

Orrville City School District
Wayne County, Ohio

Audited Financial Statements

For the Fiscal Year Ended
June 30, 2012



Dave Yost • Auditor of State

Board of Education
Orrville City School District
815 North Ella Street
Orrville, Ohio 44667

We have reviewed the *Independent Auditor's Report* of the Orrville City School District, Wayne County, prepared by Rea & Associates, Inc., for the audit period July 1, 2011 through June 30, 2012. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them

Our review was made in reference to the applicable sections of legislative criteria, as reflected by the Ohio Constitution, and the Revised Code, policies, procedures and guidelines of the Auditor of State, regulations and grant requirements. The Orrville City School District is responsible for compliance with these laws and regulations.

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

Dave Yost
Auditor of State

January 16, 2013

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ORRVILLE CITY SCHOOL DISTRICT

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October 15, 2012

To the Board of Education
Orrville City School District
815 North Ella Street
Orrville, Ohio 44667

INDEPENDENT AUDITOR'S REPORT

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Orrville City School District (the "School District"), as of and for the year ended June 30, 2012, which collectively comprise the School District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the School District's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

Ohio Administrative Code § 117-2-03 (B) requires the School 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 modified 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 modified cash financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the School District, as of June 30, 2012, and the respective changes in modified cash financial position, thereof and the budgetary comparison for the General Fund thereof for the year then ended in conformity with the accounting basis Note 2 describes.

In accordance with *Government Auditing Standards*, we have also issued our report dated October 15, 2012 on our consideration of the School 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. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

We conducted our audit to opine on the School 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 schedule of expenditures of federal awards 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 of expenditures of federal awards provide additional information, but are not part of the basic financial statements. However these tables and the schedule of expenditures of federal awards 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 of expenditures of federal awards 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.

Rea & Associates, Inc.

Orrville City School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2012

The discussion and analysis of the Orrville City School District's (the "School District") financial performance provides an overall review of the School District's financial activities for the fiscal year ended June 30, 2012. The intent of this discussion and analysis is to look at the School District's performance as a whole; readers should also review the notes to the basic financial statements to enhance their understanding of the School District's financial performance.

Financial Highlights

Key financial highlights for fiscal year 2012 are as follows:

- In total, net assets increased \$3,646,117, mostly due to an increase in intergovernmental receipts as a result of the Ohio School Facilities Commission ("OSFC") project and not disbursed. The increase is also due to an increase in tax revenue from an advance payment at the end of the fiscal year.
- Outstanding debt decreased from \$29,993,171 to \$29,296,779 through principal payments made during the current year.

Using this Annual Report

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

The *Statement of Net Assets* and *Statement of Activities* provide information about the activities of the whole School District. 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 School District's most significant funds with all other non-major funds presented in total in one column. For fiscal year 2012, the general fund, permanent improvement fund, building fund and classroom facilities fund are the School District's most significant funds.

Basis of Accounting

The School District has elected to present its financial statements on the modified cash basis of accounting. This modified cash basis of accounting is a comprehensive basis of accounting other than generally accepted accounting principles. The modified cash basis of accounting involves the measurement of cash and cash equivalents and changes in cash and cash equivalents resulting from cash receipt and disbursement transactions.

Essentially, the only assets reported on this strictly cash receipt and disbursement basis presentation in a statement of net assets will be cash and cash equivalents. The statement of activities reports cash receipts and disbursements, or in other words, the sources and uses of cash and cash equivalents. 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.

Orrville City School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2012

Reporting the School District as a Whole

Statement of Net Assets and the Statement of Activities

While this document contains the large number of funds used by the School District to provide programs and activities, the view of the School District as a whole looks at all financial transactions and asks the question, "How did we do financially during fiscal year 2012?" The statement of net assets and the statement of activities answer this question.

These two statements report the School District's *net assets* and *changes in those assets*. This change in net assets is important because it tells the reader that, for the School District as a whole, the *financial position* of the School 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 School District's property tax base, current property tax laws in Ohio which restrict revenue growth, facility conditions, required educational programs, and other factors.

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

Reporting the School District's Most Significant Funds

Fund Financial Statements

The analysis of the School District's major funds begins on page 8. Fund financial reports provide detailed information about the School District's major funds. The School District uses many funds to account for financial transactions. However, these fund financial statements focus on the School District's most significant funds. The School District's major governmental funds include the general fund, permanent improvement fund, building fund and the classroom facilities fund.

Governmental Funds - Most of the School 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. The governmental fund statements provide a detailed short-term view of the School District's general government operations and the basic services it provides. Governmental fund information helps determine whether there are more or less financial resources that can be spent in the near future to finance educational programs.

Reporting the School District's Fiduciary Responsibilities

Fiduciary funds - Fiduciary funds are used to account for resources held for the benefit of parties outside the School District. These funds are not reflected in the government-wide financial statements because the resources are not available to support the School District's own programs.

Orrville City School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2012

The School District as a Whole

Table 1 provides a summary of the School District's net assets for fiscal year 2012 compared to 2011.

(Table 1)
Net Assets – Cash Basis

	<u>Governmental Activities</u>	
	<u>2012</u>	<u>2011</u>
Assets		
Equity in Pooled Cash and Investments	\$ 12,376,771	\$ 8,716,835
Cash and Investments Held with Trustee	<u>1,388,122</u>	<u>1,401,941</u>
<i>Total Assets</i>	<u>13,764,893</u>	<u>10,118,776</u>
Net Assets		
Restricted for:		
Capital Outlay	10,932,620	8,239,847
Debt Service	541,329	481,827
Other Purposes	916,718	701,094
Unrestricted	<u>1,374,226</u>	<u>696,008</u>
<i>Total Net Assets</i>	<u>\$ 13,764,893</u>	<u>\$ 10,118,776</u>

Net assets of the governmental activities increased \$3,646,117, which represents a 36 percent increase from fiscal year 2011. The increase is the result a property tax advance received prior to year end in 2012 as well as unspent OSFC monies.

A portion of the School District's net assets, \$12,390,667 or 90 percent, represent resources subject to external restrictions on how they may be used. The remaining balance of the government-wide unrestricted net assets of \$1,374,226 may be used to meet the School District's ongoing obligations.

Orrville City School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2012

Table 2 shows the changes in net assets for fiscal year 2012 as compared to fiscal year 2011.

(Table 2)
Changes in Net Assets – Cash Basis

	Governmental Activities	
	2012	2011
Receipts		
Program Receipts		
Charges for Services and Sales	\$ 970,459	\$ 894,616
Operating Grants, Contributions and Interest	1,737,563	1,377,355
Capital Grants, Contributions and Interest	6,651,062	5,133,019
Total Program Receipts	9,359,084	7,404,990
General Receipts		
Property Taxes	9,161,216	8,092,054
Grants and Entitlements not Restricted to Specific Programs	7,725,653	7,987,463
Contributions and Donations	0	0
Payments in Lieu of Taxes	17,560	0
Proceeds from Sale of Capital Assets	0	133,972
Interest	696	3,400
Miscellaneous	57,548	110,054
Total General Receipts	16,962,673	16,326,943
Total Receipts	26,321,757	23,731,933
Program Disbursements		
Instruction:		
Regular	7,323,228	7,426,399
Special	1,347,369	1,297,550
Vocational	267,315	227,629
Student Intervention Services	28,685	25,711
Other	1,321,405	1,216,429
Support Services:		
Pupils	823,834	751,080
Instructional Staff	858,279	896,371
Board of Education	83,557	82,817
Administration	1,329,175	1,537,453
Fiscal	433,153	489,920
Business	34,357	34,668
Operation and Maintenance of Plant	1,234,002	1,335,593
Pupil Transportation	473,095	548,070
Central	32,233	42,272
Operation of Non-Instructional Services:		
Food Service Operations	670,262	642,088
Extracurricular Activities	461,615	463,653
Capital Outlay	4,221,471	1,872,410
Debt Service:		
Principal Retirement	726,323	702,447
Interest and Fiscal Charges	1,006,282	1,012,685
Total Program Disbursements	22,675,640	20,605,245
Change in Net Assets	3,646,117	3,126,688
Net Assets Beginning of Year	10,118,776	6,992,088
Net Assets End of Year	\$ 13,764,893	\$ 10,118,776

Orrville City School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2012

Property taxes increased due to a property tax advance received at the end of the fiscal year and a tax levy that was passed in fiscal year 2010 that had a partial collection in fiscal year 2011 and a full collection in fiscal year 2012.

Governmental Activities

The statement of activities shows the cost of program services and the charges for services and grants offsetting those services. Table 3 shows, for governmental activities, the total cost of services and the net cost of services. That is, it identifies the cost of these services supported by tax revenue and unrestricted State entitlements.

(Table 3)
Governmental Activities – Cash Basis

	Total Costs of Services		Net Costs of Services	
	2012	2011	2012	2011
Program Disbursements				
Instruction:				
Regular	\$ 7,323,228	\$ 7,426,399	\$ (6,211,380)	\$ (6,707,424)
Special	1,347,369	1,297,550	(1,049,556)	(845,471)
Vocational	267,315	227,629	(231,345)	(187,771)
Student Intervention Services	28,685	25,711	(28,685)	(25,711)
Other	1,321,405	1,216,429	(1,320,905)	(1,212,533)
Support Services:				
Pupils	823,834	751,080	(640,761)	(601,014)
Instructional Staff	858,279	896,371	(816,010)	(895,374)
Board of Education	83,557	82,817	(83,557)	(82,817)
Administration	1,329,175	1,537,453	(1,243,364)	(1,452,329)
Fiscal	433,153	489,920	(433,079)	(471,826)
Business	34,357	34,668	(34,357)	(34,668)
Operation and Maintenance of Plant	1,234,002	1,335,593	(1,224,168)	(1,325,759)
Pupil Transportation	473,095	548,070	(473,095)	(548,070)
Central	32,233	42,272	(26,833)	(30,447)
Operation of Non-Instructional Services:				
Food Service Operations	670,262	642,088	58,053	50,065
Extracurricular Activities	461,615	463,653	(255,576)	(236,731)
Capital Outlay	4,221,471	1,872,410	2,430,667	3,122,757
Debt Service:				
Principal Retirement	726,323	702,447	(726,323)	(702,447)
Interest and Fiscal Charges	1,006,282	1,012,685	(1,006,282)	(1,012,685)
Total	\$ 22,675,640	\$ 20,605,245	\$(13,316,556)	\$(13,200,255)

Capital outlay increased due to the ongoing high school building project. Administration decreased due to receiving three premium holidays from the insurance COG and not having IDEA and ARRA funds available for administrative costs in fiscal year 2012.

