

Dave Yost • Auditor of State

**OSNABURG LOCAL SCHOOL DISTRICT
STARK COUNTY**

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Dave Yost • Auditor of State

INDEPENDENT ACCOUNTANTS' REPORT

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

To the Board of Education:

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Osnaburg Local School District, Stark County, Ohio, (the District) as of and for the year ended June 30, 2010, which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the District's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Osnaburg Local School District, Stark County, Ohio, as of June 30, 2010, and the respective changes in financial position, thereof and the budgetary comparison for the General Fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated March 9, 2011, on our consideration of the District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. While we did not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting and compliance and the results of that testing. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*. You should read it in conjunction with this report in assessing the results of our audit.

Accounting principles generally accepted in the United States of America require this presentation to include Management's Discussion and Analysis, as listed in the table of contents, to supplement the basic financial statements. Although this information is not part of the basic financial statements, the Governmental Accounting Standards Board considers it essential for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any other assurance.

We conducted our audit to opine on the financial statements that collectively comprise the District's basic financial statements taken as a whole. The federal awards receipts and expenditure schedule provides additional information required by the U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the basic financial statements. The federal awards receipts and expenditure schedule is management's responsibility, and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. This schedule was subject to the auditing procedures we applied to the basic financial statements. We also applied certain additional procedures, including comparing and reconciling this information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, in accordance with auditing standards generally accepted in the United States of America. In our opinion, this information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.



Dave Yost
Auditor of State

March 9, 2011

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010**

The management's discussion and analysis of the Osna burg Local School District's (the "District") financial performance provides an overall review of the District's financial activities for the fiscal year ended June 30, 2010. 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 2010 are as follows:

- In total, net assets of governmental activities decreased \$574,090 which represents a 2.84% decrease from 2009.
- General revenues accounted for \$7,305,258 in revenue or 77.89% of all revenues. Program specific revenues in the form of charges for services and sales, grants and contributions accounted for \$2,074,200 or 22.11% of total revenues of \$9,379,458.
- The District had \$9,953,548 in expenses related to governmental activities; \$2,074,200 of these expenses were offset by program specific charges for services, grants or contributions. General revenues supporting governmental activities (primarily taxes and unrestricted grants and entitlements) of \$7,305,258 were not adequate to provide for these programs.
- The District's major governmental funds are the general fund and classroom facilities fund. The general fund had \$7,181,517 in revenues and other financing sources and \$7,771,577 in expenditures. During fiscal year 2010, the general fund's fund balance decreased \$590,060 from \$2,798,484 to \$2,208,424.
- The classroom facilities fund had \$692,111 in revenues and \$9,499,703 in expenditures. During fiscal year 2010, the classroom facilities fund's fund balance decreased \$8,807,592 from \$11,261,899 to \$2,454,307.

Using these Basic Financial Statements

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

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

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

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

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 2010?" The statement of net assets and the statement of activities answer this question. These statements include all assets, liabilities, revenues and expenses using the accrual basis of accounting similar to the accounting used by most private-sector companies. This basis of accounting will take into account all of the current year's revenues and expenses regardless of when cash is received or paid.

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

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

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

Reporting the District's Most Significant Funds

Fund Financial Statements

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

Governmental Funds

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

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

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

Reporting the District's Fiduciary Responsibilities

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

Notes to the Basic Financial Statements

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

The District as a Whole

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

The table below provides a summary of the District's net assets for 2010 and 2009.

	Net Assets	
	Governmental Activities <u>2010</u>	Governmental Activities <u>2009</u>
<u>Assets</u>		
Current and other assets	\$ 12,891,993	\$ 24,031,026
Capital assets, net	<u>20,839,107</u>	<u>11,188,513</u>
Total assets	<u>33,731,100</u>	<u>35,219,539</u>
<u>Liabilities</u>		
Current liabilities	4,722,944	5,511,111
Long-term liabilities	<u>9,394,221</u>	<u>9,520,403</u>
Total liabilities	<u>14,117,165</u>	<u>15,031,514</u>
<u>Net assets</u>		
Invested in capital assets, net of related debt	14,061,469	10,369,225
Restricted	3,298,583	6,921,107
Unrestricted	<u>2,253,883</u>	<u>2,897,693</u>
Total net assets	<u>\$ 19,613,935</u>	<u>\$ 20,188,025</u>

Over time, net assets can serve as a useful indicator of a government's financial position. At June 30, 2010, the District's assets exceeded liabilities by \$19,613,935.

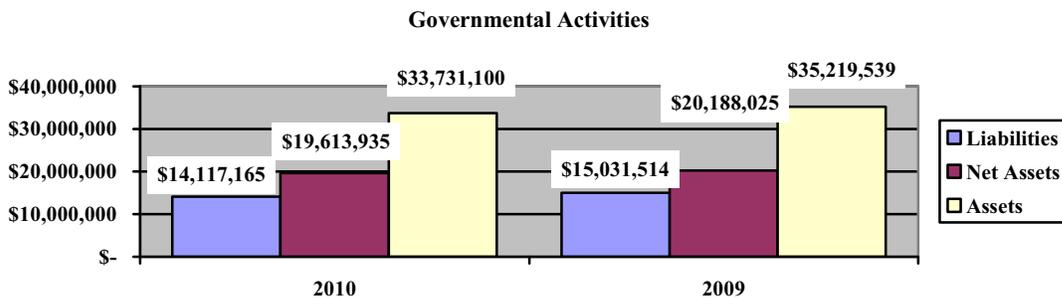
**OSNABURG LOCAL SCHOOL DISTRICT
STARK COUNTY, OHIO**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010**

At year-end, capital assets represented 61.78% of total assets. Capital assets include land, construction in progress, land improvements, buildings and improvements, furniture and equipment and vehicles. These capital assets are used to provide services to the students and are not available for future spending.

A portion of the District's net assets, \$3,298,583, represents resources that are subject to external restriction on how they may be used. The remaining balance of unrestricted net assets of \$2,253,883 may be used to meet the District's ongoing obligations to the students and creditors.

The graph below presents the District's assets, liabilities and net assets for fiscal year 2010 and 2009.



The table below shows the change in net assets for fiscal year 2010 and 2009.

Change in Net Assets

	Governmental Activities <u>2010</u>	Governmental Activities <u>2009</u>
<u>Revenues</u>		
Program revenues:		
Charges for services and sales	\$ 955,951	\$ 892,787
Operating grants and contributions	1,118,249	1,107,558
Capital grants and contributions	-	8,989
General revenues:		
Property taxes	2,759,452	2,795,597
Grants and entitlements	4,350,447	4,181,922
Investment earnings	148,563	418,980
Other	<u>46,796</u>	<u>45,422</u>
Total revenues	<u>9,379,458</u>	<u>9,451,255</u>

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

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

Change in Net Assets (Continued)

	Governmental Activities <u>2010</u>	Governmental Activities <u>2009</u>
<u>Expenses</u>		
Program expenses:		
Instruction:		
Regular	\$ 3,663,072	\$ 3,649,025
Special	780,080	786,975
Vocational	140,141	148,331
Other	900,382	857,554
Support services:		
Pupil	373,969	299,493
Instructional staff	213,386	171,941
Board of education	23,074	23,296
Administration	738,395	732,734
Fiscal	287,037	259,738
Business	11,981	10,880
Operations and maintenance	904,668	713,732
Pupil transportation	609,550	612,475
Central	34,978	25,991
Food service operations	374,305	356,012
Other non-instructional services	22,689	23,659
Extracurricular activities	477,040	457,157
Interest and fiscal charges	<u>398,801</u>	<u>368,472</u>
Total expenses	<u>9,953,548</u>	<u>9,497,465</u>
Change in net assets	(574,090)	(46,210)
Net assets at beginning of year	<u>20,188,025</u>	<u>20,234,235</u>
Net assets at end of year	<u>\$ 19,613,935</u>	<u>\$ 20,188,025</u>

Governmental Activities

Net assets of the District's governmental activities decreased \$574,090. Total governmental expenses of \$9,953,548 were offset by program revenues of \$2,074,200 and general revenues of \$7,305,258. Program revenues supported 20.84% of the total governmental expenses.

The primary sources of revenue for governmental activities are derived from property taxes and unrestricted grants and entitlements. These revenue sources represent 75.80% of total governmental revenue.

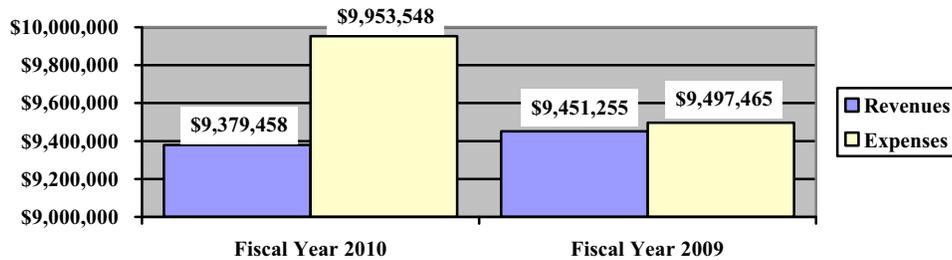
The largest expense of the District is for instructional programs. Instruction expenses totaled \$5,483,675 or 55.09% of total governmental expenses for fiscal year 2010.

