

**Mary Taylor, CPA**  
Auditor of State



**OSNABURG LOCAL SCHOOL DISTRICT  
STARK COUNTY**

**TABLE OF CONTENTS**

<b>TITLE</b>	<b>PAGE</b>
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.....	22
Independent Accountants' Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Required by <i>Government Auditing Standards</i> .....	51

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# 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 Osnaburg Local School District, Stark County, Ohio, (the District) as of and for the year ended June 30, 2008, 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, 2008, and the respective changes in financial position thereof and the budgetary comparison for the General Fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

As described in Note 18, the District's discretely presented component unit, the East Canton Digital Academy, ceased operations effective June 30, 2008 at which time all assets, liabilities, and net assets were distributed to the sponsor, Osnaburg Local School District.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 5, 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

December 5, 2008

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

MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2008  
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, 2008. 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 2008 are as follows:

- In total, net assets of governmental activities decreased \$170,345 which represents a 0.83% decrease from 2007.
- General revenues accounted for \$7,391,502 in revenue or 81.56% of all revenues. Program specific revenues in the form of charges for services and sales, grants and contributions accounted for \$1,670,807 or 18.44% of total revenues of \$9,062,309.
- The District had \$9,232,654 in expenses related to governmental activities; \$1,670,807 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 \$7,391,502 were not adequate to provide for these programs.
- The District's major governmental funds are the general fund and classroom facilities fund. The general fund had \$7,262,526 in revenues and other financing sources and \$7,673,491 in expenditures. During fiscal year 2008, the general fund's fund balance decreased \$410,965 from \$3,956,120 to \$3,545,155.
- The classroom facilities fund had \$6,027,478 in revenues and \$999,221 in expenditures. During fiscal year 2008, the classroom facilities fund's fund balance increased \$5,028,257 from \$8,269,619 to \$13,297,876.

**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, 2008  
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 2008?" 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, 2008  
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 22-50 of this report.

**The District as a Whole**

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

The table below provides a summary of the District's net assets for 2008 and 2007.

	<b>Net Assets</b>	
	Governmental Activities 2008	Governmental Activities 2007
<b><u>Assets</u></b>		
Current and other assets	\$ 31,169,000	\$ 40,551,572
Capital assets, net	<u>2,402,541</u>	<u>1,587,834</u>
Total assets	<u>33,571,541</u>	<u>42,139,406</u>
<b><u>Liabilities</u></b>		
Current liabilities	3,806,191	12,307,667
Long-term liabilities	<u>9,531,115</u>	<u>9,427,159</u>
Total liabilities	<u>13,337,306</u>	<u>21,734,826</u>
<b><u>Net assets</u></b>		
Invested in capital assets, net of related debt	2,265,680	1,587,834
Restricted	14,585,009	15,150,081
Unrestricted	<u>3,383,546</u>	<u>3,666,665</u>
Total net assets	<u>\$ 20,234,235</u>	<u>\$ 20,404,580</u>

Over time, net assets can serve as a useful indicator of a government's financial position. At June 30, 2008, the District's assets exceeded liabilities by \$20,234,235 primarily due to the District obtaining a \$14,797,046 grant from the Ohio School Facilities Commission (OSFC) for the construction of a new K-12 school building.

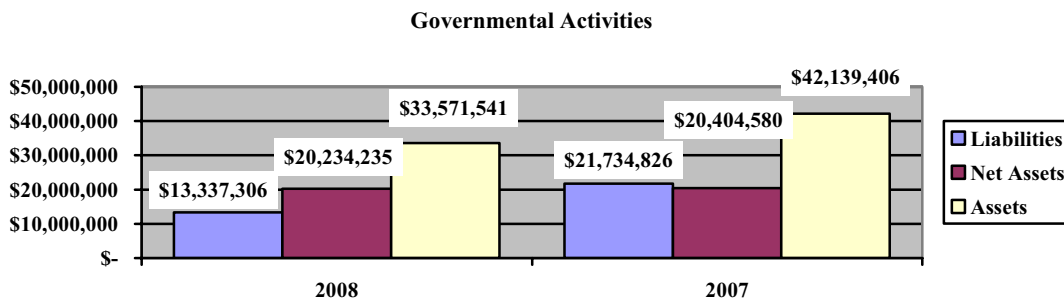
**OSNABURG LOCAL SCHOOL DISTRICT  
STARK COUNTY, OHIO**

MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2008  
UNAUDITED

At year-end, capital assets represented 7.16% 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, \$14,585,009, represents resources that are subject to external restriction on how they may be used. The remaining balance of unrestricted net assets of \$3,383,546 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 2008 and 2007.



The table below shows the change in net assets for fiscal year 2008 and 2007.

**Change in Net Assets**

	Governmental Activities 2008	Governmental Activities 2007
<b>Revenues</b>		
Program revenues:		
Charges for services and sales	\$ 788,851	\$ 786,302
Operating grants and contributions	877,739	854,685
Capital grants and contributions	4,217	8,600
General revenues:		
Property taxes	2,636,501	2,429,804
Grants and entitlements	3,959,314	18,654,830
Investment earnings	729,265	395,015
Other	66,422	25,700
Total revenues	<u>9,062,309</u>	<u>23,154,936</u>

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

MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2008  
UNAUDITED

**Change in Net Assets (Continued)**

	<u>Governmental Activities 2008</u>	<u>Governmental Activities 2007</u>
<b><u>Expenses</u></b>		
Program expenses:		
Instruction:		
Regular	\$ 3,546,378	\$ 3,408,448
Special	666,107	646,354
Vocational	215,595	216,759
Adult	-	1,610
Other	723,241	536,233
Support services:		
Pupil	429,085	320,898
Instructional staff	170,400	170,850
Board of education	24,066	20,784
Administration	670,121	657,860
Fiscal	244,429	236,122
Business	7,324	3,252
Operations and maintenance	641,483	620,396
Pupil transportation	596,339	590,762
Central	26,344	26,737
Operations of non-instructional services	22,813	34,617
Food service operations	364,576	334,320
Extracurricular activities	457,485	503,143
Interest and fiscal charges	<u>426,868</u>	<u>136,666</u>
 Total expenses	 <u>9,232,654</u>	 <u>8,465,811</u>
Change in net assets	(170,345)	14,689,125
Net assets at beginning of year	<u>20,404,580</u>	<u>5,715,455</u>
Net assets at end of year	<u>\$ 20,234,235</u>	<u>\$ 20,404,580</u>

**Governmental Activities**

Net assets of the District's governmental activities decreased \$170,345. Total governmental expenses of \$9,232,654 were offset by program revenues of \$1,670,807 and general revenues of \$7,391,502. Program revenues supported 18.10% of the total governmental expenses.

The primary sources of revenue for governmental activities are derived from property taxes and unrestricted grants and entitlements. These revenue sources represent 72.78% of total governmental revenue. Under general revenues, grants and entitlements decreased as the District received a grant from the OSFC in fiscal 2007 for the construction of a new K-12 school building. Revenues related to this grant were recorded in fiscal 2007.

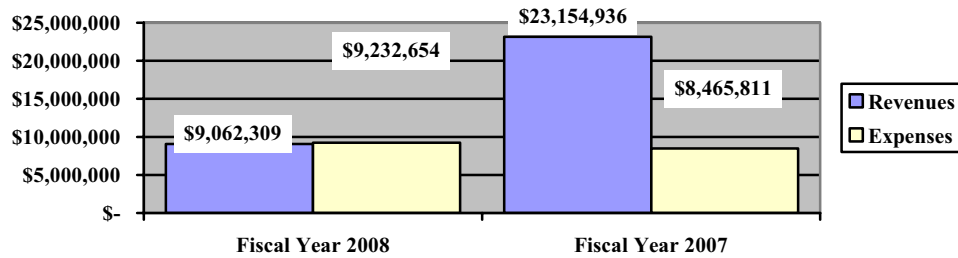
The largest expense of the District is for instructional programs. Instruction expenses totaled \$5,151,321 or 55.79% of total governmental expenses for fiscal 2008.

