



**OSNABURG LOCAL SCHOOL DISTRICT  
STARK COUNTY**

**SINGLE AUDIT**

**FOR THE YEAR ENDED JUNE 30, 2002**



**JIM PETRO**  
**AUDITOR OF STATE**  

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**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 the Osnaburg Local School District, Stark County, Ohio, (the District) as of and for the year ended June 30, 2002, 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 auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the general purpose financial statements referred to above present fairly, in all material respects, the financial position of the Osnaburg Local School District, Stark County, as of June 30, 2002, and the results of its operations and the cash flows of its proprietary fund type and nonexpendable trust fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated November 18, 2002 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.

We performed our audit to form an opinion on the general purpose financial statements of the District, taken as a whole. The accompanying Schedule of Receipts and Expenditures of Federal Awards is presented for purposes of additional analysis as required by 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. We subjected this information to the auditing procedures applied in the audit of the general purpose financial statements and, in our opinion, it is fairly stated, in all material respects, in relation to the general purpose financial statements taken as a whole.

A handwritten signature in black ink, appearing to read "Jim Petro", with a stylized flourish at the end.

**Jim Petro**  
Auditor of State

November 18, 2002

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

COMBINED BALANCE SHEET  
ALL FUND TYPES AND ACCOUNT GROUPS  
JUNE 30, 2002

	Governmental Fund Types		Proprietary Fund Type
	General	Special Revenue	Enterprise
<b>ASSETS AND OTHER DEBITS</b>			
<b>ASSETS:</b>			
Equity in pooled cash and cash equivalents . . . . .	\$ 3,622,559	\$ 101,277	\$ 149,213
Equity in pooled cash and cash equivalents - nonexpendable trust fund . . . . .	-	-	-
Receivables (net of allowances of uncollectibles):			
Property taxes - current & delinquent . . . . .	2,488,127	-	-
Accounts . . . . .	37,519	-	-
Due from other governments . . . . .	8,105	22,753	11,742
Materials and supplies inventory . . . . .	-	-	6,142
Restricted assets:			
Equity in pooled cash and cash equivalents . . . . .	44,168	-	-
Property, plant and equipment (net of accumulated depreciation where applicable) . . . . .	-	-	18,950
<b>OTHER DEBITS:</b>			
Amount to be provided for retirement of general long-term obligations . . . . .	-	-	-
<b>Total assets and other debits . . . . .</b>	<b>\$ 6,200,478</b>	<b>\$ 124,030</b>	<b>\$ 186,047</b>
<b>LIABILITIES, EQUITY AND OTHER CREDITS</b>			
<b>LIABILITIES:</b>			
Accounts payable . . . . .	\$ 7,046	\$ 7,280	\$ 15
Contracts payable . . . . .	100,000	-	-
Accrued wages and benefits . . . . .	532,292	40,087	19,736
Compensated absences payable . . . . .	17,489	-	4,825
Pension obligation payable . . . . .	145,628	6,018	12,064
Retirement incentive payable . . . . .	15,000	-	-
Deferred revenue . . . . .	2,440,177	22,753	2,683
Due to other governments . . . . .	19,352	1,319	493
Due to students . . . . .	-	-	-
Obligation under capital lease . . . . .	-	-	-
<b>Total liabilities . . . . .</b>	<b>3,276,984</b>	<b>77,457</b>	<b>39,816</b>
<b>EQUITY AND OTHER CREDITS:</b>			
Investment in general fixed assets . . . . .	-	-	-
Retained earnings: unreserved . . . . .	-	-	146,231
Fund balances:			
Reserved for encumbrances . . . . .	287,186	13,484	-
Reserved for tax revenue unavailable for appropriation . . . . .	47,950	-	-
Reserved for principal endowment . . . . .	-	-	-
Reserved for bus purchase allowance . . . . .	17,212	-	-
Reserved for BWC refunds . . . . .	26,956	-	-
Unreserved-undesignated . . . . .	2,544,190	33,089	-
<b>Total equity and other credits . . . . .</b>	<b>2,923,494</b>	<b>46,573</b>	<b>146,231</b>
<b>Total liabilities, equity and other credits . . . . .</b>	<b>\$ 6,200,478</b>	<b>\$ 124,030</b>	<b>\$ 186,047</b>

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



Fiduciary Fund Types	Account Groups		Total (Memorandum Only)
	Trust and Agency	General Fixed Assets	
\$ 38,999	\$ -	\$ -	\$ 3,912,048
74,049	-	-	74,049
-	-	-	2,488,127
-	-	-	37,519
-	-	-	42,600
-	-	-	6,142
-	-	-	44,168
-	5,453,975	-	5,472,925
-	-	328,892	328,892
<u>\$ 113,048</u>	<u>\$ 5,453,975</u>	<u>\$ 328,892</u>	<u>\$ 12,406,470</u>
\$ -	\$ -	\$ -	\$ 14,341
-	-	-	100,000
-	-	-	592,115
-	-	260,835	283,149
-	-	51,059	214,769
-	-	-	15,000
-	-	-	2,465,613
-	-	-	21,164
29,980	-	-	29,980
-	-	16,998	16,998
<u>29,980</u>	<u>-</u>	<u>328,892</u>	<u>3,753,129</u>
-	5,453,975	-	5,453,975
-	-	-	146,231
-	-	-	300,670
-	-	-	47,950
48,999	-	-	48,999
-	-	-	17,212
-	-	-	26,956
<u>34,069</u>	<u>-</u>	<u>-</u>	<u>2,611,348</u>
<u>83,068</u>	<u>5,453,975</u>	<u>-</u>	<u>8,653,341</u>
<u>\$ 113,048</u>	<u>\$ 5,453,975</u>	<u>\$ 328,892</u>	<u>\$ 12,406,470</u>

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**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 FISCAL YEAR ENDED JUNE 30, 2002

