



**OSNABURG LOCAL SCHOOL DISTRICT
STARK COUNTY**

SINGLE AUDIT

FOR THE YEAR ENDED JUNE 30, 2000



JIM PETRO
AUDITOR OF STATE

STATE OF OHIO

**OSNABURG LOCAL SCHOOL DISTRICT
STARK COUNTY**

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REPORT OF INDEPENDENT ACCOUNTANTS

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

To the Board of Education:

We have audited the accompanying general purpose financial statements of Osnaburg Local School District, Stark County, (the District) as of and for the year ended June 30, 2000, as listed in the Table of Contents. These general purpose financial statements are the responsibility of the District's management. Our responsibility is to express an opinion on these general purpose financial statements based on our audit.

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

In our opinion, the general purpose financial statements referred to above present fairly, in all material respects, the financial position of the District as of June 30, 2000, and the results of its operations and the cash flows of its proprietary fund types and nonexpendable trust fund for the year then ended in conformity with generally accepted accounting principles.

In accordance with *Government Auditing Standards*, we have also issued our report dated January 8, 2001, 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 grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

The accompanying Schedule of Receipts and Expenditures of Federal Awards is presented for the purpose of additional analysis as 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 general purpose financial statements. Such information has been subjected to the auditing procedures applied in the audit of the general purpose financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the general purpose financial statements taken as a whole.

Jim Petro
Auditor of State

January 8, 2001

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OSNABURG LOCAL SCHOOL DISTRICT
STARK COUNTY, OHIO
 COMBINED BALANCE SHEET
 ALL FUND TYPES AND ACCOUNT GROUPS
 JUNE 30, 2000

	Governmental Fund Types		Proprietary Fund Type	Fiduciary Fund Types	Account Groups		Total (Memorandum Only)
	General	Special Revenue			Capital Projects	Enterprise	
ASSETS AND OTHER DEBITS							
ASSETS:							
Equity in pooled cash and cash equivalents	\$2,256,717	\$240,930	\$5,968	\$130,761	\$41,788		\$2,676,164
Equity in pooled cash and cash equivalents - nonexpendable trust fund					70,423		70,423
Receivables (net of allowances of uncollectibles):							
Taxes - current and delinquent	2,640,803						2,640,803
Accounts	37,561						37,561
Due from other governments	250						250
Interfund loan receivable	70,000						70,000
Materials and supplies inventory				8,206			8,206
Restricted assets:							
Equity in pooled cash and cash equivalents	131,530						131,530
Property, plant and equipment (net of accumulated depreciation where applicable)						\$3,652,880	3,665,885
OTHER DEBITS:							
Amount to be provided for retirement of general long-term obligations						\$332,546	332,546
Total assets and other debits	<u>\$5,136,861</u>	<u>\$240,930</u>	<u>\$5,968</u>	<u>\$151,972</u>	<u>\$112,211</u>	<u>\$3,652,880</u>	<u>\$9,633,368</u>

THE NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS ARE AN INTEGRAL PART OF THIS STATEMENT

--Continued

OSNABURG LOCAL SCHOOL DISTRICT
STARK COUNTY, OHIO
 COMBINED BALANCE SHEET
 ALL FUND TYPES AND ACCOUNT GROUPS (CONTINUED)
 JUNE 30, 2000

	Governmental Fund Types			Proprietary Fund Type	Fiduciary Fund Types	Account Groups			Total (Memorandum Only)
	General	Special Revenue	Capital Projects			Enterprise	Trust and Agency	General Fixed Assets	
LIABILITIES, EQUITY AND OTHER CREDITS									
LIABILITIES:									
Accounts payable	\$17,016	\$4,335		\$463					\$21,814
Contracts payable	23,752								23,752
Accrued wages and benefits	458,397	22,875		13,791					495,063
Compensated absences payable	16,151			2,512			\$239,161		257,824
Pension obligation payable	75,766	2,918		12,540			52,499		143,723
Deferred revenue	2,529,433			4,506					2,533,939
Due to students					\$24,147				24,147
Interfund loan payable		70,000							70,000
Obligation under capital lease							40,886		40,886
Total liabilities	3,120,515	100,128		33,812	24,147		332,546		3,611,148
EQUITY AND OTHER CREDITS:									
Investment in general fixed assets									3,652,880
Retained earnings: unreserved									118,160
Fund balances:									
Reserved for encumbrances	618,258	127,173		118,160					745,431
Reserved for tax revenue unavailable for appropriation	111,370								111,370
Reserved for principal endowment					48,999				48,999
Reserved for budget stabilization	112,524								112,524
Reserved for school bus allocation	19,006								19,006
Unreserved-undesignated (deficit)	1,155,188	13,629			39,065				1,213,850
Total equity and other credits	2,016,346	140,802		118,160	88,064		3,652,880		6,022,220
Total liabilities, equity and other credits	\$5,136,861	\$240,930		\$151,972	\$112,211		\$3,652,880		\$9,633,368

THE NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS ARE AN INTEGRAL PART OF THIS STATEMENT

OSNABURG LOCAL SCHOOL DISTRICT
STARK COUNTY, OHIO
 COMBINED STATEMENT OF REVENUES, EXPENDITURES
 AND CHANGES IN FUND BALANCES
 ALL GOVERNMENTAL FUND TYPES AND EXPENDABLE TRUST FUND
 FOR THE YEAR ENDED JUNE 30, 2000

	Governmental Fund Types			Fiduciary Fund Type	Total (Memorandum Only)
	General	Special Revenue	Capital Projects	Expendable Trust	
Revenues:					
From local sources:					
Taxes	\$2,523,400				\$2,523,400
Tuition	113,206				113,206
Earnings on investments	129,133			\$1,633	130,766
Extracurricular		\$112,781		920	113,701
Other local revenues	109,211				109,211
Intergovernmental - State	3,405,322	81,738	\$8,408		3,495,468
Intergovernmental - Federal	11,157	297,987			309,144
Total revenue	6,291,429	492,506	8,408	2,553	6,794,896
Expenditures:					
Current:					
Instruction:					
Regular	2,292,851	119,276	19,895		2,432,022
Special	580,959	121,898			702,857
Vocational	103,048	19,425			122,473
Other	378,330			5,000	383,330
Support services:					
Pupil	149,865	22,211			172,076
Instructional staff	69,997	59,875	8,026		137,898
Board of Education	34,129				34,129
Administration	482,107	8,034			490,141
Fiscal	187,425				187,425
Business	7,734				7,734
Operations and maintenance	442,322	10,974	2,819		456,115
Pupil transportation	432,308				432,308
Central		5,576			5,576
Community services	12,938				12,938
Extracurricular activities	115,409	106,515			221,924
Facilities acquisition and construction	354,089				354,089
Debt service:					
Principal retirement	27,842				27,842
Interest and fiscal charges	2,272				2,272
Total expenditures	5,673,625	473,784	30,740	5,000	6,183,149
Excess (deficiency) of revenues over (under) expenditures	617,804	18,722	(22,332)	(2,447)	611,747
Other financing sources (uses):					
Operating transfers in		12,000			12,000
Operating transfers out	(12,000)				(12,000)
Proceeds from sale of fixed assets	1,515				1,515
Total other financing sources (uses)	(10,485)	12,000			1,515
Excess (deficiency) of revenues and other financing sources over (under) expenditures and other financing uses	607,319	30,722	(22,332)	(2,447)	613,262
Fund balances (deficit), July 1	1,409,027	110,080	28,300	20,088	1,567,495
Fund balances, June 30	\$2,016,346	\$140,802	\$5,968	\$17,641	\$2,180,757

THE NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS ARE AN INTEGRAL PART OF THIS STATEMENT

OSNABURG LOCAL SCHOOL DISTRICT
STARK COUNTY, OHIO
 COMBINED STATEMENT OF REVENUES, EXPENDITURES
 AND CHANGES IN FUND BALANCES
 BUDGET (NON-GAAP BUDGETARY BASIS) AND ACTUAL
 ALL GOVERNMENTAL FUND TYPES
 FOR THE YEAR ENDED JUNE 30, 2000

