

**Auditor of State  
Betty Montgomery**



**OSNABURG LOCAL SCHOOL DISTRICT  
STARK COUNTY**

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## Auditor of State Betty Montgomery

### INDEPENDENT ACCOUNTANTS' REPORT

Osnaburg Local School District  
Stark County  
310 East Browning Street  
East Canton, Ohio 44730

To the Board of Education:

We have audited the accompanying financial statements of the governmental activities, the major fund, and the aggregate remaining fund information of Osnaburg Local School District, Stark County, Ohio, (the District) as of and for the year ended June 30, 2004, which collectively comprise the District's basic financial statements as listed in the Table of Contents. These financial statements are the responsibility of the District's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about 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 that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the major fund, and the aggregate remaining fund information of the Osnaburg Local School District, Stark County, Ohio, as of June 30, 2004, and the respective changes in financial position, and the respective budgetary comparison for the General Fund thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

As described in Note 3, during the year ended June 30, 2004, the District implemented a new financial reporting model, as required by the provisions of Governmental Accounting Standards Board Statement No. 34, *Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments*. In addition, as described in Note 2, the District increased its capitalization threshold for capital assets from \$500 to \$2,850 during the year ended June 30, 2004.

In accordance with *Government Auditing Standards*, we have also issued our report dated January 7, 2005, 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 grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

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Management's Discussion and Analysis is not a required part of the basic financial statements but is supplementary information the Governmental Accounting Standards Board requires. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

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

**Betty Montgomery**  
Auditor of State

January 7, 2005

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

MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2004  
UNAUDITED

The discussion and analysis of the Osnaburg Local School District's (the "District") financial performance provides an overall review of the District's financial activities for the fiscal year ended June 30, 2004. The intent of this discussion and analysis is to look at the District's financial performance as a whole; readers should also review the basic financial statements and notes to the basic financial statements to enhance their understanding of the District's financial performance.

**Financial Highlights**

Key financial highlights for 2004 are as follows:

- In total, net assets of governmental activities increased \$136,554 which represents a 2.41% increase from 2003.
- General revenues accounted for \$6,633,785 in revenue or 86.86% of all revenues. Program specific revenues in the form of charges for services and sales, grants and contributions accounted for \$1,003,214 or 13.14% of total revenues of \$7,636,999.
- The District had \$7,500,445 in expenses related to governmental activities; \$1,003,214 of these expenses was offset by program specific charges for services, grants or contributions. General revenues supporting governmental activities (primarily taxes and unrestricted grants and entitlements) of \$6,633,785 were adequate to provide for these programs.
- The District's only major governmental fund is the general fund. The general fund had \$6,833,364 in revenues and other financing sources and \$6,558,288 in expenditures. During fiscal year 2004, the general fund's fund balance increased \$275,076 from \$3,743,587 to \$4,018,663.

**Using these Basic Financial Statements**

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

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

**Reporting the District as a Whole**

***Statement of Net Assets and the Statement of Activities***

While this document contains the large number of funds used by the District to provide programs and activities, the view of the District as a whole looks at all financial transactions and asks the question, "How did we do financially during 2004?" The Statement of Net Assets and the Statement of Activities answer this question. These statements include *all assets, liabilities, revenues and expenses* using the *accrual basis of accounting* similar to the accounting used by most private-sector companies. This basis of accounting will take into account all of the current year's revenues and expenses regardless of when cash is received or paid.

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

MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2004  
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These two statements report the District's *net assets* and changes in those assets. This change in net assets is important because it tells the reader that, for the District as a whole, the *financial position* of the District has improved or diminished. The causes of this change may be the result of many factors, some financial, some not. Non-financial factors include the District's property tax base, current property tax laws in Ohio restricting revenue growth, facility conditions, required educational programs and other factors.

In the Statement of Net Assets and the Statement of Activities, the Governmental Activities include the District's programs and services, including instruction, support services, operation and maintenance of plant, pupil transportation, extracurricular activities, and food service operations.

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

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

***Fund Financial Statements***

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

***Governmental Funds***

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

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

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

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

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. These notes to the basic financial statements can be found on pages 23-47 of this report.



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

MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2004  
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**The District as a Whole**

Recall that the Statement of Net Assets provides the perspective of the District as a whole. This is the first year for government-wide financial statements using the full accrual basis of accounting; therefore a comparison with prior years is not available. A comparative analysis will be provided in future years when prior year information is available.

The table below provides a summary of the District's net assets for 2004.

	<b>Net Assets</b>
	Governmental Activities 2004
<b><u>Assets</u></b>	
Current and other assets	\$ 7,565,768
Capital assets	1,934,759
Total assets	9,500,527
<b><u>Liabilities</u></b>	
Current liabilities	3,359,686
Long-term liabilities	332,477
Total liabilities	3,692,163
<b><u>Net Assets</u></b>	
Invested in capital assets	1,934,759
Restricted	28,039
Unrestricted	3,845,566
Total net assets	\$ 5,808,364

Over time, net assets can serve as a useful indicator of a government's financial position. At June 30, 2004, the District's assets exceeded liabilities by \$5,808,364. Of this total, \$3,845,566 is unrestricted in use.

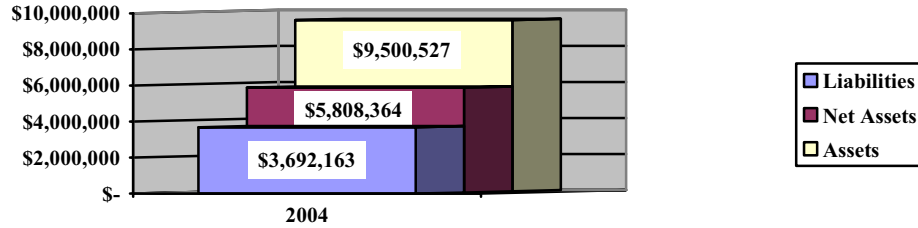
At year-end, capital assets represented 20.36% of total assets. Capital assets include land, land improvements, buildings and improvements, furniture and equipment and vehicles. These capital assets are used to provide services to the students and are not available for future spending.

A portion of the District's net assets, \$28,039, represents resources that are subject to external restriction on how they may be used. The remaining balance of unrestricted net assets of \$3,845,566 may be used to meet the District's ongoing obligations to the students and creditors.

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

MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2004  
UNAUDITED

**Governmental Activities**



The table below shows the change in net assets for fiscal year 2004. Since this is the first year the District has prepared government-wide financial statements using the full accrual basis of accounting, revenue and expense comparisons to fiscal year 2003 are not available. A comparative analysis will be provided in future years when prior year information is available.

**Change in Net Assets**

	Governmental Activities 2004
<b><u>Revenues</u></b>	
Program revenues:	
Charges for services and sales	\$ 556,043
Operating grants and contributions	427,371
Capital grants and contributions	19,800
General revenues:	
Property taxes	2,654,903
Grants and entitlements	3,920,378
Investment earnings	51,829
Other	6,675
Total revenues	\$7,636,999

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

MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2004  
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**Change in Net Assets**

	Governmental Activities <u>2004</u>
<b><u>Expenses</u></b>	
Program expenses:	
Instruction:	
Regular	\$ 3,075,758
Special	568,429
Vocational	226,598
Adult continuing education	2,199
Other	480,575
Support services:	
Pupil	237,550
Instructional staff	213,862
Board of education	47,635
Administration	631,499
Fiscal	218,468
Business	2,751
Operations and maintenance	564,614
Pupil transportation	414,009
Central	18,293
Operations of non-instructional services	16,079
Food service operations	343,548
Extracurricular activities	<u>438,578</u>
Total expenses	<u>7,500,445</u>
Increase in net assets	<u>\$ 136,554</u>

**Governmental Activities**

Net assets of the District's governmental activities increased \$136,554. Total governmental expenses of \$7,500,445 were offset by program revenues of \$1,003,214 and general revenues of \$6,633,785. Program revenues supported 13.38% of the total governmental expenses.

The primary sources of revenue for governmental activities are derived from property taxes, and grants and entitlements. These revenue sources represent 86.10% of total governmental revenue.

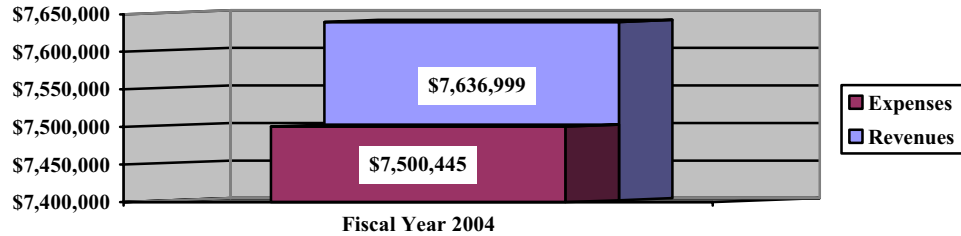
The largest expense of the District is for instructional programs. Instruction expenses totaled \$4,353,559 or 58.04% of total governmental expenses for fiscal 2004.

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

MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2004  
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The graph below presents the District's governmental activities revenue and expenses for fiscal year 2004.

**Governmental Activities - Revenues and Expenses**



The Statement of Activities shows the cost of program services and the charges for services and grants offsetting those services. The following table shows, for governmental activities, the total cost of services and the net cost of services. That is, it identifies the cost of these services supported by tax revenue and unrestricted State grants and entitlements. Comparisons to 2003 have not been presented since they are not available.

