



Dave Yost • Auditor of State

**OSNABURG LOCAL SCHOOL DISTRICT
STARK COUNTY**

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Dave Yost • Auditor of State

INDEPENDENT AUDITOR'S REPORT

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

To the Board of Education:

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Osnaburg Local School District, Stark County, Ohio (the District), as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for preparing and fairly presenting these financial statements in accordance with the cash accounting basis Note 2 describes. This responsibility includes determining that the cash accounting basis is acceptable for the circumstances. Management is also responsible for designing, implementing and maintaining internal control relevant to preparing and fairly presenting financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to opine on these financial statements based on our audit. We audited in accordance with auditing standards generally accepted in the United States of America and the financial audit standards in the Comptroller General of the United States' *Government Auditing Standards*. Those standards require us to plan and perform the audit to reasonably assure the financial statements are free from material misstatement.

An audit requires obtaining evidence about financial statement amounts and disclosures. The procedures selected depend on our judgment, including assessing the risks of material financial statement misstatement, whether due to fraud or error. In assessing those risks, we consider internal control relevant to the District's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not to the extent needed to opine on the effectiveness of the District's internal control. Accordingly, we express no opinion. An audit also includes evaluating the appropriateness of management's accounting policies and the reasonableness of their significant accounting estimates, as well as our evaluation of the overall financial statement presentation.

We believe the audit evidence we obtained is sufficient and appropriate to support our audit opinions.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective cash financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Osnaburg Local School District, Stark County, Ohio, as of June 30, 2013, and the respective changes in cash financial position and the budgetary comparison for the General fund thereof for the year then ended in accordance with the accounting basis described in Note 2.

Accounting Basis

Ohio Administrative Code § 117-2-03 (B) requires the District to prepare its annual financial report in accordance with accounting principles generally accepted in the United States of America. We draw attention to Note 2 of the financial statements, which describes the basis applied to these statements, which is a basis other than generally accepted accounting principles. We did not modify our opinion regarding this matter.

Other Matters

Supplemental and Other Information

We audited to opine on the District's financial statements that collectively comprise its basic financial statements.

Management's Discussion & Analysis includes tables of net position, changes in net position, governmental activities and long-term debt. This information provides additional analysis and is not a required part of the basic financial statements.

The Federal Award Receipts and Expenditures Schedule (the Schedule) also presents additional analysis as required by the U.S. Office of Management and Budget Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations and is also not a required part of the financial statements.

These tables and the Schedule are management's responsibility, and derive from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. We subjected these tables and the Schedule to the auditing procedures we applied to the basic financial statements. We also applied certain additional procedures, including comparing and reconciling these tables and the Schedule directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and in accordance with auditing standards generally accepted in the United States of America. In our opinion, these tables and the Schedule are fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Other than the aforementioned procedures applied to the tables, we applied no procedures to any other information in Management's Discussion & Analysis, and we express no opinion or any other assurance on it.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated November 22, 2013, on our consideration of the District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. That report describes the scope of our internal control testing over financial reporting and compliance, and the results of that testing, and does not opine on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

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

Dave Yost
Auditor of State
Columbus, Ohio

November 22, 2013

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013
(UNAUDITED)**

The Management's Discussion and Analysis of the Osnaburg Local School District's (the "District") financial performance provides an overall review of the District's financial activities for the fiscal year ended June 30, 2013, within the limitations of the District's cash basis of accounting. The intent of this discussion and analysis is to look at the District's financial performance as a whole; readers should also review the cash basis financial statements and the notes to the financial statements to enhance their understanding of the District's financial performance.

Financial Highlights

Key financial highlights for fiscal year 2013 are as follows:

- The total net cash position of the District decreased \$715,673 or 17.19% from fiscal year 2012.
- General cash receipts accounted for \$6,514,290 or 76.58% of all governmental activities cash receipts. Program specific cash receipts in the form of charges for services and sales, grants and contributions accounted for \$1,992,051 or 23.42% of total governmental activities cash receipts of \$8,506,341.
- The District had \$9,222,014 in cash disbursements related to governmental activities; \$1,992,051 of these cash disbursements were offset by program specific charges for services, grants or contributions. General cash receipts supporting governmental activities (primarily taxes and unrestricted grants and entitlements) of \$6,514,290 were not adequate to provide for these programs.
- The District's major governmental funds are the general fund and classroom facilities fund. The general fund had \$6,936,968 in cash receipts and other financing sources and \$7,316,659 in cash disbursements. During fiscal year 2013, the general fund cash balance decreased \$379,691 from \$2,018,086 to \$1,638,395.
- The classroom facilities fund had \$1,493 in cash receipts and \$223,270 in cash disbursements. During fiscal year 2013, the classroom facilities fund cash balance decreased \$221,777 from \$1,112,287 to \$890,510.

Using the Cash Basis Basic Financial Statements (BFS)

This annual report is presented in a format consistent with the presentation requirements of the Governmental Accounting Standards Board (GASB) Statement No. 34, as applicable to the District's cash basis of accounting.

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

Reporting the District as a Whole

Statement of Net Position and the Statement of Activities

The Statement of Net Position - Cash Basis and the Statement of Activities - Cash Basis answer the question, "How did we do financially during fiscal year 2013?" These statements include only net position using the cash basis of accounting, which is a basis of accounting other than accounting principles generally accepted in the United States of America. This basis of accounting takes into account only the current year's receipts and disbursements if the cash is actually received or paid.

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013
(UNAUDITED)**

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

As a result of the use of the cash basis of accounting, certain assets and their related revenues (such as accounts receivable and revenue for billed or provided services not collected) and liabilities and their related expenses (such as accounts payable and expenses for goods or services received but not yet paid, and accrued expenses and liabilities) are not recorded in these financial statements. Therefore, when reviewing the financial information and discussion within this annual report, the reader should keep in mind the limitations resulting from the use of the cash basis of accounting.

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

The District's Statement of Net Position - Cash Basis and Statement of Activities - Cash Basis can be found on pages 15-16 of this report.

Reporting the District's Most Significant Funds

Fund Financial Statements

The analysis of the District's major governmental funds begins on page 11. Fund financial reports provide detailed information about the District's major funds. The District uses many funds to account for a multitude of financial transactions. However, these fund financial statements focus on the District's most significant funds. The District's major governmental funds are the general fund and classroom facilities fund.

Governmental Funds

Most of the District's activities are reported in governmental funds, which focus on how money flows into and out of those funds and the balances left at year-end available for spending in future periods. These funds are reported using the cash basis of accounting, which is a basis of accounting other than accounting principles generally accepted in the United States of America. The governmental fund statements provide a detailed view of the District's general government operations and the basic services it provides. Governmental fund information helps you determine whether there are more or fewer cash basis financial resources that can be readily spent to finance various District programs.

Since the District is reporting on the cash basis of accounting, there are no differences in the net cash position and fund cash balances or changes in net cash position and changes in fund cash balances. Therefore, no reconciliation is necessary between such financial statements. The governmental fund statements can be found on pages 17-19 of this report.

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

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013
(UNAUDITED)

Reporting the District's Fiduciary Responsibilities

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

Notes to the Financial Statements

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. These notes to the basic financial statements can be found on pages 23-43 of this report.

The District as a Whole

Recall that the Statement of Net Position - Cash Basis provides the perspective of the District as a whole.

The table below provides a summary of the District's net cash position at June 30, 2013 and 2012.

	Net Cash Position	
	Governmental Activities <u>2013</u>	Governmental Activities <u>2012</u>
<u>Assets</u>		
Equity in pooled cash and cash equivalents	\$ 3,447,485	\$ 4,158,378
Cash with escrow agent	<u>-</u>	<u>4,780</u>
Total assets	<u>3,447,485</u>	<u>4,163,158</u>
<u>Net cash position</u>		
Restricted	1,680,593	1,999,290
Unrestricted	<u>1,766,892</u>	<u>2,163,868</u>
Total net cash position	<u>\$ 3,447,485</u>	<u>\$ 4,163,158</u>

At June 30, 2013, the District's net cash position was \$3,447,485. A portion of this amount, \$1,680,593, represents resources that are subject to external restriction on how they may be used. The remaining balance of unrestricted net cash position of \$1,766,892 may be used to meet the District's ongoing obligations to the students and creditors.

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

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013
(UNAUDITED)

The table below shows the change in net cash position for fiscal years 2013 and 2012.

	Change in Net Cash Position	
	Governmental Activities	Governmental Activities
	<u>2013</u>	<u>2012</u>
<u>Cash Receipts</u>		
Program cash receipts:		
Charges for services and sales	\$ 970,200	\$ 1,272,752
Operating grants and contributions	1,021,851	1,260,675
General cash receipts:		
Property taxes	2,726,045	2,785,153
Grants and entitlements	3,767,376	4,112,715
Investment earnings	9,240	15,048
Other	<u>11,629</u>	<u>104,611</u>
Total cash receipts	<u>8,506,341</u>	<u>9,550,954</u>
<u>Cash disbursements:</u>		
Current:		
Instruction:		
Regular	\$ 3,253,137	\$ 3,166,630
Special	844,243	793,233
Vocational	231,507	207,174
Other	849,484	803,832
Support services:		
Pupil	239,957	429,031
Instructional staff	133,039	188,696
Board of education	29,330	39,427
Administration	640,384	731,509
Fiscal	286,453	283,928
Business	6,359	6,359
Operations and maintenance	684,815	805,366
Pupil transportation	464,999	655,194
Central	54,657	23,379
Food service operations	319,777	316,857
Other non-instructional services	13,390	28,967
Extracurricular activities	387,187	478,148
Facilities acquisition and construction	226,740	2,119,322
Debt service:		
Principal retirement	245,000	235,000
Interest and fiscal charges	<u>311,556</u>	<u>321,156</u>
Total cash disbursements	<u>9,222,014</u>	<u>11,633,208</u>
Change in net cash position	(715,673)	(2,082,254)
Net cash position at beginning of year	<u>4,163,158</u>	<u>6,245,412</u>
Net cash position at end of year	<u>\$ 3,447,485</u>	<u>\$ 4,163,158</u>

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013
(UNAUDITED)**

Governmental Activities

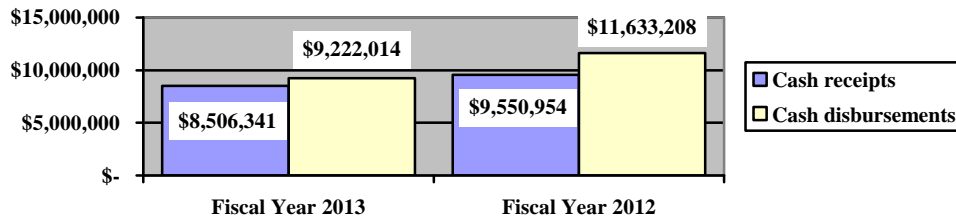
Net cash position of the District's governmental activities decreased \$715,673. Total governmental cash disbursements of \$9,222,014 were offset by program cash receipts of \$1,992,051 and general cash receipts of \$6,514,290. Program cash receipts supported 21.60% of the total governmental disbursements.

