



**STRASBURG-FRANKLIN LOCAL SCHOOL DISTRICT
TUSCARAWAS COUNTY**

SINGLE AUDITS

FOR THE YEARS ENDED JUNE 30, 2011 AND 2010



Dave Yost • Auditor of State

**STRASBURG-FRANKLIN LOCAL SCHOOL DISTRICT
TUSCARAWAS COUNTY**

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INDEPENDENT ACCOUNTANTS' REPORT

Strasburg-Franklin Local School District
Tuscarawas County
140 North Bodmer Avenue
Strasburg, Ohio 44680

To the Board of Education:

We have audited the accompanying financial statements of Strasburg-Franklin Local School District, Tuscarawas County, (the District) as of and for the years ended June 30, 2011 and 2010. These financial statements are the responsibility of the District's management. Our responsibility is to express an opinion 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 opinion.

Ohio Administrative Code Section 117-2-03 (B) requires the District to prepare its annual financial report in accordance with accounting principles generally accepted in the United States of America. However, as discussed in Note 1, the accompanying financial statements and notes have been prepared on an accounting basis not in accordance with these generally accepted accounting principles. The accompanying financial statements and notes omit entity wide statements, and assets, liabilities, fund equities, and disclosures that, while material, we cannot determine at this time.

In our opinion, because of the departure from generally accepted accounting principles described in the preceding paragraph, the accompanying financial statements do not present fairly the financial position, results of operations, and cash flows, where applicable, of the District as of and for the years ended June 30, 2011 and 2010 in accordance with accounting principles generally accepted in the United States of America.

The District has not presented Management's Discussion and Analysis, which accounting principles generally accepted in the United States of America has determined is necessary to supplement, although not required to be part of, the financial statements.

In accordance with *Government Auditing Standards*, we have also issued our report dated January 24, 2012, on our consideration of the District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. While we did not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting and compliance, and the results of that testing. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*. You should read it in conjunction with this report in assessing the results of our audit.

We conducted our audit to opine on the District's financial statements taken as a whole. The federal awards receipts and expenditure schedule provides additional information required by the U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations* and is not a required part of the financial statements. The federal awards receipts and expenditure schedule is management's responsibility, and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. This schedule was subject to the auditing procedures we applied to the basic financial statements. We also applied certain additional procedures, including comparing and reconciling this information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, in accordance with auditing standards generally accepted in the United States of America. For reasons stated in the third paragraph, the basic financial statements do not present fairly, in conformity with accounting principles generally accepted in the United States of America, the financial position of the District, as of June 30, 2011 and 2010, or its changes in financial position or its cash flows for the year then ended. Therefore we are unable to express, and we do not express, an opinion on the Federal Awards Receipts and Expenditure Schedule.



Dave Yost
Auditor of State

January 24, 2012

**STRASBURG FRANKLIN LOCAL SCHOOL DISTRICT
TUSCARAWAS COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES
ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED JUNE 30, 2011**

	General	Special Revenue	Debt Service	Capital Projects	Totals (Memorandum Only)
Cash Receipts:					
From Local Sources:					
Taxes	\$2,275,754	\$33,679	\$408,258	\$73,237	\$2,790,928
Tuition.	307,281				307,281
Earnings on Investments.	11,377			3,399	14,776
Gifts and Donations		125,407			125,407
Extracurricular.		105,624			105,624
Classroom Materials and Fees.	14,925				14,925
Other Local Revenues.	45,070				45,070
Intergovernmental.	2,803,714	544,201	60,412	784,104	4,192,431
Total Cash Receipts	5,458,121	808,911	468,670	860,740	7,596,442
Cash Disbursements:					
Current:					
Instruction:					
Regular	2,709,761	268,807			2,978,568
Special.	268,025	165,880			433,905
Vocational.	80,550				80,550
Other	2,845	84			2,929
Support services:					
Pupil.	213,126	6,824			219,950
Instructional Staff	160,272	151,304			311,576
Board of Education	17,537				17,537
Administration.	457,581	8,227			465,808
Fiscal	215,379	766	9,294	1,672	227,111
Operations and Maintenance.	512,378	17,722			530,100
Pupil Transportation	210,415				210,415
Central.	44,804	721			45,525
Operation of Non-Instructional Services:					
Other Non-Instructional Services.	791				791
Extracurricular Activities	113,511	75,132			188,643
Debt Service:					
Principal Retirement			77,908		77,908
Interest and Fiscal Charges			361,897		361,897
Capital Outlay		3,950		3,170,466	3,174,416
Total Cash Disbursements	5,006,975	699,417	449,099	3,172,138	9,327,629
Excess of Cash Receipts Over (Under)					
Cash Disbursements	451,146	109,494	19,571	(2,311,398)	(1,731,187)
Fund Cash Balances, July 1, 2010	2,148,660	228,216	318,721	4,886,620	7,582,217
Fund Cash Balances, June 30, 2011	\$2,599,806	\$337,710	\$338,292	\$2,575,222	\$5,851,030
Reserve for Encumbrances	\$44,217	\$21,968	\$0	\$636,488	\$702,674

The accompanying notes to the financial statements are an integral part of this statement.

**STRASBURG FRANKLIN LOCAL SCHOOL DISTRICT
TUSCARAWAS COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES - ALL PROPRIETARY AND SIMILAR FIDUCIARY FUND TYPES
FOR THE YEAR ENDED JUNE 30, 2011**

	Proprietary Fund Type	Fiduciary Fund Types		Totals (Memorandum Only)
	Enterprise	Non-Expendable Trust	Agency	
Operating Cash Receipts:				
Food Services	\$122,194			\$122,194
Other Revenue	207			207
Extracurricular Activities			\$42,022	42,022
Total Operating Cash Receipts	<u>122,401</u>		<u>42,022</u>	<u>164,423</u>
Operating Cash Disbursements:				
Salaries and Wages	91,117			91,117
Fringe Benefits	44,371			44,371
Purchased Services	658			658
Materials and Supplies	69,682			69,682
Other			28,949	28,949
Total Operating Cash Disbursements	<u>205,828</u>		<u>28,949</u>	<u>234,777</u>
Operating Revenue (Loss)	<u>(83,427)</u>		<u>13,073</u>	<u>(70,354)</u>
Non-Operating Cash Receipts:				
Earnings on Investments		181		181
Intergovernmental	106,742			106,742
Total Non-Operating Cash Receipts	<u>106,742</u>	<u>181</u>		<u>106,923</u>
Net Receipts Over Disbursements	23,315	181	13,073	36,569
Fund Cash Balances, July 1, 2010	<u>4</u>	<u>23,144</u>	<u>18,476</u>	<u>41,624</u>
Fund Cash Balances, June 30, 2011	<u><u>23,319</u></u>	<u><u>\$23,325</u></u>	<u><u>\$31,549</u></u>	<u><u>\$78,193</u></u>
Reserve for Encumbrances	<u><u>\$0</u></u>	<u><u>\$1,000</u></u>	<u><u>\$0</u></u>	<u><u>\$1,000</u></u>

The accompanying notes to the financial statements are an integral part of this statement.

**STRASBURG FRANKLIN LOCAL SCHOOL DISTRICT
TUSCARAWAS COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES
ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED JUNE 30, 2010**

	<u>General</u>	<u>Special Revenue</u>	<u>Debt Service</u>	<u>Capital Projects</u>	<u>Totals (Memorandum Only)</u>
Cash Receipts:					
From Local Sources:					
Taxes	\$2,172,166	\$32,251	\$399,123	\$69,634	\$2,673,174
Tuition.	230,624				230,624
Earnings on Investments.	22,029			4,000	26,029
Gifts and Donations		57,821			57,821
Extracurricular.		90,406			90,406
Classroom Materials and Fees.	17,911				17,911
Other Local Revenues.	34,430				34,430
Intergovernmental	2,915,603	410,569	61,567	5,196,139	8,583,878
Total Cash Receipts	<u>5,392,763</u>	<u>591,047</u>	<u>460,690</u>	<u>5,269,773</u>	<u>11,714,273</u>
Cash Disbursements:					
Current:					
Instruction:					
Regular	2,632,463	214,329			2,846,792
Special.	293,048	108,234			401,282
Vocational.	84,737				84,737
Other	3,165				3,165
Support services:					
Pupil.	231,877	12,436			244,313
Instructional Staff	153,285	146,970			300,255
Board of Education	16,240				16,240
Administration.	440,116	19,328			459,444
Fiscal	225,228	706	8,757	1,526	236,217
Operations and Maintenance.	494,912				494,912
Pupil Transportation	213,215				213,215
Central.	32,529	16,736			49,265
Operation of Non-Instructional Services:					
Other Non-Instructional Services.	2,085	3,557			5,642
Extracurricular Activities	111,573	84,876			196,449
Debt Service:					
Principal Retirement			175,000		175,000
Interest and Fiscal Charges			262,868		262,868
Capital Outlay				7,572,705	7,572,705
Total Cash Disbursements	<u>4,934,473</u>	<u>607,172</u>	<u>446,625</u>	<u>7,574,231</u>	<u>13,562,501</u>
Excess of Cash Receipts (Under)					
Cash Disbursements	458,290	(16,125)	14,065	(2,304,458)	(1,848,228)
Fund Cash Balances, July 1, 2009	<u>1,690,273</u>	<u>244,340</u>	<u>304,656</u>	<u>7,191,078</u>	<u>9,430,347</u>
Fund Cash Balances, June 30, 2010	<u>\$2,148,563</u>	<u>\$228,215</u>	<u>\$318,721</u>	<u>\$4,886,620</u>	<u>\$7,582,119</u>
Reserve for Encumbrances	<u>\$64,267</u>	<u>\$1,192</u>	<u>\$0</u>	<u>\$480,960</u>	<u>\$546,419</u>

The accompanying notes to the financial statements are an integral part of this statement.