	General			Special Revenue			Capital Projects			Total (Memorandum only)		
	Revised	Actual	Variance: Favorable (Unfavorable)	Revised	Actual	Variance: Favorable (Unfavorable)	Budget Revised	Actual	Variance: Favorable (Unfavorable)	Budget Revised	Actual	Variance: Favorable (Unfavorable)
	Budget			Budget								
Revenues:												
From local sources:												
Taxes.....	\$2,538,700	\$2,538,700	\$0									\$0
Tuition.....	114,045	114,045	0									0
Earnings on investments.....	129,133	129,133	0									0
Extracurricular.....	104,548	104,548	0	\$112,779	\$112,779	\$0						0
Other local revenues.....	3,423,132	3,423,132	0	81,738	81,738	0	\$8,408	\$8,408	\$0			0
Intergovernmental - State.....	11,157	11,157	0	313,246	313,246	0						0
Intergovernmental - Federal.....	6,320,715	6,320,715	0	507,763	507,763	0	8,408	8,408	0			0
Total revenues.....												
				2,451,302	2,351,168	100,134	145,341	145,901	(560)	19,897	19,897	99,574
Expenditures:												
Current:												
Instruction:												
Regular.....	563,123	563,123	0	115,959	115,959	0	24,577	24,800	(223)			0
Special.....	97,786	98,586	(800)									(1,023)
Vocational.....	421,810	421,810	0									0
Other.....												0
Support services:												
Pupil.....	148,389	148,270	119	25,150	25,150	0						119
Instructional staff.....	104,049	147,203	(43,154)	152,608	152,293	315	8,027	8,027	0			(42,839)
Board of Education.....	36,955	36,955	0									0
Administration.....	463,636	464,434	(798)	8,161	8,161	0						0
Fiscal.....	185,838	186,020	(182)									(182)
Business.....	7,790	7,734	56									56
Operations and maintenance.....	469,871	469,850	21	10,824	10,824	0	2,825	2,825	0			21
Pupil transportation.....	494,681	487,707	6,974									6,974
Central.....	12,659	12,659	0	5,902	5,902	0						0
Community services.....	115,495	115,495	0	111,355	110,070	1,285						0
Extracurricular activities.....	758,090	758,090	0									0
Facilities services.....	6,331,474	6,269,104	62,370	599,877	599,060	817	30,749	30,749	0			0
Total expenditures.....												
				(10,759)	51,611	62,370	(92,114)	(91,297)	817	(22,341)	(22,341)	63,187
Excess (deficiency) of revenues over (under) expenditures.....												
Other financing sources (uses):												
Refund of prior year's expenditures.....	7,015	7,015	0	503	503	0						0
Operating transfers in.....	(12,000)	(12,000)	0	12,000	12,000	0						0
Operating transfers (out).....	57,125	57,125	0	121,900	121,900	0						0
Advances in.....	(51,900)	(121,900)	(70,000)	(57,125)	(57,125)	0						(70,000)
Advances (out).....	1,515	1,515	0									0
Proceeds of sale of fixed assets.....												0
Total other financing sources (uses).....	1,755	(68,245)	(70,000)	77,278	77,278	0						(70,000)
Excess (deficiency) of revenues and other financing sources over (under) expenditures and other financing (uses).....	(9,004)	(16,634)	(7,630)	(14,836)	(14,019)	817	(22,341)	(22,341)	0	(46,181)	(52,994)	(6,813)
Fund balances, July 1.....	1,297,551	1,297,551	0	84,204	84,204	0	26,024	26,024	0	1,407,779	1,407,779	0
Prior year encumbrances appropriated.....	448,303	448,303	0	39,237	39,237	0	2,286	2,286	0	489,826	489,826	0
Fund balances, June 30.....	\$1,736,850	\$1,729,220	(\$7,630)	\$108,605	\$109,422	(\$817)	\$5,969	\$5,969	\$0	\$1,851,424	\$1,844,611	(\$6,813)

THE NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS ARE AN INTEGRAL PART OF THIS STATEMENT

OSNABURG LOCAL SCHOOL DISTRICT
STARK COUNTY, OHIO
 COMBINED STATEMENT OF REVENUES, EXPENSES
 AND CHANGES IN RETAINED EARNINGS/FUND BALANCE
 PROPRIETARY FUND TYPE AND NONEXPENDABLE TRUST FUND
 FOR THE YEAR ENDED JUNE 30, 2000

	<u>Proprietary Fund Type</u>	<u>Fiduciary Fund Type</u>	<u>Total (Memorandum Only)</u>
	<u>Enterprise</u>	<u>Nonexpendable Trust</u>	
Operating revenues:			
Tuition and fees	\$930		\$930
Sales/charges for services	210,951	\$992	211,943
Investment earnings		3,787	3,787
	<u>211,881</u>	<u>4,779</u>	<u>216,660</u>
Total operating revenues			
Operating expenses:			
Personal services	136,774		136,774
Contract services	5,355		5,355
Materials and supplies	135,584		135,584
Depreciation	2,104		2,104
Other operating expenses	263	1,267	1,530
	<u>280,080</u>	<u>1,267</u>	<u>281,347</u>
Total operating expenses			
Operating income (loss)	<u>(68,199)</u>	<u>3,512</u>	<u>(64,687)</u>
Nonoperating revenues:			
Operating grants	78,791		78,791
Investment earnings	6,250		6,250
Federal commodities	17,640		17,640
	<u>102,681</u>		<u>102,681</u>
Total nonoperating revenues			
Net income	34,482	3,512	37,994
Retained earnings/fund balance, July 1 (restated)	83,678	66,911	150,589
Retained earnings/fund balance at June 30.	<u>\$118,160</u>	<u>\$70,423</u>	<u>\$188,583</u>

THE NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS ARE AN INTEGRAL PART OF THIS STATEMENT

OSNABURG LOCAL SCHOOL DISTRICT
STARK COUNTY, OHIO
COMBINED STATEMENT OF CASH FLOWS
PROPRIETARY FUND TYPE AND NONEXPENDABLE TRUST FUND
FOR THE YEAR ENDED JUNE 30, 2000

	Proprietary Fund Type	Fiduciary Fund Type	
	Enterprise	Nonexpendable Trust	Total (Memorandum Only)
Cash flows from operating activities:			
Cash received from tuition and fees	\$930		\$930
Cash received from sales/service charges	210,951	\$992	211,943
Cash payments for personal services	(140,117)		(140,117)
Cash payments for contract services	(4,892)		(4,892)
Cash payments for materials and supplies	(118,159)		(118,159)
Cash payments for other expenses	(263)	(1,267)	(1,530)
Net cash used in operating activities	(51,550)	(275)	(51,825)
Cash flows from noncapital financing activities:			
Cash received from operating grants	89,066		89,066
Net cash provided by noncapital financing activities	89,066		89,066
Cash flows from investing activities:			
Interest received	6,250	3,787	10,037
Net cash provided by investing activities	6,250	3,787	10,037
Net increase in cash and cash equivalents	43,766	3,512	47,278
Cash and cash equivalents at beginning of year	86,995	66,911	153,906
Cash and cash equivalents at end of year	\$130,761	\$70,423	\$201,184
Reconciliation of operating income (loss) to net cash used in operating activities:			
Operating income (loss)	(\$68,199)	\$3,512	(\$64,687)
Adjustments to reconcile operating income (loss) to net cash used in operating activities:			
Depreciation	2,104		2,104
Federal donated commodities	17,640		17,640
Interest reported as operating income		(3,787)	(3,787)
Changes in assets and liabilities:			
Increase in materials and supplies inventory	697		697
Decrease in accounts payable	463		463
Increase in accrued wages and benefits	(1,670)		(1,670)
Increase in compensated absences payable	(1,033)		(1,033)
Decrease in pension obligation payable	(640)		(640)
Decrease in deferred revenue	(912)		(912)
Net cash used in operating activities	(\$51,550)	(275)	(\$51,825)

THE NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS ARE AN INTEGRAL PART OF THIS STATEMENT

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

**NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2000**

NOTE 1 - DESCRIPTION OF THE SCHOOL DISTRICT

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

The District is located in East Canton, Ohio, Stark County. It is staffed by 44 non-certificated employees and 68 certificated employees who provide services to 1,040 students and other community members. The District operates one elementary school (K-3), one middle school (4-8) and a high school (9-12).

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

A. Reporting Entity

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

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

NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2000

(Continued)

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

A. Reporting Entity - (Continued)

Component units are legally separate organizations for which the District is financially accountable. The District is financially accountable for an organization if the District appoints a voting majority of the organization's governing board and (1) the District is able to significantly influence the programs or services performed or provided by the organization; or (2) the District is legally entitled to or can otherwise access the organization's resources; the District is legally obligated or has otherwise assumed the responsibility to finance the deficits of, or provide financial support to, the organization; or the District is obligated for the debt of the organization. Component units may also include organizations that are fiscally dependent on the District in that the District approves the budget, the issuance of debt or the levying of taxes. Based upon the application of these criteria, the District has no component units. The following organizations are described due to their relationship with the District:

JOINTLY GOVERNED ORGANIZATIONS

Stark-Portage Area Computer Consortium (SPARCC)

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

Stark County Schools Council of Government (Council)

The Council is governed by an assembly which consists of one representative from each participating school district (usually the superintendent or designee). The assembly elects officers for one year terms to serve as the Board of Directors. The assembly exercises control over the operation of the Council. All Council revenues are generated from charges for services. The Council has a Health Benefits Program which is a shared risk pool comprised of fifteen Stark County school districts. The Council also sponsors a workers' compensation group rating plan which is an insurance purchasing pool.

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

NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2000

(Continued)

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

B. Fund Accounting

The District uses funds and account groups to report its financial position and the results of its operations. A fund is a separate accounting entity with a self-balancing set of accounts. An account group, on the other hand, is a financial reporting device designed to provide accountability for certain assets and liabilities that are not recorded in the funds because they do not directly affect net expendable available financial resources. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain school district activities or functions. Funds are classified into three categories: governmental, proprietary and fiduciary. Each category is divided into separate fund types.

