



Dave Yost • Auditor of State

**OSNABURG LOCAL SCHOOL DISTRICT
STARK COUNTY**

TABLE OF CONTENTS

TITLE	PAGE
Independent Accountants' Report.....	1
Management's Discussion and Analysis.....	3
Basic Financial Statements:	
Government-Wide Financial Statements:	
Statement of Net Assets.....	13
Statement of Activities.....	14
Fund Financial Statements:	
Balance Sheet	
Governmental Funds	15
Reconciliation of Total Governmental Fund Balances to Net Assets of Governmental Activities.....	16
Statement of Revenues, Expenditures and Changes in Fund Balances Governmental Funds	17
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities	18
Statement of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual (Non-GAAP Budgetary Basis) General Fund.....	19
Statement of Fiduciary Net Assets Fiduciary Funds	20
Statement of Changes in Fiduciary Net Assets Fiduciary Funds	21
Notes to the Basic Financial Statements	23
Federal Awards Receipts and Expenditures Schedule.....	53
Notes to the Federal Awards Receipts and Expenditures Schedule	54
Independent Accountants' Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Required by <i>Government Auditing Standards</i>	55
Independent Accountants' Report on Compliance with Requirements Applicable to Its Major Federal Program and on Internal Control Over Compliance Required by OMB Circular A-133	57
Schedule of Findings.....	59
Independent Accountants Report on Applying Agreed-Upon Procedures	61

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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, 2011, 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, 2011, 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.

As described in Note 3, during the year ended June 30, 2011 the District adopted the provisions of Governmental Accounting Standards Board Statement No. 54, Fund Balance Reporting and Governmental Fund Type Definitions. We also noted the District restated net assets as of July 1, 2010 due to a reappraisal of capital assets.

In accordance with *Government Auditing Standards*, we have also reissued our report dated July 10, 2012, on our consideration of the District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. While we did not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting and compliance and the results of that testing. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*. You should read it in conjunction with this report in assessing the results of our audit.

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.

The accompanying Federal Awards Receipts and Expenditure Schedule replaces the Schedule for the Osnaburg Local School District fiscal year ended June 30, 2011, previously issued with our report dated January 24, 2012. You should rely on this report rather than on our report dated January 24, 2012. The Schedule was revised to include additional Highway Planning and Construction Program (CFDA # 20.205 formerly reported as ARRA – State Clean Diesel Grant Program CFDA#66.040) grant expenditures, which previously was omitted from the Schedule.



Dave Yost
Auditor of State

January 24, 2012, except for our report on the Federal Awards Receipts and Expenditure Schedule, for which the date is July 10, 2012

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

The Management's Discussion and Analysis of the Osnaburg Local School District's (the "District") financial performance provides an overall review of the District's financial activities for the fiscal year ended June 30, 2011. 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 fiscal year 2011 are as follows:

- In total, net assets of governmental activities decreased \$706,100 which represents a 3.00% decrease from fiscal year 2010.
- General revenues accounted for \$7,105,514 in revenue or 73.59% of all revenues. Program specific revenues in the form of charges for services and sales, grants and contributions accounted for \$2,549,508 or 26.41% of total revenues of \$9,655,022.
- The District had \$10,361,122 in expenses related to governmental activities; \$2,549,508 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 \$7,105,514 were not adequate to provide for these programs.
- The District's major governmental funds are the general fund, bond retirement fund and classroom facilities fund. The general fund had \$7,391,526 in revenues and other financing sources and \$7,870,201 in expenditures. During fiscal year 2011, the general fund's fund balance decreased \$478,675 from a restated balance of \$2,258,049 to \$1,779,374.
- The bond retirement fund had \$709,573 in revenues and \$565,419 in expenditures. During fiscal year 2011, the bond retirement fund's fund balance increased \$144,154 from \$229,549 to \$373,703.
- The classroom facilities fund had \$1,371,119 in revenues and \$1,246,170 in expenditures. During fiscal year 2011, the classroom facilities fund's fund balance increased \$124,949 from \$2,454,307 to \$2,579,256.

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, bond retirement 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, 2011**

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 2011?" 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, bond retirement 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, 2011

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 23-52 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 fiscal year 2011 and 2010. Net assets for 2010 have been restated as described in Note 3.A.

	Net Assets	
	Governmental Activities 2011	Restated Governmental Activities 2010
<u>Assets</u>		
Current and other assets	\$ 10,248,108	\$ 12,891,993
Capital assets, net	<u>25,408,808</u>	<u>24,777,864</u>
Total assets	<u>35,656,916</u>	<u>37,669,857</u>
<u>Liabilities</u>		
Current liabilities	3,675,846	4,722,944
Long-term liabilities	<u>9,134,478</u>	<u>9,394,221</u>
Total liabilities	<u>12,810,324</u>	<u>14,117,165</u>
<u>Net assets</u>		
Invested in capital assets, net of related debt	18,421,659	18,000,226
Restricted	2,675,866	3,298,583
Unrestricted	<u>1,749,067</u>	<u>2,253,883</u>
Total net assets	<u>\$ 22,846,592</u>	<u>\$ 23,552,692</u>

Over time, net assets can serve as a useful indicator of a government's financial position. At June 30, 2011, the District's assets exceeded liabilities by \$22,846,592.

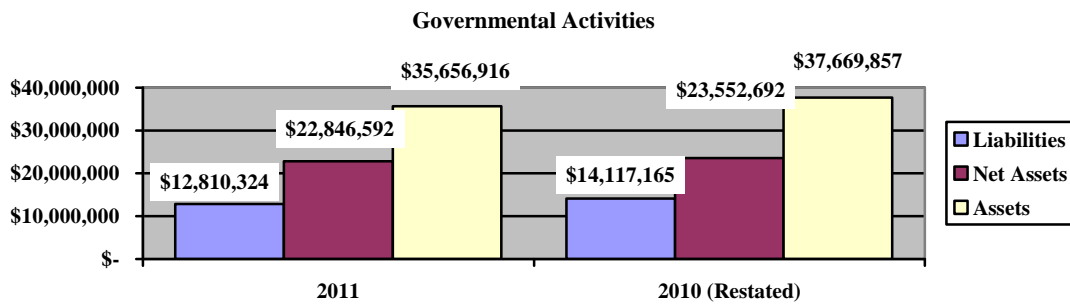
**OSNABURG LOCAL SCHOOL DISTRICT
STARK COUNTY, OHIO**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

At year-end, capital assets represented 71.26% of total assets. Capital assets include land, land improvements, buildings and improvements, furniture and equipment and vehicles. These capital assets are used to provide services to the students and are not available for future spending.

A portion of the District's net assets, \$2,675,866, represents resources that are subject to external restriction on how they may be used. The remaining balance of unrestricted net assets of \$1,749,067 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 2011 and 2010.



The table below shows the change in net assets for fiscal year 2011 and 2010. The 2010 balances of operating grants and contributions and general revenues - grants and entitlements have been restated to conform to 2011 presentation of Pathway to Student Success (PASS) funding from the State of Ohio which is reported as an operating grant and contribution rather than as general revenue. In addition, net assets for 2010 have been restated as described in Note 3.A.

	Change in Net Assets	
	Governmental	Restated
	Activities	Governmental
	2011	Activities
	<u>2011</u>	<u>2010</u>
<u>Revenues</u>		
Program revenues:		
Charges for services and sales	\$ 934,670	\$ 955,951
Operating grants and contributions	1,614,838	1,355,767
General revenues:		
Property taxes	3,017,195	2,759,452
Grants and entitlements	3,946,935	4,112,929
Investment earnings	49,762	148,563
Other	<u>91,622</u>	<u>46,796</u>
Total revenues	<u>9,655,022</u>	<u>9,379,458</u>

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

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

Change in Net Assets (Continued)

	<u>Governmental Activities 2011</u>	<u>Governmental Activities 2010</u>
<u>Expenses</u>		
Program expenses:		
Instruction:		
Regular	\$ 3,723,683	\$ 3,663,072
Special	815,579	780,080
Vocational	224,416	140,141
Other	821,642	900,382
Support services:		
Pupil	469,029	373,969
Instructional staff	385,596	213,386
Board of education	30,834	23,074
Administration	775,212	738,395
Fiscal	307,494	287,037
Business	12,531	11,981
Operations and maintenance	880,655	904,668
Pupil transportation	502,751	609,550
Central	173,460	34,978
Food service operations	352,717	374,305
Other non-instructional services	29,695	22,689
Extracurricular activities	469,366	477,040
Interest and fiscal charges	<u>386,462</u>	<u>398,801</u>
Total expenses	<u>10,361,122</u>	<u>9,953,548</u>
Change in net assets	(706,100)	(574,090)
Net assets at beginning of year (restated)	<u>23,552,692</u>	<u>24,126,782</u>
Net assets at end of year	<u>\$ 22,846,592</u>	<u>\$ 23,552,692</u>

Governmental Activities

Net assets of the District's governmental activities decreased \$706,100. Total governmental expenses of \$10,361,122 were offset by program revenues of \$2,549,508 and general revenues of \$7,105,514. Program revenues supported 24.61% of the total governmental expenses.