**STRASBURG FRANKLIN LOCAL SCHOOL DISTRICT
TUSCARAWAS COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES - ALL PROPRIETARY AND SIMILAR FIDUCIARY FUND TYPES
FOR THE YEAR ENDED JUNE 30, 2010**

	Proprietary Fund Type	Fiduciary Fund Types		Totals (Memorandum Only)
	Enterprise	Non-Expendable Trust	Agency	
Operating Cash Receipts:				
Food Services	\$129,702			\$129,702
Extracurricular Activities			\$35,661	35,661
Total Operating Cash Receipts	129,702		35,661	165,363
Operating Cash Disbursements:				
Salaries and Wages	97,148			97,148
Fringe Benefits	47,528			47,528
Purchased Services	321			321
Materials and Supplies	70,196			70,196
Other		2,000	35,367	37,367
Total Operating Cash Disbursements	215,193	2,000	35,367	252,560
Operating Revenue (Loss)	(85,491)	(2,000)	294	(87,197)
Non-Operating Cash Receipts:				
Earnings on Investments		612		612
Intergovernmental	84,430			84,430
Total Non-Operating Cash Receipts	84,430	612		85,042
Net Receipts Over/(Under) Disbursement	(1,061)	(1,388)	294	(2,155)
Fund Cash Balances, July 1, 2009	1,065	24,629	18,182	43,876
Fund Cash Balances, June 30, 2010	4	23,241	\$18,476	\$41,721
Reserve for Encumbrances	\$0	\$1,000	\$0	\$1,000

The accompanying notes to the financial statements are an integral part of this statement.

**STRASBURG-FRANKLIN LOCAL SCHOOL DISTRICT
TUSCARAWAS COUNTY, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEARS ENDED JUNE 30, 2011 and 2010**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. DESCRIPTION OF THE SCHOOL DISTRICT

There have been schools in Franklin District, Tuscarawas County, Ohio, dating back to 1816. However, the Strasburg-Franklin Local School District (the "District") was officially formed in 1946, with the closing of the last of six District schools, and the transfer of those students to the school buildings in town for their education.

The District operates under a locally-elected five-member Board form of government and provides educational services as mandated by state or federal agencies. The Board controls the District's facilities, staffed by 16 classified personnel, 43 certificated teaching personnel and four administrators who provide service to 657 students and other community members in 2011. The District employed 19 classified personnel, 42 certificated teaching personnel and four administrators during 2010.

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

Component units are legally separate organizations for which the District is financially accountable. The District is financially accountable for an organization if the District appoints a voting majority of the organization's governing board and (1) the District is able to significantly influence the programs or services performed or provided by the organization; or (2) the District is legally entitled to or can otherwise have access to the organization's resources; (3) the District is legally obligated or has otherwise assumed the responsibility to finance the deficits of, or provide financial support to, the organization; or (4) the District is obligated for the debt of the organization. Component units may also include organizations that are fiscally dependent on the District in that the District approves the budget, the issuance of debt or the levying of taxes. Based upon the application of these criteria, the District has no component units. The basic financial statements of the reporting entity include only those of the District (the primary government). The following organizations are described due to their relationship to the District:

JOINTLY GOVERNED ORGANIZATIONS

Buckeye Joint Vocational School District

The Joint Vocational School District is a separate body politic and corporate, established by the Ohio Revised Code to provide for the vocational and special education needs of the students. The Joint Vocational School District's Board of Education is comprised of representatives from the Board of Education of each participating school district. The Joint Vocational School District's Board of Education is responsible for approving its own budgets, appointing personnel, and accounting and finance related activities. The District's students may attend the Joint Vocational School District. Each participating District's control is limited to its representation on the Joint Vocational School District's Board of Education.

**STRASBURG-FRANKLIN LOCAL SCHOOL DISTRICT
TUSCARAWAS COUNTY, OHIO**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEARS ENDED JUNE 30, 2011 and 2010
(CONTINUED)**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – (Continued)

Ohio Mid-Eastern Regional Education Service Agency (OME-RESA)

OME-RESA is a computer service organization whose primary function is to provide information technology services to its member districts with the major emphasis being placed on accounting, payroll and inventory control services. Other areas of service provided by OME-RESA include pupil scheduling, attendance and grade reporting, career guidance services, special education records, and test scoring.

OME-RESA is one of 23 regional service organizations serving over 600 public districts in the State of Ohio that make up the Ohio Educational Computer network (OECN). These service organizations are known as Data Acquisition Sites. The OECN is a collective group of Data Acquisition Sites, authorized pursuant to Section 3301.075 of the Ohio Revised Code, and their member districts. Such sites, in conjunction with the Ohio Department of Education (ODE), comprise a statewide delivery system to provide comprehensive, cost-efficient accounting and other administrative and instructional computer services for participating Ohio districts.

Major funding for this network is derived from the State of Ohio. In addition, a majority of the software utilized by the OME-RESA is developed by the ODE.

OME-RESA is owned and operated by 49 member districts in 10 different Ohio counties. The member districts are comprised of public districts and county Boards of Education. Each member district pays an annual fee for services provided by OME-RESA. OME-RESA is governed by a Board of Directors, which is selected by the member districts. Each member district has one vote in all matters and each member district's control over budgeting and financing of OME-RESA is limited to its voting authority and any representation it may have on the Board of Directors.

OME-RESA is located at 2023 Sunset Blvd., Steubenville, Ohio 43952. The Jefferson County Educational Service Center is one of OME-RESA's member districts, and acts in the capacity of fiscal agent for OME-RESA.

Tuscarawas County Tax Incentive Review Council

The Tuscarawas County Tax Incentive Review Council (TCTIRC) is a jointly governed organization, created as a regional council of governments pursuant to Section 5705.62 of the Ohio Revised Code. TCTIRC has 44 members, consisting of 3 members appointed by the County Commissioners, 18 members appointed by municipal corporations, 14 members appointed by District trustees, 1 member from the county auditor's office and 8 members appointed by boards of education located within the county. TCTIRC reviews and evaluates the performance of each Enterprise Zone Agreement. This body is advisory in nature and cannot directly impact an existing Enterprise Zone Agreement; however, the TCTIRC can make written recommendations to the legislative authority which approved the agreement. There is no cost associated with being a member of this TCTIRC. The continued existence of the TCTIRC is not dependent on the District's continued participation and no measurable equity interest exists.

**STRASBURG-FRANKLIN LOCAL SCHOOL DISTRICT
TUSCARAWAS COUNTY, OHIO**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEARS ENDED JUNE 30, 2011 and 2010
(CONTINUED)**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – (Continued)

Strasburg Enterprise Zone Committee

The Strasburg Enterprise Zone Committee (Enterprise Zone) is a jointly governed organization created as a regional council of governments pursuant to State Statutes. The Enterprise Zone Committee has seven members, consisting of three members appointed by Strasburg Village Council, the Mayor of the Village, two business people, and one member appointed by the Strasburg-Franklin Local Board of Education. The committee has the authority to negotiate tax abatement agreements with current and prospective businesses located in the Enterprise Zone. There is no cost associated with being a member of this committee. The continued existence of this committee is not dependent upon the District's continued participation and no equity interest exists.

The District does not retain an ongoing financial interest or an ongoing financial responsibility with any of these organizations.

PUBLIC ENTITY RISK POOLS

Ohio School Boards Association Workers' Compensation Group Rating Plan

The District participates in a group rating plan for workers' compensation as established under Section 4123.29 of the Ohio Revised Code. The Ohio School Boards Association Workers' Compensation Group Rating Plan (the "Plan") was established through the Ohio School Boards Association (OSBA) as a group purchasing pool.

The Executive Director of the OSBA, or his designee, serves as coordinator of the Plan. Each year, the participating school districts pay an enrollment fee to the Plan to cover the costs of administering the program.