**Governmental Activities**

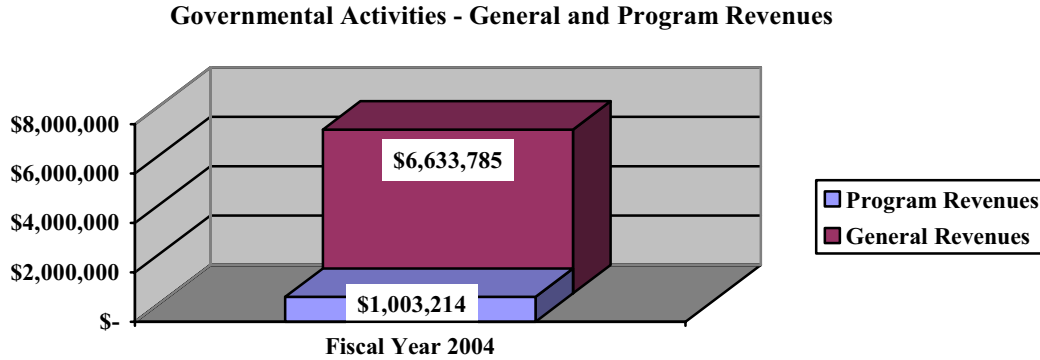
	Total Cost of Services 2004	Net Cost of Services 2004
<b>Program expenses</b>		
Instruction:		
Regular	\$ 3,075,758	\$ 2,785,015
Special	568,429	459,827
Vocational	226,598	226,598
Adult continuing education	2,199	2,199
Other	480,575	478,376
Support services:		
Pupil	237,550	180,917
Instructional staff	213,862	186,411
Board of education	47,635	47,635
Administration	631,499	590,119
Fiscal	218,468	218,468
Business	2,751	2,751
Operations and maintenance	564,614	564,614
Pupil transportation	414,009	414,009
Central	18,293	13,293
Operations of non-instructional services	16,079	16,079
Food service operations	343,548	41,131
Extracurricular activities	438,578	269,789
<b>Total expenses</b>	<u>\$ 7,500,445</u>	<u>\$ 6,497,231</u>

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

MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2004  
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The dependence upon tax and other general revenues for governmental activities is apparent, 90.78% of instruction activities are supported through taxes and other general revenues. For all governmental activities, general revenue support is 86.62%. The District's taxpayers and intergovernmental services, as a whole, are by far the primary support for District's students.

The graph below presents the District's governmental activities revenue for fiscal year 2004.



**The District's Funds**

The District's governmental funds reported a combined fund balance of \$4,144,876, which is higher than last year's total of \$3,899,259. The June 30, 2003 fund balances have been restated as described in Note 3A. to the basic financial statements. The schedule below indicates the fund balance and the total change in fund balance as of June 30, 2004 and 2003.

	Fund Balance <u>June 30, 2004</u>	Fund Balance <u>June 30, 2003</u>	Increase <u>(Decrease)</u>	Percentage <u>Change</u>
General	\$ 4,018,663	\$ 3,743,587	\$ 275,076	7.35 %
Other Governmental	<u>126,213</u>	<u>155,672</u>	<u>(29,459)</u>	(18.92) %
Total	<u>\$ 4,144,876</u>	<u>\$ 3,899,259</u>	<u>\$ 245,617</u>	6.30 %

**General Fund**

The District's general fund's fund balance increased by \$275,076 (after a restatement to the June 30, 2003, fund balance which is detailed in Note 3A. to the basic financial statements). Although revenues generally decreased in 2004, it was less than the overall increase in instructional and support services expenses. On March 3, 2004 the Governor of the State of Ohio issued an executive order to reduce funding to school districts to help offset the state's fiscal year deficit. The table that follows assists in illustrating the financial activities and fund balance of the general fund.

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

MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2004  
UNAUDITED

	<u>2004</u> <u>Amount</u>	<u>2003</u> <u>Amount</u>	<u>Increase</u> <u>(Decrease)</u>	<u>Percentage</u> <u>Change</u>
<b><u>Revenues</u></b>				
Taxes	\$ 2,663,299	\$ 2,632,843	\$ 30,456	1.16 %
Earnings on investments	50,136	99,350	(49,214)	(49.54) %
Intergovernmental	3,920,378	4,031,949	(111,571)	(2.77) %
Other revenues	<u>196,961</u>	<u>225,171</u>	<u>(28,210)</u>	(12.53) %
 Total	 <u>\$ 6,830,774</u>	 <u>\$ 6,989,313</u>	 <u>\$ (158,539)</u>	 (2.27) %
<b><u>Expenditures</u></b>				
Instruction	\$ 4,068,526	\$ 3,775,387	\$ 293,139	7.76 %
Support services	2,138,831	2,085,422	53,409	2.56 %
Non-instructional services	15,999	14,815	1,184	7.99 %
Extracurricular activities	250,467	196,032	54,435	27.77 %
Facilities acquisition and construction	80,826	103,597	(22,771)	(21.98) %
Debt service	<u>3,639</u>	<u>-</u>	<u>3,639</u>	100.00 %
 Total	 <u>\$ 6,558,288</u>	 <u>\$ 6,175,253</u>	 <u>\$ 383,035</u>	 6.20 %

***General Fund Budgeting Highlights***

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

During the course of fiscal 2004, the District amended its general fund budget several times. For the general fund, original budgeted revenues and other financing sources were \$6,607,684 and final budgeted revenues and other financing sources were \$6,814,184. Actual revenues and other financing sources for fiscal 2004 was \$6,868,869. This represents a \$261,185 increase over original budgeted revenues.

General fund original appropriations (appropriated expenditures including other financing uses) totaled \$7,053,471. General fund final appropriations (appropriated expenditures including other financing uses) totaled \$6,800,957. The actual budget basis expenditures and other financing uses for fiscal year 2004 totaled \$6,783,433, which is lower than final budgeted appropriations by \$17,524.

**Capital Assets and Debt Administration**

***Capital Assets***

At the end of fiscal 2004, the District had \$1,934,759 invested in land, and improvements, buildings and improvements, furniture and equipment and vehicles. This entire amount is reported in governmental activities. The following table shows fiscal 2004 balances compared to 2003:

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

MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2004  
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**Capital Assets at June 30  
(Net of Depreciation)**

	Governmental Activities	
	2004	2003
Land	\$ 469,714	\$ 469,714
Land improvements	468,687	462,206
Building and improvements	346,229	350,671
Furniture and equipment	200,236	259,297
Vehicles	449,893	462,670
 Total	 \$ 1,934,759	 \$ 2,004,558

The overall decrease in capital assets of \$69,799 is due to depreciation expense of \$195,545 exceeding capital outlays of \$125,746 in the fiscal year.

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

***Debt Administration***

At June 30, 2004, the District had no debt outstanding. The only long-term obligation for the District is for compensated absences of \$332,477. Of this total, \$38,358 is due within one year and \$294,119 is due within greater than one year. The following table summarizes the compensated absences outstanding.

**Outstanding Debt, at Year End**

	Governmental Activities 2004	Governmental Activities 2003
Compensated absences	\$ 332,477	\$ 286,275
Total	\$ 332,477	\$ 286,275

At June 30, 2004, the District's overall legal debt margin was \$8,138,251, and an unvoted debt margin of \$90,425.

See Note 8 to the basic financial statements for additional information.

**Current Financial Related Activities**

The District has been rated Effective on the last three state report cards. This past year the Primary Building was rated Excellent. The District continues to allocate funds to allow our students to receive the opportunities that they need in order to be successful.

Last year the District still received more revenue than its expenses. Next year, according to our five year forecast, the District will expend more money than it receives. This deficit spending pattern shall continue to eat away at our carryover until we predict that the District will be in the red during the 2008-2009 school year.

The last operating levy was passed in 2000 and at that time District administrators assured the community that we would not ask for any new money until at least 2005. We will have achieved that promise, but a new operating levy is on the horizon.

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

MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2004  
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The District is close to entering into a contract for design services for the construction and remodeling of the schools. The newest building is 40 years old. The District has had an initial assessment completed on its buildings.

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

**Contacting the District's Financial Management**

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



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

STATEMENT OF NET ASSETS  
JUNE 30, 2004

	<b>Governmental Activities</b>
<b>Assets:</b>	
Equity in pooled cash and cash equivalents. . .	\$ 4,838,906
Receivables:	
Taxes . . . . .	2,689,600
Accounts . . . . .	1,539
Intergovernmental . . . . .	31,073
Materials and supplies inventory. . . . .	4,650
Capital assets:	
Land . . . . .	469,714
Depreciable capital assets, net . . . . .	1,465,045
Capital assets, net. . . . .	1,934,759
 Total assets. . . . .	 9,500,527
 <b>Liabilities:</b>	
Accounts payable. . . . .	9,677
Accrued wages and benefits . . . . .	712,128
Pension obligation payable. . . . .	222,867
Intergovernmental payable . . . . .	22,494
Deferred revenue . . . . .	2,392,520
Long-term liabilities:	
Due within one year. . . . .	38,358
Due within more than one year . . . . .	294,119
Total liabilities . . . . .	3,692,163
 <b>Net Assets:</b>	
Invested in capital assets . . . . .	1,934,759
Restricted for other purposes . . . . .	28,039
Unrestricted. . . . .	3,845,566
Total net assets . . . . .	\$ 5,808,364