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

MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2008  
UNAUDITED

The graph below presents the District's governmental activities revenue and expenses for fiscal year 2008 and 2007.

**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 2008	Net Cost of Services 2008	Total Cost of Services 2007	Net Cost of Services 2007
<b>Program expenses</b>				
Instruction:				
Regular	\$ 3,546,378	\$ 3,073,580	\$ 3,408,448	\$ 2,907,956
Special	666,107	291,899	646,354	305,259
Vocational	215,595	128,614	216,759	173,740
Adult	-	-	1,610	10
Other	723,241	723,241	536,233	536,233
Support services:				
Pupil	429,085	279,822	320,898	193,058
Instructional staff	170,400	155,399	170,850	145,455
Board of education	24,066	24,066	20,784	20,784
Administration	670,121	656,022	657,860	634,474
Fiscal	244,429	244,429	236,122	236,122
Business	7,324	7,324	3,252	3,252
Operations and maintenance	641,483	641,483	620,396	620,396
Pupil transportation	596,339	569,436	590,762	553,808
Central	26,344	21,344	26,737	21,737
Operations of non-instructional services	22,813	22,813	34,617	34,617
Food service operations	364,576	12,050	334,320	(1,187)
Extracurricular activities	457,485	283,457	503,143	293,844
Interest and fiscal charges	426,868	426,868	136,666	136,666
<b>Total expenses</b>	<u>\$ 9,232,654</u>	<u>\$ 7,561,847</u>	<u>\$ 8,465,811</u>	<u>\$ 6,816,224</u>

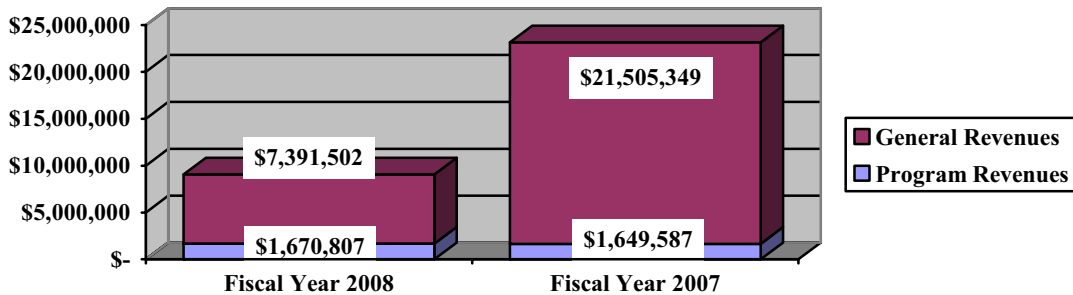
**OSNABURG LOCAL SCHOOL DISTRICT  
STARK COUNTY, OHIO**

MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2008  
UNAUDITED

The dependence upon tax and other general revenues for governmental activities is apparent, 81.87% of instruction activities are supported through taxes and other general revenues. For all governmental activities, general revenue support is 81.90%. 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 2008 and 2007.

**Governmental Activities - General and Program Revenues**



General revenues for 2007 include a \$14,797,046 grant from the OSFC for the construction of a new K-12 school building.

**The District's Funds**

The District's governmental funds reported a combined fund balance of \$18,126,329, which is greater than last year's total of \$13,494,226. This large increase is mainly due to OSFC grant money which the District received during fiscal year 2008. The schedule below indicates the fund balance and the total change in fund balance as of June 30, 2008 and 2007.

	Fund Balance <u>June 30, 2008</u>	Fund Balance <u>June 30, 2007</u>	Increase <u>(Decrease)</u>	Percentage <u>Change</u>
General	\$ 3,545,155	\$ 3,956,120	\$ (410,965)	(10.39) %
Classroom facilities	13,297,876	8,269,619	5,028,257	60.80 %
Other governmental	<u>1,283,298</u>	<u>1,268,487</u>	<u>14,811</u>	1.17 %
Total	<u>\$ 18,126,329</u>	<u>\$ 13,494,226</u>	<u>\$ 4,632,103</u>	34.33 %

**General Fund**

The District's general fund's fund balance decreased \$410,965. This decrease was primarily due to increasing expenditures outpacing increasing revenues.

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

MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2008  
UNAUDITED

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

	2008 <u>Amount</u>	2007 <u>Amount</u>	Increase <u>(Decrease)</u>	Percentage <u>Change</u>
<b><u>Revenues</u></b>				
Taxes	\$ 2,312,107	\$ 2,325,604	\$ (13,497)	(0.58) %
Earnings on investments	233,586	244,209	(10,623)	(4.35) %
Intergovernmental	4,278,656	4,130,151	148,505	3.60 %
Other revenues	<u>433,703</u>	<u>432,285</u>	<u>1,418</u>	0.33 %
 Total	 <u>\$ 7,258,052</u>	 <u>\$ 7,132,249</u>	 <u>\$ 125,803</u>	 1.76 %
<b><u>Expenditures</u></b>				
Instruction	\$ 4,912,770	\$ 4,560,444	\$ 352,326	7.73 %
Support services	2,476,499	2,375,148	101,351	4.27 %
Non-instructional services	21,939	34,016	(12,077)	(35.50) %
Extracurricular activities	251,487	276,238	(24,751)	(8.96) %
Facilities acquisition and construction	<u>10,796</u>	<u>15,433</u>	<u>(4,637)</u>	(30.05) %
 Total	 <u>\$ 7,673,491</u>	 <u>\$ 7,261,279</u>	 <u>\$ 412,212</u>	 5.68 %

All general fund revenues for fiscal year 2008 were comparable to 2007. There were no significant increases or decreases. The most significant increase in general fund expenditures occurred in instruction, which was primarily due to increasing teacher salary and benefit costs. In total, the overall increase in expenditures was not significant in the general fund.

***Classroom Facilities Fund***

The District's classroom facilities fund's fund balance increased \$5,028,257 from \$8,269,619 to \$13,297,876. This large increase was primarily due to the receipt of OSFC grant money received during fiscal year 2008. In addition, the District earned interest on the proceeds of previously issued bonds for the District's local share of the construction project. The classroom facilities fund had \$6,027,478 in revenues and \$999,221 in expenditures.

***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 2008, the District amended its general fund budget several times. For the general fund, original budgeted revenues and other financing sources were \$7,208,135 and final budgeted revenues and other financing sources were \$7,320,975. Actual revenues and other financing sources for fiscal 2008 was \$7,340,198. This represents a \$132,063 increase over original budgeted revenues.

General fund original appropriations (appropriated expenditures including other financing uses) totaled \$7,593,483. General fund final appropriations totaled \$7,787,383. The actual budget basis expenditures and other financing uses for fiscal year 2008 totaled \$7,774,594, which is lower than final budgeted appropriations by \$12,789.

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

MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2008  
UNAUDITED

**Capital Assets and Debt Administration**

***Capital Assets***

At the end of fiscal 2008, the District had \$2,402,541 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 2008 balances compared to 2007:

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

	Governmental Activities	
	2008	2007
Land	\$ 469,714	\$ 469,714
Construction in progress	996,505	14,360
Land improvements	331,781	370,790
Building and improvements	303,663	318,663
Furniture and equipment	100,295	132,142
Vehicles	200,583	282,165
 Total	\$ 2,402,541	\$ 1,587,834

The overall increase in capital assets of \$814,707 is due to capital outlays of \$989,474 exceeding depreciation expense and net disposals of \$174,767 during the fiscal year. Construction in progress increased as the District continued construction on the new K-12 school building.

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

***Debt Administration***

At June 30, 2008, the District had \$8,739,925 in general obligation bonds outstanding. Of this total, \$25,000 is due within one year and \$8,714,925 is due in more than one year.

**Outstanding Debt, at Year End**

	Governmental Activities <u>2008</u>
General obligation bonds	\$ <u>8,739,925</u>
Total	\$ <u>8,739,925</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, 2008  
UNAUDITED

**Current Financial Related Activities**

The District has been rated Effective on the last seven state report cards. The Primary Building has been rated Excellent for the last five years, the High School was rated as Excellent for the second 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.