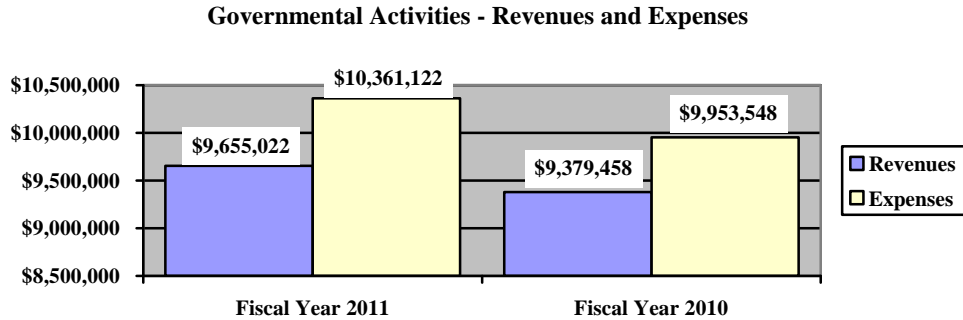
The primary sources of revenue for governmental activities are derived from property taxes and unrestricted grants and entitlements. These revenue sources represent 72.13% of total governmental revenue.

The largest expense of the District is for instructional programs. Instruction expenses totaled \$5,585,320 or 53.91% of total governmental expenses for fiscal year 2011.

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

The graph below presents the District's governmental activities revenue and expenses for fiscal year 2011 and 2010.



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. The 2010 net cost of services for special instruction has been restated to conform to 2011 presentation of PASS funding from the State of Ohio which is reported as an operating grant and contribution offsetting special instruction.

Governmental Activities

	Total Cost of Services 2011	Net Cost of Services 2011	Total Cost of Services 2010	Restated Net Cost of Services 2010
Program expenses				
Instruction:				
Regular	\$ 3,723,683	\$ 2,926,263	\$ 3,663,072	\$ 2,855,868
Special	815,579	169,336	780,080	128,998
Vocational	224,416	73,310	140,141	82,533
Other	821,642	811,167	900,382	891,581
Support services:				
Pupil	469,029	435,425	373,969	329,160
Instructional staff	385,596	304,035	213,386	199,781
Board of education	30,834	30,834	23,074	23,074
Administration	775,212	626,140	738,395	721,498
Fiscal	307,494	307,494	287,037	287,037
Business	12,531	12,531	11,981	11,981
Operations and maintenance	880,655	864,788	904,668	893,005
Pupil transportation	502,751	405,063	609,550	486,857
Central	173,460	153,860	34,978	29,978
Food service operations	352,717	(12,347)	374,305	(26,662)
Other non-instructional services	29,695	28,134	22,689	22,689
Extracurricular activities	469,366	289,119	477,040	305,651
Interest and fiscal charges	386,462	386,462	398,801	398,801
Total expenses	<u>\$ 10,361,122</u>	<u>\$ 7,811,614</u>	<u>\$ 9,953,548</u>	<u>\$ 7,641,830</u>

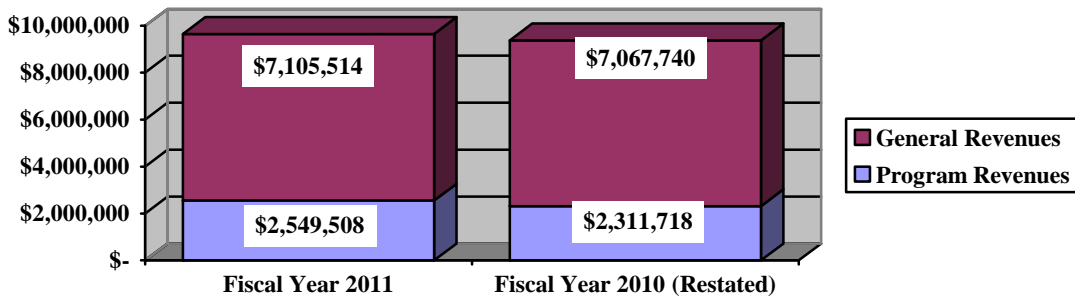
**OSNABURG LOCAL SCHOOL DISTRICT
STARK COUNTY, OHIO**

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

The dependence upon tax and other general revenues for governmental activities is apparent, 71.26% of instruction activities are supported through taxes and other general revenues. For all governmental activities, general revenue support is 75.39%. 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 2011 and 2010. The 2010 program revenues and general revenues have been restated to conform to 2011 presentation of PASS funding from the State of Ohio which is reported as program revenues rather than as general revenue.

Governmental Activities - General and Program Revenues



The District's Funds

The District's governmental funds reported a combined fund balance of \$5,341,023, which is less than last year's total of \$5,599,341. Fund balances at June 30, 2010 have been restated as described in Note 3.C. The schedule below indicates the fund balance and the total change in fund balance as of June 30, 2011 and 2010.

	Fund Balance June 30, 2011	Restated Fund Balance June 30, 2010	Increase (Decrease)	Percentage Change
General	\$ 1,779,374	\$ 2,258,049	\$ (478,675)	(21.20) %
Bond retirement	373,703	229,549	144,154	62.80 %
Classroom facilities	2,579,256	2,454,307	124,949	5.09 %
Other governmental	608,690	657,436	(48,746)	(7.41) %
Total	<u>\$ 5,341,023</u>	<u>\$ 5,599,341</u>	<u>\$ (258,318)</u>	(4.61) %

General Fund

For the general fund, both revenues and expenditures increased slightly from the prior year. Expenditures exceeded revenues, however, and the general fund's fund balance decreased \$478,675.

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

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

	2011 <u>Amount</u>	Restated 2010 <u>Amount</u>	Increase <u>(Decrease)</u>	Percentage <u>Change</u>
<u>Revenues</u>				
Taxes	\$ 2,446,112	\$ 2,112,686	\$ 333,426	15.78 %
Earnings on investments	38,090	66,183	(28,093)	(42.45) %
Intergovernmental	4,191,192	4,380,886	(189,694)	(4.33) %
Other revenues	<u>674,997</u>	<u>665,327</u>	<u>9,670</u>	1.45 %
Total	<u>\$ 7,350,391</u>	<u>\$ 7,225,082</u>	<u>\$ 125,309</u>	1.73 %
<u>Expenditures</u>				
Instruction	\$ 4,692,322	\$ 4,804,985	\$ (112,663)	(2.34) %
Support services	2,823,097	2,686,142	136,955	5.10 %
Non-instructional services	25,175	22,112	3,063	13.85 %
Extracurricular activities	313,360	285,879	27,481	9.61 %
Facilities acquisition and construction	<u>16,247</u>	<u>11,636</u>	<u>4,611</u>	39.63 %
Total	<u>\$ 7,870,201</u>	<u>\$ 7,810,754</u>	<u>\$ 59,447</u>	0.76 %

The biggest change in the District's revenues was an increase in taxes revenue of \$333,426 or 15.78%. This was mostly due to fluctuations in the amount of tax collected and available for advance at fiscal year-end by the Stark County Auditor. These amounts are recorded as revenue and totaled \$363,979 and \$73,400 at June 30, 2011 and 2010, respectively. The amount of tax advance available at year end can vary depending upon when the County Auditor distributes the tax bills. Intergovernmental revenues fell as the District received slightly less funding from the State in fiscal year 2011.

Bond Retirement Fund

The bond retirement fund had \$709,573 in revenues and \$565,419 in expenditures. During fiscal year 2011, the bond retirement fund's fund balance increased \$144,154 from \$229,549 to \$373,703.

