



Dave Yost • Auditor of State



**OSNABURG LOCAL SCHOOL DISTRICT  
STARK COUNTY**

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# Dave Yost • Auditor of State

## INDEPENDENT ACCOUNTANTS' REPORT

Osnaburg Local School District  
Stark County  
310 Browning Ct.  
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 the Osnaburg Local School District, Stark County, Ohio (the District), as of and for the year ended June 30, 2012, 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.

Ohio Administrative Code § 117-2-03 (B) requires the District to prepare its annual financial report in accordance with accounting principles generally accepted in the United States of America. However, as discussed in Note 2, the accompanying financial statements and notes follow the cash accounting basis. This is a comprehensive accounting basis other than generally accepted accounting principles. The accompanying financial statements and notes omit assets, liabilities, fund equities, and disclosures that, while material, we cannot determine at this time.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective cash 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, 2012, and the respective changes in cash financial position, thereof and the budgetary comparison for the General thereof for the year then ended in conformity with the accounting basis Note 2 describes.

As noted in Note 3, the District changed from a basis of accounting that follows generally accepted accounting principles (GAAP-basis) to the cash basis of accounting, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated October 2, 2012, on our consideration of the District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. While we did not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting and compliance and the results of that testing. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*. You should read it in conjunction with this report in assessing the results of our audit.

We conducted our audit to opine on the District's financial statements taken as a whole. Management's Discussion & Analysis includes tables of net assets, changes in net assets, governmental activities and long-term debt. The federal awards receipts and expenditure schedule (the Schedule) is required by the U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. These tables and the Schedule provide additional information, but are not part of the basic financial statements. However these tables and the Schedule are management's responsibility, and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. These tables and the schedule were 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. Other than the aforementioned procedures applied to the tables, we applied no procedures to any other information in Management's Discussion & Analysis, and we express no opinion or any other assurance on it.



**Dave Yost**  
Auditor of State

October 2, 2012

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2012**

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, 2012, within the limitations of the District's cash basis of accounting. The intent of this discussion and analysis is to look at the District's financial performance as a whole; readers should also review the cash basis financial statements and the notes to the financial statements to enhance their understanding of the District's financial performance.

**Financial Highlights**

Key financial highlights for fiscal year 2012 are as follows:

- The total net cash assets of the District decreased \$2,082,254 or 33.34% from fiscal year 2011, as restated. This significant decrease was expected as a result of disbursements for the District's construction project.
- General cash receipts accounted for \$7,017,527, or 73.47% of all governmental activities cash receipts. Program specific cash receipts in the form of charges for services and sales, grants and contributions accounted for \$2,533,427 or 26.53% of total governmental activities cash receipts of \$9,550,954.
- The District had \$11,633,208 in cash disbursements related to governmental activities; \$2,533,427 of these cash disbursements were offset by program specific charges for services, grants or contributions. General cash receipts supporting governmental activities (primarily taxes and unrestricted grants and entitlements) of \$7,017,527 were not adequate to provide for these programs.
- The District's major governmental funds are the general fund and classroom facilities fund. The general fund had \$7,463,221 in cash receipts and other financing sources and \$7,862,774 in cash disbursements and other financing uses. During fiscal year 2012, the general fund cash balance decreased \$399,553 from \$2,417,639 to \$2,018,086.
- The classroom facilities fund had \$135,086 in cash receipts and \$1,884,769 in cash disbursements. During fiscal year 2012, the classroom facilities fund cash balance decreased \$1,749,683 from \$2,861,970 to \$1,112,287.

**Using the Cash Basis Basic Financial Statements (BFS)**

This annual report is presented in a format consistent with the presentation requirements of the Governmental Accounting Standards Board (GASB) Statement No. 34, as applicable to the District's cash basis of accounting.

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

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2012**

**Reporting the District as a Whole**

*Statement of Net Assets and the Statement of Activities*

The Statement of Net Assets - Cash Basis and the Statement of Activities - Cash Basis answer the question, "How did we do financially during fiscal year 2012?" These statements include only net assets using the cash basis of accounting, which is a basis of accounting other than accounting principles generally accepted in the United States of America. This basis of accounting takes into account only the current year's receipts and disbursements if the cash is actually received or paid.

These two statements report the District's net cash assets and changes in those assets on a cash basis. This change in net cash assets is important because it tells the reader that, for the District as a whole, the cash basis 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, mandated federal and state programs and other factors.

As a result of the use of the cash basis of accounting, certain assets and their related revenues (such as accounts receivable and revenue for billed or provided services not collected) and liabilities and their related expenses (such as accounts payable and expenses for goods or services received but not yet paid, and accrued expenses and liabilities) are not recorded in these financial statements. Therefore, when reviewing the financial information and discussion within this annual report, the reader should keep in mind the limitations resulting from the use of the cash basis of accounting.

In the Statement of Net Assets - Cash Basis and the Statement of Activities - Cash Basis, 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 - Cash Basis and Statement of Activities - Cash Basis can be found on pages 13-14 of this report.

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

*Fund Financial Statements*

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

*Governmental Funds*

Most of the District's activities are reported in governmental funds, which focus on how money flows into and out of those funds and the balances left at year-end available for spending in future periods. These funds are reported using the cash basis of accounting, which is a basis of accounting other than accounting principles generally accepted in the United States of America. The governmental fund statements provide a detailed 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 cash basis financial resources that can be readily spent to finance various District programs.



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

MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

Since the District is reporting on the cash basis of accounting, there are no differences in the net cash assets and fund cash balances or changes in net cash assets and changes in fund cash balances. Therefore, no reconciliation is necessary between such financial statements. The governmental fund statements can be found on pages 15-17 of this report.

***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 - Cash Basis and Changes in Fiduciary Net Assets - Cash Basis on pages 18 and 19. 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 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 21-43 of this report.

**The District as a Whole**

Recall that the Statement of Net Assets - Cash Basis provides the perspective of the District as a whole.

The table below provides a summary of the District's net cash assets at June 30, 2012 and 2011, as restated.

	<b>Net Cash Assets</b>	
	Governmental Activities <u>2012</u>	Restated Governmental Activities <u>2011</u>
<b><u>Assets</u></b>		
Equity in pooled cash and cash equivalents	\$ 4,158,378	\$ 6,016,754
Cash with escrow agent	<u>4,780</u>	<u>228,658</u>
Total assets	<u>4,163,158</u>	<u>6,245,412</u>
<b><u>Net cash assets</u></b>		
Restricted	1,999,290	3,828,926
Unrestricted	<u>2,163,868</u>	<u>2,416,486</u>
Total net cash assets	<u>\$ 4,163,158</u>	<u>\$ 6,245,412</u>

At June 30, 2012, the District's net cash assets were \$4,163,158. A portion of this amount, \$1,999,290, represents resources that are subject to external restriction on how they may be used. The remaining balance of unrestricted net cash assets of \$2,163,868 may be used to meet the District's ongoing obligations to the students and creditors.

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2012**

The table below shows the change in net cash assets for fiscal years 2012 and 2011.

