

Mary Taylor, CPA
Auditor of State

**OSNABURG LOCAL SCHOOL DISTRICT
STARK COUNTY**

TABLE OF CONTENTS

TITLE	PAGE
Independent Accountants' Report.....	1
Management's Discussion and Analysis.....	3
Basic Financial Statements:	
Government-Wide Financial Statements:	
Statement of Net Assets.....	13
Statement of Activities.....	14
Fund Financial Statements:	
Balance Sheet - Governmental Funds.....	15
Statement of Revenues, Expenditures and Changes in Fund Balances Governmental Funds.....	17
Statement of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual (Non - GAAP Budgetary Basis) General Fund.....	19
Statement of Fiduciary Net Assets – Fiduciary Funds.....	20
Statement of Changes in Fiduciary Net Assets – Fiduciary Funds.....	21
Notes to the Basic Financial Statements.....	23
Independent Accountants' Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Required by <i>Government Auditing Standards</i>	51

This page intentionally left blank.



Mary Taylor, CPA

Auditor of State

INDEPENDENT ACCOUNTANTS' REPORT

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

To the Board of Education:

We have audited the accompanying financial statements of the governmental activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the Osnaburg Local School District, Stark County, Ohio, (the District) as of and for the year ended June 30, 2007, which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the District's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the Osnaburg Local School District, Stark County, Ohio, as of June 30, 2007, and the respective changes in financial position thereof and the budgetary comparison for the General Fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated February 7, 2008, on our consideration of the District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. While we did not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting and compliance and the results of that testing. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*. You should read it in conjunction with this report in assessing the results of our audit.

Management's Discussion and Analysis is not a required part of the basic financial statements but is supplementary information accounting principles generally accepted in the United States of America requires. We have applied certain limited procedures, consisting principally of inquiries of management regarding the methods of measuring and presenting the required supplementary information. However, we did not audit the information and express no opinion on it.

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

Mary Taylor, CPA
Auditor of State

February 7, 2008

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

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2007
(UNAUDITED)

The management's discussion and analysis of the Osnaburg Local School District's (the "District") financial performance provides an overall review of the District's financial activities for the fiscal year ended June 30, 2007. The intent of this discussion and analysis is to look at the District's financial performance as a whole; readers should also review the basic financial statements and notes to the basic financial statements to enhance their understanding of the District's financial performance.

Financial Highlights

Key financial highlights for 2007 are as follows:

- In total, net assets of governmental activities increased \$14,689,125 which represents a 257.01% increase from 2006.
- General revenues accounted for \$21,505,349 in revenue or 92.88% of all revenues. Program specific revenues in the form of charges for services and sales, grants and contributions accounted for \$1,649,587 or 7.12% of total revenues of \$23,154,936.
- The District had \$8,465,811 in expenses related to governmental activities; \$1,649,587 of these expenses was offset by program specific charges for services, grants or contributions. General revenues supporting governmental activities (primarily taxes and unrestricted grants and entitlements) of \$21,505,349 were adequate to provide for these programs.
- The District's major governmental funds are the general fund and classroom facilities fund. The general fund had \$7,135,361 in revenues and other financing sources and \$7,261,279 in expenditures. During fiscal year 2007, the general fund's fund balance decreased \$125,918 from \$4,082,038 to \$3,956,120.
- The classroom facilities fund had \$8,577,339 in revenues and other financing sources and \$307,720 in expenditures. During fiscal year 2007, the classroom facilities fund's fund balance increased \$8,269,619 from \$0 to \$8,269,619.

Using these Basic Financial Statements

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

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

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

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2007
(UNAUDITED)

Reporting the District as a Whole

Statement of Net Assets and the Statement of Activities

While this document contains the large number of funds used by the District to provide programs and activities, the view of the District as a whole looks at all financial transactions and asks the question, "How did we do financially during 2007?" The Statement of Net Assets and the Statement of Activities answer this question. These statements include *all assets, liabilities, revenues and expenses* using the *accrual basis of accounting* similar to the accounting used by most private-sector companies. This basis of accounting will take into account all of the current year's revenues and expenses regardless of when cash is received or paid.

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

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

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

Reporting the District's Most Significant Funds

Fund Financial Statements

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

Governmental Funds

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

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

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2007
(UNAUDITED)

Reporting the District's Fiduciary Responsibilities

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

Notes to the Basic Financial Statements

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. These notes to the basic financial statements can be found on pages 22-48 of this report.

The District as a Whole

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

The table below provides a summary of the District's net assets for 2007 and 2006.

	Net Assets	
	Governmental Activities <u>2007</u>	Governmental Activities <u>2006</u>
<u>Assets</u>		
Current and other assets	\$ 40,551,572	\$ 7,619,968
Capital assets, net	<u>1,587,834</u>	<u>1,703,471</u>
Total assets	<u>42,139,406</u>	<u>9,323,439</u>
<u>Liabilities</u>		
Current liabilities	12,307,667	3,213,215
Long-term liabilities	<u>9,427,159</u>	<u>394,769</u>
Total liabilities	<u>21,734,826</u>	<u>3,607,984</u>
<u>Net Assets</u>		
Invested in capital assets	1,587,834	1,703,471
Restricted	15,150,081	115,592
Unrestricted	<u>3,666,665</u>	<u>3,896,392</u>
Total net assets	<u>\$ 20,404,580</u>	<u>\$ 5,715,455</u>

Over time, net assets can serve as a useful indicator of a government's financial position. At June 30, 2007, the District's assets exceeded liabilities by \$20,404,580 primarily due to the District obtaining a \$14,797,046 grant from the Ohio School Facilities Commission for the construction of a new school building.

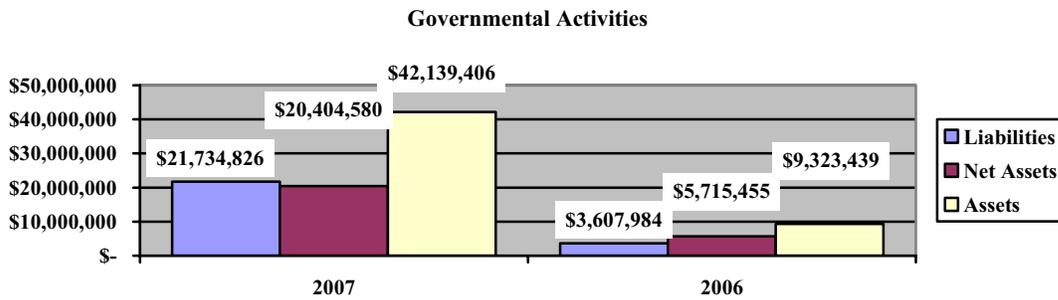
**OSNABURG LOCAL SCHOOL DISTRICT
STARK COUNTY, OHIO**

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2007
(UNAUDITED)

At year-end, capital assets represented 3.77% of total assets. Capital assets include land, construction in progress, land improvements, buildings and improvements, furniture and equipment and vehicles. These capital assets are used to provide services to the students and are not available for future spending.

A portion of the District's net assets, \$15,150,081, represents resources that are subject to external restriction on how they may be used. The remaining balance of unrestricted net assets of \$3,666,665 may be used to meet the District's ongoing obligations to the students and creditors.

The graph below presents the District's assets, liabilities and net assets for fiscal year 2007 and 2006.



The table below shows the change in net assets for fiscal year 2007 and 2006.

Change in Net Assets

	Governmental Activities 2007	Governmental Activities 2006
Revenues		
Program revenues:		
Charges for services and sales	\$ 786,302	\$ 713,858
Operating grants and contributions	854,685	499,973
Capital grants and contributions	8,600	12,672
General revenues:		
Property taxes	2,429,804	2,609,036
Grants and entitlements	18,654,830	3,994,828
Investment earnings	395,015	173,506
Other	25,700	36,431
Total revenues	23,154,936	8,040,304

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

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2007
(UNAUDITED)

Change in Net Assets

	Governmental Activities <u>2007</u>	Governmental Activities <u>2006</u>
<u>Expenses</u>		
Program expenses:		
Instruction:		
Regular	\$ 3,408,448	\$ 3,374,447
Special	646,354	599,058
Vocational	216,759	210,720
Adult	1,610	-
Other	536,233	381,117
Support services:		
Pupil	320,898	374,210
Instructional staff	170,850	157,536
Board of education	20,784	21,315
Administration	657,860	637,645
Fiscal	236,122	228,824
Business	3,252	2,353
Operations and maintenance	620,396	641,348
Pupil transportation	590,762	556,876
Central	26,737	23,094
Operations of non-instructional services	34,617	21,792
Food service operations	334,320	362,450
Extracurricular activities	503,143	488,166
Interest and fiscal charges	<u>136,666</u>	<u>-</u>
Total expenses	<u>8,465,811</u>	<u>8,080,951</u>
Change in net assets	14,689,125	(40,647)
Net assets at beginning of year	<u>5,715,455</u>	<u>5,756,102</u>
Net assets at end of year	<u>\$ 20,404,580</u>	<u>\$ 5,715,455</u>

Governmental Activities

Net assets of the District's governmental activities increased \$14,689,125. The large increase in net assets can be attributed to the District receiving a grant of \$14,797,046 from the Ohio School Facilities Commission. Total governmental expenses of \$8,465,811 were offset by program revenues of \$1,649,587 and general revenues of \$21,505,349. Program revenues supported 19.49% of the total governmental expenses.