Classroom Facilities Fund

The classroom facilities fund had \$1,371,119 in revenues and \$1,246,170 in expenditures. During fiscal year 2011, the classroom facilities fund's fund balance increased \$124,949 from \$2,454,307 to \$2,579,256.

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.

For the general fund, original and final budgeted revenues and other financing sources were \$7,164,478. Actual revenues and other financing sources for fiscal 2011 was \$7,163,023. This represents a \$1,455 decrease from final budgeted revenues.

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

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

General fund original and final appropriations (appropriated expenditures including other financing uses) totaled \$8,320,815. The actual budget basis expenditures and other financing uses for fiscal year 2011 totaled \$8,011,208, which is lower than final budgeted appropriations by \$309,607.

Capital Assets and Debt Administration

Capital Assets

At the end of fiscal year 2011, the District had \$25,408,808 invested in land, land improvements, buildings and improvements, furniture and equipment and vehicles. This entire amount is reported in governmental activities. Capital assets at June 30, 2010 have been restated as described in Note 3.A. The following table shows fiscal 2011 balances compared to 2010:

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

	Governmental Activities	
	2011	Restated 2010
	Land	\$ 460,826
Construction in progress	-	23,460,254
Land improvements	1,006,802	218,322
Building and improvements	22,776,108	365,880
Furniture and equipment	989,517	151,623
Vehicles	175,555	120,959
Total	\$ 25,408,808	\$ 24,777,864

The overall increase in capital assets of \$630,944 is due to capital outlays of \$1,479,320 exceeding depreciation expense of \$846,414 and capital asset disposals, net of accumulated depreciation, of \$1,962 during the fiscal year. The District's construction project for the new K-12 building was completed during fiscal year 2011.

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

Debt Administration

At June 30, 2011, the District had \$8,432,430 in general obligation bonds outstanding. Of this total, \$235,000 is due within one year and \$8,197,430 is due in more than one year.

Outstanding Debt, at Year End

	Governmental Activities	Governmental Activities
	2011	2010
General obligation bonds	\$ 8,432,430	\$ 8,595,246
Total	\$ 8,432,430	\$ 8,595,246

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, 2011**

Current Financial Related Activities

For the third year in a row the Osnaburg Local School District is rated "EXCELLENT" by the state of Ohio. Both our middle and high school were rated excellent and our elementary was rated effective. The elementary rating is one level lower due to our 5th grade scores in math and science being below state expectations. Also during this school year, we did not achieve the Federal benchmark of "Adequate Yearly Progress". However, we are extremely proud of all of our staff and students and want to congratulate them for all of their hard work and dedication. The District continues to allocate funds to allow our students to receive the opportunities that they need in order to be successful.

A deficit spending pattern over the past several academic years has eaten away at our carryover. Cuts in programming and staffing were implemented at the end of the 2009-10 school year, taking effect the 2010-11 academic year. Additional cuts in programming and staffing were implemented at the end of the 2010-11 school year, taking effect the 2011-12 academic year. Our certified staff also renegotiated its current contract accepting to freeze all wages for the next two years, and to eliminate any step increases next year. This savings will help to alleviate some of our financial concerns, but it is our plan to go to the public with an 11 mill operating levy request in 2012 since the levy in November 2011 failed.

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

The District had a 6.7 mill bond issue on the November 7, 2006 ballot. The issue failed by four votes. In February of 2007 the 6.7 mill bond issue did pass and construction on a new K-12 building began at the end of August 2008. The building is complete and we started the 2010-2011 school year in our fabulous new building. As of the beginning of the 2011 school year we have completed our 11 month walk-through for the new building and are working to make all final corrections with our building trades.

Traditionally, our community has been supportive of the District. Levies always pass, but often not on the first attempt. Rising health costs, an aging certificated staff, rising fuel and supply costs all indicate that unless there is additional support from the state, we must pass an 11 mill operating levy in 2012.

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, 2011

	<u>Governmental Activities</u>
Assets:	
Equity in pooled cash and cash equivalents . . .	\$ 6,016,754
Cash with escrow agent.	228,658
Receivables:	
Taxes	3,199,744
Accounts.	1,011
Intergovernmental	631,205
Prepayments	7,509
Materials and supplies inventory.	17,992
Unamortized bond issuance costs	145,235
Capital assets:	
Land.	460,826
Depreciable capital assets, net.	24,947,982
Capital assets, net	<u>25,408,808</u>
 Total assets.	 <u>35,656,916</u>
 Liabilities:	
Accounts payable.	5,194
Contracts payable.	71,338
Retainage payable	233,438
Accrued wages and benefits	711,510
Pension obligation payable.	271,936
Intergovernmental payable	52,894
Accrued interest payable	25,447
Unearned revenue	2,304,089
Long-term liabilities:	
Due within one year.	354,445
Due in more than one year.	8,780,033
 Total liabilities	 <u>12,810,324</u>
 Net assets:	
Invested in capital assets, net of related debt.	18,421,659
Restricted for:	
Capital projects	1,714,055
Debt service.	423,208
Classroom facilities maintenance	181,088
Locally funded programs	2,264
State funded programs.	3,978
Federally funded programs	214,927
Student activities	54,251
Other purposes	82,095
Unrestricted	<u>1,749,067</u>
 Total net assets	 <u>\$ 22,846,592</u>

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, 2011

	<u>Expenses</u>	<u>Program Revenues</u>		<u>Net (Expense) Revenue and Changes in Net Assets</u>
		<u>Charges for Services and Sales</u>	<u>Operating Grants and Contributions</u>	
Governmental activities:				
Instruction:				
Regular	\$ 3,723,683	\$ 549,777	\$ 247,643	\$ (2,926,263)
Special	815,579	24,421	621,822	(169,336)
Vocational	224,416	-	151,106	(73,310)
Other	821,642	-	10,475	(811,167)
Support services:				
Pupil	469,029	-	33,604	(435,425)
Instructional staff	385,596	-	81,561	(304,035)
Board of education	30,834	-	-	(30,834)
Administration.	775,212	-	149,072	(626,140)
Fiscal.	307,494	-	-	(307,494)
Business.	12,531	-	-	(12,531)
Operations and maintenance	880,655	-	15,867	(864,788)
Pupil transportation.	502,751	850	96,838	(405,063)
Central	173,460	-	19,600	(153,860)
Operation of non-instructional services:				
Food service operations	352,717	179,375	185,689	12,347
Other non-instructional services	29,695	-	1,561	(28,134)
Extracurricular activities.	469,366	180,247	-	(289,119)
Interest and fiscal charges	386,462	-	-	(386,462)
Totals	\$ 10,361,122	\$ 934,670	\$ 1,614,838	(7,811,614)

General revenues:

Property taxes levied for:	
General purposes.	2,373,658
Classroom facilities maintenance	44,292
Debt service	599,245
Grants and entitlements not restricted	
to specific programs	3,946,935
Investment earnings	49,762
Miscellaneous	91,622
Total general revenues	7,105,514
Change in net assets	(706,100)
Net assets at beginning of year (restated)	23,552,692
Net assets at end of year.	\$ 22,846,592