	<b>Change in Net Cash Assets</b>	
	Governmental Activities <u>2012</u>	Restated Governmental Activities <u>2011</u>
<b><u>Cash Receipts</u></b>		
Program cash receipts:		
Charges for services and sales	\$ 1,272,752	\$ 934,670
Operating grants and contributions	1,260,675	1,402,374
General cash receipts:		
Property taxes	2,785,153	2,736,830
Grants and entitlements	4,112,715	5,319,467
Investment earnings	15,048	113,993
Other	<u>104,611</u>	<u>91,589</u>
Total cash receipts	<u>9,550,954</u>	<u>10,598,923</u>
<b><u>Cash disbursements:</u></b>		
Current:		
Instruction:		
Regular	\$ 3,166,630	\$ 3,532,994
Special	793,233	742,637
Vocational	207,174	193,953
Other	803,832	819,630
Support services:		
Pupil	429,031	336,959
Instructional staff	188,696	350,617
Board of education	39,427	30,198
Administration	731,509	680,783
Fiscal	283,928	280,960
Business	6,359	12,531
Operations and maintenance	805,366	938,400
Pupil transportation	655,194	540,394
Central	23,379	151,322
Food service operations	316,857	322,625
Other non-instructional services	28,967	25,040
Extracurricular activities	478,148	437,484
Facilities acquisition and construction	2,119,322	1,896,610
Debt service:		
Principal retirement	235,000	225,000
Interest and fiscal charges	<u>321,156</u>	<u>330,356</u>
Total cash disbursements	<u>11,633,208</u>	<u>11,848,493</u>
Change in net cash assets	(2,082,254)	(1,249,570)
Net cash assets at beginning of year (restated)	<u>6,245,412</u>	<u>7,494,982</u>
Net cash assets at end of year	<u>\$ 4,163,158</u>	<u>\$ 6,245,412</u>

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2012**

**Governmental Activities**

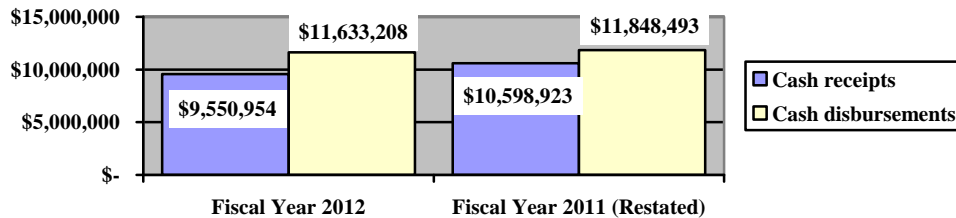
Net cash assets of the District's governmental activities decreased \$2,082,254. Total governmental cash disbursements of \$11,633,208 were offset by program cash receipts of \$2,533,427 and general cash receipts of \$7,017,527. Program cash receipts supported 21.78% of the total governmental disbursements.

The primary sources of receipts for governmental activities are derived from property taxes and unrestricted grants and entitlements. These sources represent 70.84% of total governmental cash receipts.

The largest cash disbursement of the District is for instructional programs. Instruction disbursements totaled \$4,970,869 or 42.73% of total governmental disbursements for fiscal year 2012.

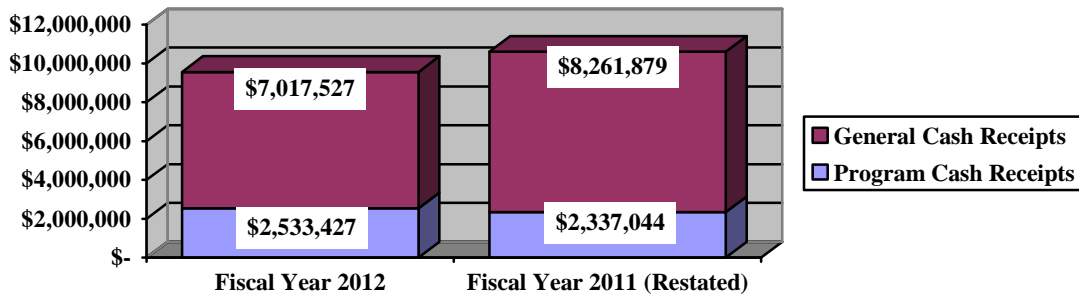
The graph below presents the District's cash receipts and cash disbursements for fiscal years 2012 and 2011.

**Governmental Activities - Cash Receipts and Cash Disbursements**



The graph below presents the District's governmental activities cash receipts for the fiscal years 2012 and 2011.

**Governmental Activities - General and Program Cash Receipts**



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

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2012**

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 receipts and unrestricted State grants and entitlements.

**Governmental Activities**

	Total Cost of Services <u>2012</u>	Net Cost of Services <u>2012</u>	Restated Total Cost of Services <u>2011</u>	Restated Net Cost of Services <u>2011</u>
<b>Program cash disbursements</b>				
Instruction:				
Regular	\$ 3,166,630	\$ 2,325,443	\$ 3,532,994	\$ 2,946,934
Special	793,233	112,361	742,637	99,129
Vocational	207,174	207,174	193,953	42,847
Other	803,832	803,832	819,630	809,155
Support services:				
Pupil	429,031	381,905	336,959	303,441
Instructional staff	188,696	183,873	350,617	269,355
Board of education	39,427	39,427	30,198	30,198
Administration	731,509	703,941	680,783	531,105
Fiscal	283,928	283,928	280,960	280,960
Business	6,359	6,359	12,531	12,531
Operations and maintenance	805,366	482,014	938,400	918,426
Pupil transportation	655,194	618,442	540,394	444,724
Central	23,379	13,936	151,322	127,943
Food service operations	316,857	(55,146)	322,625	(37,577)
Other non-instructional services	28,967	27,150	25,040	23,075
Extracurricular activities	478,148	289,664	437,484	257,237
Facilities acquisition and construction	2,119,322	2,119,322	1,896,610	1,896,610
Debt service:				
Principal retirement	235,000	235,000	225,000	225,000
Interest and fiscal charges	321,156	321,156	330,356	330,356
<b>Total cash disbursements</b>	<b><u>\$ 11,633,208</u></b>	<b><u>\$ 9,099,781</u></b>	<b><u>\$ 11,848,493</u></b>	<b><u>\$ 9,511,449</u></b>

The dependence upon general cash receipts for governmental activities is apparent; with 78.22% and 80.28% of cash disbursements supported through taxes and other general cash receipts during fiscal years 2012 and 2011, respectively.

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

MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

**The District's Funds**

The District's governmental funds reported a combined fund cash balance of \$4,163,158, which is \$2,082,254 below last year's restated total of \$6,245,412. The schedule below indicates the fund cash balance and the total change in fund cash balance as of June 30, 2012 and June 30, 2011, for all major and nonmajor governmental funds.

	Fund Cash Balance <u>June 30, 2012</u>	Restated Fund Cash Balance <u>June 30, 2011</u>	Increase <u>(Decrease)</u>	Percentage <u>Change</u>
General	\$ 2,018,086	\$ 2,417,639	\$ (399,553)	(16.53) %
Classroom facilities	1,112,287	2,861,970	(1,749,683)	(61.14) %
Other governmental	<u>1,032,785</u>	<u>965,803</u>	<u>66,982</u>	6.94 %
Total	<u>\$ 4,163,158</u>	<u>\$ 6,245,412</u>	<u>\$ (2,082,254)</u>	(33.34) %

**General Fund**

For the general fund, cash receipts increased and cash disbursements decreased slightly from the prior year. Cash disbursements exceeded cash receipts, however, and the general fund cash balance decreased \$399,553.

The table that follows assists in illustrating the cash receipts and disbursements of the general fund.