	Governmental Fund Types			Fiduciary Fund Type	Total (Memorandum Only)
	General	Special Revenue	Capital Projects	Expendable Trust	
<b>Revenues:</b>					
From local sources:					
Taxes . . . . .	\$ 2,390,749	\$ -	\$ -	\$ -	\$ 2,390,749
Tuition . . . . .	120,214	-	-	-	120,214
Earnings on investments . . . . .	107,498	-	-	-	107,498
Extracurricular . . . . .	-	150,321	-	-	150,321
Other local revenues . . . . .	86,914	-	-	300	87,214
Other revenue . . . . .	-	16,275	-	-	16,275
Intergovernmental - State . . . . .	4,023,638	50,154	27,360	-	4,101,152
Intergovernmental - Federal . . . . .	<u>12,914</u>	<u>526,295</u>	<u>-</u>	<u>-</u>	<u>539,209</u>
 Total revenue . . . . .	 <u>6,741,927</u>	 <u>743,045</u>	 <u>27,360</u>	 <u>300</u>	 <u>7,512,632</u>
<b>Expenditures:</b>					
Current:					
Instruction:					
Regular . . . . .	2,553,436	347,561	42,990	-	2,943,987
Special . . . . .	460,125	110,217	-	-	570,342
Vocational . . . . .	104,991	-	-	-	104,991
Other . . . . .	333,265	-	-	7,800	341,065
Support services:					
Pupil . . . . .	181,994	18,310	-	-	200,304
Instructional staff . . . . .	172,312	228,175	-	-	400,487
Board of Education . . . . .	21,228	-	-	-	21,228
Administration . . . . .	553,523	42,580	-	-	596,103
Fiscal . . . . .	195,139	-	-	-	195,139
Business . . . . .	4,167	-	-	-	4,167
Operations and maintenance . . . . .	530,115	-	-	-	530,115
Pupil transportation . . . . .	529,518	3,319	-	-	532,837
Central . . . . .	14,000	5,001	-	-	19,001
Community services . . . . .	14,758	-	-	-	14,758
Extracurricular activities . . . . .	141,474	159,183	-	-	300,657
Facilities acquisition and construction . . . . .	207,467	-	-	-	207,467
Debt service:					
Principal retirement . . . . .	12,417	-	-	-	12,417
Interest and fiscal charges . . . . .	<u>1,910</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,910</u>
 Total expenditures . . . . .	 <u>6,031,839</u>	 <u>914,346</u>	 <u>42,990</u>	 <u>7,800</u>	 <u>6,996,975</u>
 Excess (deficiency) of revenues over (under) expenditures . . . . .	 <u>710,088</u>	 <u>(171,301)</u>	 <u>(15,630)</u>	 <u>(7,500)</u>	 <u>515,657</u>
 Other financing sources:					
Proceeds from sale of fixed assets . . . . .	<u>35,410</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>35,410</u>
 Excess (deficiency) of revenues and other financing sources over (under) expenditures	 745,498	 (171,301)	 (15,630)	 (7,500)	 551,067
 Fund balances, July 1 . . . . .	 <u>2,177,996</u>	 <u>217,874</u>	 <u>15,630</u>	 <u>16,519</u>	 <u>2,428,019</u>
 Fund balances, June 30 . . . . .	 <u>\$ 2,923,494</u>	 <u>\$ 46,573</u>	 <u>\$ -</u>	 <u>\$ 9,019</u>	 <u>\$ 2,979,086</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 REVENUES, EXPENDITURES  
AND CHANGES IN FUND BALANCES  
BUDGET AND ACTUAL COMPARISON (NON-GAAP BUDGETARY BASIS)  
ALL GOVERNMENTAL FUND TYPES  
FOR THE FISCAL YEAR ENDED JUNE 30, 2002

	General			Special Revenue		
	Revised Budget	Actual	Variance: Favorable (Unfavorable)	Revised Budget	Actual	Variance: Favorable (Unfavorable)
Revenues:						
From local sources:						
Taxes . . . . .	\$ 2,455,500	\$ 2,403,839	\$ (51,661)	\$ -	\$ -	\$ -
Tuition . . . . .	101,807	120,132	18,325	-	-	-
Earnings on investments . . . . .	100,000	107,498	7,498	-	-	-
Extracurricular . . . . .	-	-	-	153,664	150,323	(3,341)
Other local revenues . . . . .	78,050	52,415	(25,635)	-	-	-
Other revenue . . . . .	-	-	-	16,275	16,275	-
Intergovernmental - State . . . . .	3,865,773	4,027,190	161,417	50,154	50,154	-
Intergovernmental - Federal . . . . .	20,700	19,877	(823)	604,097	580,409	(23,688)
Total revenues . . . . .	<u>6,621,830</u>	<u>6,730,951</u>	<u>109,121</u>	<u>824,190</u>	<u>797,161</u>	<u>(27,029)</u>
Expenditures:						
Current:						
Instruction:						
Regular . . . . .	2,587,620	2,581,431	6,189	370,458	354,773	15,685
Special . . . . .	475,548	475,548	-	139,555	109,057	30,498
Vocational . . . . .	102,735	103,707	(972)	-	-	-
Other . . . . .	371,156	371,156	-	-	-	-
Support services:						
Pupil . . . . .	173,599	173,599	-	17,733	15,049	2,684
Instructional staff . . . . .	183,006	181,677	1,329	250,297	241,711	8,586
Board of Education . . . . .	85,951	85,951	-	-	-	-
Administration . . . . .	564,447	559,447	5,000	43,849	42,421	1,428
Fiscal . . . . .	197,396	195,211	2,185	-	-	-
Business . . . . .	4,167	4,167	-	-	-	-
Operations and maintenance . . . . .	552,573	551,627	946	-	-	-
Pupil transportation . . . . .	526,372	526,050	322	3,316	3,316	-
Central . . . . .	20,965	20,965	-	5,000	5,000	-
Community services . . . . .	14,658	14,506	152	-	-	-
Extracurricular activities . . . . .	145,909	145,844	65	161,717	161,337	380
Facilities acquisition & construction . . . . .	505,065	456,965	48,100	-	-	-
Total expenditures . . . . .	<u>6,511,167</u>	<u>6,447,851</u>	<u>63,316</u>	<u>991,925</u>	<u>932,664</u>	<u>59,261</u>
Excess (deficiency) of revenues over (under) expenditures . . . . .	<u>110,663</u>	<u>283,100</u>	<u>172,437</u>	<u>(167,735)</u>	<u>(135,503)</u>	<u>32,232</u>
Other financing sources:						
Proceeds from sale of fixed assets . . . . .	2,600	35,410	32,810	-	-	-
Refund of prior year expenditure . . . . .	102,000	109,663	7,663	-	-	-
Total other financing sources . . . . .	<u>104,600</u>	<u>145,073</u>	<u>40,473</u>	<u>-</u>	<u>-</u>	<u>-</u>
Excess (deficiency) of revenues and other financing sources over (under) expenditures . . . . .	215,263	428,173	212,910	(167,735)	(135,503)	32,232
Fund balances, July 1 . . . . .	2,461,234	2,461,234	-	136,273	136,273	-
Prior year encumbrances appropriated . . . . .	478,729	478,729	-	75,136	75,136	-
Fund balances, June 30 . . . . .	<u>\$ 3,155,226</u>	<u>\$ 3,368,136</u>	<u>\$ 212,910</u>	<u>\$ 43,674</u>	<u>\$ 75,906</u>	<u>\$ 32,232</u>