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010**

The graph below presents the District's governmental activities revenue and expenses for fiscal year 2010 and 2009.

Governmental Activities - Revenues and Expenses



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

Governmental Activities

	Total Cost of Services 2010	Net Cost of Services 2010	Total Cost of Services 2009	Net Cost of Services 2009
Program expenses				
Instruction:				
Regular	\$ 3,663,072	\$ 2,855,868	\$ 3,649,025	\$ 2,995,949
Special	780,080	366,516	786,975	325,805
Vocational	140,141	82,533	148,331	91,151
Other	900,382	891,581	857,554	854,735
Support services:				
Pupil	373,969	329,160	299,493	171,680
Instructional staff	213,386	199,781	171,941	137,985
Board of education	23,074	23,074	23,296	23,296
Administration	738,395	721,498	732,734	704,939
Fiscal	287,037	287,037	259,738	259,666
Business	11,981	11,981	10,880	10,880
Operations and maintenance	904,668	893,005	713,732	713,732
Pupil transportation	609,550	486,857	612,475	520,358
Central	34,978	29,978	25,991	20,991
Food service operations	374,305	(26,662)	356,012	(24,874)
Other non-instructional services	22,689	22,689	23,659	23,659
Extracurricular activities	477,040	305,651	457,157	289,707
Interest and fiscal charges	398,801	398,801	368,472	368,472
Total expenses	<u>\$ 9,953,548</u>	<u>\$ 7,879,348</u>	<u>\$ 9,497,465</u>	<u>\$ 7,488,131</u>

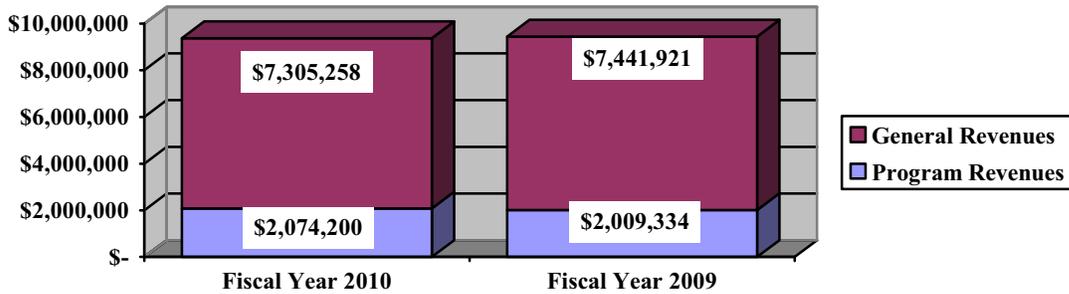
**OSNABURG LOCAL SCHOOL DISTRICT
STARK COUNTY, OHIO**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010**

The dependence upon tax and other general revenues for governmental activities is apparent, 76.53% of instruction activities are supported through taxes and other general revenues. For all governmental activities, general revenue support is 79.16%. The District's taxpayers and unrestricted grants and entitlements from the State are by far the primary support for District's students.

The graph below presents the District's governmental activities revenue for fiscal year 2010 and 2009.

Governmental Activities - General and Program Revenues



The District's Funds

The District's governmental funds reported a combined fund balance of \$5,599,341, which is less than last year's total of \$15,404,811. This large decrease is mainly due to increased expenditures related to the District's construction project. The schedule below indicates the fund balance and the total change in fund balance as of June 30, 2010 and 2009.

	Fund Balance <u>June 30, 2010</u>	Fund Balance <u>June 30, 2009</u>	<u>(Decrease)</u>	<u>Percentage Change</u>
General	\$ 2,208,424	\$ 2,798,484	\$ (590,060)	(21.08) %
Classroom facilities	2,454,307	11,261,899	(8,807,592)	(78.21) %
Other governmental	936,610	1,344,428	(407,818)	(30.33) %
Total	<u>\$ 5,599,341</u>	<u>\$ 15,404,811</u>	<u>\$ (9,805,470)</u>	(63.65) %

General Fund

The District's general fund's fund balance decreased \$590,060. Although expenditures decreased from the prior year, they still exceeded revenues in the general fund.

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

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

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

	<u>2010</u> <u>Amount</u>	<u>2009</u> <u>Amount</u>	<u>Increase</u> <u>(Decrease)</u>	<u>Percentage</u> <u>Change</u>
<u>Revenues</u>				
Taxes	\$ 2,112,686	\$ 2,148,066	\$ (35,380)	(1.65) %
Earnings on investments	66,183	121,150	(54,967)	(45.37) %
Intergovernmental	4,380,886	4,345,156	35,730	0.82 %
Other revenues	<u>617,411</u>	<u>551,961</u>	<u>65,450</u>	11.86 %
Total	<u>\$ 7,177,166</u>	<u>\$ 7,166,333</u>	<u>\$ 10,833</u>	0.15 %
<u>Expenditures</u>				
Instruction	\$ 4,804,985	\$ 5,052,185	\$ (247,200)	(4.89) %
Support services	2,686,142	2,579,234	106,908	4.14 %
Non-instructional services	22,112	23,878	(1,766)	(7.40) %
Extracurricular activities	246,702	247,463	(761)	(0.31) %
Facilities acquisition and construction	<u>11,636</u>	<u>3,220</u>	<u>8,416</u>	261.37 %
Total	<u>\$ 7,771,577</u>	<u>\$ 7,905,980</u>	<u>\$ (134,403)</u>	(1.70) %

The biggest change in the District's revenues was in earnings on investments and other revenues. Earnings on investments continued to decrease due to lower interest rates on the District's investments. The increase in other revenues is due primarily to increased tuition revenues. The District experienced a slight reduction in staff which helped contribute to the lower instruction expenditures for fiscal year 2010. Support services expenditures increased due primarily to the District's spending on pupil and instructional staff support.

Classroom Facilities Fund

The classroom facilities fund had \$692,111 in revenues and \$9,499,703 in expenditures. During fiscal year 2010, the classroom facilities fund's fund balance decreased \$8,807,592 from \$11,261,899 to \$2,454,307. This large decrease is due to expenditures related to the District's on-going construction project.

General Fund Budgeting Highlights

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

During the course of fiscal 2010, the District amended its general fund budget several times. For the general fund, original budgeted revenues and other financing sources were \$6,332,700 and final budgeted revenues and other financing sources were \$7,270,390. Actual revenues and other financing sources for fiscal 2010 was \$7,277,623. This represents a \$7,233 increase over final budgeted revenues.

General fund original appropriations (appropriated expenditures including other financing uses) totaled \$8,027,770. General fund final appropriations totaled \$8,129,854. The actual budget basis expenditures and other financing uses for fiscal year 2010 totaled \$8,095,454, which is lower than final budgeted appropriations by \$34,400.

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

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

Capital Assets and Debt Administration

Capital Assets

At the end of fiscal 2010, the District had \$20,839,107 invested in land, construction in progress, land improvements, buildings and improvements, furniture and equipment and vehicles. This entire amount is reported in governmental activities. The following table shows fiscal 2010 balances compared to 2009:

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

	Governmental Activities	
	2010	2009
Land	\$ 458,076	\$ 458,076
Construction in progress	19,439,372	9,888,021
Land improvements	414,049	290,328
Building and improvements	278,764	297,358
Furniture and equipment	99,436	57,143
Vehicles	149,410	197,587
 Total	 \$ 20,839,107	 \$ 11,188,513

The overall increase in capital assets of \$9,650,594 is due to capital outlays of \$9,788,837 exceeding depreciation expense of \$138,243 during the fiscal year. Construction in progress increased as the District continued construction on the new K-12 school building.

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

Debt Administration

At June 30, 2010, the District had \$8,595,246 in general obligation bonds outstanding. Of this total, \$225,000 is due within one year and \$8,370,246 is due in more than one year.

Outstanding Debt, at Year End

	Governmental Activities	Governmental Activities
	2010	2009
General obligation bonds	\$ 8,595,246	\$ 8,758,307
Total	\$ 8,595,246	\$ 8,758,307

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

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010**

Current Financial Related Activities

For the first year since the inception of the state testing the District has surpassed all benchmarks set by the state. For the second year in a row the District is rated "Excellent" by the state of Ohio. For fiscal year 2010, the District also achieved the Federal benchmark of AYP, or Adequate Yearly Progress, which was not awarded for fiscal year 2009. The District continues to allocate funds to allow its students to receive the opportunities that they need in order to be successful.

The District expended more money than it received in fiscal year 2010. This deficit spending pattern shall continue to eat away at the District's carryover, and if there are no changes in the current spending, the District predicts a deficit general fund balance in fiscal year 2013. Cuts in programming and staffing were implemented at the end of fiscal year 2010, taking effect in fiscal year 2011. This savings will help to alleviate some of the financial concerns, but the District plans to go to the public with an operating levy request in the spring of 2011.

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

The District had a 6.7 mill Bond Issue on the November 7, 2006 ballot. The issue failed by four votes. In February of 2007 the 6.7 mill Bond Issue did pass and construction on a new K-12 building began at the end of August 2008. Finishing touches were made over the summer and the District's students and staff began the 2010-2011 school year in the new building.