GOVERNMENTAL FUNDS

Governmental funds are those through which most governmental functions of the District are financed. The acquisition, use and balances of the District's expendable financial resources and the related liabilities (except those accounted for in proprietary funds) are accounted for through governmental funds. The following are the District's governmental fund types:

General Fund - The General Fund is the general operating fund of the District and is used to account for all financial resources except those required to be accounted for in another fund.

Special Revenue Funds - The Special Revenue Funds are used to account for the proceeds of specific revenue sources (other than expendable trusts, or major capital projects) that are legally restricted to expenditures for specified purposes.

Capital Projects Funds - The Capital Projects Funds are used to account for financial resources to be used for the acquisition of construction of major capital facilities (other than those financed by proprietary funds or trust funds).

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

NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2000
(Continued)

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

B. Fund Accounting - (Continued)

PROPRIETARY FUNDS

Proprietary Funds are used to account for the District's ongoing activities which are similar to those often found in the private sector where the determination of net income is necessary or useful to sound financial administration. The following are the District's Proprietary Fund Types:

Enterprise Funds - The Enterprise Funds are used to account for operations (a) that are financed and operated in a manner similar to private business enterprises where the intent of the governing body is that the costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges; or (b) where the governing body has decided that periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability, or other purposes.

FIDUCIARY FUNDS

Fiduciary Funds are used to account for assets held by the District in a trustee capacity or as an agent for individuals, private organizations, other governmental units and/or other funds. These include an Expendable Trust Funds, Nonexpendable Trust Funds and an Agency Fund. The Expendable Trust Fund is accounted for in the same manner as governmental funds. The Nonexpendable Trust Fund is accounted for in the same manner as Proprietary Funds, while the Agency Fund is custodial in nature (assets equal liabilities) and does not involve measurement of results of operations. The Agency Fund is presented on a budget basis, with note disclosure, regarding accruals which, in other fund types, would be presented on the combined balance sheet. At June 30, 2000, there were no Agency Fund accruals which, in other fund types, would be recognized in the combined balance sheet.

ACCOUNT GROUPS

To make a clear distinction between fixed assets related to specific funds and those of general government, and between long-term liabilities related to specific funds and those of general nature, the following account groups are used.

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

NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2000
(Continued)

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

B. Fund Accounting - (Continued)

General Fixed Assets Account Group - This group of accounts is established to account for all fixed assets of the District, other than those accounted for in the proprietary funds.

General Long-Term Obligations Account Group - This group of accounts is established to account for all long-term obligations of the District, other than those accounted for in the proprietary funds.

C. Measurement Focus/Basis of Accounting

The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. All governmental and expendable trust funds are accounted for using a current financial resources measurement focus. With this measurement focus, only current assets and current liabilities generally are included on the combined balance sheet. Operating statements of these funds present increases (revenues and other financing sources) and decreases (expenditures and other financing uses) in net current assets.

All Proprietary Funds and the Nonexpendable Trust Fund are accounted for on a flow of economic resources measurement focus. With this measurement focus, all assets and all liabilities associated with the operations of these funds are included on the combined balance sheet. Proprietary Fund Type operating statements present increases (revenues) and decreases (expenses) in net total assets.

The modified accrual basis of accounting is followed for governmental and expendable trust funds. Under the modified accrual basis of accounting, revenues are recognized when they become both measurable and available to finance expenditures of the current period, which for the District is sixty days after the June 30 year end. Revenues accrued at the end of the year include taxes, (to the extent they are intended to finance the current fiscal year), interest, and accounts (student fees and tuition). Current property taxes measurable as of June 30, 2000, and which are intended to finance fiscal 2001 operations, have been recorded as deferred revenues. Delinquent property taxes measurable and available (received within 60 days) are recognized as revenue.

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

NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2000

(Continued)

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

C. Measurement Focus/Basis of Accounting - (Continued)

In applying the susceptible to accrual concept under the modified accrual basis, the following revenue sources are deemed both measurable and available: interest, tuition, grants and student fees.

The District reports deferred revenue on its combined balance sheet. Deferred revenues arise when a potential revenue does not meet both the "measurable" and "available" criteria for recognition in the current period. Deferred revenues also arise when resources are received by the District before it has a legal claim to them, as when grant monies are received prior to the recognition of qualifying expenditures. In subsequent periods, when both revenue recognition criteria are met, or when the government has a legal claim to the resources, the liability for deferred revenue is removed from the combined balance sheet and revenue is recognized.

Expenditures (decreases in net financial resources) are recognized in the period in which the fund liability is incurred with the following exception: general long-term obligation principal and interest are reported only when due; and costs of accumulated unpaid vacation and sick leave are reported as expenditures in the period in which they will be liquidated with available financial resources rather than in the period earned by employees.

The proprietary funds and the nonexpendable trust fund are accounted for on the accrual basis of accounting. Under the accrual basis of accounting, revenues are recorded when earned and expenses are recorded at the time liabilities are incurred. The fair value of donated commodities used during the year is reported in the operating statement as an expense and a like amount is reported as donated commodities revenue.

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

NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2000
(Continued)

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

D. Budgets

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

1. Prior to January 15 of the preceding year, the Superintendent and Treasurer submit to the Board a proposed operating budget for the fiscal year commencing the following July 1. The budget includes proposed expenditures and the means of financing for all funds. Public hearings are publicized and conducted to obtain taxpayers' comments. The expressed purpose of this budget document is to reflect the need for existing (or increased) tax rates.
2. By no later than January 20, the board-adopted budget is filed with the Stark County Budget Commission for tax rate determination.
3. Prior to April 1, the Board accepts, by formal resolution, the tax rates as determined by the Budget Commission and receives the Commission's Certificate of Estimated Resources which states the projected revenue of each fund. Prior to June 30, the District must revise its budget so that total contemplated expenditures from any fund during the ensuing year will not exceed the amount stated in the Certificate of Estimated Resources. The revised budget then serves as a basis for the appropriation measure. On or about July 1, the Certificate is amended to include any unencumbered balances from the preceding year as reported by the District Treasurer. The Certificate may be further amended during the year if projected increases or decreases in revenue are identified by the District Treasurer. The amounts reported in the budgetary statement reflect the amounts set forth in the final Amended Certificate issued for fiscal year 2000.
4. By July 1, the Annual Appropriation Resolution is legally enacted by the Board at the fund level of expenditures, which are the legal levels of budgetary control. (State statute permits a temporary appropriation to be effective until no later than October 1 of each year.) Although the legal level of budgetary control was established at the fund level of expenditures, the District has elected to present budgetary statement comparisons at the fund and function level of expenditures. Resolution appropriations by fund must be within the estimated resources as certified by the County Budget Commission and the total of expenditures and encumbrances may not exceed the appropriation totals.

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

NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2000
(Continued)

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

D. Budgets - (Continued)

5. Any revisions that alter the total of any fund appropriation must be approved by the Board.
6. Formal budgetary integration is employed as a management control device during the year for all funds consistent with the general obligation bond indenture and other statutory provisions. All funds completed the year within the amount of their legally authorized cash basis appropriation.
7. Appropriation amounts are as originally adopted, or as amended by the Board through the year by supplemental appropriations which either reallocated or increased the original appropriated amounts. All supplemental appropriations were legally enacted by the Board during fiscal 2000; however, none of these amendments were significant.
8. Unencumbered appropriations lapse at year end. Encumbered appropriations are carried forward to the succeeding fiscal year and need not be reappropriated. Expenditures plus encumbrances may not legally exceed budgeted appropriations at the fund, function and/or object level.

Encumbrance accounting is utilized with District funds in the normal course of operations, for purchase orders and contract related expenditures. An encumbrance is a reserve on the available spending authority due to commitment for a future expenditure and does not represent a liability. For governmental fund types, encumbrances outstanding at year end appear as a reserve to the fund balance on a GAAP basis and as the equivalent of expenditures on a non-GAAP budgetary basis in order to demonstrate legal compliance. Note 16 provides a reconciliation of the budgetary and GAAP basis of accounting, and Note 13 discloses encumbrances outstanding for enterprise funds at fiscal year end.

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

NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2000
(Continued)

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

E. Cash and Investments

To improve cash management, cash received by the District is pooled. Monies for all funds, including proprietary funds, are maintained in this pool. Individual fund integrity is maintained through the District's records. Each fund's interest in the pool is presented as "Equity in pooled cash and cash equivalents" (both unrestricted and restricted) on the combined balance sheet.

During fiscal year 2000, investments were limited to investments in the State Asset Treasury Reserve of Ohio (STAR Ohio). Investments in STAR Ohio are reported at fair value which is based on quoted market prices.