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

Capital Projects			Total (Memorandum only)		
Budget Revised	Actual	Variance: Favorable (Unfavorable)	Budget Revised	Actual	Variance: Favorable (Unfavorable)
\$ -	\$ -	\$ -	\$ 2,455,500	\$ 2,403,839	\$ (51,661)
-	-	-	101,807	120,132	18,325
-	-	-	100,000	107,498	7,498
-	-	-	153,664	150,323	(3,341)
-	-	-	78,050	52,415	(25,635)
-	-	-	16,275	16,275	-
27,360	27,360	-	3,943,287	4,104,704	161,417
-	-	-	624,797	600,286	(24,511)
<u>27,360</u>	<u>27,360</u>	<u>-</u>	<u>7,473,380</u>	<u>7,555,472</u>	<u>82,092</u>
42,990	42,990	-	3,001,068	2,979,194	21,874
-	-	-	615,103	584,605	30,498
-	-	-	102,735	103,707	(972)
-	-	-	371,156	371,156	-
-	-	-	191,332	188,648	2,684
-	-	-	433,303	423,388	9,915
-	-	-	85,951	85,951	-
-	-	-	608,296	601,868	6,428
-	-	-	197,396	195,211	2,185
-	-	-	4,167	4,167	-
-	-	-	552,573	551,627	946
-	-	-	529,688	529,366	322
-	-	-	25,965	25,965	-
-	-	-	14,658	14,506	152
-	-	-	307,626	307,181	445
-	-	-	505,065	456,965	48,100
<u>42,990</u>	<u>42,990</u>	<u>-</u>	<u>7,546,082</u>	<u>7,423,505</u>	<u>122,577</u>
(15,630)	(15,630)	-	(72,702)	131,967	204,669
-	-	-	2,600	35,410	32,810
-	-	-	102,000	109,663	7,663
-	-	-	104,600	145,073	40,473
(15,630)	(15,630)	-	31,898	277,040	245,142
15,630	15,630	-	2,613,137	2,613,137	-
-	-	-	553,865	553,865	-
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 3,198,900</u>	<u>\$ 3,444,042</u>	<u>\$ 245,142</u>

**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 FISCAL YEAR ENDED JUNE 30, 2002

	Proprietary Fund Type	Fiduciary Fund Type	Total (Memorandum Only)
	Enterprise	Nonexpendable Trust	
Operating revenues:			
Sales/charges for services . . . . .	218,703	-	218,703
Investment earnings . . . . .	-	2,286	2,286
 Total operating revenues . . . . .	 218,703	 2,286	 220,989
 Operating expenses:			
Personal services . . . . .	156,230	-	156,230
Contract services . . . . .	8,030	-	8,030
Materials and supplies . . . . .	152,953	-	152,953
Depreciation . . . . .	1,369	-	1,369
Other . . . . .	383	1,828	2,211
 Total operating expenses . . . . .	 318,965	 1,828	 320,793
 Operating income (loss) . . . . .	 (100,262)	 458	 (99,804)
 Nonoperating revenues:			
Operating grants . . . . .	86,052	-	86,052
Federal commodities . . . . .	18,969	-	18,969
Interest revenue. . . . .	4,516	-	4,516
 Total nonoperating revenues . . . . .	 109,537	 -	 109,537
 Net income . . . . .	 9,275	 458	 9,733
 Retained earnings/fund balance, July 1 . . . . .	 136,956	 73,591	 210,547
 Retained earnings/fund balance, June 30 . . . . .	 \$ 146,231	 \$ 74,049	 \$ 220,280

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 FISCAL YEAR ENDED JUNE 30, 2002

	Proprietary Fund Type	Fiduciary Fund Type	
	Enterprise	Nonexpendable Trust	Total (Memorandum Only)
Cash flows from operating activities:			
Cash received from sales/service charges. . . . .	\$ 218,702	\$ 2,286	\$ 220,988
Cash payments for personal services . . . . .	(153,659)	-	(153,659)
Cash payments for contract services . . . . .	(8,030)	-	(8,030)
Cash payments for materials and supplies. . . . .	(135,815)	-	(135,815)
Cash payments for other expenses . . . . .	(383)	(1,828)	(2,211)
Net cash provided by (used in) operating activities. . . . .	(79,185)	458	(78,727)
Cash flows from noncapital financing activities:			
Cash received from operating grants . . . . .	86,116	-	86,116
Cash flows from investing activities:			
Interest received . . . . .	4,516	-	4,516
Net increase in cash and cash equivalents . . . . .	11,447	458	11,905
Cash and cash equivalents at beginning of year . . . . .	137,766	73,591	211,357
Cash and cash equivalents at end of year. . . . .	\$ 149,213	\$ 74,049	\$ 223,262
Reconciliation of operating income (loss) to net cash provided by (used in) operating activities:			
Operating income (loss). . . . .	\$ (100,262)	\$ 458	\$ (99,804)
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:			
Depreciation . . . . .	1,369	-	1,369
Federal donated commodities . . . . .	18,969	-	18,969
Interest reported as operating income . . . . .	-	-	-
Changes in assets and liabilities:			
Decrease in materials and supplies inventory . . . . .	877	-	877
Decrease in accounts payable. . . . .	(1,081)	-	(1,081)
Increase in accrued wages and benefits . . . . .	783	-	783
Increase in compensated absences payable . . . . .	617	-	617
Increase in due to other governments. . . . .	493	-	493
Increase in pension obligation payable. . . . .	677	-	677
Decrease in deferred revenue. . . . .	(1,627)	-	(1,627)
Net cash provided by (used in) operating activities. . . . .	\$ (79,185)	\$ 458	\$ (78,727)