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

Contacting the District's Financial Management

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

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

STATEMENT OF NET ASSETS
JUNE 30, 2010

	Governmental Activities
Assets:	
Equity in pooled cash and cash equivalents . . .	\$ 6,267,793
Cash with escrow agent	289,612
Investments.	1,003,555
Receivables:	
Taxes.	3,309,386
Accounts	978
Intergovernmental	1,852,225
Accrued interest	442
Prepayments	6,701
Materials and supplies inventory.	10,118
Unamortized bond issue costs	151,183
Capital assets:	
Land	458,076
Construction in progress	19,439,372
Depreciable capital assets, net	941,659
Capital assets, net.	20,839,107
 Total assets.	 33,731,100
 Liabilities:	
Accounts payable.	43,221
Contracts payable.	540,165
Retainage payable	294,244
Accrued wages and benefits	805,490
Pension obligation payable.	266,539
Intergovernmental payable	28,352
Accrued interest payable	26,532
Unearned revenue	2,718,401
Long-term liabilities:	
Due within one year.	408,419
Due in more than one year	8,985,802
 Total liabilities	 14,117,165
 Net assets:	
Invested in capital assets, net of related debt.	14,061,469
Restricted for:	
Capital projects	2,654,689
Debt service.	296,097
Classroom facilities maintenance	170,127
Locally funded programs	1,757
State funded programs.	23,893
Federally funded programs	344
Student activities	55,853
Other purposes	95,823
Unrestricted	2,253,883
 Total net assets	 \$ 19,613,935

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, 2010

	Expenses	Program Revenues		Net (Expense) Revenue and Changes in Net Assets
		Charges for Services and Sales	Operating Grants and Contributions	Governmental Activities
Governmental activities:				
Instruction:				
Regular	\$ 3,663,072	\$ 541,898	\$ 265,306	\$ (2,855,868)
Special	780,080	33,068	380,496	(366,516)
Vocational	140,141	-	57,608	(82,533)
Other	900,382	-	8,801	(891,581)
Support services:				
Pupil	373,969	-	44,809	(329,160)
Instructional staff	213,386	-	13,605	(199,781)
Board of education	23,074	-	-	(23,074)
Administration	738,395	-	16,897	(721,498)
Fiscal	287,037	-	-	(287,037)
Business	11,981	-	-	(11,981)
Operations and maintenance	904,668	-	11,663	(893,005)
Pupil transportation	609,550	-	122,693	(486,857)
Central	34,978	-	5,000	(29,978)
Operation of non-instructional services:				
Food service operations	374,305	209,596	191,371	26,662
Other non-instructional services	22,689	-	-	(22,689)
Extracurricular activities	477,040	171,389	-	(305,651)
Interest and fiscal charges	398,801	-	-	(398,801)
Total governmental activities	\$ 9,953,548	\$ 955,951	\$ 1,118,249	(7,879,348)
General revenues:				
Property taxes levied for:				
General purposes				2,175,216
Classroom facilities maintenance				40,383
Debt service				543,853
Grants and entitlements not restricted to specific programs				
Investment earnings				4,350,447
Miscellaneous				148,563
				46,796
Total general revenues				7,305,258
Change in net assets				(574,090)
Net assets at beginning of year				20,188,025
Net assets at end of year				\$ 19,613,935

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2010

	<u>General</u>	<u>Classroom Facilities</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
Assets:				
Equity in pooled cash and cash equivalents	\$ 3,086,034	\$ 2,131,786	\$ 1,021,864	\$ 6,239,684
Cash with escrow agent	-	249,697	39,915	289,612
Investments	-	865,242	138,313	1,003,555
Receivables:				
Taxes	2,617,597	-	691,789	3,309,386
Accounts	978	-	-	978
Intergovernmental	28,807	1,727,269	96,149	1,852,225
Accrued interest	-	381	61	442
Interfund loans	75,764	-	-	75,764
Prepayments	6,701	-	-	6,701
Materials and supplies inventory	-	-	10,118	10,118
Restricted assets:				
Equity in pooled cash and cash equivalents	28,109	-	-	28,109
Total assets	<u>\$ 5,843,990</u>	<u>\$ 4,974,375</u>	<u>\$ 1,998,209</u>	<u>\$ 12,816,574</u>
Liabilities:				
Accounts payable	\$ 11	\$ -	\$ 43,210	\$ 43,221
Contracts payable	-	538,470	1,695	540,165
Retainage payable	-	254,329	39,915	294,244
Accrued wages and benefits	680,349	-	125,141	805,490
Compensated absences payable	156,076	-	-	156,076
Pension obligation payable	229,074	-	37,465	266,539
Intergovernmental payable	25,859	-	2,493	28,352
Interfund loans payable	-	-	75,764	75,764
Deferred revenue	420,550	1,727,269	141,162	2,288,981
Unearned revenue	2,123,647	-	594,754	2,718,401
Total liabilities	<u>3,635,566</u>	<u>2,520,068</u>	<u>1,061,599</u>	<u>7,217,233</u>
Fund balances:				
Reserved for encumbrances	171,604	1,305,473	246,880	1,723,957
Reserved for supplies inventory	-	-	10,118	10,118
Reserved for prepayments	6,701	-	-	6,701
Reserved for tax revenue unavailable for appropriation	73,400	-	21,370	94,770
Reserved for school bus purchases	1,153	-	-	1,153
Reserved for budget stabilization	26,956	-	-	26,956
Unreserved, undesignated, reported in:				
General fund	1,928,610	-	-	1,928,610
Special revenue funds	-	-	178,375	178,375
Debt service fund	-	-	209,659	209,659
Capital projects funds	-	1,148,834	270,208	1,419,042
Total fund balances	<u>2,208,424</u>	<u>2,454,307</u>	<u>936,610</u>	<u>5,599,341</u>
Total liabilities and fund balances	<u>\$ 5,843,990</u>	<u>\$ 4,974,375</u>	<u>\$ 1,998,209</u>	<u>\$ 12,816,574</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, 2010

Total governmental fund balances		\$	5,599,341
<i>Amounts reported for governmental activities on the statement of net assets are different because:</i>			
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.			20,839,107
Other long-term assets are not available to pay for current-period expenditures and therefore are deferred in the funds.			
Taxes receivable	\$	520,520	
Intergovernmental receivable		<u>1,768,461</u>	
Total			2,288,981
Accrued interest payable on long-term bonds payable is not due and payable in the current period and therefore is not reported in the funds.			(26,532)
Unamortized premiums on bond issuances are not recognized in the funds.			(278,060)
Unamortized bond issuance costs are not recognized in the funds.			151,183
Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds.			
General obligation bonds		8,595,246	
Compensated absences payable		<u>364,839</u>	
Total			<u>(8,960,085)</u>
Net assets of governmental activities		\$	<u>19,613,935</u>

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, 2010

	<u>General</u>	<u>Classroom Facilities</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
Revenues:				
From local sources:				
Taxes	\$ 2,112,686	\$ -	\$ 566,396	\$ 2,679,082
Tuition.	525,251	-	-	525,251
Charges for services	-	-	209,596	209,596
Earnings on investments	66,183	71,235	13,773	151,191
Extracurricular.	-	-	171,389	171,389
Classroom materials and fees	27,429	-	-	27,429
Other local revenues	64,731	-	-	64,731
Intergovernmental - intermediate	-	-	400	400
Intergovernmental - state	4,365,109	620,876	228,829	5,214,814
Intergovernmental - federal	15,777	-	899,287	915,064
Total revenue	<u>7,177,166</u>	<u>692,111</u>	<u>2,089,670</u>	<u>9,958,947</u>
Expenditures:				
Current:				
Instruction:				
Regular.	3,389,571	-	283,014	3,672,585
Special	391,018	-	387,955	778,973
Vocational	143,012	-	-	143,012
Other	881,384	-	18,998	900,382
Support services:				
Pupil	324,168	-	48,140	372,308
Instructional staff	195,010	-	17,909	212,919
Board of education	23,074	-	-	23,074
Administration	716,027	-	16,770	732,797
Fiscal	262,228	-	10,795	273,023
Business.	11,981	-	-	11,981
Operations and maintenance	661,800	-	115,397	777,197
Pupil transportation	462,351	-	94,371	556,722
Central	29,503	-	5,000	34,503
Operation of non-instructional services:				
Food service operations	-	-	370,983	370,983
Other non-instructional services.	22,112	-	-	22,112
Extracurricular activities.	246,702	-	185,584	432,286
Facilities acquisition and construction.	11,636	9,499,703	388,416	9,899,755
Debt service:				
Principal retirement.	-	-	215,000	215,000
Interest and fiscal charges	-	-	339,156	339,156
Total expenditures	<u>7,771,577</u>	<u>9,499,703</u>	<u>2,497,488</u>	<u>19,768,768</u>
Excess of expenditures over revenues	<u>(594,411)</u>	<u>(8,807,592)</u>	<u>(407,818)</u>	<u>(9,809,821)</u>
Other financing sources:				
Sale of capital assets	4,351	-	-	4,351
Total other financing sources.	<u>4,351</u>	<u>-</u>	<u>-</u>	<u>4,351</u>
Net change in fund balances	(590,060)	(8,807,592)	(407,818)	(9,805,470)
Fund balances at beginning of year	<u>2,798,484</u>	<u>11,261,899</u>	<u>1,344,428</u>	<u>15,404,811</u>
Fund balances at end of year.	<u>\$ 2,208,424</u>	<u>\$ 2,454,307</u>	<u>\$ 936,610</u>	<u>\$ 5,599,341</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, 2010

Net change in fund balances - total governmental funds \$ (9,805,470)

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

Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense.