The primary sources of revenue for governmental activities are derived from property taxes, and grants and entitlements. These revenue sources represent 91.06% of total governmental revenue.

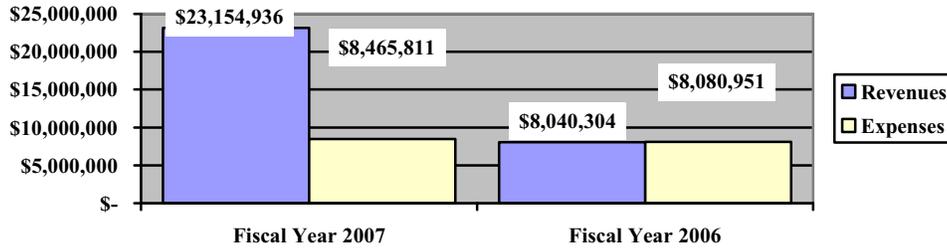
The largest expense of the District is for instructional programs. Instruction expenses totaled \$4,809,404 or 56.81% of total governmental expenses for fiscal 2007.

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2007
(UNAUDITED)**

The graph below presents the District's governmental activities revenue and expenses for fiscal year 2007 and 2006.

Governmental Activities - Revenues and Expenses



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

Governmental Activities

	Total Cost of Services <u>2007</u>	Net Cost of Services <u>2007</u>	Total Cost of Services <u>2006</u>	Net Cost of Services <u>2006</u>
Program expenses				
Instruction:				
Regular	\$ 3,408,448	\$ 2,907,956	\$ 3,374,447	\$ 2,960,308
Special	646,354	305,259	599,058	499,638
Vocational	216,759	173,740	210,720	210,720
Adult	1,610	10	-	-
Other	536,233	536,233	381,117	381,117
Support services:				
Pupil	320,898	193,058	374,210	236,628
Instructional staff	170,850	145,455	157,536	136,598
Board of education	20,784	20,784	21,315	21,315
Administration	657,860	634,474	637,645	621,915
Fiscal	236,122	236,122	228,824	228,824
Business	3,252	3,252	2,353	2,353
Operations and maintenance	620,396	620,396	641,348	641,348
Pupil transportation	590,762	553,808	556,876	556,876
Central	26,737	21,737	23,094	18,094
Operations of non-instructional services	34,617	34,617	21,792	21,792
Food service operations	334,320	(1,187)	362,450	11,272
Extracurricular activities	503,143	293,844	488,166	305,650
Interest and fiscal charges	136,666	136,666	-	-
Total expenses	<u>\$ 8,465,811</u>	<u>\$ 6,816,224</u>	<u>\$ 8,080,951</u>	<u>\$ 6,854,448</u>

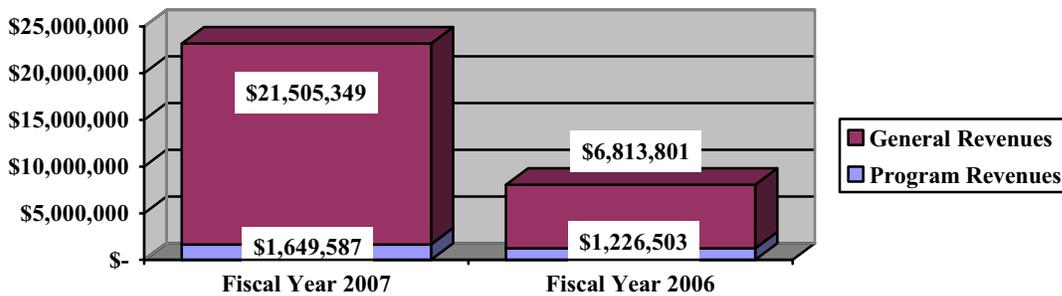
**OSNABURG LOCAL SCHOOL DISTRICT
STARK COUNTY, OHIO**

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2007
(UNAUDITED)

The dependence upon tax and other general revenues for governmental activities is apparent, 81.57% of instruction activities are supported through taxes and other general revenues. For all governmental activities, general revenue support is 80.51%. The District's taxpayers, as a whole, are by far the primary support for District's students.

The graph below presents the District's governmental activities revenue for fiscal year 2007 and 2006.

Governmental Activities - General and Program Revenues



The District's Funds

The District's governmental funds reported a combined fund balance of \$13,494,226, which is greater than last year's total of \$4,160,520. The schedule below indicates the fund balance and the total change in fund balance as of June 30, 2007 and 2006.

	Fund Balance June 30, 2007	Fund Balance June 30, 2006	Increase (Decrease)	Percentage Change
General	\$ 3,956,120	\$ 4,082,038	\$ (125,918)	(3.08) %
Classroom Facilities	8,269,619	-	8,269,619	100.00 %
Other Governmental	1,268,487	78,482	1,190,005	1,516.28 %
Total	\$ 13,494,226	\$ 4,160,520	\$ 9,333,706	224.34 %

General Fund

The District's general fund's fund balance decreased \$125,918. This decrease was primarily due to increasing expenditures outpacing increasing revenues. The table that follows assists in illustrating the financial activities and fund balance of the general fund.

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

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2007
(UNAUDITED)

	<u>2007</u> <u>Amount</u>	<u>2006</u> <u>Amount</u>	<u>Increase</u> <u>(Decrease)</u>	<u>Percentage</u> <u>Change</u>
<u>Revenues</u>				
Taxes	\$ 2,325,604	\$ 2,589,126	\$ (263,522)	(10.18) %
Earnings on investments	244,209	173,399	70,810	40.84 %
Intergovernmental	4,130,151	3,994,828	135,323	3.39 %
Other revenues	<u>432,285</u>	<u>349,955</u>	<u>82,330</u>	23.53 %
 Total	 <u>\$ 7,132,249</u>	 <u>\$ 7,107,308</u>	 <u>\$ 24,941</u>	 0.35 %
<u>Expenditures</u>				
Instruction	\$ 4,560,444	\$ 4,279,362	\$ 281,082	6.57 %
Support services	2,375,148	2,443,325	(68,177)	(2.79) %
Non-instructional services	34,016	21,084	12,932	61.34 %
Extracurricular activities	276,238	270,621	5,617	2.08 %
Facilities acquisition and construction	<u>15,433</u>	<u>1,055</u>	<u>14,378</u>	1,362.84 %
 Total	 <u>\$ 7,261,279</u>	 <u>\$ 7,015,447</u>	 <u>\$ 245,832</u>	 3.50 %

The most significant increase in revenues occurred in earnings on investments which was due to increases in interest rates. The decrease in taxes revenue is due to the decrease in tangible personal property tax receipts during the fiscal year. The increase in other revenues can be attributed to an increase in open enrollment revenue received by the District during the fiscal year. The most significant increase in general fund expenditures occurred in instruction, which was primarily due to increasing teacher salaries. In total, the overall increase in expenditures was not significant in the general fund.

General Fund Budgeting Highlights

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

During the course of fiscal 2007, the District amended its general fund budget several times. For the general fund, original budgeted revenues and other financing sources were \$6,947,735 and final budgeted revenues and other financing sources were \$7,155,241. Actual revenues and other financing sources for fiscal 2007 was \$7,223,890. This represents a \$276,155 increase over original budgeted revenues.

General fund original appropriations (appropriated expenditures including other financing uses) totaled \$7,565,353. General fund final appropriations totaled \$7,459,653. The actual budget basis expenditures and other financing uses for fiscal year 2007 totaled \$7,394,652, which is lower than final budgeted appropriations by \$65,001.

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

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2007
(UNAUDITED)

Capital Assets and Debt Administration

Capital Assets

At the end of fiscal 2007, the District had \$1,587,834 invested in land, construction in progress, land improvements, buildings and improvements, furniture and equipment and vehicles. This entire amount is reported in governmental activities. The following table shows fiscal 2007 balances compared to 2006:

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

	Governmental Activities	
	2007	2006
Land	\$ 469,714	\$ 469,714
Construction in progress	14,360	-
Land improvements	370,790	409,799
Building and improvements	318,663	333,844
Furniture and equipment	132,142	121,870
Vehicles	282,165	368,244
 Total	 <u>\$ 1,587,834</u>	 <u>\$ 1,703,471</u>

The overall decrease in capital assets of \$115,637 is due to depreciation expense of \$185,398 exceeding capital outlays of \$69,761 during the fiscal year.

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

Debt Administration

At June 30, 2007, the District had \$8,703,691 in general obligation bonds and \$8,701,621 in bond anticipation notes outstanding. The bond anticipation notes are recorded as a liability in the funds that received the proceeds. These are the classroom facilities fund and the building fund, a nonmajor governmental fund. The bond anticipation notes mature on July 31, 2007. The entire balance of the general obligation bonds is due in more than one year and is recorded as a long-term liability on the Statement of Net Assets.

Outstanding Debt, at Year End

	Governmental Activities <u>2007</u>
General obligation bonds	\$ <u>8,703,691</u>
Total	\$ <u>8,703,691</u>

See Notes 9 and 10 to the basic financial statements for additional information.

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

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2007
(UNAUDITED)

Current Financial Related Activities

The District has been rated effective on the last six state report cards. This past year the primary building was rated excellent, the high school was rated as excellent for the first time last year and the middle school continues to be rated as effective. The District continues to allocate funds to allow our students to receive the opportunities that they need in order to be successful.

Last year the District still received more revenue than its expenses. This year, according to our five year forecast, the District will expend more money than it receives. This deficit spending pattern shall continue to eat away at our carryover until we predict the District will be in the red during the 2011-2012 school year.