The primary sources of receipts for governmental activities are derived from property taxes and unrestricted grants and entitlements. These sources represent 76.34% of total governmental cash receipts. The overall decrease in cash receipts is due to several factors affecting both program and general cash receipts. In fiscal year 2012, the District received a one-time payment of nearly \$300,000, reported as charges for services and sales, for oil and gas excavation rights on the District's property. Another factor is the elimination of the education jobs federal grant program which resulted in a reduction of over \$200,000 in operating grants and contributions in fiscal year 2013. During 2012, the District received the final payments due from the State for the construction project. This, in conjunction with the phase-out of State reimbursements for tangible personal property tax loss, is the primary cause for the decrease in unrestricted grants and entitlements.

Cash disbursements also decreased in fiscal year 2013, as most of the concluding payments to contractors for the recent construction project were disbursed in fiscal year 2012. These disbursements are primarily reported as facilities acquisition and construction. The largest cash disbursement of the District is for instructional programs. Instruction disbursements totaled \$5,178,371 or 56.15% of total governmental disbursements for fiscal year 2013.

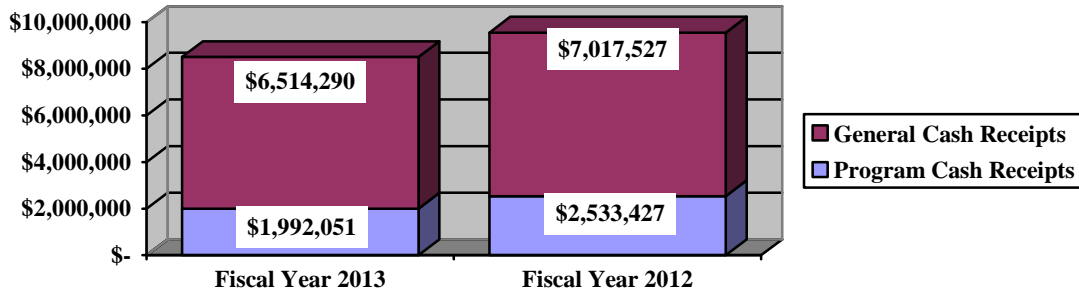
The graph below presents the District's cash receipts and cash disbursements for fiscal years 2013 and 2012.

Governmental Activities - Cash Receipts and Cash Disbursements



The graph below presents the District's governmental activities cash receipts for the fiscal years 2013 and 2012.

Governmental Activities - General and Program Cash Receipts



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

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013
(UNAUDITED)**

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

	Total Cost of Services <u>2013</u>	Net Cost of Services <u>2013</u>	Total Cost of Services <u>2012</u>	Net Cost of Services <u>2012</u>
Governmental Activities				
Program cash disbursements				
Instruction:				
Regular	\$ 3,253,137	\$ 2,603,979	\$ 3,166,630	\$ 2,325,443
Special	844,243	202,314	793,233	112,361
Vocational	231,507	173,467	207,174	207,174
Other	849,484	849,484	803,832	803,832
Support services:				
Pupil	239,957	235,766	429,031	381,905
Instructional staff	133,039	126,608	188,696	183,873
Board of education	29,330	29,330	39,427	39,427
Administration	640,384	618,180	731,509	703,941
Fiscal	286,453	286,453	283,928	283,928
Business	6,359	6,359	6,359	6,359
Operations and maintenance	684,815	667,755	805,366	482,014
Pupil transportation	464,999	422,183	655,194	618,442
Central	54,657	32,029	23,379	13,936
Food service operations	319,777	(12,803)	316,857	(55,146)
Other non-instructional services	13,390	(6,682)	28,967	27,150
Extracurricular activities	387,187	212,245	478,148	289,664
Facilities acquisition and construction	226,740	226,740	2,119,322	2,119,322
Debt service:				
Principal retirement	245,000	245,000	235,000	235,000
Interest and fiscal charges	311,556	311,556	321,156	321,156
Total cash disbursements	<u>\$ 9,222,014</u>	<u>\$ 7,229,963</u>	<u>\$ 11,633,208</u>	<u>\$ 9,099,781</u>

The dependence upon general cash receipts for governmental activities is apparent; with 78.40% and 78.22% of cash disbursements supported through taxes and other general cash receipts during fiscal years 2013 and 2012, respectively.

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

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013
(UNAUDITED)

The District's Funds

The District's governmental funds reported a combined fund cash balance of \$3,447,485, which is \$715,673 below last year's total of \$4,163,158. The schedule below indicates the fund cash balance and the total change in fund cash balance as of June 30, 2013 and June 30, 2012, for all major and nonmajor governmental funds.

	Fund Cash Balance June 30, 2013	Fund Cash Balance June 30, 2012	<u>(Decrease)</u>	Percentage <u>Change</u>
General	\$ 1,638,395	\$ 2,018,086	\$ (379,691)	(18.81) %
Classroom facilities	890,510	1,112,287	(221,777)	(19.94) %
Nonmajor governmental	<u>918,580</u>	<u>1,032,785</u>	<u>(114,205)</u>	(11.06) %
Total	<u>\$ 3,447,485</u>	<u>\$ 4,163,158</u>	<u>\$ (715,673)</u>	(17.19) %

General Fund

For the general fund, both cash receipts and cash disbursements decreased slightly from the prior year. The table that follows assists in illustrating the cash receipts and disbursements of the general fund.

	2013 <u>Amount</u>	2012 <u>Amount</u>	Increase <u>(Decrease)</u>	Percentage <u>Change</u>
<u>Cash Receipts</u>				
Property taxes	\$ 2,199,216	\$ 2,218,676	\$ (19,460)	(0.88) %
Earnings on investments	7,286	11,282	(3,996)	(35.42) %
Intergovernmental	4,022,878	4,177,247	(154,369)	(3.70) %
Other revenues	<u>699,955</u>	<u>1,018,294</u>	<u>(318,339)</u>	(31.26) %
Total	<u>\$ 6,929,335</u>	<u>\$ 7,425,499</u>	<u>\$ (496,164)</u>	(6.68) %
<u>Cash Disbursements</u>				
Instruction	\$ 4,722,963	\$ 4,403,538	\$ 319,425	7.25 %
Support services	2,309,354	2,788,093	(478,739)	(17.17) %
Non-instructional services	12,244	27,367	(15,123)	(55.26) %
Extracurricular activities	272,098	338,506	(66,408)	(19.62) %
Facilities acquisition and construction	<u>-</u>	<u>5,760</u>	<u>(5,760)</u>	(100.00) %
Total	<u>\$ 7,316,659</u>	<u>\$ 7,563,264</u>	<u>\$ (246,605)</u>	(3.26) %

The biggest change in the District's cash receipts was a decrease in other revenues of \$318,339 or 31.26%. This was mostly due to a one-time payment received in fiscal year 2012 of about \$300,000 for the sale of oil and gas excavation rights. The decrease in intergovernmental cash receipts is primarily due to the phase-out of State reimbursements for revenues lost as a result of the elimination of tangible personal property tax. The overall decrease in cash disbursements is a result of decreased wages and benefits costs due to retirements and other reductions in staff. This was offset by an increase in disbursements for instruction services, which is primarily due to the elimination of the education jobs federal grant program. The District set up a separate fund to account for disbursements to be reimbursed by this program, and now that the program has been eliminated the disbursements are accounted for in the general fund.

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

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013
(UNAUDITED)

Classroom Facilities Fund

The classroom facilities fund is reported as a major fund and had \$1,493 in cash receipts and \$223,270 in cash disbursements. During fiscal year 2013, the classroom facilities fund cash balance decreased \$221,777 from \$1,112,287 to \$890,510.

General Fund Budgeting Highlights

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

For the general fund, final estimated budgetary basis receipts and other financing sources were \$66,660 above original budget estimates of \$6,886,964. The actual budgetary basis receipts and other financing sources of \$6,978,728 exceeded final budget estimates by \$25,104. Both the original and final estimated budgetary basis disbursements and other financing uses were \$7,722,003. The actual budgetary basis disbursements and other financing uses of \$7,444,653 were \$277,350 less than the final budget estimates. There were no significant variances between either the original and final budget or the final budget and actual amounts for receipts or disbursements.

Capital Assets and Debt Administration

Capital Assets

The District does not record capital assets in the accompanying cash basis basic financial statements, but records payments for capital assets as disbursements. The District had facilities acquisition and construction disbursements of \$226,740 during fiscal year 2013.

Debt Administration

At June 30, 2013, the District had \$8,116,017 in general obligation bonds outstanding. Of this total, \$255,000 is due within one year and \$7,861,017 is due in more than one year.

Outstanding Debt, at Year End

	Governmental Activities <u>2013</u>	Governmental Activities <u>2012</u>
General obligation bonds	\$ <u>8,116,017</u>	\$ <u>8,271,881</u>
Total	\$ <u><u>8,116,017</u></u>	\$ <u><u>8,271,881</u></u>

See Note 6 to the basic financial statements for additional information.