STAR Ohio is an investment pool managed by the State Treasurer's Office which allows governments within the State to pool their funds for investment purposes. STAR Ohio is not registered with the SEC as an investment company, but does operate in a manner consistent with Rule 2a7 of the Investment Company Act of 1940. Investments in STAR Ohio are valued at STAR Ohio's share price which is the price the investment could be sold for on June 30, 2000.

Under existing Ohio statutes all investment earnings are assigned to the General Fund unless statutorily required to be credited to a specific fund. Interest revenue credited to the General Fund during fiscal 2000 totaled \$129,133, which included \$49,330 assigned from other funds of the District, and interest revenue credited to the Food Service Enterprise Fund during fiscal year 2000 totaled \$6,250 which includes \$2,179 assigned from other funds of the District.

For purposes of the combined statement of cash flows and for presentation on the combined balance sheet, investments of the cash management pool and investments with original maturities of three months or less at the time they are purchased by the District are considered to be cash equivalents. Investments with an initial maturity of more than three months are reported as investments.

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

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

NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2000
(Continued)

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

F. Inventory

Inventories of proprietary funds are valued at the lower of cost (first-in/first-out method) or market and expensed when used rather than when purchased.

G. Prepayments

Prepayments for governmental funds represent cash disbursements which have occurred and are therefore not current expendable resources. These items are reported as fund assets on the balance sheet using the allocation method, which amortizes their cost over the periods benefitting from the advance payment. At period end, because prepayments are not available to finance future governmental fund expenditures, the fund balance is reserved by an amount equal to the carrying value of the asset. At June 30, 2000, the District did not have significant prepaids to report.

H. Fixed Assets and Depreciation

1. General Fixed Assets Account Group

General fixed assets are capitalized at cost or estimated historical cost. Donated fixed assets are recorded at their fair market values as of the date donated. The District follows the policy of not capitalizing assets with a cost of less than \$500. No depreciation is recognized for assets in the General Fixed Assets Account Group. The District has not included infrastructure in the General Fixed Assets Account Group.

2. Proprietary Funds

Equipment reflected in these funds are stated at historical cost or estimated historical cost and updated for the cost of additions and retirements during the year. Donated fixed assets are recorded at their fair market values as of the date donated. Depreciation has been provided, where appropriate, on a straight-line basis for furniture, fixtures and equipment over the estimated useful lives between 10-20 years.

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

NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2000
(Continued)

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

I. Intergovernmental Revenues

In governmental funds, entitlements and non-reimbursable grants (to the extent such grants and entitlements relate to the current fiscal year) are recorded as receivables and revenue when measurable and available. Reimbursement type grants are recorded as receivables and revenues when the related expenditures are incurred. Other than commodities, grants and entitlements for proprietary fund operations are recognized as non-operating revenues when measurable and earned. The District currently participates in various state and federal programs categorized as follows:

Entitlements

General Fund

State Foundation Program
School Bus Purchase Allowance

Non-Reimbursable Grants

Special Revenue Funds

Teacher Development
Education Management Information Systems
Disadvantaged Pupil Impact Aid
Title VI-B
Title I
Title VI
Drug-Free Schools
Raising the Bar
SchoolNet Professional Development
Ohio Reads
Technology Preparation
Eisenhower

Capital Projects Fund

Technology Equity

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

NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2000
(Continued)

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

I. Intergovernmental Revenues - (Continued)

Reimbursable Grants

Proprietary Funds

National School Lunch Program

Government Donated Commodities

Grants and entitlements amounted to approximately 55% of the District's operating revenue during the 2000 fiscal year.

J. Compensated Absences

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

In accordance with the provisions of GASB Statement No. 16 "Accounting for Compensated Absences", a liability for vacation leave is accrued if a) the employees' rights to payment are attributable to services already rendered; and b) it is probable that the employer will compensate the employees for the benefits through paid time off or other means, such as cash payment at termination or retirement. A liability for sick pay is accrued using the vesting method; i.e., the liability is based on the sick leave accumulated at the balance sheet date by those employees who are currently eligible to receive termination (severance) payments, as well as those employees expected to become eligible in the future. For purposes of establishing a liability for sick pay for employees expected to become eligible to retire in the future, all employees age 50 or greater with at least 10 years of service and all employees with at least 20 years of service regardless of their age were considered expected to become eligible to retire in accordance with GASB Statement No. 16.

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

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

NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2000

(Continued)

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

J. Compensated Absences - (Continued)

Accumulated vacation and sick pay of governmental fund type employees meeting the above requirements have been recorded in the appropriate governmental fund as a current liability to the extent that the amounts are expected to be payable within the current available period. The balance of the liability is recorded in the General Long-Term Obligations Account Group. Vacation and sick leave for employees meeting the above requirements who are paid from proprietary funds is recorded as an expense when earned.

K. Long-Term Obligations

In general, governmental fund payables and accrued liabilities are reported as obligations of the funds regardless of whether they will be liquidated with current resources. However, claims and judgments, compensated absences, contractually required pension contributions and special termination benefits that will be paid from governmental funds are reported as a liability in the General Long-Term Obligations Account Group to the extent that they will not be paid with current expendable available financial resources. Payments made more than two months after year-end are generally considered not to have been paid with current available financial resources. Capital leases are recognized as a liability of the General Long-Term Obligations Account Group until due or until resources have been accumulated in the fund for payment early in the following year.

Long-term debt and other obligations financed by proprietary funds are reported as liabilities in the appropriate proprietary funds.

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

NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2000

(Continued)

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

L. Fund Balance Reserves

Reserved fund balances indicate that portion of fund equity which is not available for current appropriation or is legally segregated for a specific use. Fund balances are reserved for encumbrances, principal endowment, tax advance unavailable for appropriation, budget stabilization and school bus purchase allocation. The reserve for property tax advance unavailable for appropriation represents taxes recognized as revenue under GAAP but not available for appropriations under State statute. Although the Nonexpendable Trust Fund uses the total economic resources measurement focus, the fund equity is reserved for the amount of the principal endowment. The unreserved portions of fund equity reflected for the governmental funds are available for use within the specific purposes of those funds.

M. Interfund Transactions

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

1. Transfers of resources from one fund to another fund. The resources transferred are to be expended for operations by the receiving fund and are recorded as operating transfers, with the exception of agency funds, which do not show transfers of resources as operating transfers.
2. Reimbursements from one fund to another are treated as expenditures/expenses in the reimbursing fund and a reduction in expenditures/expenses in the reimbursed fund. Quasi-external transactions are accounted for as revenues, expenditures or expenses.
3. Short-term interfund loans and accrued interfund reimbursements and accrued operating transfers are reflected as "Interfund loans receivable or payable".
4. Long-term interfund loans that will not be repaid within the next year are termed "Advances" and are shown as reservations of fund balances on the combined balance sheet for those funds that report advances to other funds as assets because they are not spendable, available resources. The District had no long-term advances receivable or payable at June 30, 2000.

An analysis of interfund transactions is presented in Note 5.

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

NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2000

(Continued)

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

N. Estimates

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

O. Restricted Assets

Restricted assets in the general fund represent cash and cash equivalents set aside to establish a budget stabilization reserve. This reserve is required by the State statute and can be used only after receiving approval from the State Superintendent of Public Instruction. A fund balance reserve has also been established. See Note 18 for detail of statutory reserves.

Restricted assets also include monies restricted for school bus purchases. A fund balance has also been reserved.

P. Memorandum Only - Total Columns

Total columns on the GPFS are captioned (Memorandum Only) to indicate that they are presented only to facilitate financial analysis. Data in these columns do not present financial position, results of operations, or changes in financial position in conformity with GAAP. Neither is such data comparable to a consolidation. Interfund eliminations have not been made in the aggregation of this data.

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

NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2000

(Continued)

NOTE 3 - ACCOUNTABILITY AND COMPLIANCE

A. Prior Period Adjustment

Due to errors and omissions in the amounts previously reported as capital assets and accumulated depreciation at June 30, 1999, a prior period adjustment is required to properly state retained earnings in the Food Service enterprise fund. The adjustment for accumulated depreciation had the following effect on retained earnings as previously reported at June 30, 1999:

	<u>Enterprise</u>
Retained earnings as previously reported	\$80,930
Restatement of fixed assets	<u>2,748</u>
Restated retained earnings at July 1, 1999	<u><u>\$83,678</u></u>

B. Deficit Fund Balance

Fund balances at June 30, 2000 included the following individual fund deficits:

	<u>Deficit Balance</u>
<u>Special Revenue Funds</u>	
Management Information System	\$ 36
Disadvantaged Pupil Impact Aid	97
Title I	16,060

These funds complied with Ohio state law, which does not permit a cash basis deficit at year end.

The deficit fund balances in the Management Information Systems, Disadvantaged Pupil Impact Aid, and the Title I special revenue funds are caused by accruing wages, benefits and pension obligations in accordance with GAAP. These deficits will be eliminated by intergovernmental revenues and other resources not recognized at June 30.