	2012 <u>Amount</u>	Restated 2011 <u>Amount</u>	Increase <u>(Decrease)</u>	Percentage <u>Change</u>
<b><u>Cash Receipts</u></b>				
Taxes	\$ 2,218,676	\$ 2,155,533	\$ 63,143	2.93 %
Earnings on investments	11,282	38,090	(26,808)	(70.38) %
Intergovernmental	4,177,247	4,204,277	(27,030)	(0.64) %
Other revenues	<u>1,018,294</u>	<u>674,964</u>	<u>343,330</u>	50.87 %
Total	<u>\$ 7,425,499</u>	<u>\$ 7,072,864</u>	<u>\$ 352,635</u>	4.99 %
<b><u>Cash Disbursements</u></b>				
Instruction	\$ 4,403,538	\$ 4,797,222	\$ (393,684)	(8.21) %
Support services	2,788,093	2,793,963	(5,870)	(0.21) %
Non-instructional services	27,367	23,220	4,147	17.86 %
Extracurricular activities	338,506	304,884	33,622	11.03 %
Facilities acquisition and construction	<u>5,760</u>	<u>16,247</u>	<u>(10,487)</u>	(64.55) %
Total	<u>\$ 7,563,264</u>	<u>\$ 7,935,536</u>	<u>\$ (372,272)</u>	(4.69) %

The biggest change in the District's cash receipts was an increase in other revenues of \$343,330 or 50.87%. This was mostly due to rental receipts for a new lease agreement the District entered into during fiscal year 2012. A decrease in cash disbursements for instruction services led to decreased general fund cash disbursements. A significant cause of this decrease was disbursements for health insurance premiums which decreased as the District was allowed to take a premium holiday for two months during fiscal year 2012.

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

MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

***Classroom Facilities Fund***

The classroom facilities fund had \$135,086 in cash receipts and \$1,884,769 in cash disbursements. During fiscal year 2012, the classroom facilities fund cash balance decreased \$1,749,683 from \$2,861,970 to \$1,112,287.

***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, final budgetary basis receipts and other financing sources were \$480,281 above original budget estimates of \$6,950,149. The actual budgetary basis receipts and other financing sources of \$7,417,752 were less than final budget estimates by \$12,678. Both the original and final budgetary basis disbursements and other financing uses were \$8,241,782. The actual budgetary basis disbursements and other financing uses of \$7,888,120 were \$353,662 less than the final budget estimates.

**Capital Assets and Debt Administration**

***Capital Assets***

The District does not record capital assets in the accompanying cash basis basic financial statements, but records payments for capital assets as disbursements. The District had facilities acquisition and construction disbursements of \$2,119,322 during fiscal year 2012.

***Debt Administration***

At June 30, 2012, the District had \$8,271,881 in general obligation bonds outstanding. Of this total, \$245,000 is due within one year and \$8,026,881 is due in more than one year.

**Outstanding Debt, at Year End**

	Governmental Activities <u>2012</u>	Governmental Activities <u>2011</u>
General obligation bonds	\$ <u>8,271,881</u>	\$ <u>8,432,430</u>
Total	\$ <u><u>8,271,881</u></u>	\$ <u><u>8,432,430</u></u>

See Note 7 to the basic financial statements for additional information.

**Current Financial Related Activities**

For the fourth year in a row the Osnaburg Local School District is rated "EXCELLENT" by the state of Ohio. All of our buildings met every benchmark for an excellent rating. During this school year, we did achieve the federal benchmark of "Adequate Yearly Progress" at the high school but not at the elementary or middle school. 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.

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2012**

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, and again in 2011-12 taking effect in 2012-13. Our certified staff also renegotiated its current contract in 2011 accepting to freeze all wages for two years. This savings will help to alleviate some of our financial concerns.

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.

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 a new tax levy in the near future.

**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, Osnauburg Local School District, 310 Browning Ct., East Canton, Ohio 44730.

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

STATEMENT OF NET ASSETS - CASH BASIS  
JUNE 30, 2012

	<b>Governmental Activities</b>
<b>Assets:</b>	
Equity in pooled cash and cash equivalents . . .	\$ 4,158,378
Cash with escrow agent. . . . .	4,780
 Total assets. . . . .	 4,163,158
 <b>Net cash assets:</b>	
Restricted for:	
Capital projects . . . . .	1,142,815
Debt service. . . . .	325,373
Classroom facilities maintenance . . . . .	209,732
Locally funded programs . . . . .	2,294
State funded programs. . . . .	25,235
Federally funded programs . . . . .	106,812
Student activities . . . . .	50,767
Other purposes . . . . .	136,262
Unrestricted . . . . .	2,163,868
 Total net cash assets . . . . .	 \$ 4,163,158

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

STATEMENT OF ACTIVITIES - CASH BASIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

	Cash Disbursements	Program Cash Receipts		Net (Disbursements) Receipts and Changes in Net Cash Assets Governmental Activities
		Charges for Services and Sales	Operating Grants and Contributions	
<b>Governmental activities:</b>				
Instruction:				
Regular . . . . .	\$ 3,166,630	\$ 588,249	\$ 252,938	\$ (2,325,443)
Special . . . . .	793,233	9,596	671,276	(112,361)
Vocational . . . . .	207,174	-	-	(207,174)
Other . . . . .	803,832	-	-	(803,832)
Support services:				
Pupil . . . . .	429,031	-	47,126	(381,905)
Instructional staff . . . . .	188,696	-	4,823	(183,873)
Board of education . . . . .	39,427	-	-	(39,427)
Administration. . . . .	731,509	-	27,568	(703,941)
Fiscal. . . . .	283,928	-	-	(283,928)
Business. . . . .	6,359	-	-	(6,359)
Operations and maintenance . . . . .	805,366	299,510	23,842	(482,014)
Pupil transportation. . . . .	655,194	-	36,752	(618,442)
Central . . . . .	23,379	-	9,443	(13,936)
Operation of non-instructional services:				
Food service operations . . . . .	316,857	186,913	185,090	55,146
Other non-instructional services . . . . .	28,967	-	1,817	(27,150)
Extracurricular activities . . . . .	478,148	188,484	-	(289,664)
Facilities acquisition and construction . . . . .	2,119,322	-	-	(2,119,322)
Debt service:				
Principal retirement . . . . .	235,000	-	-	(235,000)
Interest and fiscal charges. . . . .	321,156	-	-	(321,156)
<b>Totals . . . . .</b>	<b>\$ 11,633,208</b>	<b>\$ 1,272,752</b>	<b>\$ 1,260,675</b>	<b>(9,099,781)</b>
<b>General cash receipts:</b>				
Property taxes levied for:				
General purposes . . . . .				2,218,676
Classroom facilities maintenance . . . . .				40,895
Debt service . . . . .				525,582
Grants and entitlements not restricted to specific programs. . . . .				
				3,980,841
Grants and entitlements restricted for				
Ohio School Facilities Commission. . . . .				131,874
Investment earnings . . . . .				15,048
Miscellaneous . . . . .				104,611
Total general revenues. . . . .				7,017,527
Change in net cash assets. . . . .				(2,082,254)
<b>Net cash assets at beginning of year (restated).</b>				<b>6,245,412</b>
<b>Net cash assets at end of year. . . . .</b>				<b>\$ 4,163,158</b>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

