



Dave Yost • Auditor of State

**ORRVILLE CITY SCHOOL DISTRICT
WAYNE COUNTY**

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Dave Yost • Auditor of State

INDEPENDENT ACCOUNTANTS' REPORT

Orrville City School District
Wayne County
815 North Ella Street
Orrville, Ohio 44667

To the Board of Education:

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Orrville City School District, Wayne County, Ohio, (the District), as of and for the year ended June 30, 2010, which collectively comprise the District's basic financial statements as listed in the Table of Contents. These financial statements are the responsibility of the District's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Orrville City School District, Wayne County, Ohio, as of June 30, 2010, and the respective changes in financial position and where applicable, cash flows, 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 21, the District restated net assets as of July 1, 2009 due to an increase in their capitalization threshold.

In accordance with *Government Auditing Standards*, we have also issued our report dated March 11, 2011, on our consideration of the District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. While we did not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting and compliance and the results of that testing. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*. You should read it in conjunction with this report in assessing the results of our audit.

Accounting principles generally accepted in the United States of America require this presentation to include Management's Discussion and Analysis, as listed in the Table of Contents, to supplement the basic financial statements. Although this information is not part of the basic financial statements, the Governmental Accounting Standards Board considers it essential for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any other assurance.

We conducted our audit to opine on the financial statements that collectively comprise the District's basic financial statements taken as a whole. The Federal Awards Receipts and Expenditures Schedule provides additional information required by the U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the basic financial statements. The Federal Awards Receipts and Expenditure Schedule is management's responsibility, and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. This schedule was subject to the auditing procedures we applied to the basic financial statements. We also applied certain additional procedures, including comparing and reconciling this information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, in accordance with auditing standards generally accepted in the United States of America. In our opinion, this information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.



Dave Yost
Auditor of State

March 11, 2011

Orrville City School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2010

The discussion and analysis of the Orrville City School District's (the "School District") financial performance provides an overall review of the School District's financial activities for the fiscal year ended June 30, 2010. The intent of this discussion and analysis is to look at the School District's performance as a whole; readers should also review notes to the basic financial statements and financial statements to enhance their understanding of the School District's financial performance.

Financial Highlights

Key financial highlights for 2010 are as follows:

- General revenues accounted for \$33,277,731 in revenue or 88.6 percent of all revenues. Program specific revenues in the form of charges for services and sales, grants, and contributions accounted for \$4,264,670 or 11.4 percent of total revenues of \$37,542,401.
- Total program expenses were \$18,788,487.
- In total, net assets increased \$18,753,914.
- Outstanding debt decreased from \$31,993,433 to \$31,655,997 through the payment of debt.

Using this Annual Financial Report

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 School District as 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 School District, presenting both an aggregate view of the School 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 School District's most significant funds with all other non-major funds presented in total in one column. In the case of the Orrville City School District, the general fund, classroom facilities fund and building fund are by far the most significant funds.

Reporting the School District as a Whole

Statement of Net Assets and the Statement of Activities

A question typically asked about the District's finances "How did we do financially during fiscal year 2010?" The Statement of Net Assets and the Statement of Activities answer this question. These statements include *all assets* and *liabilities* using the *accrual basis of accounting* similar to the accounting used by most private-sector companies. This basis of accounting takes into account all of the current year's revenues and expenses regardless of when cash is received or paid.

Orrville City School District
Management's Discussion and Analysis (Continued)
For the Fiscal Year Ended June 30, 2010
(Unaudited)

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

In the Statement of Net Assets and the Statement of Activities, all of the School District's activities are classified as governmental. Most of the School District's programs and services are reported here including instruction, support services, operation and maintenance of plant, pupil transportation, food services and extracurricular activities.

Reporting the School District's Most Significant Funds

Fund Financial Statements

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

Governmental Funds - Most of the School District's activities are reported in governmental funds, which focus on how money flows into and out of those funds and the balances left at year-end available for spending in future periods. These funds are reported using 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 statements provide a detailed short-term view of the School District's general government operations and the basic services it provides. Governmental fund information helps 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 financial statements.

Proprietary Funds - Proprietary funds have historically operated as *enterprise* and *internal service funds* using the same basis of accounting as business-type activities. The internal service fund accounts for the self-insurance fund for health insurance coverage and is reported separately as the School District's only proprietary fund.

The School District was self-insured for its medical and dental insurance programs until December 1, 2007. On December 1 2007, the School District contracted with Stark County Schools Council of Governments to provide employee medical/ surgical benefits.

Fiduciary Funds – The School District's only fiduciary fund is for student managed activities. The School District's fiduciary activities are reported in the Statement of Fiduciary Assets and Liabilities. We exclude those activities from the School District's other financial statements because the assets cannot be used by the School District to finance operations.

Orrville City School District
Management's Discussion and Analysis (Continued)
For the Fiscal Year Ended June 30, 2010
(Unaudited)

Notes to the Financial Statements – The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements begin on page 22.

The School District as a Whole

Recall that the *Statement of Net Assets* provides the perspective of the School District as a whole. Table 1 provides a summary of the School District's net assets for 2010 compared to 2009:

Table 1
Net Assets
Governmental Activities

	2010	Restated 2009
Assets		
Current and Other Assets	\$ 32,258,420	\$ 22,879,914
Capital Assets	31,443,359	22,868,297
Total Assets	63,701,779	45,748,211
Liabilities		
Long-Term Liabilities	33,334,936	33,699,348
Other Liabilities	9,550,469	9,986,403
Total Liabilities	42,885,405	43,685,751
Net Assets		
Invested in Capital Assets, Net of Related Debt	3,604,748	3,178,751
Restricted	21,540,191	2,132,642
Unrestricted (Deficit)	(4,328,565)	(3,248,933)
Total Net Assets	\$ 20,816,374	\$ 2,062,460

Total assets increased by \$17,953,568. This increase is primarily due to the increase in intergovernmental receivable. The increase in receivables is attributed to the Ohio School Facilities Commission grant being received but not expended. The contributing factor for the \$800,346 decrease in total liabilities was the reduction of contracts payable due to the completion of the new elementary school.

Orrville City School District
Management's Discussion and Analysis (Continued)
For the Fiscal Year Ended June 30, 2010
(Unaudited)

Table 2 shows the changes in net assets for fiscal year 2010 compared to 2009.

Table 2
Change in Net Assets
Governmental Activities

	<u>2010</u>	<u>2009</u>
Revenues		
<i>Program Revenues</i>		
Charges for Services and Sales	\$ 878,671	\$ 897,862
Operating Grants, Contributions and Interest	1,607,513	1,670,770
Capital Grants, Contributions and Interest	<u>1,778,486</u>	<u>482,484</u>
<i>Total Program Revenues</i>	<u>4,264,670</u>	<u>3,051,116</u>
<i>General Revenues</i>		
Property Taxes	7,265,385	8,252,136
Grants and Entitlements, Not Restricted	7,809,673	7,050,900
Grants and Entitlements, Restricted	18,121,228	0
Investment Earnings	4,688	56,179
Other	<u>76,757</u>	<u>31,511</u>
<i>Total General Revenues</i>	<u>33,277,731</u>	<u>15,390,726</u>
<i>Total Revenues</i>	37,542,401	18,441,842
<i>Program Expenses</i>		
Instruction	10,972,189	10,376,810
Support Services:		
Pupils and Instructional Staff	1,727,114	1,705,124
Board of Education, Administration, Fiscal and Business	2,018,534	2,085,237
Operation and Maintenance	1,317,440	1,349,833
Pupil Transportation	541,538	539,401
Central	38,907	51,448
Operation of Non-instructional Services:		
Food Service Operations	681,226	701,831
Community Services	26	0
Extracurricular Activities	451,302	428,401
Interest and Fiscal Charges	<u>1,040,211</u>	<u>1,195,496</u>
<i>Total Program Expenses</i>	<u>18,788,487</u>	<u>18,433,581</u>
<i>Increase in Net Assets</i>	18,753,914	8,261
<i>Net Assets Beginning of Year (Restated)</i>	<u>2,062,460</u>	<u>2,054,199</u>
<i>Net Assets End of Year</i>	<u>\$ 20,816,374</u>	<u>\$ 2,062,460</u>

Orrville City School District
Management's Discussion and Analysis (Continued)
For the Fiscal Year Ended June 30, 2010
(Unaudited)

The vast majority of revenues supporting governmental activities are the general revenues, which increased by \$17,887,005 or 116.2 percent over fiscal year 2009. This increase can be attributed to the recognition of revenue related to the state portion for the Ohio School Facilities Commission project. This revenue is the most significant portion of the general revenues, representing 48.3 percent of total revenue. The unrestricted grants and entitlements revenue consists of State foundation, homestead and rollback, and personal property and tax exemption and account for 20.8 percent of total revenue. Property taxes represent 19.4 percent of total revenue and interest and other revenue account for less than 1 percent of total revenue. The remaining revenue was in the form of program revenues, which totaled \$4,264,670 or 11.4 percent of total revenue.

Total expenses increased \$354,906 or 1.9 percent over fiscal year 2009. This slight increase can be attributed to increased costs for salaries and fringe benefits.

Governmental Activities

The School District has carefully planned its financial existence by forecasting its revenues and expenses over the next five years. The School District's revenue growth is mostly dependent upon property tax increases and new construction. Property taxes made up 19.4 percent of revenues for governmental activities for Orrville City School District in fiscal year 2010. Although the School District relies heavily upon local property taxes to support its operations, the School District does actively solicit and receive additional grant and entitlement funds to help offset some operating costs.

Instruction comprises 58.4 percent of governmental program expenses. Additional supporting services for pupils, staff and business operations encompassed an additional 19.9 percent. The remaining 21.7 percent of program expenses is used for other obligations of the School District such as non-instructional services, extracurricular activities and interest and fiscal charges.

The Statement of Activities shows the cost of program services and the charges for services and grants offsetting those services. Table 3 shows, for governmental activities, the total cost of services and the net cost of services. That is, it identifies the cost of these services supported by tax revenue and unrestricted State entitlements. Comparisons of 2010 to 2009 have been made in Table 3.

Orrville City School District
Management's Discussion and Analysis (Continued)
For the Fiscal Year Ended June 30, 2010
(Unaudited)

Table 3
Total and Net Cost of Program Services
Governmental Activities

	Total Cost of Services <u>2010</u>	Total Cost of Services <u>2009</u>	Net Cost of Service <u>2010</u>	Net Cost of Service <u>2009</u>
Instruction	\$ 10,972,189	\$ 10,376,810	\$ (9,611,160)	\$ (8,663,929)
Support Services:				
Pupil and Instructional Staff	1,727,114	1,705,124	(1,605,442)	(1,412,536)
Board of Education, Administration, Fiscal and Business	2,018,534	2,085,237	(1,862,690)	(2,075,527)
Operation and Maintenance of Plant	1,317,440	1,349,833	(1,317,440)	(1,349,833)
Pupil Transportation	541,538	539,401	(433,587)	(500,891)
Central	38,907	51,448	(29,334)	(34,448)
Operation of Non-Instructional Services:				
Food Service Operations	681,226	701,831	30,054	(7,971)
Community Services	26	0	(26)	0
Extracurricular Activities	451,302	428,401	1,346,019	(141,834)
Interest and Fiscal Charges	1,040,211	1,195,496	(1,040,211)	(1,195,496)
Total	\$ 18,788,487	\$ 18,433,581	\$ (14,523,817)	\$ (15,382,465)

Program revenues include charges for services, grants and contributions that are program specific. Surrounding schools with resident students attending Orrville City School District pay the School District per pupil under Ohio's open enrollment plan. The community, as a whole, is by far the primary support for Orrville City School District students.