Stark County Schools Council of Governments

The Stark County Schools Council of Governments Health Benefit Plan is a shared risk pool, with participants from Stark, Summit and Portage Counties. The consortium is governed by an assembly, which consists of one representative from each participating District (usually the superintendent or designee). The assembly elects officers for two-year terms to serve on the Board of Directors. The assembly exercises control over the operation of the consortium. All consortium revenues are generated from charges for services. Financial information can be obtained by writing to Stark County Educational Service Center, 2100 38th Street, Canton, Ohio 44709.

B. Basis of Accounting

Although required by Ohio Administrative Code Section 117-2-03(B) to prepare its annual financial report in accordance with accounting principles generally accepted in the United States of America, the School District has chosen to prepare its financial statements and footnotes in accordance with standards established by the Auditor of State for governmental entities that are not required to prepare annual financial reports in accordance with generally accepted accounting principles. This basis of accounting is similar to the cash receipts and cash disbursements basis of accounting. Receipts are recognized when received in cash rather than when they are earned, and disbursements are recognized when paid rather than when a liability is incurred. Budgetary presentations report budgetary expenditures when a commitment is made (i.e., when an encumbrance is approved).

These statements include adequate disclosure of material matters, in accordance with the basis of accounting described in the preceding paragraph.

**STRASBURG-FRANKLIN LOCAL SCHOOL DISTRICT
TUSCARAWAS COUNTY, OHIO**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEARS ENDED JUNE 30, 2011 and 2010
(CONTINUED)**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

C. Fund Accounting

The District maintains its accounting records in accordance with the principles of fund accounting. Fund accounting is a concept developed to meet the needs of governmental entities in which legal or other restraints require the recording of specific receipts and disbursements.

The transactions of each fund are reflected in a self-balancing group of accounts, and accounting entity which stands separate from the activities reported in other funds.

The restrictions associated with each fund type are as follows:

Governmental Fund Types

General Fund

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

Special Revenue Funds

Special Revenue Funds are used to account for proceeds of specific revenue sources (other than expendable trusts or major capital projects) that are legally restricted to disbursements for specified purposes. The District had the following significant Special Revenue Funds:

IDEA, Part B, Special Education, Education of Handicapped Children – This fund receives grant monies to assist in providing an appropriate public education to all children with disabilities.

State Fiscal Stabilization Fund – This fund was established to support and restore State funding for elementary, secondary, post-secondary education and as applicable early childhood programs.

Debt Service Fund

The Debt Service Fund is used to account for the accumulation of resources and payment of general long-term debt principal, interest and related costs. This fund accounts for the payment of long-term debt for governmental funds only. Under Ohio law, this fund may also be used to account for the payment of the long-term debt of proprietary funds and the short-term debt of both governmental and proprietary funds. The District's only Debt Service Fund is the Bond Retirement Fund which is used to accumulate resources for the payment of principal and interest on the District's general obligation bonds.

**STRASBURG-FRANKLIN LOCAL SCHOOL DISTRICT
TUSCARAWAS COUNTY, OHIO**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEARS ENDED JUNE 30, 2011 and 2010
(CONTINUED)**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

C. Fund Accounting (Continued)

Capital Projects Funds

These funds are used to account for financial resources to be used for the acquisition or construction of major capital facilities. The District had the following significant Capital Projects Fund:

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

Proprietary Fund Type

Enterprise Funds – These funds are used to account for operations (a) that are financed and operated in a manner similar to private business enterprises – where the intent of the governing body is that the costs of providing goods and services to the general public on a continuing basis be financed or recovered primarily through user charges; or (b) where the governing body has decided that periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability or other purposes. The District's only Enterprise Fund is the Lunchroom Fund which is used to account for all revenues and expenses related to the provision of food services for the District's students and staff.

Fiduciary Fund Types

Fiduciary funds include private purpose trust funds and agency funds. Trust funds account for assets held under a trust agreement for individuals, private organizations, or other governments which are not available to support the District's own programs.

The District's private purpose trust fund is for the benefit of certain students for scholarships.

Agency funds are purely custodial in nature and are used to hold resources for individuals, organizations or other governments. The District's agency fund is for student managed activity programs.

D. Cash and Investments

Investments in repurchase agreements are valued at cost. Investments in money markets are valued at share price, which is the price the investment could be sold for on June 30, 2011 and 2010.

**STRASBURG-FRANKLIN LOCAL SCHOOL DISTRICT
TUSCARAWAS COUNTY, OHIO**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEARS ENDED JUNE 30, 2011 and 2010
(CONTINUED)**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

E. Budgetary Process

1. Budget

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

Advances in and advances out are not required to be budgeted since they represent a temporary cash flow resource and are intended to be repaid.

2. Tax Budget

On July 25, 2002, the Tuscarawas County Budget Commission voted to waive the requirement that school districts adopt a tax budget as required by Section 5705.28 of the Ohio Revised Code, by January 15 and the filing by January 20. In order to complete other necessary documents, the Budget Commission now requires certain information to be filed by March 14. Information required includes the general fund five year forecast submitted to the Department of Education, projected revenues and expenditures line items for all levy funds, projected revenues and debt requirements (principal and interest) and amortization schedules for the debt service fund, and balances and total anticipated activity for all other funds.

3. Estimated Resources

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

**STRASBURG-FRANKLIN LOCAL SCHOOL DISTRICT
TUSCARAWAS COUNTY, OHIO**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEARS ENDED JUNE 30, 2011 and 2010
(CONTINUED)**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

E. Budgetary Process (Continued)

4. Appropriations

Upon receipt from the County Auditor of an amended certificate of estimated resources based on final assessed values and tax rates or a certificate saying no new certificate is necessary, the annual appropriation resolution must be legally enacted by the Board of Education at the fund level of expenditures for all funds, which is the legal level of budgetary control. Prior to the passage of the annual appropriation resolution, the Board of Education may pass a temporary appropriation measure to meet the ordinary expenses of the District. The appropriation resolution must be within the estimated resources as certified by the County Budget Commission and the total of expenditures and encumbrances may not exceed the appropriation totals at any level of control. Any revisions that alter the appropriations at the legal level of control must be approved by the Board of Education. The District maintains budgetary information at the object level and has the authority to allocate appropriations at the object level in the general fund and function and object level in all other funds without resolution by the Board of Education. The Board of Education may pass supplemental fund appropriations so long as the total appropriations by fund do not exceed the amounts set forth in the most recent certificate of estimated resources. Supplemental appropriations were legally enacted by the Board.

The budget figures, which appear in footnote 3, represent the final appropriation amounts. Formal budgetary integration is employed as a management control device during the year for all funds consistent with statutory provisions.

5. Lapsing of Appropriations

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

A summary of 2011 and 2010 budgetary activity appears in Note 3.

F. Property, Plant and Equipment

Acquisitions of property, plant and equipment are recorded as disbursements when paid. These items are not reflected as assets on the accompanying financial statements.

G. Accumulated Leave

In certain circumstances, such as upon leaving employment, employees are entitled to cash payments for unused leave. Unpaid leave is not reflected as a liability under the School District's basis of accounting.

**STRASBURG-FRANKLIN LOCAL SCHOOL DISTRICT
TUSCARAWAS COUNTY, OHIO**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEARS ENDED JUNE 30, 2011 and 2010
(CONTINUED)**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

H. Total Columns on Financial Statements

Total columns on the financial statements are captioned "Memorandum Only" to indicate that they are presented only to facilitate financial analysis. This date is not comparable to a consolidation. Interfund-type eliminations have not been made in the aggregation of this data.

NOTE 2 - DEPOSITS AND INVESTMENTS

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

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

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

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

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

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

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

**STRASBURG-FRANKLIN LOCAL SCHOOL DISTRICT
TUSCARAWAS COUNTY, OHIO**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEARS ENDED JUNE 30, 2011 and 2010
(CONTINUED)**

NOTE 2 - DEPOSITS AND INVESTMENTS - (Continued)

4. Bonds and other obligations of the State of Ohio;
5. Time certificates of deposit or savings or deposit accounts including, but not limited to, passbook accounts;
6. No-load money market mutual funds consisting exclusively of obligations described in items (1) and (2) above and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions;
7. The State Treasurer's investment pool (STAR Ohio);
8. Certain banker's acceptance and commercial paper notes for a period not to exceed one hundred eighty days from the purchase date in an amount not to exceed twenty-five percent of the interim monies available for investment at any one time: and,

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

Cash on Hand – Change fund of \$675 is included on the financial statements as part of fund cash balances.

Deposits – The carrying amounts of the District's deposits were as follows:

	2011	2010
Demand Deposits	\$861,026	\$809,361

The bank balances were \$827,823 and \$879,213 as of June 30, 2011 and 2010, respectively. As of June 30, 2011, \$377,250 of the bank balance was covered by federal depository insurance and \$450,573 was uncollateralized and uninsured. As of June 30, 2010, \$434,097 of the bank balance was covered by federal depository insurance and \$445,116 was uncollateralized and uninsured.