The District expended more money than it received in fiscal year 2008. This deficit spending pattern shall continue to eat away at our carryover until we predict the District will be in the red during the 2012-2013 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 began at the end of August 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 citizens, taxpayers, and investors and creditors with a general overview of the District's finances and to show the District's accountability for the money it receives. If you have questions about this report or need additional financial information contact Ms. Christine Robenstine, Treasurer, Osna burg Local School District, 310 Browning Street, East Canton, Ohio 44730.



BASIC  
FINANCIAL STATEMENTS

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

STATEMENT OF NET ASSETS  
JUNE 30, 2008

	<b>Primary Government</b>
	<b>Governmental Activities</b>
<b>Assets:</b>	
Equity in pooled cash and cash equivalents. . . . .	\$ 14,528,164
Cash in segregated accounts. . . . .	7,014
Investments . . . . .	4,492,515
Receivables:	
Taxes . . . . .	3,182,832
Accounts . . . . .	1,359
Intergovernmental . . . . .	8,746,262
Accrued interest . . . . .	23,819
Prepayments . . . . .	19,564
Materials and supplies inventory . . . . .	4,392
Unamortized bond issue costs . . . . .	163,079
Capital assets:	
Land . . . . .	469,714
Construction in progress . . . . .	996,505
Depreciable capital assets, net . . . . .	936,322
Total capital assets, net. . . . .	2,402,541
Total assets. . . . .	33,571,541
<b>Liabilities:</b>	
Accounts payable. . . . .	3,341
Contracts payable. . . . .	30,223
Accrued wages and benefits . . . . .	807,834
Pension obligation payable. . . . .	245,190
Intergovernmental payable . . . . .	25,953
Accrued interest payable . . . . .	27,708
Unearned revenue . . . . .	2,665,942
Long-term liabilities:	
Due within one year. . . . .	151,852
Due in more than one year . . . . .	9,379,263
Total liabilities . . . . .	13,337,306
<b>Net assets:</b>	
Invested in capital assets, net of related debt. . . . .	2,265,680
Restricted for:	
Capital projects . . . . .	14,442,868
Classroom facilities maintenance . . . . .	29,540
Locally funded programs. . . . .	400
Federally funded programs. . . . .	7,365
Student activities. . . . .	60,715
Other purposes. . . . .	44,121
Unrestricted . . . . .	3,383,546
Total net assets . . . . .	\$ 20,234,235

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, 2008

	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	Component
					Governmental	Unit
					Governmental	East Canton Digital Academy
<b>Governmental activities:</b>						
Instruction:						
Regular . . . . .	\$ 3,546,378	\$ 407,600	\$ 65,198	\$ -	\$ (3,073,580)	\$ -
Special . . . . .	666,107	7,915	366,293	-	(291,899)	-
Vocational . . . . .	215,595	-	86,981	-	(128,614)	-
Other . . . . .	723,241	-	-	-	(723,241)	-
Support services:						
Pupil . . . . .	429,085	-	149,263	-	(279,822)	-
Instructional staff . . . . .	170,400	-	15,001	-	(155,399)	-
Board of education . . . . .	24,066	-	-	-	(24,066)	-
Administration . . . . .	670,121	-	14,099	-	(656,022)	-
Fiscal . . . . .	244,429	-	-	-	(244,429)	-
Business . . . . .	7,324	-	-	-	(7,324)	-
Operations and maintenance . . . . .	641,483	-	-	-	(641,483)	-
Pupil transportation . . . . .	596,339	-	22,686	4,217	(569,436)	-
Central . . . . .	26,344	-	5,000	-	(21,344)	-
Operation of non-instructional services:						
Food service operations . . . . .	364,576	199,308	153,218	-	(12,050)	-
Other non-instructional services . . . . .	22,813	-	-	-	(22,813)	-
Extracurricular activities . . . . .	457,485	174,028	-	-	(283,457)	-
Interest and fiscal charges . . . . .	426,868	-	-	-	(426,868)	-
Total governmental activities . . . . .	<u>\$ 9,232,654</u>	<u>\$ 788,851</u>	<u>\$ 877,739</u>	<u>\$ 4,217</u>	<u>(7,561,847)</u>	<u>-</u>
<b>Component unit:</b>						
East Canton Digital Academy . . . . .	90,009	-	-	-	-	(90,009)
Totals . . . . .	<u>\$ 9,322,663</u>	<u>\$ 788,851</u>	<u>\$ 877,739</u>	<u>\$ 4,217</u>	<u>(7,561,847)</u>	<u>(90,009)</u>
<b>General revenues:</b>						
Property taxes levied for:						
General purposes . . . . .					2,280,807	-
Classroom facilities maintenance . . . . .					26,550	-
Debt service . . . . .					329,144	-
Grants and entitlements not restricted						
to specific programs . . . . .					3,959,314	-
Investment earnings . . . . .					729,265	91
Miscellaneous . . . . .					66,422	-
Total general revenues . . . . .					<u>7,391,502</u>	<u>91</u>
Change in net assets . . . . .					(170,345)	(89,918)
<b>Net assets at beginning of year . . . . .</b>					<u>20,404,580</u>	<u>89,918</u>
<b>Net assets at end of year . . . . .</b>					<u>\$ 20,234,235</u>	<u>\$ -</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

BALANCE SHEET  
GOVERNMENTAL FUNDS  
JUNE 30, 2008

	<u>General</u>	<u>Classroom Facilities</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
<b>Assets:</b>				
Equity in pooled cash and cash equivalents . . . . .	\$ 4,328,782	\$ 9,190,982	\$ 964,279	\$ 14,484,043
Cash in segregated accounts. . . . .	7,014	-	-	7,014
Investments. . . . .	-	4,123,072	369,443	4,492,515
Receivables:				
Taxes. . . . .	2,538,349	-	644,483	3,182,832
Accounts . . . . .	1,359	-	-	1,359
Intergovernmental . . . . .	-	8,646,495	99,767	8,746,262
Accrued interest . . . . .	2,653	19,425	1,741	23,819
Interfund loans . . . . .	99,020	-	-	99,020
Prepayments . . . . .	19,564	-	-	19,564
Materials and supplies inventory . . . . .	-	-	4,392	4,392
Restricted assets:				
Equity in pooled cash and cash equivalents . . . . .	44,121	-	-	44,121
Total assets . . . . .	<u>\$ 7,040,862</u>	<u>\$ 21,979,974</u>	<u>\$ 2,084,105</u>	<u>\$ 31,104,941</u>
<b>Liabilities:</b>				
Accounts payable . . . . .	\$ 2,383	\$ -	\$ 958	\$ 3,341
Contracts payable . . . . .	-	29,011	1,212	30,223
Accrued wages and benefits . . . . .	743,176	-	64,658	807,834
Compensated absences payable . . . . .	98,930	-	5,891	104,821
Pension obligation payable. . . . .	226,447	-	18,743	245,190
Intergovernmental payable. . . . .	23,702	-	2,251	25,953
Interfund loans payable. . . . .	-	-	99,020	99,020
Deferred revenue. . . . .	288,830	8,653,087	54,371	8,996,288
Unearned revenue. . . . .	2,112,239	-	553,703	2,665,942
Total liabilities . . . . .	<u>3,495,707</u>	<u>8,682,098</u>	<u>800,807</u>	<u>12,978,612</u>
<b>Fund balances:</b>				
Reserved for encumbrances . . . . .	72,765	1,479,315	20,555	1,572,635
Reserved for materials and supplies inventory. . . . .	-	-	4,392	4,392
Reserved for prepayments . . . . .	19,564	-	-	19,564
Reserved for property tax unavailable for appropriation . . . . .	137,280	-	37,000	174,280
Reserved for school bus purchase . . . . .	17,165	-	-	17,165
Reserved for budget stabilization. . . . .	26,956	-	-	26,956
Unreserved, undesignated (deficit), reported in:				
General fund . . . . .	3,271,425	-	-	3,271,425
Special revenue funds . . . . .	-	-	123,047	123,047
Debt service fund . . . . .	-	-	(78,431)	(78,431)
Capital projects funds. . . . .	-	11,818,561	1,176,735	12,995,296
Total fund balances . . . . .	<u>3,545,155</u>	<u>13,297,876</u>	<u>1,283,298</u>	<u>18,126,329</u>
Total liabilities and fund balances . . . . .	<u>\$ 7,040,862</u>	<u>\$ 21,979,974</u>	<u>\$ 2,084,105</u>	<u>\$ 31,104,941</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, 2008