The dependence upon tax revenues and general revenue entitlements from the state for governmental activities is apparent. Program revenues only account for 41 percent of all governmental expenses. The community is the largest area of support for the School District students.

Orrville City School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2012

The School District's Funds

The School District's governmental funds are accounted for using the modified cash basis of accounting.

The School District's governmental funds reported a combined fund balance of \$13,764,893, which is higher than the prior year balance of \$10,118,776.

The general fund had total cash receipts of \$15,284,350. The cash disbursements of the general fund totaled \$14,575,556. The general fund's fund balance increased \$708,794 in fiscal year 2012. The increase in fund balance can be attributed to a property tax advance received at the end of the fiscal year and a slight increase in tuition and fees.

The permanent improvement fund had total cash receipts of \$1,624,488 and total cash disbursements of \$849,538, for an increase in fund balance of \$774,950 in fiscal year 2012. The increase in fund balance is primarily due to donations for capital improvements not yet disbursed.

The building fund had no cash receipts and total cash disbursements of \$41,261, for a decrease in fund balance of \$41,261 in fiscal year 2012. The decrease in fund balance is due to expenditures for the Middle School Building.

The classroom facilities fund had cash receipts of \$5,826,138 and total cash disbursements of \$3,867,054, for an increase in fund balance of \$1,959,084 in 2012. The increase in fund balance is primarily due to the ongoing high school project receiving OSFC receipts that were not yet disbursed as of the end of fiscal year 2012.

General Fund Budgeting Highlights

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

During the course of fiscal year 2012, the School District amended its general fund budget several times. For the general fund, final budget basis receipts were \$14,821,158, representing a decrease of \$523,642 from the original estimate of \$15,344,800. Actual receipts of \$15,195,514 were \$374,356 higher than the final budget. Of this increase, most was attributable to an increase in property and other local taxes receipts due to an advance received at the end of the fiscal year as well as slightly increased tuition and fees.

For fiscal year 2012, the general fund final budget basis disbursements were \$14,984,507, which is over the original budgeted disbursements of \$14,691,807. Actual disbursements of \$14,667,924 were \$316,583 lower than the final budget. Actual instruction and administration disbursements were significantly under budgeted expectations.

Orrville City School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2012

Debt Administration

The School District had the following long-term obligations outstanding at June 30, 2012 and 2011.

(Table 4)
Outstanding Debt, at June 30

	Governmental Activities	
	2012	2011
2008 School Facilities construction and Improvement Notes	\$ 917,000	\$ 937,000
2007 School Facilities Construction and Improvement Refunding Bonds		
Serial, Term and Capital Appreciation Bonds	16,377,779	16,697,848
Capital Leases	12,002,000	12,358,323
<i>Total</i>	<u>\$ 29,296,779</u>	<u>\$ 29,993,171</u>

For further information regarding the School District's debt, refer to Note 8 of the basic financial statements.

Current Issues

The Orrville City School District continues to receive strong support from the residents of the School District. As the preceding information shows, the School District relies heavily on its local property taxpayers. The most recent operating levy passed by the residents of the district was a five year emergency levy approved in May 2010. Prior to that the last new levy was an emergency levy passed in February 2003. The February 2003 levy was renewed by the voters for five more years in November 2008. The residents approved the renewal of a permanent improvement levy for a continuing period of time at the May 2005 election. A \$16 million bond issue was approved by voters at the May 2009 election. The facility plan of the Board of Education is proceeding according to the plan. The new elementary school opened in May 2010. Construction of a New High School is under way.

Real estate tax collections have shown small increases except when a new levy is approved by voters. The unique nature of property taxes in Ohio creates the need to routinely seek voter approval for operating funds. The overall revenue generated by a levy will not increase solely as a result of inflation due to Ohio House Bill 920 (passed in 1976). As an example, a homeowner with a home valued at \$100,000 and taxed at 1.0 mill would pay \$35.00 annually in taxes. If three years later the home was reappraised and increased to \$200,000 (and this inflationary increase in value is comparable to other property owners) the effective tax rate would become .5 mills and the owner would still pay \$35.00. Thus, school districts dependent upon property taxes are hampered by a lack of revenue growth and must regularly return to the voters to maintain a constant level of service. Property taxes made up 18 percent of general revenues for governmental activities for the Orrville City School District in fiscal year 2012.

The School District has also been affected by changes in the personal property tax structure (utility deregulation) commercial business/property uncertainties and the elimination of tangible personal property taxes. Management has diligently planned expenses so that the last levy has stretched for more than the five years it was planned. Management has reduced staff through attrition over the past three years. This has been made increasingly difficult with mandates in gifted education, rising utility costs, costs of federal No Child Left Behind, increased special education services required for our students, and significant increases in health insurance and property/liability/fleet insurance.

Orrville City School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2012

From a State funding perspective, the State of Ohio was found by the Ohio Supreme Court in March, 1997 to be operating an unconstitutional education system, one that was neither "adequate" nor "equitable." Since 1997, the State has directed its tax revenue growth toward school districts with little property tax wealth (which is unlike our School District). It is still undetermined whether the State has met the standards of the Ohio Supreme Court.

The Orrville City School District has not anticipated any meaningful growth in State revenue. The concern is that, to meet the requirements of the Court, the State may require redistribution of state funding based upon each district's property wealth. This could have a significant impact on the School District. How the legislature plans to fund education programs during a weakened economy remains a concern. The School District is preparing for potential cuts in State aid relating to the economic climate.

All scenarios require management to plan carefully and prudently to provide the resources to meet student needs over the next several years.

In addition, the School District's systems of budgeting and internal controls are well regarded. All of the School District's financial abilities will be needed to meet the challenges of the future.

Contacting the School District's Financial Management

This financial report is designed to provide our citizens, taxpayers, investors, and creditors with a general overview of the School District's finances and to show the School District's accountability for the money it receives. If you have any questions about this report or need additional financial information, contact Mark Dickerhoof, Treasurer of Orrville City Schools, 815 North Ella Street, Orrville, Ohio 44667, e-mail orvl_mardick@tcca.net.

Orrville City School District
Statement of Net Assets - Modified Cash Basis
June 30, 2012

	Governmental Activities
Assets	
Equity in Pooled Cash and Investments	\$ 12,376,771
Investments Held with Trustee	1,388,122
<i>Total Assets</i>	\$ 13,764,893
Net Assets	
Restricted for:	
Capital Outlay	\$ 10,932,620
Debt Service	541,329
Other Purposes	916,718
Unrestricted	1,374,226
<i>Total Net Assets</i>	\$ 13,764,893

See accompanying notes to the basic financial statements.

Orrville City School District
Statement of Activities - Modified Cash Basis
For the Fiscal Year Ended June 30, 2012

	Program Cash Receipts				Net (Disbursements) Receipts and Changes in Net Assets
	Cash Disbursements	Charges for Services and Sales	Operating Grants, Contributions and Interest	Capital Grants, Contributions and Interest	Governmental Activities
Governmental Activities					
Instruction:					
Regular	\$ 7,323,228	\$ 414,507	\$ 697,341	\$ 0	\$ (6,211,380)
Special	1,347,369	0	297,813	0	(1,049,556)
Vocational	267,315	0	35,970	0	(231,345)
Student Intervention Services	28,685	0	0	0	(28,685)
Other	1,321,405	0	500	0	(1,320,905)
Support Services:					
Pupils	823,834	0	183,073	0	(640,761)
Instructional Staff	858,279	0	42,269	0	(816,010)
Board of Education	83,557	0	0	0	(83,557)
Administration	1,329,175	81,311	4,500	0	(1,243,364)
Fiscal	433,153	0	0	74	(433,079)
Business	34,357	0	0	0	(34,357)
Operation and Maintenance of Plant	1,234,002	0	9,834	0	(1,224,168)
Pupil Transportation	473,095	0	0	0	(473,095)
Central	32,233	0	5,400	0	(26,833)
Operation of Non-Instructional Services:					
Food Service Operations	670,262	267,452	460,863	0	58,053
Extracurricular Activities	461,615	206,039	0	0	(255,576)
Capital Outlay	4,221,471	1,150	0	6,650,988	2,430,667
Debt Service:					
Principal Retirement	726,323	0	0	0	(726,323)
Interest and Fiscal Charges	1,006,282	0	0	0	(1,006,282)
<i>Totals</i>	<u>\$ 22,675,640</u>	<u>\$ 970,459</u>	<u>\$ 1,737,563</u>	<u>\$ 6,651,062</u>	<u>(13,316,556)</u>

General Receipts

Property Taxes Levied for:	
General Purposes	7,314,118
Debt Service	1,140,676
Capital Outlay	706,422
Grants and Entitlements not Restricted to Specific Programs	7,725,653
Payments in Lieu of Taxes	17,560
Interest	696
Miscellaneous	57,548
<i>Total General Receipts</i>	<u>16,962,673</u>
<i>Change in Net Assets</i>	3,646,117
<i>Net Assets Beginning of Year</i>	<u>10,118,776</u>
<i>Net Assets End of Year</i>	<u>\$ 13,764,893</u>

See accompanying notes to the basic financial statements.

