708
2008	\$ 253,708	\$ 733,975	\$ 835,024	\$ 152,659

**Orrville City School District**  
*Notes To The Basic Financial Statements (Continued)*  
*For the Fiscal Year Ended June 30, 2008*

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

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

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

Rates are set through an annual calculation process. The School District pays a monthly contribution which is placed in a common fund from which claim payments are made for all participating districts. The employees share the cost of the monthly premium with the Board. For fiscal year 2008, the School District's monthly premiums were \$1,008.45 for family coverage and \$415.16 for single coverage. Dental insurance is also provided by the School District to qualified employees through the Stark County Schools Council for Governments. For fiscal year 2008, the School District's cost was \$130.03 for family coverage and \$52.74 for single coverage per employee per month.

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

**NOTE 10: DEFINED BENEFIT PENSION PLANS**

**A. School Employees Retirement System**

Plan Description - The School District contributes to the School Employees Retirement System of Ohio ("SERS"), a cost-sharing multiple employer pension plan. SERS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Authority to establish and amend benefits is provided by Chapter 3309 of the Ohio Revised Code. SERS issues a publicly available, stand-alone financial report that includes financial statements and required supplementary information. That report may be obtained by writing to the School Employees Retirement System, 300 East Broad Street, Suite 100, Columbus, Ohio 43215-3746.

**Orrville City School District**  
*Notes To The Basic Financial Statements (Continued)*  
*For the Fiscal Year Ended June 30, 2008*

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

Funding Policy - Plan members are required to contribute 10 percent of their annual covered salary and the School District is required to contribute at an actuarially determined rate. The current School District rate is 14 percent of annual covered payroll. A portion of the School District's contribution is used to fund pension obligations with the remainder being used to fund health care benefits; for fiscal year 2008, 9.16 percent of annual covered salary was the portion used to fund pension obligations. The contribution requirements of plan members and employers are established and may be amended by the SERS' Retirement Board up to a statutory maximum amount of 10 percent for plan members and 14 percent for employers. Chapter 3309 of the Ohio Revised Code provides statutory authority for member and employer contributions. The School District's required contributions for pension obligations to SERS for the fiscal years ended June 30, 2008, 2007 and 2006 were \$239,017, \$168,131 and \$209,543 respectively; 51 percent has been contributed for fiscal year 2008 and 100 percent for the fiscal years 2007 and 2006.

**B. State Teachers Retirement System**

The School District participates in the State Teachers Retirement System of Ohio ("STRS Ohio"), a cost-sharing, multiple-employer defined benefit pension plan. STRS Ohio provides retirement and disability benefits to members and death and survivor benefits to beneficiaries. STRS Ohio issues a publicly-available, stand-alone financial report that includes financial statements and required supplementary information. That report may be obtained by writing to STRS Ohio, 275 East Broad Street, Columbus, Ohio 43215-3371, by calling (888) 227-7877, or by visiting the STRS Ohio website at [www.strsoh.org](http://www.strsoh.org).

New members have a choice of three retirement plans, a Defined Benefit (DB) Plan, a Defined Contribution (DC) Plan and a Combined Plan. The DB Plan offers an annual retirement allowance based on final average salary times a percentage that varies based on years of service, or an allowance based on member contributions and earned interest matched by STRS Ohio funds divided by an actuarially determined annuity factor. The DC Plan allows members to allocate their member contributions and employer contributions equal to 10.5 percent of earned compensation among various investment accounts. Investment decisions are made by the member. A member is eligible to receive a retirement benefit at age 50 and termination of employment. The Combined Plan offers features of both the DC Plan and the DB Plan. In the Combined Plan, member contributions are invested by the member, and employer contributions are used to fund the defined benefit payment at a reduced level from the regular DB Plan. DC and Combined Plan members will transfer to the DB Plan during their fifth year of membership unless they permanently select the DC or Combined Plan. Existing members with less than five years of service credit as of June 30, 2001 were given the option of making a one time irrevocable decision to transfer their account balances from the existing DB Plan into the DC Plan or the Combined Plan. This option expired on December 31, 2001. Benefits are established by Chapter 3307 of the Ohio Revised Code.