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2011

	General	Bond Retirement	Classroom Facilities	Other Governmental Funds	Total Governmental Funds
Assets:					
Equity in pooled cash and cash equivalents.	\$ 2,416,486	\$ 277,717	\$ 2,655,374	\$ 666,024	\$ 6,015,601
Cash with escrow agent.	-	-	206,596	22,062	228,658
Receivables:					
Taxes.	2,559,139	594,206	-	46,399	3,199,744
Accounts	1,011	-	-	-	1,011
Intergovernmental.	1,258	-	367,822	262,125	631,205
Interfund loans	356	-	-	-	356
Prepayments.	7,509	-	-	-	7,509
Materials and supplies inventory.	-	-	-	17,992	17,992
Restricted assets:					
Equity in pooled cash and cash equivalents	1,153	-	-	-	1,153
Total assets	<u>\$ 4,986,912</u>	<u>\$ 871,923</u>	<u>\$ 3,229,792</u>	<u>\$ 1,014,602</u>	<u>\$ 10,103,229</u>
Liabilities:					
Accounts payable	\$ 3,014	\$ -	\$ -	\$ 2,180	\$ 5,194
Contracts payable.	-	-	71,338	-	71,338
Retainage payable.	-	-	211,376	22,062	233,438
Accrued wages and benefits.	620,588	-	-	90,922	711,510
Compensated absences payable	96,482	-	-	-	96,482
Pension obligation payable	241,546	-	-	30,390	271,936
Intergovernmental payable	50,748	-	-	2,146	52,894
Interfund loans payable.	-	-	-	356	356
Deferred revenue	348,096	74,952	367,822	224,099	1,014,969
Unearned revenue.	1,847,064	423,268	-	33,757	2,304,089
Total liabilities.	<u>3,207,538</u>	<u>498,220</u>	<u>650,536</u>	<u>405,912</u>	<u>4,762,206</u>
Fund balances:					
Nonspendable:					
Materials and supplies inventory.	-	-	-	17,992	17,992
Prepays.	7,509	-	-	-	7,509
Restricted:					
Debt service	-	373,703	-	-	373,703
Capital improvements	-	-	2,579,256	283,562	2,862,818
Classroom facilities maintenance	-	-	-	175,526	175,526
Food service operations	-	-	-	75,754	75,754
Public school preschool	-	-	-	3,978	3,978
Targeted academic assistance	-	-	-	443	443
Other purposes.	-	-	-	5,435	5,435
Extracurricular.	-	-	-	54,251	54,251
School bus purchases	1,153	-	-	-	1,153
Assigned:					
Student instruction	58,744	-	-	-	58,744
Student and staff support.	66,278	-	-	-	66,278
Non-instructional services	1	-	-	-	1
Subsequent year appropriations	587,374	-	-	-	587,374
Other purposes.	1,983	-	-	-	1,983
Unassigned (deficit)	1,056,332	-	-	(8,251)	1,048,081
Total fund balances	<u>1,779,374</u>	<u>373,703</u>	<u>2,579,256</u>	<u>608,690</u>	<u>5,341,023</u>
Total liabilities and fund balances.	<u>\$ 4,986,912</u>	<u>\$ 871,923</u>	<u>\$ 3,229,792</u>	<u>\$ 1,014,602</u>	<u>\$ 10,103,229</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, 2011

Total governmental fund balances		\$ 5,341,023
<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.		25,408,808
Other long-term assets are not available to pay for current-period expenditures and therefore are deferred in the funds.		
Taxes receivable	\$ 428,610	
Intergovernmental receivable	586,359	
Total	1,014,969	1,014,969
Accrued interest payable is not due and payable in the current period and therefore is not reported in the funds.		(25,447)
Unamortized premiums on bond issuance costs are not recognized in the funds.		(267,119)
Unamortized bond issuance costs are not recognized in the funds.		145,235
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	(8,432,430)	
Compensated absences	(338,447)	
Total	(8,770,877)	(8,770,877)
Net assets of governmental activities		\$ 22,846,592

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, 2011

	<u>General</u>	<u>Bond Retirement</u>	<u>Classroom Facilities</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
Revenues:					
From local sources:					
Taxes	\$ 2,446,112	\$ 617,373	\$ -	\$ 45,620	\$ 3,109,105
Tuition	509,478	-	-	-	509,478
Charges for services	-	-	-	179,375	179,375
Transportation fees	850	-	-	-	850
Earnings on investments	38,090	-	11,672	756	50,518
Extracurricular	49,462	-	-	130,785	180,247
Classroom materials and fees	26,794	-	-	-	26,794
Other local revenues	88,413	-	-	-	88,413
Intergovernmental - intermediate	-	-	-	100	100
Intergovernmental - state	4,187,696	92,200	1,359,447	191,338	5,830,681
Intergovernmental - federal	3,496	-	-	908,842	912,338
Total revenues	<u>7,350,391</u>	<u>709,573</u>	<u>1,371,119</u>	<u>1,456,816</u>	<u>10,887,899</u>
Expenditures:					
Current:					
Instruction:					
Regular	3,362,356	-	-	39,226	3,401,582
Special	404,470	-	-	323,099	727,569
Vocational	115,168	-	-	89,184	204,352
Other	810,328	-	-	10,038	820,366
Support services:					
Pupil	324,937	-	-	33,454	358,391
Instructional staff	290,436	-	-	78,148	368,584
Board of education	30,834	-	-	-	30,834
Administration	543,191	-	-	144,972	688,163
Fiscal	276,808	10,063	-	744	287,615
Business	12,531	-	-	-	12,531
Operations and maintenance	749,400	-	-	118,550	867,950
Pupil transportation	454,043	-	-	81,021	535,064
Central	140,917	-	-	22,023	162,940
Operation of non-instructional services:					
Food service operations	-	-	-	325,307	325,307
Other non-instructional services	25,175	-	-	1,820	26,995
Extracurricular activities	313,360	-	-	133,311	446,671
Facilities acquisition and construction	16,247	-	1,246,170	104,665	1,367,082
Debt service:					
Principal retirement	-	225,000	-	-	225,000
Interest and fiscal charges	-	330,356	-	-	330,356
Total expenditures	<u>7,870,201</u>	<u>565,419</u>	<u>1,246,170</u>	<u>1,505,562</u>	<u>11,187,352</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(519,810)</u>	<u>144,154</u>	<u>124,949</u>	<u>(48,746)</u>	<u>(299,453)</u>
Other financing sources:					
Sale of capital assets	41,135	-	-	-	41,135
Total other financing sources	<u>41,135</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>41,135</u>
Net change in fund balances	(478,675)	144,154	124,949	(48,746)	(258,318)
Fund balances at beginning of year (restated).	<u>2,258,049</u>	<u>229,549</u>	<u>2,454,307</u>	<u>657,436</u>	<u>5,599,341</u>
Fund balances at end of year.	<u>\$ 1,779,374</u>	<u>\$ 373,703</u>	<u>\$ 2,579,256</u>	<u>\$ 608,690</u>	<u>\$ 5,341,023</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, 2011

Net change in fund balances - total governmental funds	\$	(258,318)
<i>Amounts reported for governmental activities in the Statement of Activities are different because:</i>		
Governmental funds report capital outlays as expenditures. However, in the Statement of Activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which capital outlays exceeds depreciation expense in the current period.		
Capital asset additions	\$ 1,479,320	
Current year depreciation	<u>(846,414)</u>	
Total		632,906
The net effect of various miscellaneous transactions involving capital assets (i.e., sales, disposals, trade-ins, and donations) is to decrease net assets.		
		(1,962)
Revenues in the Statement of Activities that do not provide current financial resources are not reported as revenues in the funds.		
Taxes	(91,910)	
Intergovernmental revenue	<u>(1,182,102)</u>	
Total		(1,274,012)
In the Statement of Activities, interest is accrued on outstanding bonds, whereas in governmental funds, an interest expenditure is reported when due. The following items resulted in additional interest being reported in the Atatement of Activities:		
Decrease in accrued interest payable	1,085	
Accreted interest on capital appreciation bonds	(62,184)	
Amortization of bond premiums	10,941	
Amortization of bond issuance costs	<u>(5,948)</u>	
Total		(56,106)
Repayment of bond and capital lease principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities on the Statement of Net Assets.		
		225,000
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.		
		<u>26,392</u>
Change in net assets of governmental activities	\$	<u><u>(706,100)</u></u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCE - BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)
GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