Orrville City School District
Statement of Assets and Fund Balances - Modified Cash Basis
Governmental Funds
June 30, 2012

	<u>General Fund</u>	<u>Permanent Improvement Fund</u>	<u>Building Fund</u>	<u>Classroom Facilities Fund</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
Assets						
Equity in Pooled Cash and Investments	\$ 1,414,195	\$ 2,491,255	\$ 864,828	\$ 6,188,415	\$ 1,418,078	\$ 12,376,771
Investments Held with Trustee	<u>0</u>	<u>0</u>	<u>1,388,122</u>	<u>0</u>	<u>0</u>	<u>1,388,122</u>
<i>Total Assets</i>	<u>\$ 1,414,195</u>	<u>\$ 2,491,255</u>	<u>\$ 2,252,950</u>	<u>\$ 6,188,415</u>	<u>\$ 1,418,078</u>	<u>\$ 13,764,893</u>
Fund Balances						
Nonspendable	\$ 29,161	\$ 0	\$ 0	\$ 0	\$ 0	\$ 29,161
Restricted	93	2,491,255	2,252,950	6,188,415	1,420,807	12,353,520
Assigned	1,149,893	0	0	0	0	1,149,893
Unassigned	<u>235,048</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>(2,729)</u>	<u>232,319</u>
<i>Total Fund Balances</i>	<u>\$ 1,414,195</u>	<u>\$ 2,491,255</u>	<u>\$ 2,252,950</u>	<u>\$ 6,188,415</u>	<u>\$ 1,418,078</u>	<u>\$ 13,764,893</u>

See accompanying notes to the basic financial statements.

Orrville City School District
Statement of Receipts, Disbursements and Changes
in Fund Balances - Modified Cash Basis - Governmental Funds
For the Fiscal Year Ended June 30, 2012

	General Fund	Permanent Improvement Fund	Building Fund	Classroom Facilities Fund	Other Governmental Funds	Total Governmental Funds
Receipts						
Property and Other Local Taxes	\$ 7,314,118	\$ 592,698	\$ 0	\$ 0	\$ 1,254,401	\$ 9,161,217
Intergovernmental	7,386,907	205,716	0	5,823,978	1,865,400	15,282,001
Interest Income	696	74	0	1,010	100	1,880
Tuition and Fees	407,249	0	0	0	0	407,249
Extracurricular Activities	94,800	0	0	0	190,176	284,976
Gifts and Donations	4,500	826,000	0	0	725	831,225
Charges for Services	1,502	0	0	0	267,452	268,954
Payments in Lieu of Taxes	17,560	0	0	0	0	17,560
Rent	5,756	0	0	1,150	2,375	9,281
Miscellaneous	51,262	0	0	0	6,152	57,414
<i>Total Receipts</i>	<u>15,284,350</u>	<u>1,624,488</u>	<u>0</u>	<u>5,826,138</u>	<u>3,586,781</u>	<u>26,321,757</u>
Disbursements						
Current:						
Instruction:						
Regular	6,639,905	0	0	0	683,323	7,323,228
Special	1,045,272	0	0	0	302,097	1,347,369
Vocational	267,315	0	0	0	0	267,315
Student Intervention Services	28,685	0	0	0	0	28,685
Other	1,320,905	0	0	0	500	1,321,405
Support Services:						
Pupils	640,617	0	0	0	0	640,617
Instructional Staff	809,083	1,843	0	0	183,217	994,143
Board of Education	83,557	0	0	0	47,353	130,910
Administration	1,337,680	380	0	0	(8,885)	1,329,175
Fiscal	397,543	13,778	0	0	21,832	433,153
Business	34,357	0	0	0	0	34,357
Operation and Maintenance of Plant	1,208,530	0	0	0	25,472	1,234,002
Pupil Transportation	452,852	18,100	0	0	2,143	473,095
Central	26,833	0	0	0	5,400	32,233
Extracurricular Activities	280,560	0	0	0	181,055	461,615
Operation of Non-Instructional Services:						
Food Service Operations	0	0	0	0	670,262	670,262
Capital Outlay	1,862	311,294	41,261	3,867,054	0	4,221,471
Debt Service:						
Principal Retirement	0	356,323	0	0	370,000	726,323
Interest and Fiscal Charges	0	147,820	0	0	858,462	1,006,282
<i>Total Disbursements</i>	<u>14,575,556</u>	<u>849,538</u>	<u>41,261</u>	<u>3,867,054</u>	<u>3,342,231</u>	<u>22,675,640</u>
<i>Net Change in Fund Balances</i>	708,794	774,950	(41,261)	1,959,084	244,550	3,646,117
<i>Fund Balances Beginning of Year</i>	<u>705,401</u>	<u>1,716,305</u>	<u>2,294,211</u>	<u>4,229,331</u>	<u>1,173,528</u>	<u>10,118,776</u>
<i>Fund Balances End of Year</i>	<u>\$ 1,414,195</u>	<u>\$ 2,491,255</u>	<u>\$ 2,252,950</u>	<u>\$ 6,188,415</u>	<u>\$ 1,418,078</u>	<u>\$ 13,764,893</u>

See accompanying notes to the basic financial statements.

Orrville City School District
Statement of Receipts, Disbursements and Changes
In Modified Cash Basis Fund Balance - Budget and Actual (Budget Basis)
General Fund
For the Fiscal Year Ended June 30, 2012

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final		
Receipts				
Property and Other Local Taxes	\$ 7,385,974	\$ 7,133,928	\$ 7,314,118	\$ 180,190
Intergovernmental	7,459,479	7,204,923	7,386,907	181,984
Interest	703	679	696	17
Tuition and Fees	410,988	396,963	406,990	10,027
Extracurricular Activities	13,621	13,157	13,489	332
Gifts and Donations	17,733	17,127	17,560	433
Charges for Services	1,046	1,010	1,036	26
Rent	5,813	5,614	5,756	142
Miscellaneous	49,443	47,757	48,962	1,205
<i>Total Receipts</i>	<u>15,344,800</u>	<u>14,821,158</u>	<u>15,195,514</u>	<u>374,356</u>
Disbursements				
Current:				
Instruction:				
Regular	6,738,816	7,601,096	6,632,550	968,546
Special	989,172	1,014,302	1,045,272	(30,970)
Vocational	262,386	262,386	277,837	(15,451)
Student Intervention Services	0	28,800	28,685	115
Other	54,159	1,300,359	1,335,905	(35,546)
Support Services:				
Pupils	564,953	631,503	641,969	(10,466)
Instructional Staff	779,210	783,455	811,372	(27,917)
Board of Education	22,576	96,376	89,843	6,533
Administration	1,275,826	1,313,976	1,245,016	68,960
Fiscal	181,135	439,635	413,021	26,614
Business	33,535	33,535	34,357	(822)
Operation and Maintenance of Plant	3,179,153	868,198	1,295,087	(426,889)
Pupil Transportation	332,237	332,237	506,447	(174,210)
Central	0	0	26,833	(26,833)
Extracurricular Activities	278,649	278,649	280,560	(1,911)
Capital Outlay	0	0	3,170	(3,170)
<i>Total Disbursements</i>	<u>14,691,807</u>	<u>14,984,507</u>	<u>14,667,924</u>	<u>316,583</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>652,993</u>	<u>(163,349)</u>	<u>527,590</u>	<u>690,939</u>
<i>Net Change in Fund Balance</i>	652,993	(163,349)	527,590	690,939
<i>Fund Balance Beginning of Year</i>	424,795	424,795	424,795	0
Prior Year Encumbrances Appropriated	<u>184,513</u>	<u>184,513</u>	<u>184,513</u>	<u>0</u>
<i>Fund Balance End of Year</i>	<u>\$ 1,262,301</u>	<u>\$ 445,959</u>	<u>\$ 1,136,898</u>	<u>\$ 690,939</u>

See accompanying notes to the basic financial statements.

Orrville City School District
Statement of Fiduciary Net Assets - Modified Cash Basis
Fiduciary Funds
June 30, 2012

	<u>Agency</u>
Assets	
Equity in Pooled Cash and Investments	<u>\$ 31,804</u>
<i>Total Assets</i>	<u><u>\$ 31,804</u></u>
Net Assets	
Held for Student Activities	<u>\$ 31,804</u>
<i>Total Net Assets</i>	<u><u>\$ 31,804</u></u>

See accompanying notes to the basic financial statements.

ORRVILLE CITY SCHOOL DISTRICT
WAYNE COUNTY

Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2012

NOTE 1 – DESCRIPTION OF THE SCHOOL DISTRICT AND REPORTING ENTITY

The Orrville City School District (the “School District”) was established for the purpose of exercising the rights and privileges conveyed to it by the constitution and laws of the State of Ohio. The School District is a school district as defined by Section 3311.02 of the Ohio Revised Code. The School District operates under an elected Board of Education, consisting of five members, and is responsible for providing public education to residents of the School District. Average daily membership on, or as of, October 1, 2011, was 1,676. The School District employs 126 certificated and 86 non-certificated employees.

The reporting entity is required to be composed of the primary government, component units and other organizations that are included to ensure that the financial statements of the School District are not misleading. The primary government consists of all funds, departments, boards, and agencies that are not legally separate from the School District. For the School District, this includes general operations, food service, and student related activities of the School District.

Component units are legally separate organizations for which the School District is financially accountable. The School District is financially accountable for an organization if the School District appoints a voting majority of the organizations’ governing board and 1) the School District is able to significantly influence the programs or services performed or provided by the organization; or 2) the School District is legally obligated or has otherwise assumed the responsibility to finance the deficits of or provided financial support to the organization; or the School District is obligated for the debt of the organization. Component units may also include organizations that are fiscally dependent on the School District in that the School District approves the budget, the issuance of debt or the levying of taxes. The School District has no component units.

The School District is involved with Tri-County Computer Service Association (TCCSA) and Wayne County Career Center, which are defined as jointly governed organizations; the Orrville Public Library, which is defined as a related organization; and the Stark County Schools Council of Governments Health Benefit Plan, which is a public entity risk pool. Additional information concerning these organizations is presented in Notes 11, 12 and 13.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

As discussed further in Note 2.A., these financial statements are presented on a modified cash basis of accounting. This modified cash basis of accounting differs from accounting principles generally accepted in the United States of America (GAAP). Generally accepted accounting principles include all relevant Governmental Accounting Standards Board (GASB) pronouncements, which have been applied to the extent they are applicable to the modified cash basis of accounting. In the government-wide financial statements Financial Accounting Standards Board (FASB) pronouncements and Accounting Principles Board (APB) opinions issued on or before November 30, 1989, have been applied, to the extent they are applicable to the modified cash basis of accounting, unless those pronouncements conflict with or contradict GASB pronouncements, in which case GASB prevails. The FASB has codified its standards and the standards issued prior to November 30, 1989 are included in the codification. Following are the more significant of the School District’s accounting policies.