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

STATEMENT OF ACTIVITIES  
FOR THE FISCAL YEAR ENDED JUNE 30, 2004

	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Assets
		Charges for Services and Sales	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities
<b>Governmental activities:</b>					
Instruction:					
Regular . . . . .	\$ 3,075,758	\$ 192,876	\$ 78,067	\$ 19,800	\$ (2,785,015)
Special . . . . .	568,429	-	108,602	-	(459,827)
Vocational . . . . .	226,598	-	-	-	(226,598)
Adult continuing education . . . . .	2,199	-	-	-	(2,199)
Other . . . . .	480,575	-	2,199	-	(478,376)
Support services:					
Pupil . . . . .	237,550	-	56,633	-	(180,917)
Instructional staff . . . . .	213,862	-	27,451	-	(186,411)
Board of education . . . . .	47,635	-	-	-	(47,635)
Administration . . . . .	631,499	-	41,380	-	(590,119)
Fiscal . . . . .	218,468	-	-	-	(218,468)
Business . . . . .	2,751	-	-	-	(2,751)
Operations and maintenance . . . . .	564,614	-	-	-	(564,614)
Pupil transportation . . . . .	414,009	-	-	-	(414,009)
Central . . . . .	18,293	-	5,000	-	(13,293)
Operation of non-instructional services:					
Other non-instructional services . . . . .	16,079	-	-	-	(16,079)
Food service operations . . . . .	343,548	194,378	108,039	-	(41,131)
Extracurricular activities . . . . .	438,578	168,789	-	-	(269,789)
<b>Total governmental activities . . . . .</b>	<b>\$ 7,500,445</b>	<b>\$ 556,043</b>	<b>\$ 427,371</b>	<b>\$ 19,800</b>	<b>(6,497,231)</b>

**General Revenues:**

Property taxes levied for:	
General purposes . . . . .	2,654,903
Grants and entitlements not restricted to specific programs . . . . .	3,920,378
Investment earnings . . . . .	51,829
Miscellaneous . . . . .	6,675
<b>Total general revenues . . . . .</b>	<b>6,633,785</b>
Change in net assets . . . . .	136,554
Net assets at beginning of year (restated) . . . . .	5,671,810
<b>Net assets at end of year . . . . .</b>	<b>\$ 5,808,364</b>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

BALANCE SHEET  
GOVERNMENTAL FUNDS  
JUNE 30, 2004

	<u>General</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
<b>Assets:</b>			
Equity in pooled cash and cash equivalents . . . . .	\$ 4,609,881	\$ 181,415	\$ 4,791,296
Receivables:			
Taxes . . . . .	2,689,600	-	2,689,600
Accounts . . . . .	1,539	-	1,539
Intergovernmental . . . . .	7,012	24,061	31,073
Materials and supplies inventory . . . . .	-	4,650	4,650
Restricted assets:			
Equity in pooled cash and cash equivalents . . . . .	47,610	-	47,610
Total assets . . . . .	<u>\$ 7,355,642</u>	<u>\$ 210,126</u>	<u>\$ 7,565,768</u>
<b>Liabilities:</b>			
Accounts payable . . . . .	\$ 8,784	\$ 893	\$ 9,677
Accrued wages and benefits . . . . .	648,497	63,631	712,128
Compensated absences payable . . . . .	12,694	-	12,694
Pension obligation payable. . . . .	156,093	5,904	161,997
Intergovernmental payable. . . . .	20,411	2,083	22,494
Deferred revenue. . . . .	2,490,500	11,402	2,501,902
Total liabilities . . . . .	<u>3,336,979</u>	<u>83,913</u>	<u>3,420,892</u>
<b>Fund Balances:</b>			
Reserved for encumbrances . . . . .	299,465	3,954	303,419
Reserved for materials and supplies inventory. . . . .	-	4,650	4,650
Reserved for property tax unavailable for appropriation . . . . .	199,100	-	199,100
Reserved for school bus purchase . . . . .	20,654	-	20,654
Reserved for BWC refunds. . . . .	26,956	-	26,956
Unreserved, undesignated, reported in:			
General fund . . . . .	3,472,488	-	3,472,488
Special revenue funds . . . . .	-	117,609	117,609
Total fund balances . . . . .	<u>4,018,663</u>	<u>126,213</u>	<u>4,144,876</u>
Total liabilities and fund balances . . . . .	<u>\$ 7,355,642</u>	<u>\$ 210,126</u>	<u>\$ 7,565,768</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

RECONCILIATION OF TOTAL GOVERNMENTAL FUND BALANCES TO  
NET ASSETS OF GOVERNMENTAL ACTIVITIES  
JUNE 30, 2004

<b>Total governmental fund balances</b>		\$	4,144,876
<i>Amounts reported for governmental activities in the statement of net assets are different because:</i>			
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.			1,934,759
Other long-term assets are not available to pay for current-period expenditures and therefore are deferred in the funds.			
Taxes	\$	97,980	
Intergovernmental revenue		11,402	
Total			109,382
Long-term liabilities, including compensated absences payable, are not due and payable in the current period and therefore are not reported in the funds.			
Compensated absences		(319,783)	
Pension obligation payable		(60,870)	
Total			(380,653)
<b>Net assets of governmental activities</b>		<b>\$</b>	<b>5,808,364</b>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES  
GOVERNMENTAL FUNDS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2004

	<u>General</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
<b>Revenues:</b>			
From local sources:			
Taxes . . . . .	\$ 2,663,299	\$ -	\$ 2,663,299
Tuition. . . . .	144,004	-	144,004
Earnings on investments. . . . .	50,136	1,693	51,829
Extracurricular. . . . .	-	168,789	168,789
Classroom materials and fees . . . . .	30,057	194,378	224,435
Other local revenues. . . . .	22,900	-	22,900
Intergovernmental - state . . . . .	3,915,210	121,711	4,036,921
Intergovernmental - federal . . . . .	5,168	314,826	319,994
Total revenue . . . . .	<u>6,830,774</u>	<u>801,397</u>	<u>7,632,171</u>
<b>Expenditures:</b>			
Current:			
Instruction:			
Regular . . . . .	2,907,061	91,972	2,999,033
Special. . . . .	464,563	113,087	577,650
Vocational. . . . .	216,327	-	216,327
Adult continuing education . . . . .	-	2,199	2,199
Other . . . . .	480,575	-	480,575
Support services:			
Pupil. . . . .	178,610	55,888	234,498
Instructional staff . . . . .	178,420	30,054	208,474
Board of education . . . . .	47,635	-	47,635
Administration. . . . .	584,230	40,724	624,954
Fiscal . . . . .	216,319	-	216,319
Business . . . . .	2,751	-	2,751
Operations and maintenance. . . . .	524,954	-	524,954
Pupil transportation . . . . .	396,255	-	396,255
Central. . . . .	13,296	4,997	18,293
Food service operations . . . . .	-	342,246	342,246
Other non-instructional services. . . . .	15,999	-	15,999
Extracurricular activities. . . . .	250,467	149,689	400,156
Facilities acquisition and construction . . . . .	80,826	-	80,826
Total expenditures . . . . .	<u>6,558,288</u>	<u>830,856</u>	<u>7,389,144</u>
Excess of revenues over (under) expenditures. . . . .	<u>272,486</u>	<u>(29,459)</u>	<u>243,027</u>
<b>Other financing sources (uses):</b>			
Proceeds from sale of capital assets. . . . .	<u>2,590</u>	<u>-</u>	<u>2,590</u>
Total other financing sources (uses) . . . . .	<u>2,590</u>	<u>-</u>	<u>2,590</u>
Net change in fund balances . . . . .	275,076	(29,459)	245,617
<b>Fund balances at beginning of year (restated) . . . . .</b>	<u>3,743,587</u>	<u>155,672</u>	<u>3,899,259</u>
<b>Fund balances at end of year. . . . .</b>	<u>\$ 4,018,663</u>	<u>\$ 126,213</u>	<u>\$ 4,144,876</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES  
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS  
TO THE STATEMENT OF ACTIVITIES  
FOR THE FISCAL YEAR ENDED JUNE 30, 2004

<b>Net change in fund balances - total governmental funds</b>	\$	245,617
<i>Amounts reported for governmental activities in the statement of activities are different because:</i>		
Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which depreciation expense (\$195,545) exceeds capital outlays (\$125,746) in the current period.		(69,799)
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.		2,238
Some expenses reported in the statement of activities, such as compensated absences and pension obligations, do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds.		(41,502)
<b>Change in net assets of governmental activities</b>	<u>\$</u>	<u>136,554</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN  
FUND BALANCE - BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)  
GENERAL FUND  
FOR THE FISCAL YEAR ENDED JUNE 30, 2004