<b>Total governmental fund balances</b>		\$ 18,126,329
<i>Amounts reported for governmental activities on the statement of net assets are different because:</i>		
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.		2,402,541
Other long-term assets are not available to pay for current-period expenditures and therefore are deferred in the funds.		
Taxes	\$ 342,610	
Intergovernmental revenue	8,646,495	
Accrued interest	7,183	
Total		8,996,288
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.		(27,708)
Unamortized premiums on bond issuances are not recognized in the funds.		(299,940)
Unamortized bond issuance costs are not recognized in the funds.		163,079
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	8,739,925	
Compensated absences	386,429	
Total		(9,126,354)
<b>Net assets of governmental activities</b>		<b>\$ 20,234,235</b>

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, 2008

	<u>General</u>	<u>Classroom Facilities</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
<b>Revenues:</b>				
From local sources:				
Taxes . . . . .	\$ 2,312,107	\$ -	\$ 301,914	\$ 2,614,021
Tuition. . . . .	363,921	-	-	363,921
Charges for services. . . . .	-	-	199,308	199,308
Earnings on investments. . . . .	233,586	426,928	72,546	733,060
Extracurricular. . . . .	-	-	174,028	174,028
Classroom materials and fees . . . . .	32,526	-	-	32,526
Other local revenues. . . . .	37,256	-	-	37,256
Intergovernmental - intermediate. . . . .	-	-	400	400
Intergovernmental - state . . . . .	4,278,656	5,600,550	120,609	9,999,815
Intergovernmental - federal . . . . .	-	-	471,062	471,062
Total revenue . . . . .	<u>7,258,052</u>	<u>6,027,478</u>	<u>1,339,867</u>	<u>14,625,397</u>
<b>Expenditures:</b>				
Current:				
Instruction:				
Regular . . . . .	3,398,798	-	83,754	3,482,552
Special. . . . .	560,446	-	88,670	649,116
Vocational. . . . .	230,285	-	-	230,285
Other . . . . .	723,241	-	-	723,241
Support services:				
Pupil. . . . .	267,644	-	178,738	446,382
Instructional staff . . . . .	136,771	-	31,971	168,742
Board of education . . . . .	24,066	-	-	24,066
Administration. . . . .	645,058	-	14,605	659,663
Fiscal . . . . .	235,406	-	4,874	240,280
Business . . . . .	10,437	-	-	10,437
Operations and maintenance. . . . .	616,164	29,011	1,212	646,387
Pupil transportation . . . . .	520,783	-	5,283	526,066
Central. . . . .	20,170	-	5,745	25,915
Operation of non-instructional services:				
Food service operations . . . . .	-	-	367,732	367,732
Other non-instructional services. . . . .	21,939	-	-	21,939
Extracurricular activities. . . . .	251,487	-	162,392	413,879
Facilities acquisition and construction . . . . .	10,796	919,185	32,729	962,710
Debt service:				
Interest and fiscal charges . . . . .	-	51,025	347,351	398,376
Total expenditures . . . . .	<u>7,673,491</u>	<u>999,221</u>	<u>1,325,056</u>	<u>9,997,768</u>
Excess of revenues over (under) expenditures. . . . .	<u>(415,439)</u>	<u>5,028,257</u>	<u>14,811</u>	<u>4,627,629</u>
<b>Other financing sources:</b>				
Sale of assets. . . . .	4,474	-	-	4,474
Total other financing sources. . . . .	<u>4,474</u>	<u>-</u>	<u>-</u>	<u>4,474</u>
Net change in fund balances . . . . .	(410,965)	5,028,257	14,811	4,632,103
<b>Fund balances at beginning of year. . . . .</b>	<u>3,956,120</u>	<u>8,269,619</u>	<u>1,268,487</u>	<u>13,494,226</u>
<b>Fund balances at end of year. . . . .</b>	<u>\$ 3,545,155</u>	<u>\$ 13,297,876</u>	<u>\$ 1,283,298</u>	<u>\$ 18,126,329</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, 2008

<b>Net change in fund balances - total governmental funds</b>	\$	4,632,103
<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	\$ 989,474	
Current year depreciation	(157,654)	
Total		831,820
Governmental funds only report the disposal of capital assets to the extent proceeds are received from the sale. In the statement of activities, a gain or loss is reported for each disposal.		
Capital asset disposals	(170,558)	
Accumulated depreciation on disposals	153,445	
Total		(17,113)
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.		
Taxes	22,480	
Intergovernmental revenue	(5,633,507)	
Accrued interest	(3,795)	
Total		(5,614,822)
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:		
Decrease in accrued interest	2,751	
Accreted interest on "capital appreciation" bonds	(36,234)	
Amortization of bond premium	10,940	
Amortization of bond issuance costs	(5,949)	
Total		(28,492)
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.		
		26,159
<b>Change in net assets of governmental activities</b>	<b>\$</b>	<b>(170,345)</b>

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, 2008

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
<b>Revenues:</b>				
From local sources:				
Taxes . . . . .	\$ 2,266,125	\$ 2,301,600	\$ 2,297,957	\$ (3,643)
Tuition. . . . .	357,504	363,100	364,366	1,266
Earnings on investments. . . . .	226,455	230,000	230,933	933
Classroom materials and fees . . . . .	27,568	28,000	32,428	4,428
Other local revenues . . . . .	60,158	61,100	58,063	(3,037)
Intergovernmental - state . . . . .	4,196,481	4,262,175	4,278,656	16,481
Total revenue . . . . .	<u>7,134,291</u>	<u>7,245,975</u>	<u>7,262,403</u>	<u>16,428</u>
<b>Expenditures:</b>				
Current:				
Instruction:				
Regular . . . . .	3,261,847	3,345,138	3,335,416	9,722
Special. . . . .	544,191	558,087	558,087	-
Vocational. . . . .	220,581	226,213	226,213	-
Other. . . . .	762,475	781,945	781,945	-
Support services:				
Pupil. . . . .	241,320	247,482	247,482	-
Instructional staff . . . . .	134,518	137,953	137,953	-
Board of education . . . . .	24,553	25,180	25,180	-
Administration. . . . .	633,317	649,489	649,489	-
Fiscal . . . . .	231,159	237,062	236,878	184
Business . . . . .	10,177	10,437	10,437	-
Operations and maintenance. . . . .	619,151	634,961	632,135	2,826
Pupil transportation . . . . .	506,187	519,112	519,112	-
Central. . . . .	19,668	20,170	20,170	-
Operation of non-instructional services . . . . .	21,189	21,730	21,730	-
Extracurricular activities. . . . .	247,293	253,608	253,608	-
Facilities acquisition and construction. . . . .	10,527	10,796	10,796	-
Total expenditures . . . . .	<u>7,488,153</u>	<u>7,679,363</u>	<u>7,666,631</u>	<u>12,732</u>
Excess of revenues over (under) expenditures. . . . .	<u>(353,862)</u>	<u>(433,388)</u>	<u>(404,228)</u>	<u>29,160</u>
<b>Other financing sources (uses):</b>				
Refund of prior year expenditure. . . . .	7,877	8,000	8,321	321
Refund of prior year (receipts) . . . . .	(8,776)	(9,000)	(8,943)	57
Advances in. . . . .	63,998	65,000	65,000	-
Advances (out) . . . . .	(96,554)	(99,020)	(99,020)	-
Sale of assets. . . . .	1,969	2,000	4,474	2,474
Total other financing sources (uses) . . . . .	<u>(31,486)</u>	<u>(33,020)</u>	<u>(30,168)</u>	<u>2,852</u>
Net change in fund balance . . . . .	(385,348)	(466,408)	(434,396)	32,012
<b>Fund balance at beginning of year. . . . .</b>	4,663,743	4,663,743	4,663,743	-
<b>Prior year encumbrances appropriated . . . . .</b>	70,069	70,069	70,069	-
<b>Fund balance at end of year . . . . .</b>	<u>\$ 4,348,464</u>	<u>\$ 4,267,404</u>	<u>\$ 4,299,416</u>	<u>\$ 32,012</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, 2008