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

**Orrville City School District**  
*Notes To The Basic Financial Statements (Continued)*  
*For the Fiscal Year Ended June 30, 2008*

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

For the fiscal year ended June 30, 2008, plan members were required to contribute 10 percent of their annual covered salaries. The School District was required to contribute 14 percent; 13 percent was the portion used to fund pension obligations. For fiscal year 2007, the portion used to fund pension obligations was also 13 percent. Contribution rates are established by the State Teachers Retirement Board, upon recommendations of its consulting actuary, not to exceed statutory maximum rates of 10 percent for members and 14 percent for employer contributions.

The School District's required contributions for pension obligations to the DB Plan for the fiscal years ended June 30, 2008, 2007 and 2006 were \$1,048,714, \$863,690 and \$928,872, respectively; 84 percent has been contributed for fiscal year 2008 and 100 percent for the fiscal years 2007 and 2006. Contributions to the DC and Combined Plans for fiscal year 2008 were \$13,586 made by the School District and \$6,593 made by the plan members.

**C. Social Security System**

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

**NOTE 11: POSTEMPLOYMENT BENEFITS**

**A. State Teachers Retirement System**

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

Funding Policy – Ohio law authorizes STRS Ohio to offer the Plan and gives the Retirement Board authority over how much, if any, of the health care costs will be absorbed by STRS Ohio. Active employee members do not contribute to the Plan. All benefit recipients pay a monthly premium. Under Ohio law, funding for post-employment health care may be deducted from employer contributions. For 2008, STRS Ohio allocated employer contributions equal to 1 percent of covered payroll to the Health Care Stabilization Fund. The School District's contributions for health care for the fiscal years ended June 30, 2008, 2007, and 2006 were \$80,670, \$66,458, and \$71,452, respectively; 84 percent has been contributed for fiscal year 2008 and 100 percent for the fiscal years 2007 and 2006.



**Orrville City School District**  
*Notes To The Basic Financial Statements (Continued)*  
*For the Fiscal Year Ended June 30, 2008*

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

**B. School Employee Retirement System**

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

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

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

The School District's contributions for health care for the fiscal years ended June 30, 2008, 2007, and 2006 were \$109,071, \$55,819, and \$67,735, respectively; 51 percent has been contributed for fiscal year 2008 and 100 percent for the fiscal years 2007 and 2006.

The Retirement Board, acting with advice of the actuary, allocates a portion of the employer contribution to the Medicare B Fund. For 2008, this actuarially required allocation was 0.66 percent of covered payroll. The School District's contributions for Medicare Part B for the fiscal years ended June 30, 2008, 2007, and 2006 were \$17,222, \$11,433, and \$13,468, respectively; 51 percent has been contributed for fiscal year 2008 and 100 percent for the fiscal years 2007 and 2006.

**Orrville City School District**  
*Notes To The Basic Financial Statements (Continued)*  
For the Fiscal Year Ended June 30, 2008

**NOTE 12: LONG-TERM OBLIGATIONS**

The changes in the School District's long-term obligations during the fiscal year 2008 were as follows:

	Principal Outstanding 07/01/2007	Additions	Reductions	Principal Outstanding 06/30/2008	Due Within One Year
Library Improvement Bonds, 5.85% interest rate, due due December 1, 2022	\$ 2,670,000	\$ 0	\$ (2,670,000)	\$ 0	\$ 0
Emergency Levy Tax Anticipation Note, 3.6% interest rate, due December 1, 2008	140,000	0	(70,000)	70,000	70,000
Bond Anticipation Note, 4.375% interest rate, due December 13, 2007	15,000,000	0	(15,000,000)	0	0
2008 Schools Facilities Construction and Improvement Note, 4.519% interest rate, due December 1, 2035	0	1,000,000	0	1,000,000	26,000
2007 School Facilities Construction Construction and Improvement and Refunding Bonds - \$17,510,000 - 4.25-5.25% Serial and Term Bonds	0	17,510,000	(135,000)	17,375,000	300,000
Capital Appreciation Bonds	0	160,000	0	160,000	0
Accretion on Capital Appreciation	0	18,952	0	18,952	0
Unamortized Premium	0	765,688	(26,403)	739,285	0
Capital Leases	13,000,000	57,457	(12,123)	13,045,334	13,907
Compensated Absences	2,159,467	0	(264,585)	1,894,882	91,229
<b>Totals</b>	<b>\$ 32,969,467</b>	<b>\$ 19,512,097</b>	<b>\$ (18,178,111)</b>	<b>\$ 34,303,453</b>	<b>\$ 501,136</b>