	<u>Budgeted Amounts</u>			<b>Variance with Final Budget Positive (Negative)</b>
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
<b>Revenues:</b>				
From local sources:				
Taxes . . . . .	\$ 2,549,233	\$ 2,628,900	\$ 2,662,059	\$ 33,159
Tuition . . . . .	140,396	144,784	140,052	(4,732)
Earnings on investments . . . . .	77,576	80,000	79,891	(109)
Classroom materials and fees . . . . .	30,061	31,000	30,057	(943)
Other local revenues . . . . .	27,733	28,600	22,936	(5,664)
Intergovernmental - state . . . . .	3,759,801	3,877,300	3,915,960	38,660
Intergovernmental - federal . . . . .	12,606	13,000	5,806	(7,194)
Total revenue . . . . .	<u>6,597,406</u>	<u>6,803,584</u>	<u>6,856,761</u>	<u>53,177</u>
<b>Expenditures:</b>				
Current:				
Instruction:				
Regular . . . . .	2,970,367	2,864,026	2,863,921	105
Special . . . . .	490,006	472,464	472,464	-
Vocational . . . . .	204,076	196,770	196,770	-
Other . . . . .	539,813	520,488	520,488	-
Support services:				
Pupil . . . . .	177,633	171,274	171,274	-
Instructional staff . . . . .	232,723	224,392	224,392	-
Board of education . . . . .	62,413	60,179	60,179	-
Administration . . . . .	606,664	584,945	584,945	-
Fiscal . . . . .	223,840	215,827	215,827	-
Business . . . . .	2,853	2,751	2,751	-
Operations and maintenance . . . . .	612,866	590,925	590,924	1
Pupil transportation . . . . .	478,491	461,361	453,943	7,418
Central . . . . .	20,701	19,960	19,960	-
Operation of non-instructional services . . . . .	16,481	15,891	15,891	-
Extracurricular activities . . . . .	316,433	305,105	305,105	-
Facilities acquisition and construction . . . . .	94,229	90,856	80,856	10,000
Total expenditures . . . . .	<u>7,049,589</u>	<u>6,797,214</u>	<u>6,779,690</u>	<u>17,524</u>
Excess of revenues over (under) expenditures . . . . .	<u>(452,183)</u>	<u>6,370</u>	<u>77,071</u>	<u>70,701</u>
<b>Other financing sources (uses):</b>				
Refund of prior year expenditure . . . . .	1,939	2,000	3,018	1,018
Refund of prior year (receipts) . . . . .	(589)	(568)	(568)	-
Transfers (out) . . . . .	(3,293)	(3,175)	(3,175)	-
Advances in . . . . .	6,303	6,500	6,500	-
Proceeds from sale of capital assets . . . . .	2,036	2,100	2,590	490
Total other financing sources (uses) . . . . .	<u>6,396</u>	<u>6,857</u>	<u>8,365</u>	<u>1,508</u>
Net change in fund balance . . . . .	(445,787)	13,227	85,436	72,209
<b>Fund balance at beginning of year . . . . .</b>	4,134,658	4,134,658	4,134,658	-
<b>Prior year encumbrances appropriated . . . . .</b>	142,496	142,496	142,496	-
<b>Fund balance at end of year . . . . .</b>	<u>\$ 3,831,367</u>	<u>\$ 4,290,381</u>	<u>\$ 4,362,590</u>	<u>\$ 72,209</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS



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

STATEMENT OF FIDUCIARY NET ASSETS  
FIDUCIARY FUNDS  
JUNE 30, 2004

	<b>Private-Purpose Trust</b>	
	<b>Scholarship</b>	<b>Agency</b>
<b>Assets:</b>		
Equity in pooled cash and cash equivalents . . . . .	\$ 76,197	\$ 31,131
Total assets. . . . .	76,197	\$ 31,131
<b>Liabilities:</b>		
Due to students . . . . .	-	\$ 31,131
Total liabilities . . . . .	-	\$ 31,131
<b>Net Assets:</b>		
Held in trust for scholarships . . . . .	76,197	
Total net assets . . . . .	\$ 76,197	

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS  
FIDUCIARY FUNDS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2004

	<b>Private-Purpose Trust</b>
	<b>Scholarship</b>
<b>Additions:</b>	
Interest . . . . .	\$ 1,215
Gifts and contributions. . . . .	3,000
	4,215
Total additions. . . . .	4,215
<b>Deductions:</b>	
Scholarships awarded . . . . .	4,101
	114
Change in net assets . . . . .	114
Net assets at beginning of year. . . . .	76,083
	76,083
Net assets at end of year . . . . .	\$ 76,197

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2004

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

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

The District is located in East Canton, Stark County, Ohio. The District is the 508<sup>th</sup> largest in the State of Ohio (among the 613 public school districts) in terms of enrollment. It is staffed by 41 non-certificated employees and 70 certificated employees who provide services to 952 students and other community members. The District operates one elementary school (K-3), one middle school (4-8) and a high school (9-12).

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

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

**A. Reporting Entity**

The reporting entity has been defined in accordance with GASB Statement No. 14, "The Financial Reporting Entity" as amended by GASB Statement No. 39, "Determining Whether Certain Organizations Are Component Units". The reporting entity is composed of the primary government, component units and other organization 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 organizations' government board and (1) the District is able to significantly influence the programs or services performed or provided by the organization; or (2) the District is legally entitled to or can otherwise access the organizations; resources; the District is legally obligated or has otherwise assumed the responsibility to finance the deficits of, or provide financial support to, the organization; or 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 this criteria, the District has one component unit. 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:

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

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2004  
(Continued)

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

COMPONENT UNIT

The East Canton Digital Academy Community School

The East Canton Digital Academy is a legally separate, conversion community school, served by a Board of Directors. The East Canton Digital Academy provides students within the District and throughout Northeast Ohio with curriculum and instruction via distance learning technology. The Board of Directors consists of the District's Superintendent, Technology Coordinator, Curriculum Director, and two additional Board members appointed by the District. The Osnaburg Local School District is the sponsoring District of the East Canton Digital Academy under Ohio Rev. Code Section 3314. The Superintendent of the District serves as the Chief Administrative Officer of the East Canton Digital Academy and the Treasurer serves as the Chief Financial Officer. Based on the significant services provided by the District to the East Canton Digital Academy, the Academy's purpose of servicing the students with the District, and the relationship between the Board of Education of the District and the Board of Directors of the East Canton Digital Academy, the East Canton Digital Academy is a component unit of the District. As the financial activity of the East Canton Digital Academy in relation to the Osnaburg Local School District was immaterial during fiscal year 2004, the financial statements of the East Canton Digital Academy have not been presented, but will be in fiscal year 2005.

*JOINTLY GOVERNED ORGANIZATIONS*

Stark-Portage Area Computer Consortium (SPARCC)

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

Stark County Schools Council (Council)

The Council is governed by an assembly which consists of one representative from each participating school district (usually the superintendent or designee). The assembly elects officers for one year terms to serve as the Board of Directors. The assembly exercises control over the operation of the Council. All Council revenues are generated from charges for services. The Council has a Health Benefits Program which is a shared risk pool comprised of fifteen Stark County school districts. The Council also sponsors a workers' compensation group rating plan which is an insurance purchasing pool.

**B. Fund Accounting**

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

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

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2004  
(Continued)

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

**B. Fund Accounting - (Continued)**

*GOVERNMENTAL FUNDS*

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

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

Other governmental funds of the District are used to account for (a) financial resources to be used for the acquisition, construction, or improvement of capital facilities other than those financed by proprietary and trust funds; and (b) for grants and other resources whose use is restricted to a particular purpose.

*FIDUCIARY FUNDS*

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

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

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

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

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

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

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2004  
(Continued)

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

**C. Basis of Presentation and Measurement Focus – (Continued)**

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

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

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

**D. Basis of Accounting**

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

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

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

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

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

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

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2004  
(Continued)

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

**D. Basis of Accounting – (Continued)**

Deferred Revenue - Deferred revenue arises when assets are recognized before revenue recognition criteria have been satisfied. Property taxes for which there is an enforceable legal claim as of June 30, 2004, but which were levied to finance fiscal year 2005 operations, have been recorded as deferred revenue. Grants and entitlements received before the eligibility requirements are met are also recorded as deferred revenue.

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

Expenses/Expenditures - On the accrual basis of accounting, expenses are recognized at the time they are incurred. The fair value of donated commodities used during the year is reported in the Statement of Revenues, Expenditures and Changes in Fund Balances as an expenditure with a like amount reported as intergovernmental revenue.

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

**E. Budgets**

The District is required by state statute to adopt an annual appropriated cash basis budget for all funds. The specific timetable for fiscal year 2004 is as follows:

1. Prior to January 15 of the preceding year, the Superintendent and Treasurer submit to the Board of Education a proposed operating budget for the fiscal year commencing the following July 1. The budget includes proposed expenditures and the means of financing for all funds. Public hearings are publicized and conducted to obtain taxpayers' comments. The expressed purpose of this budget document is to reflect the need for existing (or increased) tax rates.
2. By no later than January 20, the board-adopted budget is filed with the Stark County Budget Commission for tax rate determination.
3. Prior to April 1, the Board of Education accepts, by formal resolution, the tax rates as determined by the Budget Commission and receives the Commission's Certificate of Estimated Resources which states the projected revenue of each fund. Prior to June 30, the District must revise its budget so that total contemplated expenditures from any fund during the ensuing year will not exceed the amount stated in the Certificate of Estimated Resources. The revised budget then serves as a basis for the appropriation measure. On or about July 1, the Certificate is amended to include any unencumbered balances from the preceding year as reported by the District Treasurer. The Certificate may be further amended during the year if projected increases or decreases in revenue are identified by the District Treasurer. The budget figures, as shown in the accompanying budgetary statement, reflect the amounts set forth in the final Amended Certificate issued for fiscal year 2004.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2004  
(Continued)

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

**E. Budgets – (Continued)**

4. By July 1, the annual appropriation resolution is legally enacted by the Board of Education at the fund level of expenditures, which is the legal level of budgetary control. State statute permits a temporary appropriation to be effective until no later than October 1 of each year. Although the legal level of budgetary control was established at the fund level of expenditures, the District has elected to present budgetary statement comparisons at the fund and function level of expenditures. Resolution appropriations by fund must be within the estimated resources as certified by the County Budget Commission and the total of expenditures and encumbrances may not exceed the appropriation totals.
5. Any revisions that alter the total of any fund appropriation must be approved by the Board of Education.
6. Formal budgetary integration is employed as a management control device during the year for all funds consistent with statutory provisions. All funds completed the year within the amount of their legally authorized cash basis appropriation.
7. Appropriations amounts are as originally adopted, or as amended by the Board of Education through the year by supplemental appropriations, which either reallocated or increased the original appropriated amounts. All supplemental appropriations were legally enacted by the Board prior to June 30, 2004, however, none of these amendments were significant. The budget figures, as shown in the accompanying budgetary statement, reflect the final appropriation amounts including all amendments and modifications.
8. Unencumbered appropriations lapse at year-end. Encumbered appropriations are carried forward to the succeeding fiscal year and need not be reappropriated. Expenditures plus encumbrances may not legally exceed budgeted appropriations at the fund, function and object level.