The School District's Funds

Information about the School District's major funds starts on page 14. These funds are accounted for using the modified accrual basis of accounting. All governmental funds had total revenues and other financing sources of \$19,409,852 and expenditures of \$26,130,007.

In fiscal year 2010, the net change in fund balance in the general fund was \$756,164. This was due to a decrease in revenue over the previous fiscal year. The classroom facilities fund was created in 2010 to account for the Ohio School Facilities Commission project, and ended the fiscal year with a fund balance of \$974,907. The fund balance in the building fund decreased by \$7,107,506, primarily due to debt proceeds being expended for the construction of a new elementary school.

General Fund Budgeting Highlights

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

During the course of fiscal year 2010, the School District amended its general fund budget several times. For the general fund, the final budget basis revenue was \$13,797,790 representing a \$1,321,255 increase from the original budget estimate of \$12,476,535. Most of this difference was due to an underestimation of intergovernmental revenues. The School District's general fund unencumbered cash balance at the end of the fiscal year was \$724,514.

Orrville City School District
Management's Discussion and Analysis (Continued)
For the Fiscal Year Ended June 30, 2010
(Unaudited)

The original and final general fund appropriations totaled \$14,454,711 and \$14,604,711, respectively.

The School District uses a site-based budgeting system designed to tightly control total site budgets but provide flexibility for site management. Building principals are given a per pupil allocation for textbooks, instructional materials and equipment.

Capital Assets and Debt Administration

Capital Assets

At the end of fiscal year 2010, the School District had \$31,443,359 invested in land, construction in progress, buildings and improvements, furniture and equipment and vehicles. Table 4 shows fiscal year 2010 amounts compared to 2009. More detailed information is presented in Note 8 of the notes to the basic financial statements.

Table 4
 Capital Assets at June 30
 Governmental Activities

	<u>2010</u>	<u>Restated 2009</u>
Land	\$ 1,576,075	\$ 1,576,075
Buildings and Improvements	27,361,275	15,533,055
Furniture and Equipment	437,321	342,146
Vehicles	177,852	127,802
Construction in Progress	<u>1,890,836</u>	<u>5,289,219</u>
Totals	<u>\$ 31,443,359</u>	<u>\$ 22,868,297</u>

All capital assets, except land and construction in progress are reported net of depreciation. The \$8,575,062 increase in capital assets was attributable to the completion of the new elementary school building and the donation of an athletic facilities building.

House Bill 345 requires the School District to set aside \$171.96 per pupil in each of two areas, one for the purchase of textbooks and materials related to instruction and the other for capital outlay. For fiscal year 2010, this amounted to \$269,100 for each set aside. The School District had qualifying disbursements or offsets exceeding these requirements for textbooks and instructional materials and capital improvements. More detailed information is presented in Note 19.

Debt

At June 30, 2010, the School District had \$31,655,997 in debt outstanding with \$702,447 due within one year. Table 5 shows fiscal year 2010 amounts compared to 2009.

Orrville City School District
Management's Discussion and Analysis (Continued)
For the Fiscal Year Ended June 30, 2010
(Unaudited)

Table 5
Outstanding Debt at June 30
Governmental Activities

	2010	2009
Capital Lease	\$ 13,016,770	\$ 13,032,614
2008 School Facilities Note	956,000	974,000
2007 School Facilities Refunding Bonds		
Serial and Term Bonds	16,775,000	17,075,000
Capital Appreciation Bonds	160,000	160,000
Accretion of Capital Appreciation Bonds	61,748	38,937
Unamortized Premium	686,479	712,882
Total	\$ 31,655,997	\$ 31,993,433

The School District's total debt decreased by \$337,436 during the current fiscal year. The key factor in this decrease was the payment of debt.

On September 18, 2007, the School District issued \$17,670,000 in voted general obligation bonds, which included serial, term and capital appreciation (deep discount) bonds in the amount of \$11,275,000, \$6,235,000 and \$160,000, respectively. The bonds refunded \$2,670,000 of outstanding 1997 Library Bonds and \$15,000,000 of outstanding 2008 School Facilities Construction and Improvement Notes. The bonds were issued for a twenty-nine year period with final maturities at December 31, 2035.

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

More detailed information is presented in Note 12 and Note 13.

Current Issues

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

Orrville City School District
Management's Discussion and Analysis (Continued)
For the Fiscal Year Ended June 30, 2010
(Unaudited)

Real estate tax collections have shown small increases. The unique nature of property taxes in Ohio creates the need to routinely seek voter approval for operating funds. The overall revenue generated by a levy will not increase solely as a result of inflation due to Ohio House Bill 920 (passed in 1976). As an example, a homeowner with a home valued at \$100,000 and taxed at 1.0 mill would pay \$35.00 annually in taxes. If three years later the home was reappraised and increased to \$200,000 (and this inflationary increase in value is comparable to other property owners) the effective tax rate would become .5 mills and the owner would still pay \$35.00.

Thus, school districts dependent upon property taxes are hampered by a lack of revenue growth and must regularly return to the voters to maintain a constant level of service. Property taxes made up 22 percent of general revenues for governmental activities for the Orrville City School District in fiscal year 2010.

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

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

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

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

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

Contacting the School District's Financial Management

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

Orrville City School District

Statement of Net Assets

June 30, 2010

	<u>Governmental Activities</u>
Assets	
Equity in Pooled Cash and Investments	\$ 5,465,540
Cash and Investments in Segregated Accounts	142,855
Cash and Investments Held with Trustee	1,383,693
Receivables:	
Taxes	7,975,203
Accounts	205
Intergovernmental	17,043,379
Inventory Held For Resale	23,349
Materials and Supplies Inventory	2,949
Deferred Charges	221,247
Nondepreciable Capital Assets	3,466,911
Depreciable Capital Assets, Net	<u>27,976,448</u>
<i>Total Assets</i>	<u>63,701,779</u>
Liabilities	
Accounts Payable	56,138
Contracts Payable	356,851
Accrued Wages and Benefits	1,446,798
Matured Compensated Absences Payable	116,943
Retainage Payable	142,855
Accrued Interest Payable	73,772
Intergovernmental Payable	577,234
Deferred Revenue	6,779,878
Long Term Liabilities:	
Due Within One Year	804,375
Due in More Than One Year	<u>32,530,561</u>
<i>Total Liabilities</i>	<u>42,885,405</u>
Net Assets	
Invested in Capital Assets, Net of Related Debt	3,604,748
Restricted for:	
Capital Projects	20,651,959
Debt Service	554,011
Other Purposes	334,221
Unrestricted	<u>(4,328,565)</u>
<i>Total Net Assets</i>	<u>\$ 20,816,374</u>

See accompanying notes to the basic financial statements.

Orrville City School District
Statement of Activities
For the Fiscal Year Ended June 30, 2010

	Program Revenues				Net (Expense) Revenue and Changes in Net Assets
	Expenses	Charges for Services and Sales	Operating Grants, Contributions, and Interest	Capital Grants, Contributions and Interest	Governmental Activities
Governmental Activities					
Instruction:					
Regular	\$ 8,217,510	\$ 299,155	\$ 398,807	\$ 45,721	\$ (7,473,827)
Special	1,223,073	0	570,874	0	(652,199)
Vocational	247,144	0	45,536	0	(201,608)
Student Intervention Services	55,878	0	0	0	(55,878)
Other	1,228,584	0	936	0	(1,227,648)
Support Services:					
Pupils	812,821	0	104,764	0	(708,057)
Instructional Staff	914,293	128	16,780	0	(897,385)
Board of Education	103,740	0	0	0	(103,740)
Administration	1,435,465	92,660	29,000	0	(1,313,805)
Fiscal	473,170	0	0	34,184	(438,986)
Business	6,159	0	0	0	(6,159)
Operation and Maintenance of Plant	1,317,440	0	0	0	(1,317,440)
Pupil Transportation	541,538	0	0	107,951	(433,587)
Central	38,907	0	9,573	0	(29,334)
Operation of Non-Instructional Services:					
Food Service Operations	681,226	280,037	431,243	0	30,054
Community Services	26	0	0	0	(26)
Extracurricular Activities	451,302	206,691	0	1,590,630	1,346,019
Interest and Fiscal Charges	1,040,211	0	0	0	(1,040,211)
Total Governmental Activities	\$ 18,788,487	\$ 878,671	\$ 1,607,513	\$ 1,778,486	(14,523,817)

General Revenues

Property Taxes Levied for:

General Purposes	5,584,415
Debt Service	1,060,005
Capital Outlay	620,965
Grants and Entitlements not Restricted to Specific Programs	7,809,673
Grants and Entitlements Restricted for Ohio School Facilities Commission	18,121,228
Investment Earnings	4,688
Miscellaneous	76,757

Total General Revenues

33,277,731

Change in Net Assets

18,753,914

Net Assets Beginning of Year - (Restated - See Note 21)

2,062,460

Net Assets End of Year

\$ 20,816,374

See accompanying notes to the basic financial statements.

Orrville City School District

Balance Sheet

Governmental Funds

June 30, 2010

	General	Classroom Facilities	Building	Other Governmental Funds	Total Governmental Funds
Assets					
Equity in Pooled Cash and Investments	\$ 913,696	\$ 1,207,527	\$ 1,173,141	\$ 2,171,176	\$ 5,465,540
Cash and Investments in Segregated Accounts	0	0	142,855	0	142,855
Cash and Investments Held with Trustee	0	0	1,383,693	0	1,383,693
Receivables:					
Taxes	6,146,448	0	0	1,828,755	7,975,203
Accounts	95	0	0	110	205
Intergovernmental	42,289	16,879,397	0	121,693	17,043,379
Inventory Held For Resale	0	0	0	23,349	23,349
Materials and Supplies Inventory	0	0	0	2,949	2,949
<i>Total Assets</i>	<u>\$ 7,102,528</u>	<u>\$ 18,086,924</u>	<u>\$ 2,699,689</u>	<u>\$ 4,148,032</u>	<u>\$ 32,037,173</u>
Liabilities and Fund Balances					
Liabilities					
Accounts Payable	\$ 38,606	\$ 1,850	\$ 5,659	\$ 10,023	\$ 56,138
Contracts Payable	0	273,402	83,449		356,851
Accrued Wages and Benefits	1,271,180	0	0	175,618	1,446,798
Matured Compensated Absences Payable	111,747	0	0	5,196	116,943
Retainage Payable	0	0	142,855	0	142,855
Intergovernmental Payable	523,052	0	0	54,182	577,234
Deferred Revenue	5,785,126	16,836,765	0	1,827,948	24,449,839
<i>Total Liabilities</i>	<u>7,729,711</u>	<u>17,112,017</u>	<u>231,963</u>	<u>2,072,967</u>	<u>27,146,658</u>
Fund Balances					
Fund Balances:					
Reserved for Encumbrances	181,635	895,083	285,627	81,375	1,443,720
Reserved for Property Taxes	392,500	0	0	122,500	515,000
Unreserved:					
Undesignated, Reported in:					
General Fund	(1,201,318)	0	0	0	(1,201,318)
Special Revenue Funds	0	0	0	263,536	263,536
Debt Service Fund	0	0	0	465,422	465,422
Capital Projects Funds	0	79,824	2,182,099	1,142,232	3,404,155
<i>Total Fund Balances</i>	<u>(627,183)</u>	<u>974,907</u>	<u>2,467,726</u>	<u>2,075,065</u>	<u>4,890,515</u>
<i>Total Liabilities and Fund Balances</i>	<u>\$ 7,102,528</u>	<u>\$ 18,086,924</u>	<u>\$ 2,699,689</u>	<u>\$ 4,148,032</u>	<u>\$ 32,037,173</u>

See accompanying notes to the basic financial statements.