**STRASBURG-FRANKLIN LOCAL SCHOOL DISTRICT
TUSCARAWAS COUNTY, OHIO**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEARS ENDED JUNE 30, 2011 and 2010
(CONTINUED)**

NOTE 2 - DEPOSITS AND INVESTMENTS - (Continued)

Investments – As of June 30, 2011 and 2010, the District had the following investments and maturity:

	2011	2010
Money Market Fund	\$3,181,554	\$2,506,762
Star Ohio	1,885,968	4,307,043
	\$5,067,522	\$6,813,805

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

Custodial Credit Risk For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the District will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The District's investment in repurchase agreements is collateralized by underlying securities pledged by the investment's counterparty, not in the name of the District. Ohio law requires the market value of the securities subject to repurchase agreements must exceed the principal value of the securities subject to a repurchase agreement by 2%. The District has no investment policy dealing with investment custodial risk beyond the requirement in Ohio law that prohibits payment for investments prior to the delivery of the securities representing such investments to the treasurer or qualified trustee.

Credit Risk The District's investments in the federal agency securities that underlie the District's repurchase agreement and money market account were rated Aaa by Moody's Investor Services. The District has no investment policy that would further limit its investment choices.

Concentration of Credit Risk The District places no limit on the amount that may be invested in any one issuer. The following table includes the percentage to total of each investment type held by the District at June 30, 2011 and 2010, respectively:

	2011	Percent of	2010	Percent of
	Fair Value	Total	Fair Value	Total
Money Market Fund	\$3,181,554	63%	\$2,506,762	37%
Star Ohio	1,885,968	37%	4,307,043	63%
	\$5,067,522	100%	\$6,813,805	100%

**STRASBURG-FRANKLIN LOCAL SCHOOL DISTRICT
TUSCARAWAS COUNTY, OHIO**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEARS ENDED JUNE 30, 2011 and 2010
(CONTINUED)**

NOTE 3 – BUDGETARY ACTIVITY

Budgetary activity for the year ending June 30, 2011 follows:

2011 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$5,458,120	\$5,458,121	\$1
Special Revenue	808,911	808,911	0
Debt Service	468,670	468,670	0
Capital Projects	96,251	860,740	764,489
Enterprise	229,143	229,143	0
Fiduciary	181	181	0
Total	<u>\$7,061,276</u>	<u>\$7,825,766</u>	<u>\$764,490</u>

2010 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$6,272,907	\$5,392,860	(\$880,047)
Special Revenue	605,582	591,047	(14,535)
Debt Service	460,689	460,690	1
Capital Projects	5,462,427	5,269,773	(192,654)
Enterprise	214,132	214,132	0
Fiduciary	36,152	515	(35,637)
Total	<u>\$13,051,889</u>	<u>\$11,929,017</u>	<u>(\$1,122,872)</u>

2011 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$5,100,913	\$5,051,192	\$49,721
Special Revenue	1,045,415	721,385	324,030
Debt Service	466,633	449,099	17,534
Capital Projects	2,333,151	3,808,626	(1,475,475)
Enterprise	361,959	205,828	156,131
Fiduciary	23,000	1,000	22,000
Total	<u>\$9,331,071</u>	<u>\$10,237,130</u>	<u>(\$906,059)</u>

**STRASBURG-FRANKLIN LOCAL SCHOOL DISTRICT
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**NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEARS ENDED JUNE 30, 2011 and 2010
(CONTINUED)**

NOTE 3 – BUDGETARY ACTIVITY (Continued)

2010 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$5,321,750	\$4,998,740	\$323,010
Special Revenue	808,215	608,364	199,851
Debt Service	765,345	446,625	318,720
Capital Projects	10,075,744	8,055,191	2,020,553
Enterprise	215,196	215,193	3
Fiduciary	25,120	3,000	22,120
Total	<u>\$17,211,370</u>	<u>\$14,327,113</u>	<u>\$2,884,257</u>

Contrary Ohio Rev. Code Section 5705.41(B) expenditures plus outstanding encumbrances exceeded appropriations within the Ohio Schools Facilities Commission Fund in 2011 by \$1,662,861 and within the Idea B Fund in 2010 by \$59,361. Also, Contrary to Ohio Rev. Code Section 5705.42 the District did not record grant or loan money received from the state and paid directly to a vendor.

NOTE 4 - PROPERTY TAXES

Real property taxes become a lien on January 1 preceding the October 1 date for which the Board adopted tax rates. The State Board of Tax Equalization adjusts these rates for inflation. Property taxes are also reduced for applicable homestead and rollback deductions. The financial statements include homestead and rollback amounts the State pays as Intergovernmental Receipts. Payments are due to the County by December 31. If the property owner elects to pay semiannually, the first half is due December 1. The second half payment is due the following June 20.

Public utilities are also taxed on personal and real property located within the District.

Tangible personal property tax is assessed by the property owners, who must file a list of such property to the County by each April 30.

The County is responsible for assessing property, and for billing, collecting, and distributing all property taxes on behalf of the District.

NOTE 5 - LONG-TERM DEBT

On April 26, 2005, the District issued general obligation bonds to provide funds for constructing a new elementary school building. These bonds are general obligations of the District for which the full faith and credit of the District is pledged for repayment. Payments of principal and interest relating to this bond issue are recorded as an expenditure in the debt service fund.

This issue is comprised of both current interest bonds, par value \$6,655,000, and capital appreciation bonds, par value \$144,990. The interest rates on the current interest bonds range from 3.00% to 4.45%. The capital appreciation bonds mature on December 1, 2010 (effective interest 15.53%) and December 1, 2011 (effective interest 15.53%) at a redemption price equal to 100% of the principal, plus accrued interest to the redemption date. The accreted value at maturity for the capital appreciation bonds is \$360,000.

**STRASBURG-FRANKLIN LOCAL SCHOOL DISTRICT
TUSCARAWAS COUNTY, OHIO**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEARS ENDED JUNE 30, 2011 and 2010
(CONTINUED)**

NOTE 5 - LONG-TERM DEBT (Continued)

Interest payments on the current interest bonds are due on June 1 and December 1 of each year. The final maturity stated in the issue is December 1, 2032.

The following is a schedule of activity for fiscal year 2011 and 2010 on the 2005 series general obligation bonds:

	Balance July 1, 2009	Additions	Reductions	Balance June 30, 2011
Current interest bonds	\$ 6,065,000	\$ -	\$ (175,000)	\$ 5,890,000
Capital appreciation bonds	144,990	-	(77,908)	67,082
 Total G.O. bonds	 \$ 6,209,990	\$ -	\$ (252,908)	\$ 5,957,082

The following is a summary of the future debt service requirements to maturity for the 2005 series general obligation bonds:

Year Ended	Current Interest Bonds			Capital Appreciation Bonds		
	Principal	Interest	Total	Principal	Interest	Total
2012	-	259,805	259,805	67,082	112,918	180,000
2013	180,000	256,610	436,610	-	-	-
2014	185,000	249,715	434,715	-	-	-
2015	195,000	242,115	437,115	-	-	-
2016	200,000	234,215	434,215	-	-	-
2017 - 2021	1,145,000	1,033,244	2,178,244	-	-	-
2022 - 2026	1,410,000	760,346	2,170,346	-	-	-
2027 - 2031	1,755,000	404,895	2,159,895	-	-	-
2032 - 2033	820,000	39,010	859,010	-	-	-
 Total	 \$ 5,890,000	\$ 3,479,955	\$ 9,369,955	\$ 67,082	\$ 112,918	\$180,000

**STRASBURG-FRANKLIN LOCAL SCHOOL DISTRICT
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**NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEARS ENDED JUNE 30, 2011 and 2010
(CONTINUED)**

NOTE 6 - RISK MANAGEMENT

A. Comprehensive

The District is exposed to various risks of loss related to torts; theft or damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During fiscal year 2010, the District contracted with Indiana Insurance Company for property insurance. Indiana Insurance Company also covers boiler and machinery with a \$1,000 deductible and inland marine coverage with a \$250 deductible.

Professional and general liability is protected by Ohio School Plan with a \$3,000,000 aggregate/\$1,000,000 single occurrence limit and a \$2,500 deductible. Vehicles are covered by Indiana Insurance Company and hold a \$100 deductible for comprehensive and \$500 deductible for collision. Automobile liability has a \$2,000,000 combined single limit of liability. Settled claims have not exceeded this commercial coverage in any of the past three years. There have been no significant reductions in insurance coverage from last year.

A. Worker's Compensation

The District participates in the Ohio School Boards Association Workers' Compensation Group Rating Plan (GRP), an insurance purchasing pool (Note A.). The intent of the GRP is to achieve the benefit of a reduced premium for the District by virtue of its grouping and representation with other participants in the GRP. Participants in the GRP are placed on tiers according to their loss history. Participants with low loss histories are rewarded with greater savings than participants with higher loss histories. Each participant pays its workers' compensation premium to the state based on the rate for its GRP tier rather than its individual rate. Participation in the GRP is limited to school districts that can meet the GRP's selection criteria. The firm of Sheakley Unicomp provides administrative, cost control, assistance with safety programs, and actuarial services to the GRP.