Current Financial Related Activities

For the fifth year in a row the Osnaburg Local School District is rated "EXCELLENT" by the state of Ohio. The middle and high schools each met every benchmark, and the elementary school reached all benchmarks except one for an excellent rating. We are extremely proud of all of our staff and students and want to congratulate them for all of their hard work and dedication. The District continues to allocate funds to allow our students to receive the opportunities that they need in order to be successful.

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013
(UNAUDITED)**

A deficit spending pattern over the past several academic years has eaten away at our carryover. Cuts in programming and staffing were implemented at the end of the 2009-10 school year, taking effect the 2010-11 academic year. Additional cuts in programming and staffing have occurred every year since then. Our classified and certified staffs each negotiated their current contract in the spring of 2013. Fair financial packages were reached for both groups.

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

Traditionally, our community has been supportive of the District. Levies always pass, but often not on the first attempt. Rising health costs, an aging certificated staff, rising fuel and supply costs all indicate that unless there is additional support from the state, we must pass a new tax levy in the near future.

Contacting the District's Financial Management

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

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

STATEMENT OF NET POSITION - CASH BASIS
JUNE 30, 2013

	Governmental Activities
Assets:	
Equity in pooled cash and cash equivalents . . .	\$ 3,447,485
Total assets.	3,447,485
Net cash position:	
Restricted for:	
Capital projects	907,969
Debt service.	330,621
Classroom facilities maintenance	205,097
State funded programs.	16,042
Federally funded programs	46,391
Student activities	46,050
Food service operations.	128,423
Unrestricted.	1,766,892
Total net cash position	\$ 3,447,485

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

STATEMENT OF ACTIVITIES - CASH BASIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013

	Cash Disbursements	Program Cash Receipts		Net (Disbursements) Receipts and Changes in Net Cash Position Governmental Activities
		Charges for Services and Sales	Operating Grants and Contributions	
Governmental activities:				
Instruction:				
Regular	\$ 3,253,137	\$ 606,998	\$ 42,160	\$ (2,603,979)
Special	844,243	4,882	637,047	(202,314)
Vocational	231,507	-	58,040	(173,467)
Other	849,484	-	-	(849,484)
Support services:				
Pupil.	239,957	-	4,191	(235,766)
Instructional staff	133,039	-	6,431	(126,608)
Board of education	29,330	-	-	(29,330)
Administration.	640,384	-	22,204	(618,180)
Fiscal.	286,453	-	-	(286,453)
Business.	6,359	-	-	(6,359)
Operations and maintenance	684,815	-	17,060	(667,755)
Pupil transportation.	464,999	494	42,322	(422,183)
Central	54,657	-	22,628	(32,029)
Operation of non-instructional services:				
Food service operations	319,777	163,869	168,711	12,803
Other non-instructional services	13,390	19,015	1,057	6,682
Extracurricular activities	387,187	174,942	-	(212,245)
Facilities acquisition and construction	226,740	-	-	(226,740)
Principal retirement	245,000	-	-	(245,000)
Interest and fiscal charges	311,556	-	-	(311,556)
Totals	\$ 9,222,014	\$ 970,200	\$ 1,021,851	(7,229,963)

General cash receipts:

Property taxes levied for:	
General purposes	2,199,216
Classroom facilities maintenance.	38,874
Debt service.	487,955
Grants and entitlements not restricted to specific programs	
Investment earnings	9,240
Miscellaneous	11,629
Total general revenues	6,514,290
Change in net cash position	(715,673)
Net cash position at beginning of year.	4,163,158
Net cash position at end of year	\$ 3,447,485

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

STATEMENT OF ASSETS AND FUND BALANCES - CASH BASIS
GOVERNMENTAL FUNDS
JUNE 30, 2013

	<u>General</u>	<u>Classroom Facilities</u>	<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
Assets:				
Equity in pooled cash and cash equivalents . . .	\$ 1,638,395	\$ 890,510	\$ 918,580	\$ 3,447,485
Total assets.	<u>\$ 1,638,395</u>	<u>\$ 890,510</u>	<u>\$ 918,580</u>	<u>\$ 3,447,485</u>
Fund cash balances:				
Restricted:				
Debt service	\$ -	\$ -	\$ 330,621	\$ 330,621
Capital improvements	-	890,510	17,459	907,969
Classroom facilities maintenance	-	-	205,097	205,097
Food service operations	-	-	128,423	128,423
Public school preschool	-	-	16,042	16,042
Special education	-	-	14,287	14,287
Targeted academic assistance	-	-	32,104	32,104
Student activities.	-	-	46,050	46,050
Committed:				
Capital improvements	-	-	128,497	128,497
Assigned:				
Student instruction	63,026	-	-	63,026
Student and staff support.	66,403	-	-	66,403
Subsequent year's appropriations	152,460	-	-	152,460
Adult education	1,983	-	-	1,983
Unassigned.	1,354,523	-	-	1,354,523
Total fund cash balances	<u>\$ 1,638,395</u>	<u>\$ 890,510</u>	<u>\$ 918,580</u>	<u>\$ 3,447,485</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

STATEMENT OF CASH RECEIPTS, DISBURSEMENTS AND CHANGES IN FUND BALANCES - CASH BASIS
GOVERNMENTAL FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013

	General	Classroom Facilities	Nonmajor Governmental Funds	Total Governmental Funds
Cash receipts:				
From local sources:				
Property taxes	\$ 2,199,216	\$ -	\$ 526,829	\$ 2,726,045
Tuition.	535,468	-	-	535,468
Transportation fees.	494	-	-	494
Charges for services	-	-	163,869	163,869
Earnings on investments	7,286	1,493	840	9,619
Extracurricular.	64,570	-	110,372	174,942
Classroom materials and fees	54,987	-	-	54,987
Rental income	21,150	-	-	21,150
Other local revenues	23,286	-	-	23,286
Intergovernmental - state	4,008,848	-	224,651	4,233,499
Intergovernmental - federal	14,030	-	541,319	555,349
Total cash receipts	<u>6,929,335</u>	<u>1,493</u>	<u>1,567,880</u>	<u>8,498,708</u>
Cash disbursements:				
Current:				
Instruction:				
Regular.	3,175,004	-	78,133	3,253,137
Special	466,968	-	377,275	844,243
Vocational	231,507	-	-	231,507
Other	849,484	-	-	849,484
Support services:				
Pupil	235,288	-	4,669	239,957
Instructional staff	114,333	-	18,706	133,039
Board of education	29,330	-	-	29,330
Administration	616,210	-	24,174	640,384
Fiscal	275,365	-	11,088	286,453
Business.	6,359	-	-	6,359
Operations and maintenance	567,831	-	116,984	684,815
Pupil transportation	434,063	-	30,936	464,999
Central	30,575	-	24,082	54,657
Operation of non-instructional services:				
Food service operations.	-	-	319,777	319,777
Other non-instructional services	12,244	-	1,146	13,390
Extracurricular activities	272,098	-	115,089	387,187
Facilities acquisition and construction.	-	223,270	3,470	226,740
Debt service:				
Principal retirement.	-	-	245,000	245,000
Interest and fiscal charges.	-	-	311,556	311,556
Total cash disbursements.	<u>7,316,659</u>	<u>223,270</u>	<u>1,682,085</u>	<u>9,222,014</u>
Excess of cash disbursements over cash receipts.	<u>(387,324)</u>	<u>(221,777)</u>	<u>(114,205)</u>	<u>(723,306)</u>
Other financing sources:				
Proceeds from sale of assets	7,633	-	-	7,633
Total other financing sources.	<u>7,633</u>	<u>-</u>	<u>-</u>	<u>7,633</u>
Net change in fund cash balances.	(379,691)	(221,777)	(114,205)	(715,673)
Fund cash balances at beginning of year. . .	<u>2,018,086</u>	<u>1,112,287</u>	<u>1,032,785</u>	<u>4,163,158</u>
Fund cash balances at end of year	<u>\$ 1,638,395</u>	<u>\$ 890,510</u>	<u>\$ 918,580</u>	<u>\$ 3,447,485</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS AND CHANGES IN
FUND BALANCE - BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)
GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2013

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Budgetary basis receipts:				
From local sources:				
Property taxes	\$ 2,300,395	\$ 2,199,000	\$ 2,199,216	\$ 216
Tuition	504,575	535,000	535,468	468
Transportation fees	-	-	494	494
Earnings on investments	8,516	7,300	7,286	(14)
Extracurricular	21,130	18,800	22,650	3,850
Classroom materials and fees	42,048	52,600	54,987	2,387
Other local revenues	79,305	46,200	44,436	(1,764)
Intergovernmental - state	3,895,760	3,991,024	4,008,848	17,824
Intergovernmental - federal	21,290	13,000	14,030	1,030
Total budgetary basis receipts	<u>6,873,019</u>	<u>6,862,924</u>	<u>6,887,415</u>	<u>24,491</u>
Budgetary basis disbursements:				
Current:				
Instruction:				
Regular	3,247,090	3,247,090	3,197,756	49,334
Special	502,766	502,766	480,450	22,316
Vocational	233,336	233,336	231,507	1,829
Other	920,182	920,182	909,956	10,226
Support services:				
Pupil	257,210	257,210	246,044	11,166
Instructional staff	134,704	134,704	114,708	19,996
Board of education	30,950	30,950	29,570	1,380
Administration	630,176	630,176	619,423	10,753
Fiscal	301,970	301,970	275,365	26,605
Business	7,000	7,000	6,359	641
Operations and maintenance	670,918	670,918	619,870	51,048
Pupil transportation	464,995	464,995	434,246	30,749
Central	31,220	31,220	30,575	645
Operation of non-instructional services	14,131	14,131	12,244	1,887
Extracurricular activities	275,355	275,355	236,580	38,775
Total budgetary basis disbursements	<u>7,722,003</u>	<u>7,722,003</u>	<u>7,444,653</u>	<u>277,350</u>
Excess of budgetary basis disbursements over budgetary basis receipts	<u>(848,984)</u>	<u>(859,079)</u>	<u>(557,238)</u>	<u>301,841</u>
Other financing sources:				
Refund of prior year's expenditures	8,516	83,000	83,680	680
Proceeds from sale of assets	5,429	7,700	7,633	(67)
Total other financing sources	<u>13,945</u>	<u>90,700</u>	<u>91,313</u>	<u>613</u>
Net change in fund cash balance	(835,039)	(768,379)	(465,925)	302,454
Fund cash balance at beginning of year . .	1,891,245	1,891,245	1,891,245	-
Prior year encumbrances appropriated . .	81,663	81,663	81,663	-
Fund cash balance at end of year	<u>\$ 1,137,869</u>	<u>\$ 1,204,529</u>	<u>\$ 1,506,983</u>	<u>\$ 302,454</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