Orrville City School District
*Reconciliation of Total Governmental Fund Balances to
 Net Assets of Governmental Activities
 June 30, 2010*

Total Governmental Fund Balances \$ 4,890,515

*Amounts reported for governmental activities in the
 statement of net assets are different because:*

Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds. 31,443,359

Other long-term assets are not available to pay for current-period expenditures and therefore are deferred in the funds.

Grants	\$ 140,257
Delinquent Property Taxes	680,325
Ohio School Facilities Grant	16,836,765
Charges for Services	<u>12,614</u>

Total 17,669,961

In the statement of activities, bond issuance costs are amortized over the term of the bonds, whereas in governmental funds a bond issuance expenditure is reported when bonds are issued. 221,247

In the statement of activities, interest is accrued on outstanding debt, whereas in governmental funds, an interest expenditure is reported when due. (73,772)

Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds.

Capital Leases Payable	(13,016,770)
General Obligation Bonds	(16,775,000)
Capital Appreciation Bonds	(160,000)
Bond Accretion	(61,748)
Unamortized Bond Premium	(686,479)
School Facilities Note	(956,000)
Compensated Absences	<u>(1,678,939)</u>

Total (33,334,936)

Net Assets of Governmental Activities \$ 20,816,374

See accompanying notes to the basic financial statements.

Orrville City School District
Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
For the Fiscal Year Ended June 30, 2010

	General	Classroom Facilities	Building	Other Governmental Funds	Total Governmental Funds
Revenues					
Property and Other Local Taxes	\$ 5,541,001	\$ 0	\$ 0	\$ 1,671,117	\$ 7,212,118
Intergovernmental	7,323,317	1,284,027	0	2,156,420	10,763,764
Investment Income	4,688	436	5,875	2,536	13,535
Tuition and Fees	280,229	0	0	128	280,357
Rent	3,360	0	0	1,350	4,710
Extracurricular Activities	16,006	0	0	281,996	298,002
Gifts and Donations	7,727	0	0	30,250	37,977
Charges for Services	0	0	0	280,036	280,036
Miscellaneous	63,832	0	0	12,925	76,757
<i>Total Revenues</i>	<u>13,240,160</u>	<u>1,284,463</u>	<u>5,875</u>	<u>4,436,758</u>	<u>18,967,256</u>
Expenditures					
Current:					
Instruction:					
Regular	6,739,679	0	0	686,541	7,426,220
Special	893,109	0	0	357,685	1,250,794
Vocational	245,677	0	0	0	245,677
Student Intervention Services	25,559	0	0	30,319	55,878
Other	1,226,114	0	0	6,285	1,232,399
Support Services:					
Pupils	641,503	0	0	165,316	806,819
Instructional Staff	739,848	0	0	158,339	898,187
Board of Education	91,696	0	0	0	91,696
Administration	1,337,452	0	0	111,333	1,448,785
Fiscal	413,835	0	0	36,745	450,580
Business	29,187	0	0	0	29,187
Operation and Maintenance of Plant	1,289,948	0	31,815	0	1,321,763
Pupil Transportation	439,239	0	0	67,245	506,484
Central	29,605	0	0	9,302	38,907
Extracurricular Activities	261,299	0	0	172,783	434,082
Operation of Non-instructional Services:					
Food Service Operations	0	0	0	674,819	674,819
Community Services	0	0	0	26	26
Capital Outlay	722	309,556	7,081,566	456,086	7,847,930
Debt Service:					
Principal Retirement	0	0	0	333,844	333,844
Interest and Fiscal Charges	0	0	0	1,035,930	1,035,930
<i>Total Expenditures</i>	<u>14,404,472</u>	<u>309,556</u>	<u>7,113,381</u>	<u>4,302,598</u>	<u>26,130,007</u>
<i>Excess of Revenues Over (Under) Expenditures</i>	<u>(1,164,312)</u>	<u>974,907</u>	<u>(7,107,506)</u>	<u>134,160</u>	<u>(7,162,751)</u>
Other Financing Sources					
Transfers In	408,148	0	0	34,448	442,596
<i>Net Change in Fund Balances</i>	(756,164)	974,907	(7,107,506)	168,608	(6,720,155)
<i>Fund Balances Beginning of Year</i>	128,981	0	9,575,232	1,906,457	11,610,670
<i>Fund Balances End of Year</i>	<u>\$ (627,183)</u>	<u>\$ 974,907</u>	<u>\$ 2,467,726</u>	<u>\$ 2,075,065</u>	<u>\$ 4,890,515</u>

See accompanying notes to the basic financial statements.

Orrville City School District
*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, 2010*

Net Change in Fund Balances - Total Governmental Funds \$ (6,720,155)

*Amounts reported for governmental activities in the
statement of activities are different because:*

Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the current period.

Capital Asset Additions	\$ 9,438,560	
Current Year Depreciation	(863,498)	8,575,062

Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.

Grants	97,867	
Delinquent Property Taxes	53,266	
Ohio School Facilities Grant	16,836,765	
Charges for Services	(2,880)	16,985,018

In the statement of activities, interest is accrued on outstanding debt, where as in governmental funds, an interest expenditure is reported when due. Funds report the effects of premiums and issuance costs when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities.

Accrued Interest Payable	636	
Accretion on Capital Appreciation Bonds	(22,811)	
Bond Issuance Costs	(8,509)	
Bond Premium	26,403	(4,281)

Repayment of debt principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets.

General Obligation Bonds	318,000	
Capital Leases	15,844	333,844

Compensated absences reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds.

26,976

The internal service fund used by management to charge the costs of insurance to individual funds is not reported in the district-wide statement of activities. Governmental fund expenditures and related internal service fund revenues are eliminated. The net revenue (expense) of the internal service fund is allocated among the governmental activities.

(442,550)

Change in Net Assets of Governmental Activities

\$ 18,753,914

See accompanying notes to the basic financial statements.

Orrville City School District
*Statement of Revenues, Expenditures, and Changes in Fund Balance -
 Budget (Non-GAAP Basis) and Actual*
 General Fund
 For the Fiscal Year Ended June 30, 2010

	Budgeted Amounts		Actual	Variance with Final Budget Over (Under)
	Original	Final		
Revenues				
Taxes	\$ 5,887,700	\$ 6,137,700	\$ 5,718,501	\$ (419,199)
Intergovernmental	6,219,835	7,341,090	7,323,821	(17,269)
Investment Income	4,000	4,000	4,688	688
Tuition and Fees	175,000	250,000	275,019	25,019
Extracurricular Activities	15,000	15,000	16,006	1,006
Rentals	0	0	3,265	3,265
Charges for Services	125,000	0	0	0
Contributions and Donations	0	0	7,727	7,727
Miscellaneous	50,000	50,000	64,100	14,100
<i>Total Revenues</i>	<u>12,476,535</u>	<u>13,797,790</u>	<u>13,413,127</u>	<u>(384,663)</u>
Expenditures				
Current:				
Instruction:				
Regular	10,157,569	10,487,069	6,832,870	3,654,199
Special	296,847	296,847	905,250	(608,403)
Vocational	60,596	60,596	258,986	(198,390)
Student Intervention Services	44	44	25,559	(25,515)
Other	995,638	955,638	1,096,788	(141,150)
Support Services:				
Pupils	161,795	156,795	635,506	(478,711)
Instructional Staff	371,337	371,337	731,247	(359,910)
Board of Education	280,044	215,043	101,232	113,811
Administration	539,502	539,502	1,352,305	(812,803)
Fiscal	316,419	296,419	440,815	(144,396)
Business	22,458	22,458	40,018	(17,560)
Operation and Maintenance of Plant	914,773	865,274	1,438,259	(572,985)
Pupil Transportation	263,705	263,705	458,707	(195,002)
Central	30,000	30,000	29,605	395
Extracurricular Activities	38,750	38,750	260,700	(221,950)
Capital Outlay	5,234	5,234	1,002	4,232
<i>Total Expenditures</i>	<u>14,454,711</u>	<u>14,604,711</u>	<u>14,608,849</u>	<u>(4,138)</u>
<i>Excess of Revenues (Under) Expenditures</i>	<u>(1,978,176)</u>	<u>(806,921)</u>	<u>(1,195,722)</u>	<u>(388,801)</u>
Other Financing Sources				
Advances In	0	0	7,000	7,000
Transfers In	0	0	408,148	408,148
<i>Total Other Financing Sources</i>	<u>0</u>	<u>0</u>	<u>415,148</u>	<u>415,148</u>
<i>Net Change in Fund Balance</i>	<u>(1,978,176)</u>	<u>(806,921)</u>	<u>(780,574)</u>	<u>26,347</u>
<i>Fund Balance Beginning of Year</i>	1,281,364	1,281,364	1,281,364	0
Prior Year Encumbrances Appropriated	223,724	223,724	223,724	0
<i>Fund Balance End of Year</i>	<u>\$ (473,088)</u>	<u>\$ 698,167</u>	<u>\$ 724,514</u>	<u>\$ 26,347</u>

See accompanying notes to the basic financial statements.

Orrville City School District
Statement of Revenues, Expenses, and Changes in Fund Net Assets
Proprietary Fund
For the Fiscal Year Ended June 30, 2010

	<u>Governmental Activities - Internal Service Fund</u>
Operating Revenues	
Charges for Services	\$ 46
<i>Income Before Operating Transfers</i>	46
Transfers out	<u>(442,596)</u>
<i>Change in Net Assets</i>	(442,550)
<i>Net Assets Beginning of Year</i>	<u>442,550</u>
<i>Net Assets End of Year</i>	<u><u>\$ 0</u></u>

See accompanying notes to the basic financial statements.

Orrville City School District
Statement of Cash Flows
Proprietary Fund
For the Fiscal Year Ended June 30, 2010

	<u>Governmental Activities - Internal Service Fund</u>
Cash Flows From Operating Activities	
Cash Received for Interfund Services	<u>\$ 46</u>
<i>Net Cash Provided by Operating Activities</i>	<u>46</u>
Cash Flows From Non-Capital Financing Activities	
Transfers to Other Funds	<u>(442,596)</u>
<i>Net Decrease in Cash and Cash Equivalents</i>	(442,550)
<i>Cash and Cash Equivalents Beginning of Year</i>	<u>442,550</u>
<i>Cash and Cash Equivalents End of Year</i>	<u>\$ 0</u>
Reconciliation of Operating Income to Net Cash Provided by Operating Activities	
<i>Operating Income</i>	<u>\$ 46</u>

See accompanying notes to the basic financial statements.

Orrville City School District
Statement of Fiduciary Assets and Liabilities
Agency Fund
June 30, 2010

	<u>Agency</u>
Assets	
Equity in Pooled Cash and Investments	\$ 30,828
	<hr/> <hr/>
Liabilities	
Accounts Payable	\$ 8,262
Due to Students	22,566
	<hr/>
<i>Total Liabilities</i>	\$ 30,828
	<hr/> <hr/>

See accompanying notes to the basic financial statements.