B. Health Insurance

From July 1 through April 30, the District has elected to provide employee medical/surgical benefits through a comprehensive major medical insurance program. The plan provides a medical/surgical plan with a \$400 family and \$200 single deductible. Dental coverage is also provided through Medical Mutual Health Services Company. Deductibles for this plan are \$25 for an individual, with a \$75 maximum family deductible. This District also provides \$25,000 in life insurance and accidental death and dismemberment insurance to most employees through American United Life Insurance Co.

**STRASBURG-FRANKLIN LOCAL SCHOOL DISTRICT
TUSCARAWAS COUNTY, OHIO**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEARS ENDED JUNE 30, 2011 and 2010
(CONTINUED)**

NOTE 6 - RISK MANAGEMENT (Continued)

C. Health Insurance (Continued)

Effective May 1, 2008, the District participates in the Stark County Schools Council of Governments Health Benefit Plan, a risk sharing pool to provide medical/surgical benefits for employees. The plan provides a medical/surgical plan with a \$200 family and \$100 single deductible. Co-insurance pays 80% of usual, customary and reasonable charges with yearly maximum out-of-pocket expenses of \$500 per individual or \$1,000 for two or more family members. The Stark County Schools Council has selected Mutual Health Services to provide third party administrative services in claims processing. Employees may elect to choose from two Preferred Provider Organizations (PPO) to increase the co-insurance from 80% to 90%. The provider organizations are: Aultcare and Super Med. A preferred provider drug program is also included in the insurance program. The employee pays a 20% co-payment to the provider and the remaining 80% is directly billed to the insurance company. Caremark serves as the preferred provider for the drug program. The District submits monthly payments for family plans and individual coverage to the Stark County Educational Service Center who serves as the fiscal agent for the Health Benefits Plan. The premium is paid by the fund that pays the salary for the employee and is based on a rate determined by an actuary for the Health Benefits Plan.

NOTE 7 - PENSION PLANS

A. School Employees Retirement System

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

Funding Policy - Plan members are required to contribute 10 percent of their annual covered salary and the District is required to contribute at an actuarially determined rate. The current District rate is 14 percent of annual covered payroll. A portion of the District's contribution is used to fund pension obligations with the remainder being used to fund health care benefits. For fiscal years 2011 and 2010, 11.77, and 0.04 percent of annual covered salary was the portion used to fund pension obligations and death benefits, respectively. The contribution requirements of plan members and employers are established and may be amended by the SERS' Retirement Board up to a statutory maximum amount of 10 percent for plan members and 14 percent for employers. Chapter 3309 of the Ohio Revised Code provides statutory authority for member and employer contributions. The District's required contributions for pension obligations and death benefits to SERS for the fiscal years ended June 30, 2011, 2010 and 2009 were \$44,071, \$50,648 and \$46,265, 88.72% has been contributed for fiscal year 2011 and 100% for fiscal years 2010 and 2009.

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**NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEARS ENDED JUNE 30, 2011 and 2010
(CONTINUED)**

NOTE 7 - PENSION PLANS (Continued)

B. State Teachers Retirement System of Ohio

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

New members have a choice of three retirement plans, a Defined Benefit (DB) Plan, a Defined Contribution (DC) Plan and a Combined Plan. The DB plan offers an annual retirement allowance based on final average salary times a percentage that varies based on years of service, or an allowance based on a member's lifetime contributions and earned interest matched by STRS Ohio funds divided by an actuarially determined annuity factor. The DC Plan allows members to place all their member contributions and employer contributions equal to 10.5 percent of earned compensation into an investment account. Investment decisions are made by the member. A member is eligible to receive a retirement benefit at age 50 and termination of employment. The member may elect to receive a lifetime monthly annuity or a lump sum withdrawal. The Combined Plan offers features of both the DC Plan and the DB Plan. In the Combined Plan, member contributions are invested by the member, and employer contributions are used to fund the defined benefit payment at a reduced level from the regular DB Plan. The DB portion of the Combined Plan payment is payable to a member on or after age 60; the DC portion of the account may be taken as a lump sum or converted to a lifetime monthly annuity at age 50. Benefits are established by Chapter 3307 of the Ohio Revised Code. A DB or Combined Plan member with five or more years credited service who becomes disabled may qualify for a disability benefit. Eligible spouses and dependents of these active members who die before retirement may qualify for survivor benefits. Members in the DC Plan who become disabled are entitled only to their account balance. If a member of the DC Plan dies before retirement benefits begin, the member's designated beneficiary is entitled to receive the member's account balance.

Funding Policy - For fiscal year 2011, plan members were required to contribute 10 percent of their annual covered salaries. The District was required to contribute 14 percent; 13 percent was the portion used to fund pension obligations. Contribution rates are established by the State Teachers Retirement Board, upon recommendations of its consulting actuary, not to exceed statutory maximum rates of 10 percent for members and 14 percent for employers. Chapter 3307 of the Ohio Revised Code provides statutory authority for member and employer contributions.

The District's required contributions for pension obligations to STRS Ohio for the fiscal years ended June 30, 2011, 2010 and 2009 were \$303,211, 303,465, and 293,977; 85.63 percent has been contributed for fiscal year 2011 and 100 percent for fiscal years 2010 and 2009.

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 Retirement System. As of June 30, 2011, certain members of the Board of Education have elected Social Security. The contribution rate is 6.2 percent of wages.

**STRASBURG-FRANKLIN LOCAL SCHOOL DISTRICT
TUSCARAWAS COUNTY, OHIO**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEARS ENDED JUNE 30, 2011 and 2010
(CONTINUED)**

NOTE 8 - POSTEMPLOYMENT BENEFITS

A. School Employees Retirement System

Plan Description - The District participates in two cost-sharing, multiple employer postemployment benefit plans administered by the School Employees Retirement System (SERS) for non-certificated retirees and their beneficiaries, a Health Care Plan and a Medicare Part B Plan. The Health Care Plan includes hospitalization and physicians' fees through several types of plans including HMO's, PPO's, Medicare Advantage, and traditional indemnity plans. A prescription drug program is also available to those who elect health coverage. SERS employs two third-party administrators and a pharmacy benefit manager to manage the self-insurance and prescription drug plans, respectively. The Medicare Part B Plan reimburses Medicare Part B premiums paid by eligible retirees and beneficiaries as set forth in Chapter 3309.69 of the Ohio Revised Code. Qualified benefit recipients who pay Medicare Part B premiums may apply for and receive a monthly reimbursement from SERS. The reimbursement amount is limited by statute to the lesser of the January 1, 1999 Medicare Part B premium or the current premium. The Medicare Part B premium for calendar year 2011 was \$96.40 and SERS' reimbursement to retirees was \$45.50. 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. It is also posted on the SERS' Ohio website, www.ohsers.org, under *Employers/Audit Resources*.

Funding Policy - State statute permits SERS to fund the health care benefits through employer contributions. Each year, after the allocation for statutorily required benefits, the Retirement Board allocates the remainder of the employer contribution of 14 percent of covered payroll to the Health Care Fund. The Health Care Fund was established and is administered in accordance with Internal Revenue Code Section 105(e). For 2011, 1.43 percent of covered payroll was allocated to health care. An additional health care surcharge on employers is collected for employees earning less than an actuarially determined minimum compensation amount, pro-rated according to service credit earned. Statutes provide that no employer shall pay a health care surcharge greater than 2.0 percent of that employer's SERS-covered payroll; nor may SERS collect in aggregate more than 1.5 percent of the statewide SERS-covered payroll for the health care surcharge. For fiscal year 2011 and 2010, the actuarially determined amount was \$35,800.

Active members do not contribute to the postemployment benefit plans. The Retirement Board establishes the rules for the premiums paid by the retirees for health care coverage for themselves and their dependents or for their surviving beneficiaries. Premiums vary depending on the plan selected, qualified years of service, Medicare eligibility and retirement status.

The District's contributions for health care (including surcharge) for the fiscal years ended June 30, 2011, 2010, and 2009 were \$88,181, \$68,508, and \$81,403, respectively; 100 percent has been contributed for fiscal year 2011 and 100 percent for fiscal years 2010 and 2009.

The Retirement Board, acting with advice of the actuary, allocates a portion of the employer contribution to the Medicare B Fund. For fiscal years 2011 and 2010, this actuarially required allocation was 0.76 percent of covered payroll. The District's contributions for Medicare Part B for the fiscal years ended June 30, 2011, 2010, and 2009 were \$2,836, \$3,012 and \$2,571, respectively; 100 percent has been contributed for fiscal years 2011, 2010 and 2009.