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

**NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2000**

(Continued)

NOTE 4 - EQUITY IN POOLED CASH AND INVESTMENTS

State statutes classifies monies held by the District into three categories:

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

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

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

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

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;

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

NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2000

(Continued)

NOTE 4 - EQUITY IN POOLED CASH 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 percent and be marked to market daily, and that the term of the agreement must not exceed thirty days;
4. Bond and other obligations of the State of Ohio;
5. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2) 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 in an amount not to exceed 25 percent of the interim monies available for investment at any one time; and
8. Under limited circumstances, corporate debt instruments rated in either of the two highest rating classifications by at least two nationally recognized rating agencies.

Investments in stripped principal or interest obligations, reverse repurchase agreements and derivatives are prohibited. The issuance of taxable notes for the purpose of arbitrage, the use of leverage and short selling are also prohibited. An investment must mature within 5 years from the date of purchase unless matched to a specific obligation or debt of the District, and must be purchased with the expectation that it will be held to maturity. Investments may only be made through specified dealers and institutions. Payment for investments may be made only upon delivery of the securities representing the investments to the Treasurer or qualified trustee or, if the securities are not represented by a certificate, upon receipt of confirmation of transfer from the custodian.

Cash on Hand: At fiscal year end, the District had \$350 in undeposited cash on hand which is included on the combined balance sheet of the District as part of "Equity in pooled cash and cash equivalents."

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

NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2000

(Continued)

NOTE 4 - EQUITY IN POOLED CASH AND INVESTMENTS - (Continued)

The following information classifies deposits and investments by categories of custodial credit risk as defined in GASB Statement No. 3, "Deposits with Financial Institutions, Investments (including repurchase agreements) and Reverse Repurchase Agreements".

Deposits: At year end, the carrying amount of the District's deposits was \$71,929 and the bank balance was \$115,134. Of the Bank balance:

1. \$100,000 was covered by federal depository insurance.
2. \$15,134 was uninsured and uncollateralized. Although all statutory requirements for the deposit of money has been followed, non compliance with federal requirements could potentially subject the District held to a successful claim by the FDIC.

Collateral is required for demand deposits and certificates of deposit in excess of all deposits not covered by federal depository insurance. Obligations that may be pledged as collateral are obligations of the United States and its agencies, obligations of the State of Ohio and its municipalities, and obligations of the other states. Obligations pledged to secure deposits must be delivered to a bank other than the institution in which the deposit is made. Written custodial agreements are required.

Investments: Investments are categorized to give an indication of the level of custodial credit risk assumed by the entity at year-end. Category 1 includes investments that are insured or registered or securities held by the District. Category 2 includes uninsured and unregistered investments for which the securities are held by the counterparty's trust department or agent in the District's name. Category 3 includes uninsured and unregistered investments for which the securities are held by the counterparty or by its trust department, but not in the District's name.

The District had an investment of \$2,805,838 in STAR Ohio at June 30, 2000. STAR Ohio is not categorized because it is not evidenced by securities that exist in physical or book entry form.

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

NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2000
(Continued)

NOTE 4 - EQUITY IN POOLED CASH AND INVESTMENTS - (Continued)

The classification of cash and cash equivalents, and investments on the combined balance sheet is based on criteria set forth in GASB Statement No. 9, "Reporting Cash Flows of Proprietary and Nonexpendable Trust Funds and Governmental Entities That Use Proprietary Fund Accounting".

A reconciliation between the classifications of cash and cash equivalents on the combined balance sheet and the classifications of deposits and investments presented above per GASB Statement No. 3 is as follows:

	<u>Cash and Cash Equivalents/Deposits</u>	<u>Investments</u>
GASB Statement No. 9	\$ 2,878,117	\$ ---
Investments of the cash management pool:		
Investment in STAR Ohio	(2,805,838)	2,805,838
Cash on hand	<u>(350)</u>	<u>---</u>
GASB Statement No. 3	<u>\$ 71,929</u>	<u>\$2,805,838</u>

NOTE 5 - INTERFUND TRANSACTIONS

A. Interfund balances at June 30, 2000, consist of the following individual interfund loans receivable and/or payable:

	<u>Interfund Receivable</u>	<u>Interfund Payable</u>
General Fund	\$70,000	\$ ---
<u>Special Revenue Funds</u>		
Excellence Act Grant	<u>---</u>	<u>70,000</u>
Total	<u>\$70,000</u>	<u>\$70,000</u>

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

NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2000
(Continued)

NOTE 5 - INTERFUND TRANSACTIONS - (Continued)

B. The following is a summarized breakdown of the District's operating transfers for 2000.

	<u>Transfers In</u>	<u>Transfers Out</u>
General Fund	\$ - - -	\$12,000
<u>Special Revenue Funds</u>		
District Managed Student Activity	<u>12,000</u>	<u>- - -</u>
Total	<u>\$12,000</u>	<u>\$12,000</u>

NOTE 6 - PROPERTY TAXES

Property taxes are levied and assessed on a calendar year basis. While the District's fiscal year operates from July through June. Real property tax collections by the County are remitted to the District a year after they are assessed by the County.

Property taxes include amounts levied against all real, public utility and tangible personal (used in business) property in the District. Real property taxes are levied after April 1 on the assessed value listed as of the prior January 1, the lien date. Public utility property taxes, attached as a lien on December 31 of the prior year were levied April 1, and are collected with real property taxes. Assessed values for real property taxes are established by State law at thirty-five percent of appraised market value. All property is required to be revalued every six years. Public utility property taxes are assessed on tangible personal property at eighty-eight percent of true value (with certain exceptions) and on real property at thirty-five percent of true value. Tangible personal property taxes are levied after April 1 on the value listed as of December 31 of the current year. Tangible personal property assessments are twenty-five percent of true value.

Real property taxes are payable annually or semi-annually. If paid annually, payment is due December 31; if paid semi-annually, the first payment is due December 31 with the remainder payable by June 20. Under certain circumstances, State statute permits alternate payment dates to be established.

Tangible personal property taxes 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.

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

NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2000
(Continued)

NOTE 6 - PROPERTY TAXES - (Continued)

The District receives property taxes from Stark County. The County Auditor periodically advances to the District its portion of the taxes collected. Second-half real property tax payments collected by the County by June 30, 2000, are available to finance fiscal year 2000 operations. The amount available to be advanced can vary based on the date the tax bills are sent.

Accrued property taxes receivable represent delinquent taxes outstanding and real property, tangible personal property and public utility taxes which became measurable as of June 30, 2000. Although total property tax collections for the next fiscal year are measurable, only the amount available as an advance at June 30 is intended to finance current year operations. The receivable is therefore offset by a credit to deferred revenue for that portion not intended to finance current year operations. At June 30, 2000, the amount available as an advance, and recorded as revenue, was \$111,370 in the General Fund.

Taxes available for advance and recognized as revenue but not received by the District prior to June 30, 2000, are reflected as a reservation of fund balance for future appropriations. The District is prohibited by law, from appropriating this revenue in accordance with ORC Section 5705.35, since an advance of revenue was not requested or received prior to the fiscal year end.

The assessed value upon which the 2000 taxes were collected was \$70,786,120. Agricultural/residential and public utility/minerals real estate represented 72.58% or \$51,374,080 of this total, commercial and industrial real estate represented 8.72% or \$6,170,830 of this total, public utility tangible represented 6.06% or \$4,293,400 of this total and general tangible property represented 12.64% or \$8,947,810 of this total. The voted general tax rate at the fiscal year ended June 30, 2000 was \$59.50 per \$1,000.00 of assessed valuation for operations.

NOTE 7 - RECEIVABLES

Receivables at June 30, 2000, consisted of taxes, accounts (billings for user charged services and student fees), interfund loans, and intergovernmental grants and entitlements (to the extent such grants and entitlements relate to the current fiscal year). Intergovernmental receivables have been reported as "Due From Other Governments" on the combined balance sheet. 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 fiscal year guarantee of Federal funds.

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

NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2000

(Continued)

NOTE 7 - RECEIVABLES - (Continued)

A summary of the principal items of receivables follows:

	<u>Amounts</u>
<u>General Fund</u>	
Taxes - Current & Delinquent	\$2,640,803
Accounts	37,561
Due from other governments	250
Interfund loan	70,000

NOTE 8 - FIXED ASSETS

A. General Fixed Assets

The General Fixed Assets Account Group has been restated as of July 1, 1999 due to errors and omissions in the amounts previously reported as fixed assets.