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 FISCAL YEAR ENDED JUNE 30, 2002**

**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. The District is the 502<sup>nd</sup> largest in the State of Ohio (among the 705 public and community school districts) in terms of enrollment. It is staffed by 42 non-certificated employees and 67 certificated employees who provide services to 992 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 accounting principles generally accepted in the United States of America (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The District also applies Financial Accounting Standards Board (FASB) Statements and Interpretations issued prior to November 30, 1989 to its proprietary activities unless those pronouncements 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  
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(CONTINUED)

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (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  
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NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS  
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(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  
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NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2002  
(CONTINUED)

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (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. 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, 2002 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 FISCAL YEAR ENDED JUNE 30, 2002  
(CONTINUED)

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (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 60 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, 2002, and which are intended to finance fiscal 2003 operations, have been recorded as deferred revenues. Delinquent property taxes measurable and available (received within 60 days) are recognized as revenue.

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.

**OSNABURG LOCAL SCHOOL DISTRICT  
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NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2002  
(CONTINUED)

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

Nonexchange transactions, in which the District receives value without directly giving equal value in return, include property taxes, grants, entitlements and donations. On the modified accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied and the resources are available. Revenue from grants, entitlements and donations is recognized in the fiscal year in which all eligibility requirements have been met and the resources are available. Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the fiscal year when use is first permitted, matching requirements, in which the District must provide local resources to be used for a specified purpose, and expenditure requirements, in which the resources are provided to the District on a reimbursement basis.

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  
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NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2002  
(CONTINUED)

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

On the accrual basis of accounting, revenue from nonexchange transactions, such as grants, entitlements and donations, is recognized in the fiscal year in which all eligibility requirements have been met. The proprietary funds receive no revenue from property taxes.

**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 2002.

**OSNABURG LOCAL SCHOOL DISTRICT  
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NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS  
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(CONTINUED)

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

4. By July 1, the Annual Appropriation Resolution is legally enacted by the Board at the fund level of expenditures, which is the legal level of budgetary control. (State statute permits a temporary appropriation to be effective until no later than October 1 of each year.) Although the legal level of budgetary control was established at the fund level of expenditures, the District has elected to present budgetary statement comparisons at the fund and function level of expenditures. Resolution appropriations by fund must be within the estimated resources as certified by the County Budget Commission and the total of expenditures and encumbrances may not exceed the appropriation totals.
5. Any revisions that alter the total of any fund appropriation must be approved by the Board.
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 2002.
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 15 provides a reconciliation of the budgetary and GAAP basis of accounting, and Note 12 discloses encumbrances outstanding for enterprise funds at fiscal year-end.



**OSNABURG LOCAL SCHOOL DISTRICT  
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NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2002  
(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" on the combined balance sheet.

During fiscal year 2002, investments were limited to investments in the State Asset Treasury Reserve of Ohio (STAR Ohio), a repurchase agreement and nonnegotiable certificates of deposit. Investments in STAR Ohio are reported at fair value which is based on quoted market prices. Investments in repurchase agreements and certificates of deposit are reported at cost.

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, 2002.

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 2002 totaled \$107,498, which included \$6,242 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 District's investments at year-end is provided in Note 4.

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NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2002  
(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 combined balance sheet using the allocation method, which amortizes their cost over the periods benefitting from the advance payment. At fiscal year-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, 2002, the District did not have significant prepayments 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 and 20 years.

**OSNABURG LOCAL SCHOOL DISTRICT  
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NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2002  
(CONTINUED)

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

**I. 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.

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.

**OSNABURG LOCAL SCHOOL DISTRICT  
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NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2002  
(CONTINUED)

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

**J. 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.

**K. 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, tax revenue unavailable for appropriation, principal endowment, bus purchase allowance and Bureau of Worker's Compensation (BWC) refunds. 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.

**OSNABURG LOCAL SCHOOL DISTRICT  
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NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2002  
(CONTINUED)

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

**L. 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. The District made no operating transfers in fiscal 2002.
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.

**M. 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.

**N. Restricted Assets**

Restricted assets in the general fund represent cash and cash equivalents that are restricted in use by state statute. The District has also received state monies that are restricted for school bus purchases. Fund balance reserves have also been established. See Note 17 for details.

**OSNABURG LOCAL SCHOOL DISTRICT  
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NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2002  
(CONTINUED)

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

**O. 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.

**NOTE 3 - ACCOUNTABILITY AND COMPLIANCE**

**Deficit Fund Balance**

Fund balances at June 30, 2002 included the following individual fund deficits:

	<u>Deficit Balance</u>
<u>Special Revenue Funds</u>	
Education Management Information Systems	\$ 27
Title I	7,268
Reducing Class Size	4,065
Summer Intervention	3
Miscellaneous Federal Grants	13,682

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

The deficit fund balances in the Education Management Information Systems, Title I, Reducing Class Size, Summer Intervention and Miscellaneous Federal Grants 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  
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NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS  
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(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 five-year period of designation of depositories. Inactive deposits must either be evidenced by certificates of deposit maturing not later than the end of the current period of designation of depositories, or by savings or deposit accounts including, but not limited to, passbook accounts.