Orrville City School District
Notes To The Basic Financial Statements
For the Fiscal Year Ended June 30, 2010

NOTE 1: NATURE OF BASIC OPERATIONS AND DESCRIPTION OF THE ENTITY

The Orrville City School District (the “School District”) was established for the purpose of exercising the rights and privileges conveyed to it by the constitution and laws of the State of Ohio. The School District is a school district as defined by Section 3311.02 of the Ohio Revised Code. The School District operates under an elected Board of Education, consisting of five members, and is responsible for providing public education to residents of the School District. Average daily membership on, or as of, October 1, 2009, was 1622. The School District employs 134 certificated and 90 non-certificated employees.

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

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

The School District is involved with Tri-County Computer Service Association (TCCSA) and Wayne County Career Center, which are defined as jointly governed organizations, the Orrville Public Library, which is defined as a related organization and the Stark County Schools Council of Governments Health Benefit Plan, which is a public entity risk pool. Additional information concerning these organizations is presented in Notes 15, 16 and 17.

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the School District have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to local governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The School District also applied Financial Accounting Standards Board (FASB) Statements and Interpretations issued on or before November 30, 1989, to its governmental activities and to its internal service fund provided they do not conflict with or contradict GASB pronouncements. The FASB has codified its standards and the standards issued prior to November 30, 1989 are included in the codification. The most significant of the School District’s accounting policies are described below.

Orrville City School District
Notes To The Basic Financial Statements (Continued)
For the Fiscal Year Ended June 30, 2010

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

A. Basis of Presentation

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

Government-wide Financial Statements

The statement of net assets and the statement of activities display information about the School District as a whole. These statements include the financial activities of the primary government, except for fiduciary funds. The activity of the internal service fund is also eliminated to avoid "doubling up" revenues and expenses.

The statement of net assets presents the financial condition of the governmental type activities of the School District at year-end. The statement of activities presents a comparison between direct expenses and program revenues for each program or function of the School District's governmental activities. 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 charges paid by the recipient of the goods or services offered by the program, grants and contributions that are restricted to meeting the operational or capital requirements of a particular program, and interest earned on grants that is required to be used to support a particular program. Revenues which are not classified as program revenues are presented as general revenues of the School District, with certain limitations. The comparison of direct expenses with program revenues identifies the extent to which each governmental function is self-financing or draws from the general revenues of the School District.

Fund Financial Statements

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

B. Fund Accounting

The School 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.

Orrville City School District
Notes To The Basic Financial Statements (Continued)
For the Fiscal Year Ended June 30, 2010

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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 School District's major governmental funds:

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

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

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

The other governmental funds of the School District account for grants and other resources whose use is restricted to a particular purpose.

Proprietary Funds

Proprietary funds focus on the determination of changes in net assets, financial position and cash flows and are classified as either enterprise or internal service. The School District's only proprietary fund is an internal service fund.

Internal Service Fund – The internal service fund accounts for the financing of services provided by one department or agency to other departments or agencies of the School District on a cost reimbursement basis. The School District's only internal service fund accounts for a self-insurance program for employee health insurance benefits. As of December 1, 2007, the School District has contracted with Stark County Schools Council of Governments (the "Council") to provide employee medical/surgical benefits.

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 School District under a trust agreement for individuals, private organizations, or other governments and are, therefore, not available to support the School District's own programs. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. The School District's only fiduciary fund is an agency fund that accounts for student activities.

Orrville City School District
Notes To The Basic Financial Statements (Continued)
For the Fiscal Year Ended June 30, 2010

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C. Measurement Focus

Government-wide Financial Statements

The government-wide financial statements are prepared using the economic resources measurement focus. All assets and all liabilities associated with the operation of the School District are included on the statement of net assets. The statement of activities presents increases (i.e., revenues) and decreases (i.e., expenses) in total net assets.

Fund Financial Statements

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.

Like the government-wide statements, the internal service fund is accounted for on a flow of economic resources measurement focus. All assets and all liabilities associated with the operation of the fund are included on the statement of net assets. The statement of changes in fund net assets presents increases (i.e., revenues) and decreases (i.e., expenses) in total net assets. The statement of cash flows provides information about how the School District finances and meets the cash flow needs of its internal service fund activity.

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. Differences in the accrual and the modified accrual basis of accounting arise in the recognition of revenue, the recording of deferred revenue, and in the presentation of expenses versus expenditures.

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 School District, available means expected to be received within sixty days of the fiscal year-end.

Orrville City School District
Notes To The Basic Financial Statements (Continued)
For the Fiscal Year Ended June 30, 2010

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Non-exchange transactions, in which the School District receives value without directly giving equal value in return, include property taxes, grants, entitlements, and donations. 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 School District must provide local resources to be used for a specified purpose, and expenditure requirements, in which the resources are provided to the School District on a reimbursement basis. On a modified accrual basis, revenue from non-exchange 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.

Deferred Revenue

Deferred revenue arises 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, 2010, but which were levied to finance fiscal year 2011 operations, have been recorded as deferred revenue. Grants and entitlements received before the eligibility requirements are met are also recorded as deferred revenue.

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

Expenses/Expenditures

On the accrual basis of accounting, expenses are recognized at the time they are incurred.

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. Cash and Investments

To improve cash management, all cash received by the School District is pooled. Monies for all funds, including the proprietary funds, are maintained in this pool. Individual fund integrity is maintained through the School District's records. Each fund's interest in the pool is presented as "equity in pooled cash and investments" on the financial statements.

During fiscal year 2010, investments were limited to certificates of deposit, a repurchase agreement, government securities, U.S. Treasury Notes, STAR Ohio and a money market fund.

Orrville City School District
Notes To The Basic Financial Statements (Continued)
For the Fiscal Year Ended June 30, 2010

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Except for nonparticipating investment contracts, investments are reported at fair value, which is based on quoted market prices. Nonparticipating investment contracts such as nonnegotiable certificates of deposit and repurchase agreements are reported at cost.

The School District has invested funds in the State Treasury Asset Reserve of Ohio (STAROhio) during fiscal year 2010. STAROhio is an investment pool managed by the State Treasurer's Office which allows governments within the State to pool their funds for investment purposes. STAROhio is not registered with the SEC as an investment company, but does operate in a manner consistent with Rule 2a7 of the Investment Company Act of 1940. Investments in STAROhio are valued at STAROhio's share price which is the price the investment could be sold for on June 30, 2010.

Following Ohio statutes, the Board of Education has, by resolution, specified the funds to receive an allocation of interest earnings. Interest revenue credited to the general fund during fiscal year 2010 amounted to \$4,688, which includes \$-0- assigned from other School District funds.

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

F. Inventory

Inventories are presented at cost on a first-in, first-out basis and are expensed when used. Inventories are accounted for using the consumption method, which means that the costs of inventory items are recorded as expenditures in the governmental funds when consumed. Inventories consist of expendable supplies held for consumption and donated and purchased food held for resale.

G. Deferred Charges

On the governmental fund statements, bond issuance costs are recorded as an expenditure when incurred. Bond issuance costs are reported as deferred and amortized over the term of the bonds using the straight-line method on the government-wide statements since the results are not significantly different from straight line method.

H. Capital Assets

All capital assets of the School District are classified as general capital assets. These assets generally result from expenditures in the governmental funds. The 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.

Orrville City School District
Notes To The Basic Financial Statements (Continued)
For the Fiscal Year Ended June 30, 2010

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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 School District maintains a capitalization threshold of five thousand dollars. The School District does not possess any infrastructure. Improvements are capitalized; the costs of normal maintenance and repairs that do not add to the value of the assets or materially extend an asset's life are not.

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>Estimated Lives</u>
Buildings and Improvements	10 - 40 Years
Furniture and Equipment	5 - 20 Years
Vehicles	10 Years

I. Compensated Absences

Vacation benefits are accrued as a liability as the benefits are earned if the employees' rights to receive compensation are attributable to services already rendered and it is probable that the employer will compensate the employees for the benefits through paid time off or some other means.

Sick leave benefits are accrued as a liability using the termination method. An accrual for earned sick leave is made to the extent that it is probable that benefits will result in termination payments. The liability is an estimate based on the School District's past experience of making termination payments.

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

On the governmental fund statements, compensated absences are recognized as a liability and expenditure to the extent payments come due each period upon the occurrence of employee resignations and retirements. These amounts are recorded in the account "Matured Compensated Absences Payable" in the funds from which the employee will be paid.

J. Accrued Liabilities and Long-Term Obligations

All payables, accrued liabilities, and long-term obligations are reported in the government-wide financial statements, and all payables and accrued liabilities from the internal service fund are reported on the proprietary fund financial statements.

Orrville City School District
Notes To The Basic Financial Statements (Continued)
For the Fiscal Year Ended June 30, 2010

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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 fiscal year. Bonds are recognized as a liability on the fund financial statements when due.

K. Bond Premiums

Bond premiums are recorded as another financing source on the governmental fund statements. On the government-wide financial statements, bond premiums are deferred and amortized over the term of the bond using the effective interest method. Bond premiums are presented as an increase of the face amount of the bonds payable.

L. Net Assets

Net assets represent the difference between assets and liabilities. Net assets invested in capital assets, net of related debt consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction, or improvement of those assets. Net assets are reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the School District or through external restrictions imposed by creditors, grantors, or laws or regulations of other governments. At June 30, 2010, none of the School District's net assets were restricted by enabling legislation. Net assets restricted for other purposes include instructional activities, grants and extracurricular activities.

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

M. Fund Balance Reserves

The School District reserves those portions of fund equity which are legally segregated for specific future use or which do not represent available expendable resources and, therefore, are not available for appropriations or expenditures. Unreserved fund balance indicates that portion of fund equity, which is available for appropriation, in future periods. Fund balance reserves are established for encumbrances and property taxes.

The reserve for property taxes represents taxes recognized as revenue under generally accepted accounting principles but not available for appropriations under State statute.

Orrville City School District
Notes To The Basic Financial Statements (Continued)
For the Fiscal Year Ended June 30, 2010

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

N. Operating Revenues and Expenses

Operating revenues are those revenues that are generated directly from the primary activity of the proprietary fund. For the School District, these revenues are charges for services for the employee self-insurance program. Operating expenses are necessary costs incurred to provide services that are the primary activity of the fund. All revenues and expenses not meeting these definitions are reported as non-operating.

O. Interfund Activity

Exchange transactions between funds are reported as revenues in the seller funds and as expenditures/expenses in the purchaser funds. Flows of cash or goods from one fund to another without a requirement for repayment are reported as interfund transfers. Interfund transfers are reported as other financing sources/uses in governmental funds. Repayments from funds responsible for particular expenditures/expenses to the funds that initially paid for them are not presented on the financial statements.

P. Extraordinary and Special Items

Extraordinary items are transactions or events that are both unusual and infrequent in occurrence. Special items are transactions or events that are within the control of the Board of Education and that are either unusual in nature or infrequent in occurrence. Neither type of transaction occurred during fiscal year 2010.

Q. Estimates

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

R. Budgetary Data

All funds, other than agency funds, are legally required to be budgeted and appropriated. The major documents prepared are the tax budget, the appropriation resolution and the certificate of estimated resources, which are prepared on the budgetary basis of accounting. The tax budget demonstrates a need for existing or increased tax rates. The certificate of estimated resources establishes a limit on the amounts that the Board of Education may appropriate. The appropriation resolution is the Board's authorization to spend resources and sets annual limits on expenditures plus encumbrances at a level of control selected by the Board. The legal level of budgetary control has been established by the Board of Education at the fund level for all funds. The Treasurer has been given the authority to allocate Board appropriations to the function and object levels within each fund.