STATEMENT OF ASSETS AND FUND BALANCES - CASH BASIS  
GOVERNMENTAL FUNDS  
JUNE 30, 2012

	<b>General</b>	<b>Classroom Facilities</b>	<b>Other Governmental Funds</b>	<b>Total Governmental Funds</b>
<b>Assets:</b>				
Equity in pooled cash and cash equivalents . . . . .	\$ 2,018,086	\$ 1,107,507	\$ 1,032,785	\$ 4,158,378
Cash with escrow agent . . . . .	-	4,780	-	4,780
Total assets. . . . .	\$ 2,018,086	\$ 1,112,287	\$ 1,032,785	\$ 4,163,158
<b>Fund cash balances:</b>				
Restricted:				
Debt service . . . . .	\$ -	\$ -	\$ 325,373	\$ 325,373
Capital improvements . . . . .	-	1,112,287	30,528	1,142,815
Classroom facilities maintenance . . . . .	-	-	209,732	209,732
Food service operations . . . . .	-	-	136,262	136,262
Public school preschool . . . . .	-	-	25,235	25,235
Special education . . . . .	-	-	30,161	30,161
Targeted academic assistance . . . . .	-	-	41,923	41,923
Student activities. . . . .	-	-	50,767	50,767
Other purposes. . . . .	-	-	37,022	37,022
Committed:				
Capital improvements . . . . .	-	-	145,782	145,782
Assigned:				
Student instruction . . . . .	29,816	-	-	29,816
Student and staff support. . . . .	95,042	-	-	95,042
Subsequent year appropriations . . . . .	1,530,358	-	-	1,530,358
Other purposes . . . . .	1,983	-	-	1,983
Unassigned . . . . .	360,887	-	-	360,887
Total fund cash balances. . . . .	\$ 2,018,086	\$ 1,112,287	\$ 1,032,785	\$ 4,163,158

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

STATEMENT OF CASH RECEIPTS, DISBURSEMENTS  
AND CHANGES IN FUND BALANCES - CASH BASIS  
GOVERNMENTAL FUNDS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

	<u>General</u>	<u>Classroom Facilities</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
<b>Cash receipts:</b>				
From local sources:				
Taxes . . . . .	\$ 2,218,676	\$ -	\$ 566,477	\$ 2,785,153
Tuition. . . . .	531,624	-	-	531,624
Charges for services . . . . .	-	-	186,913	186,913
Earnings on investments . . . . .	11,282	3,212	1,031	15,525
Extracurricular. . . . .	53,944	-	134,540	188,484
Classroom materials and fees . . . . .	40,435	-	-	40,435
Other local revenues . . . . .	392,291	-	250	392,541
Intergovernmental - state . . . . .	4,164,460	131,874	238,579	4,534,913
Intergovernmental - federal . . . . .	12,787	-	825,213	838,000
Total cash receipts . . . . .	<u>7,425,499</u>	<u>135,086</u>	<u>1,953,003</u>	<u>9,513,588</u>
<b>Cash disbursements:</b>				
Current:				
Instruction:				
Regular. . . . .	2,952,996	-	213,634	3,166,630
Special . . . . .	458,909	-	334,324	793,233
Vocational . . . . .	187,801	-	19,373	207,174
Other . . . . .	803,832	-	-	803,832
Support services:				
Pupil . . . . .	387,403	-	41,628	429,031
Instructional staff . . . . .	180,601	-	8,095	188,696
Board of education . . . . .	39,427	-	-	39,427
Administration . . . . .	698,073	-	33,436	731,509
Fiscal . . . . .	272,781	-	11,147	283,928
Business. . . . .	6,359	-	-	6,359
Operations and maintenance . . . . .	698,329	9,964	97,073	805,366
Pupil transportation . . . . .	490,702	-	164,492	655,194
Central . . . . .	14,418	-	8,961	23,379
Operation of non-instructional services:				
Food service operations . . . . .	-	-	316,857	316,857
Other non-instructional services . . . . .	27,367	-	1,600	28,967
Extracurricular activities . . . . .	338,506	-	139,642	478,148
Facilities acquisition and construction . . . . .	5,760	1,874,805	238,757	2,119,322
Debt service:				
Principal retirement. . . . .	-	-	235,000	235,000
Interest and fiscal charges . . . . .	-	-	321,156	321,156
Total cash disbursements . . . . .	<u>7,563,264</u>	<u>1,884,769</u>	<u>2,185,175</u>	<u>11,633,208</u>
Excess of cash disbursements over cash receipts . . . . .	<u>(137,765)</u>	<u>(1,749,683)</u>	<u>(232,172)</u>	<u>(2,119,620)</u>
<b>Other financing sources (uses):</b>				
Sale of capital assets . . . . .	37,366	-	-	37,366
Transfers in . . . . .	-	-	299,510	299,510
Transfers (out). . . . .	(299,510)	-	-	(299,510)
Advances in . . . . .	356	-	-	356
Advances (out) . . . . .	-	-	(356)	(356)
Total other financing sources (uses). . . . .	<u>(261,788)</u>	<u>-</u>	<u>299,154</u>	<u>37,366</u>
Net change in fund cash balances . . . . .	<u>(399,553)</u>	<u>(1,749,683)</u>	<u>66,982</u>	<u>(2,082,254)</u>
<b>Fund cash balances at beginning of year (restated). . . . .</b>	<u>2,417,639</u>	<u>2,861,970</u>	<u>965,803</u>	<u>6,245,412</u>
<b>Fund cash balances at end of year. . . . .</b>	<u>\$ 2,018,086</u>	<u>\$ 1,112,287</u>	<u>\$ 1,032,785</u>	<u>\$ 4,163,158</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

STATEMENT OF CASH RECEIPTS, DISBURSEMENTS AND CHANGES IN FUND BALANCE  
BUDGET AND ACTUAL - BUDGETARY BASIS  
GENERAL FUND  
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
<b>Budgetary basis receipts:</b>				
From local sources:				
Taxes . . . . .	\$ 2,076,630	\$ 2,220,133	\$ 2,218,676	\$ (1,457)
Tuition. . . . .	489,382	523,200	531,624	8,424
Earnings on investments . . . . .	-	11,200	11,282	82
Extracurricular. . . . .	-	-	350	350
Other local revenues . . . . .	408,015	425,010	432,726	7,716
Intergovernmental - state . . . . .	3,925,185	4,196,431	4,164,460	(31,971)
Intergovernmental - federal . . . . .	9,354	10,000	12,787	2,787
Total budgetary basis receipts. . . . .	<u>6,908,566</u>	<u>7,385,974</u>	<u>7,371,905</u>	<u>(14,069)</u>
<b>Budgetary basis disbursements:</b>				
Current:				
Instruction:				
Regular . . . . .	3,041,547	3,041,547	2,962,269	79,278
Special. . . . .	470,100	470,100	458,909	11,191
Vocational. . . . .	189,925	189,925	187,801	2,124
Other. . . . .	870,823	870,823	832,499	38,324
Support services:				
Pupil. . . . .	412,313	412,313	396,605	15,708
Instructional staff . . . . .	223,719	223,719	181,824	41,895
Board of education . . . . .	49,585	49,585	39,427	10,158
Administration. . . . .	727,700	727,700	698,073	29,627
Fiscal . . . . .	301,404	301,404	292,881	8,523
Business . . . . .	7,000	7,000	6,359	641
Operations and maintenance. . . . .	776,237	776,237	713,679	62,558
Pupil transportation . . . . .	532,968	532,968	496,675	36,293
Central. . . . .	22,100	22,100	14,418	7,682
Operation of non-instructional services . . . . .	28,356	28,356	27,367	989
Extracurricular activities. . . . .	278,490	278,490	274,064	4,426
Facilities acquisition and construction . . . . .	10,005	10,005	5,760	4,245
Total budgetary basis disbursements . . . . .	<u>7,942,272</u>	<u>7,942,272</u>	<u>7,588,610</u>	<u>353,662</u>
Excess of budgetary basis disbursements over budgetary basis receipts. . . . .	<u>(1,033,706)</u>	<u>(556,298)</u>	<u>(216,705)</u>	<u>339,593</u>
<b>Other financing sources (uses):</b>				
Refund of prior year's expenditures . . . . .	7,670	8,200	8,126	(74)
Sale of capital assets . . . . .	33,580	35,900	37,365	1,465
Transfers (out). . . . .	(299,510)	(299,510)	(299,510)	-
Advances in. . . . .	333	356	356	-
Total other financing sources (uses) . . . . .	<u>(257,927)</u>	<u>(255,054)</u>	<u>(253,663)</u>	<u>1,391</u>
Net change in fund cash balance . . . . .	(1,291,633)	(811,352)	(470,368)	340,984
<b>Fund cash balance at beginning of year. . . . .</b>	<b>2,265,958</b>	<b>2,265,958</b>	<b>2,265,958</b>	<b>-</b>
<b>Prior year encumbrances appropriated . . . . .</b>	<b>95,655</b>	<b>95,655</b>	<b>95,655</b>	<b>-</b>
<b>Fund cash balance at end of year . . . . .</b>	<b><u>\$ 1,069,980</u></b>	<b><u>\$ 1,550,261</u></b>	<b><u>\$ 1,891,245</u></b>	<b><u>\$ 340,984</u></b>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