STATEMENT OF FIDUCIARY NET POSITION - CASH BASIS
FIDUCIARY FUNDS
JUNE 30, 2013

	Private Purpose Trust	
	Scholarships	Agency
Assets:		
Equity in pooled cash and cash equivalents.	\$ 129,696	\$ 41,341
Total assets	\$ 129,696	\$ 41,341
Net cash position:		
Held in trust for scholarships	\$ 129,696	\$ -
Held for students	-	41,341
Total net cash position	\$ 129,696	\$ 41,341

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

STATEMENT OF CHANGES IN FIDUCIARY NET POSITION - CASH BASIS
FIDUCIARY FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013

	Private Purpose Trust
	Scholarships
Additions:	
Interest	\$ 378
Gifts and contributions	22,075
Total additions.	22,453
 Deductions:	
Scholarships awarded	8,200
Change in net cash position	14,253
Net cash position at beginning of year.	115,443
Net cash position at end of year	\$ 129,696

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013**

NOTE 1 - DESCRIPTION OF THE SCHOOL DISTRICT

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

The District is located in East Canton, Stark County, Ohio. It is staffed by 37 non-certified employees and 57 certified employees who provide services to 905 students and other community members. The District operates one K-12 school building.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

As discussed in Note 2.B., these financial statements are presented on the cash basis of accounting. The cash basis of accounting differs from accounting principles generally accepted in the United States of America (GAAP). GAAP includes all relevant Governmental Accounting Standards Board (GASB) pronouncements. In cases where these cash basis statements contain items that are the same as, or similar to, those items in financial statements prepared in conformity with GAAP, similar informative disclosures are provided.

A. Reporting Entity

The reporting entity has been defined in accordance with GASB Statement No. 14, "The Financial Reporting Entity" as amended by GASB Statement No. 39, "Determining Whether Certain Organizations Are Component Units" and GASB Statement No. 61, "The Financial Reporting Entity: Omnibus an amendment of GASB Statements No. 14 and No. 34". The reporting entity is composed of the primary government and component units. 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 student related activities of the District.

Component units are legally separate organizations for which the District is financially accountable. The District is financially accountable for an organization if the District appoints a voting majority of the organization's Governing Board and (1) the District is able to significantly influence the programs or services performed or provided by the organization; or (2) the District is legally entitled to or can otherwise access the organization's resources; or (3) the District is legally obligated or has otherwise assumed the responsibility to finance the deficits of, or provide financial support to, the organization; or (4) the District is obligated for the debt of the organization. Component units may also include organizations that are fiscally dependent on the District in that the District approves the budget, the issuance of debt or the levying of taxes. Certain organizations are also included as component units if the nature and significance of the relationship between the primary government and the organization is such that exclusion by the primary government would render the primary government's financial statements incomplete or misleading. Based upon the application of these criteria, the District has no component units. The basic financial statements of the reporting entity include only those of the District (the primary government).

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

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013

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

JOINTLY GOVERNED ORGANIZATIONS

Stark-Portage Area Computer Consortium (SPARCC)

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

PUBLIC ENTITY RISK POOLS

Risk Sharing Pool

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

Insurance Purchasing Pool

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

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

B. Basis of Accounting

Although required by Ohio Administrative Code § 117-2-03(B) to prepare its annual financial report in accordance with GAAP, the District chooses to prepare its financial statements and notes on the cash basis of accounting. The cash basis of accounting is a comprehensive basis of accounting other than GAAP. Receipts are recognized when received in cash rather than when earned, and disbursements are recognized when paid rather than when a liability is incurred.

Budgetary presentations report budgetary cash disbursements when a commitment is made (i.e. when an encumbrance is approved). The difference between disbursements reported in the fund and entity wide statements and disbursements reported in the budgetary statements are due to current year encumbrances being added to disbursements reported on the budgetary statements.

These statements include adequate disclosure of material matters, in accordance with the cash basis of accounting.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013

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

C. Fund Accounting

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

GOVERNMENTAL FUNDS

The District classifies funds financed primarily from taxes, intergovernmental receipts (e.g. grants) and other non-exchange transactions as governmental funds. The following are the District's major governmental funds:

General fund -The general fund is used to account for and report all financial resources not accounted for and reported in another fund. The general fund balance is available for any purpose provided it is expended or transferred according to the general laws of Ohio.

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

Other governmental funds of the District are used to account for (a) financial resources that are restricted, committed, or assigned to expenditures for capital outlays including the acquisition or construction of capital facilities and other capital assets, (b) specific revenue sources that are restricted or committed to an expenditure for specified purposes other than debt service or capital projects and (c) financial resources that are restricted, committed, or assigned to expenditure for principal and interest.

FIDUCIARY FUNDS

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

D. Basis of Presentation

Government-wide Financial Statements - The Statement of Net Position - Cash Basis and the Statement of Activities - Cash Basis display information about the District as a whole. These statements include the financial activities of the primary government, except for fiduciary funds.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013

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

The government-wide Statement of Activities compares disbursements with program receipts for each function or program of the District's governmental activities. These disbursements are those that are specifically associated with a service, program or department and are therefore clearly identifiable to a particular function. Program receipts include charges paid by the recipient of the goods or services offered by the program and grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Receipts which are not classified as program receipts are presented as general receipts of the District. The comparison of direct disbursements with program receipts identifies the extent to which each business segment or governmental function is self-financing on the cash basis or draws from the general receipts of the District.

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

E. Budgets

The District is required by State statute to adopt an annual appropriated cash basis budget for all funds, except agency funds. The specific timetable for fiscal year 2013 is as follows:

1. Prior to January 15, the Superintendent and Treasurer submit to the Board of Education a proposed operating budget for the fiscal year commencing the following July 1. The budget includes proposed expenditures and the means of financing for all funds. Public hearings are publicized and conducted to obtain taxpayers' comments. The purpose of this budget document is to reflect the need for existing (or increased) tax rates.
2. On October 25, 2005, the Stark County Budget Commission voted to waive the requirement that school districts adopt a tax budget as required by Section 5705.28 of the Ohio Revised Code, by January 15th and the filing by January 20th. The Budget Commission now requires an alternate tax budget be submitted by January 20th, which no longer requires specific Board approval.
3. Prior to April 1, the Board of Education accepts, by formal resolution, the tax rates as determined by the Budget Commission and receives the Commission's Certificate of Estimated Resources which states the projected revenue of each fund. Prior to July 1, the District must revise its budget so that total contemplated expenditures from any fund during the ensuing year will not exceed the amount stated in the Certificate of Estimated Resources. The revised budget then serves as a basis for the appropriation measure. On or about July 1, the certificate is amended to include any unencumbered balances from the preceding year as reported by the District Treasurer. The certificate may be further amended during the year if projected increases or decreases in revenue are identified by the District Treasurer. The budget figures, as shown in the accompanying budgetary statement, reflect the amounts set forth in the original and final Amended Certificates of Estimated Resources issued for fiscal year 2013.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013

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

4. By July 1, the annual appropriation resolution is legally enacted by the Board of Education at the fund level of expenditures, which is the legal level of budgetary control. State statute permits a temporary appropriation to be effective until no later than October 1 of each year. Although the legal level of budgetary control was established at the fund level of expenditures, the District has elected to present budgetary statement comparisons at the fund and function level of expenditures. Resolution appropriations by fund must be within the estimated resources as certified by the County Budget Commission and the total of expenditures and encumbrances may not exceed the appropriation totals.
5. Any revisions that alter the total of any fund appropriation must be approved by the Board of Education.
6. Formal budgetary integration is employed as a management control device during the year for all funds consistent with the general obligation bond indenture and other statutory provisions. All funds completed the year within the amount of their legally authorized cash basis appropriation.
7. Appropriation amounts are reported as originally adopted, or as amended by the Board of Education through the year by supplemental appropriations, which either reallocated or increased the original appropriated amounts. All supplemental appropriations were legally enacted by the Board prior to June 30, 2013. The budget figures, as shown in the accompanying budgetary statement, reflect the original and final appropriation amounts including all amendments and modifications.
8. Unencumbered appropriations lapse at year end. Encumbered appropriations are carried forward to the succeeding fiscal year and need not be reappropriated. Expenditures plus encumbrances may not legally exceed budgeted appropriations at the fund level.

F. Cash and Investments

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

During fiscal year 2013, investments were limited to State Treasury Asset Reserve of Ohio (STAR Ohio) and nonnegotiable certificates of deposit. Except for nonparticipating investment contracts, investments are reported at fair value, which is based on quoted market prices.

The District has invested funds in STAR Ohio during fiscal year 2013. STAR Ohio is an investment pool managed by the State Treasurer's Office, which allows governments within the State to pool their funds for investment purposes. STAR Ohio is not registered with the SEC as an investment company, but does operate in a manner consistent with Rule 2a7 of the Investment Company Act of 1940. Investments in STAR Ohio are valued at STAR Ohio's shares price which is the price the investment could be sold for on June 30, 2013.