Interim deposits are deposits of interim monies. Interim monies are those monies which are not needed for immediate use but which will be needed before the end of the current period of designation of depositories. Interim deposits must be evidenced by time certificates of deposit maturing not more than one year from the date of deposit or by savings 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  
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NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS  
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(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% and be marked to market daily, and that the term of the agreement must not exceed 30 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% 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 five years from the date of purchase unless matched to a specific obligation or debt of the District, and must be purchased with the expectation that it will be held to maturity. Investments may only be made through specified dealers and institutions. Payment for investments may be made only upon delivery of the securities representing the investments to the Treasurer or 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  
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NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS  
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(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, including nonnegotiable certificates of deposit, was \$1,955,585 and the bank balance, including nonnegotiable certificates of deposit, was \$2,041,909. Of the bank balance:

1. \$102,166 was covered by federal depository insurance; and
2. \$1,939,743 was uninsured and uncollateralized as defined by GASB although it was secured by collateral held by third party trustees, pursuant to section 135.181 Ohio Revised Code, in collateralized pools securing all public funds on deposit with specific depository institutions; these securities not being in the name of the District. Although all state statutory requirements for the deposit of money had been followed, non-compliance with federal requirements would potentially subject the District 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's investment in STAR Ohio is unclassified since it is not evidenced by securities that exist in physical or book entry form.

**OSNABURG LOCAL SCHOOL DISTRICT  
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NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2002  
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**NOTE 4 - EQUITY IN POOLED CASH AND INVESTMENTS - (Continued)**

	Category 3	Carrying Amount	Fair Value
Repurchase agreement	\$1,286,115	\$1,286,115	\$1,286,115
Investment in STAR Ohio		788,215	788,215
Total investments		<u>\$2,074,330</u>	<u>\$2,074,330</u>

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:

	Cash and Cash Equivalents/Deposits	Investments
GASB Statement No. 9	\$ 4,030,265	\$ -
Investments of the cash management pool:		
Investment in STAR Ohio	(788,215)	788,215
Repurchase agreement	(1,286,115)	1,286,115
Cash on hand	(350)	-
GASB Statement No. 3	<u>\$ 1,955,585</u>	<u>\$2,074,330</u>

**OSNABURG LOCAL SCHOOL DISTRICT  
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NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS  
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**NOTE 5 - 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 35% 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 varying rates of true value and on real property at 35% 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 25% 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.

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, 2002, are available to finance fiscal year 2003 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, 2002. 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, 2002, the amount available as an advance, and recorded as revenue, was \$47,950 in the general fund.

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**NOTE 5 - PROPERTY TAXES - (Continued)**

Taxes available for advance and recognized as revenue but not received by the District prior to June 30, 2002, 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 2001 taxes were collected was \$80,153,674. Agricultural/residential and public utility/minerals real estate represented 77.49% or \$62,106,300 of this total; commercial and industrial real estate represented 8.52% or \$6,836,910 of this total; public utility tangible represented 4.62% or 3,697,420 of this total; and general tangible property represented 9.37% or \$7,513,044 of this total. The voted general tax rate at the fiscal year ended June 30, 2002 was \$57.20 per \$1,000.00 of assessed valuation for operations.

**NOTE 6 - RECEIVABLES**

Receivables at June 30, 2002, 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.

A summary of the principal items of receivables follows:

	<u>Amounts</u>
<u>General Fund</u>	
Taxes - current and delinquent	\$2,488,127
Accounts	37,519
Due from other governments	8,105
 <u>Special Revenue Funds</u>	
Due from other governments	22,753
 <u>Enterprise Funds</u>	
Due from other governments	11,742

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NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS  
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**NOTE 7 - FIXED ASSETS**

**A. General Fixed Assets**

A summary of the changes in general fixed assets during fiscal year 2002 is as follows:

<u>Asset Category</u>	<u>Balance July 1, 2001</u>	<u>Additions</u>	<u>Disposals</u>	<u>Balance June 30, 2002</u>
Land and improvements	\$ 709,593	\$357,628	\$ -	\$ 1,067,221
Buildings and improvements	2,028,307	94,289	11,687	2,110,909
Furniture, fixtures and equipment	1,185,893	264,704	15,176	1,435,421
Vehicles	<u>802,900</u>	<u>173,824</u>	<u>136,300</u>	<u>840,424</u>
Totals	<u>\$4,726,693</u>	<u>\$890,445</u>	<u>\$163,163</u>	<u>\$5,453,975</u>

On July 29, 2000, the District entered into a contract to purchase 63.36 acres of land at \$400,000. At June 30, 2002, \$100,000 remains outstanding on the contract.

**B. Proprietary Fixed Assets**

A summary of the proprietary fixed assets at June 30, 2002 is as follows:

Furniture and equipment	\$ 69,457
Less: accumulated depreciation	<u>(50,507)</u>
Net fixed assets	<u>\$ 18,950</u>

**NOTE 8 - CAPITALIZED LEASES - LESSEE DISCLOSURE**

In a prior year, the District entered 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 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.

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NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS  
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(CONTINUED)

**NOTE 8 - CAPITALIZED LEASES - LESSEE DISCLOSURE - (Continued)**

A corresponding liability was recorded in the general long-term obligations account group. Principal payments in the 2002 fiscal year totaled \$12,417 in the general fund.

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, 2002:

<u>Year Ending June 30,</u>	<u>General Long-Term Obligation</u>
2003	\$14,328
2004	<u>3,639</u>
Total minimum lease payment	17,967
Less amount representing interest	<u>(969)</u>
Present value of minimum lease payments	<u><u>\$16,998</u></u>

**NOTE 9 - LONG-TERM OBLIGATIONS**

A. Changes in long-term obligations of the District during fiscal year 2002 were as follows:

	<u>Balance July 1, 2001</u>	<u>Increase</u>	<u>Decrease</u>	<u>Balance June 30, 2002</u>
Compensated absences	\$240,273	\$20,562	\$ -	\$260,835
Pension obligation payable	46,990	51,059	(46,990)	51,059
Obligation under capital lease	<u>29,415</u>	<u>-</u>	<u>(12,417)</u>	<u>16,998</u>
Total	<u><u>\$316,678</u></u>	<u><u>\$71,621</u></u>	<u><u>\$(59,407)</u></u>	<u><u>\$328,892</u></u>

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.