	<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	\$ 2,153,000	\$ 2,153,000	\$ 2,155,533	\$ 2,533
Tuition	510,100	510,100	509,478	(622)
Transportation fees	850	850	850	-
Earnings on investments	39,000	39,000	38,090	(910)
Classroom materials and fees	26,677	26,677	26,794	117
Other local revenues	87,600	87,600	88,380	780
Intergovernmental - state	4,187,787	4,187,787	4,187,696	(91)
Intergovernmental - federal	27,000	27,000	23,527	(3,473)
Total revenues	<u>7,032,014</u>	<u>7,032,014</u>	<u>7,030,348</u>	<u>(1,666)</u>
Expenditures:				
Current:				
Instruction:				
Regular	3,503,357	3,503,357	3,472,064	31,293
Special	417,471	417,471	407,969	9,502
Vocational	149,435	149,435	124,943	24,492
Other	908,219	908,219	868,994	39,225
Support services:				
Pupil	322,330	322,330	308,328	14,002
Instructional staff	326,400	326,400	294,416	31,984
Board of education	36,010	36,010	30,198	5,812
Administration	573,324	573,324	542,423	30,901
Fiscal	275,708	275,708	270,598	5,110
Business	13,700	13,700	12,531	1,169
Operations and maintenance	870,956	870,956	780,836	90,120
Pupil transportation	472,747	472,747	460,001	12,746
Central	137,440	137,440	129,299	8,141
Operation of non-instructional services	24,413	24,413	23,236	1,177
Extracurricular activities	262,854	262,854	261,823	1,031
Facilities acquisition and construction	19,105	19,105	16,247	2,858
Total expenditures	<u>8,313,469</u>	<u>8,313,469</u>	<u>8,003,906</u>	<u>309,563</u>
Excess of expenditures over revenues	<u>(1,281,455)</u>	<u>(1,281,455)</u>	<u>(973,558)</u>	<u>307,897</u>
Other financing sources (uses):				
Refund of prior year's expenditures	15,000	15,000	15,776	776
Refund of prior year's receipts	(6,946)	(6,946)	(6,946)	-
Advances in	75,764	75,764	75,764	-
Advances (out)	(400)	(400)	(356)	44
Sale of capital assets	41,700	41,700	41,135	(565)
Total other financing sources (uses)	<u>125,118</u>	<u>125,118</u>	<u>125,373</u>	<u>255</u>
Net change in fund balance	(1,156,337)	(1,156,337)	(848,185)	308,152
Fund balance at beginning of year	2,941,359	2,941,359	2,941,359	-
Prior year encumbrances appropriated	172,784	172,784	172,784	-
Fund balance at end of year	<u>\$ 1,957,806</u>	<u>\$ 1,957,806</u>	<u>\$ 2,265,958</u>	<u>\$ 308,152</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, 2011

	<u>Private Purpose Trust</u>	
	<u>Scholarships</u>	<u>Agency</u>
Assets:		
Equity in pooled cash and cash equivalents	\$ 110,292	\$ 51,203
Total assets.	<u>110,292</u>	<u>\$ 51,203</u>
Liabilities:		
Due to students.	-	\$ 51,203
Total liabilities	-	<u>\$ 51,203</u>
Net assets:		
Held in trust for scholarships	<u>110,292</u>	
Total net assets	<u>\$ 110,292</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, 2011

	Private Purpose Trust
	Scholarships
Additions:	
Interest.	\$ 1,232
Gifts and contributions.	22,300
Total additions.	23,532
 Deductions:	
Scholarships awarded	18,248
 Change in net assets.	5,284
Net assets at beginning of year	105,008
Net assets at end of year	\$ 110,292

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, 2011**

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 523rd largest in the State of Ohio (among the 918 public school districts and community schools) in terms of enrollment. It is staffed by 39 non-certified employees and 63 certified employees who provide services to 869 students and other community members. The District operates one K-12 school building.

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) guidance issued on or before November 30, 1989, to its governmental activities provided it does 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, 2011

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, 2011

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 and report all financial resources not accounted for and reported 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.

Bond retirement fund - This fund accounts for monies used for debt service principal and interest payments on the District's general obligation bonds.

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 that are restricted, committed, or assigned to expenditures for capital outlays including the acquisition or construction of capital facilities and other capital assets and (b) specific revenue sources that are restricted or committed to an expenditure for specified purposes other than debt service or capital projects.

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.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

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

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

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

The private-purpose trust 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.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

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

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

Property taxes for which there is an enforceable legal claim as of June 30, 2011, but which were levied to finance fiscal year 2012 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, 2011 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 2011 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 2011.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

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, 2011. 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 2011, investments were limited to State Treasury Asset Reserve of Ohio (STAR Ohio) and nonnegotiable certificates of deposit. 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 2011. 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, 2011.

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 2011 amounted to \$38,090, which includes \$6,978 assigned from other funds.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

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

Description	Governmental Activities <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, 2011

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, 2011, 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, 2011 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, 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, 2011

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

L. Fund Balance

Fund balance is divided into five classifications based primarily on the extent to which the District is bound to observe constraints imposed upon the use of the resources in the governmental funds. The classifications are as follows:

Nonspendable - The nonspendable fund balance classification includes amounts that cannot be spent because they are not in spendable form or legally required to be maintained intact. The “not in spendable form” criterion includes items that are not expected to be converted to cash.

Restricted - Fund balance is reported as restricted when constraints are placed on the use of resources that are either externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments, or imposed by law through constitutional provisions or enabling legislation.

Committed - The committed fund balance classification includes amounts that can be used only for the specific purposes imposed by a formal action (resolution) of the District Board of Education (the highest level of decision making authority). Those committed amounts cannot be used for any other purpose unless the District Board of Education removes or changes the specified use by taking the same type of action (resolution) it employed to previously commit those amounts. Committed fund balance also incorporates contractual obligations to the extent that existing resources in the fund have been specifically committed for use in satisfying those contractual requirements.

Assigned - Amounts in the assigned fund balance classification are intended to be used by the District for specific purposes but do not meet the criteria to be classified as restricted nor committed. In governmental funds other than the general fund, assigned fund balance represents the remaining amount that is not restricted or committed. In the general fund, assigned amounts represent intended uses established by policies of the District Board of Education, which includes giving the Treasurer the authority to constrain monies for intended purposes.

Unassigned - Unassigned fund balance is the residual classification for the general fund and includes all spendable amounts not contained in the other classifications. In other governmental funds, the unassigned classification is only used to report a deficit fund balance resulting from overspending for specific purposes for which amounts had been restricted, committed, or assigned.

The District applies restricted resources first when expenditures are incurred for purposes for which restricted and unrestricted (committed, assigned, and unassigned) fund balance is available. Similarly, within unrestricted fund balance, committed amounts are reduced first followed by assigned, and then unassigned amounts when expenditures are incurred for purposes for which amounts in any of the unrestricted fund balance classifications could be used.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

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

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 and school bus purchases.

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 for school bus purchases.

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 2011.

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.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

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

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 2011, 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. Prior Period Adjustment

Beginning net assets of the governmental activities have been restated in order to account for a reappraisal of capital assets during fiscal year 2011. See Note 8 for detail. The adjustment had the following effect on net assets of the governmental activities at June 30, 2010:

	<u>Governmental Activities</u>
Net assets at June 30, 2010	\$ 19,613,935
Adjustment for capital assets	<u>3,938,757</u>
Restated net assets at July 1, 2010	<u><u>\$ 23,552,692</u></u>

B. Change in Accounting Principles

For fiscal year 2011, the District has implemented GASB Statement No. 54, "Fund Balance Reporting and Governmental Fund Type Definitions", and GASB Statement No. 59, "Financial Instruments Omnibus".

GASB Statement No. 54 establishes fund balance classifications that comprise a hierarchy based primarily on the extent to which a government is bound to observe constraints imposed upon the use of the resources reported in governmental funds. GASB Statement No. 54 also clarifies the definitions of governmental fund types.

GASB Statement No. 59 updates and improves guidance for financial reporting and disclosure requirements of certain financial instruments and external investment pools. The implementation of GASB Statement No. 59 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, 2011

NOTE 3 - ACCOUNTABILITY AND COMPLIANCE - (Continued)

C. Fund Reclassifications

Fund reclassifications are required in order to report funds in accordance with GASB Statement No 54. These fund reclassifications had the following effect on the District's governmental fund balances as previously reported:

	<u>General</u>	<u>Bond Retirement</u>	<u>Classroom Facilities</u>	<u>Nonmajor Governmental</u>	<u>Total Governmental</u>
Fund balance as previously reported	\$ 2,208,424	\$ 229,549	\$ 2,454,307	\$ 707,061	\$ 5,599,341
Fund reclassifications:					
Adult education fund	1,983	-	-	(1,983)	-
Public school support fund	<u>47,642</u>	<u>-</u>	<u>-</u>	<u>(47,642)</u>	<u>-</u>
Total fund reclassifications	<u>49,625</u>	<u>-</u>	<u>-</u>	<u>(49,625)</u>	<u>-</u>
Restated fund balance at July 1, 2010	<u>\$ 2,258,049</u>	<u>\$ 229,549</u>	<u>\$ 2,454,307</u>	<u>\$ 657,436</u>	<u>\$ 5,599,341</u>

The fund reclassifications did not have an effect on net assets as previously reported.

D. Deficit Fund Balances

Fund balances at June 30, 2011 included the following individual fund deficits:

<u>Nonmajor funds</u>	<u>Deficit</u>
Title VI-B	\$ 4,464
Improving teacher quality	3,787

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.