STATEMENT OF FIDUCIARY NET ASSETS - CASH BASIS  
FIDUCIARY FUNDS  
JUNE 30, 2012

	<u>Private Purpose Trust</u>	
	<u>Scholarships</u>	<u>Agency</u>
<b>Assets:</b>		
Equity in pooled cash and cash equivalents . . . . .	\$ 115,443	\$ 48,651
Total assets. . . . .	<u>\$ 115,443</u>	<u>\$ 48,651</u>
<b>Net cash assets:</b>		
Held in trust for scholarships. . . . .	\$ 115,443	\$ -
Held for students . . . . .	<u>-</u>	<u>48,651</u>
Total net cash assets . . . . .	<u>\$ 115,443</u>	<u>\$ 48,651</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS - CASH BASIS  
FIDUCIARY FUNDS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

	<b>Private Purpose Trust</b>
	<b>Scholarships</b>
<b>Additions:</b>	
Interest. . . . .	\$ 472
Gifts and contributions . . . . .	20,000
Total additions. . . . .	20,472
<b>Deductions:</b>	
Scholarships awarded . . . . .	15,321
Change in net cash assets. . . . .	5,151
<b>Net cash assets at beginning of year . . . . .</b>	<b>110,292</b>
<b>Net cash assets at end of year . . . . .</b>	<b>\$ 115,443</b>

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, 2012**

**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. It is staffed by 45 non-certified employees and 61 certified employees who provide services to 891 students and other community members. The District operates one K-12 school building.

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

As discussed in Note 2.B., these financial statements are presented on the cash basis of accounting. The cash basis of accounting differs from accounting principles generally accepted in the United States of America (GAAP). GAAP includes all relevant Governmental Accounting Standards Board (GASB) pronouncements. In cases where these cash basis statements contain items that are the same as, or similar to, those items in financial statements prepared in conformity with GAAP, similar informative disclosures are provided.

**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.

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

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

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

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

*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. Basis of Accounting**

Although required by Ohio Administrative Code § 117-2-03(B) to prepare its annual financial report in accordance with GAAP, the District chooses to prepare its financial statements and notes on the cash basis of accounting. The cash basis of accounting is a comprehensive basis of accounting other than GAAP. Receipts are recognized when received in cash rather than when earned, and disbursements are recognized when paid rather than when a liability is incurred.

Budgetary presentations report budgetary cash disbursements when a commitment is made (i.e. when an encumbrance is approved). The difference between disbursements reported in the fund and entity wide statements and disbursements reported in the budgetary statements are due to current year encumbrances being added to disbursements reported on the budgetary statements.

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

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

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

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

**C. 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*

The District classifies funds financed primarily from taxes, intergovernmental receipts (e.g. grants) and other non-exchange transactions as governmental funds. 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.

*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, (b) specific revenue sources that are restricted or committed to an expenditure for specified purposes other than debt service or capital projects and (c) financial resources that are restricted, committed, or assigned to expenditure for principal and interest.

*FIDUCIARY FUNDS*

Fiduciary fund reporting focuses on net cash assets and changes in net cash 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 cash 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 and do not involve measurement of results of operations. The District's agency fund accounts for student activities.

**D. Basis of Presentation**

*Government-wide Financial Statements* - The Statement of Net Assets - Cash Basis and the Statement of Activities - Cash Basis display information about the District as a whole. These statements include the financial activities of the primary government, except for fiduciary funds.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

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

The government-wide statement of activities compares disbursements with program receipts for each function or program of the District's governmental activities. These disbursements are those that are specifically associated with a service, program or department and are therefore clearly identifiable to a particular function. Program receipts include charges paid by the recipient of the 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. Receipts which are not classified as program receipts are presented as general receipts of the District. The comparison of direct disbursements with program receipts identifies the extent to which each business segment or governmental function is self-financing on the cash basis or draws from the general receipts of the District.

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.

**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 2012 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 15<sup>th</sup> and the filing by January 20<sup>th</sup>. The Budget Commission now requires an alternate tax budget be submitted by January 20<sup>th</sup>, 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 2012.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

**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, 2012. 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 2012, 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 2012. 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, 2012.

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 2012 amounted to \$11,282, which includes \$2,958 assigned from other funds.

**OSNABURG LOCAL SCHOOL DISTRICT  
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NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

**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. Capital Assets**

Acquisition of property, plant, and equipment purchased are recorded as disbursements when paid. These items are not reflected as assets on the accompanying financial statements under the cash basis of accounting. Depreciation has not been reported for any capital assets.

**H. Unpaid Vacation and Sick Leave**

Employees are entitled to cash payments for unused vacation and sick leave in certain circumstances, such as upon leaving employment. Unpaid vacation and sick leave are not reflected as liabilities under the cash basis of accounting.

**I. Long-Term Obligations**

Bonds and other long-term obligations are not recognized as a liability in the financial statements under the cash basis of accounting. These statements report proceeds of debt when cash is received, and debt service disbursements for debt principal payments.

**J. Fund Cash Balance**

Fund cash 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.

**OSNABURG LOCAL SCHOOL DISTRICT  
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NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

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

*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 disbursements 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 disbursements are incurred for purposes for which amounts in any of the unrestricted fund balance classifications could be used.

**K. Net Cash Assets**

Net cash assets are reported as restricted when enabling legislation or creditors, grantors or laws or regulations of other governments have imposed limitations on its use. The District first applies restricted resources when a disbursement is incurred for purposes for which both restricted and unrestricted net cash assets are available. The District did not have any assets restricted by enabling legislation at June 30, 2012.

**L. 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. The District did not have any restricted assets at June 30, 2012.

**M. Interfund Activity**

Exchange transactions between funds are reported as receipts in the seller funds and as disbursements in the purchaser funds. Flows of cash or goods from one fund to another without a requirement for repayment are reported as interfund transfers in governmental funds. Repayments from funds responsible for particular disbursements to the funds that initially paid for them are not presented on the basic financial statements. Interfund advances and transfers are eliminated in the Statement of Activities - Cash Basis.

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NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

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

**N. 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 2012, 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.

**O. 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 2012.

**NOTE 3 - ACCOUNTABILITY AND COMPLIANCE**

**A. Change in Accounting Principles**

For fiscal year 2012, the District has implemented GASB Statement No. 57, "OPEB Measurements by Agent Employers and Agent Multiple-Employer Plans", and GASB Statement No. 64, "Derivative Instruments: Application of Hedge Accounting Termination Provisions - an Amendment of GASB Statement No. 53".