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NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS  
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(CONTINUED)

**NOTE 9 - LONG-TERM OBLIGATIONS - (Continued)**

**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, 2002, are a voted debt margin of \$7,213,831 and an unvoted debt margin of \$80,154.

**NOTE 10 - 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 1.25 days per month up to a maximum of 285 days for classified employees and 295 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 56 days for both certified and classified employees.

**B. Life Insurance**

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

**C. Retirement Incentive**

The District had a retirement incentive bonus in place during fiscal year 2002. This bonus is available to certified teaching employees in the amount of \$15,000. Employees retiring the first time they are eligible to retire based upon STRS eligibility will receive the bonus. First time eligibility means:

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

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NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS  
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(CONTINUED)

**NOTE 10 - EMPLOYEE BENEFITS (Continued)**

During fiscal 2002, two employees met the qualifications and elected to retire. One of the employees was paid the retirement incentive bonus during the fiscal year while the other was paid in July 2002. As of June 30, 2002, a liability in the amount of \$15,000 has been recorded in the general fund for the retirement incentive payable.

**NOTE 11 - 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, boiler and machinery, and inland marine with a \$5,000 deductible.

Indiana Insurance also covers computers, audio/visual equipment, musical instruments, playground, and miscellaneous equipment with a \$100 deductible

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

Settled claims have not exceeded this commercial coverage in any of the past three years. There has been no significant reduction in coverage from 2001.



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NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS  
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(CONTINUED)

**NOTE 11 - RISK MANAGEMENT - (Continued)**

**B. Workers' Compensation**

For fiscal year 2002, the District participated in the Stark County Schools Council of Government's Workers' Compensation Group Rating Program (GRP), an insurance purchasing pool (Note 2.A.). The intent of the GRP is to achieve the benefit of a reduced premium for the District by virtue of its grouping and representation with other participants in the GRP. The workers' compensation experience of the participating school districts is calculated as one experience and a common premium rate is applied to all school districts in the GRP. Each participant pays its workers' compensation premium to the state based on the rate for the GRP rather than its individual rate. Total savings are then calculated and each participant's individual performance is compared to the overall savings percentage of the GRP. A participant will then either receive money from or be required to contribute to the "Group Savings Fund". This "group savings" arrangement insures that each participant shares equally in the overall performance of the GRP. Participation in the GRP is limited to school districts that can meet the GRP's selection criteria. The firm of CompManagement Inc. provides administrative, cost control and actuarial services to the GRP.

**C. Employee Group Health Insurance**

The District has contracted with the Stark County Schools Council of Government's 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 fifteen 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 \$543.82 for family coverage and \$223.86 for single coverage per employee per month. The District also pays dental premiums of \$70.12 for family coverage and \$28.43 for single coverage per employee per month.

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(CONTINUED)

**NOTE 12 - 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, 2002.

	<u>Food Service</u>	<u>Adult Education</u>	<u>Total</u>
Operating revenue	\$218,702	\$ 1	\$218,703
Operating expenses before depreciation	317,596	-	317,596
Depreciation	1,369	-	1,369
Operating income/(loss)	(100,263)	1	(100,262)
Operating grants	86,052	-	86,052
Federal donated commodities	18,969	-	18,969
Interest revenue	4,516	-	4,516
Net income	9,274	1	9,275
Net working capital	130,123	1,983	132,106
Total assets	184,064	1,983	186,047
Total liabilities	39,816	-	39,816
Total equity	144,248	1,983	146,231
Encumbrances outstanding at June 30, 2002	364	-	364

**NOTE 13 - 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, 300 East Broad Street, Columbus, Ohio 43215, or by calling (614) 222-5853.

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NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS  
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(CONTINUED)

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

Plan members are required to contribute 9% of their annual covered salary and the District is required to contribute 14% for 2002; 5.46% 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's required contributions to SERS for the fiscal years ended June 30, 2002, 2001 and 2000 were \$99,824, \$91,844, and \$86,838, respectively; 39.5% has been contributed for fiscal year 2002 and 100% for the fiscal years 2001 and 2000. \$60,396, representing the unpaid contribution for fiscal year 2002, is recorded as a liability within the respective funds and the general long-term obligations account group.

The District has elected to pay or "pick-up" 6% of the plan members required 9% retirement contribution as an employee fringe benefit. In addition, the District pays all additional retirement charges resulting from the "pick-up" (this is known as "pick-up" on "pick-up"), therefore, resulting in no additional charge to the employee.

**B. State Teachers Retirement System**

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.

Plan members are required to contribute 9.3% of their annual covered salary and the District is required to contribute 14%; 9.5% 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% for members and 14% for employers. The District's required contributions to STRS for the fiscal years ended June 30, 2002, 2001, and 2000 were \$385,993, \$370,665, and \$354,279, respectively; 78.45% has been contributed for fiscal year 2002 and 100% for the fiscal years 2001 and 2000. \$83,168, representing the unpaid contribution for fiscal year 2002, is recorded as a liability within the respective funds.

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NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS  
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(CONTINUED)

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

**B. State Teachers Retirement System - (Continued)**

The District has elected to pay or “pick-up” the entire 9.3% of the plan members share of the retirement contribution as an employee fringe benefit. In addition, the District pays all additional retirement charges resulting from the “pick-up” (this is known as “pick-up” on “pick-up”), therefore, resulting in no additional charge to the employee.

**C. Social Security System**

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

**NOTE 14 - POSTEMPLOYMENT BENEFITS**

The District provides comprehensive health care benefits to retired teachers and their dependents through STRS, and to retired non-certified employees and their dependents through SERS. Benefits include hospitalization, physicians’ fees, prescription drugs, and partial reimbursement of monthly Medicare Part B premiums. Benefit provisions and the obligations to contribute are established by STRS and SERS based on authority granted by state statute. Both STRS and SERS 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 State Teachers Retirement Board allocated employer contributions equal to 4.5 percent of covered payroll to the Health Care Reserve fund. For the District, this amount equaled \$124,069 during fiscal 2002.