ORRVILLE CITY SCHOOL DISTRICT
WAYNE COUNTY

Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2012

A. Basis of Accounting

Although Ohio Administrative Code Section 117-2-03 (B) requires the School District's financial report to follow generally accepted accounting principles (GAAP), the School District chooses to prepare its financial statements and notes in accordance with the modified cash basis of accounting. This basis of accounting is similar to the cash receipts and disbursements basis of accounting. The School District recognizes receipts when received in cash rather than when earned, and recognizes disbursements when paid rather than when a liability is incurred.

The School District also reports investments as assets, valued at cost basis.

Budgetary presentations report budgetary disbursements when a commitment is made (i.e., when an encumbrance is approved). Differences between disbursements reported in the government-wide and fund financial statements versus budgetary disbursements result from encumbrances outstanding at the beginning and end of the fiscal year.

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

B. Basis of Presentation

The School District's basic financial statements consist of government-wide financial statements, including a statement of net assets and a statement of activities, and fund financial statements, which provide a more detailed level of financial information.

1. Government-Wide Financial Statements

The Statement of Net Assets and the Statement of Activities display information about the School District as a whole. These statements include the financial activities of the primary government, except for fiduciary funds.

The statement of net assets presents the financial condition of the governmental activities of the School District at fiscal year end. The statement of activities compares disbursements with program receipts for each function or program of the School District's governmental activities. Disbursements are reported by function. A function is a group of related activities designed to accomplish a major service or regulatory program for which the government is responsible. Program receipts include charges paid by the recipient of the program's goods or services and grants, contributions, and interest restricted to meeting the operational or capital requirements of a particular program. General receipts are all receipts not classified as program receipts, with certain limited exceptions. The comparison of direct disbursements with program receipts identifies the extent to which each governmental function is self-financing or draws from the School District's general receipts.

ORRVILLE CITY SCHOOL DISTRICT
WAYNE COUNTY

Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2012

2. Fund Financial Statements

During the fiscal year, the School District segregates transactions related to certain School District functions or activities in separate funds in order to aid financial management and to demonstrate legal compliance. Fund financial statements are designed to present financial information of the School District at this more detailed level. The focus of governmental fund financial statements is on major funds. Each major fund is presented in a separate column. Nonmajor funds are aggregated and presented in a single column. Fiduciary funds are reported by type.

A fund is considered major if it is the primary operating fund of the School District or meets the following criteria:

1. Total assets, receipts or disbursements of that individual governmental or enterprise fund are at least 10 percent of the corresponding total for all funds of that category or type, and
2. Total assets, receipts or disbursements of that individual governmental or enterprise fund are at least 5 percent of the corresponding total for all governmental and enterprise funds combined.

C. Fund Accounting

The School District uses funds to maintain its financial records during the fiscal year. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts. The funds of the School District are divided into two categories, governmental and fiduciary.

1. Governmental Funds:

Governmental funds are those through which most governmental functions of the School District are financed. The following are the School District's major governmental funds:

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

Permanent Improvement Fund - The permanent improvement capital projects fund accounts for all transactions related to the acquiring, constructing, or improving of such permanent improvements.

Building Fund - The building capital projects fund accounts for financial resources to be used for the construction of new middle and elementary schools.

Classroom Facilities Fund – The Classroom Facilities capital projects fund accounts for monies received and expended in connection with contracts entered into by the School District and the Ohio Department of Education for the building and equipping of classroom facilities.

ORRVILLE CITY SCHOOL DISTRICT
WAYNE COUNTY

Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2012

The other governmental funds of the School District account for grants and other resources to which the School District is bound to observe constraints imposed internally or externally.

2. Fiduciary Funds

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

D. Budgetary Process

The budgetary process is prescribed by provisions of the Ohio Revised Code and entails the preparation of budgetary documents within an established timetable. The major documents prepared are the Tax Budget, the Certificate of Estimated Resources, and the Appropriation Resolution, all of which are prepared on the budgetary basis of accounting. The Certificate of Estimated Resources and the Appropriations Resolution are subject to amendment throughout the year with the legal restriction that appropriations cannot exceed estimated resources, as certified.

All funds, other than agency funds, are legally required to be budgeted and appropriated. The primary level of budgetary control selected by the Board is at the fund level for all funds. Any budgetary modifications at this level may only be made by resolution of the Board of Education. Budgetary allocations at the object and function level within all funds are made by the Treasurer.

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

The difference between the budgetary basis and the cash basis is outstanding year end encumbrances which are treated as cash disbursements (budgetary basis) rather than as restricted or assigned fund balance (cash basis).

Tax Budget

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 disbursements and the means of financing for all funds. Public hearings are publicized and conducted to obtain taxpayers' comments. The express purpose of this budget document is to reflect the need for existing (or increased) tax rates.

By no later than January 20, the Board-adopted budget is filed with the County Budget Commission for rate determination.

ORRVILLE CITY SCHOOL DISTRICT
WAYNE COUNTY

Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2012

Estimated Resources

Prior to April 1, the Board of Education accepts, by formal resolution, the tax rates as determined by the County Budget Commission and receives the Commission's Certificate of Estimated Resources which states the projected receipt of each fund. Prior to June 30, the School District must revise its budget so that total contemplated disbursements from any fund during the ensuing year will not exceed the amount stated in the Certificate of Estimated Resources. The revised budget then serves as the basis for the appropriation measure. On or about July 1, the certificate is amended to include any unencumbered cash balances from the preceding year. The certificate may be further amended during the year if projected increases or decreases in receipt are identified by the School District's Treasurer.

Appropriations

Upon receipt from the County Auditor of an Amended Certificate of Estimated Resources based on final assessed values and tax rates or a certificate saying a new certificate is not necessary, the annual Appropriation Resolution Report must be legally enacted by the Board of Education at the fund level of disbursements, which is the legal level of budgetary control. Prior to the passage of the annual appropriation measure, the Board may pass a temporary appropriation measure to meet the ordinary disbursements of the School District. The Appropriation Resolution, by fund, must be within the estimated resources as certified by the County Budget Commission and the total of disbursements and encumbrances may not exceed the appropriation totals at any level of control. Any revisions that alter the total of any fund appropriation must be approved by the Board of Education.

The Board may pass supplemental fund appropriations so long as the total appropriations by fund do not exceed the amounts set forth in the most recent Certificate of Estimated Resources. During the year, several supplemental appropriations were legally enacted; however, none of these amendments were significant.

Encumbrances

As part of formal budgetary control, purchase orders, contracts, and other commitments for the expenditure of monies are recorded as the equivalent of disbursements on the non-GAAP budgetary basis in order to reserve that portion of the applicable appropriation and to determine and maintain legal compliance. Disbursements plus encumbrances may not legally exceed appropriations. Encumbrances outstanding at fiscal year-end are reported as a restricted or assigned fund balance for subsequent-year disbursements for governmental funds.

Lapsing of Appropriations

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

ORRVILLE CITY SCHOOL DISTRICT
WAYNE COUNTY

Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2012

E. Cash and Investments

To improve cash management, cash received by the School District is pooled. Monies for all funds are maintained in this pool. Individual fund integrity is maintained through School District records. Interest in the pool is presented as “Equity in Pooled Cash and Investments” on the financial statements.

During fiscal year 2012, investments were limited to STAROhio, a certificate of deposit and a money market account. STAROhio is an investment pool, managed by the State Treasurer’s Office, which allows governments within the State to pool their funds for investment purposes. STAROhio 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 STAROhio are valued at STAROhio’s share price, which is the price for which the investment could be sold on June 30, 2012.

Following Ohio Statutes, the Board of Education has, by resolution, specified the funds to receive an allocation of interest earnings. Interest receipts credited to the General Fund during fiscal year 2012 were \$696, which includes \$629 interest assigned from other School District funds.

Investments of the School District’s cash management pool and investments with an original maturity of three months or less at the time they are purchased by the School District are presented on the financial statements as “equity in pooled cash and investments”. Investments with an initial maturity of more than three months that were not purchased from the cash management pool are reported as “investments”.

F. Property, Plant and Equipment

Acquisitions of property, plant and equipment are recorded as disbursements when paid. The financial statements do not report these assets. Depreciation is not recorded on these capital assets.

G. Compensated Absences

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 used by the School District.

H. Long-term Debt

Cash basis financial statements do not report liabilities for bonds and other long-term obligations. Proceeds of debt are reported as other financing sources when cash is received and principal and interest payments are reported as disbursements when paid.

ORRVILLE CITY SCHOOL DISTRICT
WAYNE COUNTY

Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2012

I. Intergovernmental Receipts

Unrestricted intergovernmental receipts received on the basis of entitlement are recorded as receipts when the entitlement is received. Federal and State reimbursement type grants for the acquisition or construction of capital assets are recorded as receipts when the grant is received.

J. Inventory and Prepaid Items

The School District reports disbursements for inventory and prepaid items when paid. These items are not reflected as assets in the accompanying financial statements.

K. Employer Contributions to Cost-Sharing Pension Plans

The School District recognizes disbursements for employer contributions to cost-sharing plans when they are paid. As described in Notes 6 and 7, the employer contributions include portions for pension benefits and for postretirement health care benefits.

L. Equity Classifications

GOVERNMENT-WIDE STATEMENTS

Equity is classified as net assets and is displayed in separate components:

1. Restricted net assets – Consists of net assets with constraints placed on the use either by (1) external groups such as creditors, grantors, contributors, or laws or regulations of other governments, or (2) law through constitutional provisions or enabling legislation adopted by the School District. Net assets restricted for other purposes include resources restricted for food service operations, music and athletic programs, and federal and state grants restricted to expenditure for specified purposes. At June 30, 2012, there were no net assets restricted by enabling legislation.
2. Unrestricted net assets – All other net assets that do not meet the definition of “restricted.”