GASB Statement No. 57 addresses issues related to the use of the alternative measurement method and the frequency and timing of measurements by employers that participate in agent multiple-employer other postemployment benefit (OPEB) plans. The implementation of GASB Statement No. 57 did not have an effect on the financial statements of the District.

GASB Statement No. 64 clarifies the circumstances in which a hedge accounting should continue when a swap counterparty, or a swap counterparty's credit support provider, is replaced. The implementation of GASB Statement No. 64 did not have an effect on the financial statements of the District.

**B. Change in Basis of Accounting and Restatement of Prior Year Fund Balances and Net Assets**

Ohio Administrative Code, Section 117-2-03(B), requires that the District prepare its annual financial report in accordance with generally accepted accounting principles. For the fiscal year ending June 30, 2012, the District changed from a basis of accounting that follows generally accepted accounting principles (GAAP-basis) to the cash basis of accounting (See Note 2.B), which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. The District has elected to present the cash-basis financial statements in a format consistent with GASB Statement No. 34. Fund balances and net assets at June 30, 2011 have been restated to account for the change in accounting principle, which effectively eliminated balance sheet accruals.



**OSNABURG LOCAL SCHOOL DISTRICT  
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NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

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

The transition from a GAAP-basis to the cash-basis of accounting had the following effect on fund balances at June 30, 2011:

	Governmental Funds			
	General	Classroom Facilities	Other Governmental	Total Governmental
Fund balance at June 30, 2011	\$ 1,779,374	\$ 2,579,256	\$ 982,393	\$ 5,341,023
Restatement due to change in reporting basis adjustments	<u>638,265</u>	<u>282,714</u>	<u>(16,590)</u>	<u>904,389</u>
Restated fund cash balance at June 30, 2011	<u>\$ 2,417,639</u>	<u>\$ 2,861,970</u>	<u>\$ 965,803</u>	<u>\$ 6,245,412</u>

The transition from a GAAP-basis to the cash-basis of accounting had the following effect on net assets at June 30, 2011:

	Governmental Activities
Net assets at June 30, 2011	\$ 22,846,592
Restatement due to change in reporting basis adjustments	<u>(16,601,180)</u>
Restated net cash assets at June 30, 2011	<u>\$ 6,245,412</u>

**NOTE 4 - DEPOSITS AND INVESTMENTS**

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

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

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

Interim deposits are deposits of interim monies. Interim monies are those monies which are not needed for immediate use, but which will be needed before the end of the current period of designation of depositories.

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

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;

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NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

**NOTE 4 - DEPOSITS AND INVESTMENTS - (Continued)**

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.

**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".

**OSNABURG LOCAL SCHOOL DISTRICT  
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NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

**NOTE 4 - DEPOSITS AND INVESTMENTS - (Continued)**

**B. Cash with Escrow Agent**

At fiscal year end, \$4,780 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, 2012, the carrying amount of all District deposits was \$4,256,683. Based on the criteria described in GASB Statement No. 40, “Deposits and Investment Risk Disclosures”, as of June 30, 2012, \$3,758,823 of the District’s bank balance of \$4,281,823 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, 2012, the District had the following investments and maturities:

<u>Investment type</u>	<u>Fair Value</u>	<u>Investment Maturities</u> 6 months or less
STAR Ohio	\$ 65,689	\$ 65,689
Total	<u>\$ 65,689</u>	<u>\$ 65,689</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.

*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.

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NOTES TO THE BASIC FINANCIAL STATEMENTS  
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**NOTE 4 - DEPOSITS AND INVESTMENTS - (Continued)**

*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, 2012:

<u>Investment type</u>	<u>Fair Value</u>	<u>% to Total</u>
STAR Ohio	\$ 65,689	100.00
Total	<u>\$ 65,689</u>	<u>100.00</u>

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

The following is a reconciliation of cash and investments as reported in the note above to cash and investments as reported on the statement of net assets as of June 30, 2012:

<u>Cash and investments per note</u>	
Carrying amount of deposits	\$ 4,256,683
Investments	65,689
Cash with escrow agent	4,780
Cash on hand	<u>100</u>
Total	<u>\$ 4,327,252</u>
 <u>Cash and investments per statement of net assets</u>	
Governmental activities	\$ 4,163,158
Private-purpose trust funds	115,443
Agency fund	<u>48,651</u>
Total	<u>\$ 4,327,252</u>

**NOTE 5 - INTERFUND TRANSACTIONS**

- A.** Interfund transfers for the year ended June 30, 2012, consisted of \$299,510 from the general fund to nonmajor governmental funds.

Transfers are used to move cash receipts from the fund that statute or budget required to collect them to the fund that statute or budget requires to disburse them and to use unrestricted cash receipts collected in the general fund to finance various programs accounted for in other funds in accordance with budgetary authorizations.

Interfund transfers between governmental funds are eliminated on the government-wide financial statements; therefore, no transfers are reported in the statement of activities.

- B.** During fiscal year 2012, advances consisted of \$356 from the nonmajor governmental funds to the general fund. This represents the repayment of a prior year advance from the general fund.

Interfund advances between governmental funds are eliminated on the government-wide financial statements; therefore no advances are reported in the statement of activities.

**OSNABURG LOCAL SCHOOL DISTRICT  
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NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

**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 2012 represent the collection of calendar year 2011 taxes. Real property taxes received in calendar year 2012 were levied after April 1, 2011, on the assessed values as of January 1, 2011, 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 2012 represent the collection of calendar year 2011 taxes. Public utility real and tangible personal property taxes received in calendar year 2012 became a lien on December 31, 2010, were levied after April 1, 2011, 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, 2012 (other than public utility property) generally represent the collection of calendar year 2011 taxes levied against local and inter-exchange telephone companies. Tangible personal property taxes received from telephone companies in calendar year 2011 were levied after October 1, 2010 on the value as of December 31, 2010. Amounts paid by multi-county taxpayers were due September 20, 2011. Single county taxpayers could pay annually or semiannually. If paid semiannually, the first payment was due April 30, 2011, with the remainder payable by September 20, 2011.

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, 2012, are available to finance fiscal year 2012 operations. 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.

The assessed values upon which the fiscal year 2012 taxes were collected are:

	2011 Second Half Collections		2012 First Half Collections	
	<u>Amount</u>	<u>Percent</u>	<u>Amount</u>	<u>Percent</u>
Agricultural/residential and other real estate	\$ 93,163,120	96.64	\$ 94,240,580	96.56
Public utility personal	<u>3,235,340</u>	<u>3.36</u>	<u>3,359,680</u>	<u>3.44</u>
Total	<u>\$ 96,398,460</u>	<u>100.00</u>	<u>\$ 97,600,260</u>	<u>100.00</u>
Tax rate per \$1,000 of assessed valuation	\$ 64.40		\$ 64.40	

**OSNABURG LOCAL SCHOOL DISTRICT  
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NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

**NOTE 7 - 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. Payments of principal and interest relating to this bond issue are recorded as a disbursement 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, for a total maturity of \$795,000.