<u>Asset Category</u>	<u>Balance June 30, 1999</u>	<u>Correction</u>	<u>Restated Balance July 1, 1999</u>
Land and improvements	\$ 74,120	\$ 53,093	\$ 127,213
Buildings and improvements	1,693,875	(29,505)	1,664,370
Furniture, fixtures and equipment	1,021,197	(206,088)	815,109
Vehicles	384,043	99,076	483,119
Construction in progress	<u>52,583</u>	<u>- - -</u>	<u>52,583</u>
Totals	<u>\$3,225,818</u>	<u>\$ (83,424)</u>	<u>\$3,142,394</u>

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

NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2000
(Continued)

NOTE 8 - FIXED ASSETS - (Continued)

A summary of the changes in general fixed assets during fiscal year 2000 is as follows:

<u>Asset Category</u>	<u>Restated Balance July 1, 1999</u>	<u>Additions</u>	<u>Disposals</u>	<u>Balance June 30, 2000</u>
Land and improvements	\$ 127,213	\$ 26,040	\$ ---	\$ 153,253
Buildings and improvements	1,664,370	298,427	---	1,962,797
Furniture, fixtures and equipment	815,109	137,602	---	952,711
Vehicles	483,119	116,000	(15,000)	584,119
Construction in progress	<u>52,583</u>	<u>245,655</u>	<u>(298,238)</u>	<u>0</u>
Totals	<u>\$3,142,394</u>	<u>\$823,724</u>	<u>\$(313,238)</u>	<u>\$3,652,880</u>

B. Proprietary Fixed Assets

A summary of the proprietary fixed assets at June 30, 2000 follows:

Furniture and equipment	\$ 63,613
Less: accumulated depreciation	<u>(50,608)</u>
Net fixed assets	<u>\$ 13,005</u>

NOTE 9 - CAPITALIZED LEASES - LESSEE DISCLOSURE

The District into capital lease agreements for copier equipment. These leases meet the criteria of a capital lease as defined by FASB Statement No. 13, "Accounting for Leases", which defines a capital lease generally as one which transfers benefits and risks of ownership to the lessee at the conclusion of the lease term. Capital lease payments have been reclassified and are reflected as debt service expenditures in the Combined Statement of Revenues, Expenditures and Changes in Fund Balances for all Governmental Fund Types. These expenditures are reflected as program/function expenditures on a budgetary basis.

General fixed assets consisting of copier equipment have been capitalized in the General Fixed Assets Account Group in an amount of \$115,507. This amount represents the present value of the future minimum lease payments at the time of acquisition.

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

NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2000
(Continued)

NOTE 9 - CAPITALIZED LEASES - LESSEE DISCLOSURE - (Continued)

A corresponding liability was recorded in the General Long-Term Obligations Account Group. Principal payments in the 2000 fiscal year totaled \$27,842.

The following is a schedule of the future minimum lease payments required under the capital lease and the present value of the future minimum lease payments as of June 30, 2000:

<u>Year Ending June 30,</u>	<u>General Long-Term Obligation</u>
2001	\$14,328
2002	14,328
2003	14,328
2004	<u>3,639</u>
Total minimum lease payments	46,623
Less amount representing interest	<u>(5,737)</u>
Present value of minimum lease payments	<u>\$40,886</u>

NOTE 10 - LONG-TERM OBLIGATIONS

A. Changes in long-term obligations of the District during fiscal year 2000 were as follows:

	<u>Balance July 1, 1999</u>	<u>Increase</u>	<u>Decrease</u>	<u>Balance June 30, 2000</u>
Compensated absences	\$243,988	\$ ---	\$ (4,827)	\$239,161
Pension obligation payable	45,756	52,499	(45,756)	52,499
Obligation under capital lease	68,728	---	(27,842)	40,886
Judgement payable	<u>55,465</u>	<u>---</u>	<u>(55,465)</u>	<u>0</u>
TOTAL	<u>\$413,937</u>	<u>\$52,499</u>	<u>\$(133,890)</u>	<u>\$332,546</u>

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

**NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2000**

(Continued)

NOTE 10 - LONG-TERM OBLIGATIONS - (Continued)

Compensated absences and the pension obligation, which represents contractually required pension contributions paid outside the available period, will be paid from the fund from which the employee is paid. Compensated absences are presented net of actual increases and decreases due to the practicality of determining these values. Capital lease obligations will be paid from the General Fund.

The Judgement Payable amount was the result of a Court Ruling which required the District to make payment for back wages to a former employee. The District paid this liability during fiscal year 2000. This liability was paid from the General Fund. See Note 17.B.

B. Legal Debt Margin

The Ohio Revised Code provides that voted net general obligation debt of the District shall never exceed 9% of the total assessed valuation of the District. The code further provides that unvoted indebtedness shall not exceed 1/10 of 1% of the property valuation of the District. The effects of these debt limitations at June 30, 2000, are a voted debt margin of \$6,370,751 and an unvoted debt margin of \$70,786.

NOTE 11 - EMPLOYEE BENEFITS

A. Compensated Absences

The criteria for determining vested vacation and sick leave benefits are derived from negotiated agreements and State laws. Classified employees earn 10 to 30 days of vacation per year, depending upon length of service and hours worked. Teachers do not earn vacation time. Administrators employed to work 260 days per year earn 20 days of vacation annually. Teachers, administrators and classified employees earn sick leave at the rate of 1 1/4 days per month up to a maximum of 285 days for classified employees and 291 days for certified employees. Upon retirement, classified employees and certified employees receive payment for one-fourth of the total sick leave accumulation, up to a maximum of 54 days for both certified and classified employees.

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

NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2000
(Continued)

NOTE 11 - EMPLOYEE BENEFITS - (Continued)

B. Life Insurance

The District provides life insurance and accidental death and dismemberment insurance to most employees. Life insurance is provided through the Stark County Schools Council of Government Health Benefits Program.

NOTE 12 - RISK MANAGEMENT

A. Comprehensive

The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees and natural disasters. The District has contracted with Indiana Insurance for property, general and excess liability insurance. Nationwide insurance also covers boiler and machinery, inland marine, audio/visual equipment and musical instruments, with a \$5,000 deductible. A \$1,000 deductible applies to boiler coverage only.

Professional liability is protected by Nationwide Insurance with a \$2,000,000 single occurrence, \$5,000,000 aggregate and no deductible. Vehicles are also covered by Indiana Insurance and have a \$250 deductible for comprehensive and a \$500 deductible for collision. Automobile liability and vehicle liability both have a \$1,000,000 single limit of liability.

Settled claims have not exceeded this commercial coverage in any of the past three years.

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

NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2000
(Continued)

NOTE 12 - RISK MANAGEMENT - (Continued)

B. Workers' Compensation

For fiscal year 2000, the District participated in the Stark County Schools Council of Government's Workers' Compensation Group Rating Program (GRP), an insurance purchasing pool (Note 2). The intent of the GRP is to achieve the benefit of a reduced premium for the District by virtue of its grouping and representation with other participants in the GRP. The workers' compensation experience of the participating school districts is calculated as one experience and a common premium rate is applied to all school districts in the GRP. Each participant pays its workers' compensation premium to the State based on the rate for the GRP rather than its individual rate. Total savings are then calculated and each participant's individual performance is compared to the overall savings percentage of the GRP. A participant will then either receive money from or be required to contribute to the "Group Savings Fund". This "group savings" arrangement insures that each participant shares equally in the overall performance of the GRP. Participation in the GRP is limited to school districts that can meet the GRP's selection criteria. The firm of CompManagement Inc. provides administrative, cost control and actuarial services to the GRP.

C. Employee Group Health Insurance

The District has contracted with the Stark County Schools Council of Government Health Benefits Program to provide employee medical/surgical and dental benefits. The Stark County Schools Council's Health Benefits Program is a shared risk pool comprised of 15 Stark County school districts. Rates are set through an annual calculation process. The District pays a monthly contribution which is paid in a common fund from which claim payments are made for all participants regardless of claims flow. The board of directors has the right to return monies to an exiting school district subsequent to the settlements of all expenses and claims. The District pays health premiums of \$458.18 for family coverage and \$188.61 for single coverage per employee per month. The District also pays dental premiums of \$59.08 for family coverage and \$23.95 for single coverage per employee per month.

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

NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2000

(Continued)

NOTE 13 - SEGMENT INFORMATION - ENTERPRISE FUNDS

The District maintains two Enterprise Funds to account for the operations of food service and adult education. The table below reflects, in a summarized format, the more significant financial data relating to the Enterprise Funds of the District as of and for the year ended June 30, 2000.

	<u>Food Service</u>	<u>Adult Education</u>	<u>Total</u>
Operating revenue	\$210,951	\$ 930	\$211,881
Operating expenses before depreciation	277,185	791	277,976
Depreciation	2,104	- - -	2,104
Operating income (loss)	(68,338)	139	(68,199)
Operating grants	78,791	- - -	78,791
Federal donated commodities	17,640	- - -	17,640
Net income (loss)	34,343	139	34,482
Net working capital	106,204	1,463	107,667
Total assets	150,504	1,468	151,972
Total liabilities	33,807	5	33,812
Total equity	116,697	1,463	118,160
Encumbrances outstanding at June 30, 2000	623	- - -	623

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

NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2000
(Continued)

NOTE 14 - DEFINED BENEFIT PENSION PLANS

A. School Employees Retirement System

The District contributes to the School Employees Retirement System of Ohio (SERS), a cost-sharing, multiple-employer defined benefit pension plan administered by the School Employees Retirement Board. 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. The report may be obtained by writing to the School Employees Retirement System, 45 North Fourth Street, Columbus, Ohio 43215-3634, or by calling (614) 222-5853.