The School District’s policy is to first apply restricted resources when a cash disbursement is incurred for purposes for which both restricted and unrestricted net assets are available.

FUND FINANCIAL STATEMENTS

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

- a. Non-spendable - The non-spendable classification includes amounts that cannot be spent because they are not in spendable form or legally or contractually required to be maintained intact. The “not in spendable form” includes items that are not expected to be converted to cash.

ORRVILLE CITY SCHOOL DISTRICT
WAYNE COUNTY

Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2012

- b. Restricted - Fund balance is reported as restricted when constraints placed on the use of resources are either externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments, or is imposed by law through constitutional provisions.
- c. Committed - The committed classification includes amounts that can be used only for the specific purposes imposed by a formal action (resolution) of the Board of Education. The committed amounts cannot be used for any other purpose unless the 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.
- d. Assigned - Amounts in the assigned classification are intended to be used by the School District for specific purposes but do not meet the criteria to be classified as restricted or 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 the Board of Education.
- e. 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 used only to report a deficit balance resulting from overspending for specific purposes for which amounts had been restricted, committed, or assigned.

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

M. Interfund Activity

Transfers within governmental activities are eliminated on the government-wide financial statements.

During the course of normal operations, the School District has numerous transactions between funds. The most significant include:

- 1. Transfers of resources from one fund to another fund through which resources to be expended are recorded as transfers.
- 2. Reimbursements from one fund to another are treated as disbursements/expenses in the reimbursing fund and a reduction in disbursements/expense in the reimbursed fund.

ORRVILLE CITY SCHOOL DISTRICT
WAYNE COUNTY

Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2012

N. Receipts and Disbursements

Program Receipts

In the Statement of Activities, receipts that are derived directly from each activity or from parties outside the School District's taxpayers are reported as program receipts. The School District has the following program receipts: charges for services and sales, operating and capital grants, contributions and interest.

All other governmental receipts are reported as general. All taxes are classified as general receipts even if restricted for a specific purpose.

Disbursements

Governmental activities include the School District's programs and services, including instruction, support services, operation and maintenance of plant (buildings), pupil transportation, extracurricular activities, and food service operations.

O. Extraordinary and Special Items

Extraordinary items are transactions or events that are both unusual 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 – DEPOSITS AND INVESTMENTS

Monies held by the School District are classified by State statute into three categories.

Active monies are public monies determined to be necessary to meet current demands upon the School District Treasury. Active monies must be maintained either as cash in the School 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 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 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 held by the School District can be deposited or invested in the following securities:

1. United States Treasury bills, bonds, notes, 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;

ORRVILLE CITY SCHOOL DISTRICT
WAYNE COUNTY

Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2012

2. Bonds, notes, debentures, or any other obligation or security issued by any federal government agency or instrumentality including, but not limited to, the Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, Government National Mortgage Association, and Student Loan Marketing Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
3. Written repurchase agreements in the securities listed above; provided that the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least 2 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 or Ohio local governments;
5. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2) of this section and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions.
6. The State Treasurer's investment pool (STAROhio);
7. Certain bankers' acceptances and commercial paper notes for a period not to exceed one hundred and eighty days in an amount not to exceed 25 percent of the interim moneys available for investment at any one time;
8. Under certain circumstances, corporate debt interests rated in either of the two highest rating classifications by at least two nationally recognized rating agencies.

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 School 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 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.

Deposits

Custodial credit risk for deposits is the risk that in the event of bank failure, the School District will not be able to recover deposits or collateral securities that are in the possession of an outside party. The School District has no deposit policy for custodial risk beyond the requirements of State statute. Ohio law requires that deposits be either insured by Federal Deposit Insurance Corporation or be protected by eligible securities pledged to and deposited either with the School District or a qualified trustee by the financial institution as security for repayment, or by a collateral pool of eligible securities deposited with a qualified trustee and pledged to secure the repayment of all uninsured public monies deposited in the financial institution whose market value at all times shall be at least 105 percent of the deposits being secured.

ORRVILLE CITY SCHOOL DISTRICT
WAYNE COUNTY

Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2012

At fiscal year end, the carrying amount of the School District’s deposits was \$11,459,791 and the bank balance was \$11,638,163. Of the School District’s bank balance, \$7,958,000 was covered by federal depository insurance, leaving \$3,680,163 exposed to custodial credit risk because it was uninsured but collateralized with securities held by the pledging financial institution’s trust department or agent not in the School District’s name.

As of June 30, 2012, the School District has \$500 in undeposited cash on hand. This amount is included in equity in pooled cash and investments.

U.S. Bank acts as a trustee for the School District. U.S. Bank held on accounts as of June 30, 2012, \$1,388,122. This money is held in trustee accounts for the construction of a new middle school and other building renovations and improvements. Collateral is held on direct deposit with the Federal Reserve.

Investments

Investments are reported at cost. As of June 30, 2012, the School District had the following investment:

<u>Investment Type</u>	<u>Carrying Value</u>	<u>Maturities</u> <u>Less than</u> <u>1 Year</u>	<u>Percentage</u>
STAROhio	948,284	948,284	100%
Total	\$ 948,284	\$ 948,284	100%

Interest Rate Risk

The School District has no investment policy that addresses interest rate risk. State statute requires that an investment mature within five years from the date of purchase, unless matched to a specific obligation or debt of the School District, and that an investment must be purchased with the expectation that it will be held to maturity. State statute limits investments in commercial paper to a maximum maturity of 180 days from the date of purchase. Repurchase agreements are limited to 30 days and the market value of the securities must exceed the principal value of the agreement by at least 2 percent and be marked to market daily.

Custodial Credit Risk

For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the School District will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The School District has no investment policy dealing with investment custodial risk beyond the requirement in state statute that prohibits payment for investments prior to the delivery of the securities representing such investments to the Treasurer or qualified trustee.

Credit Risk

STAROhio is an investment pool operated by the Ohio State Treasurer. It is unclassified since it is not evidenced by securities that exist in physical or book entry form. Ohio law requires STAROhio maintain the highest rating provided by at least one nationally recognized standard rating service. The weighted average of maturity of the portfolio held by STAROhio as of June 30, 2012, is 53 days and carries a rating of AAAM by Standard and Poor’s.

ORRVILLE CITY SCHOOL DISTRICT
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Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2012

Concentration of Credit Risk

The School District places no limit on the amount the district may invest in any one issuer, however State statute limits investments in commercial paper and bankers' acceptances to 25 percent of the interim monies available for investment at any one time. One hundred percent of the School District's investments are in STAROhio.

NOTE 4 – PROPERTY TAXES

Property taxes are levied and assessed on a calendar year basis while the School District fiscal year runs from July through June. First half tax collections are received by the School 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 and public utility property located in the School District. Real property tax revenue received in calendar year 2012 represents collections of calendar year 2011 taxes. Real property taxes received in calendar year 2012 were levied after April 1, 2011, on the assessed value listed as of January 1, 2011, the lien date. Assessed values for real property taxes are established by State law at thirty-five percent of appraised market value. Real property taxes are payable annually or semi-annually. If paid annually, payment is due December 31; if paid 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 revenue received in calendar 2012 represents collections of calendar year 2011 taxes. Public utility real and tangible personal property taxes received in calendar year 2012 became a lien December 31, 2010, were levied after April 1, 2011 and are collected in 2012 with real property taxes. Public utility real property is assessed at thirty-five percent of true value; public utility tangible personal property currently is assessed at varying percentages of true value.

House Bill No. 66 was signed into law on June 30, 2005. House Bill No. 66 phased out the tax on tangible personal property of general businesses, telephone and telecommunications companies, and railroads. The tax on general business and railroad property was eliminated in calendar year 2009, and the tax on telephone and telecommunications property was eliminated in calendar year 2010. The tax was phased out by reducing the assessment rate on the property each year. The bill replaced the revenue lost by the School District due to the phasing out of the tax. In calendar years 2006-2010, the School District was fully reimbursed for the lost revenue. In calendar years 2011-2017, the reimbursements are being phased out. On June 30, 2011, House Bill No. 153 was signed into law, which further reduced the amounts of these reimbursements.

The School District receives property taxes from Wayne County. The County Auditor periodically advances to the School 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 available to be advanced can vary based on the date the tax bills are sent.

ORRVILLE CITY SCHOOL DISTRICT
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Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2012

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

	2011 Second- Half Collections		2012 First- Half Collections	
	Amount	Percent	Amount	Percent
Agricultural/Residential	\$ 151,770,050	70%	\$ 146,660,440	68%
Commercial/Industrial Public Utility	63,546,020	29%	67,913,600	31%
Tangible Personal Property	1,964,190	1%	1,695,700	1%
Total	\$ 217,280,260	100%	\$ 216,269,740	100%
Tax rate per \$1,000 of assessed valuation	\$ 63.30		\$ 63.30	

NOTE 5 – RISK MANAGEMENT

A. General Insurance

The School 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 School District has a comprehensive property and casualty policy. The deductible is \$5,000 per incident on property and \$250 per incident on equipment. All vehicles are also insured with a \$1,000 deductible. All board members, administrators, and employees are covered under a school district liability policy. The limits of this coverage are \$1,000,000 per occurrence and \$4,000,000 in aggregate. Settled claims have not exceeded this commercial coverage in any of the past three years and there has not been a significant reduction in coverage from the prior year.

B. Fidelity Bond

The Treasurer is covered under a surety bond in the amount of \$20,000. The Board President and Superintendent each have \$20,000 position bonds.

C. Workers’ Compensation

The School District pays the State Workers’ Compensation System a premium based on a rate per \$100 of salaries. The School District is a member of the Ohio School Board Association Group Rating System, an insurance purchasing pool. This rate is calculated based on accident history and administrative costs. The group presently consists of over 400 school districts.

D. Employee Health Insurance

Effective December 1, 2007, the School District has contracted with Stark County Schools Council of Governments (the “Council”) to provide employee medical/surgical benefits. The Council is a risk sharing pool created pursuant to State statute for the purpose of carrying out a cooperative program for the provision and administration of health care benefits. The Assembly is the legislative decision-making body of the Council. The Assembly is comprised of the superintendents or executive officers of the members, who have been appointed by the respective governing body of each member.