Orrville City School District
Notes To The Basic Financial Statements (Continued)
For the Fiscal Year Ended June 30, 2010

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

The certificate of estimated resources may be amended during the year if projected increases or decreases in revenue are identified by the School District Treasurer. The amounts reported as the original budgeted amounts in the budgetary statements reflect the amounts in the certificate when the original appropriations were adopted. The amounts reported as the final budgeted amounts in the budgetary statements reflect the amounts in the final amended certificate in effect when the final appropriations were passed.

The appropriation resolution is subject to amendment by the Board throughout the year with the restriction that appropriations may not exceed estimated revenues. The amounts reported as the original budgeted amounts reflect the first appropriation for that fund that covered the entire fiscal year, including amounts automatically carried over from prior years. The amounts reported as the final budgeted amounts in the budgetary statements reflect the final appropriations passed by the Board during the year.

S. Changes in Accounting Principles

For the year ended June 30, 2010, the School District has implemented GASB Statement No. 51, *“Accounting and Financial Reporting for Intangible Assets,”* GASB Statement No. 53, *“Accounting and Financial Reporting for Derivative Instruments,”* and GASB Statement No. 58, *“Accounting and Financial Reporting for Chapter 9 Bankruptcies.”*

GASB Statement No. 51 establishes standards of accounting and financial reporting for intangible assets for all state and local governments. Inconsistencies in the accounting and financial reporting for intangible assets, particularly in the areas of recognition, initial measurement, and amortization, have occurred in practice due to the absence of sufficiently specific authoritative guidance that addresses these questions. The objective of this Statement is to establish accounting and financial reporting requirements for intangible assets to reduce these inconsistencies, thereby enhancing the comparability of the accounting and financial reporting of such assets among state and local governments.

GASB Statement No. 53 addresses the recognition, measurement, and disclosure of information regarding derivative instruments entered into by state and local governments.

GASB Statement No. 58 provides accounting and financial reporting guidance for governments that have petitioned for protection from creditors by filing for bankruptcy under Chapter 9 of the United States Bankruptcy Code.

Implementation of these GASB Statements did not affect the presentation of the financial statements of the School District.

Orrville City School District
Notes To The Basic Financial Statements (Continued)
For the Fiscal Year Ended June 30, 2010

NOTE 3: FUND DEFICITS

Fund balances at June 30, 2010 included the following individual fund deficits:

	<u>Deficit</u>
Nonmajor Special Revenue Funds:	
Alternative Education	\$ 3,319
Poverty Aid	123
Title I	13,833
Title VIB	50,964
Title VI	2,919
Title IV	523
Title VI-R	7,559
Character Education Grant	27,295

The deficit fund balances resulted from adjustments for accrued liabilities. The general fund is liable for any deficit in these funds and provides operating transfers when cash is required, rather than when accruals occur.

NOTE 4: BUDGETARY BASIS OF ACCOUNTING

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

1. Revenues are recorded when received in cash (budget) as opposed to when susceptible to accrual (GAAP).
2. Expenditures/expenses are recorded when paid in cash (budget) as opposed to when the liability is incurred (GAAP).
3. Encumbrances are treated as expenditures (budget) rather than as a reservation of fund balance (GAAP).
4. Advances in and advances out are operating transactions (budget) as opposed to balance sheet transactions (GAAP).

Orrville City School District
Notes To The Basic Financial Statements (Continued)
For the Fiscal Year Ended June 30, 2010

NOTE 4: BUDGETARY BASIS OF ACCOUNTING (Continued)

The following table summarizes the adjustments necessary to reconcile the GAAP basis statement to the budgetary basis statement for the general fund.

	<u>General</u>
GAAP Basis	\$ (756,164)
Net Adjustments for Revenue Accruals	172,967
Net Adjustments for Expenditure Accruals	(15,195)
Advance In	7,000
Adjustments for Encumbrances	(189,182)
Total All Funds	<u>\$ (780,574)</u>

NOTE 5: DEPOSITS AND INVESTMENTS

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

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

Inactive deposits are public deposits 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 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 or 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;

Orrville City School District
Notes To The Basic Financial Statements (Continued)
For the Fiscal Year Ended June 30, 2010

NOTE 5: 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 2% and be marked to market daily, and that the term of the agreement must not exceed 30 days;
- 4) Bonds and any other obligations of the State of Ohio;
- 5) No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2) of this section and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions;
- 6) The State Treasurer's Investment Pool (STAR Ohio);
- 7) Certain bankers acceptances and commercial paper notes for a period not to exceed 180 days from the purchase date in any amount not to exceed 25 percent of the interim monies available for investment at any one time; and
- 8) Under limited circumstances, corporate debt interests noted in either of the two highest rating classifications by at least two nationally recognized rating agencies.

Investments in stripped principal or interest obligations, reverse repurchase agreements and derivatives are prohibited. The issuance of taxable notes for the purpose of arbitrage, the use of leverage and short selling are also prohibited. An investment must mature within five years from the date of purchase unless matched to a specific obligation or debt of the School District, and must be purchased with the expectation that it will be held to maturity.

Investments may only be made through specified dealers and institutions. Payment for investments may be made only upon delivery of 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.

According to State law, public depositories must give security for all public funds on deposit. These institutions may either specifically collateralize individual accounts in lieu of amounts insured by FDIC, or may pledge a pool of government securities valued at least 105 percent of the total value of uninsured public monies on deposit at the institution. Repurchase agreements must be secured by the specific government securities upon which the repurchase agreements are based. These securities must be obligations of or guaranteed by the United States and mature or be redeemable within five years of the date of the related repurchase agreement. State law does not require security for public deposits and investments to be maintained in the School District's name. During 2010, the School District and public depositories complied with the provisions of these statutes.

Orrville City School District
Notes To The Basic Financial Statements (Continued)
For the Fiscal Year Ended June 30, 2010

NOTE 5: DEPOSITS AND INVESTMENTS (Continued)

Deposits with Financial Institutions

Custodial credit risk is the risk that, in the event of a bank failure, the School District's deposits may not be returned. All deposits are collateralized with eligible securities in amounts equal to at least 105 percent 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 collateral against all of the public deposits it holds or as specific collateral held at the Federal Reserve Bank in the name of the School District.

At fiscal year-end, the carrying amount of the School District's deposits was \$1,604,383. Based on the criteria described in GASB Statement No. 40, "Deposits and Investment Risk Disclosures," as of June 30, 2010, \$360,678 of the School District's bank balance of \$1,639,717 was exposed to custodial risk as discussed above, while \$1,279,039 was covered by Federal Deposit Insurance Corporation.

Funds Held by Trustee

U.S. Bank acts as a trustee for the School District. U.S. Bank held on account as of June 30, 2010, \$1,383,693. This money is held in trustee accounts for the construction of a new middle school and other building renovations and improvements. Collateral is held on direct deposit with the Federal Reserve.

Investments

As of June 30, 2010, the School 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>	
FHLMC Discount Notes	\$ 250,000	\$	250,000
FNMA Discount Notes	500,000		500,000
STAR Ohio	946,847		946,847
First American Treasury Money Market Fund	471,405		471,405
Repurchase Agreement	1,866,588		1,866,588
	<u>\$ 4,034,840</u>	<u>\$</u>	<u>4,034,840</u>

Interest Rate Risk. As a means of limiting its exposure to fair value losses arising from rising interest rates and according to state law, the maturity length for the School District is determined by market conditions and interest rate forecasts, with the goal being to buy where relative value exists along the maturity spectrum.

Credit Risk. Standard & Poor's has assigned the FHLMC and FNMA notes an AAA rating. STAROhio was rated AAAM by Standard & Poor's. The U.S. Treasury notes were rated AAA by Standard & Poor's. The School District's investments in the federal agency securities that underlie the District's repurchase agreement were rated Aaa by Moody's Investor Services.

Orrville City School District
Notes To The Basic Financial Statements (Continued)
For the Fiscal Year Ended June 30, 2010

NOTE 5: 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 School District will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The School District's investment in repurchase agreements is collateralized by underlying securities pledged by the investment's counterparty, not in the name of the School District. Ohio law requires the market value of the securities subject to repurchase agreements must exceed the principal value of the securities subject to a repurchase agreement by 2%. The School District has no investment policy dealing with investment custodial risk beyond the requirement in Ohio law 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 School District places no limit on the amount that may be invested in any one issuer. The following table includes the percentage to total of each investment type held by the School District at June 30, 2010:

Investment Type	Fair Value	Percent of Total
FHLMC Discount Notes	\$ 250,000	6.20%
FNMA Discount Notes	500,000	12.39%
STAR Ohio	946,847	23.47%
First American Treasury Money Market Fund	471,405	11.68%
Repurchase Agreement	1,866,588	46.26%
	\$ 4,034,840	100.00%

NOTE 6: PROPERTY TAXES

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

Property taxes include amounts levied against all real, public utility and tangible personal property (used in business) located in the School District. Real property tax revenue received in calendar 2010 represents collections of calendar year 2009 taxes. Real property taxes received in calendar year 2010 were levied after April 1, 2009, on the assessed value listed as of January 1, 2009, the lien date. Assessed values for real property taxes are established by State law at thirty-five percent of appraised market value. Real property taxes are payable annually or semi-annually. If paid annually, payment is due December 31; if paid semiannually, the first payment is due December 31 with the remainder payable by June 20. Under certain circumstances, State statute permits alternate payment dates to be established.

Public utility property tax revenue received in calendar 2010 represents collections of calendar year 2009 taxes. Public utility real and tangible personal property taxes received in calendar year 2010 became a lien December 31, 2008, were levied after April 1, 2009 and are collected in 2010 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.

Orrville City School District
Notes To The Basic Financial Statements (Continued)
For the Fiscal Year Ended June 30, 2010

NOTE 6: PROPERTY TAXES (Continued)

Tangible personal property tax revenue received during calendar 2010 (other than public utility property) represents the collection of calendar year 2010 taxes levied against local and inter-exchange telephone companies. Tangible personal property tax on business inventory, manufacturing machinery and equipment, and furniture and fixtures is no longer levied and collected. The October 2008 tangible personal property tax settlement was the last property tax settlement for general personal property taxes. Tangible personal property taxes received from telephone companies in calendar year 2010 were levied after October 1, 2009 on the value as of December 21, 2009. Amounts paid 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 School District prior to June 30.

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

The School District receives property taxes from Wayne County. The County Auditor periodically advances to the School District its portion of the taxes collected. Second-half real property tax payments collected by the County by June 30, 2010, are available to finance fiscal year 2010 operations. The amount available to be advanced can vary based on the date the tax bills are sent.

Accrued property taxes receivable includes real property, public utility property and tangible personal property taxes which are measurable as of June 30, 2010, and for which there is an enforceable legal claim. Although total property tax collections for the next fiscal year are measurable, only the delayed personal property tax and 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 deferred revenue.

The amount available as an advance at June 30, 2010, was \$392,500 in the general fund, \$78,000 in the bond retirement debt service fund and \$44,500 in the permanent improvements capital projects fund. The amount available as an advance at June 30, 2009, was \$570,000 in the general fund, \$103,000 in the bond retirement debt service fund and \$64,000 in the permanent improvements capital projects fund.

On an 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.

Orrville City School District
Notes To The Basic Financial Statements (Continued)
For the Fiscal Year Ended June 30, 2010

NOTE 6: PROPERTY TAXES (Continued)

The assessed values upon which the fiscal year 2010 taxes were collected are:

	2009 Second-Half Collections		2010 First-Half Collections	
	Amount	Percent	Amount	Percent
Agricultural/Residential	\$ 148,840,700	69%	\$ 149,616,900	70%
Commercial/Industrial/ Public Utility	64,166,360	30%	63,752,828	29%
Tangible Personal Property	2,126,520	1%	1,860,010	1%
Total Assessed Value	\$ 215,133,580	100%	\$ 215,229,738	100%
Tax rate per \$1,000 of assessed value	\$ 58.88		\$ 57.95	

NOTE 7: RECEIVABLES

Receivables at June 30, 2010 consisted of taxes, accounts (customer services and student fees), and intergovernmental grants. 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. All are expected to be received within one year except OFSC.