Plan members are required to contribute 9 percent of their annual covered salary and the District is required to contribute 14 percent for 2000; 5.55 percent was the portion to fund pension obligations. The contribution rates are not determined actuarially, but are established by the School Employees Retirement Board within the rates allowed by State statute. The adequacy of the contribution rates is determined annually. The District pays for 6 percent of the required plan members contribution as an employee fringe benefit. The District's required contributions to SERS for the fiscal years ended June 30, 2000, 1999 and 1998 were \$86,838, \$82,003, and \$80,481, respectively; 22 percent has been contributed for fiscal year 2000 and 100 percent for the fiscal years 1999 and 1998. \$67,350, representing the unpaid contribution for fiscal year 2000, is recorded as a liability within the respective funds and the general long-term obligations account group.

B. State Teachers Retirement System

The District contributes to the State Teachers Retirement System of Ohio (STRS), a cost-sharing, multiple-employer public employee retirement system administered by the State Teachers Retirement Board. STRS provides retirement and disability benefits, annual cost-of-living adjustments, and death and survivor benefits to plan members and beneficiaries. Authority to establish and amend benefits is provided by Chapter 3307 of the Ohio Revised Code. STRS issues a publicly available, stand-alone financial report that includes financial statements and required supplementary information. The report may be obtained by writing to the State Teachers Retirement System, 275 East Broad Street, Columbus, Ohio 43215-3771, or by calling (614) 227-4090.

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

**NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2000**

(Continued)

NOTE 14 - DEFINED BENEFIT PENSION PLANS - (Continued)

Plan members are required to contribute 9.3 percent of their annual covered salary and the District is required to contribute 14 percent; 6 percent was the portion used to fund pension obligations. Contribution rates are established by the State Teachers Retirement Board, upon recommendation of its consulting actuary, not to exceed statutory maximum rates of 10 percent for members and 14 percent for employers. The District pays for all of the required plan members contribution as an employee fringe benefit. The District's required contributions to STRS for the fiscal years ended June 30, 2000, 1999, and 1998 were \$354,279, \$321,437, and \$307,016, respectively; 84 percent has been contributed for fiscal year 2000 and 100 percent for the fiscal years 1999 and 1998. \$57,364, representing the unpaid contribution for fiscal year 2000, is recorded as a liability within the respective funds.

C. Social Security System

Effective July 1, 1991, all employees not otherwise covered by the SERS or the STRS have an option to choose Social Security or the SERS/STRS. The Board's liability is 6.2 percent of wages paid.

NOTE 15 - POSTEMPLOYMENT BENEFITS

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

The State Teachers Retirement Board has statutory authority over how much, if any, of the health care costs will be absorbed by STRS. Most benefit recipients pay a portion of the health care cost in the form of a monthly premium. By Ohio law, the cost of coverage paid from STRS funds shall be included in the employer contribution rate, currently 14 percent of covered payroll. For this fiscal year, the Board allocated employer contributions equal to 8 percent of covered payroll to the Health Care Reserve Fund. For the District, this amount equaled \$202,445 during fiscal 2000.

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

**NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2000
(Continued)**

NOTE 15 - POSTEMPLOYMENT BENEFITS - (Continued)

STRS pays health care benefits from the Health Care Reserve Fund. The balance in the Health Care Reserve Fund was \$2.783 billion at June 30, 1999 (the latest information available). For the year ended June 30, 1999 (the latest information available), net health care costs paid by STRS were \$249.929 million and STRS had 95,796 eligible benefit recipients.

For SERS, coverage is made available to service retirees with 10 or more years of qualifying service credit, and disability and survivor benefit recipients. Members retiring on or after August 1, 1989, with less than 25 years of service credit must pay a portion of their premium for health care. The portion is based on years of service up to a maximum of 75 percent of the premium.

For this fiscal year, employer contributions to fund health care benefits were 8.45 percent of covered payroll. In addition, SERS levies a surcharge to fund health care benefits equal to 14 percent of the difference between a minimum pay and the member's pay, pro-rated for partial service credit. For fiscal year 2000, the minimum pay was established at \$12,400. The surcharge, added to the unallocated portion of the 14 percent employer contribution rate, provides for maintenance of the asset target level for the health care fund.

The target level for the health care reserve is 150 percent of annual health care expenses.

Expenses for health care at June 30, 1999 (the latest information available), were \$126.4 million and the target level was \$189.6 million. At June 30, 1999 (the latest information available), SERS had net assets available for payment of health care benefits of \$188.0 million and SERS had approximately 51,000 participants receiving health care benefits. For the District, the amount to fund health care benefits, including surcharge, equaled \$74,617 during the 2000 fiscal year.

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

**NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2000**

(Continued)

NOTE 16 - BUDGETARY BASIS OF ACCOUNTING

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

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

- (a) Revenues are recorded when received in cash (budgetary basis) as opposed to when susceptible to accrual (GAAP basis);
- (b) Expenditures are recorded when paid in cash (budgetary basis) as opposed to when the liability is incurred (GAAP basis);
- (c) In order to determine compliance with Ohio law, and to reserve that portion of the applicable appropriation, encumbrances are recorded as the equivalent of an expenditure (budget basis) as opposed to a reservation of fund balance for governmental funds (GAAP basis).

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

NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2000

(Continued)

NOTE 16 - BUDGETARY BASIS OF ACCOUNTING - (Continued)

The adjustments necessary to convert the results of operations for the year on the budgetary basis to the GAAP basis for the governmental funds are as follows:

**Excess of Revenues and Other Financing
Sources Over (Under) Expenditures and Other
Financing Uses**

Governmental Fund Types

	<u>General</u>	<u>Special Revenue</u>	<u>Capital Projects</u>
Budgetary basis	\$ (16,634)	\$(14,019)	\$(22,341)
Net adjustment for revenue accruals	(29,286)	(15,257)	---
Net adjustment for expenditure accruals	(63,547)	(6,232)	9
Net adjustment for other financing sources (uses)	57,760	(65,278)	---
Encumbrances (budget basis)	<u>659,026</u>	<u>131,508</u>	<u>---</u>
GAAP basis	<u>\$607,319</u>	<u>\$ 30,722</u>	<u>\$(22,332)</u>

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

**NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2000**

(Continued)

NOTE 17 - CONTINGENCIES

A. Grants

The District receives significant financial assistance from numerous federal, state and local agencies in the form of grants. The disbursement of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and 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 effect on any of the financial statements of the individual fund types included herein or on the overall financial position of the District at June 30, 2000.

B. Litigation

The District is a defendant in a lawsuit filed in March of 1995, by the former Principal of East Canton High School, alleging breach of contract, defamation, tortious interference with an employment contract, and violation of due process rights. The former Principal is seeking \$500,000 in compensatory damages and punitive damages.

On May 19, 1999, the Ohio Supreme Court determined the former Principal enjoyed a continuing contract status as a teacher in the District after the nonrenewal of his administrative contract. Accordingly, the Board of Education has reinstated the former Principal as a teacher during fiscal year 2000 and has paid all back pay due totaling \$55,465 on December 3, 1999.

The remaining issue involving the former Principal to be tried is that of defamation. The Board of Education is vigorously contesting this allegation. An insurance defense is being provided to the claim. Absent a recovery in excess of insurance policy limits, the Board of Education should incur no additional liability with respect to this case.

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

NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2000
(Continued)

NOTE 17 - CONTINGENCIES - (Continued)

C. State School Funding Decision

On March 24, 1997, the Ohio Supreme Court rendered a decision declaring certain portions of the Ohio school funding plan unconstitutional. The Court stayed the effect of its ruling for one year to allow the Ohio General Assembly to design a plan to remedy the perceived defects in that system. Declared unconstitutional was the State's "School Foundation Program", which provides significant amounts of monetary support to this District. During the fiscal year ended June 30, 2000, the District received \$3,077,169 of school foundation support for its General Fund.

Since the Supreme Court ruling, numerous pieces of legislation have been passed by the State General Assembly in an attempt to address the issues identified by the Court. The Court of Common Pleas in Perry County reviewed the new laws and, in a decision issued on February 26, 1999, determined they are not sufficiently responsive to the constitutional issues raised under the "thorough and efficient" clause of the Ohio Constitution. The State appealed the decision made by the Court of Common Pleas to the Ohio Supreme Court. On May 11, 2000, the Ohio Supreme Court rendered an opinion on this issue. The court concluded, "...the mandate of the (Ohio) Constitution has not been fulfilled." The Court's majority recognized efforts by the Ohio General Assembly taken in response to the Court's March 24, 1997, decision, however, it found seven "...major areas warrant further attention, study, and development by the General Assembly..." including the State's reliance on local property tax funding, the state's basic aid formula, the school foundation program, as discussed above, the mechanism for, and adequacy of, funding for school facilities, and the existence of the State's School Solvency Assistance Fund, which the Court found took the place of the unconstitutional emergency school loan assistance program.

The Court decided to maintain jurisdiction over these issues and continued the case at least until June 15, 2001.