ORRVILLE CITY SCHOOL DISTRICT
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Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2012

The intent of the insurance pool is to achieve a reduced, stable and competitive rate for the School District by grouping with other members of the Health Benefits Program. The experience of all participating districts is calculated as one, and a common premium rate is applied to all member districts.

Rates are set through an annual calculation process. The School District pays a monthly contribution which is placed in a common fund from which claim payments are made for all participating districts. The employees share the cost of the monthly premium with the Board. For fiscal year 2012, the School District's monthly premiums were \$1,362.75 for family medical coverage and \$561.02 for single medical coverage. Dental insurance is also provided by the School District to qualified employees through the Stark County Schools Council for Governments. For fiscal year 2012, the School District's cost was \$1,262.75 for family coverage and \$521.02 for single coverage per employee per month.

Claims are paid for all participants regardless of claims flow. Upon termination, all School District claims would be paid without regard to the School District's account balance. The Stark County Schools Council of Government Board of Directors has the right to return monies to an existing school district subsequent to the settlement of all expenses and claims.

NOTE 6 – DEFINED BENEFIT PENSION PLANS

A. School Employees Retirement System

Plan Description - The School District contributes to the School Employees Retirement System of Ohio ("SERS"), a cost-sharing multiple-employer defined benefit pension plan. SERS provides retirement, disability and survivor benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Authority to establish and amend benefits is provided by state statute per 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 can be obtained by contacting SERS, 300 East Broad Street, Suite 100, Columbus, Ohio 43215-3746 or by calling toll free (800) 878-5853. It is also posted on SERS' website at www.ohsers.org under Employers/Audit Resources.

Funding Policy - Plan members are required to contribute 10 percent of their annual covered salary and the School District is required to contribute at an actuarially determined rate. The current rate is 14 percent of annual covered payroll. A portion of the School 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 .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 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 School District's required contributions for pension obligations and death benefits to SERS for the fiscal years ended June 30, 2012, 2011 and 2010 were \$334,712, \$267,642 and \$321,637, respectively; 47 percent has been contributed for fiscal year 2012 and 100 percent for the fiscal years 2011 and 2010.

ORRVILLE CITY SCHOOL DISTRICT
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Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2012

B. State Teachers Retirement System

Plan Description - The School 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 publicly-available, stand-alone financial report that may be obtained by writing to STRS Ohio, 275 East Broad Street, Columbus, Ohio 43215-3371, by calling (888) 227-7877, or by visiting the STRS Ohio website at www.strsoh.org.

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

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

Funding Policy - For fiscal year 2012, plan members were required to contribute 10 percent of their annual covered salaries. The School 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 employer contributions. Chapter 3307 of the Ohio Revised Code provides statutory authority for member and employer contributions.

The School District's required contributions for pension obligations to STRS Ohio for the fiscal years ended June 30, 2012, 2011 and 2010 were \$916,992, \$961,571 and \$985,427, respectively; 83 percent has been contributed for fiscal year 2012 and 100 percent for the fiscal years 2011 and 2010. Contributions to the DC and Combined Plans for fiscal year 2012 were \$31,587 made by the School District and \$22,562 made by the plan members.

ORRVILLE CITY SCHOOL DISTRICT
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Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2012

Social Security System

Effective July 1, 1991, all employees not otherwise covered by the School Employees Retirement System or the State Teachers Retirement System have an option to choose Social Security or the School Employees Retirement System/State Teachers Retirement System. The Board's liability is 6.2 percent of wages paid. As of June 30, 2012, none of the Board of Education members have elected social security

NOTE 7 – POST EMPLOYMENT BENEFITS

A. School Employees Retirement System

Plan Description – The School District participates in two cost-sharing, multiple employer defined benefit OPEB plans administered by the School Employees Retirement System 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 plan 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 Ohio Revised Code Section 3309.69. 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 monthly premium for calendar year 2012 was \$99.90 for most participants, but could be as high as \$319.70 per month depending on their income. 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 SERS' website at 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, .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.

ORRVILLE CITY SCHOOL DISTRICT
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Notes to the Basic Financial Statements
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Active members do not contribute to the postemployment benefit plans. The SERS 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. Retirees and their beneficiaries are required to pay a health care premium that varies depending on the plan selected, the number of qualified years of service, Medicare eligibility and retirement status.

The School District's contributions for health care (including surcharge) for the fiscal years ended June 30, 2012, 2011, and 2010 were \$48,436, \$64,732, and \$43,902, respectively, which equaled the required contributions each year.

The Retirement Board, acting with advice of the actuary, allocates a portion of the current employer contribution to the Medicare B Fund. For fiscal year 2012, the actuarially required allocation was 0.75 percent of covered payroll. The School District's contributions for Medicare Part B for the fiscal years ended June 30, 2012, 2011, and 2010 were \$19,766, \$17,223, and \$19,127, respectively, which equaled the required contributions each year.

B. State Teachers Retirement System

Plan Description - The School 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 financial report of STRS. Interested parties can view the most recent Comprehensive Annual Financial Report by visiting www.strsoh.org or by requesting a copy by calling toll-free (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 School District's contributions for health care for the fiscal years ended June 30, 2012, 2011, and 2010 were \$70,538, \$73,967, and \$75,802, respectively.

ORRVILLE CITY SCHOOL DISTRICT
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Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2012

NOTE 8 – DEBT OBLIGATIONS

The following is a description of the School District’s outstanding debt obligations as of June 30, 2012:

	<u>Interest Rate</u>	<u>Principal Outstanding 06/30/11</u>	<u>Additions</u>	<u>Deductions</u>	<u>Principal Outstanding 06/30/12</u>	<u>Due Within One Year</u>
2008 School Facilities Construction and Improvement Notes	4.519%	\$ 937,000	\$ 0	\$ 20,000	\$ 917,000	\$ 21,000
2007 School Facilities Construction and Improvement Refunding Bonds						
Serial and Term Bonds	4.25-5.25%	16,450,000	0	350,000	16,100,000	420,000
Capital Appreciation Bonds	2.0 - 26.4%	160,000	0	0	160,000	0
Accretion		87,848	29,931	0	117,779	0
Lease-Purchase Agreement		12,358,323	0	356,323	12,002,000	370,000
Total General Debt Obligations		<u>\$ 29,993,171</u>	<u>\$ 29,931</u>	<u>\$ 726,323</u>	<u>\$ 29,296,779</u>	<u>\$ 811,000</u>

2007 School Facilities Construction and Improvement and Refunding General Obligation Bonds

On September 18, 2007, the School District issued \$17,670,000 in voted general obligation bonds, which included serial, term and capital appreciation (deep discount) bonds in the amount of \$11,275,000, \$6,235,000 and \$160,000, respectively. The bonds refunded \$2,670,000 of outstanding 1997 Library Bonds and \$15,000,000 of outstanding 2007 School Facilities Construction and Improvement Notes. The bonds were issued for a twenty-nine year period with final maturities at December 31, 2035.

At the date of refunding, \$18,435,688 (including premium and after underwriting fees and other issuance costs) was received to pay off old debt. As a result, \$2,670,000 of the 1997 Library Bonds and \$15,000,000 of the notes were retired. The bonds were issued with a premium of \$765,688.

The bond issue consists of serial, term and capital appreciation bonds. The serial bonds were issued with a varying interest rate of 4.250 to 5.250 percent. The term bonds that mature in fiscal year 2036 with an interest rate of 5.250 percent are subject to mandatory sinking fund redemption. The mandatory sinking fund redemption is to occur on December 1, 2029 at 100 percent of the principal amount thereof plus accrued interest to the date of redemption according to the following schedule.

<u>Fiscal Year</u>	<u>Principal Amount to be Redeemed</u>
2030	\$ 760,000
2031	800,000
2032	840,000
2033	885,000
2034	935,000
2035	980,000

The remaining principal amount of term bonds in the amount of \$1,035,000 will be paid at stated maturity on December 1, 2035.

ORRVILLE CITY SCHOOL DISTRICT
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Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2012

The term bonds maturing after December 1, 2018 are subject to optional redemption, in whole or in part, on any date in order of maturity as determined by the School District and by lot within a maturity, at the option of the Board of Education on or after December 1, 2017.

The capital appreciation bonds will mature December 1, 2018 and 2019. These bonds were purchased at a discount at the time of issuance and at maturity all compounded interest is paid and the bond holder collects the face value. However, since interest is technically earned and compounded semi-annually, the value of the bond increases. Therefore, as the value increases, the accretion is noted. The maturity amount of the bonds is \$690,000. The fiscal year 2012 accretion amount was \$29,931.

2008 School Facilities Construction and Improvement Note

On February 28, 2008, the School District entered into a note with the Columbus Regional Airport Authority for improvements and construction of school facilities, constructing additions to and renovating and improving school facilities under the Ohio School Facilities Commission Expedited Local Partnership Program. As part of the agreement, the Columbus Regional Airport deposited \$1,000,000 with a trustee. Amounts are paid to contractors by the trustee at the discretion of the School District as the project progresses. The note will be paid from tax levy proceeds.

The general obligation bonds and note will be paid from the bond retirement debt service fund.

The lease will be paid from the permanent improvement fund.

Principal and interest requirements to retire general obligation bonds outstanding at June 30, 2012 are as follows:

Fiscal Year	Construction	General	Capital	Interest/	Total
Ending	and Improvement	Obligation Bonds	Appreciation Bonds	Accretion	
June 30,	Note				
2013	\$ 21,000	\$ 420,000	\$ 0	\$ 839,249	\$ 1,280,249
2014	22,000	455,000	0	819,611	1,296,611
2015	23,000	485,000	0	798,239	1,306,239
2016	24,000	560,000	0	774,237	1,358,237
2017	25,000	600,000	0	747,297	1,372,297
2018-2022	145,000	2,740,000	160,000	3,880,301	6,925,301
2023-2027	185,000	3,195,000	0	2,542,399	5,922,399
2028-2032	237,000	3,810,000	0	1,613,983	5,660,983
2033-2036	235,000	3,835,000	0	439,170	4,509,170
Total	<u>\$ 917,000</u>	<u>\$ 16,100,000</u>	<u>\$ 160,000</u>	<u>\$ 12,454,486</u>	<u>\$ 29,631,486</u>

ORRVILLE CITY SCHOOL DISTRICT
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Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2012

NOTE 9 – LEASE-PURCHASE AGREEMENT

In fiscal year 2006, the School District entered into a lease agreement with the Columbus Regional Airport Authority for the construction of a new middle school building. At the time the School District entered into this lease, the building had not yet been constructed. As part of the agreement, Columbus Regional Airport Authority, as lessor, deposited \$13,000,000 with a trustee for the construction of the building. Amounts are paid to contractors by the trustee at the discretion of the School District as the project progresses. All payments will be made to the U.S. Bank, third party administrator. Interest is calculated on a weekly basis using the BMA rate plus 73.1 bpts. At June 30, 2012 the interest rate was 1.631 percent.