On December 31, 1997 the School District issued \$3,300,000 in voted library improvement bonds for the purpose of improving the Orrville Public Library. The library bond issuance consists of four \$825,000 bonds of like tenor and effect numbered from R-1 through R-4 with a yield varying between 4.00 to 5.8 percent. The bonds were issued to pay costs of renovating, adding to, improving, furnishing and equipping the existing Orrville Public Library and its site, including acquiring real estate, improving electronic technology and facilitating access by handicapped persons, under authority of and pursuant to the laws of the State of Ohio, particularly Chapter 133 and Section 3375.43 of the Revised Code. The requisite majority vote of School District electors were cast at the November 4, 1997 election upon the question of issuing bonds and levying a tax outside the ten mill limitation to pay the principal and interest on those bonds. Resolution No. 1997-43 adopted by the Board of Education on December 15, 1997 (the "Resolution") approved placing the levy on the ballot on behalf of the Orrville Public Library. The Orrville Public Library is neither recorded as a component unit nor a capital asset of the School District, but is disclosed as a related organization (See Note 15).

**Orrville City School District**  
*Notes To The Basic Financial Statements (Continued)*  
*For the Fiscal Year Ended June 30, 2008*

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

On December 18, 2003, the Board authorized the issuance of notes in anticipation of the collection of levy proceeds approved by voters in February of 2003. The notes were issued under provisions 5705.194 of the Ohio Revised Code and the proceeds were used for the general operations of the School District.

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

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

At the date of refunding, \$18,435,688 (including premium and after underwriting fees and other issuance costs) was received to pay off old debt. As a result, \$2,670,000 of the 1997 Library Bonds and \$15,000,000 of the notes were retired. The bonds were issued with a premium of \$765,688, which is reported as an increase to bonds payable. The amounts are being amortized to interest expense over the life of the bonds using the straight-line method. The amortization of the premium for fiscal year 2008 was \$26,403. The issuance costs of \$246,774 are reported as deferred charges and are being amortized over the life of the bonds using the straight-line method. The amortization of the issuance costs for fiscal year 2008 was \$8,509.

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

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

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

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

**Orrville City School District**  
*Notes To The Basic Financial Statements (Continued)*  
For the Fiscal Year Ended June 30, 2008

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

The capital appreciation bonds will mature December 1, 2018 and 2019. These bonds were purchased at a discount at the time of issuance and at maturity all compounded interest is paid and the bond holder collects the face value. However, since interest is technically earned and compounded semi-annually, the value of the bond increases. Therefore, as the value increases, the accretion is booked as principal. The maturity amount of the bonds is \$690,000. The fiscal year 2008 accretion amount is \$18,952.

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

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

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

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

Compensated absences will be paid from the general fund.

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

Principal and interest requirements to retire general obligation bonds outstanding at June 30, 2008 are as follows:

	Construction and Improvement Note		General Obligation Bonds		Capital Appreciation Bonds		Tax Anticipation Note		Total	
	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest
2009	\$ 26,000	\$ 47,968	\$ 300,000	\$ 851,931	\$ 0	\$ 0	\$ 70,000	\$ 2,520	\$ 396,000	\$ 902,419
2010	18,000	46,899	300,000	839,181	0	0	0	0	318,000	886,080
2011	19,000	46,000	325,000	825,900	0	0	0	0	344,000	871,900
2012	20,000	45,052	350,000	811,556	0	0	0	0	370,000	856,608
2013	21,000	44,056	420,000	795,193	0	0	0	0	441,000	839,249
2014-2018	120,000	203,634	2,740,000	3,653,908	0	0	0	0	2,860,000	3,857,542
2019-2023	152,000	170,732	2,870,000	3,036,027	160,000	530,000	0	0	3,182,000	3,736,759
2024-2028	195,000	128,914	3,110,000	2,244,145	0	0	0	0	3,305,000	2,373,059
2029-2033	249,000	75,209	4,010,000	1,321,690	0	0	0	0	4,259,000	1,396,899
2034-2036	180,000	13,414	2,950,000	237,564	0	0	0	0	3,130,000	250,978
Total	\$ 1,000,000	\$ 821,878	\$ 17,375,000	\$ 14,617,095	\$ 160,000	\$ 530,000	\$ 70,000	\$ 2,520	\$ 18,605,000	\$ 15,971,493

**Orrville City School District**  
*Notes To The Basic Financial Statements (Continued)*  
*For the Fiscal Year Ended June 30, 2008*

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

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

The School District entered into a lease agreement with the Columbus Regional Airport Authority for the construction of a new middle school building. At the time the School District entered into this lease, the building had not yet been constructed. As part of the agreement, Columbus Regional Airport Authority, as lessor, deposited \$13,000,000 with a trustee for the construction of the building. Amounts are paid to contractors by the trustee at the discretion of the School District as the project progresses. At year end, capital assets being constructed under this lease have been capitalized. \$596,674 is still held by the trustee. All payments will be made to the U.S. Bank, third party administrator. Interest is calculated on a weekly basis using the BMA rate plus 73.1 bpts. At June 30, 2008 the interest rate was 2.281 percent.

Capital assets acquired by the leases have been capitalized in the amount of \$12,641,656. A corresponding liability was recorded in the statement of net assets and is reduced for each required principal payment. Interest only payments began in fiscal year 2007 for the new building lease. The first principal payment will be made in fiscal year 2011.

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

Year ending June 30,	2009	\$	509,326
	2010		510,090
	2011		842,265
	2012		826,942
	2013		825,216
	2014-2018		4,115,468
	2019-2023		4,099,205
	2024-2028		4,077,637
	2029-2033		4,053,781
	2034		807,175
			20,667,105
Less amount representing interest			7,621,771
Present value of minimum lease payment		\$	13,045,334

**Orrville City School District**  
*Notes To The Basic Financial Statements (Continued)*  
*For the Fiscal Year Ended June 30, 2008*

**NOTE 14: CONTRACTUAL COMMITMENTS**

As of June 30, 2008, the School District had contractual commitments for the construction of new middle and elementary schools.

	Contractual Commitment	Expended	Balance June 30, 2008
RP Carbone Company	\$ 717,467	\$ 680,603	\$ 36,864
RP Carbone Company	871,113	172,963	698,150
Balog, Steines & Hendricks	665,346	662,021	3,325
Balog, Steines & Hendricks	768,000	537,600	230,400
Balog, Steines & Hendricks	12,000	10,200	1,800
Raze International	278,895	172,509	106,386
Standard Plumbing & Heating	158,770	0	158,770
Giambrone Construction	7,560,539	7,534,831	25,708
McClintock electric	21,595	0	21,595
Karpinski Engineering	19,500	9,500	10,000
	<u>\$ 11,073,225</u>	<u>\$ 9,780,227</u>	<u>\$ 1,292,998</u>

**NOTE 15: RELATED ORGANIZATION**

The Orrville Public Library (the “Library”) is a related organization to the School District. The school board members are responsible for appointing all the trustees of the Library; however, the school board cannot influence the Library’s operation, nor does the Library represent a potential financial benefit or burden to the School District. The School District serves in a ministerial capacity as the taxing authority for the Library. Once the Library determines to present a levy to the voters, including the determination of the rate and duration, the School District must place the levy on the ballot. The Library may not issue debt and determines its own budget. The Library did not receive any funding from the School District during fiscal year 2008. However, the school board did place a levy on the ballot for the Library. The purpose of this levy was to repay library renovation and expansion bonds. The total amount of bonds issued was \$3,300,000. The electors of the School District approved the levy. See Note 12 for additional disclosures regarding the bond issue.