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

NOTE 4 - DEPOSITS AND INVESTMENTS - (Continued)

Interim deposits must be evidenced by time certificates of deposit maturing not more than one year from the date of deposit or by savings or deposit accounts including passbook accounts.

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

1. United States Treasury Notes, Bills, Bonds, or any other obligation or security issued by the United States Treasury or any other obligation guaranteed as to principal 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, 2011

NOTE 4 - DEPOSITS AND INVESTMENTS - (Continued)

A. Cash on Hand

At fiscal year end, the District had \$100 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, \$228,658 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, 2011, the carrying amount of all District deposits was \$6,112,489. Based on the criteria described in GASB Statement No. 40, “Deposits and Investment Risk Disclosures”, as of June 30, 2011, \$5,676,768 of the District’s bank balance of \$6,199,768 was exposed to custodial risk as discussed below, while \$523,000 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, 2011, the District had the following investments and maturities:

<u>Investment type</u>	<u>Fair Value</u>	Investment <u>Maturities</u> 6 months or less
STAR Ohio	\$ 65,660	\$ 65,660
Total	<u>\$ 65,660</u>	<u>\$ 65,660</u>

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

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

NOTE 4 - DEPOSITS AND INVESTMENTS - (Continued)

Credit Risk: STAR Ohio carries 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 rating service. 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, 2011:

<u>Investment type</u>	<u>Fair Value</u>	<u>% to Total</u>
STAR Ohio	\$ 65,660	100.00
 Total	 \$ 65,660	 100.00

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, 2011:

<u>Cash and investments per note</u>	
Carrying amount of deposits	\$ 6,112,489
Investments	65,660
Cash with escrow agent	228,658
Cash on hand	<u>100</u>
Total	<u>\$ 6,406,907</u>
 <u>Cash and investments per statement of net assets</u>	
Governmental activities	\$ 6,245,412
Private-purpose trust funds	110,292
Agency fund	<u>51,203</u>
Total	<u>\$ 6,406,907</u>

NOTE 5 - INTERFUND TRANSACTIONS

Interfund balances at June 30, 2011 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>356</u>

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

NOTE 5 - INTERFUND TRANSACTIONS - (Continued)

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 2011 represent the collection of calendar year 2010 taxes. Real property taxes received in calendar year 2011 were levied after April 1, 2010, on the assessed values as of January 1, 2010, 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 2011 represent the collection of calendar year 2010 taxes. Public utility real and tangible personal property taxes received in calendar year 2011 became a lien on December 31, 2009, were levied after April 1, 2010, 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 the District's fiscal year ended June 30, 2011 (other than public utility property) generally 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 were due September 20, 2010. Single county taxpayers could pay annually or semiannually. If paid semiannually, the first payment was due April 30, 2010, with the remainder payable by September 20, 2010.

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, 2011, are available to finance fiscal year 2011 operations. The amount available as an advance at June 30, 2011 was \$363,979 in the general fund, \$7,080 in the classroom facilities maintenance fund (a nonmajor governmental fund) and \$95,986 in the bond retirement fund. This amount is recorded as revenue. The amount available for 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. 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.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

NOTE 6 - PROPERTY TAXES - (Continued)

Accrued property taxes receivable includes real property, public utility property and delinquent tangible personal property taxes which are measurable as of June 30, 2011 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 2011 taxes were collected are:

	2010 Second Half Collections		2011 First Half Collections	
	<u>Amount</u>	<u>Percent</u>	<u>Amount</u>	<u>Percent</u>
Agricultural/residential and other real estate	\$ 90,954,640	96.79	\$ 93,163,120	96.64
Public utility personal	2,867,650	3.05	3,235,340	3.36
Tangible personal property	<u>147,880</u>	<u>0.16</u>	<u>-</u>	<u>-</u>
Total	<u>\$ 93,970,170</u>	<u>100.00</u>	<u>\$ 96,398,460</u>	<u>100.00</u>
Tax rate per \$1,000 of assessed valuation	\$ 64.40		\$ 64.40	

NOTE 7 - RECEIVABLES

Receivables at June 30, 2011 consisted of taxes, accounts (billings for user charged services and student fees) and intergovernmental grants and entitlements. All receivables are considered collectible in full due to the ability to foreclose for the nonpayment of taxes, the stable condition of State programs and the current year guarantee of federal funds. A summary of the principal items of receivables reported on the statement of net assets follows:

Governmental activities:

Taxes	\$ 3,199,744
Accounts	1,011
Intergovernmental	<u>631,205</u>
Total	<u>\$ 3,831,960</u>

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

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

NOTE 8 - CAPITAL ASSETS

The District conducted a re-appraisal of their capital assets during fiscal year 2011 which resulted in a restatement of capital assets. The restatement increased net capital assets by \$3,938,757 as detailed on the following table:

	<u>Balance</u> <u>6/30/10</u>	<u>Adjustments</u>	<u>Restated</u> <u>Balance</u> <u>6/30/10</u>
Governmental activities:			
Capital assets, not being depreciated:			
Land	\$ 458,076	\$ 2,750	\$ 460,826
Construction in progress	<u>19,439,372</u>	<u>4,020,882</u>	<u>23,460,254</u>
Total capital assets, not being depreciated	<u>19,897,448</u>	<u>4,023,632</u>	<u>23,921,080</u>
Capital assets, being depreciated:			
Land improvements	859,876	(408,073)	451,803
Building and improvements	2,154,775	(975,794)	1,178,981
Furniture and equipment	288,753	(43,624)	245,129
Vehicles	<u>859,441</u>	<u>(29,075)</u>	<u>830,366</u>
Total capital assets, being depreciated	<u>4,162,845</u>	<u>(1,456,566)</u>	<u>2,706,279</u>
Less: accumulated depreciation			
Land improvements	(445,827)	212,346	(233,481)
Building and improvements	(1,876,011)	1,062,910	(813,101)
Furniture and equipment	(189,317)	95,811	(93,506)
Vehicles	<u>(710,031)</u>	<u>624</u>	<u>(709,407)</u>
Total accumulated depreciation	<u>(3,221,186)</u>	<u>1,371,691</u>	<u>(1,849,495)</u>
Governmental activities capital assets, net	<u>\$ 20,839,107</u>	<u>\$ 3,938,757</u>	<u>\$ 24,777,864</u>

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

NOTE 8 - CAPITAL ASSETS - (Continued)

Capital asset activity for the fiscal year ended June 30, 2011, was as follows:

	Restated Balance <u>06/30/10</u>	<u>Additions</u>	<u>Deductions</u>	Balance <u>06/30/11</u>
Governmental activities:				
<i>Capital assets, not being depreciated:</i>				
Land	\$ 460,826	\$ -	\$ -	\$ 460,826
Construction in progress	23,460,254	1,351,921	(24,812,175)	-
Total capital assets, not being depreciated	<u>23,921,080</u>	<u>1,351,921</u>	<u>(24,812,175)</u>	<u>460,826</u>
<i>Capital assets, being depreciated:</i>				
Land improvements	451,803	856,144	-	1,307,947
Buildings and improvements	1,178,981	23,005,525	-	24,184,506
Furniture and equipment	245,129	980,149	(6,444)	1,218,834
Vehicles	830,366	97,756	(68,106)	860,016
Total capital assets, being depreciated	<u>2,706,279</u>	<u>24,939,574</u>	<u>(74,550)</u>	<u>27,571,303</u>
<i>Less: accumulated depreciation</i>				
Land improvements	(233,481)	(67,664)	-	(301,145)
Buildings and improvements	(813,101)	(595,297)	-	(1,408,398)
Furniture and equipment	(93,506)	(142,255)	6,444	(229,317)
Vehicles	(709,407)	(41,198)	66,144	(684,461)
Total accumulated depreciation	<u>(1,849,495)</u>	<u>(846,414)</u>	<u>72,588</u>	<u>(2,623,321)</u>
Governmental activities capital assets, net	<u>\$ 24,777,864</u>	<u>\$ 25,445,081</u>	<u>\$(24,814,137)</u>	<u>\$ 25,408,808</u>

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

NOTE 8 - CAPITAL ASSETS - (Continued)

Depreciation expense was charged to governmental functions as follows:

<u>Instruction:</u>	
Regular	\$ 369,363
Special	73,722
Vocational	20,064
Other	1,276
<u>Support services:</u>	
Pupil	115,798
Instructional staff	17,038
Administration	76,085
Fiscal	18,479
Operations and maintenance	50,456
Pupil transportation	43,074
Central	10,182
Other non-instructional services	2,021
Extracurricular	22,695
Food service operations	<u>26,161</u>
Total depreciation expense	<u>\$ 846,414</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 \$195,815 in accreted interest on the capital appreciation bonds has been included in the Statement of Net Assets at June 30, 2011.