A summary of the principal items of intergovernmental receivables follow:

	<u>Amounts</u>
Major Funds:	
General Fund	\$ 42,289
Classroom Facilities	16,879,397
Nonmajor Funds:	
Food Service	267
Alternative Education	20,763
Title VI-B Grant	52,191
Title I Grant	32,796
Title IV Grant	868
Title V Grant	14
Title II Grant	14,590
Title II-D Grant	204
Total All Funds	<u>\$ 17,043,379</u>

Orrville City School District
Notes To The Basic Financial Statements (Continued)
For the Fiscal Year Ended June 30, 2010

NOTE 8: CAPITAL ASSETS

Capital assets activity for the fiscal year ended June 30, 2010, was as follows:

	Restated Balance at 07/01/2009	Additions	Deletions	Balance at 06/30/2010
Governmental Activities:				
<i>Capital Assets, Not Being Depreciated:</i>				
Land	\$ 1,576,075	\$ 0	\$ 0	\$ 1,576,075
Construction in Progress	5,289,219	9,139,046	(12,537,429)	1,890,836
Total Capital Assets, Not Being Depreciated	<u>6,865,294</u>	<u>9,139,046</u>	<u>(12,537,429)</u>	<u>3,466,911</u>
<i>Capital Assets, Being Depreciated:</i>				
Buildings and Improvements	20,681,191	12,593,212	0	33,274,403
Furniture and Equipment	638,990	161,356	0	800,346
Vehicles	727,162	82,375	(84,092)	725,445
Total Capital Assets, Being Depreciated	<u>22,047,343</u>	<u>12,836,943</u>	<u>(84,092)</u>	<u>34,800,194</u>
<i>Less Accumulated Depreciation:</i>				
Buildings and Improvements	(5,148,136)	(764,992)	0	(5,913,128)
Furniture and Equipment	(296,844)	(66,181)	0	(363,025)
Vehicles	(599,360)	(32,325)	84,092	(547,593)
Total Accumulated Depreciation	<u>(6,044,340)</u>	<u>(863,498) *</u>	<u>84,092</u>	<u>(6,823,746)</u>
Total Capital Assets Being Depreciated, Net	<u>16,003,003</u>	<u>11,973,445</u>	<u>0</u>	<u>27,976,448</u>
Governmental Activities Capital Assets, Net	<u>\$ 22,868,297</u>	<u>\$ 21,112,491</u>	<u>\$ (12,537,429)</u>	<u>\$ 31,443,359</u>

* Depreciation expense was charged to governmental functions as follows:

Instruction:	
Regular	\$ 785,023
Support Services:	
Instructional Staff	7,252
Board of Education	12,044
Operation & Maintenance	4,795
Pupil Transportation	32,861
Extracurricular Activities	14,756
Operation of Non-Instructional Services:	
Food Service Operations	<u>6,767</u>
Total Depreciation Expense	<u>\$ 863,498</u>

Orrville City School District
Notes To The Basic Financial Statements (Continued)
For the Fiscal Year Ended June 30, 2010

NOTE 9: RISK MANAGEMENT

A. General Insurance

The School District is exposed to various risks of loss related to torts, theft of, damage to, and destruction of assets, errors and omissions, injuries to employees and natural disasters. The School District has a comprehensive property and casualty policy. The deductible is \$5,000 per incident on property and \$5,000 per incident on equipment. All vehicles are also insured with a \$1,000 deductible. All board members, administrators, and employees are covered under a school district liability policy. The limits of this coverage are \$1,000,000 per occurrence and \$2,000,000 in aggregate. Settled claims have not exceeded this commercial coverage in any of the past three years and there has not been a significant reduction in coverage from the prior year.

B. Fidelity Bond

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

C. Workers' Compensation

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

D. Employee Health Insurance

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

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

Rates are set through an annual calculation process. The School District pays a monthly contribution which is placed in a common fund from which claim payments are made for all participating districts. The employees share the cost of the monthly premium with the Board. For fiscal year 2010, the School District's monthly premiums were \$1,334.43 for family coverage and \$548.43 for single coverage. Dental insurance is also provided by the School District to qualified employees through the Stark County Schools Council for Governments. For fiscal year 2010, the School District's cost was \$1,234.43 for family coverage and \$508.43 for single coverage per employee per month.

Orrville City School District
Notes To The Basic Financial Statements (Continued)
For the Fiscal Year Ended June 30, 2010

NOTE 9: RISK MANAGEMENT (Continued)

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

NOTE 10: DEFINED BENEFIT PENSION PLANS

A. School Employees Retirement System

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

Funding Policy - Plan members are required to contribute 10 percent of their annual covered salary and the School District is required to contribute at an actuarially determined rate. The current School District rate is 14 percent of annual covered payroll. A portion of the School District's contribution is used to fund pension obligations with the remainder being used to fund health care benefits; for fiscal year 2010, 12.78 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 School District's required contributions for pension obligations to SERS for the fiscal years ended June 30, 2010, 2009 and 2008 were \$321,637, \$231,626 and \$239,017, respectively; 38 percent has been contributed for fiscal year 2010 and 100 percent for the fiscal years 2009 and 2008.

B. State Teachers Retirement System

The School District participates in the State Teachers Retirement System of Ohio ("STRS Ohio"), a cost-sharing, multiple-employer defined benefit pension plan. STRS Ohio provides retirement and disability benefits to members and death and survivor benefits to beneficiaries. STRS Ohio issues a publicly-available, stand-alone financial report that includes financial statements and required supplementary information. That report may be obtained by writing to STRS Ohio, 275 East Broad Street, Columbus, Ohio 43215-3371, by calling (888) 227-7877, or by visiting the STRS Ohio website at www.strsoh.org.

Orrville City School District
Notes To The Basic Financial Statements (Continued)
For the Fiscal Year Ended June 30, 2010

NOTE 10: DEFINED BENEFIT PENSION PLANS (Continued)

New members have a choice of three retirement plans, a Defined Benefit (DB) Plan, a Defined Contribution (DC) Plan and a Combined Plan. The DB Plan offers an annual retirement allowance based on final average salary times a percentage that varies based on years of service, or an allowance based on member contributions and earned interest matched by STRS Ohio funds divided by an actuarially determined annuity factor. The DC Plan allows members to allocate their member contributions and employer contributions equal to 10.5 percent of earned compensation among various investment accounts. Investment decisions are made by the member. A member is eligible to receive a retirement benefit at age 50 and termination of employment. The Combined Plan offers features of both the DC Plan and the DB Plan. In the Combined Plan, member contributions are invested by the member, and employer contributions are used to fund the defined benefit payment at a reduced level from the regular DB Plan. DC and Combined Plan members will transfer to the DB Plan during their fifth year of membership unless they permanently select the DC or Combined Plan. Existing members with less than five years of service credit as of June 30, 2001 were given the option of making a one time irrevocable decision to transfer their account balances from the existing DB Plan into the DC Plan or the Combined Plan. This option expired on December 31, 2001. Benefits are established by Chapter 3307 of the Ohio Revised Code.

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

For the fiscal year ended June 30, 2010, plan members were required to contribute 10 percent of their annual covered salaries. The School District was required to contribute 14 percent; 13 percent was the portion used to fund pension obligations. For fiscal year 2009, the portion used to fund pension obligations was also 13 percent. Contribution rates are established by the State Teachers Retirement Board, upon recommendations of its consulting actuary, not to exceed statutory maximum rates of 10 percent for members and 14 percent for employer contributions.

The School District's required contributions for pension obligations to the DB Plan for the fiscal years ended June 30, 2010, 2009 and 2008 were \$985,427, \$973,609 and \$1,048,714, respectively; 83 percent has been contributed for fiscal year 2010 and 100 percent for the fiscal years 2009 and 2008. Contributions to the DC and Combined Plans for fiscal year 2010 were \$31,195 made by the School District and \$28,780 made by the plan members.

C. Social Security System

Effective July 1, 1991, all employees not otherwise covered by the School Employees Retirement System or the State Teachers Retirement System of Ohio have an option to choose Social Security or the School Employees Retirement System/State Teachers Retirement System of Ohio. As of June 30, 2010, all members of the Board of Education have elected social security. The Board's liability is 6.2 percent of wages paid.

Orrville City School District
Notes To The Basic Financial Statements (Continued)
For the Fiscal Year Ended June 30, 2010

NOTE 11: POSTEMPLOYMENT BENEFITS

A. State Teachers Retirement System

Plan Description – The School District contributes to the cost sharing multiple employer defined benefit Health 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 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 2010, STRS Ohio allocated employer contributions equal to 1 percent of covered payroll to the Health Care Stabilization Fund. The School District's contributions for health care for the fiscal years ended June 30, 2010, 2009, and 2008 were \$75,802, \$74,893 and \$80,670, respectively; 83 percent has been contributed for fiscal year 2010 and 100 percent for the fiscal years 2009 and 2008.

B. School Employee Retirement System

Plan Description – The School District participates in two cost-sharing multiple employer defined benefit OPEB plans administered by the School Employees Retirement System for non-certificated retirees and their beneficiaries, a Health Care Plan and a Medicare Part B Plan. The Health Care Plan includes hospitalization and physicians' fees through several types of plans including HMO's, PPO's 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 105(e). For 2010, .46 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 2010, 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.

The School District's contributions for health care for the fiscal years ended June 30, 2010, 2009, and 2008 were \$11,577, \$106,003 and \$109,071, respectively; 38 percent has been contributed for fiscal year 2010 and 100 percent for the fiscal years 2009 and 2008.

Orrville City School District
Notes To The Basic Financial Statements (Continued)
For the Fiscal Year Ended June 30, 2010

NOTE 11: POSTEMPLOYMENT BENEFITS (Continued)

The Retirement Board, acting with advice of the actuary, allocates a portion of the employer contribution to the Medicare B Fund. For 2010, this actuarially required allocation was 0.76 percent of covered payroll. The School District's contributions for Medicare Part B for the fiscal years ended June 30, 2010, 2009, and 2008 were \$19,127, \$19,111 and \$17,222, respectively; 38 percent has been contributed for fiscal year 2010 and 100 percent for the fiscal years 2009 and 2008.