STRS pays health care benefits from the Health Care Reserve fund. The balance in the Health Care Reserve fund was \$3.256 billion at June 30, 2001 (the latest information available). For the fiscal year ended June 30, 2001 (the latest information available), net health care costs paid by STRS were \$300.772 million and STRS had 102,132 eligible benefit recipients.

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**NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS  
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**NOTE 14 - POSTEMPLOYMENT BENEFITS - (Continued)**

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 8.54 percent of covered payroll, a decrease of 1.26 percent from fiscal year 2001. 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 2002, 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, 2001 (the latest information available), were \$161.440 million and the target level was \$242.2 million. At June 30, 2001 (the latest information available), SERS had net assets available for payment of health care benefits of \$315.7 million and SERS had approximately 50,000 participants receiving health care benefits. For the District, the amount to fund health care benefits, including surcharge, equaled \$89,528 during the 2002 fiscal year.

**NOTE 15 - 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 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 (budget basis) as opposed to when susceptible to accrual (GAAP basis);
- (b) Expenditures are recorded when paid in cash (budget basis) as opposed to when the liability is incurred (GAAP basis);

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

(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).

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

	<b>Excess of Revenues and Other Financing Sources Over/(Under) Expenditures</b>		
	<u>Governmental Fund Types</u>		
	<u>General</u>	<u>Special Revenue</u>	<u>Capital Projects</u>
Budget basis	\$ 428,173	\$(135,503)	\$(15,630)
Net adjustment for revenue accruals	10,976	(54,116)	-
Net adjustment for expenditure accruals	117,421	(7,053)	-
Net adjustment for other financing sources/(uses)	(109,663)	-	-
Encumbrances (budget basis)	<u>298,591</u>	<u>25,371</u>	<u>-</u>
GAAP basis	<u>\$ 745,498</u>	<u>\$(171,301)</u>	<u>\$(15,630)</u>

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**NOTE 16 - CONTINGENCIES**

**A. Grants**

The District receives significant financial assistance from numerous federal, state and local agencies in the form of grants. The disbursement of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and 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, 2002.

**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 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 District was also required to pay \$65,000 in legal fees pertaining to this case. This payment was made on July 31, 2001 out of the general fund.

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.

The District is not involved in any other pending litigation which would have a material effect on the financial statement.

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NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS  
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(CONTINUED)

**NOTE 16 - CONTINGENCIES - (Continued)**

**C. State School Funding Decision**

On September 6, 2001, the Ohio Supreme Court issued its latest opinion regarding the state's school funding plan. The decision identified aspects of the current plan that require modification if the plan is to be considered constitutional, including:

A change in the school districts that are used as the basis for determining the base cost support amount. Any change in the amount of funds distributed to school districts as a result of this change must be retroactive to July 1, 2001, although a timeline for distribution is not specified.

Fully funding parity aid no later than the beginning of fiscal year 2004 rather than fiscal year 2006.

The Supreme Court relinquished jurisdiction over the case based on anticipated compliance with its order.

The State of Ohio, in a motion filed September 17, 2001, asked the Court to reconsider and clarify the parts of the decision changing the school districts that are used as the basis for determining the base cost support amount and the requirement that changes be made retroactive to July 1, 2001. In November, 2001, the Court granted the request for reconsideration, but also ordered the parties to participate in a settlement conference with a court appointed mediator. On March 21, 2002, the mediator issued his final report indicating that the conference was unable to produce a settlement. The case is now under reconsideration by the Court.

The District is currently unable to determine what effect, if any, this decision will have on its future state funding and on its financial operations.



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**NOTE 17 - STATUTORY RESERVES**

The District is required by state law to set-aside certain general fund revenue amounts, as defined by Statute, into various reserves. These reserves are calculated and presented on a cash basis. During the fiscal year ended June 30, 2002, the reserve activity was as follows:

	<u>Textbooks</u>	<u>Capital Acquisition</u>	<u>BWC Refunds</u>
Set-aside reserve balance as of June 30, 2001	\$ (32,594)	\$ -	\$26,956
Current year set-aside requirement	122,961	122,961	-
Current year offsets	-	-	-
Qualifying disbursements	<u>(212,652)</u>	<u>(679,844)</u>	<u>-</u>
Total	<u>\$ (122,285)</u>	<u>\$(556,883)</u>	<u>\$26,956</u>
Set-aside reserve balance carried forward to FY 2003	<u>\$ (122,285)</u>	<u>\$ 0</u>	<u>\$26,956</u>

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

Although the District had offsets and qualifying disbursements during the year that reduced the set-aside amounts below zero for the capital acquisition reserve, this extra amount may not be used to reduce the set-aside requirement for future years. The negative amount is therefore not presented as being carried forward to the next fiscal year.

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

A schedule of restricted assets at June 30, 2002, follows:

Amount restricted for BWC refunds	\$26,956
Amount restricted for school bus purchases	<u>17,212</u>
Total	<u>\$44,168</u>