**STRASBURG-FRANKLIN LOCAL SCHOOL DISTRICT
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**NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEARS ENDED JUNE 30, 2011 and 2010
(CONTINUED)**

NOTE 8 - POSTEMPLOYMENT BENEFITS (Continued)

B. State Teachers Retirement System of Ohio

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

Funding Policy - Ohio law authorizes STRS Ohio to offer the Plan and gives the Retirement Board authority over how much, if any, of the health care costs will be absorbed by STRS Ohio. Active employee members do not contribute to the Plan. All benefit recipients pay a monthly premium. Under Ohio law, funding for post-employment health care may be deducted from employer contributions. For 2011, STRS Ohio allocated employer contributions equal to 1 percent of covered payroll to the Health Care Stabilization Fund. The District's contributions for health care for the fiscal years ended June 30, 2011, 2010 and 2009 were \$23,324, \$23,343 and \$22,614, respectively; 100 percent for fiscal years 2011, 2010 and 2009.

NOTE 9 - CONTINGENCIES

A. Grants

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

B. Litigation

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

NOTE 10 - STATUTORY RESERVES

The District is required by State Law to set-aside certain general fund revenue amounts, as defined by statute, into various reserves. These reserves are calculated and presented on a cash basis. During the fiscal year ended June 30, 2011 and 2010, the reserve activity was as follows:

	<u>Textbooks</u>	<u>Acquisition</u>
Set-aside cash balance as of June 30, 2010	\$ 23,323	\$ (14,312,245)
Current year set-aside requirement	101,687	101,687
Current year offsets	-	(513,456)
Qualifying disbursements	<u>(126,092)</u>	<u>(2,401,940)</u>
Total	<u>\$ (1,082)</u>	<u>\$ (17,125,954)</u>
Cash balance carried forward to FY 2011	<u>\$ -</u>	<u>\$ (17,125,954)</u>

**STRASBURG-FRANKLIN LOCAL SCHOOL DISTRICT
TUSCARAWAS COUNTY, OHIO**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEARS ENDED JUNE 30, 2011 and 2010
(CONTINUED)**

NOTE 10 - STATUTORY RESERVES (Continued)

	<u>Textbooks</u>	<u>Acquisition</u>
Set-aside cash balance as of June 30, 2009	\$ 7,635	\$ (6,339,144)
Current year set-aside requirement	106,478	106,478
Current year offsets	-	(500,522)
Qualifying disbursements	<u>(90,790)</u>	<u>(7,579,057)</u>
Total	<u>\$ 23,323</u>	<u>\$ (14,312,245)</u>
Cash balance carried forward to FY 2010	<u>\$ 23,323</u>	<u>\$ (14,312,245)</u>

Effective July 1, 2011, the textbook set-aside laws have been repealed. The negative fund balance is therefore not presented as being carried forward to future fiscal year.

The District had qualifying disbursements during the year that reduced the set-aside amount below zero for the capital acquisition reserve, this extra amount may be used to reduce the setaside requirement for future years since it is related to expenditures associated with a debt issuance.

NOTE 11 – OHIO SCHOOL FACILITIES PROJECT

During fiscal year 2008, the District completed the first phase of a \$17,000,000 Ohio School Facilities Construction (OSFC) project to construct a new K-12 building. The phase saw the completion of the K-3 portion of the project with the construction of K-3 classrooms, an elementary gymnasium, and the cafeteria. The first phase was funded by a \$6,800,000 bond issue passed by District voters in November, 2004. The second phase of the project commenced when state funds from OSFC of \$10,200,000 became available in FY 2009. During 2011, the second phase of the construction project was completed including the 4-12 classrooms, the high school gymnasium, auditorium, several locally-funded initiatives, and various office spaces. The third phase of the project began in 2011 which was the Local Funded Initiative. Phase three consisted of renovation of the Administrative offices.

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STRASBURG-FRANKLIN LOCAL SCHOOL DISTRICT
TUSCARAWAS COUNTY

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

Federal Grantor/ Pass Through Grantor/ Program Title	Federal CFDA Number	Receipts	Non-Cash Receipts	Expenditures	Non-Cash Expenditures
U.S. DEPARTMENT OF AGRICULTURE					
<i>Passed Through Ohio Department of Education:</i>					
<i>Child Nutrition Cluster:</i>					
<i>Cash Assistance:</i>					
National School Breakfast Program	10.553	\$25,088		\$25,088	
National School Lunch Program	10.555	79,839		79,839	
<i>Non-Cash Assistance (Food Distribution)</i>					
National School Lunch Program	10.555		\$10,634		\$10,634
Total Child Nutrition Cluster		<u>104,927</u>	<u>10,634</u>	<u>104,927</u>	<u>10,634</u>
Total U.S. Department of Agriculture		<u>104,927</u>	<u>10,634</u>	<u>104,927</u>	<u>10,634</u>
U.S. DEPARTMENT OF EDUCATION					
<i>Passed Through Ohio Department of Education:</i>					
<i>Special Education Cluster:</i>					
Special Education Grants to States	84.027	160,343		167,412	
ARRA - Special Education Grants to States	84.391	<u>35,750</u>		<u>10,067</u>	
Total Special Education Cluster		<u>196,093</u>		<u>177,479</u>	
Title I, Grants to Local Educational Agencies	84.010	84,870		87,057	
ARRA - Title I, Grants to Local Educational Agencies	84.389	<u>18,289</u>		<u>18,289</u>	
Total Title I Grants		<u>103,159</u>		<u>105,346</u>	
Improving Teacher Quality State Grants	84.367	30,028		26,037	
Safe and Drug Free Schools and Communities State Grants	84.186	1,542		1,980	
Education Technology State Grants	84.318	282		129	
ARRA - State Fiscal Stabilization Funds (SFSF)	84.394	<u>199,876</u>		<u>211,707</u>	
Total U.S. Department of Education		<u>530,980</u>		<u>522,678</u>	
Totals		<u>\$635,907</u>	<u>\$10,634</u>	<u>\$627,605</u>	<u>\$10,634</u>

The accompanying notes to this schedule are an integral part of this schedule.

STRASBURG-FRANKLIN LOCAL SCHOOL DISTRICT
TUSCARAWAS COUNTY

FEDERAL AWARDS RECEIPTS AND EXPENDITURES SCHEDULE
FOR THE YEAR ENDED JUNE 30, 2010

Federal Grantor/ Pass Through Grantor/ Program Title	Federal CFDA Number	Receipts	Non-Cash Receipts	Expenditures	Non-Cash Expenditures
U.S. DEPARTMENT OF AGRICULTURE					
<i>Passed Through Ohio Department of Education:</i>					
<i>Child Nutrition Cluster:</i>					
<i>Cash Assistance:</i>					
National School Breakfast Program	10.553	\$18,672		\$18,672	
National School Lunch Program	10.555	63,970		63,970	
<i>Non-Cash Assistance (Food Distribution)</i>					
National School Lunch Program	10.555		\$9,173		\$9,173
Total Child Nutrition Cluster		<u>82,642</u>	<u>9,173</u>	<u>82,642</u>	<u>9,173</u>
Total U.S. Department of Agriculture		<u>82,642</u>	<u>9,173</u>	<u>82,642</u>	<u>9,173</u>
U.S. DEPARTMENT OF EDUCATION					
<i>Passed Through Ohio Department of Education:</i>					
<i>Special Education Cluster:</i>					
Special Education Grants to States	84.027	68,951		118,563	
ARRA - Special Education Grants to States	84.391	<u>52,739</u>		<u>72,442</u>	
Total Special Education Cluster		121,690		191,005	
Title I, Grants to Local Educational Agencies	84.010	58,450		39,808	
ARRA - Title I, Grants to Local Educational Agencies	84.389	<u>27,532</u>		<u>27,532</u>	
Total Title I Grants		85,982		67,340	
Improving Teacher Quality State Grants	84.367	21,655		25,656	
Safe and Drug Free Schools and Communities State Grants	84.186	158		0	
Education Technology State Grants	84.318	909		1,112	
ARRA - State Fiscal Stabilization Funds (SFSF)	84.394	164,147		148,760	
Javitis Gifted and Talented Students Education	84.206	<u>1,000</u>		<u>0</u>	
Total U.S. Department of Education		<u>395,541</u>		<u>433,873</u>	
Totals		<u>\$478,183</u>	<u>\$9,173</u>	<u>\$516,515</u>	<u>\$9,173</u>

The accompanying notes to this schedule are an integral part of this schedule.