Under existing Ohio statutes all investment earnings are assigned to the general fund unless statutorily required to be credited to a specific fund. Interest revenue credited to the general fund during fiscal year 2013 amounted to \$7,286, which includes \$2,385 assigned from other funds.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013

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

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

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

G. Capital Assets

Acquisition of property, plant, and equipment purchased are recorded as disbursements when paid. These items are not reflected as assets on the accompanying financial statements under the cash basis of accounting. Depreciation has not been reported for any capital assets.

H. Unpaid Vacation and Sick Leave

Employees are entitled to cash payments for unused vacation and sick leave in certain circumstances, such as upon leaving employment. Unpaid vacation and sick leave are not reflected as liabilities under the cash basis of accounting.

I. Long-Term Obligations

Bonds and other long-term obligations are not recognized as a liability in the financial statements under the cash basis of accounting. These statements report proceeds of debt when cash is received, and debt service disbursements for debt principal payments.

J. Fund Cash Balance

Fund cash balance is divided into five classifications based primarily on the extent to which the District is bound to observe constraints imposed upon the use of the resources in the governmental funds. The classifications are as follows:

Nonspendable - The nonspendable fund balance classification includes amounts that cannot be spent because they are not in spendable form or legally required to be maintained intact. The "not in spendable form" criterion includes items that are not expected to be converted to cash.

Restricted - Fund balance is reported as restricted when constraints are placed on the use of resources that are either externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments, or imposed by law through constitutional provisions or enabling legislation.

Committed - The committed fund balance classification includes amounts that can be used only for the specific purposes imposed by a formal action (resolution) of the District Board of Education (the highest level of decision making authority). Those committed amounts cannot be used for any other purpose unless the District Board of Education removes or changes the specified use by taking the same type of action (resolution) it employed to previously commit those amounts. Committed fund balance also incorporates contractual obligations to the extent that existing resources in the fund have been specifically committed for use in satisfying those contractual requirements.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013

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

Assigned - Amounts in the assigned fund balance classification are intended to be used by the District for specific purposes but do not meet the criteria to be classified as restricted nor committed. In governmental funds other than the general fund, assigned fund balance represents the remaining amount that is not restricted or committed. In the general fund, assigned amounts represent intended uses established by policies of the District Board of Education, which includes giving the Treasurer the authority to constrain monies for intended purposes.

Unassigned - Unassigned fund balance is the residual classification for the general fund and includes all spendable amounts not contained in the other classifications. In other governmental funds, the unassigned classification is only used to report a deficit fund balance resulting from overspending for specific purposes for which amounts had been restricted, committed, or assigned.

The District applies restricted resources first when disbursements are incurred for purposes for which restricted and unrestricted (committed, assigned, and unassigned) fund balance is available. Similarly, within unrestricted fund balance, committed amounts are reduced first followed by assigned, and then unassigned amounts when disbursements are incurred for purposes for which amounts in any of the unrestricted fund balance classifications could be used.

K. Net Cash Position

Net cash position is reported as restricted when enabling legislation or creditors, grantors or laws or regulations of other governments have imposed limitations on its use. The District first applies restricted resources when a disbursement is incurred for purposes for which both restricted and unrestricted net cash position is available. The District did not have any assets restricted by enabling legislation at June 30, 2013.

L. Restricted Assets

Assets are reported as restricted assets when limitations on their use change the normal understanding of the availability of the asset. Such constraints are either imposed by creditors, contributors, grantors, or laws of other governments or imposed by enabling legislation. The District did not have any restricted assets at June 30, 2013.

M. Interfund Activity

Exchange transactions between funds are reported as receipts in the seller funds and as disbursements in the purchaser funds. Flows of cash or goods from one fund to another without a requirement for repayment are reported as interfund transfers in governmental funds. Repayments from funds responsible for particular disbursements to the funds that initially paid for them are not presented on the basic financial statements. Interfund advances and transfers are eliminated in the Statement of Activities - Cash Basis.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013

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

N. Vocational Education

The District has entered into an agreement with the Canton Local School District, Perry Local School District and the Sandy Valley Local School District to provide career technical education programs for students. The Canton Local School District is the principal agency for the programs and is responsible for the physical facilities of the programs. For fiscal year 2013, the District was required to pay the Canton Local School District a service charge equal to \$97,000 reduced by all State aid for District students attending the Canton Local School District for these programs.

O. Extraordinary and Special Items

Extraordinary items are transactions or events that are both unusual in nature and infrequent in occurrence. Special items are transactions or events that are within the control of the Board of Education and that are either unusual in nature or infrequent in occurrence. Neither type of transaction occurred during fiscal year 2013.

NOTE 3 - ACCOUNTABILITY AND COMPLIANCE

A. Change in Accounting Principles

For fiscal year 2013, the District has implemented GASB Statement No. 60, "Accounting and Financial Reporting for Service Concession Arrangements", GASB Statement No. 61, "The Financial Reporting Entity: Omnibus an amendment of GASB Statements No. 14 and No. 34", GASB Statement No. 62, "Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA pronouncements", GASB Statement No. 63, "Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position", and GASB Statement No. 65, "Items Previously Reported as Assets and Liabilities".

GASB Statement No. 60 addresses issues related to service concession arrangements (SCAs), which are a type of public-private or public-public partnership. An SCA is an arrangement between a transferor (a government) and an operator (governmental or nongovernmental entity) in which (1) the transferor conveys to an operator the right and related obligation to provide services through the use of infrastructure or another public asset (a "facility") in exchange for significant consideration and (2) the operator collects and is compensated by fees from third parties. The implementation of GASB Statement No. 60 did not have an effect on the financial statements of the District.

GASB Statement No. 61 modifies certain requirements for inclusion of component units in the financial reporting entity. The Statement amends the criteria for reporting component units as if they were part of the primary government in certain circumstances. Finally, the Statement also clarifies the reporting of equity interests in legally separate organizations. The implementation of GASB Statement No. 61 did not have an effect on the financial statements of the District.

GASB Statement No. 62 codifies accounting and financial reporting guidance contained in pre-November 30, 1989 FASB and AICPA pronouncements in an effort to codify all sources of GAAP for State and local governments so that they derive from a single source. The implementation of GASB Statement No. 62 did not have an effect on the financial statements of the District.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013

NOTE 3 - ACCOUNTABILITY AND COMPLIANCE - (Continued)

GASB Statement No. 63 provides financial and reporting guidance for *deferred outflows of resources* and *deferred inflows of resources* which are financial statement elements that are distinct from assets and liabilities. GASB Statement No. 63 standardizes the presentation of deferred outflows of resources and deferred inflows of resources and their effects on a government's *net position*. The implementation of GASB Statement No. 63 has changed the presentation of the District's financial statements to incorporate the concepts of net position, deferred outflows of resources and deferred inflows of resources.

GASB Statement No. 65 establishes accounting and financial reporting standards that reclassify, as *deferred outflows of resources* or *deferred inflows of resources*, certain items that were previously reported as assets and liabilities and recognizes, as outflows of resources or inflows of resources, certain items that were previously reported as assets and liabilities. GASB Statement No. 65 also provides other financial reporting guidance related to the impact of the financial statement elements *deferred outflows of resources* and *deferred inflows of resources*, such as changes in the determination of the major fund calculations and limiting the use of the term *deferred* in financial statement presentations. The implementation of GASB Statement No. 65 did not have an effect on the financial statements of the District.

B. Compliance

Ohio Administrative Code § 117-2-03(B) requires the District to prepare its annual financial report in accordance with generally accepted accounting principles. However, the District prepared its financial statements on a cash basis, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. The accompanying financial statements omit assets, deferred outflows of resources, liabilities, deferred inflows of resources, net position/fund balances, and disclosures that, while material, cannot be determined at this time. The District can be fined and various other administrative remedies may be taken against the District.

NOTE 4 - DEPOSITS AND INVESTMENTS

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

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

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

Interim deposits are deposits of interim monies. Interim monies are those monies which are not needed for immediate use, but which will be needed before the end of the current period of designation of depositories.

Interim deposits must be evidenced by time certificates of deposit maturing not more than one year from the date of deposit or by savings or deposit accounts including passbook accounts.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013

NOTE 4 - DEPOSITS AND INVESTMENTS - (Continued)

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

1. United States Treasury Notes, Bills, Bonds, or any other obligation or security issued by the United States Treasury or any other obligation guaranteed as to principal and interest by the United States;
2. Bonds, notes, debentures, or any other obligations or securities issued by any federal government agency or instrumentality, including, but not limited to, the Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, Government National Mortgage Association, and Student Loan Marketing Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
3. Written repurchase agreements in the securities listed above provided that the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least two percent and be marked to market daily, and that the term of the agreement must not exceed thirty days;
4. Bonds and other obligations of the State of Ohio;
5. No-load money market mutual funds consisting exclusively of obligations described in items (1) and (2) above and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions;
6. The State Treasurer's investment pool (STAR Ohio);
7. Certain banker's acceptance and commercial paper notes for a period not to exceed one hundred eighty days from the purchase date in an amount not to exceed twenty-five percent of the interim monies available for investment at any one time; and,
8. Under limited circumstances, corporate debt interests rated in either of the two highest classifications by at least two nationally recognized rating agencies.

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

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

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013

NOTE 4 - DEPOSITS AND INVESTMENTS - (Continued)

A. Cash on Hand

At fiscal year end, the District had \$1,100 in undeposited cash on hand which is included on the financial statements of the District as part of “equity in pooled cash and cash equivalents”.

B. Deposits with Financial Institutions

At June 30, 2013, the carrying amount of all District deposits was \$3,551,684. Based on the criteria described in GASB Statement No. 40, “Deposits and Investment Risk Disclosures”, as of June 30, 2013, \$3,103,966 of the District’s bank balance of \$3,626,966 was exposed to custodial risk as discussed below, while \$523,000 was covered by the FDIC.