The following is a schedule of the future long term minimum lease payments required under the capital lease and the present value of the minimum lease payments as of June 30, 2012:

Year Ending June 30,	2013	\$ 559,679
	2014	567,552
	2015	575,117
	2016	586,714
	2017	592,370
	2018-2022	3,104,640
	2023-2027	3,369,750
	2028-2032	3,696,428
	2033-2034	<u>1,286,787</u>
		<u>\$ 14,339,037</u>
	Less amount representing interest	<u>2,337,037</u>
	Present value of minimum lease payment	<u><u>\$ 12,002,000</u></u>

ORRVILLE CITY SCHOOL DISTRICT
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Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2012

NOTE 10 – SET ASIDE REQUIREMENTS

The School District is required by state law to set aside certain general fund receipt amounts, as defined, into various reserves. For the fiscal year ended June 30, 2012, the reserve activity was as follows:

	Capital Acquisition
Set-Aside Reserve Balance June 30, 2011	\$ 0
Current Year Set Aside Requirement	278,076
Contributions in Excess of the Current Fiscal Year Set Aside Requirement	0
Current Year Qualifying Disbursements	0
Excess Qualified Expenditures from Prior Years	0
Current Year Offsets	(876,737)
Waiver Granted by the Department of Education	0
Prior Year Offset from Bonds Proceeds	0
Total	\$ (598,661)
Balance carried forward to FY 2013	\$ 0
Set-Aside Reserve Balance June 30, 2012	\$ 0

Although the School District had qualifying disbursements and offsets during the fiscal year that reduced the set-aside amount below zero for the capital acquisition set-aside, this amount may not be used to reduce the set-aside requirement for future years.

NOTE 11 – RELATED ORGANIZATION

The Orrville Public Library (the “Library”) is a related organization to the School District. The school board members are responsible for appointing all the trustees of the Library; however, the school board cannot influence the Library’s operation, nor does the Library represent a potential financial benefit or burden to the School District. The School District serves in a ministerial capacity as the taxing authority for the Library. Once the Library determines to present a levy to the voters, including the determination of the rate and duration, the School District must place the levy on the ballot. The Library may not issue debt and determines its own budget. The Library did not receive any funding from the School District during fiscal year 2012.

**ORRVILLE CITY SCHOOL DISTRICT
WAYNE COUNTY**

*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2012*

NOTE 12 – JOINTLY GOVERNED ORGANIZATIONS

A. Tri-County Computer Service Association (TCCSA)

The Tri-County Computer Services Association (TCCSA) is a jointly governed organization comprised of 20 school districts. The jointly governed organization was formed for the purpose of applying modern technology with the aid of computers and other electronic equipment to administrative and instructional functions for member School Districts. Each of the governments of these School Districts supports TCCSA based on a per-pupil charge dependent upon the software package utilized. The TCCSA assembly consists of a superintendent or designated representative from each participating School District and a representative from the fiscal agent. TCCSA is governed by a board of directors chosen from the general membership of the TCCSA assembly. The board of directors consists of a representative from the fiscal agent, the chairman of each operating committee, and at least an assembly member from each county from which participating School Districts are located. Financial information can be obtained by contacting the Treasurer at the Tri-County Educational Service Center, which serves as fiscal agent, located at Wooster, Ohio. During the fiscal year ended June 30, 2012, the School District paid \$147,357 to TCCSA for basic service charges.

B. Wayne County Career Center

The Career Center, a joint vocational school, is a jointly governed organization providing vocational services to its ten member school districts. The Career Center is governed by a board of education comprised of nine members appointed by the participating schools. The board controls the financial activity of the Career Center and reports to the Ohio Department of Education and the Auditor of State of Ohio. The continued existence of the Career Center is not dependent on the School District's continued participation and no equity interest exists.

NOTE 13 – PUBLIC ENTITY RISK POOL

The School District is a member of the Stark County Schools Council of Governments Health Benefit Plan (the Council), through which a cooperative Health Benefit Program was created for the benefit of its members. The Health Benefit Program (the "Program") is an employee health benefit plan which covers the participating members' employees. The Council acts as a fiscal agent for the cash funds paid into the program by the participating school districts. These funds are pooled together for the purpose of paying health benefit claims for employees and their covered dependents, administrative expenses of the program, and premiums for stop-loss insurance coverage. The School District accounts for the premiums paid as expenditures in the general or applicable fund.

NOTE 14 – CONTINGENCIES

A. *Review of Statewide Attendance Data*

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.

ORRVILLE CITY SCHOOL DISTRICT
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Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2012

B. Grants

The School 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 School District at June 30, 2012, if applicable, cannot be determined at this time.

C. Litigation

The School District is not party to any claims or lawsuits that would, in the School District's opinion, have a material effect of the basic financial statements.

NOTE 15 – ACCOUNTABILITY AND COMPLIANCE

A. Accountability

At June 30, 2012, the IDEA Special Education Grant Fund and the Title II-D Fund had deficit balances in the amounts of \$2,721 and \$8, respectively. The General Fund provides transfers to cover deficit balances; however, this is done when cash is needed. The deficit fund balance was created at June 30, 2012, as a result of late disbursements from the grant authorities.

B. Compliance

Ohio Administrative Code, Section 117-2-03 (B), requires the School District to prepare its annual financial report in accordance with generally accepted accounting principles. However, the School District prepared its financial statements on a cash basis, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. The accompanying financial statements omit assets, liabilities, net assets/fund balances, and disclosures that, while material, cannot be determined at this time. The School District can be fined and various other administrative remedies may be taken against the School District.

NOTE 16 – BUDGETARY BASIS OF ACCOUNTING

The statement of receipts, disbursements and changes in fund balance - budget and actual (cash basis) presented for the general fund is presented on the budgetary basis to provide a meaningful comparison of actual results with the budget. The major differences between the budget basis and the 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; and,

ORRVILLE CITY SCHOOL DISTRICT
WAYNE COUNTY

Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2012

- b. Some funds are included in the general fund (cash basis), but have separate legally adopted budgets (budget basis).

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

Net Change in Fund Balance	
	General Fund
Cash basis	\$708,794
Funds budgeted elsewhere**	16,549
Adjustment for encumbrances	(197,753)
Budget basis	\$527,590

**As part of Governmental Accounting Standards Board Statement No. 54, “Fund Balance Reporting”, certain funds that are legally budgeted in separate special revenue funds are considered part of the general fund on the cash basis. This includes the unclaimed funds, rotary and public school support funds.

NOTE 17 – CONTRACTUAL COMMITMENTS

At June 30, 2012, the School District had the following outstanding contractual commitments for the high school building project:

<u>Contract/Vendor</u>	<u>Contracted Amount</u>	<u>Amount remaining</u>
C.T. Taylor Company, Inc.	\$ 8,072,499	\$ 6,990,417
Guenther Mechanical, Inc.	2,834,166	2,360,821
Wood Electric	2,383,843	2,139,090
Fieldturf USA, Inc.	218,156	218,156
Balog Steines Hendricks	510,327	289,810
Scaparotti Construction Group	179,926	179,926
Fire Foe Corporation	168,800	168,800
Environmental Support Network	78,550	78,550
Kahoe Air Balance Co.	39,950	39,950
Wenger Excavating	918,368	33,959
The Brewer-Garrett Company	47,132	32,521
	\$ 15,451,717	\$ 12,532,000

ORRVILLE CITY SCHOOL DISTRICT
WAYNE COUNTY

Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2012

NOTE 18 – FUND BALANCE

Fund balance is classified as nonspendable, restricted, committed, assigned, and/or unassigned based primarily on the extent to which the School District is bound to observe constraints imposed upon the use of the resources in governmental funds.

The constraints placed on fund balance for the major governmental funds and all other governmental funds are presented below:

	<u>General</u>	<u>Permanent Improvement</u>	<u>Building</u>	<u>Classroom Facilities</u>	<u>Other Governmental</u>	<u>Total Governmental</u>
Nonspendable for:						
Trust unclaimed funds	\$ 29,161	\$ 0	\$ 0	\$ 0	\$ 0	\$ 29,161
Restricted for:						
Bus Purchase	93	0	0	0	0	93
Permanent Improvements	0	2,491,255	2,252,950	6,188,415	0	10,932,620
Classroom Facilities Maintenance	0	0	0	0	324,186	324,186
Debt Retirement	0	0	0	0	541,329	541,329
Food Service Operations	0	0	0	0	392,819	392,819
Extracurricular Activities	0	0	0	0	80,845	80,845
Professional Development	0	0	0	0	0	0
Scholarships	0	0	0	0	51,906	51,906
Regular Instruction	0	0	0	0	11,373	11,373
Special Instruction	0	0	0	0	13,573	13,573
Drug Education and Prevention	0	0	0	0	0	0
Improving Teacher Quality	0	0	0	0	0	0
Technology Improvement	0	0	0	0	4,776	4,776
Total Restricted	<u>93</u>	<u>2,491,255</u>	<u>2,252,950</u>	<u>6,188,415</u>	<u>1,420,807</u>	<u>12,353,520</u>
Assigned for:						
Educational Activities	53,056	0	0	0	0	53,056
Instruction	28,506	0	0	0	0	28,506
Support Services	167,939	0	0	0	0	167,939
Capital Outlay	1,308	0	0	0	0	1,308
Subsequent years appropriations	899,084	0	0	0	0	899,084
Total Assigned	<u>1,149,893</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>1,149,893</u>
Unassigned	<u>235,048</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>(2,729)</u>	<u>232,319</u>
Total Fund Balances	<u>\$ 1,414,195</u>	<u>\$ 2,491,255</u>	<u>\$ 2,252,950</u>	<u>\$ 6,188,415</u>	<u>\$ 1,418,078</u>	<u>\$ 13,764,893</u>

October 15, 2012

To the Board of Education
Orrville City School District
815 North Ella Street
Orrville, Ohio 44667

**INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING
AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF
FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH
GOVERNMENT AUDITING STANDARDS**

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Orrville City School District (the "School District") as of and for the year ended June 30, 2012, which collectively comprise the School District's basic financial statements, and have issued our report thereon dated October 15, 2012, wherein we noted the School District uses a comprehensive basis of accounting not in accordance with generally accepted accounting principles. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

Management is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered the School District's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the School District's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the School 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, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis.