**F. Cash and Investments**

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

During fiscal year 2004, investments were limited to State Treasury Asset Reserve of Ohio (STAR Ohio), federal agency securities, and a money market mutual fund. Except for nonparticipating investment contracts, investments are reported at fair value, which is based on quoted market prices.

The District has invested funds in STAR Ohio during fiscal 2004. STAR Ohio is an investment pool managed by the State Treasurer's Office, which allows governments within the state to pool their funds for investment purposes. STAR Ohio is not registered with the SEC as an investment company, but does operate in a manner consistent with Rule 2a7 of the Investment Company Act of 1940. Investments in STAR Ohio are valued at STAR Ohio's share price which is the price the investment could be sold for on June 30, 2004.

Under existing Ohio statutes all investment earnings are assigned to the general fund unless statutorily required to be credited to a specific fund. Interest revenue credited to the general fund during fiscal year 2004 amounted to \$50,136, which includes \$306 assigned from other funds.



**OSNABURG LOCAL SCHOOL DISTRICT  
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NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2004  
(Continued)

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

**F. Cash and Investments – (Continued)**

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

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

**G. Inventory**

On government-wide and fund financial statements, inventories are presented at the lower of cost or market on a first-in, first-out basis and are expensed when used. Inventories are accounted for using the consumption method.

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

**H. Capital Assets**

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

All capital assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the year. Donated capital assets are recorded at their fair market values as of the date received. (During fiscal year 2004, the District increased its capitalization threshold from \$500 to \$2,850). Improvements are capitalized; the costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset’s life are not. The District does not possess infrastructure.

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

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

**I. Compensated Absences**

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

**OSNABURG LOCAL SCHOOL DISTRICT  
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NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2004  
(Continued)

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

**I. Compensated Absences – (Continued)**

In accordance with the provisions of GASB Statement No. 16, “Accounting for Compensated Absences”, a liability for vacation leave is accrued if a) the employees’ rights to payment are attributable to services already rendered; and b) it is probable that the employer will compensate the employees for the benefits through paid time off or other means, such as cash payment at termination or retirement. A liability for severance is accrued using the vesting method; i.e., the liability is based on the sick leave accumulated at June 30, 2004, by those employees who are currently eligible to receive termination (severance) payments, as well as those employees expected to become eligible in the future. For purposes of establishing a liability for severance on employees expected to become eligible to retire in the future, all employees with at least five years of service were considered expected to become eligible to retire in accordance with GASB Statement No. 16.

The total liability for vacation and severance payments has been calculated using pay rates in effect at June 30, 2004, and reduced to the maximum payment allowed by labor contract and/or statute, plus any applicable additional salary related payments.

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

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

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

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

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

**K. Fund Balance Reserves**

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

**OSNABURG LOCAL SCHOOL DISTRICT  
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NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2004  
(Continued)

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

**L. Net Assets**

Net assets represent the difference between assets and liabilities. Net assets invested in capital assets, consist of capital assets, net of accumulated depreciation. Net assets are reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the District or through external restrictions imposed by creditors, grantors or laws or regulations of other governments.

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

**M. Estimates**

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

**N. Restricted Assets**

Assets are reported as restricted assets when limitations on their use change the normal understanding of the availability of the asset. Such constraints are either imposed by creditors, contributors, grantors, or laws of other governments or imposed by enabling legislation. Restricted assets include the amount required by state statute to be set aside to create a reserve for budget stabilization and school bus purchases. See Note 15 for details.

**O. Interfund Activity**

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

**P. Extraordinary and Special Items**

Extraordinary items are transactions or events that are both unusual in nature and infrequent in occurrence. Special items are transactions or events that are within the control of the Board of Education and that are either unusual in nature or infrequent in occurrence. Neither type of transaction occurred during fiscal year 2004.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2004  
(Continued)

**NOTE 3 - ACCOUNTABILITY AND COMPLIANCE**

**A. Changes in Accounting Principles and Restatement of Fund Balance**

For fiscal year 2004, the District has implemented GASB Statement No. 34, "Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments", GASB Statement No. 37, "Basic Financial Statements for State and Local Governments: Omnibus", GASB Statement No. 38, "Certain Financial Statement Note Disclosures", GASB Statement No. 39, "Determining Whether Certain Organizations are Component Units", GASB Statement No. 41, "Budgetary Comparison Schedule - Perspective Differences", and GASB Interpretation No. 6, "Recognition and Measurement of Certain Liabilities and Expenditures in Governmental Fund Financial Statements". At June 30, 2003, there was no effect on fund balance as a result of implementing GASB Statements Nos. 37, 38, 39 and 41.

GASB Statement No. 37 clarifies certain provisions of Statement No. 34, including the required content of the Management Discussion and Analysis, the classification of program revenues and the criteria for determining major funds. GASB Statement No. 38, modifies, establishes and rescinds certain financial statement note disclosures. GASB Statement No. 39 further defines the guidelines of GASB Statement No. 14, "The Financial Reporting Entity."

GASB Statement No. 41 allows the presentation of budgetary schedules as required supplementary information based on the fund, organization or program structure that the government uses for its legally adopted budget when significant budgetary perspective differences result in the school district not being able to present budgetary comparison for the general and each major special revenue fund.

GASB Interpretation No. 6 clarifies the application of standards for modified accrual recognition of certain liabilities and expenditures in areas where differences have arisen, or potentially could arise, in interpretation and practice.

GASB No. 34 creates new basic financial statements for reporting on the District's financial activities. The basic financial statements now include government-wide financial statements prepared on an accrual basis of accounting and fund financial statements which present information for individual major funds rather than by fund type. Nonmajor funds are presented in total in one column.

The government-wide financial statements show the District's programs for governmental activities. The beginning net asset amount for governmental activities reflects the change in fund balance for governmental funds at June 30, 2003, caused by the conversion to the accrual basis of accounting.

In addition to implementing GASB Statement No. 34, the District switched from the purchase method to the consumption method of accounting for inventory of materials and supplies. This change in accounting principle had no effect on fund balance at June 30, 2003.

***Governmental Activities - Fund Reclassification and Restatement of Fund Balance*** - Certain funds have been reclassified to properly reflect their intended purpose in accordance with the Standards of GASB Statement No. 34. It was also determined that GASB Interpretation No. 6 had an effect on fund balance as previously reported at June 30, 2003.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2004  
(Continued)

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

The fund reclassifications and the implementation of GASB Interpretation No. 6 had the following effect on the District's governmental fund balances as previously reported:

	<u>General</u>	<u>Nonmajor</u>	<u>Total</u>
Fund balance June 30, 2003	\$ 3,743,044	\$ 41,741	\$ 3,784,785
Fund reclassifications	-	113,931	113,931
Implementation of GASB Interpretation No. 6	543	-	543
Restated fund balance, June 30, 2003	<u>\$ 3,743,587</u>	<u>\$ 155,672</u>	<u>\$ 3,899,259</u>

The transition from governmental fund balance to net assets of the governmental activities is presented as follows:

	<u>Total</u>
Restated fund balance, June 30, 2003	\$ 3,899,259
GASB 34 adjustments:	
Long-term (deferred) assets	107,144
Capital assets	2,004,558
Long-term liabilities	(339,151)
Governmental activities net assets, June 30, 2003	<u>\$ 5,671,810</u>

**B. Deficit Fund Balances**

Fund balances at June 30, 2004 included the following individual fund deficits:

	<u>Deficit</u>
<u>Nonmajor Funds</u>	
EMIS	\$ 33
SchoolNet Professional Development	9
Miscellaneous State Grants	13
Title VI-B	5,011
Title I	7,929
Reducing Class Size	3,671
Miscellaneous Federal Grants	9

These funds complied with Ohio state law, which does not permit a cash basis deficit at year-end. The general fund is liable for any deficits in these funds and provides transfers when cash is required, not when accruals occur. The deficit fund balances results from adjustments for accrued liabilities.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2004  
(Continued)

**NOTE 4 - EQUITY IN POOLED CASH AND CASH EQUIVALENTS**

The District maintains a cash and investment pool used by all funds. Each fund type's portion of this pool is displayed on the basic financial statements as "Equity in Pooled Cash and Cash Equivalents". Statutes require the classification of 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 the Board of Education has identified as not required for use within the current two-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 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 finance 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 may be deposited or invested in the following securities:

1. United States Treasury Notes, Bills, Bonds, or any other obligation or security issued by the United States Treasury or any other obligation guaranteed as to principal or interest by the United States;
2. Bonds, notes, debentures, or any other obligations or securities issued by any federal government agency or instrumentality, including but not limited to, the Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, Government National Mortgage Association, and Student Loan Marketing Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
3. Written repurchase agreements in the securities listed above provided that the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least 2% and be marked to market daily, and that the term of the agreement must not exceed thirty days;
4. Bonds and other obligations of the State of Ohio;
5. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2) of this section and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions;
6. The State Treasury Asset Reserve of Ohio (STAR Ohio);
7. Certain bankers' acceptances and commercial paper notes for a period not to exceed 180 days in an amount not to exceed 25% of the interim monies available for investment at any one time; and
8. Under limited circumstances, corporate debt instruments rated in either of the two highest rating classifications by at least two nationally recognized rating agencies.