Capital asset additions	\$	9,788,837	
Current year depreciation		(138,243)	
Total			9,650,594

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

Taxes		80,370	
Intergovernmental revenue		(662,684)	
Accrued interest		(1,526)	
Total			(583,840)

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

Increase in accrued interest		(12,698)	
Accreted interest on "capital appreciation" bonds		(51,939)	
Amortization of bond premium		10,940	
Amortization of bond issuance costs		(5,948)	
Total			(59,645)

Repayment of bond principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities on the statement of net assets. 215,000

Some expenses reported in the statement of activities, such as compensated absences, do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds. 9,271

Change in net assets of governmental activities \$ (574,090)

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, 2010

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Revenues:				
From local sources:				
Taxes	\$ 2,070,000	\$ 2,153,990	\$ 2,155,886	\$ 1,896
Tuition.	457,500	541,500	531,572	(9,928)
Earnings on investments	100,000	75,000	66,183	(8,817)
Classroom materials and fees	28,500	20,000	27,429	7,429
Other local revenues	58,200	59,200	64,593	5,393
Intergovernmental - state	3,595,000	4,405,200	4,416,898	11,698
Intergovernmental - federal	-	-	1,434	1,434
Total revenue	<u>6,309,200</u>	<u>7,254,890</u>	<u>7,263,995</u>	<u>9,105</u>
Expenditures:				
Current:				
Instruction:				
Regular	3,336,343	3,428,302	3,404,761	23,541
Special.	517,450	429,097	429,097	-
Vocational.	179,126	157,386	157,386	-
Other.	911,925	974,561	974,561	-
Support services:				
Pupil.	328,175	310,492	310,492	-
Instructional staff	168,930	206,617	205,758	859
Board of education	27,411	23,644	23,644	-
Administration.	757,165	761,839	761,839	-
Fiscal	258,132	259,311	259,311	-
Business	12,163	11,981	11,981	-
Operations and maintenance.	684,180	661,741	656,741	5,000
Pupil transportation	528,093	510,353	505,353	5,000
Central.	26,939	26,671	26,671	-
Operation of non-instructional services.	23,536	22,810	22,810	-
Extracurricular activities	251,204	250,103	250,103	-
Facilities acquisition and construction	10,052	12,236	12,236	-
Total expenditures	<u>8,020,824</u>	<u>8,047,144</u>	<u>8,012,744</u>	<u>34,400</u>
Excess of expenditures over revenues.	<u>(1,711,624)</u>	<u>(792,254)</u>	<u>(748,749)</u>	<u>43,505</u>
Other financing sources (uses):				
Refund of prior year's expenditures	22,000	14,000	9,277	(4,723)
Refund of prior year's receipts.	(6,946)	(6,946)	(6,946)	-
Advances (out)	-	(75,764)	(75,764)	-
Sale of capital assets	1,500	1,500	4,351	2,851
Total other financing sources (uses)	<u>16,554</u>	<u>(67,210)</u>	<u>(69,082)</u>	<u>(1,872)</u>
Net change in fund balance	(1,695,070)	(859,464)	(817,831)	41,633
Fund balance at beginning of year	3,686,736	3,686,736	3,686,736	-
Prior year encumbrances appropriated	72,454	72,454	72,454	-
Fund balance at end of year	<u>\$ 2,064,120</u>	<u>\$ 2,899,726</u>	<u>\$ 2,941,359</u>	<u>\$ 41,633</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, 2010

	<u>Private Purpose Trusts</u>	
	<u>Scholarships</u>	<u>Agency</u>
Assets:		
Equity in pooled cash and cash equivalents	\$ 105,008	\$ 44,712
Total assets.	<u>105,008</u>	<u>44,712</u>
Liabilities:		
Due to students.	-	\$ 44,712
Total liabilities	-	<u>44,712</u>
Net assets:		
Held in trust for scholarships	<u>105,008</u>	
Total net assets	<u>\$ 105,008</u>	

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, 2010

	Private Purpose Trusts
	Scholarships
Additions:	
Interest	\$ 1,724
Gifts and contributions	21,050
Total additions	22,774
 Deductions:	
Scholarships awarded	38,185
Change in net assets	(15,411)
Net assets at beginning of year	120,419
Net assets at end of year	\$ 105,008

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

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 519th largest in the State of Ohio (among the 905 public school districts and community schools) in terms of enrollment. It is staffed by 40 non-certified employees and 65 certified employees who provide services to 885 students and other community members. The District operates one elementary school (K-3), one middle school (4-8) and a high school (9-12).

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

A. Reporting Entity

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

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

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

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

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

JOINTLY GOVERNED ORGANIZATIONS

Stark-Portage Area Computer Consortium (SPARCC)

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

PUBLIC ENTITY RISK POOLS

Risk Sharing Pool

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

Insurance Purchasing Pool

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

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

B. Fund Accounting

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

GOVERNMENTAL FUNDS

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

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

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

The following are the District's major governmental funds:

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

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

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

FIDUCIARY FUNDS

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

C. Basis of Presentation and Measurement Focus

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

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

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

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

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

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

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

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

D. Basis of Accounting

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

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

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

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

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

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

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

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

Property taxes for which there is an enforceable legal claim as of June 30, 2010, but which were levied to finance fiscal year 2011 operations, and other revenues received in advance of the fiscal year for which they are intended to finance, have been recorded as unearned revenue. Grants and entitlements received before the eligibility requirements are met and delinquent property taxes due at June 30, 2010 are recorded as deferred revenue in the governmental funds.

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

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

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

E. Budgets

The District is required by State statute to adopt an annual appropriated cash basis budget for all funds, except agency funds. The specific timetable for fiscal year 2010 is as follows:

1. Prior to January 15, the Superintendent and Treasurer submit to the Board of Education a proposed operating budget for the fiscal year commencing the following July 1. The budget includes proposed expenditures and the means of financing for all funds. Public hearings are publicized and conducted to obtain taxpayers' comments. The purpose of this budget document is to reflect the need for existing (or increased) tax rates.
2. On October 25, 2005, the Stark County Budget Commission voted to waive the requirement that school districts adopt a tax budget as required by Section 5705.28 of the Ohio Revised Code, by January 15th and the filing by January 20th. The Budget Commission now requires an alternate tax budget be submitted by January 20th, which no longer requires specific Board approval.
3. Prior to April 1, the Board of Education accepts, by formal resolution, the tax rates as determined by the Budget Commission and receives the Commission's certificate of estimated resources which states the projected revenue of each fund. Prior to July 1, the District must revise its budget so that total contemplated expenditures from any fund during the ensuing year will not exceed the amount stated in the certificate of estimated resources. The revised budget then serves as a basis for the appropriation measure. On or about July 1, the certificate is amended to include any unencumbered balances from the preceding year as reported by the District Treasurer. The certificate may be further amended during the year if projected increases or decreases in revenue are identified by the District Treasurer. The budget figures, as shown in the accompanying budgetary statement, reflect the amounts set forth in the original and final amended certificates of estimated resources issued for fiscal year 2010.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

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

4. By July 1, the annual appropriation resolution is legally enacted by the Board of Education at the fund level of expenditures, which is the legal level of budgetary control. State statute permits a temporary appropriation to be effective until no later than October 1 of each year. Although the legal level of budgetary control was established at the fund level of expenditures, the District has elected to present budgetary statement comparisons at the fund and function level of expenditures. Resolution appropriations by fund must be within the estimated resources as certified by the County Budget Commission and the total of expenditures and encumbrances may not exceed the appropriation totals.
5. Any revisions that alter the total of any fund appropriation must be approved by the Board of Education.
6. Formal budgetary integration is employed as a management control device during the year for all funds consistent with the general obligation bond indenture and other statutory provisions. All funds completed the year within the amount of their legally authorized cash basis appropriation.
7. Appropriation amounts are reported as originally adopted, or as amended by the Board of Education through the year by supplemental appropriations, which either reallocated or increased the original appropriated amounts. All supplemental appropriations were legally enacted by the Board prior to June 30, 2010. The budget figures, as shown in the accompanying budgetary statement, reflect the original and final appropriation amounts including all amendments and modifications.
8. Unencumbered appropriations lapse at year end. Encumbered appropriations are carried forward to the succeeding fiscal year and need not be reappropriated. Expenditures plus encumbrances may not legally exceed budgeted appropriations at the fund level.

F. Cash and Investments

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

During fiscal year 2010, investments were limited to State Treasury Asset Reserve of Ohio (STAR Ohio), a U.S. Government money market mutual fund and negotiable CD's. Except for nonparticipating investment contracts, investments are reported at fair value, which is based on quoted market prices.