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 2012 on the Series 2007 general obligation bonds:

	<u>Balance</u> <u>06/30/11</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance</u> <u>06/30/12</u>	<u>Due Within</u> <u>One Year</u>
Current interest bonds	\$ 8,055,000	\$ -	\$ (235,000)	\$ 7,820,000	\$ 245,000
Capital appreciation bonds	181,615	-	-	181,615	-
Accreted interest	<u>195,815</u>	<u>74,451</u>	<u>-</u>	<u>270,266</u>	<u>-</u>
Total G.O. bonds	<u>\$ 8,432,430</u>	<u>\$ 74,451</u>	<u>\$ (235,000)</u>	<u>\$ 8,271,881</u>	<u>\$ 245,000</u>

**OSNABURG LOCAL SCHOOL DISTRICT  
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NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

**NOTE 7 - LONG-TERM OBLIGATIONS - (Continued)**

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
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	-	296,456	296,456	50,382	214,618	265,000
2018 - 2022	1,435,000	1,343,382	2,778,382	-	-	-
2023 - 2027	1,740,000	1,026,681	2,766,681	-	-	-
2028 - 2032	2,120,000	641,169	2,761,169	-	-	-
2033 - 2036	2,025,000	171,497	2,196,497	-	-	-
Total	<u>\$ 7,820,000</u>	<u>\$ 4,685,210</u>	<u>\$ 12,505,210</u>	<u>\$ 181,615</u>	<u>\$ 613,385</u>	<u>\$ 795,000</u>

**B. Legal Debt Margin**

The Ohio Revised Code provides that voted net general obligation debt of the District shall never exceed 9% of the total assessed valuation of the District. The code further provides that unvoted indebtedness shall not exceed 1/10 of 1% of the property valuation of the District. The 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, 2012, resulted in a voted debt margin of \$1,107,781 and an unvoted debt margin of \$97,600.

**NOTE 8 - 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 240-260 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.

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NOTES TO THE BASIC FINANCIAL STATEMENTS  
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**NOTE 8 - 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 2012. 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 2012, four employees met the qualifications and elected to retire, and all four employees received the retirement incentive.

**NOTE 9 - 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 2011.



**OSNABURG LOCAL SCHOOL DISTRICT  
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NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

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

**B. Workers' Compensation Plan**

For fiscal year 2012, 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 \$1,310.30 for family coverage and \$539.39 for single coverage per employee per month and the District pays dental premiums of \$168.96 for family coverage and \$68.48 for single coverage per employee per month. In fiscal year 2012 the District paid 90% of the health insurance premium and the certified staff paid 10%. The classified staff paid one month's premium. Districts in the insurance purchasing pool were allowed to take three premium holidays; the District took June, July and August 2011 as their premium holidays.

**NOTE 10 - 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](http://www.ohsers.org), under "Employers/Audit Resources".

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2012**

**NOTE 10 - 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 2012, 12.65 percent and 0.05 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, 2012, 2011 and 2010 were \$127,937, \$118,448 and \$126,300, respectively; 61.16 percent has been contributed for fiscal year 2012 and 100 percent for fiscal years 2011 and 2010.

**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](http://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.

Funding Policy - For fiscal year 2012, 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.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

**NOTE 10 - PENSION PLANS - (Continued)**

The District's required contributions for pension obligations to STRS Ohio for the fiscal years ended June 30, 2012, 2011 and 2010 were \$444,592, \$467,702 and \$476,200, respectively; 83.33 percent has been contributed for fiscal year 2012 and 100 percent for fiscal years 2011 and 2010.

**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, 2012, certain members of the Board of Education have elected Social Security. The District's liability is 6.2 percent of wages paid.

**NOTE 11 - 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 (latest information available) was \$96.40 for most participants, but could be as high as \$369.10 per month depending on their income and the 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](http://www.ohsers.org), under "Employers/Audit Resources".

Funding Policy - State statute permits SERS to fund the health care benefits through employer contributions. Each year, after the allocation for statutorily required benefits, the Retirement Board allocates the remainder of the employer contribution of 14 percent of covered payroll to the Health Care Fund. The Health Care Fund was established and is administered in accordance with Internal Revenue Code Section 105(e). For 2012, 0.55 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 2012, 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.

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2012**

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

The District's contributions for health care (including surcharge) for the fiscal years ended June 30, 2012, 2011 and 2010 were \$21,336, \$30,281 and \$25,272, respectively; 61.16 percent has been contributed for fiscal year 2012 and 100 percent for fiscal years 2011 and 2010.

The Retirement Board, acting with advice of the actuary, allocates a portion of the employer contribution to the Medicare B Fund. For fiscal year 2012, this actuarially required allocation was 0.75 percent of covered payroll. The District's contributions for Medicare Part B for the fiscal years ended June 30, 2012, 2011, and 2010 were \$7,555, \$7,622 and \$7,511, respectively; 61.16 percent has been contributed for fiscal year 2012 and 100 percent for fiscal years 2011 and 2010.

**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](http://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 2012, 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, 2012, 2011 and 2010 were \$34,199, \$35,977 and \$36,631, respectively; 83.33 percent has been contributed for fiscal year 2012 and 100 percent for fiscal years 2011 and 2010.

**NOTE 12 - BUDGETARY BASIS OF ACCOUNTING**

While the District is reporting financial position, results of operations, and changes in fund balance on the cash basis, the budgetary basis as provided by law is based upon accounting for certain transactions on a basis of cash receipts, disbursements and encumbrances. The Statement of Receipts, Disbursements and Change in Fund Balance - Budget and Actual - 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 budgetary basis and the cash basis are that:

- (a) 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 a disbursement, as opposed to assigned or committed fund balance (cash basis); and,
- (b) Some funds are included in the general fund (cash basis), but have separate legally adopted budgets (budget basis).

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

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

**NOTE 12 - BUDGETARY BASIS OF ACCOUNTING - (Continued)**

The adjustments necessary to reconcile the budget basis statement to the cash basis statement are as follows:

**Net Change in Fund Balance**

	<u>General fund</u>
Budget basis	\$ (470,368)
Funds budgeted elsewhere	(10,848)
Adjustment for encumbrances	81,663
Cash basis	\$ (399,553)

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

**NOTE 13 - CONTINGENCIES**

**A. Grants**

The Auditor of State is currently performing a statewide review of supporting documentation for student attendance data reported to the Ohio Department of Education. The results of this review are still pending and will be reported separately to the Ohio Department of Education at a later date.

The District received financial assistance from federal and State agencies in the form of grants. The expenditure of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and is subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the general fund or other applicable funds. This also encompasses the Auditor of State's ongoing review of student attendance data. However, the effect of any such disallowed claims on the overall financial position of the District at June 30, 2012, if applicable, cannot be determined at this time.

**B. Litigation**

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

**NOTE 14 - SET-ASIDES**

The District is required by State law to annually set-aside certain general fund revenue amounts, as defined by statutory formula, 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. This amount must be carried forward to be used for the same purpose in future years. Expenditures exceeding the set-aside requirement may not be carried forward to the next fiscal year.

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

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

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

**NOTE 14 - SET-ASIDES - (Continued)**

	<u>Capital Improvements</u>
Set-aside balance June 30, 2011	\$ -
Current year set-aside requirement	153,136
Current year qualifying expenditures	(71,585)
Current year offsets	<u>(362,978)</u>
Total	<u>\$ (281,427)</u>
Balance carried forward to fiscal year 2013	<u>\$ -</u>
Set-aside balance June 30, 2012	<u><u>\$ -</u></u>

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, 2012.

**NOTE 15 - OPERATING LEASE - LESSOR DISCLOSURE**

On October 20, 2011, the District and Chesapeake Exploration, L.L.C. (the "Lessee") entered into an agreement in which the District leases land to the Lessee and grants exclusive rights for the excavation of oil and gas therein. The primary term of the lease is five years, effective October 20, 2011. At the Lessee's sole discretion, on or before the expiration date of the primary term, the Lessee may extend the duration of the lease for one additional five year term. The Lessee is to pay the District a single rental payment of \$5.00 per net acre. In addition, the agreement stipulates that the Lessee pay the District a yearly royalty fee equal to one-eighth of the net revenue realized by the Lessee for all oil and gas produced and marketed from the land. During fiscal year 2012, the District received payments of \$299,510 from the Lessee.