**STRASBURG-FRANKLIN LOCAL SCHOOL DISTRICT
TUSCARAWAS COUNTY**

**NOTES TO THE FEDERAL AWARDS RECEIPTS AND EXPENDITURES SCHEDULE
FISCAL YEARS ENDED JUNE 30, 2010 AND 2011**

NOTE A – SIGNIFICANT ACCOUNTING POLICIES

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

NOTE B – FOOD DONATION PROGRAM

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

NOTE C – CHILD NUTRITION CLUSTER

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

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Dave Yost • Auditor of State

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

Strasburg-Franklin Local School District
Tuscarawas County
140 North Bodmer Avenue
Strasburg, Ohio 44680

To the Board of Education:

We have audited the accompanying financial statements of Strasburg-Franklin Local School District, Tuscarawas County, (the District) as of and for the years ended June 30, 2011 and 2010 wherein we issued an adverse opinion on the District's financial statements because the District prepared its financial statements using accounting practices the Auditor of State prescribes or permits for governments not required to report using accounting principles generally accepted in the United States of America. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*.

Internal Control Over Financial Reporting

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

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. Therefore, we cannot assure that we have identified all deficiencies, significant deficiencies or material weaknesses. However, as described in the accompanying schedule of findings we identified certain deficiencies in internal control over financial reporting, that we consider material weaknesses.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, when performing their assigned functions, to prevent, or detect and timely correct misstatements. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and timely corrected. We consider findings 2011-002 and 2011-003 described in the accompanying schedule of findings to be material weaknesses.

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 instances of noncompliance or other matters we must report under *Government Auditing Standards* which are described in the accompanying schedule of findings as items 2011-001 through 2011-003.

We also noted certain matters not requiring inclusion in this report that we reported to the District's management in a separate letter dated January 24, 2012.

The District's responses to the findings identified in our audit are described in the accompanying schedule of findings. We did not audit the District's responses and, accordingly, we express no opinion on them.

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



Dave Yost
Auditor of State

January 24, 2012



Dave Yost • Auditor of State

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

Strasburg-Franklin Local School District
Tuscarawas County
140 North Bodmer Avenue
Strasburg, Ohio 44680

To the Board of Education:

Compliance

We have audited the compliance of Strasburg-Franklin Local School District (the District) with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133, Compliance Supplement* that could directly and materially affect each of Strasburg-Franklin Local School District's major federal programs for the years ended June 30, 2011 and 2010. The summary of auditor's results section of the accompanying schedule of findings identifies the District's major federal programs. The District's management is responsible for complying with the requirements of laws, regulations, contracts, and grants applicable to each major federal program. Our responsibility is to express an opinion on the District's compliance based on our audit.

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

As described in finding 2011-004 in the accompanying schedule of findings, the District did not comply with requirements regarding reporting applicable to its Special Education Cluster and State Fiscal Stabilization Fund major federal programs for fiscal year ended June 30, 2010. Compliance with this requirement is necessary, in our opinion, for the District to comply with requirements applicable to these programs.

In our opinion, except for the noncompliance described in the preceding paragraph, the Strasburg Franklin Local School District complied, in all material respects, with the requirements referred to above that could directly and materially affect each its major federal programs for the year ended June 30, 2010.

The results of our auditing procedures also disclosed another instance of noncompliance with these requirements that, while not affecting our opinion on compliance, OMB Circular A-133 requires us to report. The accompanying schedule of findings lists this instance as Finding 2011-005.

In our opinion, the Strasburg-Franklin Local School District complied, in all material respects, with the requirements referred to above that could directly and materially affect each of its major federal programs for the year ended June 30, 2011. However, the results of our auditing procedures disclosed an instance of noncompliance with these requirements that, while not affecting our opinion on compliance, OMB Circular A-133 requires us to report. The accompanying schedule of findings lists this instance as Finding 2011-005.

Internal Control Over Compliance

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

Our consideration of internal control over compliance was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over compliance that might be significant deficiencies or material weaknesses and therefore, we cannot assure we have identified all deficiencies, significant deficiencies, or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control over compliance that we consider to be material weaknesses.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, when performing their assigned functions, to prevent, or to timely detect and correct, noncompliance with a federal program compliance requirement. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a federal program compliance requirement will not be prevented, or timely detected and corrected. We consider the deficiencies in internal control over compliance described in the accompanying schedule of findings as items 2011-004 and 2011-005 to be material weaknesses.

The District's responses to the findings we identified are described in the accompanying schedule of findings. We did not audit the District's responses and, accordingly, we express no opinion on them.

We also noted matters involving federal compliance or internal control over federal compliance not requiring inclusion in this report, that we reported to the District's management in a separate letter dated January 24, 2012.

Strasburg-Franklin Local School District
Tuscarawas County
Independent Accountants' Report On Compliance with Requirements
Applicable to Each Major Federal Program and on Internal Control
Over Compliance Required by OMB Circular A-133
Page 3

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

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

Dave Yost
Auditor of State

January 24, 2012

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**STRASBURG-FRANKLIN LOCAL SCHOOL DISTRICT
TUSCARAWAS COUNTY**

**SCHEDULE OF FINDINGS
OMB CIRCULAR A -133 § .505
June 30, 2011 and 2010**

1. SUMMARY OF AUDITOR'S RESULTS

(d)(1)(i)	Type of Financial Statement Opinion	Adverse
(d)(1)(ii)	Were there any material control weaknesses reported at the financial statement level (GAGAS)?	Yes
(d)(1)(ii)	Were there any significant deficiencies in internal control reported at the financial statement level (GAGAS)?	No
(d)(1)(iii)	Was there any reported material noncompliance at the financial statement level (GAGAS)?	Yes
(d)(1)(iv)	Were there any material internal control weaknesses reported for major federal programs?	Yes
(d)(1)(iv)	Were there any significant deficiencies in internal control reported for major federal programs?	No
(d)(1)(v)	Type of Major Programs' Compliance Opinion	Qualified – 2010 Unqualified - 2011
(d)(1)(vi)	Are there any reportable findings under § .510(a)?	Yes
(d)(1)(vii)	Major Programs (list):	Special Education Cluster CFDA #84.027, #84.391, #84.392; ARRA State Fiscal Stabilization Funds CFDA #84.394
(d)(1)(viii)	Dollar Threshold: Type A/B Programs	Type A: >\$300,000 Type B: all others
(d)(1)(ix)	Low Risk Auditee?	No

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

<i>Finding Number</i>	2011-001
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Financial Statement Presentation

NONCOMPLIANCE

Ohio Rev. Code Section 117.38 provides that each public office shall file a financial report for each fiscal year. The auditor of state may prescribe forms by rule or may issue guidelines, or both, for such reports. If the auditor of state has not prescribed a rule regarding the form for the report, the public office shall submit its report to the form utilized by the public office. Ohio Administrative Code Section 117-2-03 further clarifies the requirements of Ohio Rev. Code 117.38. Furthermore, the public offices shall give public notice that the financial report is available for public inspection.

Ohio Admin. Code Section 117-2-03(B) requires the School District to prepare its annual financial report in accordance with generally accepted accounting principles. Pursuant to Ohio Rev. Code Section 117.38, the School District may be fined and subject to various other administrative remedies for its failure to file the required financial report.

GASB Statement 54 Fund Balance Reporting and Governmental Fund Type Definitions - establishes fund balance classifications that comprise a hierarchy based primarily on the extent to which a government is bound to observe constraints imposed upon the use of the resources reported in governmental funds. The initial distinction that is made in reporting fund balance information is identifying amounts that are considered nonspendable, such as fund balance associated with inventories. This Statement also provides for additional classification as restricted, committed, assigned, and unassigned based on the relative strength of the constraints that control how specific amounts can be spent.

- The District did not report the financial activity of the District in accordance with general accepted accounting principles for fiscal years ending June 30, 2011 and 2010. The accompanying financial statements and notes omit assets, liabilities, fund equities, and disclosures that, while material, cannot be determined at this time.
- Additionally, AOS Bulletin 2011-004 requires local governments preparing regulatory statements to implement both the new fund balance classifications and the government fund type definitions, as stated in GASB 54.
- The District did not file the required financial report for fiscal year ending June 30, 2010 with the State Auditor's Office within 60 days of fiscal year end and the annual financial report filed for June 30, 2011 is not considered a complete filing since it did not include required notes to the financial statements.
- The District did not publish a notice indicating the financial report was available for inspection.
- Board has not memorialized the District to file cash basis financial statements since 2008.

Financial Statement Presentation (Continued)

The Board of Education should review the standards and ensure preparation of its financial statements in accordance with AICPA's *Audit and Accounting Guide Audits of State and Local Governments*. The Board of Education should ensure the financial statements are prepared in accordance with the Ohio Administrative Code and the Ohio Revised Code. The Board of Education is ultimately responsible for the filing of financial reports and should ensure that the Treasurer files the required financial reports timely and a notice should be published in the local newspaper to notify the public the report is available for inspection. Since the District has determined not to follow generally accepted accounting principles, the Board should formally approve the financial reporting method on an annual basis. Implementation of these procedures would help ensure accurate and timely financial statements are available to the District's community.

Official's Response: The Strasburg-Franklin Local School Board of Education has voted not to do GAAP. The Treasurer is now going to contract out to have Strasburg's financial statements prepared and reported.