The District has invested funds in STAR Ohio during fiscal year 2010. STAR Ohio is an investment pool managed by the State Treasurer's Office, which allows governments within the State to pool their funds for investment purposes. STAR Ohio is not registered with the SEC as an investment company, but does operate in a manner consistent with Rule 2a7 of the Investment Company Act of 1940. Investments in STAR Ohio are valued at STAR Ohio's shares price which is the price the investment could be sold for on June 30, 2010.

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 2010 amounted to \$66,183, which includes \$9,326 assigned from other funds.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

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

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

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

G. Inventory

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

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

H. Capital Assets

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

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

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

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

I. Interfund Balances

On the fund financial statements, receivables and payables resulting from short-term interfund loans are classified as “interfund receivables/payables”. These amounts are eliminated in the governmental activities column of the statement of net assets.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

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

J. Compensated Absences

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

In accordance with the provisions of GASB Statement No. 16, "Accounting for Compensated Absences", a liability for vacation leave is accrued if a) the employees' rights to payment are attributable to services already rendered; and b) it is probable that the employer will compensate the employees for the benefits through paid time off or other means, such as cash payment at termination or retirement. An accrual for earned sick leave is made to the extent that it is probable that the benefits will result in termination (severance) payments. A liability for sick leave is accrued using the vesting method; i.e., the liability is based on the sick leave accumulated at June 30, 2010, by those employees who are currently eligible to receive termination (severance) payments, as well as those employees expected to become eligible in the future. For purposes of establishing a liability for sick leave on employees expected to become eligible to retire in the future, all employees age fifty or greater with ten or more years of service or all employees with twenty or more years of service regardless of their age, were considered expected to become eligible to retire in accordance with GASB Statement No. 16.

The total liability for vacation and sick leave payments has been calculated using pay rates in effect at June 30, 2010 and reduced to the maximum payment allowed by labor contract and/or statute, plus any applicable additional salary related payments.

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

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

K. Accrued Liabilities and Long-Term Obligations

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

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

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

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

L. Fund Balance Reserves

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

M. Net Assets

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

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

N. Estimates

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

O. Prepayments

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

P. Restricted Assets

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

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

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

Q. Extraordinary and Special Items

Extraordinary items are transactions or events that are both unusual in nature and infrequent in occurrence. Special items are transactions or events that are within the control of the Board of Education and that are either unusual in nature or infrequent in occurrence. Neither type of transaction occurred during fiscal year 2010.

R. Unamortized Bond Issuance Costs and Bond Premium

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

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

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

S. Vocational Education

The District has entered into an agreement with the Canton Local School District, Perry Local School District and the Sandy Valley Local School District to provide career technical education programs for students. The Canton Local School District is the principal agency for the programs and is responsible for the physical facilities of the programs. For fiscal year 2010, the District was required to pay the Canton Local School District a service charge equal to \$95,000 reduced by all State aid for District students attending the Canton Local School District for these programs.

NOTE 3 - ACCOUNTABILITY AND COMPLIANCE

A. Change in Accounting Principles

For fiscal year 2010, the District has implemented GASB Statement No. 51, "Accounting and Financial Reporting for Intangible Assets", GASB Statement No. 53, "Accounting and Financial Reporting for Derivative Instruments", and GASB Statement No. 58, "Accounting and Financial Reporting for Chapter 9 Bankruptcies".

GASB Statement No. 51 addresses accounting and financial reporting standards for intangible assets, which are assets that lack physical substance, are nonfinancial in nature, and have an initial useful life extending beyond a single reporting period. Examples of intangible assets include easements, water rights, computer software, patents, and trademarks. GASB Statement No. 51 improves the quality of financial reporting by creating consistency in the recognition, initial measurement, and amortization of intangible assets. The implementation of GASB Statement No. 51 did not have an effect on the financial statements of the District.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

NOTE 3 - ACCOUNTABILITY AND COMPLIANCE - (Continued)

GASB Statement No. 53 addresses the recognition, measurement, and disclosure of information regarding derivative instruments entered into by state and local governments. Derivative instruments are financial arrangements used by governments to manage specific risks or to make investments. Common types of derivative instruments include interest rate and commodity swaps, interest rate locks, options, swaptions, forward contracts, and futures contracts. The implementation of GASB Statement No. 53 did not have an effect on the financial statements of the District.

GASB Statement No. 58 establishes accounting and financial reporting guidance for governments that have petitioned for protection from creditors by filing for bankruptcy under Chapter 9 of the United States Bankruptcy Code. GASB Statement No. 58 requires governments to remeasure liabilities that are adjusted in bankruptcy when the bankruptcy court confirms a new payment plan. The implementation of GASB Statement No. 58 did not have an effect on the financial statements of the District.

B. Deficit Fund Balances

Fund balances at June 30, 2010 included the following individual fund deficits:

<u>Nonmajor funds</u>	<u>Deficit</u>
Public school preschool	\$ 7,170
Title VI-B	19,010
Education stabilization	8,590
Title I	19,103
Improving teacher quality	1,632

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

NOTE 4 - DEPOSITS AND INVESTMENTS

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

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

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

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

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

NOTE 4 - DEPOSITS AND INVESTMENTS - (Continued)

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

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

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

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

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

NOTE 4 - DEPOSITS AND INVESTMENTS - (Continued)

A. Cash on Hand

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

B. Cash with Escrow Agent

At fiscal year end, \$289,612 was on deposit in the District’s escrow accounts for retainage obligations to contractors, and was excluded from the total amount of deposits reported below. This amount is not part of the internal cash pool, but is reported on the financial statements as “cash with escrow agent.”

C. Deposits with Financial Institutions

At June 30, 2010, the carrying amount of all District deposits was \$5,092,519. Based on the criteria described in GASB Statement No. 40, “Deposits and Investment Risk Disclosures”, as of June 30, 2010, \$4,762,354 of the District’s bank balance of \$5,284,954 was exposed to custodial risk as discussed below, while \$522,600 was covered by the FDIC.

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

D. Investments

As of June 30, 2010, the District had the following investments and maturities:

<u>Investment type</u>	<u>Fair Value</u>	Investment <u>Maturities</u> 6 months or less
Negotiable CD's	\$ 1,003,555	\$ 1,003,555
STAR Ohio	65,589	65,589
U.S. Government money market	<u>1,259,355</u>	<u>1,259,355</u>
 Total	 <u>\$ 2,328,499</u>	 <u>\$ 2,328,499</u>

The weighted average maturity of investments is 0.17 years.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

NOTE 4 - DEPOSITS AND INVESTMENTS - (Continued)

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

Credit Risk: STAR Ohio and U.S. Government money market mutual funds carry a rating of AAAM by Standard & Poor's. Ohio law requires that STAR Ohio maintain the highest rating provided by at least one nationally recognized standard service rating. The District's investment policy does not specifically address credit risk beyond requiring the District to only invest in securities authorized by State statute.

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

<u>Investment type</u>	<u>Fair Value</u>	<u>% to Total</u>
Negotiable CD's	\$ 1,003,555	43.10
STAR Ohio	65,589	2.82
U.S. Government money market	<u>1,259,355</u>	<u>54.08</u>
 Total	 <u>\$ 2,328,499</u>	 <u>100.00</u>

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

The following is a reconciliation of cash and investments as reported in the note above to cash and investments as reported on the statement of net assets as of June 30, 2010:

<u>Cash and investments per note</u>	
Carrying amount of deposits	\$ 5,092,519
Investments	2,328,499
Cash with escrow agent	289,612
Cash on hand	<u>50</u>
 Total	 <u>\$ 7,710,680</u>
 <u>Cash and investments per statement of net assets</u>	
Governmental activities	\$ 7,560,960
Private-purpose trust funds	105,008
Agency fund	<u>44,712</u>
 Total	 <u>\$ 7,710,680</u>

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010**

NOTE 5 - INTERFUND TRANSACATIONS

Interfund balances at June 30, 2010 as reported on the fund statements, consist of the following individual interfund loans receivable and payable:

<u>Receivable fund</u>	<u>Payable fund</u>	<u>Amount</u>
General fund	Nonmajor governmental funds	<u>\$ 75,764</u>

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

Interfund balances between governmental funds are eliminated on the government-wide financial statements.

NOTE 6 - PROPERTY TAXES

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

Property taxes include amounts levied against all real property, public utility property, and certain tangible personal (used in business) property located in the District. Real property tax revenues received in calendar year 2010 represent the collection of calendar year 2009 taxes. Real property taxes received in calendar year 2010 were levied after April 1, 2009, on the assessed values as of January 1, 2009, the lien date. Assessed values for real property taxes are established by State statute at 35 percent of appraised market value. Real property taxes are payable annually or semiannually. If paid annually, payment is due December 31; if paid semiannually, the first payment is due December 31, with the remainder payable by June 20. Under certain circumstances, State statute permits alternate payment dates to be established. Public utility property tax revenues received in calendar year 2010 represent the collection of calendar year 2009 taxes. Public utility real and tangible personal property taxes received in calendar year 2010 became a lien on December 31, 2008, were levied after April 1, 2009, and are collected with real property taxes. Public utility real property is assessed at 35 percent of true value; public utility tangible personal property is currently assessed at varying percentages of true value.