	<b>Private-Purpose Trusts</b>	
	<b>Scholarships</b>	<b>Agency</b>
<b>Assets:</b>		
Equity in pooled cash and cash equivalents . . . . .	\$ 108,175	\$ 49,737
Total assets. . . . .	108,175	\$ 49,737
<b>Liabilities:</b>		
Due to students . . . . .	-	\$ 49,737
Total liabilities . . . . .	-	\$ 49,737
<b>Net assets:</b>		
Held in trust for scholarships . . . . .	108,175	
Total net assets . . . . .	\$ 108,175	

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, 2008

	<b>Private-Purpose Trusts</b>
	<b>Scholarships</b>
<b>Additions:</b>	
Interest . . . . .	\$ 4,018
Gifts and contributions. . . . .	23,500
	27,518
<b>Total additions.</b> . . . . .	<b>27,518</b>
<b>Deductions:</b>	
Scholarships awarded . . . . .	15,000
	12,518
<b>Change in net assets</b> . . . . .	<b>12,518</b>
<b>Net assets at beginning of year.</b> . . . . .	<b>95,657</b>
<b>Net assets at end of year</b> . . . . .	<b>\$ 108,175</b>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2008

**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 522<sup>nd</sup> largest in the State of Ohio (among the 896 public school districts and community schools) in terms of enrollment. It is staffed by 39 non-certified employees and 65 certified employees who provide services to 868 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, 2008

**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 Osna burg 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. The Academy ceased operations in fiscal year 2008 (see Note 18). Separately issued financial statements can be obtained from the Treasurer of the Academy at 310 Browning Street, East Canton, Ohio 44730.

Information in the following notes to the basic financial statements is applicable to the primary government. Information relative to the component unit can be found in the separately issued financial statements.

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 member. The assembly elects officers for one year terms to serve on the Board of Directors. The assembly exercises control over the operation of the Consortium. All Consortium revenues are generated from charges for services.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2008

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

Insurance Purchasing Pool

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

The intent of the pool is to achieve a reduced rate for the District by grouping with other members of the pool. The injury claim histories of all participating members are used to calculate a common rate for the pool. An annual fee is paid to 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.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2008

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

*FIDUCIARY FUNDS*

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

**C. Basis of Presentation and Measurement Focus**

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

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

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

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

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.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2008

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

**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.

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, 2008, but which were levied to finance fiscal year 2009 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, 2008 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 entitlement value of donated commodities used during the year is reported in the statement of revenues, expenditures and changes in fund balances as an expenditure with a like amount reported as intergovernmental revenue.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2008

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

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

**E. Budgets**

The District is required by State statute to adopt an annual appropriated cash basis budget for all funds, except agency funds. The specific timetable for fiscal year 2008 is as follows:

1. Prior to January 15, the Superintendent and Treasurer submit to the Board of Education a proposed operating budget for the fiscal year commencing the following July 1. The budget includes proposed expenditures and the means of financing for all funds. Public hearings are publicized and conducted to obtain taxpayers' comments. The expressed purpose of this budget document is to reflect the need for existing (or increased) tax rates.
2. On October 25, 2005, the Stark County Budget Commission voted to waive the requirement that school districts adopt a tax budget as required by Section 5705.28 of the Ohio Revised Code, by January 15<sup>th</sup> and the filing by January 20<sup>th</sup>. The Budget Commission now requires an alternate tax budget be submitted by January 20<sup>th</sup>, which no longer requires specific Board approval.
3. Prior to April 1, the Board of Education accepts, by formal resolution, the tax rates as determined by the Budget Commission and receives the Commission's certificate of estimated resources which states the projected revenue of each fund. Prior to 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 of estimated resources issued for fiscal year 2008.
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.



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

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2008

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

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, 2008. The budget figures, as shown in the accompanying budgetary statement, reflect the original and final appropriation amounts including all amendments and modifications.
8. Unencumbered appropriations lapse at year-end. Encumbered appropriations are carried forward to the succeeding fiscal year and need not be reappropriated. Expenditures plus encumbrances may not legally exceed budgeted appropriations at the fund level.

**F. Cash and Investments**

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

During fiscal year 2008, 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 2008. STAR Ohio is an investment pool managed by the State Treasurer's Office, which allows governments within the State to pool their funds for investment purposes. STAR Ohio is not registered with the SEC as an investment company, but does operate in a manner consistent with Rule 2a7 of the Investment Company Act of 1940. Investments in STAR Ohio are valued at STAR Ohio's shares price which is the price the investment could be sold for on June 30, 2008.

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 2008 amounted to \$233,586, which includes \$9,116 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, purchased inventories are presented at the lower of cost or market and donated commodities are presented at their entitlement value. Inventories are recorded on a first-in, first-out basis and are expensed/expended when used. Inventories are accounted for using the consumption method.

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

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

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2008

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

**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:

<u>Description</u>	<u>Governmental Activities 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 sick leave to the extent that payments to the employee for these absences are attributable to services already rendered and are not contingent on a specific event that is outside the control of the District and the employee.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2008

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

In accordance with the provisions of GASB Statement No. 16, "Accounting for Compensated Absences", a liability for vacation leave is accrued if a) the employees' rights to payment are attributable to services already rendered; and b) it is probable that the employer will compensate the employees for the benefits through paid time off or other means, such as cash payment at termination or retirement. An accrual for earned sick leave is made to the extent that it is probable that the benefits will result in termination (severance) payments. A liability for sick leave is accrued using the vesting method; i.e., the liability is based on the sick leave accumulated at June 30, 2008, by those employees who are currently eligible to receive termination (severance) payments, as well as those employees expected to become eligible in the future. For purposes of establishing a liability for sick leave on employees expected to become eligible to retire in the future, all employees age fifty or greater with ten or more years of service or all employees with twenty or more years of service regardless of their age, were considered expected to become eligible to retire in accordance with GASB Statement No. 16.

The total liability for vacation and sick leave payments has been calculated using pay rates in effect at June 30, 2008, and reduced to the maximum payment allowed by labor contract and/or statute, plus any applicable additional salary related payments.

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

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

**K. Accrued Liabilities and Long-Term Obligations**

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

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

**L. Fund Balance Reserves**

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

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

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2008

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

**M. Net Assets**

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

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

**N. Estimates**

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

**O. Prepayments**

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

**P. Restricted Assets**

Assets are reported as restricted assets when limitations on their use change the normal understanding of the availability of the asset. Such constraints are either imposed by creditors, contributors, grantors, or laws of other governments or imposed by enabling legislation. Restricted assets include the amount required by State statute to be set aside to create a reserve for budget stabilization and school bus purchases. See Note 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 2008.

**R. Unamortized Bond Issuance Costs and Bond Premium**

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

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

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2008

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

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

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

**S. Vocational Education**

The District has entered into an agreement with the Canton Local School District, Perry Local School District and the Sandy Valley Local School District to provide career technical education programs for students. The Canton Local School District is the principal agency for the programs and is responsible for the physical facilities of the programs. For fiscal year 2008, the District was required to pay the Canton Local School District a service charge equal to \$95,000 reduced by all State aid for District students attending the Canton Local School District for these programs.

**NOTE 3 - ACCOUNTABILITY AND COMPLIANCE**

**A. Change in Accounting Principles**

For fiscal year 2008, the District has implemented GASB Statement No. 45, "Accounting and Financial Reporting for Postemployment Benefits Other than Pensions", GASB Statement No. 48, "Sales and Pledges of Receivables and Future Revenues and Intra-Entity Transfers of Assets and Future Revenues", and GASB Statement No. 50, "Pension Disclosures".