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

The District had a 6.7 mill bond issue on the November 7, 2006 ballot. The issue failed by four votes. In February of 2007 the 6.7 mill bond issue did pass and construction on a new K-12 building will begin in the spring of 2008.

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

Contacting the District's Financial Management

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

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

STATEMENT OF NET ASSETS
JUNE 30, 2007

	Primary Government	Component Unit
	Governmental Activities	East Canton Digital Academy
Assets:		
Equity in pooled cash and cash equivalents.	\$ 18,159,654	\$ 986
Investments	4,923,440	-
Receivables:		
Taxes	2,824,720	-
Accounts	20,448	11,907
Intergovernmental	14,403,802	-
Accrued interest	38,530	-
Prepayments	7,180	-
Materials and supplies inventory	4,770	-
Unamortized bond issue costs	169,028	-
Capital assets:		
Land	469,714	-
Construction in progress	14,360	-
Depreciable capital assets, net	1,103,760	78,011
Capital assets, net.	<u>1,587,834</u>	<u>78,011</u>
Total assets.	<u>42,139,406</u>	<u>90,904</u>
Liabilities:		
Accounts payable.	9,934	986
Accrued wages and benefits	800,756	-
Pension obligation payable.	249,011	-
Intergovernmental payable	27,085	-
Accrued interest payable	137,800	-
Bond anticipation notes payable.	8,701,621	-
Unearned revenue	2,381,460	-
Long-term liabilities:		
Due within one year.	21,285	-
Due within more than one year	9,405,874	-
Total liabilities.	<u>21,734,826</u>	<u>986</u>
Net Assets:		
Invested in capital assets	1,587,834	78,011
Restricted for:		
Capital projects	14,968,235	-
State funded programs.	43,808	-
Federally funded programs.	40,669	-
Student activities.	57,466	-
Other purposes.	39,903	-
Unrestricted	<u>3,666,665</u>	<u>11,907</u>
Total net assets	<u>\$ 20,404,580</u>	<u>\$ 89,918</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

STATEMENT OF ACTIVITIES
FOR THE FISCAL YEAR ENDED JUNE 30, 2007

	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Assets	
		Charges for Services and Sales	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government	Component Unit
					Governmental Activities	East Canton Digital Academy
Governmental activities:						
Instruction:						
Regular	\$ 3,408,448	\$ 367,525	\$ 132,967	\$ -	\$ (2,907,956)	\$ -
Special	646,354	7,172	333,923	-	(305,259)	-
Vocational	216,759	-	43,019	-	(173,740)	-
Adult	1,610	-	1,600	-	(10)	-
Other	536,233	-	-	-	(536,233)	-
Support services:						
Pupil	320,898	-	127,840	-	(193,058)	-
Instructional staff	170,850	-	25,395	-	(145,455)	-
Board of education	20,784	-	-	-	(20,784)	-
Administration	657,860	-	23,386	-	(634,474)	-
Fiscal	236,122	-	-	-	(236,122)	-
Business	3,252	-	-	-	(3,252)	-
Operations and maintenance	620,396	-	-	-	(620,396)	-
Pupil transportation	590,762	-	28,354	8,600	(553,808)	-
Central	26,737	-	5,000	-	(21,737)	-
Other non-instructional services	34,617	-	-	-	(34,617)	-
Food service operations	334,320	202,306	133,201	-	1,187	-
Extracurricular activities	503,143	209,299	-	-	(293,844)	-
Interest and fiscal charges	136,666	-	-	-	(136,666)	-
Total governmental activities	<u>8,465,811</u>	<u>786,302</u>	<u>854,685</u>	<u>8,600</u>	<u>(6,816,224)</u>	<u>-</u>
Component Unit:						
East Canton Digital Academy	<u>167,281</u>	<u>-</u>	<u>3,000</u>	<u>-</u>	<u>-</u>	<u>(164,281)</u>
Totals	<u>\$ 8,633,092</u>	<u>\$ 786,302</u>	<u>\$ 857,685</u>	<u>\$ 8,600</u>	<u>(6,816,224)</u>	<u>(164,281)</u>
General Revenues:						
Property taxes levied for:						
General purposes					2,429,804	-
Grants and entitlements not restricted to specific programs					3,857,784	155,797
Grants and entitlements restricted for Ohio School Facilities Commission					14,797,046	-
Investment earnings					395,015	60
Miscellaneous					25,700	-
Total general revenues					<u>21,505,349</u>	<u>155,857</u>
Change in net assets					14,689,125	(8,424)
Net assets at beginning of year					<u>5,715,455</u>	<u>98,342</u>
Net assets at end of year					<u>\$ 20,404,580</u>	<u>\$ 89,918</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2007

	<u>General</u>	<u>Classroom Facilities</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
Assets:				
Equity in pooled cash and cash equivalents	\$ 4,693,909	\$ 11,645,672	\$ 1,780,170	\$ 18,119,751
Investments.	-	4,316,544	606,896	4,923,440
Receivables:				
Taxes.	2,509,467	-	315,253	2,824,720
Accounts	20,448	-	-	20,448
Intergovernmental	136	14,247,046	156,620	14,403,802
Accrued interest	-	33,779	4,751	38,530
Interfund loans	65,000	-	-	65,000
Prepayments	7,180	-	-	7,180
Materials and supplies inventory	-	-	4,770	4,770
Restricted assets:				
Equity in pooled cash and cash equivalents	39,903	-	-	39,903
Total assets	<u>\$ 7,336,043</u>	<u>\$ 30,243,041</u>	<u>\$ 2,868,460</u>	<u>\$ 40,447,544</u>
Liabilities:				
Accounts payable	\$ 9,160	\$ -	\$ 774	\$ 9,934
Accrued wages and benefits	732,656	-	68,100	800,756
Pension obligation payable.	227,255	-	21,756	249,011
Intergovernmental payable.	24,515	-	2,570	27,085
Interfund loans payable.	-	-	65,000	65,000
Accrued interest payable.	-	94,031	13,310	107,341
Bond anticipation notes payable.	-	7,622,721	1,078,900	8,701,621
Deferred revenue.	320,130	14,256,670	34,310	14,611,110
Unearned revenue.	2,066,207	-	315,253	2,381,460
Total liabilities	<u>3,379,923</u>	<u>21,973,422</u>	<u>1,599,973</u>	<u>26,953,318</u>
Fund Balances:				
Reserved for encumbrances	61,818	1,246,729	44,868	1,353,415
Reserved for materials and supplies inventory.	-	-	4,770	4,770
Reserved for prepayments	7,180	-	-	7,180
Reserved for property tax unavailable for appropriation	123,130	-	-	123,130
Reserved for school bus purchase	12,947	-	-	12,947
Reserved for budget stabilization.	26,956	-	-	26,956
Unreserved, undesignated, reported in:				
General fund	3,724,089	-	-	3,724,089
Special revenue funds	-	-	76,642	76,642
Capital projects funds.	-	7,022,890	1,142,207	8,165,097
Total fund balances	<u>3,956,120</u>	<u>8,269,619</u>	<u>1,268,487</u>	<u>13,494,226</u>
Total liabilities and fund balances	<u>\$ 7,336,043</u>	<u>\$ 30,243,041</u>	<u>\$ 2,868,460</u>	<u>\$ 40,447,544</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

RECONCILIATION OF TOTAL GOVERNMENTAL FUND BALANCES TO
NET ASSETS OF GOVERNMENTAL ACTIVITIES
JUNE 30, 2007

Total governmental fund balances		\$ 13,494,226
<i>Amounts reported for governmental activities in the statement of net assets are different because:</i>		
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.		1,587,834
Other long-term assets are not available to pay for current-period expenditures and therefore are deferred in the funds.		
Taxes	\$ 320,130	
Intergovernmental revenue	14,280,002	
Accrued interest	10,978	
Total		14,611,110
Accrued interest payable on long-term bonds payable is not due and payable in the current period and therefore is not reported in the funds.		(30,459)
Unamortized premiums on bond issuance is not recognized in the funds.		(310,880)
Unamortized bond issuance costs are not recognized in the funds.		169,028
Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds.		
General obligation bonds	8,703,691	
Compensated absences	412,588	
Total		(9,116,279)
Net assets of governmental activities		\$ 20,404,580