**NOTE 16 - CONTRACTUAL COMMITMENTS**

The District had the following contractual commitments outstanding at June 30, 2012, which are related to the District's construction project:

Contractor	Contract Amount	Expended	Balance 6/30/12
MKC Associates	\$ 1,264,394	\$ 1,230,863	\$ 33,531
The Ruhlin Company	1,159,723	1,151,871	7,852
Eslich Excavating	<u>558,934</u>	<u>550,654</u>	<u>8,280</u>
	<u>\$ 2,983,051</u>	<u>\$ 2,933,388</u>	<u>\$ 49,663</u>

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

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

**NOTE 17 - 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>	Year-End <u>Encumbrances</u>
General fund	\$ 83,898
Classroom facilities	197,868
Other governmental	<u>56,026</u>
Total	<u>\$ 337,792</u>

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**OSNABURG LOCAL SCHOOL DISTRICT  
STARK COUNTY**

**FEDERAL AWARDS RECEIPTS AND EXPENDITURES SCHEDULE  
FOR THE YEAR ENDED JUNE 30, 2012**

Federal Grantor/ Pass Through Grantor/ Program Title	Federal CFDA Number	Receipts	Non-Cash Receipts	Expenditures	Non-Cash Expenditures
<b><u>U.S. DEPARTMENT OF AGRICULTURE</u></b>					
<i>Passed Through Ohio Department of Education:</i>					
<i>Child Nutrition Cluster:</i>					
<i>Cash Assistance:</i>					
School Breakfast Program	10.553	\$21,388		\$21,388	
National School Lunch Program	10.555	159,343		159,343	
<i>Non-Cash Assistance (Food Distribution)</i>					
National School Lunch Program	10.555		\$20,201		\$20,201
<b>Total Child Nutrition Cluster</b>		<b>180,731</b>	<b>20,201</b>	<b>180,731</b>	<b>20,201</b>
<b>Total U.S. Department of Agriculture</b>		<b>180,731</b>	<b>20,201</b>	<b>180,731</b>	<b>20,201</b>
<b><u>U.S. DEPARTMENT OF EDUCATION</u></b>					
<i>Passed Through Ohio Department of Education:</i>					
<i>Special Education Cluster:</i>					
Special Education Grants to States	84.027	169,616		145,770	
ARRA - Special Education Grants to States	84.391	9,110		12,346	
<b>Total Special Education Cluster</b>		<b>178,726</b>		<b>158,116</b>	
Title I, Grants to Local Educational Agencies	84.010	213,712		182,085	
ARRA Title I, Grants to Local Educational Agencies	84.389	448		1,380	
<b>Total Title I Grants</b>		<b>214,160</b>		<b>183,465</b>	
Improving Teacher Quality State Grants	84.367	39,872		35,296	
ARRA State Fiscal Stabilization Fund (SFSF) Education State Grants	84.394	0		28,660	
Education Technology State Grants	84.318	1,654		1,654	
Education Jobs	84.410	210,070		175,342	
<b>Total U.S. Department of Education</b>		<b>644,482</b>		<b>582,533</b>	
<b>Totals</b>		<b>\$825,213</b>	<b>\$20,201</b>	<b>\$763,264</b>	<b>\$20,201</b>

*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, 2012**

**NOTE A - SIGNIFICANT ACCOUNTING POLICIES**

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

**NOTE B - 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 C – FOOD DONATION PROGRAM**

The District reports commodities consumed on the Schedule at the entitlement value. The District allocated donated food commodities to the respective programs that benefitted from the use of those donated food commodities.



# 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.  
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, (the District) as of and for the year ended June 30, 2012, which collectively comprise the District's basic financial statements and have issued our report thereon dated October 2, 2012, in which we noted the District reported on a comprehensive accounting basis other than generally accepted accounting principles. We also noted the District changed from generally accepted accounting principles basis of accounting to the cash basis of accounting. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*.

### Internal Control Over Financial Reporting

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

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 an instance of noncompliance or other matter we must report under *Government Auditing Standards* which is described in the accompanying schedule of findings as item 2012-001.

The District's response to the finding identified in our audit is described in the accompanying schedule of findings. We did not audit the District's response and, accordingly, we express no opinion on it.

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

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

**Dave Yost**  
Auditor of State

October 2, 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.  
East Canton, Ohio 44730

To the Board of Education:

### Compliance

We have audited the compliance of Osnaburg Local School District (the District) with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133, Compliance Supplement* that could directly and materially affect the Osnaburg Local School District's major federal program for the year ended June 30, 2012. The *summary of auditor's results* section of the accompanying schedule of findings identifies the District's major federal program. The District's management is responsible for complying with the requirements of laws, regulations, contracts, and grants applicable to each major federal program. Our responsibility is to opine 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, the Osnaburg Local School District complied, in all material respects, with the requirements referred to above that could directly and materially affect its major federal program for the year ended June 30, 2012.

### Internal Control Over Compliance

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

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

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

We noted a matter involving federal compliance or internal control over federal compliance not requiring inclusion in this report, that we reported to the District's management in a separate letter dated October 2, 2012.

We intend this report solely for the information and use of management, 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

October 2, 2012

**OSNABURG LOCAL SCHOOL DISTRICT  
STARK COUNTY**

**SCHEDULE OF FINDINGS  
OMB CIRCULAR A -133 § .505  
JUNE 30, 2012**

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

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

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

**Financial Statement Presentation**

<i>Finding Number</i>	2012-001
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**NONCOMPLIANCE**

**Ohio Rev. Code Section 117.38** provides that each public office shall file a financial report for each fiscal year. The auditor of state may prescribe forms by rule or may issue guidelines, or both, for such reports. If the auditor of state has not prescribed a rule regarding the form for the report, the public office shall submit its report on the form utilized by the public office.

**Ohio Administrative Code Section 117-2-03** further clarifies the requirements of Ohio Rev. Code 117.38. Furthermore, the public offices shall give public notice that the financial report is available for public inspection. Ohio Admin. Code Section 117-2-03(B) requires the School District to prepare its annual financial report in accordance with generally accepted accounting principles. Pursuant to Ohio Rev. Code Section 117.38, the School District may be fined and subject to various other administrative remedies for its failure to file the required financial report.

The District did not report the financial activity of the District in accordance with generally accepted accounting principles for fiscal year ending June 30, 2012. The accompanying financial statements and notes omit assets, liabilities, fund equities, and disclosures that, while material, cannot be determined at this time.

The Board of Education should review the standards and ensure preparation of its financial statements in accordance with AICPA's Audit and Accounting Guide Audits of State and Local Governments. The Board of Education should ensure the financial statements are prepared in accordance with the Ohio Administrative Code and the Ohio Revised Code. Implementation of these procedures would help ensure accurate and timely financial statements are available to the District's community.

**Official's Response:** The Osnaburg Local Board of Education has reviewed the standards for financial reporting and has deemed the generally accepted accounting principles to be too costly. Henceforth we will be reporting on a cash-basis of accounting. The District's financial statements will be prepared in a format that substantially conforms to the reporting model prescribed by Governmental Accounting Standards Board Statement No. 34 or "GAAP look-a-like" financial statements. We understand there will be \$750 fines for this non-compliance, but still feel the estimated \$8,000-\$10,000 annual savings is justified.

<b>3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS</b>
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None.





# Dave Yost • Auditor of State

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  
NOVEMBER 8, 2012