**Orrville City School District**  
*Notes To The Basic Financial Statements (Continued)*  
*For the Fiscal Year Ended June 30, 2008*

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**NOTE 16: JOINTLY GOVERNED ORGANIZATIONS**

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

The Tri-County Computer Services Association (TCCSA) is a jointly governed organization comprised of 20 school districts. The jointly governed organization was formed for the purpose of applying modern technology with the aid of computers and other electronic equipment to administrative and instructional functions for member School Districts. Each of the governments of these School Districts supports TCCSA based on a per-pupil charge dependent upon the software package utilized. The TCCSA assembly consists of a superintendent or designated representative from each participating School District and a representative from the fiscal agent. TCCSA is governed by a board of directors chosen from the general membership of the TCCSA assembly. The board of directors consists of a representative from the fiscal agent, the chairman of each operating committee, and at least an assembly member from each county from which participating School Districts are located. Financial information can be obtained by contacting the Treasurer at the Wayne County Educational Service Center, which serves as fiscal agent, located at Wooster, Ohio. During the year ended June 30, 2008, the School District paid approximately \$136,334 to TCCSA for basic service charges.

**B. Wayne County Career Center**

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

**NOTE 17 – PUBLIC ENTITY RISK POOLS**

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

**Orrville City School District**  
*Notes To The Basic Financial Statements (Continued)*  
*For the Fiscal Year Ended June 30, 2008*

**NOTE 18: CONTINGENCIES**

**A. Grants**

The School District received financial assistance from federal and state agencies in the form of grants. The disbursement of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements, and is subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the general fund or other applicable funds. However, in the opinion of management, any such disallowed claims will not have a material adverse effect on the overall financial position of the School District at June 30, 2008.

**B. Litigation**

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

**NOTE 19: SET-ASIDES**

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

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

	<u>Textbooks</u>	<u>Capital Acquisition</u>	<u>Budget Stabilization</u>	<u>Totals</u>
Set-aside Reserve Balance as of June 30, 2007	\$ 9,016	\$ 0	\$ 65,663	\$ 74,679
Current Year Set-aside Requirement	261,396	261,396	0	522,792
Current Year Offsets	0	(748,349)	0	(748,349)
Qualifying Disbursements	<u>(385,893)</u>	<u>0</u>	<u>(65,663)</u>	<u>(451,556)</u>
 Totals	 <u>\$ (115,481)</u>	 <u>\$ (486,953)</u>	 <u>\$ 0</u>	 <u>\$ (602,434)</u>
 Set-aside Balance Carried Forward to Future Fiscal Years	 <u>\$ (115,481)</u>	 <u>\$ 0</u>	 <u>\$ 0</u>	
 Set-aside Reserve Balance as of June 30, 2008	 <u>\$ 0</u>	 <u>\$ 0</u>	 <u>\$ 0</u>	



**Orrville City School District**  
*Notes To The Basic Financial Statements (Continued)*  
*For the Fiscal Year Ended June 30, 2008*