GASB Statement No. 45 establishes uniform standards of financial reporting for other postemployment benefits and increases the usefulness and improves the faithfulness of representations in the financial reports. The implementation of GASB Statement No. 45 did not have an effect on the financial statements of the District; however, certain disclosures related to postemployment benefits (see Note 14) have been modified to conform to the new reporting requirements.

GASB Statement No. 48 establishes criteria to ascertain whether certain transactions should be regarded as sales or as collateralized borrowings, as well as disclosure requirements for future revenues that are pledged and sold. The implementation of GASB Statement No. 48 did not have an effect on the financial statements of the District.

GASB Statement No. 50 establishes standards that more closely align the financial reporting requirements for pensions with those of other postemployment benefits. The implementation of GASB Statement No. 50 did not have an effect on the financial statements of the District.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2008

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

**B. Deficit Fund Balances**

Fund balances at June 30, 2008 included the following individual fund deficits:

<u>Nonmajor funds</u>	<u>Deficit</u>
EMIS	\$ 23
SchoolNet professional development	4
Poverty aid	4,135
Reducing class size	1,137
Miscellaneous federal grants	2
Bond retirement	44,191

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

**NOTE 4 - DEPOSITS AND INVESTMENTS**

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

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

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

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

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, 2008

**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 \$50 in undeposited cash on hand which is included on the financial statements of the District as part of "equity in pooled cash and cash equivalents."

**B. Cash in Segregated Accounts**

At June 30, 2008, the District had \$7,014 in a segregated account for East Canton Digital Academy. This account was covered by the Federal Deposit Insurance Corporation or pooled collateral held by the depository institution. This amount is not included in the District's depository balance below.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2008

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

**C. Deposits with Financial Institutions**

At June 30, 2008, the carrying amount of all District deposits was \$13,126,030. Based on the criteria described in GASB Statement No. 40, “Deposits and Investment Risk Disclosures”, as of June 30, 2008, \$7,005,286 of the District’s bank balance of \$13,171,287 was exposed to custodial risk as discussed below, while \$6,166,001 was covered by the Federal Deposit Insurance Corporation.

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

**D. Investments**

As of June 30, 2008, the District had the following investments and maturities:

<u>Investment type</u>	<u>Fair Value</u>	<u>Investment Maturities</u>	
		<u>6 months or less</u>	<u>7 to 12 months</u>
FHLB	\$ 3,492,205	\$ -	\$ 3,492,205
FNMA	1,000,310	1,000,310	-
STAR Ohio	832,258	832,258	-
U.S. Government money market	<u>727,738</u>	<u>727,738</u>	<u>-</u>
	<u>\$ 6,052,511</u>	<u>\$ 2,560,306</u>	<u>\$ 3,492,205</u>

The weighted average maturity of investments is 0.54 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:* STAR Ohio and U.S. Government money market mutual funds carry a rating of AAAM by Standard & Poor’s. Ohio law requires that STAR Ohio maintain the highest rating provided by at least one nationally recognized standard service rating. The District’s investments in federal agency securities were rated AAA and Aaa by Standard & Poor’s and Moody’s Investor Services, respectively.



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

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2008

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

*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, 2008:

<u>Investment type</u>	<u>Fair Value</u>	<u>% to Total</u>
FHLB	\$ 3,492,205	57.70
FNMA	1,000,310	16.53
STAR Ohio	832,258	13.75
U.S. Government money market	<u>727,738</u>	<u>12.02</u>
	<u>\$ 6,052,511</u>	<u>100.00</u>

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

The following is a reconciliation of cash and investments as reported in the note above to cash and investments as reported on the statement of net assets as of June 30, 2008:

<u>Cash and investments per note</u>	
Carrying amount of deposits	\$ 13,126,030
Investments	6,052,511
Cash in segregated accounts	7,014
Cash on hand	<u>50</u>
Total	<u>\$ 19,185,605</u>
 <u>Cash and investments per statement of net assets</u>	
Governmental activities	\$ 19,027,693
Private-purpose trust funds	108,175
Agency fund	<u>49,737</u>
Total	<u>\$ 19,185,605</u>

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2008**

**NOTE 5 - INTERFUND TRANSACATIONS**

Interfund balances at June 30, 2008 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	\$ 99,020

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

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

**NOTE 6 - PROPERTY TAXES**

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

Property taxes include amounts levied against all real, public utility and tangible personal property (used in business) located in the District. Real property tax revenue received in calendar year 2008 represents collections of calendar year 2007 taxes. Real property taxes received in calendar year 2008 were levied after April 1, 2007, on the assessed value listed as of January 1, 2007, 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 year 2008 represents collections of calendar year 2007 taxes. Public utility real and tangible personal property taxes received in calendar year 2008 became a lien December 31, 2006, were levied after April 1, 2007 and are collected in 2008 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 year 2008 (other than public utility property) represents the collection of 2008 taxes. Tangible personal property taxes received in calendar year 2008 were levied after April 1, 2007, on the value as of December 31, 2007. Tangible personal property tax is being phased-out. For 2007, tangible personal property was assessed at 12.50% for property, including inventory. This percentage was reduced to 6.25% for 2008 and will be reduced to 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.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2008

**NOTE 6 - PROPERTY TAXES - (Continued)**

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 2008-2010, 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, 2008, are available to finance fiscal year 2008 operations. The amount available as an advance at June 30, 2008 was \$137,280 in the general fund, \$34,240 in the bond retirement fund (a nonmajor governmental fund) and \$2,760 in the classroom facilities maintenance fund (a nonmajor governmental fund). This amount has been recorded as revenue. The amount available as an advance at June 30, 2007 was \$123,130 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, 2008 and for which there is an enforceable legal claim. Although total property tax collections for the next fiscal year are measurable, only the amount of real property taxes available as an advance at June 30 was levied to finance current fiscal year operations and is reported as revenue at fiscal year-end. The portion of the receivable not levied to finance current fiscal year operations is offset by a credit to unearned revenue.

On 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 2008 taxes were collected are:

	2007 Second Half Collections		2008 First Half Collections	
	<u>Amount</u>	<u>Percent</u>	<u>Amount</u>	<u>Percent</u>
Agricultural/residential				
commercial/industrial real estate	\$ 88,935,960	92.44	\$ 90,265,190	95.07
Public utility personal	3,439,460	3.58	2,734,380	2.88
Tangible personal property	<u>3,839,877</u>	<u>3.98</u>	<u>1,951,007</u>	<u>2.05</u>
Total	<u>\$ 96,215,297</u>	<u>100.00</u>	<u>\$ 94,950,577</u>	<u>100.00</u>
Tax rate per \$1,000 of assessed valuation:		\$57.20		\$63.90

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

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2008

**NOTE 7 - RECEIVABLES**

Receivables at June 30, 2008 consisted of taxes, accounts (billings for user charged services and student fees), intergovernmental grants and entitlements and accrued interest. All receivables are considered collectible in full due to the ability to foreclose for the nonpayment of taxes, the stable condition of State programs and the current year guarantee of federal funds. A summary of the principal items of receivables reported on the statement of net assets follows:

**Governmental activities:**

Taxes	\$	3,182,832
Accounts		1,359
Intergovernmental		8,746,262
Accrued interest		<u>23,819</u>
<b>Total</b>	<b>\$</b>	<b><u>11,954,272</u></b>

Receivables have been disaggregated on the face of the basic financial statements. All receivables, except \$8,646,495 due from the Ohio School Facilities Commission (OSFC) included in intergovernmental receivables, are expected to be collected within the subsequent year.