At June 30, 2011, the District had \$1,516,585 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, 2011

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 2011 on the Series 2007 general obligation bonds:

	Balance 06/30/10	Additions	Reductions	Balance 06/30/11
Current interest bonds	\$ 8,280,000	\$ -	\$ (225,000)	\$ 8,055,000
Capital appreciation bonds	181,615	-	-	181,615
Accreted interest	133,631	62,184	-	195,815
Total G.O. bonds	\$ 8,595,246	\$ 62,184	\$ (225,000)	\$ 8,432,430

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
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	-	296,456	296,456	59,935	205,065	265,000
2017 - 2021	1,125,000	1,394,582	2,519,582	50,382	214,618	265,000
2022 - 2026	1,675,000	1,094,981	2,769,981	-	-	-
2027 - 2031	2,035,000	725,106	2,760,106	-	-	-
2032 - 2036	2,485,000	264,516	2,749,516	-	-	-
Total	\$ 8,055,000	\$ 5,006,366	\$ 13,061,366	\$ 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, 2011

NOTE 9 - LONG-TERM OBLIGATIONS - (Continued)

B. During fiscal year 2011, the following changes occurred in governmental activities long-term obligations:

	<u>Balance</u> <u>06/30/10</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance</u> <u>06/30/11</u>	<u>Amounts</u> <u>Due in</u> <u>One Year</u>
Governmental activities:					
General obligation bonds	\$ 8,595,246	\$ 62,184	\$ (225,000)	\$ 8,432,430	\$ 235,000
Compensated absences payable	<u>520,915</u>	<u>97,433</u>	<u>(183,419)</u>	<u>434,929</u>	<u>119,445</u>
Total governmental activities long-term liabilities	<u>\$ 9,116,161</u>	<u>\$ 159,617</u>	<u>\$ (408,419)</u>	8,867,359	<u>\$ 354,445</u>
Add: unamortized premium				<u>267,119</u>	
Total on Statement of Net Assets				<u>\$ 9,134,478</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, 2011, resulted in a voted debt margin of \$812,949 and an unvoted debt margin of \$96,398.

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 and classified employees.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

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 2011. 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 2011, four employees met the qualifications and elected to retire, however, only two employees received the retirement incentive.

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 2010.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

NOTE 11 - RISK MANAGEMENT - (Continued)

B. Workers' Compensation Plan

For fiscal year 2011, 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 \$1,247.90 for family coverage and \$513.70 for single coverage per employee per month and the District pays dental premiums of \$160.91 for family coverage and \$65.22 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 "*Media/Financial Reports*".

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

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 2011, 11.77 percent and 0.04 percent of annual covered salary was the portion used to fund pension obligations and death benefits, respectively. The contribution requirements of plan members and employers are established and may be amended by the SERS' Retirement Board up to a statutory maximum amount of 10 percent for plan members and 14 percent for employers. Chapter 3309 of the Ohio Revised Code provides statutory authority for member and employer contributions. The District's required contributions for pension obligations and death benefits to SERS for the fiscal years ended June 30, 2011, 2010 and 2009 were \$118,448, \$126,300 and \$89,551, respectively; 51.23 percent has been contributed for fiscal year 2011 and 100 percent for fiscal years 2010 and 2009.

B. State Teachers Retirement System of Ohio

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

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, 2011

NOTE 12 - PENSION PLANS - (Continued)

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

The District's required contributions for pension obligations to STRS Ohio for the fiscal years ended June 30, 2011, 2010 and 2009 were \$467,702, \$476,200 and \$462,905, respectively; 80.58 percent has been contributed for fiscal year 2011 and 100 percent for fiscal years 2010 and 2009. Contributions to the DC and Combined Plans for fiscal year 2011 were \$360 made by the District and \$257 made by the plan members.

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, 2011, 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 Section 3309.69 of the Ohio Revised Code. Qualified benefit recipients who pay Medicare Part B premiums may apply for and receive a monthly reimbursement from SERS. The reimbursement amount is limited by statute to the lesser of the January 1, 1999 Medicare Part B premium or the current premium. The Medicare Part B premium for calendar year 2011 was \$96.40 and SERS' reimbursement to retirees was \$45.50. Benefit provisions and the obligations to contribute are established by the System based on authority granted by State statute. The financial reports of both Plans are included in the SERS Comprehensive Annual Financial Report which is available by contacting SERS at 300 East Broad St., Suite 100, Columbus, Ohio 43215-3746. It is also posted on the SERS' Ohio website, www.ohsers.org, under "*Media/Financial Reports*".

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

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 2011, 1.43 percent of covered payroll was allocated to health care. An additional health care surcharge on employers is collected for employees earning less than an actuarially determined minimum compensation amount, pro-rated according to service credit earned. Statutes provide that no employer shall pay a health care surcharge greater than 2.0 percent of that employer's SERS-covered payroll; nor may SERS collect in aggregate more than 1.5 percent of the statewide SERS-covered payroll for the health care surcharge. For fiscal year 2011, the actuarially determined amount was \$35,800.

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

The District's contributions for health care (including surcharge) for the fiscal years ended June 30, 2011, 2010 and 2009 were \$30,281, \$25,272 and \$60,715, respectively; 51.23 percent has been contributed for fiscal year 2011 and 100 percent for fiscal years 2010 and 2009.

The Retirement Board, acting with advice of the actuary, allocates a portion of the employer contribution to the Medicare B Fund. For fiscal year 2011, this actuarially required allocation was 0.76 percent of covered payroll. The District's contributions for Medicare Part B for the fiscal years ended June 30, 2011, 2010, and 2009 were \$7,622, \$7,511 and \$7,389, respectively; 51.23 percent has been contributed for fiscal year 2011 and 100 percent for fiscal years 2010 and 2009.

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, under "Publications" or by calling (888) 227-7877.

Funding Policy - Ohio law authorizes STRS Ohio to offer the Plan and gives the Retirement Board authority over how much, if any, of the health care costs will be absorbed by STRS Ohio. Active employee members do not contribute to the Plan. All benefit recipients pay a monthly premium. Under Ohio law, funding for post-employment health care may be deducted from employer contributions. For 2011, STRS Ohio allocated employer contributions equal to 1 percent of covered payroll to the Health Care Stabilization Fund. The District's contributions for health care for the fiscal years ended June 30, 2011, 2010 and 2009 were \$35,977, \$36,631 and \$35,608, respectively; 80.58 percent has been contributed for fiscal year 2011 and 100 percent for fiscal years 2010 and 2009.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

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 assigned or committed fund balance for that portion of outstanding encumbrances not already recognized as an account payable (GAAP basis);
- (d) Advances-in and advances-out are operating transactions (budget basis) as opposed to balance sheet transactions (GAAP basis); and,
- (e) Some funds are included in the general fund (GAAP basis), but have separate legally adopted budgets (budget 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	\$ (848,185)
Net adjustment for revenue accruals	270,581
Net adjustment for expenditure accruals	81,344
Net adjustment for other sources/uses	(84,238)
Funds budgeted elsewhere	6,168
Adjustment for encumbrances	95,655
GAAP basis	\$ (478,675)

Certain funds that are legally budgeted in separate special revenue funds are considered part of the general fund on a GAAP basis. This includes the adult education fund and public school support fund.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

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 - SET-ASIDES

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

The following cash basis information describes the change in the fiscal year-end set-aside amounts for textbooks and capital improvements. Disclosure of this information is required by State statute.