Tangible personal property tax revenues received in calendar year 2010 (other than public utility property) represent the collection of calendar year 2010 taxes levied against local and inter-exchange telephone companies. Tangible personal property taxes received from telephone companies in calendar year 2010 were levied after October 1, 2009, on the value as of December 31, 2009. Amounts paid by multi-county taxpayers are due September 20. Single county taxpayers may pay annually or semiannually. If paid annually, payment is due April 30; if paid semiannually, the first payment is due April 30, with the remainder payable by September 20. Tangible personal property taxes paid by April 30 are usually received by the District prior to June 30.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

NOTE 6 - PROPERTY TAXES - (Continued)

The District receives property taxes from Stark County. The County Auditor periodically advances to the District its portion of the taxes collected. Second-half real property tax payments collected by the County by June 30, 2010, are available to finance fiscal year 2010 operations. The amount available as an advance at June 30, 2010 was \$73,400 in the general fund, \$1,480 in the classroom facilities maintenance fund (a nonmajor governmental fund) and \$19,890 in the bond retirement debt service fund (a nonmajor governmental fund). This amount is recorded as revenue. The amount available for advance at June 30, 2009 was \$116,600 in the general fund, \$2,340 in the classroom facilities maintenance fund (a nonmajor governmental fund) and \$31,390 in the bond retirement debt service fund (a nonmajor governmental fund). The amount of second-half real property taxes available for advance at fiscal year-end can vary based on the date the tax bills are sent.

Accrued property taxes receivable includes real property, public utility property and tangible personal property taxes which are measurable as of June 30, 2010 and for which there is an enforceable legal claim. Although total property tax collections for the next fiscal year are measurable, only the amount of real property taxes available as an advance at June 30 was levied to finance current fiscal year operations and is reported as revenue at fiscal year end. The portion of the receivable not levied to finance current fiscal year operations is offset by a credit to unearned revenue.

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

The assessed values upon which the fiscal year 2010 taxes were collected are:

	2009 Second Half Collections		2010 First Half Collections	
	<u>Amount</u>	<u>Percent</u>	<u>Amount</u>	<u>Percent</u>
Agricultural/residential and other real estate	\$ 90,897,670	96.65	\$ 90,954,640	96.79
Public utility personal	2,859,910	3.04	2,867,650	3.05
Tangible personal property	<u>295,760</u>	<u>0.31</u>	<u>147,880</u>	<u>0.16</u>
Total	<u>\$ 94,053,340</u>	<u>100.00</u>	<u>\$ 93,970,170</u>	<u>100.00</u>
Tax rate per \$1,000 of assessed valuation	\$64.40		\$64.40	

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

NOTE 7 - RECEIVABLES

Receivables at June 30, 2010 consisted of taxes, accounts (billings for user charged services and student fees), intergovernmental grants and entitlements and accrued interest. All receivables are considered collectible in full due to the ability to foreclose for the nonpayment of taxes, the stable condition of State programs and the current year guarantee of federal funds. A summary of the principal items of receivables reported on the statement of net assets follows:

Governmental activities:

Taxes	\$	3,309,386
Accounts		978
Intergovernmental		1,852,225
Accrued interest		<u>442</u>
Total	\$	<u>5,163,031</u>

Receivables have been disaggregated on the face of the basic financial statements and are expected to be collected within the subsequent year.

NOTE 8 - CAPITAL ASSETS

Capital asset activity for the fiscal year ended June 30, 2010, was as follows:

	<u>Balance</u>		<u>Balance</u>
	<u>06/30/09</u>	<u>Additions</u>	<u>06/30/10</u>
Governmental activities:			
<i>Capital assets, not being depreciated:</i>			
Land	\$ 458,076	\$ -	\$ 458,076
Construction in progress	<u>9,888,021</u>	<u>9,551,351</u>	<u>19,439,372</u>
Total capital assets, not being depreciated	<u>10,346,097</u>	<u>9,551,351</u>	<u>19,897,448</u>
<i>Capital assets, being depreciated:</i>			
Land improvements	688,706	171,170	859,876
Buildings and improvements	2,154,775	-	2,154,775
Furniture and equipment	239,163	57,315	288,753
Vehicles	<u>901,923</u>	<u>9,001</u>	<u>859,441</u>
Total capital assets, being depreciated	<u>3,984,567</u>	<u>237,486</u>	<u>4,162,845</u>
<i>Less: accumulated depreciation</i>			
Land improvements	(398,378)	(47,449)	(445,827)
Buildings and improvements	(1,857,417)	(18,594)	(1,876,011)
Furniture and equipment	(182,020)	(15,022)	(189,317)
Vehicles	<u>(704,336)</u>	<u>(57,178)</u>	<u>(710,031)</u>
Total accumulated depreciation	<u>(3,142,151)</u>	<u>(138,243)</u>	<u>(3,221,186)</u>
Governmental activities capital assets, net	<u>\$ 11,188,513</u>	<u>\$ 9,650,594</u>	<u>\$ 20,839,107</u>

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

NOTE 8 - CAPITAL ASSETS - (Continued)

Depreciation expense was charged to governmental functions as follows:

<u>Instruction:</u>	
Regular	\$ 10,420
Special	1,691
Vocational	786
 <u>Support services:</u>	
Pupil	714
Instructional staff	452
Administration	3,221
Fiscal	262
Operations and maintenance	10,382
Pupil transportation	58,214
Other non-instructional services	452
Extracurricular	50,404
Food service operations	<u>1,245</u>
 Total depreciation expense	 <u>\$ 138,243</u>

NOTE 9 - LONG-TERM OBLIGATIONS

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

This issue is comprised of both current interest bonds, par value \$8,520,000, and capital appreciation bonds, par value \$181,615. The interest rates on the current interest bonds range from 4.000% to 4.125%. The capital appreciation bonds mature on December 1, 2014 (stated interest 18.139%), December 1, 2015 (stated interest 18.139%) and December 16, 2016 (stated interest 18.139%) at a redemption price equal to 100% of the principal, plus accrued interest to the redemption date. The accreted value at maturity for each capital appreciation bond is \$265,000. A total of \$133,631 in accreted interest on the capital appreciation bonds has been included in the statement of net assets at June 30, 2010.

At June 30, 2010, the District had \$1,962,037 of unspent proceeds remaining on this bond issue.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

NOTE 9 - LONG-TERM OBLIGATIONS - (Continued)

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

The following is a schedule of activity for fiscal year 2010 on the Series 2007 general obligation bonds:

	Balance 06/30/09	Additions	Reductions	Balance 06/30/10
Current interest bonds	\$ 8,495,000	\$ -	\$ (215,000)	\$ 8,280,000
Capital appreciation bonds	181,615	-	-	181,615
Accreted interest	81,692	51,939	-	133,631
Total G.O. bonds	\$ 8,758,307	\$ 51,939	\$ (215,000)	\$ 8,595,246

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

Fiscal Year	Current Interest Bonds			Capital Appreciation Bonds		
	Principal	Interest	Total	Principal	Interest	Total
2011	\$ 225,000	\$ 330,356	\$ 555,356	\$ -	\$ -	\$ -
2012	235,000	321,156	556,156	-	-	-
2013	245,000	311,557	556,557	-	-	-
2014	255,000	301,556	556,556	-	-	-
2015	-	296,456	296,456	71,298	193,702	265,000
2016 - 2020	825,000	1,433,581	2,258,581	110,317	419,683	530,000
2021 - 2025	1,615,000	1,160,782	2,775,782	-	-	-
2026 - 2030	1,955,000	805,181	2,760,181	-	-	-
2031 - 2035	2,385,000	364,959	2,749,959	-	-	-
2036	540,000	11,138	551,138	-	-	-
Total	\$ 8,280,000	\$ 5,336,722	\$ 13,616,722	\$ 181,615	\$ 613,385	\$ 795,000

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

NOTE 9 - LONG-TERM OBLIGATIONS - (Continued)

B. During fiscal year 2010, the following changes occurred in governmental activities long-term obligations:

	<u>Balance</u> <u>06/30/09</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance</u> <u>06/30/10</u>	<u>Amounts</u> <u>Due in</u> <u>One Year</u>
Governmental activities:					
General obligation bonds	\$ 8,758,307	\$ 51,939	\$ (215,000)	\$ 8,595,246	\$ 225,000
Compensated absences payable	<u>473,096</u>	<u>170,757</u>	<u>(122,938)</u>	<u>520,915</u>	<u>183,419</u>
Total governmental activities long-term liabilities	<u>\$ 9,231,403</u>	<u>\$ 222,696</u>	<u>\$ (337,938)</u>	9,116,161	<u>\$ 408,419</u>
Add: unamortized premium				<u>278,060</u>	
Total on statement of net assets				<u>\$ 9,394,221</u>	

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

C. Legal Debt Margin

The Ohio Revised Code provides that voted net general obligation debt of the District shall never exceed 9% of the total assessed valuation of the District. The code further provides that unvoted indebtedness shall not exceed 1/10 of 1% of the property valuation of the District. The code additionally states that unvoted indebtedness related to energy conservation debt shall not exceed 9/10 of 1% of the property valuation of the District. The assessed valuation used in determining the District's legal debt margin has been modified by House Bill 530 which became effective March 30, 2006. In accordance with House Bill 530, the assessed valuation used in the District's legal debt margin calculation excluded tangible personal property used in business, telephone or telegraph property, interexchange telecommunications company property, and personal property owned or leased by a railroad company and used in railroad operations. The effects of these debt limitations at June 30, 2010, resulted in a voted debt margin of \$232,197 and an unvoted debt margin of \$94,047.