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2007

	<u>General</u>	<u>Classroom Facilities</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
Revenues:				
From local sources:				
Taxes	\$ 2,325,604	\$ -	\$ -	\$ 2,325,604
Tuition.	327,807	-	-	327,807
Charges for services.	-	-	202,306	202,306
Earnings on investments.	244,209	60,856	79,079	384,144
Extracurricular.	-	-	209,299	209,299
Classroom materials and fees	28,368	-	-	28,368
Other local revenues.	76,110	-	-	76,110
Intergovernmental - state	4,130,151	550,000	82,140	4,762,291
Intergovernmental - federal	-	-	471,018	471,018
Total revenue	<u>7,132,249</u>	<u>610,856</u>	<u>1,043,842</u>	<u>8,786,947</u>
Expenditures:				
Current:				
Instruction:				
Regular	3,276,327	-	98,356	3,374,683
Special.	529,570	-	111,348	640,918
Vocational.	218,314	-	-	218,314
Adult	-	-	1,610	1,610
Other	536,233	-	-	536,233
Support services:				
Pupil.	215,356	-	103,845	319,201
Instructional staff	147,615	-	18,957	166,572
Board of education	20,784	-	-	20,784
Administration.	628,688	-	18,839	647,527
Fiscal	236,997	-	-	236,997
Business.	3,252	-	-	3,252
Operations and maintenance.	607,197	-	-	607,197
Pupil transportation	494,199	-	9,294	503,493
Central.	21,060	-	5,007	26,067
Food service operations	-	-	343,353	343,353
Other non-instructional services.	34,016	-	-	34,016
Extracurricular activities.	276,238	-	208,818	485,056
Facilities acquisition and construction	15,433	14,983	-	30,416
Debt service:				
Interest and fiscal charges	-	94,031	13,310	107,341
Note issuance costs.	-	28,687	-	28,687
Bond issuance costs	-	170,019	-	170,019
Total expenditures	<u>7,261,279</u>	<u>307,720</u>	<u>932,737</u>	<u>8,501,736</u>
Excess of revenues over (under) expenditures.	<u>(129,030)</u>	<u>303,136</u>	<u>111,105</u>	<u>285,211</u>
Other financing sources:				
Sale of assets.	3,112	-	-	3,112
Sale of bonds.	-	7,622,715	1,078,900	8,701,615
Premium on sale of notes	-	31,065	-	31,065
Premium on sale of bonds.	-	312,703	-	312,703
Total other financing sources.	<u>3,112</u>	<u>7,966,483</u>	<u>1,078,900</u>	<u>9,048,495</u>
Net change in fund balances	(125,918)	8,269,619	1,190,005	9,333,706
Fund balances at beginning of year.	<u>4,082,038</u>	<u>-</u>	<u>78,482</u>	<u>4,160,520</u>
Fund balances at end of year.	<u>\$ 3,956,120</u>	<u>\$ 8,269,619</u>	<u>\$ 1,268,487</u>	<u>\$ 13,494,226</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES
FOR THE FISCAL YEAR ENDED JUNE 30, 2007

Net change in fund balances - total governmental funds	\$	9,333,706
<i>Amounts reported for governmental activities in the statement of activities are different because:</i>		
Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense.		
Capital asset additions	\$ 69,761	
Current year depreciation	(185,398)	
Total		(115,637)
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.		
Taxes	104,200	
Intergovernmental revenue	14,249,806	
Accrued interest	10,871	
Total		14,364,877
Proceeds of bonds are recorded as revenue in the governmental funds, however, the proceeds increase long-term liabilities in the statement net assets.		
		(8,701,615)
Premiums on debt issuances are recognized as revenues in the governmental funds, however, they are amortized over the life of the issuance in the statement of activities.		
		(312,703)
Bond issuance costs are recognized as expenditures in the governmental funds, however, they are amortized over the life of the issuance in the statement of activities.		
		170,019
In the statement of activities, interest is accrued on outstanding bonds, whereas in governmental funds, interest is expensed when due. The items resulted in additional interest expense being reported in the statement of activities:		
Increase in accrued interest	(30,459)	
Accreted interest on "capital appreciation" bonds	(2,076)	
Amortization of bond premium	1,823	
Amortization of bond issuance costs	(991)	
Total		(31,703)
Some expenses reported in the statement of activities, such as compensated absences, do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds.		
		(17,819)
Change in net assets of governmental activities	\$	14,689,125

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCE - BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)
GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2007

	<u>Budgeted Amounts</u>			Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
Revenues:				
From local sources:				
Taxes	\$ 2,268,359	\$ 2,336,107	\$ 2,376,174	\$ 40,067
Tuition.	312,926	322,272	326,893	4,621
Earnings on investments.	233,040	240,000	240,834	834
Classroom materials and fees	28,159	29,000	28,325	(675)
Other local revenues	37,966	39,100	57,560	18,460
Intergovernmental - state	4,022,522	4,142,662	4,144,619	1,957
Total revenue	<u>6,902,972</u>	<u>7,109,141</u>	<u>7,174,405</u>	<u>65,264</u>
Expenditures:				
Current:				
Instruction:				
Regular	3,365,493	3,318,472	3,290,868	27,604
Special.	533,033	525,586	519,629	5,957
Vocational.	229,512	226,305	221,293	5,012
Other.	584,746	576,576	574,024	2,552
Support services:				
Pupil.	230,467	227,247	219,536	7,711
Instructional staff	160,640	158,396	145,882	12,514
Board of education	23,326	23,000	21,025	1,975
Administration.	656,722	647,547	627,696	19,851
Fiscal	255,045	251,482	236,074	15,408
Business	3,905	3,850	3,808	42
Operations and maintenance.	636,319	627,429	620,845	6,584
Pupil transportation	521,092	513,812	494,879	18,933
Central.	21,399	21,100	21,060	40
Operation of non-instructional services	36,520	36,010	34,687	1,323
Extracurricular activities.	285,124	281,140	276,693	4,447
Facilities acquisition and construction.	18,155	17,901	17,882	19
Total expenditures	<u>7,561,498</u>	<u>7,455,853</u>	<u>7,325,881</u>	<u>129,972</u>
Excess of revenues over (under) expenditures.	<u>(658,526)</u>	<u>(346,712)</u>	<u>(151,476)</u>	<u>195,236</u>
Other financing sources (uses):				
Refund of prior year expenditure.	19,420	20,000	21,373	1,373
Refund of prior year (receipts)	(3,855)	(3,800)	(3,771)	29
Advances in.	24,275	25,000	25,000	-
Advances (out)	-	-	(65,000)	(65,000)
Sale of assets.	1,068	1,100	3,112	2,012
Total other financing sources (uses)	<u>40,908</u>	<u>42,300</u>	<u>(19,286)</u>	<u>(61,586)</u>
Net change in fund balance	(617,618)	(304,412)	(170,762)	133,650
Fund balance at beginning of year.	4,686,579	4,686,579	4,686,579	-
Prior year encumbrances appropriated	147,926	147,926	147,926	-
Fund balance at end of year	<u>\$ 4,216,887</u>	<u>\$ 4,530,093</u>	<u>\$ 4,663,743</u>	<u>\$ 133,650</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

STATEMENT OF FIDUCIARY NET ASSETS
FIDUCIARY FUNDS
JUNE 30, 2007

	Private-Purpose Trusts	
	Scholarships	Agency
Assets:		
Equity in pooled cash and cash equivalents	\$ 95,657	\$ 30,900
Receivables:		
Accounts	-	388
Total assets.	95,657	\$ 31,288
Liabilities:		
Due to students	-	\$ 31,288
Total liabilities	-	\$ 31,288
Net Assets:		
Held in trust for scholarships	95,657	
Total net assets	\$ 95,657	

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS
FIDUCIARY FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2007

	Private-Purpose Trusts
	Scholarships
Additions:	
Interest	\$ 2,889
Gifts and contributions.	25,500
Total additions.	28,389
Deductions:	
Scholarships awarded	5,887
Change in net assets	22,502
Net assets at beginning of year.	73,155
Net assets at end of year	\$ 95,657

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

This page intentionally left blank.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2007

NOTE 1 - DESCRIPTION OF THE SCHOOL DISTRICT

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

The District is located in East Canton, Stark County, Ohio. The District is the 516th largest in the State of Ohio (among the 876 public school districts and community schools) in terms of enrollment. It is staffed by 39 non-certificated employees and 66 certificated employees who provide services to 904 students and other community members. The District operates one elementary school (K-3), one middle school (4-8) and a high school (9-12).

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

A. Reporting Entity

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

Component units are legally separate organizations for which the District is financially accountable. The District is financially accountable for an organization if the District appoints a voting majority of the organization's governing board and (1) the District is able to significantly influence the programs or services performed or provided by the organization; or (2) the District is legally entitled to or can otherwise access the organization's resources; or (3) the District is legally obligated or has otherwise assumed the responsibility to finance the deficits of, or provide financial support to, the organization; or (4) the District is obligated for the debt of the organization. Component units may also include organizations that are fiscally dependent on the District in that the District approves the budget, the issuance of debt or the levying of taxes. Based upon the application of these criteria, the District has one component unit.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2007

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

DISCRETELY PRESENTED COMPONENT UNIT

The East Canton Digital Academy (the "Academy")

The Academy is a legally separate, conversion community school, served by a Board of Directors. The Academy provides students within the District with curriculum and instruction via distance learning technology. The Board of Directors consists of the District's Superintendent, Technology Coordinator, Curriculum Director, and two additional Board members appointed by the District. The Osnaburg Local School District is the sponsoring District of the Academy under Ohio Revised Code Section 3314. The Superintendent of the District serves as the Chief Administrative Officer and the Treasurer serves as the Chief Financial Officer. Based on the significant services provided by the District to the Academy, the Academy's purpose of servicing the students within the District, and the relationship between the Board of Education of the District and The Board of Directors of the Academy, the Academy is a component unit of the District and the financial activity of the Academy is presented as a discretely presented component unit of the District. Separately issued financial statements can be obtained from the Treasurer of the Academy at 310 Browning Street, East Canton, Ohio 44730.