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**OSNABURG LOCAL SCHOOL DISTRICT  
STARK COUNTY**

**SCHEDULE OF RECEIPTS AND EXPENDITURES OF FEDERAL AWARDS  
FOR THE YEAR ENDED JUNE 30, 2002**

Federal Grantor/ Pass Through Grantor/ Program Title	Pass Through Entity Number	Federal CFDA Number	Receipts	Non-Cash Receipts	Expenditures	Non-Cash Expenditures
<b><u>U.S. DEPARTMENT OF AGRICULTURE</u></b>						
<i>Passed Through Ohio Department of Education:</i>						
Child Nutrition Cluster						
Food Donation	N/A	10.550	\$0	\$18,969	\$0	\$20,596
School Breakfast Program	N/A	10.553	4,105	0	4,105	0
National School Lunch Program	N/A	10.555	82,011	0	82,011	0
<b>Total U.S. Department of Agriculture - Child Nutrition Cluster</b>			<b>86,116</b>	<b>18,969</b>	<b>86,116</b>	<b>20,596</b>
<b><u>U.S. DEPARTMENT OF EDUCATION</u></b>						
<i>Passed Through Ohio Department of Education:</i>						
Title I Grants to Local Educational Agencies						
	C1-S1-00C	84.010	0	0	444	0
	C1-S1-01		(3,807)	0	19,955	0
	C1-S1-01C		11,664	0	11,664	0
	C1-S1-02		86,518	0	72,788	0
<b>Total Title I Grants to Local Educational Agencies</b>			<b>94,375</b>	<b>0</b>	<b>104,851</b>	<b>0</b>
Special Education Cluster:						
Special Education_ Grants to States	6B-SF-01 P	84.027	13,695	0	13,989	0
	6B-SF-02 P		49,828	0	45,828	0
<b>Total Special Education Cluster</b>			<b>63,523</b>	<b>0</b>	<b>59,817</b>	<b>0</b>
Safe and Drug Free Schools and Communities - State Grants	DR-S1-02	84.186	3,800	0	3,800	0
Goals 2000_ State and Local Education Systemic Improvement Grants	G2-S2-01	84.276	0	0	8,339	0
	G2-S2-02		0	0	12,934	0
<b>Total Goals 2000 State and Local Education Systemic Improvement Grants</b>			<b>0</b>	<b>0</b>	<b>21,273</b>	<b>0</b>
Eisenhower Professional Development State Grants	MS-S1-01	84.281	418	0	837	0
	MS-S1-02		5,018	0	5,018	0
<b>Total Eisenhower Professional Development State Grants</b>			<b>5,436</b>	<b>0</b>	<b>5,855</b>	<b>0</b>
Innovative Education Program Strategies	C2-S1-01	84.298	4,828	0	3,428	0
Class Size Reduction	CR-S1-02	84.340	21,677	0	20,345	0
Technology Literacy Challenge Fund Grants	TF-S2-02P	84.318	200,000	0	199,374	0
Reading Excellence	RN-S1-02	84.338	186,669	0	274,034	0
<b>Total U.S. Department of Education</b>			<b>580,308</b>	<b>0</b>	<b>692,777</b>	<b>0</b>
<b><u>U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES</u></b>						
<i>Passed Through Ohio Department of Mental Retardation and Developmental Disabilities</i>						
Medicaid Assistance Program - Community Alternative Funding System (CAFS)	N/A	93.778	10,877	0	10,877	0
<b>Total U.S. Department of Health and Human Services</b>			<b>10,877</b>	<b>0</b>	<b>10,877</b>	<b>0</b>
<b>Totals</b>			<b>\$677,301</b>	<b>\$18,969</b>	<b>\$789,770</b>	<b>\$20,596</b>

See Accompanying Notes to Schedule of Receipts and Expenditures of Federal Awards.

**OSNABURG LOCAL SCHOOL DISTRICT  
STARK COUNTY**

**NOTES TO SCHEDULE OF RECEIPTS AND EXPENDITURES OF FEDERAL AWARDS  
FOR THE YEAR ENDED JUNE 30, 2002**

**NOTE A – SIGNIFICANT ACCOUNTING POLICIES**

The accompanying 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 DONATION**

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, 2002, the District had food commodities valued at \$2,683 in inventory.



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

We have audited the general purpose financial statements of Osnaburg Local School District, Stark County, Ohio, (the District) as of and for the year ended June 30, 2002, and have issued our report thereon dated November 18, 2002. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

**Compliance**

As part of obtaining reasonable assurance about whether 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 reported to management of the District in a separate letter dated November 18, 2002.

**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 November 18, 2002.

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.

A handwritten signature in black ink, appearing to read "Jim Petro", with a large, stylized flourish at the end.

**Jim Petro**  
Auditor of State

November 18, 2002



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

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

### **Compliance**

We have audited the compliance of the Osnaburg Local School District, Stark County, Ohio, (the District) with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133, Compliance Supplement* that are applicable to its major federal program for the year ended June 30, 2002. The District's major federal program is 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 program is 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 auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance 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 on 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 program for the year ended June 30, 2002.

### **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 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.

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.

A handwritten signature in black ink, appearing to read "Jim Petro", with a large, stylized flourish at the end.

**Jim Petro**  
Auditor of State

November 18, 2002



**OSNABURG LOCAL SCHOOL DISTRICT  
STARK COUNTY**

**SCHEDULE OF FINDINGS  
OMB CIRCULAR A -133 §.505  
JUNE 30, 2002**

**1. SUMMARY OF AUDITOR'S RESULTS**

<i>(d)(1)(i)</i>	Type of Financial Statement Opinion	Unqualified
<i>(d)(1)(ii)</i>	Were there any material control weakness conditions reported at the financial statement level (GAGAS)?	No
<i>(d)(1)(ii)</i>	Were there any other reportable control weakness conditions reported at the financial statement level (GAGAS)?	No
<i>(d)(1)(iii)</i>	Was there any reported material non-compliance at the financial statement level (GAGAS)?	No
<i>(d)(1)(iv)</i>	Were there any material internal control weakness conditions reported for major federal programs?	No
<i>(d)(1)(iv)</i>	Were there any other reportable internal control weakness conditions reported for major federal programs?	No
<i>(d)(1)(v)</i>	Type of Major Programs' Compliance Opinion	Unqualified
<i>(d)(1)(vi)</i>	Are there any reportable findings under § .510?	No
<i>(d)(1)(vii)</i>	Major Program:	Reading Excellence CFDA #84.338
<i>(d)(1)(viii)</i>	Dollar Threshold: Type A\B Programs	Type A: > \$ 300,000 Type B: all others
<i>(d)(1)(ix)</i>	Low Risk Auditee?	Yes

**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





STATE OF OHIO  
OFFICE OF THE AUDITOR  

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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  
JANUARY 9, 2003**