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

D. Investments

As of June 30, 2013, the District had the following investments and maturities:

<u>Investment type</u>	<u>Fair Value</u>	<u>Investment Maturities</u> 6 months or less
STAR Ohio	\$ 65,738	\$ 65,738
Total	<u>\$ 65,738</u>	<u>\$ 65,738</u>

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

Credit Risk: STAR Ohio carries a rating of AAAM by Standard & Poor’s. Ohio law requires that STAR Ohio maintain the highest rating provided by at least one nationally recognized standard rating service. The District’s investment policy does not specifically address credit risk beyond requiring the District to only invest in securities authorized by State statute.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013

NOTE 4 - DEPOSITS AND INVESTMENTS - (Continued)

Concentration of Credit Risk: The District places no limit on the amount that may be invested in any one issuer. The following table includes the percentage of each investment type held by the District at June 30, 2013:

<u>Investment type</u>	<u>Fair Value</u>	<u>% to Total</u>
STAR Ohio	\$ 65,738	100.00
Total	<u>\$ 65,738</u>	<u>100.00</u>

E. Reconciliation of Cash and Investments to the Statement of Net Position

The following is a reconciliation of cash and investments as reported in the note above to cash and investments as reported on the statement of net position as of June 30, 2013:

<u>Cash and investments per note</u>	
Carrying amount of deposits	\$ 3,551,684
Investments	65,738
Cash on hand	<u>1,100</u>
Total	<u>\$ 3,618,522</u>
<u>Cash and investments per Statement of Net Position</u>	
Governmental activities	\$ 3,447,485
Private-purpose trust funds	129,696
Agency fund	<u>41,341</u>
Total	<u>\$ 3,618,522</u>

NOTE 5 - PROPERTY TAXES

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

Property taxes include amounts levied against all real property and public utility property. Real property tax revenues received in calendar year 2013 represent the collection of calendar year 2012 taxes. Real property taxes received in calendar year 2013 were levied after April 1, 2012, on the assessed values as of January 1, 2012, the lien date. Assessed values for real property taxes are established by State statute at 35 percent of appraised market value. Real property taxes are payable annually or semiannually. If paid annually, payment is due December 31; if paid semiannually, the first payment is due December 31, with the remainder payable by June 20. Under certain circumstances, State statute permits alternate payment dates to be established. Public utility property tax revenues received in calendar year 2013 represent the collection of calendar year 2012 taxes. Public utility real and personal property taxes received in calendar year 2013 became a lien on December 31, 2011, were levied after April 1, 2012, and are collected with real property taxes. Public utility real property is assessed at 35 percent of true value; public utility tangible personal property is currently assessed at varying percentages of true value.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013

NOTE 5 - PROPERTY TAXES - (Continued)

The District receives property taxes from Stark and Carroll Counties. The County Auditors periodically advance to the District its portion of the taxes collected. Second-half real property tax payments collected by the Counties by June 30, 2013, are available to finance fiscal year 2013 operations. The amount of second-half real property taxes available for advance at fiscal year-end can vary based on the date the tax bills are sent.

The assessed values upon which the fiscal year 2013 taxes were collected are:

	2012 Second Half Collections		2013 First Half Collections	
	<u>Amount</u>	<u>Percent</u>	<u>Amount</u>	<u>Percent</u>
Agricultural/residential and other real estate	\$ 94,240,580	96.56	\$ 82,965,690	95.89
Public utility personal	<u>3,359,680</u>	<u>3.44</u>	<u>3,559,450</u>	<u>4.11</u>
Total	<u>\$ 97,600,260</u>	<u>100.00</u>	<u>\$ 86,525,140</u>	<u>100.00</u>
Tax rate per \$1,000 of assessed valuation	\$ 64.40		\$ 64.20	

NOTE 6 - LONG-TERM OBLIGATIONS

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

This issue is comprised of both current interest bonds, par value \$8,520,000, and capital appreciation bonds, par value \$181,615. The interest rates on the current interest bonds range from 4.000% to 4.125%. The capital appreciation bonds mature on December 1, 2014 (stated interest 18.139%), December 1, 2015 (stated interest 18.139%) and December 16, 2016 (stated interest 18.139%) at a redemption price equal to 100% of the principal, plus accrued interest to the redemption date. The accreted value at maturity for each capital appreciation bond is \$265,000, for a total maturity of \$795,000.

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

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013

NOTE 6 - LONG-TERM OBLIGATIONS - (Continued)

The following is a schedule of activity for fiscal year 2013 on the Series 2007 general obligation bonds:

	Balance <u>06/30/12</u>	<u>Additions</u>	<u>Reductions</u>	Balance <u>06/30/13</u>	Due Within <u>One Year</u>
Current interest bonds	\$ 7,820,000	\$ -	\$ (245,000)	\$ 7,575,000	\$ 255,000
Capital appreciation bonds	181,615	-	-	181,615	-
Accreted interest	270,266	89,136	-	359,402	-
Total G.O. bonds	<u>\$ 8,271,881</u>	<u>\$ 89,136</u>	<u>\$ (245,000)</u>	<u>\$ 8,116,017</u>	<u>\$ 255,000</u>

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

Fiscal Year	Current Interest Bonds			Capital Appreciation Bonds		
	Principal	Interest	Total	Principal	Interest	Total
2014	\$ 255,000	\$ 301,556	\$ 556,556	\$ -	\$ -	\$ -
2015	-	296,456	296,456	71,298	193,702	265,000
2016	-	296,456	296,456	59,935	205,065	265,000
2017	-	296,456	296,456	50,382	214,618	265,000
2018	265,000	291,157	556,157	-	-	-
2019 - 2023	1,490,000	1,284,881	2,774,881	-	-	-
2024 - 2028	1,810,000	955,681	2,765,681	-	-	-
2029 - 2033	2,205,000	553,247	2,758,247	-	-	-
2034 - 2036	1,550,000	97,763	1,647,763	-	-	-
Total	<u>\$ 7,575,000</u>	<u>\$ 4,373,653</u>	<u>\$ 11,948,653</u>	<u>\$ 181,615</u>	<u>\$ 613,385</u>	<u>\$ 795,000</u>

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 code additionally states that unvoted indebtedness related to energy conservation debt shall not exceed 9/10 of 1% of the property valuation of the District. The assessed valuation used in determining the District's legal debt margin has been modified by House Bill 530 which became effective March 30, 2006. In accordance with House Bill 530, the assessed valuation used in the District's legal debt margin calculation excluded tangible personal property used in business, telephone or telegraph property, interexchange telecommunications company property, and personal property owned or leased by a railroad company and used in railroad operations. The effects of these debt limitations at June 30, 2013, resulted in a voted debt margin of \$361,269 and an unvoted debt margin of \$86,525.

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013**

NOTE 7 - 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 240-260 days per year earn 20 days of vacation annually. Teachers, administrators and classified employees earn sick leave at the rate of one and one-fourth days per month up to a maximum of 320 days. Upon retirement, classified employees and certified employees receive payment for one-fourth of the total sick leave accumulation, up to a maximum of 70 days for certified and classified employees.

B. Life Insurance

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

C. Retirement Incentive

The District had a retirement incentive bonus in place during fiscal year 2013. This bonus is available to certified teaching employees in the amount of \$15,000. Employees retiring the first time they are eligible to retire based upon STRS Ohio eligibility will receive the bonus. First time eligibility means:

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

NOTE 8 - 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 Ohio Casualty for property, general and excess liability insurance, boiler and machinery and inland marine with a \$5,000 deductible.

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

Professional liability is protected by Ohio Casualty with a \$5,000,000 single occurrence, \$5,000,000 aggregate and \$1,000 deductible. Vehicles are also covered by Ohio Casualty 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 2012.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013

NOTE 8 - RISK MANAGEMENT - (Continued)

B. Workers' Compensation Plan

For fiscal year 2013, the District participated in the Stark County Schools Council of Governments Workers' Compensation Group Rating Plan (GRP), an insurance purchasing pool (Note 2.A.). The intent of the GRP is to achieve the benefit of a reduced premium for the District by virtue of its grouping and representation with other participants in the GRP. The workers' compensation experience of the participating school districts is calculated as one experience and a common premium rate is applied to all school districts in the GRP. Each participant pays its workers' compensation premium to the State based on the rate for the GRP rather than its individual rate. Total savings are then calculated and each participant's individual performance is compared to the overall savings percentage of the GRP. A participant will then either receive money from or be required to contribute to the "group savings fund". This "group savings" arrangement insures that each participant shares equally in the overall performance of the GRP. Participation in the GRP is limited to school districts that can meet the GRP's selection criteria. The firm of CompManagement Inc. provides administrative, cost control and actuarial services to the GRP.

C. Employee Group Health Insurance

The District has contracted with the Stark County Schools Council of Governments Health Benefits Program, an insurance purchasing pool (Note 2.A.), to provide employee medical/surgical and dental benefits. Rates are set through an annual calculation process. The District pays a monthly contribution which is paid in a common fund from which claim payments are made for all participants regardless of claims flow. The Board of Directors has the right to return monies to an exiting school district subsequent to the settlements of all expenses and claims. The District pays health premiums of \$1,375.82 for family coverage and \$566.36 for single coverage per employee per month and the District pays dental premiums of \$177.40 for family coverage and \$71.91 for single coverage per employee per month. In fiscal year 2013, the District paid 90% of the health insurance premium and the certified staff paid 10%. The classified staff paid one month's premium. Districts in the insurance purchasing pool were allowed to take three premium holidays; the District took June, July and August 2012 as their premium holidays.

NOTE 9 - PENSION PLANS

A. School Employees Retirement System

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

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013

NOTE 9 - PENSION PLANS - (Continued)

Funding Policy - Plan members are required to contribute 10 percent of their annual covered salary and the District is required to contribute at an actuarially determined rate. The current District rate is 14 percent of annual covered payroll. A portion of the District's contribution is used to fund pension obligations with the remainder being used to fund health care benefits. For fiscal year 2013, 13.05 percent and 0.05 percent of annual covered salary was the portion used to fund pension obligations and death benefits, respectively. The contribution requirements of plan members and employers are established and may be amended by the SERS' Retirement Board up to a statutory maximum amount of 10 percent for plan members and 14 percent for employers. Chapter 3309 of the Ohio Revised Code provides statutory authority for member and employer contributions. The District's required contributions for pension obligations and death benefits to SERS for the fiscal years ended June 30, 2013, 2012 and 2011 were \$129,520, \$127,937 and \$118,448, respectively; 70.32 percent has been contributed for fiscal year 2013 and 100 percent for fiscal years 2012 and 2011.