NOTE 12: LONG-TERM OBLIGATIONS

The changes in the School District's long-term obligations during the fiscal year 2010 were as follows:

	Principal Outstanding 07/01/2009	Additions	Reductions	Principal Outstanding 06/30/2010	Due Within One Year
2008 Schools Facilities					
Construction and Improvement Note, 4.519% interest rate, due December 1, 2035	\$ 974,000	\$ 0	\$ (18,000)	\$ 956,000	\$ 19,000
2007 School Facilities Construction					
Construction and Improvement and Refunding Bonds - \$17,510,000 - 4.25-5.25% Serial and Term Bonds	17,075,000	0	(300,000)	16,775,000	325,000
Capital Appreciation Bonds	160,000	0	0	160,000	0
Accretion on Capital Appreciation	38,937	22,811	0	61,748	0
Unamortized Premium	712,882	0	(26,403)	686,479	0
Capital Leases	13,032,614	0	(15,844)	13,016,770	358,447
Compensated Absences	1,705,915	199,722	(226,698)	1,678,939	101,928
Totals	<u>\$ 33,699,348</u>	<u>\$ 222,533</u>	<u>\$ (586,945)</u>	<u>\$ 33,334,936</u>	<u>\$ 804,375</u>

2007 School Facilities Construction and Improvement and Refunding General Obligation Bonds

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

Orrville City School District
Notes To The Basic Financial Statements (Continued)
For the Fiscal Year Ended June 30, 2010

NOTE 12: LONG-TERM OBLIGATIONS (Continued)

At the date of refunding, \$18,435,688 (including premium and after underwriting fees and other issuance costs) was received to pay off old debt. As a result, \$2,670,000 of the 1997 Library Bonds and \$15,000,000 of the notes were retired. The bonds were issued with a premium of \$765,688, which is reported as an increase to bonds payable. The amounts are being amortized to interest expense over the life of the bonds using the straight-line method. The amortization of the premium for fiscal year 2010 was \$26,403. The issuance costs of \$246,774 are reported as deferred charges and are being amortized over the life of the bonds using the straight-line method. The amortization of the issuance costs for fiscal year 2010 was \$8,509.

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

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

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

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

The capital appreciation bonds will mature December 1, 2018 and 2019. These bonds were purchased at a discount at the time of issuance and at maturity all compounded interest is paid and the bond holder collects the face value. However, since interest is technically earned and compounded semi-annually, the value of the bond increases. Therefore, as the value increases, the accretion is booked as principal. The maturity amount of the bonds is \$690,000. The fiscal year 2010 accretion amount was \$22,811.

2008 School Facilities Construction and Improvement Note

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

Orrville City School District
Notes To The Basic Financial Statements (Continued)
For the Fiscal Year Ended June 30, 2010

NOTE 12: LONG-TERM OBLIGATIONS (Continued)

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

The tax anticipation note will be paid from the general fund.

Compensated absences will be paid from the general fund.

The capital lease will be paid from the permanent improvement fund.

Principal and interest requirements to retire general obligation bonds outstanding at June 30, 2010 are as follows:

	Construction and Improvement Note		General Obligation Bonds		Capital Appreciation Bonds		Total	
	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest
2011	\$ 19,000	\$ 46,000	\$ 325,000	\$ 825,900	\$ 0	\$ 0	\$ 344,000	\$ 871,900
2012	20,000	45,052	350,000	811,556	0	0	370,000	856,608
2013	21,000	44,056	420,000	795,193	0	0	441,000	839,249
2014	22,000	43,011	455,000	776,600	0	0	477,000	819,611
2015	23,000	41,917	485,000	756,322	0	0	508,000	798,239
2016-2020	132,000	191,387	2,465,000	3,415,424	160,000	530,000	2,757,000	4,136,811
2021-2025	167,000	155,254	3,360,000	2,732,940	0	0	3,527,000	2,888,194
2026-2030	215,000	108,987	3,440,000	1,906,551	0	0	3,655,000	2,015,538
2031-2035	274,000	49,816	4,440,000	878,328	0	0	4,714,000	928,144
2036	63,000	1,531	1,035,000	27,169	0	0	1,098,000	28,700
Total	\$ 956,000	\$ 727,011	\$ 16,775,000	\$ 12,925,983	\$ 160,000	\$ 530,000	\$ 17,891,000	\$ 14,182,994

NOTE 13: CAPITALIZED LEASES-LESSEE DISCLOSURE

In fiscal year 2006, the School District entered into a lease for the construction of a new middle school building. During fiscal year 2008, the School District entered into a lease for copiers. These leases meet the criteria of a capital lease as it transfers benefits and risks of ownership to the lessee.

The School District entered into a lease agreement with the Columbus Regional Airport Authority for the construction of a new middle school building. At the time the School District entered into this lease, the building had not yet been constructed. As part of the agreement, Columbus Regional Airport Authority, as lessor, deposited \$13,000,000 with a trustee for the construction of the building. Amounts are paid to contractors by the trustee at the discretion of the School District as the project progresses. At year end, capital assets being constructed under this lease have been capitalized. \$369,129 is still held by the trustee. All payments will be made to the U.S. Bank, third party administrator. Interest is calculated on a weekly basis using the BMA rate plus 73.1 bpts. At June 30, 2010 the interest rate was 1.041 percent.

Orrville City School District
Notes To The Basic Financial Statements (Continued)
For the Fiscal Year Ended June 30, 2010

NOTE 13: CAPITALIZED LEASES-LESSEE DISCLOSURE (Continued)

Capital assets acquired by the leases have been capitalized in the amount of \$12,752,261. A corresponding liability was recorded in the statement of net assets and is reduced for each required principal payment. Interest only payments began in fiscal year 2007 for the new building lease. The first principal payment will be made in fiscal year 2011.

The following is a schedule of the future long term minimum lease payments required under the capital lease and the present value of the minimum lease payments as of June 30, 2010:

Year ending June 30,	2011	\$	842,265
	2012		826,941
	2013		825,216
	2014		824,448
	2015		823,449
	2016-2020		4,109,137
	2021-2025		4,091,308
	2026-2030		4,068,757
	2031-2034		3,236,167
			19,647,688
Less amount representing interest			6,630,918
Present value of minimum lease payment		\$	13,016,770

NOTE 14: CONTRACTUAL COMMITMENTS

As of June 30, 2010, the School District had contractual commitments for the construction of a new elementary school and high school.

	Contractual Commitment	Expended	Balance June 30, 2010
<i>Contractors for Elementary School:</i>			
RP Carbone Company	\$ 871,113	\$ 754,663	\$ 116,450
S. A. Comunale	22,898	0	22,898
Balog, Steines & Hendricks	768,000	729,600	38,400
C. T. Taylor	8,127,443	7,958,400	169,043
S.S. Sprinkler	150,300	143,800	6,500
Osborn Engineering	27,460	13,730	13,730
The K Company	1,715,747	1,696,348	19,399
Summit Electric	1,816,863	1,797,039	19,824
<i>Contractors for High School:</i>			
Balog, Steines & Hendricks	1,070,911	0	1,070,911
	\$ 14,570,735	\$ 13,093,580	\$ 1,477,155

Orrville City School District
Notes To The Basic Financial Statements (Continued)
For the Fiscal Year Ended June 30, 2010

NOTE 15: RELATED ORGANIZATION

The Orrville Public Library (the “Library”) is a related organization to the School District. The school board members are responsible for appointing all the trustees of the Library; however, the school board cannot influence the Library’s operation, nor does the Library represent a potential financial benefit or burden to the School District. The School District serves in a ministerial capacity as the taxing authority for the Library. Once the Library determines to present a levy to the voters, including the determination of the rate and duration, the School District must place the levy on the ballot. The Library may not issue debt and determines its own budget. The Library did not receive any funding from the School District during fiscal year 2010.

NOTE 16: JOINTLY GOVERNED ORGANIZATIONS

A. Tri-County Computer Service Association (TCCSA)

The Tri-County Computer Services Association (TCCSA) is a jointly governed organization comprised of 20 school districts. The jointly governed organization was formed for the purpose of applying modern technology with the aid of computers and other electronic equipment to administrative and instructional functions for member School Districts. Each of the governments of these School Districts supports TCCSA based on a per-pupil charge dependent upon the software package utilized. The TCCSA assembly consists of a superintendent or designated representative from each participating School District and a representative from the fiscal agent. TCCSA is governed by a board of directors chosen from the general membership of the TCCSA assembly. The board of directors consists of a representative from the fiscal agent, the chairman of each operating committee, and at least an assembly member from each county from which participating School Districts are located. Financial information can be obtained by contacting the Treasurer at the Wayne County Educational Service Center, which serves as fiscal agent, located at Wooster, Ohio. During the year ended June 30, 2010, the School District paid approximately \$153,983 to TCCSA for basic service charges.

B. Wayne County Career Center

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

Orrville City School District
Notes To The Basic Financial Statements (Continued)
For the Fiscal Year Ended June 30, 2010

NOTE 17 – PUBLIC ENTITY RISK POOLS

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

NOTE 18: CONTINGENCIES

A. Grants

The School District received financial assistance from federal and state 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 is subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the general fund or other applicable funds. However, in the opinion of management, any such disallowed claims will not have a material adverse effect on the overall financial position of the School District at June 30, 2010.

B. Litigation

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

NOTE 19: SET-ASIDES

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

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

Orrville City School District
Notes To The Basic Financial Statements (Continued)
For the Fiscal Year Ended June 30, 2010

NOTE 19: SET-ASIDES (Continued)

	<u>Textbooks</u>	<u>Capital Acquisition</u>	<u>Totals</u>
Set-aside Reserve Balance as of June 30, 2009	\$ (209,165)	\$ 0	\$ (209,165)
Current Year Set-aside Requirement	269,100	269,100	538,200
Current Year Offsets	0	(816,315)	(816,315)
Qualifying Disbursements	<u>(313,830)</u>	<u>0</u>	<u>(313,830)</u>
 Totals	 <u>\$ (253,895)</u>	 <u>\$ (547,215)</u>	 <u>\$ (801,110)</u>
 Set-aside Balance Carried Forward to Future Fiscal Years	 <u>\$ (253,895)</u>	 <u>\$ 0</u>	
 Set-aside Reserve Balance as of June 30, 2010	 <u>\$ 0</u>	 <u>\$ 0</u>	

The School District had qualifying disbursements during the fiscal year that reduced the textbook set-aside amount below zero. This extra amount may be used to reduce the set-aside requirement in future years. Although the School District had qualifying disbursements and offsets during the fiscal year that reduced the set-aside amount below zero for the capital acquisition set-aside, this amount may not be used to reduce the set-aside requirement for future years. The total reserve balance for the two set-asides at the end of the fiscal year was \$-0-.

NOTE 20: INTERFUND TRANSFERS

Transfers made during the year ended June 30, 2010 were as follows:

<u>Fund</u>	<u>Transfers In</u>	<u>Transfers Out</u>
Major Funds:		
General Fund	\$ 408,148	\$ 0
Non-Major Governmental Funds:		
Food Service	13,267	0
Title VI-B	4,820	0
Title I	15,341	0
Title II	1,020	0
Proprietary Fund:		
Self-Insurance	0	442,596
Total	<u>\$ 442,596</u>	<u>\$ 442,596</u>

The self-insurance fund made a residual equity transfer of \$442,596 to the general fund, food service fund, Title VI-B, Title I and Title II special revenue funds.

Orrville City School District
Notes To The Basic Financial Statements (Continued)
For the Fiscal Year Ended June 30, 2010

NOTE 21: RESTATEMENT OF NET ASSETS

For fiscal year 2010, the School District increased its capitalization threshold to \$5,000. As a result, the cost of capital assets in governmental activities decreased by \$3,903,812 and accumulated depreciation decreased by \$2,692,010.