**OSNABURG LOCAL SCHOOL DISTRICT  
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NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2004  
(Continued)

**NOTE 4 - EQUITY IN POOLED CASH AND CASH EQUIVALENTS - (Continued)**

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 qualified trustee or, if the securities are not represented by a certificate, upon receipt of confirmation of transfer from the custodian.

*Cash on Hand:* At fiscal year-end, the District had \$150 in undeposited cash on hand which is included on the basic financial statements of the District as part of "Equity in Pooled Cash and Cash Equivalents."

The following information classifies deposits and investments by categories of risk as defined in GASB Statement No. 3, "Deposits with Financial Institutions, Investments and Reverse Repurchase Agreements".

*Deposits:* At year-end, the carrying amount of the District's deposits was \$2,572,189 and the bank balance was \$1,088,363. Of the bank balance:

1. \$100,156 was covered by federal depository insurance deposited with the District; and
2. \$988,207 was uninsured and unregistered as defined by GASB although it was secured by collateral held by third party trustees, pursuant to section 135.181 Ohio Revised Code, in collateralized pools securing all public funds on deposit with specific depository institutions; these securities not being in the name of the District. Although all State statutory requirements for the deposit of money had been followed, non-compliance with federal requirements would potentially subject the District to a successful claim by the FDIC.

Collateral is required for demand deposits and certificates of deposit in excess of all deposits not covered by federal depository insurance. Obligations that may be pledged as collateral are obligations of the United States and its agencies, obligations of the State of Ohio and its municipalities, and obligations of the other states. Obligations pledged to secure deposits must be delivered to a bank other than the institution in which the deposit is made. Written custodial agreements are required.

*Investments:* The District's investments are categorized below to give an indication of the level of custodial credit risk assumed by the entity at fiscal year-end. Category 1 includes investments that are insured or registered or securities held by the District. Category 2 includes uninsured and unregistered investments for which the securities are held by the counterparty's trust department or agent in the District's name. Category 3 includes uninsured and unregistered investments for which the securities are held by the counterparty or by its trust department, but not in the District's name. Investments in STAR Ohio and the U.S. Government money market fund are not categorized as they are not evidenced by securities that exist in physical or book entry form.

**OSNABURG LOCAL SCHOOL DISTRICT  
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NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2004  
(Continued)

**NOTE 4 - EQUITY IN POOLED CASH AND CASH EQUIVALENTS - (Continued)**

	<u>Category 3</u>	<u>Reported Amount</u>	<u>Fair Value</u>
Federal agency securities	<u>\$ 1,532,714</u>	\$ 1,532,714	\$ 1,532,714
	<u>\$ 1,532,714</u>		
U.S. Government money market		33,512	33,512
Investment in STAR Ohio		<u>807,669</u>	<u>807,669</u>
Total investments		<u>\$ 2,373,895</u>	<u>\$ 2,373,895</u>

The classification of cash and cash equivalents and investments on the basic financial statements is based on criteria set forth in GASB Statement No. 9. A reconciliation between the classifications of cash and investments on the basic financial statements and the classification per GASB Statement No. 3 is as follows:

	<u>Cash and Cash Equivalents/Deposits</u>	<u>Investments</u>
GASB Statement No. 9	\$ 4,946,234	\$ -
Investments of the cash management pool:		
Federal agency securities	(1,532,714)	1,532,714
Investment in STAR Ohio	(807,669)	807,669
U.S. Government money market	(33,512)	33,512
Cash on hand	<u>(150)</u>	<u>-</u>
GASB Statement No. 3	<u>\$ 2,572,189</u>	<u>\$ 2,373,895</u>

**NOTE 5 - PROPERTY TAXES**

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

Property taxes include amounts levied against all real, public utility and tangible personal property (used in business) located in the District. Real property tax revenue received in calendar 2004 represents collections of calendar year 2003 taxes. Real property taxes received in calendar year 2004 were levied after April 1, 2003, on the assessed value listed as of January 1, 2003, the lien date. Assessed values for real property taxes are established by state law at thirty-five percent of appraised market value. Real property taxes are payable annually or semi-annually. If paid annually, payment is due December 31; if paid semi-annually, the first payment is due December 31 with the remainder payable by June 20. Under certain circumstances, state statute permits alternate payment dates to be established.

Public utility property tax revenue received in calendar 2004 represents collections of calendar year 2003 taxes. Public utility real and tangible personal property taxes received in calendar year 2004 became a lien December 31, 2002, were levied after April 1, 2003 and are collected in 2004 with real property taxes. Public utility real property is assessed at thirty-five percent of true value; public utility tangible personal property currently is assessed at varying percentages of true value.



**OSNABURG LOCAL SCHOOL DISTRICT  
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NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2004  
(Continued)

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

Tangible personal property tax revenue received during calendar 2004 (other than public utility property) represents the collection of 2004 taxes. Tangible personal property taxes received in calendar year 2004 were levied after April 1, 2004, on the value as of December 31, 2003. Tangible personal property is currently assessed at twenty-five percent of true value for capital assets and twenty-four percent of true value for inventory. Payments by multi-county taxpayers are due September 20. Single county taxpayers may pay annually or semi-annually. If paid annually, payment is due April 30; if paid semi-annually, the first payment is due April 30, with the remainder payable by September 20. Tangible personal property taxes paid by April 30 are usually received by the District prior to June 30.

The District receives property taxes from Stark County. The County Auditor periodically advances to the District its portion of the taxes collected. Second-half real property tax payments collected by the County by June 30, 2004, are available to finance fiscal year 2004 operations. The amount available to be advanced can vary based on the date tax bills are sent.

Accrued property taxes receivable includes real property, public utility property and tangible personal property taxes which are measurable as of June 30, 2004 and for which there is an enforceable legal claim. Although total property tax collections for the next fiscal year are measurable, only the amount of real property taxes available as an advance at June 30 was levied to finance current fiscal year operations and is reported as revenue at fiscal year-end. The portion of the receivable not levied to finance current fiscal year operations is offset by a credit to deferred revenue.

The amount available as an advance at June 30, 2004 was \$199,100 in the general fund. This amount has been recorded as revenue. The amount available as an advance at June 30, 2003 was \$197,860 in the general fund.

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

The assessed values upon which the fiscal year 2004 taxes were collected are:

	2003 Second Half Collections		2004 First Half Collections	
	<u>Amount</u>	<u>Percent</u>	<u>Amount</u>	<u>Percent</u>
Agricultural/residential and other real estate	\$ 70,020,340	84.77	\$ 76,580,320	84.69
Public utility personal	3,762,410	4.56	3,958,650	4.38
Tangible personal property	<u>8,816,735</u>	<u>10.67</u>	<u>9,886,044</u>	<u>10.93</u>
Total	<u>\$ 82,599,485</u>	<u>100.00</u>	<u>\$ 90,425,014</u>	<u>100.00</u>
Tax rate per \$1,000 of assessed valuation	\$ 57.20		\$ 57.20	

**OSNABURG LOCAL SCHOOL DISTRICT  
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NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2004  
(Continued)

**NOTE 6 - RECEIVABLES**

Receivables at June 30, 2004 consisted of taxes, accounts (billings for user services and student fees), and intergovernmental grants and entitlements. All receivables are considered collectible in full due to the ability to foreclose for the nonpayment of taxes, the stable condition of state programs and the current year guarantee of federal funds. A summary of the principal items of receivables reported on the Statement of Net Assets follows:

**Governmental Activities:**

Taxes	\$ 2,689,600
Accounts	1,539
Intergovernmental	<u>31,073</u>
Total	<u>\$ 2,722,212</u>

Receivables have been disaggregated on the face of the basic financial statements. All receivables are expected to be collected within subsequent years.

**NOTE 7 - CAPITAL ASSETS**

- A. The capital asset balances of the governmental activities have been restated due to the reclassification of funds, a change in the capitalization threshold (See Note 2H. for detail), the depreciation of capital assets in accordance with GASB Statement No. 34.

	Balance <u>June 30, 2003</u>	<u>Adjustments</u>	Restated Balance <u>June 30, 2003</u>
<b>Governmental Activities</b>			
Capital assets, not being depreciated:			
Land	\$ 469,714	\$ -	\$ 469,714
Total capital assets, not being depreciated	<u>469,714</u>	<u>-</u>	<u>469,714</u>
Capital assets, being depreciated:			
Land improvements	711,786	(79,006)	632,780
Buildings and improvements	2,141,266	(39,008)	2,102,258
Furniture and equipment	1,331,705	(856,794)	474,911
Vehicles	<u>830,828</u>	<u>(39,153)</u>	<u>791,675</u>
Total capital assets, being depreciated	<u>5,015,585</u>	<u>(1,013,961)</u>	<u>4,001,624</u>
<i>Less: accumulated depreciation:</i>	<u>-</u>	<u>(2,466,780)</u>	<u>(2,466,780)</u>
Governmental activities capital assets, net	<u>\$ 5,485,299</u>	<u>\$ (3,480,741)</u>	<u>\$ 2,004,558</u>

**OSNABURG LOCAL SCHOOL DISTRICT  
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NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2004  
(Continued)