NOTE 10 - EMPLOYEE BENEFITS

A. Compensated Absences

The criteria for determining vested vacation and sick leave benefits are derived from negotiated agreements and State laws. Classified employees earn 10 to 30 days of vacation per year, depending upon length of service and hours worked. Teachers do not earn vacation time. Administrators employed to work 260 days per year earn 20 days of vacation annually. Teachers, administrators and classified employees earn sick leave at the rate of one and one-fourth days per month up to a maximum of 310 days for classified employees and 320 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 70 days for certified employees and 66 days for classified employees.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

NOTE 10 - EMPLOYEE BENEFITS - (Continued)

B. Life Insurance

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

C. Retirement Incentive

The District had a retirement incentive bonus in place during fiscal year 2010. This bonus is available to certified teaching employees in the amount of \$15,000. Employees retiring the first time they are eligible to retire based upon STRS Ohio eligibility will receive the bonus. First time eligibility means:

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

In addition the District opened up the retirement incentive for all employees who retired that had missed their first time eligible. During fiscal year 2010, seven employees met the qualifications and elected to retire.

NOTE 11 - RISK MANAGEMENT

A. Comprehensive

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

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

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

Settled claims have not exceeded this commercial coverage in any of the past three years. There has been no significant reduction in coverage from 2009.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

NOTE 11 - RISK MANAGEMENT - (Continued)

B. Workers' Compensation Plan

For fiscal year 2010, the District participated in the Stark County Schools Council of Governments Workers' Compensation Group Rating Plan (GRP), an insurance purchasing pool (Note 2.A.). The intent of the GRP is to achieve the benefit of a reduced premium for the District by virtue of its grouping and representation with other participants in the GRP. The workers' compensation experience of the participating school districts is calculated as one experience and a common premium rate is applied to all school districts in the GRP. Each participant pays its workers' compensation premium to the State based on the rate for the GRP rather than its individual rate. Total savings are then calculated and each participant's individual performance is compared to the overall savings percentage of the GRP. A participant will then either receive money from or be required to contribute to the "group savings fund". This "group savings" arrangement insures that each participant shares equally in the overall performance of the GRP. Participation in the GRP is limited to school districts that can meet the GRP's selection criteria. The firm of CompManagement Inc. provides administrative, cost control and actuarial services to the GRP.

C. Employee Group Health Insurance

The District has contracted with the Stark County Schools Council of Governments Health Benefits Program, an insurance purchasing pool (Note 2.A.), to provide employee medical/surgical and dental benefits. Rates are set through an annual calculation process. The District pays a monthly contribution which is paid in a common fund from which claim payments are made for all participants regardless of claims flow. The Board of Directors has the right to return monies to an exiting school district subsequent to the settlements of all expenses and claims. The District pays health premiums of \$1,136.52 for family coverage and \$467.86 for single coverage per employee per month and the District pays dental premiums of \$146.55 for family coverage and \$59.40 for single coverage per employee per month.

NOTE 12 - PENSION PLANS

A. School Employees Retirement System

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

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

NOTE 12 - PENSION PLANS - (Continued)

Funding Policy - Plan members are required to contribute 10 percent of their annual covered salary and the District is required to contribute at an actuarially determined rate. The current District rate is 14 percent of annual covered payroll. A portion of the District's contribution is used to fund pension obligations with the remainder being used to fund health care benefits. For fiscal year 2010, 12.78 percent of annual covered salary was the portion used to fund pension obligations. The contribution requirements of plan members and employers are established and may be amended by the SERS' Retirement Board up to a statutory maximum amount of 10 percent for plan members and 14 percent for employers. Chapter 3309 of the Ohio Revised Code provides statutory authority for member and employer contributions. The District's required contributions for pension obligations to SERS for the fiscal years ended June 30, 2010, 2009 and 2008 were \$126,300, \$89,551 and \$84,911, respectively; 40.61 percent has been contributed for fiscal year 2010 and 100 percent for fiscal years 2009 and 2008. The District has elected to pay or "pick-up" 6% of the plan members required 10% retirement contribution as an employee fringe benefit. In addition, the District pays all additional retirement charges resulting from the "pick-up" (this is known as "pick-up" on "pick-up"), therefore resulting in no additional charges to the employee.

B. State Teachers Retirement System of Ohio

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

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

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

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

NOTE 12 - PENSION PLANS - (Continued)

Funding Policy - For fiscal year 2010, plan members were required to contribute 10 percent of their annual covered salaries. The District was required to contribute 14 percent; 13 percent was the portion used to fund pension obligations. Contribution rates are established by the State Teachers Retirement Board, upon recommendations of its consulting actuary, not to exceed statutory maximum rates of 10 percent for members and 14 percent for employers. Chapter 3307 of the Ohio Revised Code provides statutory authority for member and employer contributions.

The District's required contributions for pension obligations to STRS Ohio for the fiscal years ended June 30, 2010, 2009 and 2008 were \$476,200, \$462,905 and \$452,828, respectively; 83.13 percent has been contributed for fiscal year 2010 and 100 percent for fiscal years 2009 and 2008. Contributions to the DC and Combined Plans for fiscal year 2010 were \$323 made by the District and \$231 made by the plan members. The District has elected to pay or "pick-up" 6% of the plan members required 10% retirement contribution as an employee fringe benefit. In addition, the District pays all additional retirement charges resulting from the "pick-up" (this is known as "pick-up" on "pick-up"), therefore resulting in no additional charges to the employee.

C. Social Security System

Effective July 1, 1991, all employees not otherwise covered by the SERS/STRS Ohio have an option to choose Social Security or the SERS/STRS Ohio. As of June 30, 2010, certain members of the Board of Education have elected Social Security. The District's liability is 6.2 percent of wages paid.

NOTE 13 - POSTEMPLOYMENT BENEFITS

A. School Employees Retirement System

Plan Description - The District participates in two cost-sharing, multiple employer postemployment benefit plans administered by the School Employees Retirement System (SERS) for non-certificated retirees and their beneficiaries, a Health Care Plan and a Medicare Part B Plan. The Health Care Plan includes hospitalization and physicians' fees through several types of plans including HMO's, PPO's, Medicare Advantage, and traditional indemnity plans. A prescription drug program is also available to those who elect health coverage. SERS employs two third-party administrators and a pharmacy benefit manager to manage the self-insurance and prescription drug plans, respectively. The Medicare Part B Plan reimburses Medicare Part B premiums paid by eligible retirees and beneficiaries as set forth in Chapter 3309.69 of the Ohio Revised Code. Qualified benefit recipients who pay Medicare Part B premiums may apply for and receive a monthly reimbursement from SERS. The reimbursement amount is limited by statute to the lesser of the January 1, 1999 Medicare Part B premium or the current premium. The Medicare Part B premium for calendar year 2009 was \$96.40 and SERS' reimbursement to retirees was \$45.50. Benefit provisions and the obligations to contribute are established by the System based on authority granted by State statute. The financial reports of both Plans are included in the SERS Comprehensive Annual Financial Report which is available by contacting SERS at 300 East Broad St., Suite 100, Columbus, Ohio 43215-3746. It is also posted on the SERS' Ohio website, www.ohsers.org, under *Employers/Audit Resources*.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

NOTE 13 - POSTEMPLOYMENT BENEFITS - (Continued)

Funding Policy - State statute permits SERS to fund the health care benefits through employer contributions. Each year, after the allocation for statutorily required benefits, the Retirement Board allocates the remainder of the employer contribution of 14 percent of covered payroll to the Health Care Fund. The Health Care Fund was established and is administered in accordance with Internal Revenue Code Section 105(e). For 2010, 0.46 percent of covered payroll was allocated to health care. An additional health care surcharge on employers is collected for employees earning less than an actuarially determined minimum compensation amount, pro-rated according to service credit earned. Statutes provide that no employer shall pay a health care surcharge greater than 2.0 percent of that employer's SERS-covered payroll; nor may SERS collect in aggregate more than 1.5 percent of the statewide SERS-covered payroll for the health care surcharge. For fiscal year 2010, the actuarially determined amount was \$35,800.

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

The District's contributions for health care (including surcharge) for the fiscal years ended June 30, 2010, 2009, and 2008 were \$25,272, \$60,715 and \$57,646, respectively; 40.61 percent has been contributed for fiscal year 2010 and 100 percent for fiscal years 2009 and 2008.