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

JOINTLY GOVERNED ORGANIZATIONS

Stark-Portage Area Computer Consortium (SPARCC)

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

PUBLIC ENTITY RISK POOLS

Risk Sharing Pool

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

Insurance Purchasing Pool

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

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2007

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

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

B. Fund Accounting

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

GOVERNMENTAL FUNDS

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

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

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

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

FIDUCIARY FUNDS

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

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2007

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

C. Basis of Presentation and Measurement Focus

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

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

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

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

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

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

D. Basis of Accounting

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

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

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2007

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

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

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

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

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

Property taxes for which there is an enforceable legal claim as of June 30, 2007, but which were levied to finance fiscal year 2008 operations, and other revenues received in advance of the fiscal year for which they are intended to finance, have been recorded as unearned revenue. Grants and entitlements received before the eligibility requirements are met and delinquent property taxes due at June 30, 2007 are recorded as deferred revenue.

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

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

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

E. Budgets

The District is required by State statute to adopt an annual appropriated cash basis budget for all funds. The specific timetable for fiscal year 2007 is as follows:

1. Prior to January 15 of the preceding year, the Superintendent and Treasurer submit to the Board of Education a proposed operating budget for the fiscal year commencing the following July 1. The budget includes proposed expenditures and the means of financing for all funds. Public hearings are publicized and conducted to obtain taxpayers' comments. The expressed purpose of this budget document is to reflect the need for existing (or increased) tax rates.

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2007**

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

2. On October 25, 2005, the Stark County Budget Commission voted to waive the requirement that school districts adopt a tax budget as required by Section 5705.28 of the Ohio Revised Code, by January 15th and the filing by January 20th. The Budget Commission now requires an alternate tax budget be submitted by January 20th, which no longer requires specific Board approval.
3. Prior to April 1, the Board of Education accepts, by formal resolution, the tax rates as determined by the Budget Commission and receives the Commission's Certificate of Estimated Resources which states the projected revenue of each fund. Prior to June 30, the District must revise its budget so that total contemplated expenditures from any fund during the ensuing year will not exceed the amount stated in the Certificate of Estimated Resources. The revised budget then serves as a basis for the appropriation measure. On or about July 1, the Certificate is amended to include any unencumbered balances from the preceding year as reported by the District Treasurer. The Certificate may be further amended during the year if projected increases or decreases in revenue are identified by the District Treasurer. The budget figures, as shown in the accompanying budgetary statement, reflect the amounts set forth in the original and final Amended Certificates issued for fiscal year 2007.
4. By July 1, the annual appropriation resolution is legally enacted by the Board of Education at the fund level of expenditures, which is the legal level of budgetary control. State statute permits a temporary appropriation to be effective until no later than October 1 of each year. Although the legal level of budgetary control was established at the fund level of expenditures, the District has elected to present budgetary statement comparisons at the fund and function level of expenditures. Resolution appropriations by fund must be within the estimated resources as certified by the County Budget Commission and the total of expenditures and encumbrances may not exceed the appropriation totals.
5. Any revisions that alter the total of any fund appropriation must be approved by the Board of Education.
6. Formal budgetary integration is employed as a management control device during the year for all funds consistent with the general obligation bond indenture and other statutory provisions. All funds completed the year within the amount of their legally authorized cash basis appropriation.
7. Appropriations amounts are as originally adopted, or as amended by the Board of Education through the year by supplemental appropriations, which either reallocated or increased the original appropriated amounts. All supplemental appropriations were legally enacted by the Board prior to June 30, 2007. The budget figures, as shown in the accompanying budgetary statement, reflect the original and final appropriation amounts including all amendments and modifications.
8. Unencumbered appropriations lapse at year-end. Encumbered appropriations are carried forward to the succeeding fiscal year and need not be reappropriated. Expenditures plus encumbrances may not legally exceed budgeted appropriations at the fund level.

F. Cash and Investments

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

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2007

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

During fiscal year 2007, investments were limited to State Treasury Asset Reserve of Ohio (STAR Ohio), federal agency securities, and a U.S. Government money market mutual fund. Except for nonparticipating investment contracts, investments are reported at fair value, which is based on quoted market prices.

The District has invested funds in STAR Ohio during fiscal 2007. STAR Ohio is an investment pool managed by the State Treasurer's Office, which allows governments within the state to pool their funds for investment purposes. STAR Ohio is not registered with the SEC as an investment company, but does operate in a manner consistent with Rule 2a7 of the Investment Company Act of 1940. Investments in STAR Ohio are valued at STAR Ohio's share price which is the price the investment could be sold for on June 30, 2007.

Under existing Ohio statutes all investment earnings are assigned to the general fund unless statutorily required to be credited to a specific fund. Interest revenue credited to the general fund during fiscal year 2007 amounted to \$244,209, which includes \$7,548 assigned from other funds.

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

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

G. Inventory

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

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

H. Capital Assets

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

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

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

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2007

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

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

I. Interfund Balances

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

J. Compensated Absences

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

In accordance with the provisions of GASB Statement No. 16, “Accounting for Compensated Absences”, a liability for vacation leave is accrued if a) the employees’ rights to payment are attributable to services already rendered; and b) it is probable that the employer will compensate the employees for the benefits through paid time off or other means, such as cash payment at termination or retirement. A liability for severance is accrued using the vesting method; i.e., the liability is based on the sick leave accumulated at June 30, 2007, by those employees who are currently eligible to receive termination (severance) payments, as well as those employees expected to become eligible in the future. For purposes of establishing a liability for severance on employees expected to become eligible to retire in the future, all employees age fifty or greater with ten or more years of service or all employees with twenty or more years of service regardless of their age, were considered expected to become eligible to retire in accordance with GASB Statement No. 16.

The total liability for vacation and severance payments has been calculated using pay rates in effect at June 30, 2007, and reduced to the maximum payment allowed by labor contract and/or statute, plus any applicable additional salary related payments.

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

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

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2007

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

K. Accrued Liabilities and Long-Term Obligations

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

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

L. Fund Balance Reserves

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

M. Net Assets

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

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

N. Estimates

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

O. Prepayments

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

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2007

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

P. Restricted Assets

Assets are reported as restricted assets when limitations on their use change the normal understanding of the availability of the asset. Such constraints are either imposed by creditors, contributors, grantors, or laws of other governments or imposed by enabling legislation. Restricted assets include the amount required by State statute to be set aside to create a reserve for budget stabilization and school bus purchases. See Note 17 for details.

Q. Extraordinary and Special Items

Extraordinary items are transactions or events that are both unusual in nature and infrequent in occurrence. Special items are transactions or events that are within the control of the Board of Education and that are either unusual in nature or infrequent in occurrence. Neither type of transaction occurred during fiscal year 2007.

R. Unamortized Bond Issuance Costs and Bond Premium

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

Bond premiums are deferred and accreted over the term of the bonds. Bond premiums are presented as an addition to the face amount of the bonds. Capital appreciation bond discounts are accreted over the term of the bonds.

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

S. Vocational Education

The District has entered into an agreement with the Canton Local School District, Perry Local School District and the Sandy Valley Local School District to provide career technical education programs for students. The Canton Local School District is the principal agency for the programs and is responsible for the physical facilities of the programs. For fiscal year 2007, the District was required to pay the Canton Local School District a service charge equal to \$95,000 reduced by all State aid for District students attending the Canton Local School District for these programs.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2007

NOTE 3 - ACCOUNTABILITY AND COMPLIANCE

Deficit Fund Balances

Fund balances at June 30, 2007 included the following individual fund deficits:

<u>Nonmajor Funds</u>	<u>Deficit</u>
Entry Year Programs	\$ 10
SchoolNet Professional Development	9
Ohio Reads	50
Poverty Aid	55
Title I	11,327
Reducing Class Size	8,254
Miscellaneous Federal Grants	2

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

NOTE 4 - DEPOSITS AND INVESTMENTS

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

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

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

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

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

1. United States Treasury Notes, Bills, Bonds, or any other obligation or security issued by the United States Treasury or any other obligation guaranteed as to principal and interest by the United States;
2. Bonds, notes, debentures, or any other obligations or securities issued by any federal government agency or instrumentality, including but not limited to, the Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, Government National Mortgage Association, and Student Loan Marketing Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2007

NOTE 4 - DEPOSITS AND INVESTMENTS - (Continued)

3. Written repurchase agreements in the securities listed above provided that the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least two percent and be marked to market daily, and that the term of the agreement must not exceed thirty days;
4. Bonds and other obligations of the State of Ohio;
5. No-load money market mutual funds consisting exclusively of obligations described in items (1) and (2) above and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions;
6. The State Treasurer's investment pool (STAR Ohio);
7. Certain banker's acceptance and commercial paper notes for a period not to exceed one hundred eighty days from the purchase date in an amount not to exceed twenty-five percent of the interim monies available for investment at any one time: and,
8. Under limited circumstances, corporate debt interests rated in either of the two highest classifications by at least two nationally recognized rating agencies.

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

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

A. Cash on Hand

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

B. Deposits with Financial Institutions

At June 30, 2007, the carrying amount of all District deposits was \$4,951,178. Based on the criteria described in GASB Statement No. 40, "Deposits and Investment Risk Disclosures", as of June 30, 2007, \$4,695,079 of the District's bank balance of \$4,995,035 was exposed to custodial risk as discussed below, while \$299,956 was covered by the Federal Deposit Insurance Corporation.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2007

NOTE 4 - DEPOSITS AND INVESTMENTS - (Continued)

Custodial credit risk is the risk that, in the event of bank failure, the District's deposits may not be returned. All deposits are collateralized with eligible securities in amounts equal to at least 105% of the carrying value of the deposits. Such collateral, as permitted by the Ohio Revised Code, is held in single financial institution collateral pools at Federal Reserve Banks, or at member banks of the federal reserve system, in the name of the respective depository bank and pledged as a pool of collateral against all of the public deposits it holds or as specific collateral held at the Federal Reserve Bank in the name of the District.