**NOTE 7 - CAPITAL ASSETS - (Continued)**

**B.** Capital asset activity for the fiscal year ended June 30, 2004, was as follows:

	Restated Balance <u>06/30/03</u>	<u>Additions</u>	<u>Deductions</u>	Balance <u>06/30/04</u>
Governmental Activities				
<i>Capital assets, not being depreciated:</i>				
Land	\$ 469,714	\$ -	\$ -	\$ 469,714
Total capital assets, not being depreciated	<u>469,714</u>	<u>-</u>	<u>-</u>	<u>469,714</u>
<i>Capital assets, being depreciated:</i>				
Land improvements	632,780	43,996	-	676,776
Buildings and improvements	2,102,258	13,620	-	2,115,878
Furniture and equipment	474,911	6,085	-	480,996
Vehicles	791,675	62,045	(40,260)	813,460
Total capital assets, being depreciated	<u>4,001,624</u>	<u>125,746</u>	<u>(40,260)</u>	<u>4,087,110</u>
<i>Less: accumulated depreciation</i>				
Land improvements	(170,574)	(37,515)	-	(208,089)
Buildings and improvements	(1,751,587)	(18,062)	-	(1,769,649)
Furniture and equipment	(215,614)	(65,146)	-	(280,760)
Vehicles	(329,005)	(74,822)	40,260	(363,567)
Total accumulated depreciation	<u>(2,466,780)</u>	<u>(195,545)</u>	<u>40,260</u>	<u>(2,622,065)</u>
Governmental activities capital assets, net	<u>\$ 2,004,558</u>	<u>\$ (69,799)</u>	<u>\$ -</u>	<u>\$ 1,934,759</u>

Depreciation expense was charged to governmental functions as follows:

Instruction:

Regular	\$ 58,550
Special	1,675
Vocational	776

Support Services:

Pupil	708
Instructional staff	7,897
Administration	1,157
Fiscal	259
Operations and maintenance	8,144
Pupil transportation	74,408
Extracurricular activities	39,950
Food service operations	<u>2,021</u>
Total depreciation expense	<u>\$ 195,545</u>

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

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2004  
(Continued)

**NOTE 8 - LONG-TERM OBLIGATIONS**

- A. The balance of the District's long-term obligations at June 30, 2003 has been restated. The compensated absences liability increased from \$269,611 to \$286,275 due to the implementation of GASB Interpretation No. 6 described in Note 3. In addition, pension obligations of \$53,328 at June 30, 2003 are not reported as a component of governmental activities long-term obligations as they are paid within one year of fiscal year-end. Pension obligations are reported on the statement of net assets. The effect on the total governmental activities long-term obligations at July 1, 2003 was a decrease of \$36,074 from \$322,939 to \$286,865. During fiscal year 2004, the following changes occurred in governmental activities long-term obligations:

	Restated Balance Outstanding <u>06/30/03</u>	<u>Additions</u>	<u>Reductions</u>	Balance Outstanding <u>06/30/04</u>	Amounts Due in <u>One Year</u>
<b>Governmental Activities:</b>					
Compensated absences	\$ 286,275	\$ 46,202	\$ -	\$ 332,477	\$ 38,358
Total long-term obligations, governmental activities	<u>\$ 286,275</u>	<u>\$ 46,202</u>	<u>\$ -</u>	<u>\$ 332,477</u>	<u>\$ 38,358</u>

Compensated absences will be paid from the fund from which the employee is paid. Compensated absences are presented net of actual increases and decreases due to the practicality of determining these values.

**B. Legal Debt Margin**

The Ohio Revised Code provides that voted net general obligation debt of the District shall never exceed 9% of the total assessed valuation of the District. The code further provides that unvoted indebtedness shall not exceed 1/10 of 1% of the property valuation of the District.

The effects of these debt limitations at June 30, 2004 are a voted debt margin of \$8,138,251 and an unvoted debt margin of \$90,425.

**NOTE 9 - EMPLOYEE BENEFITS**

**A. Compensated Absences**

The criteria for determining vested vacation and sick leave benefits are derived from negotiated agreements and state laws. Classified employees earn 10 to 30 days of vacation per year, depending upon length of service and hours worked. Teachers do not earn vacation time. Administrators employed to work 260 days per year earn 20 days of vacation annually. Teachers, administrators and classified employees earn sick leave at the rate of one and one-fourth days per month up to a maximum of 285 days for classified employees and 295 days for certified employees. Upon retirement, classified employees and certified employees receive payment for one-fourth of the total sick leave accumulation, up to a maximum of 56 days for both certified and classified employees.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2004  
(Continued)

**NOTE 9 - EMPLOYEE BENEFITS - (Continued)**

**B. Life Insurance**

The District provides life insurance and accidental death and dismemberment insurance to most employees. Life insurance is provided through the Stark County Schools Council of Governments Health Benefits Program.

**C. Retirement Incentive**

The District had a retirement incentive bonus in place during fiscal year 2004. This bonus is available to certified teaching employees in the amount of \$15,000. Employees retiring the first time they are eligible to retire based upon STRS eligibility will receive the bonus. First time eligibility means:

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

During fiscal 2004, one employee met the qualifications and elected to retire. The employee was paid the retirement incentive bonus during the fiscal year. As of June 30, 2004, a liability has not been recorded in the general fund for the retirement incentive payable.

**NOTE 10 - RISK MANAGEMENT**

**A. Comprehensive**

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

Marsh USA, Inc. also covers computers, audio/visual equipment, musical instruments, playground, and miscellaneous equipment with a \$100 deductible.

Professional liability is protected by National Union Fire Insurance Company of Pittsburg, PA with a \$1,000,000 single occurrence, \$1,000,000 aggregate and \$5,000 deductible. Vehicles are also covered by Marsh USA, Inc. and have a \$500 deductible for comprehensive and a \$500 deductible for collision. Automobile liability and vehicle liability both have a \$1,000,000 single limit of liability.

Settled claims have not exceeded this commercial coverage in any of the past three years. There has been no significant reduction in coverage from 2003.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2004  
(Continued)

**NOTE 10 - RISK MANAGEMENT - (Continued)**

**B. Workers' Compensation Plan**

For fiscal year 2004, the District participated in the Stark County Schools Council's Workers' Compensation Group Rating Plan (GRP), an insurance purchasing pool (Note 2A.). The intent of the GRP is to achieve the benefit of a reduced premium for the District by virtue of its grouping and representation with other participants in the GRP. The workers' compensation experience of the participating school districts is calculated as one experience and a common premium rate is applied to all school districts in the GRP. Each participant pays its workers' compensation premium to the state based on the rate for the GRP rather than its individual rate. Total savings are then calculated and each participant's individual performance is compared to the overall savings percentage of the GRP. A participant will then either receive money from or be required to contribute to the "Group Savings Fund". This "group savings" arrangement insures that each participant shares equally in the overall performance of the GRP. Participation in the GRP is limited to school districts that can meet the GRP's selection criteria. The firm of CompManagement Inc. provides administrative, cost control and actuarial services to the GRP.

**C. Employee Group Health Insurance**

The District has contracted with the Stark County Schools Council's Health Benefits Program to provide employee medical/surgical and dental benefits. The Stark County Schools Council's Health Benefits Program is a shared risk pool comprised of fifteen Stark County school districts. Rates are set through an annual calculation process. The District pays a monthly contribution which is paid in a common fund from which claim payments are made for all participants regardless of claims flow. The board of directors has the right to return monies to an exiting school district subsequent to the settlements of all expenses and claims. The District pays health premiums of \$669.56 for family coverage and \$275.62 for single coverage per employee per month and the District pays dental premiums of \$86.34 for family coverage and \$35.00 for single coverage per employee per month.

**NOTE 11 - DEFINED BENEFIT PENSION PLANS**

**A. School Employees Retirement System**

The District contributes to the School Employees Retirement System of Ohio (SERS), a cost-sharing, multiple-employer defined benefit pension plan. SERS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Authority to establish and amend benefits is provided by State Statute Chapter 3309 of the Ohio Revised Code. SERS issues a publicly available, stand-alone financial report that includes financial statements and required supplementary information. The report may be obtained by writing to the School Employees Retirement System, 300 East Broad Street, Suite 100, Columbus, Ohio 43215-3476, or by calling (614) 222-5853.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2004  
(Continued)

**NOTE 11 - DEFINED BENEFIT PENSION PLANS - (Continued)**

Plan members are required to contribute 10% of their annual covered salary and the District is required to contribute at an actuarially determined rate. The current District rate is 14% of annual covered payroll. A portion of the District's contribution is used to fund pension obligations with the remainder being used to fund health care benefits. For fiscal year 2004, 9.09% of annual covered salary was the portion used to fund pension obligations. For fiscal year 2003, 8.17% of annual covered salary was the portion used to fund pension obligations. The contribution requirements of plan members and employers are established and may be amended, up to a statutory maximum amount, by the SERS' Retirement Board. The adequacy of the contribution rates is determined annually. The District's required contributions to SERS for the fiscal years ended June 30, 2004, 2003, and 2002 were \$108,626, \$102,583, and \$99,824, respectively; 39.01% has been contributed for fiscal year 2004 and 100% for the fiscal years 2003 and 2002. \$66,252 represents the unpaid contribution for fiscal year 2004. The District has elected to pay or "pick-up" 6% of the plan members required 10% retirement contribution as an employee fringe benefit. In addition, the District pays all additional retirement charges resulting from the "pick-up" (this is known as "pick-up" on "pick-up"), therefore, resulting in no additional charge to the employee.