**NOTE 8 - CAPITAL ASSETS**

Capital asset activity for the fiscal year ended June 30, 2008, was as follows:

	Balance		Balance
	06/30/07	Additions	Deductions
			06/30/08
<b>Governmental activities:</b>			
<i>Capital assets, not being depreciated:</i>			
Land	\$ 469,714	\$ -	\$ -
Construction in progress	<u>14,360</u>	<u>982,145</u>	<u>-</u>
<b>Total capital assets, not being depreciated</b>	<u>484,074</u>	<u>982,145</u>	<u>1,466,219</u>
<i>Capital assets, being depreciated:</i>			
Land improvements	694,666	-	-
Buildings and improvements	2,144,092	3,950	-
Furniture and equipment	536,900	-	(128,324)
Vehicles	<u>884,856</u>	<u>3,379</u>	<u>(42,234)</u>
<b>Total capital assets, being depreciated</b>	<u>4,260,514</u>	<u>7,329</u>	<u>(170,558)</u>
<i>Less: accumulated depreciation</i>			
Land improvements	(323,876)	(39,009)	-
Buildings and improvements	(1,825,429)	(18,950)	-
Furniture and equipment	(404,758)	(21,785)	118,262
Vehicles	<u>(602,691)</u>	<u>(77,910)</u>	<u>35,183</u>
<b>Total accumulated depreciation</b>	<u>(3,156,754)</u>	<u>(157,654)</u>	<u>153,445</u>
<b>Governmental activities capital assets, net</b>	<u>\$ 1,587,834</u>	<u>\$ 831,820</u>	<u>\$ (17,113)</u>
		<u>\$ (17,113)</u>	<u>\$ 2,402,541</u>

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

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2008

**NOTE 8 - CAPITAL ASSETS - (Continued)**

Depreciation expense was charged to governmental functions as follows:

<u>Instruction:</u>	
Regular	\$ 15,732
Special	1,761
Vocational	828
 <u>Support services:</u>	
Pupil	743
Instructional staff	1,315
Administration	3,263
Fiscal	276
Operations and maintenance	9,365
Pupil transportation	78,532
Operation of non-instruction services	467
Extracurricular	43,606
Food service operations	<u>1,766</u>
 Total depreciation expense	 <u>\$ 157,654</u>

**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 matured on July 31, 2007 and bore an interest rate of 4.75%. The notes were retired from the classroom facilities fund and the building fund (a nonmajor governmental fund). The District used the \$8,701,615 in proceeds from the bond issue to retire the notes.

**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).

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

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2008

**NOTE 10 - LONG-TERM OBLIGATIONS - (Continued)**

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 \$38,310 in accreted interest on the capital appreciation bonds has been included in the statement of net assets at June 30, 2008.

At June 30, 2008, the District had \$8,701,615 of unspent proceeds remaining on this bond issue.

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 2008 on the Series 2007 general obligation bonds:

	Balance 06/30/07	Additions	Reductions	Balance 06/30/08
Current interest bonds	\$ 8,520,000	\$ -	\$ -	\$ 8,520,000
Capital appreciation bonds	181,615	-	-	181,615
Accreted interest	2,076	36,234	-	38,310
Total G.O. bonds	\$ 8,703,691	\$ 36,234	\$ -	\$ 8,739,925

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

Fiscal Year	Current Interest Bonds			Capital Appreciation Bonds		
	Principal	Interest	Total	Principal	Interest	Total
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	245,000	311,557	556,557	-	-	-
2014 - 2018	520,000	1,482,081	2,002,081	181,615	613,385	795,000
2019 - 2023	1,490,000	1,284,881	2,774,881	-	-	-
2024 - 2028	1,810,000	955,681	2,765,681	-	-	-
2029 - 2033	2,205,000	553,247	2,758,247	-	-	-
2034 - 2036	1,550,000	97,763	1,647,763	-	-	-
Total	\$ 8,520,000	\$ 6,019,835	\$ 14,539,835	\$ 181,615	\$ 613,385	\$ 795,000

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

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2008

**NOTE 10 - LONG-TERM OBLIGATIONS - (Continued)**

**B.** During fiscal year 2008, the following changes occurred in governmental activities long-term obligations:

	<u>Balance</u> <u>06/30/07</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance</u> <u>06/30/08</u>	<u>Amounts</u> <u>Due in</u> <u>One Year</u>
<b>Governmental activities:</b>					
General obligation bonds	\$ 8,703,691	\$ 36,234	\$ -	\$ 8,739,925	\$ 25,000
Compensated absences payable	<u>412,588</u>	<u>99,947</u>	<u>(21,285)</u>	<u>491,250</u>	<u>126,852</u>
Total governmental activities long-term liabilities	<u>\$ 9,116,279</u>	<u>\$ 136,181</u>	<u>\$ (21,285)</u>	9,231,175	<u>\$ 151,852</u>
Add: unamortized premium				<u>299,940</u>	
Total on statement of net assets				<u>\$ 9,531,115</u>	

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

**C. Legal Debt Margin**

The Ohio Revised Code provides that voted net general obligation debt of the District shall never exceed 9% of the total assessed valuation of the District. The code further provides that unvoted indebtedness shall not exceed 1/10 of 1% of the property valuation of the District. The code additionally states that unvoted indebtedness related to energy conservation debt shall not exceed 9/10 of 1% of the property valuation of the District. The assessed valuation used in determining the District's legal debt margin has been modified by House Bill 530 which became effective March 30, 2006. In accordance with House Bill 530, the assessed valuation used in the District's legal debt margin calculation excluded tangible personal property used in business, telephone or telegraph property, interexchange telecommunications company property, and personal property owned or leased by a railroad company and used in railroad operations. The effects of these debt limitations at June 30, 2008, resulted in no remaining voted debt margin and an unvoted debt margin of \$93,008.

**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 certified employees and 68 days for classified employees.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2008

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

**B. Life Insurance**

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

**C. Retirement Incentive**

The District had a retirement incentive bonus in place during fiscal year 2008. This bonus is available to certified teaching employees in the amount of \$15,000. Employees retiring the first time they are eligible to retire based upon STRS Ohio eligibility will receive the bonus. First time eligibility means:

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

During fiscal year 2008, one employee met the qualifications and elected to retire.

**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 2007.



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

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2008

**NOTE 12 - RISK MANAGEMENT – (Continued)**

**B. Workers' Compensation Plan**

For fiscal year 2008, 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 \$969.63 for family coverage and \$399.15 for single coverage per employee per month and the District pays dental premiums of \$125.03 for family coverage and \$50.68 for single coverage per employee per month.

**NOTE 13 - PENSION PLANS**

**A. School Employees Retirement System**

Plan Description - The District contributes to the School Employees Retirement System (SERS), a cost-sharing, multiple-employer defined benefit pension plan. SERS provides retirement 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. It is also posted on the SERS' Ohio website, [www.ohsers.org](http://www.ohsers.org), under *Forms and Publications*.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2008

**NOTE 13 - PENSION PLANS - (Continued)**

Funding Policy - Plan members are required to contribute 10 percent of their annual covered salary and the District is required to contribute at an actuarially determined rate. The current District rate is 14 percent of annual covered payroll. A portion of the District's contribution is used to fund pension obligations with the remainder being used to fund health care benefits. For fiscal year 2008, 9.16 percent of annual covered salary was the portion used to fund pension obligations. The contribution requirements of plan members and employers are established and may be amended by the SERS' Retirement Board up to a statutory maximum amount of 10 percent for plan members and 14 percent for employers. Chapter 3309 of the Ohio Revised Code provides statutory authority for member and employer contributions. The District's required contributions for pension obligations to SERS for the fiscal years ended June 30, 2008, 2007 and 2006 were \$84,911, \$88,066 and \$86,015, respectively; 44.10 percent has been contributed for fiscal year 2008 and 100 percent for fiscal years 2007 and 2006. 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**

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

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

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

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

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2008

**NOTE 13 - PENSION PLANS - (Continued)**

Funding Policy - For fiscal year 2008, plan members were required to contribute 10 percent of their annual covered salaries. The District was required to contribute 14 percent; 13 percent was the portion used to fund pension obligations. Contribution rates are established by the State Teachers Retirement Board, upon recommendations of its consulting actuary, not to exceed statutory maximum rates of 10 percent for members and 14 percent for employers. Chapter 3307 of the Ohio Revised Code provides statutory authority for member and employer contributions.