B. State Teachers Retirement System of Ohio

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

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

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

Funding Policy - For fiscal year 2013, plan members were required to contribute 10 percent of their annual covered salaries. The District was required to contribute 14 percent; 13 percent was the portion used to fund pension obligations. Contribution rates are established by the State Teachers Retirement Board, upon recommendations of its consulting actuary, not to exceed statutory maximum rates of 10 percent for members and 14 percent for employers. Chapter 3307 of the Ohio Revised Code provides statutory authority for member and employer contributions.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013

NOTE 9 - PENSION PLANS - (Continued)

The District's required contributions for pension obligations to STRS Ohio for the fiscal years ended June 30, 2013, 2012 and 2011 were \$424,298, \$444,592 and \$467,702, respectively; 83.01 percent has been contributed for fiscal year 2013 and 100 percent for fiscal years 2012 and 2011.

C. Social Security System

Effective July 1, 1991, all employees not otherwise covered by the SERS/STRS Ohio have an option to choose Social Security or the SERS/STRS Ohio. As of June 30, 2013, certain members of the Board of Education have elected Social Security. The District's liability is 6.2 percent of wages paid.

NOTE 10 - POSTEMPLOYMENT BENEFITS

A. School Employees Retirement System

Plan Description - The District participates in two cost-sharing, multiple employer postemployment benefit plans administered by the School Employees Retirement System (SERS) for non-certificated retirees and their beneficiaries, a Health Care Plan and a Medicare Part B Plan. The Health Care Plan includes hospitalization and physicians' fees through several types of plans including HMO's, PPO's, Medicare Advantage, and traditional indemnity plans. A prescription drug program is also available to those who elect health coverage. SERS employs two third-party administrators and a pharmacy benefit manager to manage the self-insurance and prescription drug plans, respectively. The Medicare Part B Plan reimburses Medicare Part B premiums paid by eligible retirees and beneficiaries as set forth in Section 3309.69 of the Ohio Revised Code. Qualified benefit recipients who pay Medicare Part B premiums may apply for and receive a monthly reimbursement from SERS. The reimbursement amount is limited by statute to the lesser of the January 1, 1999 Medicare Part B premium or the current premium. The Medicare Part B premium for calendar year 2011 (latest information available) was \$96.40 for most participants, but could be as high as \$369.10 per month depending on their income and the SERS' reimbursement to retirees was \$45.50. Benefit provisions and the obligations to contribute are established by the System based on authority granted by State statute. The financial reports of both Plans are included in the SERS Comprehensive Annual Financial Report which is available by contacting SERS at 300 East Broad St., Suite 100, Columbus, Ohio 43215-3746. It is also posted on the SERS' Ohio website, www.ohsers.org, under "Employers/Audit Resources".

Funding Policy - State statute permits SERS to fund the health care benefits through employer contributions. Each year, after the allocation for statutorily required benefits, the Retirement Board allocates the remainder of the employer contribution of 14 percent of covered payroll to the Health Care Fund. The Health Care Fund was established and is administered in accordance with Internal Revenue Code Section 105(e). For 2013, 0.16 percent of covered payroll was allocated to health care. An additional health care surcharge on employers is collected for employees earning less than an actuarially determined minimum compensation amount, pro-rated according to service credit earned. Statutes provide that no employer shall pay a health care surcharge greater than 2.0 percent of that employer's SERS-covered payroll; nor may SERS collect in aggregate more than 1.5 percent of the statewide SERS-covered payroll for the health care surcharge. For fiscal year 2013, the actuarially determined amount was \$20,525.

Active members do not contribute to the postemployment benefit plans. The Retirement Board establishes the rules for the premiums paid by the retirees for health care coverage for themselves and their dependents or for their surviving beneficiaries. Premiums vary depending on the plan selected, qualified years of service, Medicare eligibility and retirement status.

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013**

NOTE 10 - POSTEMPLOYMENT BENEFITS - (Continued)

The District's contributions for health care (including surcharge) for the fiscal years ended June 30, 2013, 2012 and 2011 were \$17,377, \$21,336 and \$30,281, respectively; 70.32 percent has been contributed for fiscal year 2013 and 100 percent for fiscal years 2012 and 2011.

The Retirement Board, acting with advice of the actuary, allocates a portion of the employer contribution to the Medicare B Fund. For fiscal year 2013, this actuarially required allocation was 0.74 percent of covered payroll. The District's contributions for Medicare Part B for the fiscal years ended June 30, 2013, 2012, and 2011 were \$7,316, \$7,555 and \$7,622, respectively; 70.32 percent has been contributed for fiscal year 2013 and 100 percent for fiscal years 2012 and 2011.

B. State Teachers Retirement System of Ohio

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

Funding Policy - Ohio law authorizes STRS Ohio to offer the Plan and gives the Retirement Board authority over how much, if any, of the health care costs will be absorbed by STRS Ohio. Active employee members do not contribute to the Plan. All benefit recipients pay a monthly premium. Under Ohio law, funding for post-employment health care may be deducted from employer contributions. For 2013, STRS Ohio allocated employer contributions equal to 1 percent of covered payroll to the Health Care Stabilization Fund. The District's contributions for health care for the fiscal years ended June 30, 2013, 2012 and 2011 were \$32,638, \$34,199 and \$35,977, respectively; 83.01 percent has been contributed for fiscal year 2013 and 100 percent for fiscal years 2012 and 2011.

NOTE 11 - BUDGETARY BASIS OF ACCOUNTING

While the District is reporting financial position, results of operations, and changes in fund balance on the cash basis, the budgetary basis as provided by law is based upon accounting for certain transactions on a basis of cash receipts, disbursements and encumbrances. The Statement of Receipts, Disbursements and Change in Fund Balance - Budget and Actual - Budgetary Basis presented for the general fund is presented on the budgetary basis to provide a meaningful comparison of actual results with the budget. The major differences between the budgetary basis and the cash basis are that:

- (a) In order to determine compliance with Ohio law, and to reserve that portion of the applicable appropriation, total outstanding encumbrances (budget basis) are recorded as the equivalent of a disbursement, as opposed to assigned or committed fund balance (cash basis); and,
- (b) Some funds are included in the general fund (cash basis), but have separate legally adopted budgets (budget basis).

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013

NOTE 11 - BUDGETARY BASIS OF ACCOUNTING - (Continued)

The adjustments necessary to reconcile the budget basis statement to the cash basis statement are as follows:

Net Change in Fund Cash Balance

	<u>General fund</u>
Budget basis	\$ (465,925)
Funds budgeted elsewhere	6,402
Adjustment for encumbrances	<u>79,832</u>
Cash basis	<u>\$ (379,691)</u>

Certain funds that are legally budgeted in separate special revenue funds are considered part of the general fund on a cash basis. This includes the adult education fund and public school support fund.

NOTE 12 - CONTINGENCIES

A. Grants

The District received financial assistance from federal and State agencies in the form of grants. The expenditure 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, the effect of any such disallowed claims on the overall financial position of the District at June 30, 2013, if applicable, cannot be determined at this time.

B. Litigation

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

NOTE 13 - SET-ASIDES

The District is required by State law to annually set-aside certain general fund revenue amounts, as defined by statutory formula, for the acquisition and construction of capital improvements. Amounts not spent by the end of the fiscal year or offset by similarly restricted resources received during the year must be held in cash at fiscal year-end. This amount must be carried forward to be used for the same purpose in future years. Expenditures exceeding the set-aside requirement may not be carried forward to the next fiscal year.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013

NOTE 13 - SET-ASIDES - (Continued)

The following cash-basis information describes the change in the fiscal year-end set-aside amount for capital improvements. Disclosure of this information is required by State statute.

	<u>Capital Improvements</u>
Set-aside balance June 30, 2012	\$ -
Current year set-aside requirement	142,798
Current year qualifying expenditures	(36,317)
Current year offsets	(61,262)
Prior year offset from bond proceeds	<u>(45,219)</u>
Total	<u>\$ -</u>
Balance carried forward to fiscal year 2014	<u>\$ -</u>
Set-aside balance June 30, 2013	<u>\$ -</u>

During fiscal year 2007, the District issued \$8,701,615 in capital related school improvement bonds. These proceeds may be used to reduce the capital improvements set-aside amount to below zero for future years. The amount presented for prior year offset from bond proceeds is limited to an amount needed to reduce the capital improvements set-aside balance to \$0. The District is responsible for tracking the amount of bond proceeds that may be used as an offset in future periods, which was \$8,461,504 at June 30, 2013.

NOTE 14 - OPERATING LEASE - LESSOR DISCLOSURE

On October 20, 2011, the District and Chesapeake Exploration, L.L.C. (the “Lessee”) entered into an agreement in which the District leases land to the Lessee and grants exclusive rights for the excavation of oil and gas therein. The primary term of the lease is five years, effective October 20, 2011. At the Lessee’s sole discretion, on or before the expiration date of the primary term, the Lessee may extend the duration of the lease for one additional five year term. The Lessee is to pay the District a single rental payment of \$5.00 per net acre. In addition, the agreement stipulates that the Lessee pay the District a yearly royalty fee equal to one-eighth of the net revenue realized by the Lessee for all oil and gas produced and marketed from the land. The District did not receive any payments from the Lessee during fiscal year 2013.