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

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

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ORRVILLE CITY SCHOOL DISTRICT  
WAYNE COUNTY

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

Federal Grantor / Pass Through Grantor / Program Title	Federal CFDA Number	Receipts	Non-Cash Receipts	Expenditures	Non-Cash Expenditures
<b><u>U.S. DEPARTMENT OF EDUCATION</u></b>					
<i>Passed through the Ohio Department of Education</i>					
Title I Grants to Local Educational Agencies	84.010	\$8,552		\$35,861	
		195,805		199,833	
Total Title I Grants to Local Educational Agencies		204,357		235,694	
Special Education Grants to States	84.027	26,418		58,177	
		414,184		393,541	
Total Special Education Grants to States		440,602		451,718	
Safe and Drug-Free Schools and Communities State Grants	84.186	6,189		6,189	
State Grants for Innovative Programs	84.298	239		2,989	
		13,497		11,397	
Total State Grants for Innovative Programs		13,736		14,386	
Education Technology State Grants	84.318	0		530	
		1,951		1,828	
Total Education Technology State Grants		1,951		2,358	
Improving Teacher Quality State Grants	84.367	0		12,884	
		66,488		66,227	
Total Improving Teacher Quality State Grants		66,488		79,111	
<b>Total U. S. Department of Education</b>		<b>733,323</b>		<b>789,456</b>	
<b><u>U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES</u></b>					
<i>Passed through the Ohio Department of Mental Retardation and Developmental Disabilities</i>					
<i>Passed through Tri-County Educational Service Center</i>					
Medical Assistance Program	93.778	55,889		0	
<b>Total U.S. Department of Health and Human Services</b>		<b>55,889</b>		<b>0</b>	
<b><u>U.S. DEPARTMENT OF AGRICULTURE</u></b>					
<i>Passed through the Ohio Department of Education</i>					
Food Donation Program	10.550		\$65,979		\$65,979
Child Nutrition Cluster:					
School Breakfast Program	10.553	60,113		60,113	
National School Lunch Program	10.555	272,956		272,956	
Total Child Nutrition Cluster		333,069		333,069	
<b>Total U.S. Department of Agriculture</b>		<b>333,069</b>	<b>65,979</b>	<b>333,069</b>	<b>65,979</b>
<b>Totals</b>		<b>\$1,122,281</b>	<b>\$65,979</b>	<b>\$1,122,525</b>	<b>\$65,979</b>

The accompanying notes are an integral part of this schedule.

**ORRVILLE CITY SCHOOL DISTRICT  
WAYNE COUNTY**

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

**NOTE A - SIGNIFICANT ACCOUNTING POLICIES**

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

**NOTE B - FOOD DONATION PROGRAM**

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

**NOTE C - CHILD NUTRITION CLUSTER**

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



# Mary Taylor, CPA

Auditor of State

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

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

To the Board of Education:

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Orrville City School District, Wayne County, Ohio, (the District) as of and for the year ended June 30, 2008, which collectively comprise the District's basic financial statements and have issued our report thereon dated March 20, 2009. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*.

### Internal Control Over Financial Reporting

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

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

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

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

We noted certain internal control matters that we reported to the District's management in a separate letter dated March 20, 2009.

### **Compliance and Other Matters**

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

We did note a certain noncompliance or other matter that we reported to the District's management in a separate letter dated March 20, 2009.

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

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

**Mary Taylor, CPA**  
Auditor of State

March 20, 2009



# Mary Taylor, CPA

Auditor of State

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

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

To the Board of Education:

### Compliance

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

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

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

In a separate letter to the District's management dated March 20, 2009, we reported an other matter related to federal noncompliance not requiring inclusion in this report.

### Internal Control Over Compliance

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

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

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

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, we noted matters involving the internal control over federal compliance not requiring inclusion in this report, that we reported to the District's management in a separate letter dated March 20, 2009.

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



**Mary Taylor, CPA**  
Auditor of State

March 20, 2009



**ORRVILLE CITY SCHOOL DISTRICT  
WAYNE COUNTY**

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

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

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

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

None

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

None

ORRVILLE CITY SCHOOL DISTRICT  
WAYNE COUNTY

SCHEDULE OF PRIOR AUDIT FINDINGS  
JUNE 30, 2008

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <b><i>Explain</i></b>
2007-001	Various deficiencies in the recording of capital assets were noted.	No	Partially Corrected – included in management letter.



**Mary Taylor, CPA**  
Auditor of State

**ORRVILLE CITY SCHOOL DISTRICT**  
**WAYNE COUNTY**

**CLERK'S CERTIFICATION**

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

*Susan Babbitt*

**CLERK OF THE BUREAU**

**CERTIFIED**  
**APRIL 16, 2009**