<i>Finding Number</i>	2011-002
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Ohio Rev. Code Section 5705.41(B)

NONCOMPLIANCE AND MATERIAL WEAKNESS

Ohio Rev. Code Section 5705.41(B) requires that no subdivision or taxing unit is to expend money unless it has been appropriated.

Ohio Admin. Code Section 117-2-02(C)(1) states all local public offices should integrate the budgetary accounts, at the legal level of control or lower, into the financial accounting system.

At June 30, 2011 and 2010, fund level expenditures plus outstanding encumbrances exceeded appropriations within the following funds:

2011	Expended	Appropriated	Variance
Capital Projects Fund - OSFC	\$3,615,778	\$1,952,917	\$ 1,662,861
2010	Expended	Appropriated	Variance
Special Revenue Fund - Idea B	\$ 190,985	\$ 131,624	\$ 59,361

In addition, appropriations posted to the District's Appropriation Reports did not always agree to the District's actual Annual Appropriation Measure plus supplemental appropriations. This resulted in the District's budgetary note being misstated in their annual financial report.

The Treasurer should frequently compare actual expenditures plus outstanding encumbrances to appropriations at the fund level to avoid overspending. In addition, the Treasurer should periodically review the District's Appropriations Reports to ensure appropriation amounts are posted accurately and timely.

Official's Response: The Treasurer is going to compare the actual and outstanding encumbrances to the current appropriations and have the Board approve. The Treasurer will also make sure what was approved matches what is submitted to the County Auditor.

Posting On Behalf Receipts/Expenditures

<i>Finding Number</i>	2011-003
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NONCOMPLIANCE AND MATERIAL WEAKNESS

Ohio Rev. Code Section 5705.42 states when the United States Government or the state or any department, division, agency, authority or unit thereof makes a grant or loan of money to any political subdivision of this state the amount thereof is deemed appropriated for such purpose by the taxing authority of the subdivision as provided by law and shall therefore be recorded as such by the fiscal officer of the subdivision. Auditor of State Bulletin 2000-008 states when a local government enters into an on-behalf-of program agreement with another local government or the State (or the federal government, if applicable), whereby the local government or its residents are the beneficiaries under the agreement, the cash value benefit of the program received under the agreement should be recorded as memorandum receipts and disbursements in the year on-behalf-of disbursements are made.

The District entered into an agreement with the Ohio School Facilities Commission (OSFC) in which payments of \$764,489 were made to a construction manager on-behalf of the District in fiscal year 2011. The District did not record the on-behalf amounts as memorandum receipts or disbursements. The financial statements have been adjusted to reflect the on-behalf amounts.

The District should ensure on-behalf amounts are recorded as memorandum receipts and disbursements.

Official's Response: The Treasurer is going to receipt in the payments made to their construction manager on behalf of our District and then memo out the payment.

3. FINDINGS FOR FEDERAL AWARDS

1. Single Audit

Finding Number	2011-004
CFDA Title and Number	Special Education Grants to States – CFDA# 84.027 ARRA – Special Education Grants to States – CFDA# 84.391, #84.392 and ARRA State Fiscal Stabilization Funds CFDA #84.394
Federal Award Number / Year	2010/2011
Federal Agency	U.S. Department of Education
Pass-Through Agency	Ohio Department of Education

NONCOMPLIANCE AND MATERIAL WEAKNESS

OMB Circular A-133, Subpart B, Section .200 states that non-Federal entities that expend \$500,000 or more in a year in Federal awards shall have a single or program-specific audit conducted for that year in accordance with the provisions of this part.

Furthermore, **OMB Circular A-133, Subpart C, Section .320, (a) & (b)** outline the requirements for report submission. The audit shall be completed and the data collection form described in paragraph (b) of this section and reporting package described in paragraph (c) of this section shall be submitted within the earlier of 30 days after receipt of the auditor’s report(s), or nine months after the end of the audit period, unless a longer period is agreed to in advance by the cognizant or oversight agency for audit. The auditee shall submit a data collection form which states whether the audit was completed in accordance with this part and provides information about the auditee, its Federal programs, and the results of the audit.

The District expended more than \$500,000 during fiscal year 2010, and did not ensure a Single Audit was performed in accordance with OMB Circular A-133 of the Single Audit Act. Consequently, the District did not submit the required report package to the Federal Clearinghouse within nine months of the audit period. Failure to comply with the above requirements could jeopardize future federal funding.

At the close of the fiscal year, the District should review federal expenditures to determine whether a Single Audit is necessary. This condition potentially affects all federal programs of the District.

Official’s Response: The Treasurer and Federal Programs Assistant will monitor the federal dollars received by the District to ensure the correct amount is being recorded and if it is over \$500,000 the Treasurer will notify the Auditor’s office that Strasburg Schools will need a one year audit.

Contact Person: Christine Angerer, Treasurer
 Effective Date: January 30, 2012

2. Final Expenditure Report

Finding Number	2011-005
CFDA Title and Number	Special Education Grants to States – CFDA# 84.027 ARRA – Special Education Grants to States – CFDA# 84.391
Federal Award Number / Year	2010/2011
Federal Agency	U.S. Department of Education
Pass-Through Agency	Ohio Department of Education

NONCOMPLIANCE AND MATERIAL WEAKNESS

32 CFR 80.41(a) states (1) Except as provided in paragraphs (a) (2) and (5) of this section, grantees will use only the forms specified in paragraphs (a) through (e) of this section, and such supplementary or other forms as may from time to time be authorized by OMB, for: (i) Submitting financial reports to Federal agencies, or (ii) Requesting advances or reimbursements when letters of credit are not used. (2) Grantees need not apply the forms prescribed in this section in dealing with their subgrantees. However, grantees shall not impose more burdensome requirements on subgrantees.

The Ohio Department of Education’s CCIP Final Expenditure Report Completion Steps, states all CCIP Final Expenditure Reports (FERs) must be completed online and may be started after June 30th, the end of the fiscal year. In addition, each Funding Application within the CCIP has its own separate final expenditure report. Enter the amount of cash expenditures using the information from the LEA’s accounting system.

The District's Fiscal Year 2010 and 2011 Final Expenditure Report for the Title VI-B grant did not match the accounting records; however, the federal schedule did not need adjusted.

	Amount Reported by District	Actual Expenditures	Difference
Title VI-B			
2010 Non-ARRA	124,010.43	124,780.06	(769.63)
2010 ARRA	52,739.65	72,243.53	(19,503.88)
2011 Non-ARRA	115,217.56	161,255.53	(46,037.97)
2011 ARRA	79,314.72	10,066.78	69,247.94

The District should ensure the Final Expenditure Reports submitted to the Ohio Department of Education matches the accounting records. By not reporting correct amounts to ODE the District could risk suspension of their federal funding.

Officials Response: The Treasurer is currently checking on this matter. The FER’s were to the best of my knowledge. But in the future the Treasurer will monitor the FER and all expenditures closely so that they are correct.

Contact Person: Christine Angerer, Treasurer
 Effective Date: January 30, 2012

**STRASBURG-FRANKLIN LOCAL SCHOOL DISTRICT
TUSCARAWAS COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS
JUNE 30, 2011 AND 2010**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain</i>
2009-001	Ohio Admin. Code Section 117-2-03(B) The School District to did not prepare its annual financial report in accordance with generally accepted accounting principles.	No	See Finding 2011-001.

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Dave Yost • Auditor of State

Independent Accountants' Report on Applying Agreed-Upon Procedures

Strasburg Franklin Local School District
Tuscarawas County
140 North Bodmer Avenue
Strasburg, Ohio 44680

To the Board of Education:

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

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

1. In our report dated February 26, 2010, we noted the Board adopted an anti-harassment policy on January 11, 2006 and readopted on March 14, 2007. However, this policy did not include all matters required by Ohio Rev. Code 3313.666.
2. We inquired with the Board's management regarding the aforementioned policy. They stated they have not amended the March 14, 2007 policy. Therefore, the policy still lacks the following required by Ohio Rev. Code Section 3313.666.

A requirement that parents or guardians of any student involved in a prohibited incident be notified and, to the extent permitted by section 3319.321 of the Revised Code and the "Family Educational Rights and Privacy Act of 1974," 88 Stat. 571, 20 U.S.C. 1232q, as amended, have access to any written reports pertaining to the prohibited incident.

The Board did not amend its anti-harassment policy to include violence within a dating relationship within its definition of harassment, intimidation or bullying. Ohio Rev. Code Section 3313.666 required the Board to amend its definition by September 28, 2010.

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

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

A handwritten signature in black ink that reads "Dave Yost". The signature is written in a cursive, flowing style with a large loop at the end of the last name.

Dave Yost
Auditor of State

January 24, 2012



Dave Yost • Auditor of State

STRASBURG FRANKLIN LOCAL SCHOOL DISTRICT

TUSCARAWAS 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
FEBRUARY 14, 2012**