The District's required contributions for pension obligations to STRS Ohio for the fiscal years ended June 30, 2008, 2007, and 2006 were \$452,828, \$440,441 and \$439,133, respectively; 82.40 percent has been contributed for fiscal year 2008 and 100 percent for fiscal years 2007 and 2006. Contributions to the DC and Combined Plans for fiscal year 2008 were \$139 made by the District and \$145 made by the plan members. The District has elected to pay or "pick-up" 6% of the plan members required 10% retirement contribution as an employee fringe benefit. In addition, the District pays all additional retirement charges resulting from the "pick-up" (this is known as "pick-up" on "pick-up"); therefore, resulting in no additional charge to the employee.

**C. Social Security System**

Effective July 1, 1991, all employees not otherwise covered by the SERS/STRS Ohio have an option to choose Social Security or the SERS/STRS Ohio. As of June 30, 2008, certain members of the Board of Education have elected Social Security. The District's liability is 6.2 percent of wages paid.

**NOTE 14 - POSTEMPLOYMENT BENEFITS**

**A. School Employees Retirement System**

Plan Description - The District participates in two cost-sharing, multiple employer postemployment benefit plans administered by the School Employees Retirement System (SERS) for non-certificated retirees and their beneficiaries, a Health Care Plan and a Medicare Part B Plan. The Health Care Plan includes hospitalization and physicians' fees through several types of plans including HMO's, PPO's and traditional indemnity plans as well as a prescription drug program. The Medicare Part B Plan reimburses Medicare Part B premiums paid by eligible retirees and beneficiaries up to a statutory limit. Benefit provisions and the obligations to contribute are established by the System based on authority granted by State statute. The financial reports of both Plans are included in the SERS Comprehensive Annual Financial Report which is available by contacting SERS at 300 East Broad St., Suite 100, Columbus, Ohio 43215-3746.

Funding Policy - State statute permits SERS to fund the health care benefits through employer contributions. Each year, after the allocation for statutorily required benefits, the Retirement Board allocates the remainder of the employer contribution of 14 percent of covered payroll to the Health Care Fund. The Health Care Fund was established and is administered in accordance with Internal Revenue Code Section 401h. For 2008, 4.18 percent of covered payroll was allocated to health care. In addition, employers pay a surcharge for employees earning less than an actuarially determined amount; for 2008, this amount was \$35,800.

Active employee members do not contribute to the Health Care Plan. Retirees and their beneficiaries are required to pay a health care premium that varies depending on the plan selected, the number of qualified years of service, Medicare eligibility and retirement status.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2008

**NOTE 14 - POSTEMPLOYMENT BENEFITS - (Continued)**

The District's contributions for health care for the fiscal years ended June 30, 2008, 2007, and 2006 were \$57,646, \$48,036 and \$47,898, respectively; 44.10 percent has been contributed for fiscal year 2008 and 100 percent for fiscal years 2007 and 2006.

The Retirement Board, acting with advice of the actuary, allocates a portion of the employer contribution to the Medicare B Fund. For fiscal year 2008, this actuarially required allocation was 0.66 percent of covered payroll. The District's contributions for Medicare Part B for the fiscal years ended June 30, 2008, 2007 and 2006 were \$6,118, \$5,989 and \$6,846, respectively; 44.10 percent has been contributed for fiscal year 2008 and 100 percent for fiscal years 2007 and 2006.

**B. State Teachers Retirement System of Ohio**

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

Funding Policy - Ohio law authorizes STRS Ohio to offer the Plan and gives the Retirement Board authority over how much, if any, of the health care costs will be absorbed by STRS Ohio. Active employee members do not contribute to the Plan. All benefit recipients pay a monthly premium. Under Ohio law, funding for post-employment health care may be deducted from employer contributions. For 2008, STRS Ohio allocated employer contributions equal to 1 percent of covered payroll to the Health Care Stabilization Fund. The District's contributions for health care for the fiscal years ended June 30, 2008, 2007, and 2006 were \$34,833, \$33,880 and \$33,779, respectively; 82.40 percent has been contributed for fiscal year 2008 and 100 percent for fiscal years 2007 and 2006.

**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);

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

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2008

**NOTE 15 - BUDGETARY BASIS OF ACCOUNTING - (Continued)**

- (d) Investments are reported at fair value (GAAP basis) rather than cost (budget basis);
- (e) Advances-in and Advances-out are operating transactions (budget basis) as opposed to balance sheet transactions (GAAP basis).

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

**Net Change in Fund Balance**

	<u>General Fund</u>
Budget basis	\$ (434,396)
Net adjustment for revenue accruals	(4,351)
Net adjustment for expenditure accruals	(80,347)
Net adjustment for other sources/uses	34,642
Adjustment for encumbrances	<u>73,487</u>
GAAP basis	<u>\$ (410,965)</u>

**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.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2008

**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, 2008, the reserve activity was as follows:

	Textbooks/ Instructional <u>Materials</u>	Capital <u>Acquisition</u>	BWC <u>Refunds</u>
Set-aside balance as of June 30, 2007	\$ (457,012)	\$ (8,621,980)	\$ 26,956
Current year set-aside requirement	138,268	138,268	-
Qualifying disbursements	<u>(158,564)</u>	<u>(49,754)</u>	<u>-</u>
Total	<u>\$ (477,308)</u>	<u>\$ (8,533,466)</u>	<u>\$ 26,956</u>
Balance carried forward to FY 2009	<u>\$ (477,308)</u>	<u>\$ (8,533,466)</u>	

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

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

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

A schedule of the restricted assets at June 30, 2008 follows:

Amount restricted for school bus purchase	\$ 17,165
Amounts restricted for budget stabilization	<u>26,956</u>
Total restricted assets	<u>\$ 44,121</u>

**NOTE 18 - EAST CANTON DIGITAL ACADEMY**

Due to a lack of grant funding and the expectations of the operation of East Canton Digital Academy (the "Academy") that would have resulted in the ineffective spending and an overuse of personnel, the Academy suspended operations effective June 30, 2007 upon the expiration of the Sponsorship Contract and ceased operations on June 30, 2008. In accordance with the Sponsorship Contract, upon dissolution, any remaining assets and liabilities of the Academy are to be conveyed to the Sponsor (the District).

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

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2008

**NOTE 18 - EAST CANTON DIGITAL ACADEMY - (Continued)**

At June 30, 2008, the \$7,014 on deposit in the Academy’s checking account was transferred to the District. On the fund financial statements, this transaction has been recorded as “other local revenue” in the statement of revenues, expenditures and changes in fund balances and as “cash in segregated accounts” on the balance sheet. On the government-wide financial statements, this transaction has been recorded as “miscellaneous revenue” in the statement of activities and as “cash in segregated accounts” on the statement of net assets.

At June 30, 2008, the Academy’s capital assets were transferred to the District. Since the items are below the District’s capitalization threshold of \$2,850, the assets are not included in the District’s capital assets (see Note 8). On the government-wide financial statements, this transaction of \$51,734 was recorded as “regular instruction expense” and “miscellaneous revenue” in the statement of activities.

During the dissolution process the Academy consulted the Ohio Department of Education, Office of Community Schools.

**NOTE 19 - SUBSEQUENT EVENT**

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

<u>Contractor</u>	<u>Date Approved</u>	<u>Contract Amount</u>
DiPietro Excavating	8/25/2008	\$ 2,126,478
Jeffrey Carr Construction	9/8/2008	8,710,100
Feinman Mechanical	9/8/2008	3,295,667
Fire Foe Corporation	9/8/2008	246,400
Wood Electric	9/8/2008	1,530,128
Burkett & Sons, Inc.	10/7/2008	238,611
Midwest Telephone Systems	10/7/2008	952,000
		<u>\$ 17,099,384</u>

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# 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, 2008, which collectively comprise the District's basic financial statements and have issued our report thereon dated December 5, 2008 in which we noted the District's discretely presented component unit, the East Canton Digital Academy ceased operations as of June 30, 2008 at which time all assets, liabilities, and net assets were distributed to the sponsor, Osnaburg Local School District. 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.

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### **Compliance and Other Matters**

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

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



**Mary Taylor, CPA**  
Auditor of State

December 5, 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  
JANUARY 13, 2009**