The Retirement Board, acting with advice of the actuary, allocates a portion of the employer contribution to the Medicare B Fund. For fiscal year 2010, this actuarially required allocation was 0.76 percent of covered payroll. The District's contributions for Medicare Part B for the fiscal years ended June 30, 2010, 2009, and 2008 were \$7,511, \$7,389 and \$6,118, respectively; 40.61 percent has been contributed for fiscal year 2010 and 100 percent for fiscal years 2009 and 2008.

B. State Teachers Retirement System of Ohio

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

Funding Policy - Ohio law authorizes STRS Ohio to offer the Plan and gives the Retirement Board authority over how much, if any, of the health care costs will be absorbed by STRS Ohio. Active employee members do not contribute to the Plan. All benefit recipients pay a monthly premium. Under Ohio law, funding for post-employment health care may be deducted from employer contributions. For 2010, STRS Ohio allocated employer contributions equal to 1 percent of covered payroll to the Health Care Stabilization Fund. The District's contributions for health care for the fiscal years ended June 30, 2010, 2009, and 2008 were \$36,631, \$35,608 and \$34,833, respectively; 83.13 percent has been contributed for fiscal year 2010 and 100 percent for fiscal years 2009 and 2008.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

NOTE 14 - BUDGETARY BASIS OF ACCOUNTING

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

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

- (a) Revenues and other financing sources are recorded when received in cash (budget basis) as opposed to when susceptible to accrual (GAAP basis);
- (b) Expenditures and other financing uses are recorded when paid in cash (budget basis) as opposed to when the liability is incurred (GAAP basis);
- (c) In order to determine compliance with Ohio law, and to reserve that portion of the applicable appropriation, total outstanding encumbrances (budget basis) are recorded as the equivalent of an expenditure, as opposed to a reservation of fund balance for that portion of outstanding encumbrances not already recognized as an account payable (GAAP basis);
- (d) Investments are reported at fair value (GAAP basis) rather than cost (budget basis); and,
- (e) Advances-in and advances-out are operating transactions (budget basis) as opposed to balance sheet transactions (GAAP basis).

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

Net Change in Fund Balance

	<u>General Fund</u>
Budget basis	\$ (817,831)
Net adjustment for revenue accruals	(86,829)
Net adjustment for expenditure accruals	68,383
Net adjustment for other sources/uses	73,433
Adjustment for encumbrances	<u>172,784</u>
GAAP basis	<u>\$ (590,060)</u>

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

NOTE 15 - CONTINGENCIES

A. Grants

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

B. Litigation

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

NOTE 16 - STATUTORY RESERVES

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

	<u>Textbooks/ Instructional Materials</u>	<u>Capital Acquisition</u>	<u>BWC Refunds</u>
Set-aside balance as of June 30, 2009	\$ (488,801)	\$ (8,500,248)	\$ 26,956
Current year set-aside requirement	149,915	149,915	-
Qualifying disbursements	<u>(145,545)</u>	<u>(37,252)</u>	<u>-</u>
Total	<u>\$ (484,431)</u>	<u>\$ (8,387,585)</u>	<u>\$ 26,956</u>
Balance carried forward to fiscal year 2011	<u>\$ (484,431)</u>	<u>\$ (8,387,585)</u>	<u>\$ 26,956</u>

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

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

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

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

NOTE 16 - STATUTORY RESERVES - (Continued)

A schedule of the restricted assets at June 30, 2010 follows:

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

NOTE 17 - CONTRACTUAL COMMITMENTS

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

Contractor	Date Approved	Contract Amount	Expended	Balance 6/30/10
DiPietro Excavating	8/25/2008	\$ 2,169,946	\$ 2,102,283	\$ 67,663
Jeffrey Carr Construction	9/8/2008	8,742,704	8,641,305	101,399
Feinman Mechanical	9/8/2008	3,423,373	3,345,383	77,990
Fire Foe Corporation	9/8/2008	246,400	230,984	15,416
Wood Electric	9/8/2008	1,574,756	1,543,780	30,976
Burkett & Sons, Inc.	10/7/2008	238,049	219,536	18,513
Midwest Telephone Systems	10/7/2008	1,038,154	570,486	467,668
Continental	4/19/2010	522,137	-	522,137
Landscape By Design	4/19/2010	264,343	-	264,343
		<u>\$ 18,219,862</u>	<u>\$ 16,653,757</u>	<u>\$ 1,566,105</u>

These contractual commitments relate to the OSFC project undertaken by the District. In addition to the amounts paid above, the District has recorded contracts payable and retainage payable in the amounts of \$540,165 and \$294,244, respectively, for costs incurred prior to fiscal year end on the OSFC project. Costs incurred by fiscal year end (including contracts and retainage payable) have been recorded as construction-in-progress in the District's capital assets (See Note 8).

OSNABURG LOCAL SCHOOL DISTRICT
STARK COUNTY

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

Federal Grantor/ Pass Through Grantor/ Program Title	Federal CFDA Number	Receipts	Non-Cash Receipts	Expenditures	Non-Cash Expenditures
U.S. DEPARTMENT OF AGRICULTURE					
<i>Passed Through Ohio Department of Education:</i>					
<i>Child Nutrition Cluster:</i>					
<i>Cash Assistance:</i>					
School Breakfast Program	10.553	\$17,602		\$17,602	
National School Lunch Program	10.555	123,623		123,623	
<i>Non-Cash Assistance (Food Distribution)</i>					
National School Lunch Program	10.555		\$23,347		\$23,347
Total Child Nutrition Cluster		<u>141,224</u>	<u>23,347</u>	<u>141,225</u>	<u>23,347</u>
Total U.S. Department of Agriculture		<u>141,224</u>	<u>23,347</u>	<u>141,225</u>	<u>23,347</u>
U.S. DEPARTMENT OF EDUCATION					
<i>Passed Through Ohio Department of Education:</i>					
<i>Special Education Cluster:</i>					
Special Education Grants to States	84.027	142,650		144,709	
ARRA - Special Education Grants to States	84.391	<u>99,285</u>		<u>94,165</u>	
Total Special Education Cluster		241,935		238,874	
Title I, Grants to Local Educational Agencies	84.010	95,842		105,457	
ARRA Title I, Grants to Local Educational Agencies	84.389	<u>43,943</u>		<u>40,755</u>	
Total Title I Grants		139,785		146,212	
Improving Teacher Quality State Grants	84.367	35,546		39,577	
Safe and Drug-Free Schools and Communities State Grants	84.186	2,396		2,052	
Education Technology State Grants	84.318	1,056		1,056	
ARRA State Fiscal Stabilization Fund (SFSF) Education State Grants	84.394	<u>230,437</u>		<u>197,716</u>	
Total U.S. Department of Education		<u>651,155</u>		<u>625,487</u>	
U.S. DEPARTMENT OF ENVIRONMENTAL PROTECTION AGENCY					
<i>Passed Through Ohio Environmental Protection Agency</i>					
State Clean Diesel Grant Program	66.040	<u>54,832</u>		<u>54,832</u>	
Total U.S. Department of Health and Human Services		<u>54,832</u>		<u>54,832</u>	
Totals		<u><u>\$847,211</u></u>	<u><u>\$23,347</u></u>	<u><u>\$821,544</u></u>	<u><u>\$23,347</u></u>

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

**OSNABURG LOCAL SCHOOL DISTRICT
STARK COUNTY**

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

NOTE A – SIGNIFICANT ACCOUNTING POLICIES

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

NOTE B – FOOD DONATION PROGRAM

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

NOTE C – CHILD NUTRITION CLUSTER

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



Dave Yost • Auditor of State

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

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

To the Board of Education:

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Osnaburg Local School District, Stark County, Ohio, (the District) as of and for the year ended June 30, 2010, which collectively comprise the District's basic financial statements and have issued our report thereon dated March 9, 2011. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*.

Internal Control Over Financial Reporting

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

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, when performing their assigned functions, to prevent, or detect and timely correct misstatements. A *material weakness* is a deficiency, or combination of internal control deficiencies resulting in more than a reasonable possibility that a material misstatement of the District's financial statements will not be prevented, or detected and timely corrected.

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

Compliance and Other Matters

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

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

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

Dave Yost
Auditor of State

March 9, 2011



Dave Yost • Auditor of State

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

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

To the Board of Education:

Compliance

We have audited the compliance of Osnaburg Local School District, Stark County, Ohio, (the District) with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133, Compliance Supplement* that could directly and materially affect each of the District's major federal programs for the year ended June 30, 2010. The Summary of Auditor's Results section of the accompanying Schedule of Findings identifies the District's major federal programs. The District's management is responsible for complying with the requirements of laws, regulations, contracts, and grants applicable to each major federal program. Our responsibility is to express an opinion on the District's compliance based on our audit.

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

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

Internal Control Over Compliance

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

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

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

We noted a matter involving federal compliance or internal control over federal compliance not requiring inclusion in this report, that we reported to the District's management in a separate letter dated March 9, 2011.

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



Dave Yost
Auditor of State

March 9, 2011

**OSNABURG LOCAL SCHOOL DISTRICT
STARK COUNTY**

**SCHEDULE OF FINDINGS
OMB CIRCULAR A -133 § .505
JUNE 30, 2010**

1. SUMMARY OF AUDITOR'S RESULTS

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

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

None.

3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS

None.

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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 31, 2011