**B. State Teachers Retirement System**

The District contributes to the State Teachers Retirement System of Ohio (STRS), a cost-sharing, multiple-employer public employee retirement system administered by the State Teachers Retirement Board. STRS provides retirement and disability benefits, annual cost-of-living adjustments, and death and survivor benefits to plan members and beneficiaries. Authority to establish and amend benefits is provided by Chapter 3307 of the Ohio Revised Code. STRS issues a publicly available, stand-alone financial report that includes financial statements and required supplementary information. The report may be obtained by writing to the State Teachers Retirement System, 275 East Broad Street, Columbus, Ohio 43215-3771, or by calling (614) 227-4090.

New members have a choice of three retirement plans, a Defined Benefit (DB) Plan, a Defined Contribution (DC) Plan and a Combined Plan. The DB plan offers an annual retirement allowance based on final average salary times a percentage that varies based on years of service, or an allowance based on member contributions and earned interest matched by STRS Ohio funds times an actuarially determined annuity factor. The DC Plan allows members to place all their member contributions and employer contributions equal to 10.5% 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 Combined Plan offers features of both the DC Plan and the DB Plan. In the Combined Plan, member contributions are invested by the member, and employer contributions are used to fund the defined benefit payment at a reduced level from the regular DB Plan. DC and Combined Plan members will transfer to the Defined Benefit Plan during their fifth year of membership unless they permanently select the DC or Combined Plan. 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 dies before retirement benefits begin, the member's designated beneficiary is entitled to receive the member's account balance.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2004  
(Continued)

**NOTE 11 - DEFINED BENEFIT PENSION PLANS - (Continued)**

Plan members are required to contribute 10% of their annual covered salary and the District is required to contribute at an actuarially determined rate. The current District rate is 14% 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 2004 and 2003, 13% of annual covered salary was the portion used to fund pension obligations. Contribution rates are established by the State Teachers Retirement Board, upon recommendation of its consulting actuary, not to exceed statutory maximum rates of 10% for members and 14% for employers. Chapter 3307 of the Ohio Revised Code provides statutory authority for member and employee contributions. The District's required contributions to STRS for the fiscal years ended June 30, 2004, 2003, and 2002 were \$426,432, \$409,111, and \$385,993, respectively; 81.04% has been contributed for fiscal year 2004 and 100% for the fiscal years 2003 and 2002. \$80,836 represents the unpaid contribution for fiscal year 2004. The District has elected to pay or "pick-up" the entire 10% of the plan members share of the retirement contribution. In addition, the District pays all additional retirement charges resulting from the "pick-up" (this is known as "pick-up" on "pick-up"), therefore, resulting in no additional charge to the employee.

**C. Social Security System**

Effective July 1, 1991, all employees not otherwise covered by SERS or STRS have an option to choose Social Security or SERS/STRS. As of June 30, 2004, certain members of the Board of Education have elected Social Security. The District's liability is 6.20 percent of wages paid.

**NOTE 12 - POSTEMPLOYMENT BENEFITS**

The District provides comprehensive health care benefits to retired teachers and their dependents through STRS, and to retired non-certified employees and their dependents through SERS. Benefits include hospitalization, physicians' fees, prescription drugs, and partial reimbursement of monthly Medicare Part B premiums. Benefit provisions and the obligations to contribute are established by STRS and SERS based on authority granted by state statute. Both STRS and SERS are funded on a pay-as-you-go-basis.

The State Teachers Retirement Board has statutory authority over how much, if any, of the health care costs will be absorbed by STRS. Most benefit recipients pay a portion of the health care cost in the form of a monthly premium. By Ohio law, the cost of coverage paid from STRS funds shall be included in the employer contribution rate, currently 14% of covered payroll. For this fiscal year, the State Teachers Retirement Board allocated employer contributions equal to 1% of covered payroll to the Health Care Reserve fund. For the District, this amount equaled \$30,459 during fiscal 2004.

STRS pays health care benefits from the Health Care Reserve fund. The balance in the Health Care Reserve fund was \$3.1 billion at June 30, 2004. For the fiscal year ended June 30, 2004, net health care costs paid by STRS were \$268.739 million and STRS had 111,853 eligible benefit recipients.

For SERS, coverage is made available to service retirees with 10 or more years of qualifying service credit, and disability and survivor benefit recipients. Effective January 1, 2004, all retirees and beneficiaries are required to pay a portion of their health care premium. The portion is based on years of service, Medicare eligibility and retirement status. A safety net is in place for retirees whose household income falls below federal poverty levels. Premiums are reduced by 50% for those who apply.



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

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2004  
(Continued)

**NOTE 12 - POSTEMPLOYMENT BENEFITS – (Continued)**

For this fiscal year, employer contributions to fund health care benefits were 4.91% of covered payroll. In addition, SERS levies a surcharge to fund health care benefits equal to 14% of the difference between a minimum pay and the member's pay, pro-rated for partial service credit. For fiscal year 2004, the minimum pay has been established at \$25,400. The surcharge, added to the unallocated portion of the 14% employer contribution rate, provides for maintenance of the asset target level for the health care fund.

The target level for the health care reserve is 150% of annual health care expenses, before premium deduction. Gross expenses for health care at June 30, 2004 were \$223.444 million and the target level was \$335.2 million. At June 30, 2004, SERS had net assets available for payment of health care benefits of \$300.8 million and SERS had approximately 62,000 participants receiving health care benefits. For the District, the amount to fund health care benefits, including surcharge, equaled \$60,684 during the 2004 fiscal year.

**NOTE 13 - BUDGETARY BASIS OF ACCOUNTING**

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

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

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

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

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2004  
(Continued)

**NOTE 13 - BUDGETARY BASIS OF ACCOUNTING - (Continued)**

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

**Net Change in Fund Balance**

	<u>General Fund</u>
Budget basis	\$ 85,436
Net adjustment for revenue accruals	(25,987)
Net adjustment for expenditure accruals	(86,847)
Net adjustment for other sources/uses	(5,775)
Adjustment for encumbrances	308,249
GAAP basis	\$ 275,076

**NOTE 14 - CONTINGENCIES**

**A. Grants**

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

**B. Litigation**

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

**C. State School Funding Decision**

On December 11, 2002, the Ohio Supreme Court issued its latest opinion regarding the state's school funding plan. The decision reaffirmed earlier decisions that Ohio's current school funding plan is unconstitutional.

The Supreme Court relinquished jurisdiction over the case and directed "...the Ohio General Assembly to enact a school funding scheme that is thorough and efficient...". The District is currently unable to determine what effect, if any, this decision will have on its future state funding and its financial operations.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2004  
(Continued)

**NOTE 15 - 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, 2004, the reserve activity was as follows:

	<u>Textbooks</u>	<u>Capital Acquisition</u>	<u>BWC Refunds</u>
Set-aside cash balance as of June 30, 2003	\$ (236,255)	\$ -	\$ 26,956
Current year set-aside requirement	132,879	132,879	-
Current year offsets	-	-	-
Qualifying disbursements	<u>(236,365)</u>	<u>(278,272)</u>	<u>-</u>
Total	<u>\$ (339,741)</u>	<u>\$ (145,393)</u>	<u>\$ 26,956</u>
Cash balance carried forward to FY 2005	<u>\$ (339,741)</u>	<u>\$ -</u>	<u>\$ 26,956</u>

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

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

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

A schedule of the restricted assets at June 30, 2004 follows:

Amount restricted for school bus purchases	\$ 20,654
Amounts restricted for BWC refunds	<u>26,956</u>
Total restricted assets	<u>\$ 47,610</u>

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## Auditor of State Betty Montgomery

### INDEPENDENT ACCOUNTANTS' REPORT ON COMPLIANCE AND ON INTERNAL CONTROL REQUIRED BY *GOVERNMENT AUDITING STANDARDS*

Osnaburg Local School District  
Stark County  
310 East Browning Street  
East Canton, Ohio 44730

To the Board of Education:

We have audited the financial statements of the governmental activities, the major fund and the aggregate remaining fund information of the Osnaburg Local School District, Stark County, Ohio, (the District) as of and for the year ended June 30, 2004 which collectively comprise the District's basic financial statements and have issued our report thereon dated January 7, 2005, in which we noted the District adopted Governmental Accounting Standards Board Statement No. 34. In addition, the District increased its capitalization threshold for capital assets from \$500 to \$2,850. 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 *Government Auditing Standards*, issued by the Comptroller General of the United States.

#### **Compliance**

As part of obtaining reasonable assurance about whether the District's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts and grants, 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 such an opinion. The results of our tests disclosed no instances of noncompliance we must report under *Government Auditing Standards*.

#### **Internal Control Over Financial Reporting**

In planning and performing our audit, we considered the District's internal control over financial reporting to determine our auditing procedures for the purpose of expressing our opinions on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

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This report is intended solely for the information and use of management and 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 "Betty Montgomery". The signature is written in a cursive, flowing style.

**Betty Montgomery**  
Auditor of State

January 7, 2005

**OSNABURG LOCAL SCHOOL DISTRICT  
STARK COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS  
JUNE 30, 2004**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No <u>Longer Valid</u> ; <b><i>Explain:</i></b>
2003-2001	<p><b>Finding for Recovery Repaid Under Audit - Ohio Rev. Code Section 117.28</b>, a Finding for Recovery for public money due, but not collected, was issued against Judy Surmay, in the amount of \$212.00 and in favor of the District's Elementary School Principal's Fund. Judy Surmay remitted \$212.00 to the District on November 20, 2003, when this matter was brought to her attention.</p>	Yes	Fully corrected.







**Auditor of State  
Betty Montgomery**

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**OSNABURG LOCAL SCHOOL DISTRICT**

**STARK COUNTY**

**CLERK'S CERTIFICATION**

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

*Susan Babbitt*

**CLERK OF THE BUREAU**

**CERTIFIED**

**MARCH 10, 2005**