NOTE 15 - OTHER COMMITMENTS

The District utilizes encumbrance accounting as part of its budgetary controls. Encumbrances outstanding at year end may be reported as part of restricted, committed, or assigned classifications of fund balance. At year end, the District’s commitments for encumbrances in the governmental funds were as follows:

	<u>Year-End Encumbrances</u>
<u>Fund</u>	
General fund	\$ 80,052
Classroom facilities	83,109
Nonmajor governmental	<u>33,474</u>
Total	<u>\$ 196,635</u>

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OSNABURG LOCAL SCHOOL DISTRICT
STARK COUNTY

FEDERAL AWARDS RECEIPTS AND EXPENDITURES SCHEDULE
FOR THE YEAR ENDED JUNE 30, 2013

Federal Grantor/ Pass Through Grantor/ Program Title	Federal CFDA Number	Receipts	Non-Cash Receipts	Expenditures	Non-Cash Expenditures
<u>U.S. DEPARTMENT OF AGRICULTURE</u>					
<i>Passed Through Ohio Department of Education:</i>					
<i>Child Nutrition Cluster:</i>					
<i>Cash Assistance:</i>					
School Breakfast Program	10.553	\$140,198		\$140,198	
National School Lunch Program	10.555	24,290		24,290	
<i>Non-Cash Assistance (Food Distribution)</i>					
National School Lunch Program	10.555		\$13,855		\$13,855
Total Child Nutrition Cluster		164,488	13,855	164,488	13,855
Total U.S. Department of Agriculture		164,488	13,855	164,488	13,855
<u>U.S. DEPARTMENT OF EDUCATION</u>					
<i>Passed Through Ohio Department of Education:</i>					
Special Education Grants to States	84.027	139,105		154,979	
Title I, Grants to Local Educational Agencies	84.010	195,566		206,000	
Improving Teacher Quality State Grants	84.367	35,486		34,871	
Medicaid Assistance Program	93.778	14,030		0	
Education Jobs	84.410	6,674		41,401	
Total U.S. Department of Education		390,861		437,251	
Totals		\$555,349	\$13,855	\$601,739	\$13,855

The accompanying notes to this schedule are an integral part of this schedule.

**OSNABURG LOCAL SCHOOL DISTRICT
STARK COUNTY**

**NOTES TO THE FEDERAL AWARDS RECEIPTS AND EXPENDITURES SCHEDULE
FISCAL YEAR ENDED JUNE 30, 2013**

NOTE A - SIGNIFICANT ACCOUNTING POLICIES

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

NOTE B - CHILD NUTRITION CLUSTER

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

NOTE C – FOOD DONATION PROGRAM

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



Dave Yost • Auditor of State

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

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

To the Board of Education:

We have audited, in accordance with auditing standards generally accepted in the United States and the Comptroller General of the United States' *Government Auditing Standards*, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Osnaburg Local School District, Stark County, (the District) as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the District's basic financial statements and have issued our report thereon dated November 22, 2013, in which we noted the District reported on a comprehensive accounting basis other than generally accepted accounting principles.

Internal Control Over Financial Reporting

As part of our financial statement audit, we considered the District's internal control over financial reporting (internal control) to determine the audit procedures appropriate in the circumstances to the extent necessary to support our opinion on the financial statements, but not to the extent necessary to opine on the effectiveness of the District's internal control. Accordingly, we have not opined on it.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, when performing their assigned functions, to prevent, or detect and timely correct misstatements. A *material weakness* is a deficiency, or combination of internal control deficiencies resulting in a reasonable possibility that internal control will not prevent or detect and timely correct a material misstatement of the District's financial statements. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all internal control deficiencies that might be material weaknesses or significant deficiencies. Given these limitations, we did not identify any deficiencies in internal control that we consider material weaknesses. However, unidentified material weaknesses may exist.

Compliance and Other Matters

As part of reasonably assuring whether the District's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, opining on compliance with those provisions was not an objective of our audit and accordingly, we do not express an opinion. The results of our tests disclosed an instance of noncompliance or other matters we must report under *Government Auditing Standards* which is described in the accompanying schedule of findings as item 2013-001.

Entity's Response to Findings

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

Purpose of this Report

This report only describes the scope of our internal control and compliance testing and our testing results, and does not opine on the effectiveness of the District's internal control or on compliance. This report is an integral part of an audit performed under *Government Auditing Standards* in considering the District's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



Dave Yost
Auditor of State
Columbus, Ohio

November 22, 2013



Dave Yost • Auditor of State

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

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

To the Board of Education:

Report on Compliance for Each Major Federal Program

We have audited the Osnaburg Local School District (the District) compliance with the applicable requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133, Compliance Supplement* that could directly and materially affect each of the Osnaburg Local School District's major federal programs for the year ended June 30, 2013. The *Summary of Audit Results* in the accompanying schedule of findings identifies the District's major federal program.

Management's Responsibility

The District's Management is responsible for complying with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to opine on the District's compliance for the District's major federal program based on our audit of the applicable compliance requirements referred to above. Our compliance audit followed auditing standards generally accepted in the United States of America; the standards for financial audits included in the Comptroller General of the United States' *Government Auditing Standards*; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. These standards and OMB Circular A-133 require us to plan and perform the audit to reasonably assure whether noncompliance with the applicable compliance requirements referred to above that could directly and materially affect a major federal program occurred. 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 our audit provides a reasonable basis for our compliance opinion on the District's major program. However, our audit does not provide a legal determination of the District's compliance.

Opinion on Each Major Federal Program

In our opinion, the Osnaburg Local School District complied, in all material respects with the compliance requirements referred to above that could directly and materially affect its major federal program for the year ended June 30, 2013.

Report on Internal Control Over Compliance

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

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, when performing their assigned functions, to prevent, or to timely detect and correct, noncompliance with a federal program's applicable compliance requirement. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a federal program compliance requirement will not be prevented, or timely detected and corrected. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with federal program's applicable compliance requirement that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

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

This report only describes the scope of our internal control compliance tests and the results of this testing based on OMB Circular A-133 requirements. Accordingly, this report is not suitable for any other purpose.



Dave Yost
Auditor of State
Columbus, Ohio

November 22, 2013

**OSNABURG LOCAL SCHOOL DISTRICT
STARK COUNTY**

**SCHEDULE OF FINDINGS
OMB CIRCULAR A -133 § .505
JUNE 30, 2013**

1. SUMMARY OF AUDITOR'S RESULTS

<i>(d)(1)(i)</i>	Type of Financial Statement Opinion	Unmodified
<i>(d)(1)(ii)</i>	Were there any material control weaknesses reported at the financial statement level (GAGAS)?	No
<i>(d)(1)(ii)</i>	Were there any significant deficiencies in internal control reported at the financial statement level (GAGAS)?	No
<i>(d)(1)(iii)</i>	Was there any reported material noncompliance at the financial statement level (GAGAS)?	Yes
<i>(d)(1)(iv)</i>	Were there any material internal control weaknesses reported for major federal programs?	No
<i>(d)(1)(iv)</i>	Were there any significant deficiencies in internal control reported for major federal programs?	No
<i>(d)(1)(v)</i>	Type of Major Programs' Compliance Opinion	Unmodified
<i>(d)(1)(vi)</i>	Are there any reportable findings under § .510(a)?	No
<i>(d)(1)(vii)</i>	Major Programs (list):	Title-I Grant CFDA #84.010
<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**

1. Financial Statement Presentation

<i>Finding Number</i>	2013-001
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NONCOMPLIANCE

Ohio Rev. Code Section 117.38 provides that each public office shall file a financial report for each fiscal year. The auditor of state may prescribe forms by rule or may issue guidelines, or both, for such reports. If the auditor of state has not prescribed a rule regarding the form for the report, the public office shall submit its report to the form utilized by the public office.

Ohio Administrative Code Section 117-2-03 further clarifies the requirements of Ohio Rev. Code 117.38. Furthermore, the public offices shall give public notice that the financial report is available for public inspection. **Ohio Admin. Code Section 117-2-03(B)** requires the School District to prepare its annual financial report in accordance with generally accepted accounting principles. Pursuant to Ohio Rev. Code Section 117.38, the School District may be fined and subject to various other administrative remedies for its failure to file the required financial report.

The District did not report the financial activity of the District in accordance with generally accepted accounting principles for fiscal year ending June 30, 2013. The accompanying financial statements and notes omit assets and deferred outflows of resources, liabilities and deferred inflows of resources, net position/fund balance, and disclosures that, while material, cannot be determined at this time.

The Board of Education should review the standards and ensure preparation of its financial statements in accordance with AICPA's Audit and Accounting Guide Audits of State and Local Governments. The Board of Education should ensure the financial statements are prepared in accordance with the Ohio Administrative Code and the Ohio Revised Code. Implementation of these procedures would help ensure accurate and timely financial statements are available to the District's community.

Official's Response: The Osnaburg Local Board of Education has reviewed the standards for financial reporting and has deemed the generally accepted accounting principles to be too costly. Henceforth we will be reporting on a cash-basis of accounting. The District's financial statements will be prepared in a format that substantially conforms to the reporting model prescribed by Governmental Accounting Standards Board Statement No. 34 or "GAAP look-a-like" financial statements. We understand there will be \$750 fines for this non-compliance, but still feel the estimated \$8,000-\$10,000 annual savings is justified.

3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS
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None

**OSNABURG LOCAL SCHOOL DISTRICT
STARK COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS
JUNE 30, 2013**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain</i>
2012-001	Ohio Rev. Code Section 117.38 - The District did not report the financial activity of the District in accordance with generally accepted accounting principles for fiscal year ending June 30, 2012.	No.	Not Corrected; <i>Repeated as Finding Number 2013-001.</i>

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Dave Yost • Auditor of State

Independent Accountants' Report on Applying Agreed-Upon Procedure

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

To the Board of Education:

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

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

1. We noted the Board amended its anti-harassment policy at its meeting on May 20, 2013 to include prohibiting harassment, intimidation, or bullying of any student "on a school bus" or by an "electronic act".

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

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

A handwritten signature in black ink that reads "Dave Yost".

Dave Yost
Auditor of State

November 22, 2013

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Dave Yost • Auditor of State

OSNABURG LOCAL SCHOOL DISTRICT

STARK COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
DECEMBER 19, 2013**