C. Investments

As of June 30, 2007, the District had the following investments and maturities:

<u>Investment type</u>	<u>Balance at Fair Value</u>	<u>Investment Maturities</u>		
		<u>6 months or less</u>	<u>7 to 12 months</u>	<u>13 to 18 months</u>
FHLB	\$ 2,958,750	\$ -	\$ 990,000	\$ 1,968,750
FNMA	1,964,690	-	-	1,964,690
STAR Ohio	13,314,383	13,314,383	-	-
U.S. Government money market	20,500	20,500	-	-
	<u>\$ 18,258,323</u>	<u>\$ 13,334,883</u>	<u>\$ 990,000</u>	<u>\$ 3,933,440</u>

The weighted average maturity of investments is .32 years.

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

Credit Risk: The District's investments, except for STAR Ohio, were rated AAA and Aaa by Standard & Poor's and Moody's Investor Services, respectively. Standard & Poor's has assigned STAR Ohio an AAAM money market rating.

Custodial Credit Risk: For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the 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 federal agency securities are exposed to custodial credit risk in that they are uninsured, unregistered and held by the counterparty's trust department or agent but not in the District's name. The 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.

Concentration of Credit Risk: The District places no limit on the amount that may be invested in any one issuer. The following table includes the percentage of each investment type held by the District at June 30, 2007:

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2007

NOTE 4 - DEPOSITS AND INVESTMENTS - (Continued)

<u>Investment type</u>	<u>Fair Value</u>	<u>% to Total</u>
FHLB	\$ 2,958,750	16.20%
FNMA	1,964,690	10.76%
STAR Ohio	13,314,383	72.92%
U.S. Government money market	<u>20,500</u>	<u>0.12%</u>
	<u>\$ 18,258,323</u>	<u>100.00%</u>

D. Reconciliation of Cash and Investment to the Statement of Net Assets

The following is a reconciliation of cash and investments as reported in the footnote above to cash and investments as reported on the statement of net assets as of June 30, 2007:

<u>Cash and investments per footnote</u>	
Carrying amount of deposits	\$ 4,951,178
Investments	18,258,323
Cash on hand	<u>150</u>
Total	<u>\$ 23,209,651</u>
 <u>Cash and investments per statement of net assets</u>	
Governmental activities	\$ 23,083,094
Private-purpose trust funds	95,657
Agency fund	<u>30,900</u>
Total	<u>\$ 23,209,651</u>

NOTE 5 - INTERFUND TRANSACTIONS

Interfund balances at June 30, 2007 as reported on the fund statements, consist of the following individual interfund loans receivable and payable:

<u>Receivable Fund</u>	<u>Payable Funds</u>	<u>Amount</u>
General	Nonmajor governmental funds	\$ 65,000

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

Interfund balances between governmental funds are eliminated on the government-wide financial statements; therefore, no internal balances at June 30, 2007 are reported on the statement of net assets.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2007

NOTE 6 - PROPERTY TAXES

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

Property taxes include amounts levied against all real, public utility and tangible personal property (used in business) located in the District. Real property tax revenue received in calendar 2007 represents collections of calendar year 2006 taxes. Real property taxes received in calendar year 2007 were levied after April 1, 2006, on the assessed value listed as of January 1, 2006, the lien date. Assessed values for real property taxes are established by state law at thirty-five percent of appraised market value. Real property taxes are payable annually or semi-annually. If paid annually, payment is due December 31; if paid semi-annually, the first payment is due December 31 with the remainder payable by June 20. Under certain circumstances, State statute permits alternate payment dates to be established.

Public utility property tax revenue received in calendar 2007 represents collections of calendar year 2006 taxes. Public utility real and tangible personal property taxes received in calendar year 2007 became a lien January 1, 2006, were levied after April 1, 2006 and are collected in 2007 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.

Tangible personal property tax revenue received during calendar 2007 (other than public utility property) represents the collection of 2007 taxes. Tangible personal property taxes received in calendar year 2007 were levied after April 1, 2006, on the value as of January 1, 2006. For 2006, tangible personal property is assessed at 18.75% for property including inventory. This percentage will be reduced to 12.5% for 2007, 6.25% for 2008 and zero for 2009. Payments by multi-county taxpayers are due September 20. Single county taxpayers may pay annually or semi-annually. If paid annually, payment is due April 30; if paid semi-annually, the first payment is due April 30, with the remainder payable by September 20. Tangible personal property taxes paid by April 30 are usually received by the District prior to June 30.

House Bill No. 66 was signed into law on June 30, 2005. House Bill No. 66 phases out the tax on tangible personal property of general businesses, telephone and telecommunications companies, and railroads. The tax on general business and railroad property will be eliminated by calendar year 2009, and the tax on telephone and telecommunications property will be eliminated by calendar year 2011. The tax is phased out by reducing the assessment rate on the property each year. The bill replaces the revenue lost by the District due to the phasing out of the tax. In calendar years 2006-2010, the District will be fully reimbursed for the lost revenue. In calendar years 2011-2017, the reimbursements will be phased out.

The District receives property taxes from Stark County. The County Auditor periodically advances to the District its portion of the taxes collected. Second-half real property tax payments collected by the County by June 30, 2007, are available to finance fiscal year 2007 operations. The amount available as an advance at June 30, 2007 was \$123,130 in the general fund. This amount has been recorded as revenue. The amount that was available as an advance at June 30, 2006 was \$173,700 in the general fund.

Accrued property taxes receivable includes real property, public utility property and tangible personal property taxes which are measurable as of June 30, 2007 and for which there is an enforceable legal claim. Although total property tax collections for the next fiscal year are measurable, only the amount of real property taxes available as an advance at June 30 was levied to finance current fiscal year operations and is reported as revenue at fiscal year-end. The portion of the receivable not levied to finance current fiscal year operations is offset by a credit to unearned revenue.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2007

NOTE 6 - PROPERTY TAXES - (Continued)

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

The assessed values upon which the fiscal year 2007 taxes were collected are:

	2006 Second Half Collections		2007 First Half Collections	
	<u>Amount</u>	<u>Percent</u>	<u>Amount</u>	<u>Percent</u>
Agricultural/residential				
commercial/industrial real estate	\$ 79,500,580	90.22	\$ 88,935,960	92.44
Public utility personal	3,496,960	3.97	3,439,460	3.58
Tangible personal property	<u>5,120,430</u>	<u>5.81</u>	<u>3,839,877</u>	<u>3.98</u>
Total	<u>\$ 88,117,970</u>	<u>100.00</u>	<u>\$ 96,215,297</u>	<u>100.00</u>
Tax rate per \$1,000 of assessed valuation:		\$57.20		\$57.20

NOTE 7 - RECEIVABLES

Receivables at June 30, 2007 consisted of taxes, accounts (billings for user charged services and student fees), intergovernmental grants and entitlements and accrued interest. All receivables are considered collectible in full due to the ability to foreclose for the nonpayment of taxes, the stable condition of state programs and the current year guarantee of federal funds. A summary of the principal items of receivables reported on the statement of net assets follows:

Governmental Activities:

Taxes	\$ 2,824,720
Accounts	20,448
Intergovernmental	14,403,802
Accrued interest	<u>38,530</u>
Total	<u>\$17,287,500</u>

Receivables have been disaggregated on the face of the basic financial statements. All receivables, except \$14,247,046 due from the Ohio School Facilities Commission (OSFC) included in intergovernmental receivables, are expected to be collected within the subsequent year.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2007

NOTE 8 - CAPITAL ASSETS

Capital asset activity for the fiscal year ended June 30, 2007, was as follows:

	Balance			Balance
	<u>06/30/06</u>	<u>Additions</u>	<u>Deductions</u>	<u>06/30/07</u>
<i>Governmental Activities</i>				
<i>Capital assets, not being depreciated:</i>				
Land	\$ 469,714	\$ -	\$ -	\$ 469,714
Construction in progress	-	14,360	-	14,360
Total capital assets, not being depreciated	<u>469,714</u>	<u>14,360</u>	<u>-</u>	<u>484,074</u>
<i>Capital assets, being depreciated:</i>				
Land improvements	694,666	-	-	694,666
Buildings and improvements	2,140,492	3,600	-	2,144,092
Furniture and equipment	485,099	51,801	-	536,900
Vehicles	884,856	-	-	884,856
Total capital assets, being depreciated	<u>4,205,113</u>	<u>55,401</u>	<u>-</u>	<u>4,260,514</u>
<i>Less: accumulated depreciation</i>				
Land improvements	(284,867)	(39,009)	-	(323,876)
Buildings and improvements	(1,806,648)	(18,781)	-	(1,825,429)
Furniture and equipment	(363,229)	(41,529)	-	(404,758)
Vehicles	(516,612)	(86,079)	-	(602,691)
Total accumulated depreciation	<u>(2,971,356)</u>	<u>(185,398)</u>	<u>-</u>	<u>(3,156,754)</u>
Governmental activities capital assets, net	<u>\$ 1,703,471</u>	<u>\$ (115,637)</u>	<u>\$ -</u>	<u>\$ 1,587,834</u>

Depreciation expense was charged to governmental functions as follows:

<u>Instruction:</u>	
Regular	\$ 35,978
Special	1,700
Vocational	791
<u>Support Services:</u>	
Pupil	717
Instructional staff	2,151
Administration	3,226
Fiscal	264
Operations and maintenance	9,382
Pupil transportation	85,879
Operation of non-instruction services	454
Extracurricular	43,192
Food service operations	<u>1,664</u>
Total depreciation expense	<u>\$ 185,398</u>

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2007

NOTE 9 - NOTES PAYABLE

On March 27, 2007, the District issued \$8,701,621 in bond anticipation notes to begin the building project. The notes mature on July 31, 2007 and bear an interest rate of 4.75%. The notes will be retired from the classroom facilities fund and the building fund, a nonmajor governmental fund. The District will use the \$8,701,615 in proceeds from the bond issue to retire the notes. See Note 18.