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 to be material weaknesses, as defined above.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the School District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed an instance of noncompliance or other matter that is required to be reported under *Government Auditing Standards* and which is described in the accompanying schedule of findings and questioned costs as item 2012-01.

We noted certain matters that we reported to management of the School District in a separate letter dated October 15, 2012.

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

This report is intended solely for the information and use of management, the Board of Education, others within the entity, federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than those specified parties.

Rea & Associates, Inc.

October 15, 2012

To the Board of Education
Orrville City School District
815 North Ella Street
Orrville, Ohio 44667

**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH
REQUIREMENTS THAT COULD HAVE A DIRECT AND MATERIAL EFFECT
ON EACH MAJOR PROGRAM AND INTERNAL CONTROL OVER
COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133**

Compliance

We have audited the compliance of Orrville City School District (the "School 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 have a direct and material effect on each of its major federal programs for the year ended June 30, 2012. The School District's major federal programs are identified in the summary of auditor's results section of the accompanying *Schedule of Findings and Questioned Costs*. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of the School District's management. Our responsibility is to express an opinion on the School District's compliance based on our audit.

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

In our opinion, the School District complied, in all material respects, with the requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2012.

Internal Control Over Compliance

The School District's management is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered the School District's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion 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 expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the School District's internal control over compliance.

Orrville City School District
Independent Auditor's Report on Compliance with
Requirements That Could Have a Direct and Material Effect
On Each Major Program and on Internal Control Over
Compliance in Accordance with OMB Circular A-133
Page 2 of 2

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *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 type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis.

Our consideration of the internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control 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.

This report is intended solely for the information and use of management, the Board of Education, others within the entity, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Hea & Associates, Inc.

ORRVILLE CITY SCHOOL DISTRICT
WAYNE COUNTY
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS - CASH BASIS
FISCAL YEAR ENDED JUNE 30, 2012

Federal Grantor/ Pass Through Grantor Program Title	Program Year	Federal CFDA Number	Cash Receipts	Non-Cash Receipts	Cash Expenditures	Non-Cash Expenditures
U.S. DEPARTMENT OF AGRICULTURE						
<i>Passed Through the Ohio Department of Education:</i>						
Child Nutrition Cluster:						
School Breakfast Program	2012	10.553	\$ 89,363	\$ -	\$ 89,363	\$ -
National School Lunch Program (Food Distribution)	2012	10.555	-	45,602	-	45,602
National School Lunch Program	2012	10.555	343,961	-	343,961	-
Summer Food Service Program	2012	10.559	17,939	-	17,939	-
Total Child Nutrition Cluster			451,263	45,602	451,263	45,602
Total U.S. Department of Agriculture			451,263	45,602	451,263	45,602
U.S. DEPARTMENT OF EDUCATION						
<i>Passed Through the Ohio Department of Education:</i>						
Special Education Cluster:						
Special Education - Grants to States (IDEA Part B)	2011	84.027	57,799	-	41,458	-
Special Education - Grants to States (IDEA Part B)	2012	84.027	339,211	-	341,930	-
ARRA - Special Education Grants to States (IDEA Part B)	2011	84.391	55	-	8,285	-
Total Special Education Cluster			397,065	-	391,673	-
Title I Grants Cluster:						
Grants to Local Educational Agencies (Title I)	2011	84.010	34,628	-	45,597	-
Grants to Local Educational Agencies (Title I)	2011	84.010	357,789	-	344,214	-
Grants to Local Educational Agencies (Title I)	2012	84.010	47,670	-	45,294	-
ARRA - Grants to Local Educational Agencies (Title I)	2011	84.389	8,953	-	10,441	-
Total Title I Grants Cluster			449,040	-	445,546	-
Safe and Drug Free Schools (Title IV-A)	2010	84.186	-	-	52	-
Safe and Drug Free Schools (Title IV-A)	2011	84.186	294	-	294	-
Total Safe and Drug Free Schools (Title IV-A)			294	-	346	-
ARRA - Race to the Top	2012	84.395	2,100	-	2,100	-
Education Jobs Fund	2012	84.410	262,645	-	258,561	-
Technology Literacy Quality State Grants (Title II-D)	2012	84.318	609	-	717	-
Improving Teacher Quality State Grants (Title II-A)	2011	84.367	5,433	-	9,703	-
Improving Teacher Quality State Grants (Title II-A)	2012	84.367	75,369	-	71,324	-
Total Improving Teacher Quality State Grants (Title II-A)			80,802	-	81,027	-
Total U.S. Department of Education			1,192,555	-	1,179,970	-
Totals			\$ 1,643,818	\$ 45,602	\$ 1,631,233	\$ 45,602

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

**Orrville City School District
Wayne County, Ohio**

*Notes to the Schedule of Expenditures of Federal Awards – Cash Basis
For the Fiscal Year Ended June 30, 2012*

Note A - Child Nutrition Cluster

Federal money commingled with state subsidy reimbursements. It is assumed federal moneys are expended first.

Note B – Food Donation Program

Program regulations do not require the School District to maintain separate inventory records for purchased food and food received from the U.S. Department of Agriculture. This non-monetary assistance and related expenditures are reported in this schedule at the value of the commodities received as assessed by the U.S. Department of Agriculture (entitlement value).

Note C - Transfers

The School District generally must spend Federal assistance within 15 months of receipt (funds must be obligated by June 30 and spent by September 30). However, with Ohio Department of Education’s (ODE) approval, a School District can transfer unspent Federal assistance to the succeeding year, thus allowing the District a total of 27 months to spend the assistance. During fiscal year 2012, the ODE authorized the following transfers:

<u>CFDA</u>	-	<u>Program</u>		
<u>Number</u>	<u>Program Title</u>	<u>Year</u>	<u>Transfers Out</u>	<u>Transfers In</u>
84.318	Technology Literacy Quality State Grants (Title II-D)	2011	\$ 99	
84.318	Technology Literacy Quality State Grants (Title II-D)	2012		\$ 99
84.410	Education Jobs Fund	2011	35,000	
84.410	Education Jobs Fund	2012		35,000

**ORRVILLE CITY SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
OMB CIRCULAR A-133, Section .505
JUNE 30, 2012**

1. SUMMARY OF AUDITOR'S RESULTS
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(d) (1) (i)	Type of Financial Statement Opinion	Unqualified
(d) (1) (ii)	Were there any material control weakness conditions reported at the financial statement level (GAGAS)?	No
(d) (1) (ii)	Were there any other significant deficiency conditions reported at the financial statement level (GAGAS)?	No
(d) (1) (iii)	Was there any reported material non-compliance at the financial statement level (GAGAS)?	Yes
(d) (1) (iv)	Was there any material internal control weakness conditions reported for major federal programs?	No
(d) (1) (iv)	Were there any other significant deficiencies reported for major federal programs?	No
(d) (1) (v)	Type of Major Programs' Compliance Opinion	Unqualified
(d) (1) (vi)	Are there any reportable findings under Section .510?	No
(d) (1) (vii)	Major Programs (list): Title I Cluster Child Nutrition Cluster	CFDA #84.010, 84.389 CFDA #10.553, 10.555, 10.559
(d) (1) (viii)	Dollar Threshold: Type A/B Programs	Type A: > \$300,000 Type B: All others
(d) (1) (ix)	Low Risk Auditee?	No

**ORRVILLE CITY SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
OMB CIRCULAR A-133, Section .505
JUNE 30, 2012**

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

**FINDING 2012-01
Material Non-Compliance**

Criteria: 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 (GAAP).

Condition: The School District chose to prepare its financial statements and notes on the basis of cash receipts and disbursements, which is a comprehensive basis of accounting other than GAAP.

Cause: The Orrville City School District Board of Education elected, per resolution 042-2012, to discontinue preparing its financial statements in accordance with GAAP. It was determined that the decision on whether or not to comply will be revisited annually and reviewed in conjunction with recommendation of the Treasurer.

Potential Effect: The financial statements and notes omit assets, liabilities, fund equities, and disclosures that are material, however, cannot be determined at this time.

Recommendation: It is recommended that the School District prepare its annual financial report in accordance with GAAP to comply with Ohio Admin. Code Section 117-2-03(B).

Client Response: The Orrville City Board of Education recognizes the value in preparing accurate and timely financial statements to reflect the School District's operations as of fiscal year end. Due to the cost requirement of preparing these financial statements according to Generally Accepted Accounting Principles (GAAP), the Board has determined that preparing year-end statements on a modified cash basis of accounting will accurately reflect the district's financial position and allow for those resources previously spent on GAAP to be allocated to education purposes.

3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS
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None noted

ORRVILLE CITY SCHOOL DISTRICT
WAYNE COUNTY

SCHEDULE OF PRIOR AUDIT FINDINGS
OMB CIRCULAR A-133, SECTION .315(b)
JUNE 30, 2012

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; Explain
2011-01	Material Non-Compliance – The School District’s financial statements prepared on modified cash basis.	No	Will be repeated as finding 2012-01.



Dave Yost • Auditor of State

ORRVILLE CITY SCHOOL DISTRICT

WAYNE 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
JANUARY 29, 2013**