	<u>Governmental Activities</u>
Previously Reported Net Assets, June 30, 2009	\$ 3,274,262
Change in Value of Capital Assets:	
Cost	(3,903,812)
Accumulated Depreciation	<u>2,692,010</u>
Restated Net Assets, July 1, 2009	<u>\$ 2,062,460</u>

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**ORRVILLE CITY SCHOOL DISTRICT
WAYNE COUNTY**

**FEDERAL AWARDS RECEIPTS AND EXPENDITURES SCHEDULE
FOR THE YEAR ENDED JUNE 30, 2010**

FEDERAL GRANTOR/ PASS THROUGH GRANTOR/ PROGRAM TITLE	FEDERAL CFDA NUMBER	RECEIPTS	NON-CASH RECEIPTS	EXPENDITURES	NON-CASH EXPENDITURES
U.S. DEPARTMENT OF EDUCATION					
<i>(Passed Through Ohio Department of Education)</i>					
Title I , Part A Cluster:					
Title I Grants to Local Educational Agencies	84.010	\$28,120		\$39,137	
		212,616		200,486	
ARRA - Title I Grants to Local Educational Agencies	84.389	75,110		63,711	
Total Title I, Part A Cluster		315,846		303,334	
Special Education Cluster (IDEA):					
Special Education - Grants to States (IDEA, Part B)	84.027	7,627		11,761	
		293,475		283,889	
ARRA - Special Education-Grants to States (IDEA, Part B)	84.391	233,869		230,458	
Total Special Education Cluster		534,971		526,108	
Safe and Drug Free Schools and Communities State Grant	84.186			523	
		4,023		4,546	
Total Safe and Drug Free Schools and Communities State Grant		4,023		5,069	
State Grants for Innovative Programs	84.298	190		2,731	
Education Technology State Grants	84.318	264		1,985	
		1,985		1,985	
Total Education Technology State Grants		2,249		1,985	
Improving Teacher Quality State Grants	84.367	5,199		9,147	
		78,748		76,145	
Total Improving Teacher Quality State Grants		83,947		85,292	
ARRA - State Fiscal Stabilization Fund (SFSF) - Education State Grants, Recovery Act	84.394	368,658		332,272	
Total U.S. Department of Education		1,309,884		1,256,791	
U.S. DEPARTMENT OF AGRICULTURE					
<i>(Passed Through Ohio Department of Education)</i>					
Child Nutrition Cluster:					
Non-Cash Assistance (Market Value):					
National School Lunch Program	10.555		\$78,445		\$78,445
Cash Assistance:					
National School Lunch Program	10.555	272,159		272,159	
School Breakfast Program	10.553	57,341		57,341	
Total Child Nutrition Cluster		329,500	78,445	329,500	78,445
Total U.S. Department of Agriculture		329,500	78,445	329,500	78,445
Total		\$1,639,384	\$78,445	\$1,586,291	\$78,445

The accompanying notes are an integral part of this schedule.

**ORRVILLE CITY SCHOOL DISTRICT
WAYNE COUNTY**

**NOTES TO THE FEDERAL AWARDS EXPENDITURES SCHEDULE
FISCAL YEAR ENDED JUNE 30, 2010**

NOTE A - SIGNIFICANT ACCOUNTING POLICIES

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

NOTE B - CHILD NUTRITION CLUSTER

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

NOTE C – FOOD DONATION PROGRAM

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



Dave Yost • Auditor of State

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

Orrville City School District
Wayne County
815 North Ella Street
Orrville, Ohio 44667

To the Board of Education:

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Orrville City School District, Wayne County, Ohio, (the District) as of and for the year ended June 30, 2010, which collectively comprise the District's basic financial statements and have issued our report thereon dated March 11, 2011. Our report disclosed the District restated net assets as of July 1, 2009. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*.

Internal Control Over Financial Reporting

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

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. Therefore, we cannot assure that we have identified all deficiencies, significant deficiencies or material weaknesses. However, as described in the accompanying Schedule of Findings we identified certain deficiencies in internal control over financial reporting, that we consider material weaknesses.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, when performing their assigned functions, to prevent, or detect and timely correct misstatements. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and timely corrected. We consider finding 2010-001 described in the accompanying Schedule of Findings to be a material weakness.

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 also noted certain matters not requiring inclusion in this report that we reported to the District's management in a separate letter dated March 11, 2011.

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

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

A handwritten signature in black ink that reads "Dave Yost". The signature is written in a cursive style with a large, looping "D" and "Y".

Dave Yost
Auditor of State

March 11, 2011



Dave Yost • Auditor of State

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

Orrville City School District
Wayne County
815 North Ella Street
Orrville, Ohio 44667

To the Board of Education:

Compliance

We have audited the compliance of Orrville City School District, Wayne County, Ohio, (the District) with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133, Compliance Supplement* that could directly and materially affect each of Orrville City School District's major federal programs for the year ended June 30, 2010. The summary of auditor's results section of the accompanying Schedule of Findings identifies the District's major federal programs. The District's management is responsible for complying with the requirements of laws, regulations, contracts, and grants applicable to each major federal program. Our responsibility is to express an opinion on the District's compliance based on our audit.

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

In our opinion, the Orrville City School District complied, in all material respects, with the requirements referred to above that could directly and materially affect each of its major federal programs for the year ended June 30, 2010.

Internal Control Over Compliance

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

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

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

We noted matters involving federal compliance over federal compliance not requiring inclusion in this report, that we reported to the District's management in a separate letter dated March 11, 2011.

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



Dave Yost
Auditor of State

March 11, 2011

**ORRVILLE CITY SCHOOL DISTRICT
WAYNE COUNTY**

**SCHEDULE OF FINDINGS
OMB CIRCULAR A -133 § .505
JUNE 30, 2010**

1. SUMMARY OF AUDITOR'S RESULTS

(d)(1)(i)	Type of Financial Statement Opinion	Unqualified
(d)(1)(ii)	Were there any material control weaknesses reported at the financial statement level (GAGAS)?	Yes
(d)(1)(ii)	Were there any significant deficiencies in internal control reported at the financial statement level (GAGAS)?	No
(d)(1)(iii)	Was there any reported material noncompliance at the financial statement level (GAGAS)?	No
(d)(1)(iv)	Were there any material internal control weaknesses reported for major federal programs?	No
(d)(1)(iv)	Were there any significant deficiencies in internal control reported for major federal programs?	No
(d)(1)(v)	Type of Major Programs' Compliance Opinion	Unqualified
(d)(1)(vi)	Are there any reportable findings under § .510(a)?	No
(d)(1)(vii)	Major Programs (list):	Title I, Part A Cluster CFDA #84.010 & 84.389 Special Education Cluster CFDA #84.027 & 84.391 ARRA - State Fiscal Stabilization Funds (SFSF) - Education State Grants, Recovery Act CFDA #84.394
(d)(1)(viii)	Dollar Threshold: Type A/B Programs	Type A: > \$ 300,000 Type B: all others
(d)(1)(ix)	Low Risk Auditee?	Yes

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

Finding Number	2010-001
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MATERIAL WEAKNESS – Financial Reporting

As a result of the audit procedures performed, errors were noted in the financial statements that required proposed audit adjustments and reclassifications. The most significant adjustments are as follows:

The following adjustments and reclassifications are due to errors detected in the financial statements:

- The encumbrances spreadsheet contained a formula error, as a result, an adjustment to reduce the reserve for encumbrances by \$550,504 was posted to the Ohio Schools Facilities Commission (OSFC) Fund (010), within the accompanying financial statements.
- A contract payable amount was omitted in the Building Fund (004), therefore, an adjustment to record an unrecorded contract payable in the amount of \$31,815 was posted to the (004) fund, within the accompanying financial statements.
- A property tax confirmation prepared by the County Auditor’s Office contained incorrect amounts which were used in compiling the financial statements. Property Taxes were overstated and deferred revenue was understated by the following amounts in the following funds:

General Fund (001) - \$2,807,500
Bond Retirement (002) - \$522,000
Capital Improvement (003) - \$305,500

Additionally, Reserved for Property Taxes was overstated and Unreserved Fund Balance was understated in the above noted funds by the above noted amounts, adjustments have been posted to the financial statements.

- Ohio School Facilities Commission (OSFC) revenues were misclassified on the statement of activities. OSFC revenues were posted to program revenues (regular instruction) instead of general revenues. As a result a reclassification was posted to the financial statements to reduce program revenues and increase general revenues in the amount of \$18,121,228.
- The value of a multi-purpose building donated to the District by the athletic boosters was not included as a capital asset. All capital assets whether purchased or received through donation should be reported in the District’s financial statements and subsequently depreciated. An adjustment was made in the amount of \$1,590,630 to record the building on the District’s financial statements.

Sound financial reporting is the responsibility of the District’s Treasurer and Board of Education and is essential to ensure the information provided to the readers of the financial statements is complete and accurate.

Finding Number 2010-001 (continued)

To ensure the District's financial statements and notes to the financial statements are complete and accurate, the District should adopt policies and procedures, including a final review of the statements and notes by the Treasurer and Board of Education, to identify and correct errors and omissions. Additionally, the Treasurer should provide the GAAP converter with all pertinent information required for the GAAP conversion.

Official's Response: Now that the District is aware of the implications of SAS 115, we will work more closely with our contracted service provider to insure that the adjustments and reclassifications identified during the current audit will not be repeated in future years. We will also review the completed GAAP financial statements to look for areas in which material adjustments may occur. The District will also review the option of reporting on a cash basis under the recommended model. However, given the fact that the GAAP conversion deals with estimated figures and interpretations of auditing standards, it is unreasonable to insure that an audit will never have an audit adjustment due to auditors' judgment.

3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS
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None

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Dave Yost • Auditor of State

INDEPENDENT ACCOUNTANTS' REPORT ON APPLYING AGREED-UPON PROCEDURES

Orrville City School District
Wayne County
815 North Ella Street
Orrville, Ohio 44667

To the Board of Education:

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

Accordingly, we have performed the procedures enumerated below, which were agreed to by the Board, solely to assist the Board in evaluating whether Orrville City School District (the District) has adopted an anti-harassment policy in accordance with Ohio Rev. Code Section 3313.666. Management is responsible for complying with this requirement. This agreed-upon procedures engagement was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants. The sufficiency of these procedures is solely the responsibility of the Board. Consequently; we make no representation regarding the sufficiency of the procedures described below either for the purpose for which this report has been requested or for any other purpose.

1. We noted the Board adopted an anti-harassment policy at its meeting on July 27, 2007 and a revised policy on January 21, 2010.
2. We read the policy, noting it included the following requirements from Ohio Rev. Code Section 3313.666(B):
 - (1) A statement prohibiting harassment, intimidation, or bullying of any student on school property or at school-sponsored events;
 - (2) A definition of harassment, intimidation, or bullying that includes the definition in division (A) of Ohio Rev. Code Section 3313.666;
 - (3) A procedure for reporting prohibited incidents;
 - (4) A requirement that school personnel report prohibited incidents of which they are aware to the school principal or other administrator designated by the principal;
 - (5) A requirement that parents or guardians of any student involved in a prohibited incident be notified and, to the extent permitted by section 3319.321 of the Revised Code and the "Family Educational Rights and Privacy Act of 1974," 88 Stat. 571, 20 U.S.C. 1232q, as amended, have access to any written reports pertaining to the prohibited incident;

- (6) A procedure for documenting any prohibited incident that is reported;
- (7) A procedure for responding to and investigating any reported incident;
- (8) A strategy for protecting a victim from additional harassment, intimidation, or bullying, and from retaliation following a report;
- (9) A disciplinary procedure for any student guilty of harassment, intimidation, or bullying, which shall not infringe on any student's rights under the first amendment to the Constitution of the United States;
- (10) A requirement that the district administration semiannually provide the president of the district board a written summary of all reported incidents and post the summary on its web site, if the district has a web site, to the extent permitted by section 3319.321 of the Revised Code and the "Family Educational Rights and Privacy Act of 1974," 88 Stat. 571, 20 U.S.C. 1232q, as amended.

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

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



Dave Yost
Auditor of State

March 11, 20011



Dave Yost • Auditor of State

ORRVILLE CITY SCHOOL DISTRICT

WAYNE COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
MARCH 31, 2011**