NOTE 10 - LONG-TERM OBLIGATIONS

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

This issue is comprised of both current interest bonds, par value \$8,520,000, and capital appreciation bonds, par value \$181,615. The interest rates on the current interest bonds range from 4.000% to 4.125%. The capital appreciation bonds mature on December 1, 2014 (effective interest 18.139%), December 1, 2015 (effective interest 18.139%) and December 16, 2016 (effective interest 18.139%) at a redemption price equal to 100% of the principal, plus accrued interest to the redemption date. The accreted value at maturity for each capital appreciation bond is \$265,000. A total of \$2,076 in accreted interest on the capital appreciation bonds has been included in the statement of net assets at June 30, 2007.

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

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

	Balance 06/30/06	Additions	Reductions	Balance 06/30/07
Current interest bonds	\$ -	\$ 8,520,000	\$ -	\$ 8,520,000
Capital appreciation bonds	-	181,615	-	181,615
Accreted interest	-	2,076	-	2,076
Total G.O. bonds	<u>\$ -</u>	<u>\$ 8,703,691</u>	<u>\$ -</u>	<u>\$ 8,703,691</u>

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2007

NOTE 10 - LONG-TERM OBLIGATIONS – (Continued)

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

Year Ended	Current Interest Bonds			Capital Appreciation Bonds		
	Principal	Interest	Total	Principal	Interest	Total
2008	\$ -	\$ 365,506	\$ 365,506	\$ -	\$ -	\$ -
2009	25,000	343,956	368,956	-	-	-
2010	215,000	339,157	554,157	-	-	-
2011	225,000	330,356	555,356	-	-	-
2012	235,000	321,156	556,156	-	-	-
2013 - 2017	500,000	1,502,481	2,002,481	181,615	613,385	795,000
2018 - 2022	1,435,000	1,343,382	2,778,382	-	-	-
2023 - 2027	1,740,000	1,026,681	2,766,681	-	-	-
2028 - 2032	2,120,000	641,169	2,761,169	-	-	-
2033 - 2036	2,025,000	171,497	2,196,497	-	-	-
Total	\$ 8,520,000	\$ 6,385,341	\$ 14,905,341	\$ 181,615	\$ 613,385	\$ 795,000

B. During fiscal year 2007, the following changes occurred in governmental activities long-term obligations:

	Balance 06/30/06	Additions	Reductions	Balance 06/30/07	Amounts Due in One Year
Governmental Activities:					
General obligation bonds	\$ -	\$ 8,703,691	\$ -	\$ 8,703,691	\$ -
Compensated absences payable	394,769	31,579	(13,760)	412,588	21,285
Total governmental activities long-term liabilities	<u>\$ 394,769</u>	<u>\$ 8,735,270</u>	<u>\$ (13,760)</u>	9,116,279	<u>\$ 21,285</u>
Add: unamortized premium				310,880	
Total on statement of net assets				<u>\$ 9,427,159</u>	

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

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2007

NOTE 10 - LONG-TERM OBLIGATIONS – (Continued)

C. Legal Debt Margin

The Ohio Revised Code provides that voted net general obligation debt of the District shall never exceed 9% of the total assessed valuation of the District. The code further provides that unvoted indebtedness shall not exceed 1/10 of 1% of the property valuation of the District. The code additionally states that unvoted indebtedness related to energy conservation debt shall not exceed 9/10 of 1% of the property valuation of the District. The assessed valuation used in determining the District's legal debt margin has been modified by House Bill 530 which became effective March 30, 2006. In accordance with House Bill 530, the assessed valuation used in the District's legal debt margin calculation excluded tangible personal property used in business, telephone or telegraph property, interexchange telecommunications company property, and personal property owned or leased by a railroad company and used in railroad operations. The effects of these debt limitations at June 30, 2007, resulted in no remaining voted debt margin and an unvoted debt margin of \$91,455.

NOTE 11 - EMPLOYEE BENEFITS

A. Compensated Absences

The criteria for determining vested vacation and sick leave benefits are derived from negotiated agreements and state laws. Classified employees earn 10 to 30 days of vacation per year, depending upon length of service and hours worked. Teachers do not earn vacation time. Administrators employed to work 260 days per year earn 20 days of vacation annually. Teachers, administrators and classified employees earn sick leave at the rate of one and one-fourth days per month up to a maximum of 310 days for classified employees and 315 days for certified employees. Upon retirement, classified employees and certified employees receive payment for one-fourth of the total sick leave accumulation, up to a maximum of 66 days for both certified and classified employees.

B. Life Insurance

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

C. Retirement Incentive

The District had a retirement incentive bonus in place during fiscal year 2007. This bonus is available to certified teaching employees in the amount of \$15,000. Employees retiring the first time they are eligible to retire based upon STRS eligibility will receive the bonus. First time eligibility means:

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

During fiscal 2007, no employee met the qualifications and elected to retire.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2007

NOTE 12 - RISK MANAGEMENT

A. Comprehensive

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

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

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

Settled claims have not exceeded this commercial coverage in any of the past three years. There has been no significant reduction in coverage from 2006.

B. Workers' Compensation Plan

For fiscal year 2007, the District participated in the Stark County Schools Council of Governments Workers' Compensation Group Rating Plan (GRP), an insurance purchasing pool (Note 2.A.). The intent of the GRP is to achieve the benefit of a reduced premium for the District by virtue of its grouping and representation with other participants in the GRP. The workers' compensation experience of the participating school districts is calculated as one experience and a common premium rate is applied to all school districts in the GRP. Each participant pays its workers' compensation premium to the state based on the rate for the GRP rather than its individual rate. Total savings are then calculated and each participant's individual performance is compared to the overall savings percentage of the GRP. A participant will then either receive money from or be required to contribute to the "Group Savings Fund". This "group savings" arrangement insures that each participant shares equally in the overall performance of the GRP. Participation in the GRP is limited to school districts that can meet the GRP's selection criteria. The firm of CompManagement Inc. provides administrative, cost control and actuarial services to the GRP.

C. Employee Group Health Insurance

The District has contracted with the Stark County Schools Council of Governments Health Benefits Program, an insurance purchasing pool (Note 2.A), to provide employee medical/surgical and dental benefits. Rates are set through an annual calculation process. The District pays a monthly contribution which is paid in a common fund from which claim payments are made for all participants regardless of claims flow. The board of directors has the right to return monies to an exiting school district subsequent to the settlements of all expenses and claims. The District pays health premiums of \$883.09 for family coverage and \$363.52 for single coverage per employee per month and the District pays dental premiums of \$113.87 for family coverage and \$46.16 for single coverage per employee per month.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2007

NOTE 13 - PENSION PLANS

A. School Employees Retirement System

The District contributes to the School Employees Retirement System (SERS), a cost-sharing multiple employer defined benefit pension plan. SERS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Authority to establish and amend benefits is provided by Chapter 3309 of the Ohio Revised Code. SERS issues a publicly available, stand-alone financial report that includes financial statements and required supplementary information. That report may be obtained by writing to the School Employees Retirement System, 300 East Broad Street, Suite 100, Columbus, Ohio 43215-3746 or by calling (800) 878-5853. It is also posted on SERS' website, www.ohsers.org, under Forms and Publications.

Plan members are required to contribute 10 percent of their annual covered salary and the District is required to contribute at an actuarially determined rate. The current District rate is 14 percent of annual covered payroll. A portion of the District's contribution is used to fund pension obligations with the remainder being used to fund health care benefits. For fiscal year 2007, 10.68 percent of annual covered salary was the portion used to fund pension obligations. For fiscal year 2006, 10.58 percent of annual covered salary was the portion used to fund pension obligations. For fiscal year 2005, 10.57 percent of annual covered salary was the portion used to fund pension obligations. The contribution requirements of plan members and employers are established and may be amended, up to statutory maximum amounts, by the SERS' Retirement Board. The District's required contribution for pension obligations to SERS for fiscal years ended 2007, 2006, and 2005 were \$94,055, \$92,861, and \$89,332; 37.13 percent has been contributed for fiscal year 2007 and 100 percent for fiscal years 2006 and 2005. The District has elected to pay or "pick-up" 6% of the plan members required 10% retirement contribution as an employee fringe benefit. In addition, the District pays all additional retirement charges resulting from the "pick-up" (this is known as "pick-up" on "pick-up"); therefore, resulting in no additional charge to the employee.