As of the date of these financial statements, the District is unable to determine what effect, if any, this ongoing litigation will have on its future State funding under this program and on its financial operations.

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

NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2000
(Continued)

NOTE 18 - STATUTORY RESERVES

The District is required by State law to set-aside certain general fund revenue amounts, as defined by Statute, into various reserves. These reserves are calculated and presented on a cash basis. During the fiscal year ended June 30, 2000, the reserve activity was as follows:

	<u>Textbooks</u>	<u>Capital Acquisition</u>	<u>Budget Stabilization</u>
Set-aside cash balance as of June 30, 1999	\$ 0	\$ 0	\$ 65,827
Current year set-aside requirement	140,091	140,091	46,697
Current year offsets	---	---	---
Qualifying disbursements	<u>(148,202)</u>	<u>(681,365)</u>	<u>---</u>
Total	<u>\$ (8,111)</u>	<u>\$(541,274)</u>	<u>\$112,524</u>
Cash balance carried forward to FY 2001	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$112,524</u>

A schedule of the restricted assets at June 30, 2000 follows:

Amount restricted for budget stabilization	\$112,524
Amount restricted for textbooks	0
Amount restricted for capital acquisition	0
Amount restricted for school bus allocation	<u>19,006</u>
Total restricted assets	<u>\$131,530</u>

The District had qualifying disbursements during the year that reduced the set-aside amount to below zero. The textbooks excess amounts may be used to reduce the set-aside requirements of future years. The capital acquisition excess amounts may not be used to reduce the set-aside requirements of future years. These negative amounts are therefore not presented as being carried forward to future years.

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**OSNABURG LOCAL SCHOOL DISTRICT
STARK COUNTY**

**SCHEDULE OF RECEIPTS AND EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2000**

<u>Federal Grantor / Pass Through Grantor Program Title</u>	<u>Pass Through Entity Number</u>	<u>Federal CFDA Number</u>	<u>Receipts</u>	<u>Non-Cash Receipts</u>	<u>Expenditures</u>	<u>Non-Cash Expenditures</u>
U.S. Department of Education						
<i>Passed Through Ohio</i>						
<i>Department of Education:</i>						
Title I Grants to Local Educational Agencies	C1-S1-99C C1-S1-99 C1-S1-2000	84.010	\$14,377 (670) 83,180	\$0 0 0	\$14,377 15,281 80,972	\$0 0 0
Total Title I Grants to Local Educational Agencies			96,887	0	110,630	0
Special Education Grants to States	6B-SF-99 6B-SF-2000	84.027	15,259 53,464	0 0	10,064 32,572	0 0
Total Special Education Grants to States			68,723	0	42,636	0
Safe and Drug-Free Schools and Communities State Grants	DR-S1-99C DR-S1-99 DR-S1-2000	84.186	3,698 (1,655) 4,280	0 0 0	3,046 0 4,280	0 0 0
Total Safe and Drug-Free Schools and Communities State Grants			6,323	0	7,326	0
Goals 2000 State and Local Education Systematic Improvement	GS-S2-2000	84.276	462	0	5,000	0
Eisenhower Professional Development State Grants	MS-S4-2000	84.281	1,301	0	0	0
Innovative Education Program Strategies	CS-S1-2000 C2-S1-99C	84.298	5,094 663	0 0	5,094 4,190	0 0
Total Innovative Education Program Strategies			5,757	0	9,284	0
Reading Excellence Act Grant	RN-S1-2000	84.338	52,429	0	0	0
Title VI-R	CR-S1-2000	84.340	19,326	0	19,326	0
Technology Literacy Challenge Fund Grants	TF-S2-2000 (Round 3) TF-S2-2000 (Round 4) TF-S2-2000 (Round 5)	84.318	0 37,500 25,000	0 0 0	26,549 37,500 0	0 0 0
Total Technology Literacy Challenge Fund Grants			62,500	0	64,049	0
Total Department of Education			313,708	0	258,251	0
U.S. Department of Agriculture						
<i>Passed Through Ohio</i>						
<i>Department of Agriculture:</i>						
Child Nutrition Cluster: Food Distribution	N/A	10.550	0	16,721	0	16,721
School Breakfast Program	N/A	10.553	3,718	0	3,718	0
National School Lunch Program	N/A	10.555	80,791	0	80,791	0
Total U.S. Department of Agriculture - Child Nutrition Cluster			84,509	16,721	84,509	16,721
Total			\$398,217	\$16,721	\$342,760	\$16,721

See accompanying notes to the Schedule of Receipts and Expenditures of Federal Awards

**OSNABURG LOCAL SCHOOL DISTRICT
STARK COUNTY**

**NOTES TO THE SCHEDULE OF RECEIPTS AND EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2000**

NOTE A - SIGNIFICANT ACCOUNTING POLICIES

The Schedule of Receipts and Expenditures of Federal Awards (Schedule) is a summary of the activity of the District's federal award programs. The Schedule has been prepared on the cash basis of accounting.

NOTE B - FOOD DISTRIBUTION

Nonmonetary assistance is reported in the Schedule at the fair market value of the commodities received and disbursed. Monies are commingled with State grants. It is assumed federal monies are expended first. At June 30, 2000, the District had food commodities valued at \$4,506 in inventory.

NOTE C - RISK DETERMINATION

The District did not meet the criteria to require a Single Audit for the year ended June 30, 1998. As a result, the District did not qualify as a low-risk auditee for the year ended June 30, 2000.



STATE OF OHIO
OFFICE OF THE AUDITOR
JIM PETRO, AUDITOR OF STATE

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REPORT OF INDEPENDENT ACCOUNTANTS ON COMPLIANCE AND ON INTERNAL CONTROL REQUIRED BY *GOVERNMENT AUDITING STANDARDS*

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

To the Board of Education:

We have audited the general purpose financial statements of Osnaburg Local School District, Stark County, (the District) as of and for the year ended June 30, 2000, and have issued our report thereon dated January 8, 2001. We conducted our audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*.

However, we noted an immaterial instance of noncompliance that we have reported to management of the District in a separate letter dated January 8, 2001.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the District's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses.

A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

Osnaburg Local School District
Stark County
Report of Independent Accountants on Compliance and on
Internal Control Required by *Government Auditing Standards*
Page 2

However, we noted other matters involving the internal control over financial reporting that do not require inclusion in this report, that we have reported to management of the District in a separate letter dated January 8, 2001.

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

Jim Petro
Auditor of State

January 8, 2001



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**REPORT OF INDEPENDENT ACCOUNTANTS ON COMPLIANCE WITH REQUIREMENTS
APPLICABLE TO EACH MAJOR FEDERAL PROGRAM AND INTERNAL CONTROL OVER
COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133**

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

To the Board of Education:

Compliance

We have audited the compliance of Osnaburg Local School District, Stark County, (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 are applicable to its major federal programs for the year ended June 30, 2000. The District's major federal programs are identified in the summary of auditor's results section of the accompanying Schedule of Findings. Compliance with the requirements of laws, regulations, contracts and grants applicable to its major federal programs are the responsibility of the District's management. 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 generally accepted auditing standards; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance occurred with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program. An audit includes examining, on a test basis, evidence about the District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of the District's compliance with those requirements.

In our opinion, the District complied, in all material respects, with the requirements referred to above that are applicable to its major federal programs for the year ended June 30, 2000.

Internal Control Over Compliance

The management of the District is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered the District's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on the internal control over compliance in accordance with OMB Circular A-133.

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts and grants that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over compliance and its operation that we consider to be material weaknesses.

However, we noted another matter involving the internal control over federal compliance that does not require inclusion in this report, that we have reported to management of the District in a separate letter dated January 8, 2001.

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

Jim Petro
Auditor of State

January 8, 2001

**OSNABURG LOCAL SCHOOL DISTRICT
STARK COUNTY**

**SCHEDULE OF FINDINGS
OMB CIRCULAR A -133 § .505
JUNE 30, 2000**

1. SUMMARY OF AUDITOR'S RESULTS

(d)(1)(i)	Type of Financial Statement Opinion	Unqualified
(d)(1)(ii)	Were there any material control weakness conditions reported at the financial statement level (GAGAS)?	No
(d)(1)(ii)	Were there any other reportable control weakness conditions reported at the financial statement level (GAGAS)?	No
(d)(1)(iii)	Was there any reported material non-compliance at the financial statement level (GAGAS)?	No
(d)(1)(iv)	Were there any material internal control weakness conditions reported for major federal programs?	No
(d)(1)(iv)	Were there any other reportable internal control weakness conditions 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?	No
(d)(1)(vii)	Major Programs (list):	Title I - CFDA #84.010 Child Nutrition Cluster - CFDA #10.550, 10.553, 10.555
(d)(1)(viii)	Dollar Threshold: Type A/B Programs	Type A: >\$300,000 Type B: all others
(d)(1)(ix)	Low Risk Auditee?	No

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

None

3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS

None



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OSNABURG LOCAL SCHOOL DISTRICT

STARK COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
FEBRUARY 20, 2001**