	<u>Textbooks</u>	<u>Capital Improvements</u>
Set-aside balance June 30, 2010	\$ -	\$ -
Current year set-aside requirement	142,703	142,703
Current year qualifying expenditures	(158,755)	(166,391)
Excess qualified expenditures from prior years	<u>(484,431)</u>	<u>-</u>
Total	<u>\$ (500,483)</u>	<u>\$ (23,688)</u>
Balance carried forward to fiscal year 2012	<u>\$ -</u>	<u>\$ -</u>
Set-aside balance June 30, 2011	<u>\$ -</u>	<u>\$ -</u>

The District had qualifying disbursements during the fiscal year that reduced the textbook set-aside amount to below zero. Effective July 1, 2011, the textbook set-aside is no longer required and has been removed from existing law. This negative balance is therefore not being presented as being carried forward to the future fiscal year. During fiscal year 2007, the District issued \$8,701,615 in capital related school improvement bonds. These proceeds may be used to reduce the capital improvements set-aside amount to below zero for future years. The amount presented for prior year offset from bond proceeds is limited to an amount needed to reduce the capital improvements set-aside balance to \$0. The District is responsible for tracking the amount of bond proceeds that may be used as an offset in future periods, which was \$8,506,723 at June 30, 2011.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

NOTE 16 - SET-ASIDES - (Continued)

In addition to the above statutory set-asides, the District also has \$1,153 in monies restricted for school bus purchases.

NOTE 17 - CONTRACTUAL COMMITMENTS

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

<u>Contractor</u>	<u>Contract Amount</u>	<u>Expended</u>	<u>Balance 6/30/11</u>
DiPietro Excavating	\$ 2,169,946	\$ 2,139,946	\$ 30,000
Jeffrey Carr Construction	8,753,092	8,638,622	114,470
Feinman Mechanical	3,423,373	3,360,163	63,210
Midwest Telephone Systems	1,068,884	1,060,123	8,761
Continental Furniture	449,260	-	449,260
Coleman Trucking	234,899	175,918	58,981
Eslisch Excavating	407,000	241,370	165,630
	<u>\$ 16,506,454</u>	<u>\$ 15,616,142</u>	<u>\$ 890,312</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 \$71,338 and \$233,438, 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 in the District's capital assets (See Note 8).

NOTE 18 - OTHER COMMITMENTS

The District utilizes encumbrance accounting as part of its budgetary controls. Encumbrances outstanding at year end may be reported as part of restricted, committed, or assigned classifications of fund balance. At year end, the District's commitments for encumbrances in the governmental funds were as follows:

<u>Fund</u>	<u>Year-End Encumbrances</u>
General fund	\$ 71,446
Classroom facilities	1,185,095
Other governmental	<u>73,697</u>
Total	<u>\$ 1,330,238</u>

OSNABURG LOCAL SCHOOL DISTRICT
STARK COUNTY

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

Federal Grantor/ Pass Through Grantor/ Program Title	Federal CFDA Number	Receipts	Non-Cash Receipts	Expenditures	Non-Cash Expenditures
<u>U.S. DEPARTMENT OF AGRICULTURE</u>					
<i>Passed Through Ohio Department of Education:</i>					
<i>Child Nutrition Cluster:</i>					
<i>Cash Assistance:</i>					
School Breakfast Program	10.553	\$18,027		\$18,027	
National School Lunch Program	10.555	158,333		158,333	
<i>Non-Cash Assistance (Food Distribution)</i>					
National School Lunch Program	10.555		\$26,992		\$26,992
Total Child Nutrition Cluster		<u>176,360</u>	<u>26,992</u>	<u>176,360</u>	<u>26,992</u>
Total U.S. Department of Agriculture		<u>176,360</u>	<u>26,992</u>	<u>176,360</u>	<u>26,992</u>
<u>U.S. DEPARTMENT OF EDUCATION</u>					
<i>Passed Through Ohio Department of Education:</i>					
<i>Special Education Cluster:</i>					
Special Education Grants to States	84.027	124,574		130,689	
ARRA - Special Education Grants to States	84.391	<u>57,917</u>		<u>59,800</u>	
Total Special Education Cluster		<u>182,491</u>		<u>190,489</u>	
Title I, Grants to Local Educational Agencies	84.010	106,491		107,722	
ARRA Title I, Grants to Local Educational Agencies	84.389	<u>27,143</u>		<u>29,400</u>	
Total Title I Grants		<u>133,634</u>		<u>137,122</u>	
Improving Teacher Quality State Grants	84.367	39,677		40,220	
Safe and Drug-Free Schools and Communities State Grants	84.186	0		344	
Education Technology State Grants	84.318	396		396	
ARRA State Fiscal Stabilization Fund (SFSF) Education State Grants	84.394	<u>281,986</u>		<u>286,048</u>	
Total U.S. Department of Education		<u>638,184</u>		<u>654,619</u>	
<u>U.S. DEPARTMENT OF HIGHWAY ADMINISTRATION</u>					
<i>Passed Through Ohio Department of Transportation</i>					
ARRA - Highway Planning and Construction	20.205	<u>164,776</u>		<u>164,776</u>	
Total U.S. Department of Highway Administration		<u>164,776</u>		<u>164,776</u>	
Totals		<u>\$979,320</u>	<u>\$26,992</u>	<u>\$995,755</u>	<u>\$26,992</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, 2011**

NOTE A – SIGNIFICANT ACCOUNTING POLICIES

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

NOTE B – FOOD DONATION PROGRAM

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

NOTE C – CHILD NUTRITION CLUSTER

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

NOTE D - ACCOUNTING CHANGE

The accompanying Federal Awards Receipts and Expenditure Schedule replaces the Schedule for the Osnaburg Local School District's fiscal year ended June 30, 2011, previously issued with our report dated January 24, 2012. You should rely on this report rather than on our report dated January 24, 2012. The Schedule was revised to include additional Highway Planning and Construction Program (CFDA # 20.205 and formerly reported as the ARRA- State Clean Diesel Grant Program CFDA #66.040) expenditures, which previously were omitted from the schedule.



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, 2011, which collectively comprise the District's basic financial statements and have issued our report thereon dated January 24, 2012 except for our report on the Federal Awards Receipts and Expenditures Schedule for which the date is July 10, 2012. We noted the District adopted Governmental Accounting Standards Board Statement No. 54, Fund Balance Reporting and governmental Fund Type Definitions. In addition, we also noted the District restated net assets as of July 1, 2010 due to a reappraisal of capital assets. 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 noted certain matters not requiring inclusion in this report that we reported to the District's management in a separate letter dated January 24, 2012.

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.



Dave Yost
Auditor of State

January 24, 2012, except for the report on the Federal Awards Receipts and Expenditure Schedule for which the date is July 10, 2012



Dave Yost • Auditor of State

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

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 the 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 the District's major federal programs for the year ended June 30, 2011. The summary of auditor's results section of the accompanying schedule of findings identifies the District's major federal programs. The District's management is responsible for complying with the requirements of laws, regulations, contracts, and grants applicable to each major federal program. Our responsibility is to express an opinion on the District's compliance based on our audit.

Our compliance audit followed 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*. These standards and OMB Circular A-133 require that we plan and perform the audit to reasonably assure whether noncompliance occurred with the compliance requirements referred to above that could directly and materially affect a major federal program. An audit includes examining, on a test basis, evidence about the District's compliance with these requirements and performing other procedures we considered necessary in the circumstances. We believe our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the District's compliance with these requirements.

In our opinion, 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, 2011.

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

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



Dave Yost
Auditor of State

January 24, 2012

**OSNABURG LOCAL SCHOOL DISTRICT
STARK COUNTY**

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

1. SUMMARY OF AUDITOR'S RESULTS

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

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

None.

3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS

None.

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Dave Yost • Auditor of State

Independent Accountants' Report on Applying Agreed-Upon Procedure

Osnaburg Local School District
Stark County
310 Browning CT N
Hartville, Ohio 44730-1248

To the Board of Education:

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

Accordingly, we have performed the procedure enumerated below, which was agreed to by the Board, solely to assist the Board in evaluating whether [insert name of school district] (the District [replace with School for community schools]) has updated its anti-harassment policy in accordance with Ohio Rev. Code Section 3313.666. Management is responsible for complying with this requirement. This agreed-upon procedure engagement was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants. The sufficiency of this procedure is solely the responsibility of the Board. Consequently; we make no representation regarding the sufficiency of the procedure described below either for the purpose for which this report has been requested or for any other purpose.

1. We noted the Board amended its anti-harassment policy at its meeting on December 20, 2010 to include violence within a dating relationship within its definition of harassment, intimidation or bullying. Ohio Rev. Code Section 3313.666 required the Board to amend its definition by September 28, 2010.

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

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

A handwritten signature in black ink that reads "Dave Yost".

Dave Yost
Auditor of State

January 24, 2012

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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
AUGUST 9, 2012