B. State Teachers Retirement System of Ohio

The District participates in the State Teachers Retirement System of Ohio (STRS Ohio), a cost-sharing, multiple-employer public employee retirement system. STRS Ohio provides retirement and disability benefits to members and death and survivor benefits to beneficiaries. STRS Ohio issues a stand-alone financial report that may be obtained by writing to STRS Ohio, 275 E. Broad St., Columbus, OH 43215-3371 or by calling (614) 227-4090, or by visiting the STRS Ohio website at www.strsoh.org.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2007

NOTE 13 - PENSION PLANS - (Continued)

New members have a choice of three retirement plans, a Defined Benefit (DB) Plan, a Defined Contribution (DC) Plan and a Combined Plan. The DB plan offers an annual retirement allowance based on final average salary times a percentage that varies based on years of service, or an allowance based on member contributions and earned interest matched by STRS Ohio funds times an actuarially determined annuity factor. The DC Plan allows members to place all their member contributions and employer contributions equal to 10.5 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 Combined Plan offers features of both the DC Plan and the DB Plan. In the Combined Plan, member contributions are invested by the member, and employer contributions are used to fund the defined benefit payment at a reduced level from the regular DB Plan. DC and Combined Plan members will transfer to the Defined Benefit Plan during their fifth year of membership unless they permanently select the DC or Combined Plan. Existing members with less than five years of service credit as of June 30, 2001, were given the option of making a one time irrevocable decision to transfer their account balances from the existing DB Plan into the DC Plan or the Combined Plan. This option expired on December 31, 2001. Benefits are established by Chapter 3307 of the Ohio Revised Code.

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

For the fiscal year ended June 30, 2007, plan members were required to contribute 10 percent of their annual covered salaries. The District was required to contribute 14 percent; 13 percent was the portion used to fund pension obligations. For fiscal years 2006 and 2005, the portion used to fund pension obligations was also 13 percent. Contribution rates are established by the State Teachers Retirement Board, upon recommendation of its consulting actuary, not to exceed statutory maximum rates of 10 percent for members and 14 percent for employers. Chapter 3307 of the Ohio Revised Code provides statutory authority for member and employer contributions.

The District's required contributions for fund pension obligations to the DB Plan for the fiscal years ended June 30, 2007, 2006, and 2005 were \$440,441, \$439,133 and \$420,063; 81.66 percent has been contributed for fiscal year 2007 and 100 percent for fiscal years 2006 and 2005. Contributions to the DC and Combined Plans for fiscal year 2007 were \$332 made by the District and \$8,701 made by the plan members. The District has elected to pay or "pick-up" the entire 10% of the plan members share of the retirement contribution. In addition, the District pays additional retirement charges resulting from the "pick-up" (this is known as "pick-up" on "pick-up"); therefore, resulting in no additional charge to the employee.

C. Social Security System

Effective July 1, 1991, all employees not otherwise covered by the SERS or the STRS Ohio have an option to choose Social Security or the SERS/STRS Ohio. As of June 30, 2007, certain members of the Board of Education have elected Social Security. The District's liability is 6.2% of wages paid.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2007

NOTE 14 - POSTEMPLOYMENT BENEFITS

The District provides comprehensive health care benefits to retired teachers and their dependents through the State Teachers Retirement System of Ohio (STRS Ohio), and to retired non-certified employees and their dependents through the School Employees Retirement System (SERS). Benefits include hospitalization, physicians' fees, prescription drugs and reimbursement of monthly Medicare premiums. Benefit provisions and the obligations to contribute are established by the Systems based on authority granted by State statute. Both systems are funded on a pay-as-you-go basis.

STRS Ohio retirees who participated in the DB or combined plans and their dependents are eligible for health care coverage. The STRS Ohio Board has statutory authority over how much, if any, of the health care costs will be absorbed by STRS Ohio. All benefit recipients pay a portion of health care cost in the form of a monthly premium. By law, the cost of coverage paid from STRS Ohio funds is included in the employer contribution rate, currently 14 percent of covered payroll. For the fiscal year ended June 30, 2007, the STRS Ohio Board allocated employer contributions equal to 1 percent of covered payroll to the Health Care Reserve Fund. For the District, this amount equaled \$33,880 for fiscal year 2007.

STRS Ohio pays health care benefits from the Health Care Stabilization Fund. At June 30, 2006 (the latest information available), the balance in the Health Care Stabilization Fund was \$3.5 billion. For the fiscal year ended June 30, 2006 (the latest information available), net health care costs paid by STRS Ohio were \$282.743 million and STRS had 119,184 eligible benefit recipients.

For SERS, coverage is made available to service retirees with ten or more fiscal years of qualifying service credit, and to disability and survivor benefit recipients. All retirees and beneficiaries are required to pay a portion of their premium for health care. The portion is based on years of service, Medicare eligibility, and retirement status.

After the allocation for basic benefits, the remainder of the employer's 14 percent contribution is allocated to providing health care benefits. For the fiscal year ended June 30, 2007, employer contributions to fund health care benefits were 3.32 percent of covered payroll, a decrease of .10 percent from fiscal year 2006. In addition, SERS levies a surcharge to fund health care benefits equal to 14 percent of the difference between a minimum pay and the member's pay, pro-rated for partial service credit. For fiscal year 2007, the minimum pay was established at \$35,800. Total surcharge is capped at 2 percent of each employer's SERS salaries. For the 2007 fiscal year, District paid \$48,036 to fund health care benefits, including the surcharge.

The surcharge, added to the unallocated portion of the 14 percent employer contribution rate, provides for maintenance of the asset target level for the health care fund. The target level for the health care reserve is 150 percent the projected claims less premium contributions for the next year. Expenses for health care for the fiscal year ended June 30, 2006 (the latest information available) were \$158.751 million. At June 30, 2006 (the latest information available), SERS had net assets available for payment of health care benefits of \$295.6 million. At June 30, 2006 (the latest information available), SERS had 59,492 participants currently receiving health care benefits.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2007

NOTE 15 - BUDGETARY BASIS OF ACCOUNTING

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

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

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

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

Net Change in Fund Balance

	<u>General Fund</u>
Budget basis	\$ (170,762)
Net adjustment for revenue accruals	(42,156)
Net adjustment for expenditure accruals	(5,467)
Net adjustment for other sources/uses	22,398
Adjustment for encumbrances	<u>70,069</u>
GAAP basis	<u>\$ (125,918)</u>

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2007

NOTE 16 - CONTINGENCIES

A. Grants

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

B. Litigation

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

NOTE 17 - STATUTORY RESERVES

The District is required by State law to set-aside certain general fund revenue amounts, as defined by statute, into various reserves. These reserves are calculated and presented on a cash basis. During the fiscal year ended June 30, 2007, the reserve activity was as follows:

	<u>Textbooks</u>	<u>Capital Acquisition</u>	<u>BWC Refunds</u>
Set-aside balance as of June 30, 2006	\$ (485,427)	\$ -	\$ 26,956
Current year set-aside requirement	141,416	141,416	-
Current year offsets	-	(8,701,615)	-
Qualifying disbursements	<u>(113,001)</u>	<u>(61,781)</u>	<u>-</u>
Total	<u>\$ (457,012)</u>	<u>\$ (8,621,980)</u>	<u>\$ 26,956</u>
Balance carried forward to FY 2008	<u>\$ (457,012)</u>	<u>\$ (8,621,980)</u>	<u>\$ 26,956</u>

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

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

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2007

NOTE 17 - STATUTORY RESERVES – (Continued)

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

A schedule of the restricted assets at June 30, 2007 follows:

Amount restricted for school bus purchase	\$ 12,947
Amounts restricted for budget stabilization	<u>26,956</u>
Total restricted assets	<u>\$ 39,903</u>

NOTE 18 – SIGNIFICANT SUBSEQUENT EVENTS

- A. The District retired the bond anticipation notes on July 30, 2007. The total payment of \$8,843,989 consisted of \$8,701,621 in principal and \$142,368 in interest.
- B. On June 6, 2007, the Board of the District's component unit East Canton Digital Academy, approved to suspend operations effective June 30, 2007 due to lack of new funding due to declining enrollment. The contract with the District expired June 30, 2007. The Ohio Department of Education has informed the Academy and the Sponsor that the Academy should be closed.

This page intentionally left blank.



Mary Taylor, CPA

Auditor of State

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

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

To the Board of Education:

We have audited the financial statements of the governmental activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of Osnaburg Local School District, Stark County, Ohio, (the District) as of and for the year ended June 30, 2007, which collectively comprise the District's basic financial statements and have issued our report thereon dated February 7, 2008. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*.

Internal Control Over Financial Reporting

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

A control deficiency exists when the design or operation of a control does not allow management or employees, in performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the District's ability to initiate, authorize, record, process, or report financial data reliably in accordance with its applicable accounting basis, such that there is more than a remote likelihood that the District's internal control will not prevent or detect a more-than-inconsequential financial statement misstatement.

A material weakness is a significant deficiency, or combination of significant deficiencies resulting in more than a remote likelihood that the District's internal control will not prevent or detect a material financial statement misstatement.

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

We noted a certain matter that we reported to the District's management in a separate letter dated February 7, 2008.

101 Central Plaza South / 700 Chase Tower / Canton, OH 44702-1509
Telephone: (330) 438-0617 (800) 443-9272 Fax: (330) 471-0001
www.auditor.state.oh.us

Compliance and Other Matters

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

We did note certain noncompliance or other matters that we reported to the District's management in a separate letter dated February 7, 2008.

We intend this report solely for the information and use of management and the Board of Education. We intend it for no one other than these specified parties.

A handwritten signature in cursive script that reads "Mary Taylor".

Mary Taylor, CPA
Auditor of State

February 7, 2008



Mary Taylor, CPA
Auditor of State

OSNABURG LOCAL SCHOOL DISTRICT

STARK COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
MARCH 18, 2008**