



**OTSEGO LOCAL SCHOOL DISTRICT
WOOD COUNTY**

SINGLE AUDIT

FOR THE YEAR ENDED JUNE 30, 1999



JIM PETRO
AUDITOR OF STATE

STATE OF OHIO

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REPORT OF INDEPENDENT ACCOUNTANTS

Otsego Local School District
Wood County
PO Box 290
Tontogany, Ohio 43565-0290

To the Board of Education:

We have audited the accompanying general-purpose financial statements of the Otsego Local School District, Wood County, (the District) as of and for the year ended June 30, 1999, as listed in the table of contents. These general-purpose financial statements are the responsibility of the District's management. Our responsibility is to express an opinion on these general-purpose financial statements based on our audit.

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

In our opinion, the general-purpose financial statements referred to above present fairly, in all material respects, the financial position of the District, as of June 30, 1999, and the results of its operations and the cash flows of its proprietary fund types and nonexpendable trust funds for the year then ended in conformity with generally accepted accounting principles.

As described in Note 3 to the general-purpose financial statements, during 1999, the District changed its method of accounting for deferred compensation.

In accordance with *Government Auditing Standards*, we have also issued our report dated February 29, 2000 on our consideration of the Government's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants.

Our audit was performed for the purpose of forming an opinion on the general-purpose financial statements of the District, taken as a whole. The accompanying schedule of federal awards expenditures is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the general-purpose financial statements. Such information has been subjected to the auditing procedures applied in the audit of the general-purpose financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the general-purpose financial statements taken as a whole.

Jim Petro
Auditor of State

February 29, 2000

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**COMBINED BALANCE SHEET
ALL FUND TYPES AND ACCOUNT GROUPS
JUNE 30, 1999**

	Governmental Fund Types			
	General	Special Revenue	Debt Service	Capital Projects
ASSETS AND OTHER DEBITS				
Assets:				
Equity in pooled cash and cash equivalents	\$ 717,654	\$ 131,714	\$ 33,139	\$ 159,200
Equity in pooled cash and cash equivalents - nonexpendable trust fund				
Investments- nonexpendable trust fund				
Receivables (net of allowances of uncollectibles):				
Taxes - current	4,054,155		21,389	137,795
Taxes - delinquent	74,105		496	3,088
Accounts	16,590	650		
Accrued interest	3,617			
Interfund loan receivable	159,730			
Advances to other funds	12,010			
Prepayments	12,584			
Materials and supplies inventory				
Restricted assets:				
Equity in pooled cash and cash equivalents	123,211			
Property, plant and equipment (net of accumulated depreciation where applicable)				
Other Debits:				
Amount available in the debt service fund for retirement of general long-term obligations				
Amount to be provided for retirement of general long-term obligations				
Total assets and other debits	\$ 5,173,656	\$ 132,364	\$ 55,024	\$ 300,083

Proprietary Fund Types		Fiduciary Fund Types	Account Groups		Total (Memorandum Only)
Enterprise	Internal Service	Trust and Agency	General Fixed Assets	General Long-Term Obligations	
\$ 30,246	\$ 1,414	\$ 31,284	\$ 0	\$ 0	\$ 1,104,651
		1,715			1,715
		1,265			1,265
					4,213,339
					77,689
					17,240
					3,617
					159,730
					12,010
					12,584
24,615					24,615
					123,211
20,870			7,150,054		7,170,924
				34,589	34,589
				1,378,725	1,378,725
<u>\$ 75,731</u>	<u>\$ 1,414</u>	<u>\$ 34,264</u>	<u>\$ 7,150,054</u>	<u>\$ 1,413,314</u>	<u>\$ 14,335,904</u>

(Continued)

**COMBINED BALANCE SHEET
ALL FUND TYPES AND ACCOUNT GROUPS
JUNE 30, 1999
(Continued)**

	Governmental Fund Types			
	General	Special Revenue	Debt Service	Capital Projects
LIABILITIES, EQUITY AND OTHER CREDITS				
Liabilities:				
Accounts payable	\$ 18,667	\$ 3,405	\$ 0	\$ 0
Accrued wages and benefits	684,661	34,602		
Compensated absences payable	106,676	105		
Pension obligation payable	132,492	4,324		
Interfund loan payable				159,086
Advances from other funds				
Deferred revenue	3,885,032		20,435	131,823
Due to other governments	82			
Due to students				
General obligation notes payable				
General obligation bonds payable				
Energy conservation notes payable				
Obligation under capital lease				
Total liabilities	<u>4,827,610</u>	<u>42,436</u>	<u>20,435</u>	<u>290,909</u>
Equity and Other Credits:				
Investment in general fixed assets				
Retained earnings/(accumulated deficit)				
Fund balances:				
Reserved for encumbrances	188,681	4,893		13,007
Reserved for prepayments	12,584			
Reserved for debt service			33,139	
Reserved for advances	12,010			
Reserved for tax revenue unavailable for appropriation	238,470		1,450	9,060
Reserved for budget set-aside	123,211			
Reserved for principal endowment				
Unreserved-undesignated	(228,910)	85,035		(12,893)
Total equity and other credits	<u>346,046</u>	<u>89,928</u>	<u>34,589</u>	<u>9,174</u>
Total liabilities, equity and other credits	<u>\$ 5,173,656</u>	<u>\$ 132,364</u>	<u>\$ 55,024</u>	<u>\$ 300,083</u>

The notes to the general-purpose financial statements are an integral part of this statement.

Proprietary Fund Types		Fiduciary Fund Types	Account Groups		Total (Memorandum Only)
Enterprise	Internal Service	Trust and Agency	General Fixed Assets	General Long-Term Obligations	
\$ 197	\$ 0	\$ 0	\$ 0	\$ 0	\$ 22,269
29,658					748,921
21,560				614,071	742,412
16,057				78,177	231,050
644					159,730
12,010					12,010
21,181					4,058,471
					82
		29,718			29,718
				17,674	17,674
				375,000	375,000
				165,000	165,000
				163,392	163,392
101,307	0	29,718	0	1,413,314	6,725,729
			7,150,054		7,150,054
(25,576)	1,414				(24,162)
					206,581
					12,584
					33,139
					12,010
					248,980
					123,211
		2,980			2,980
		1,566			(155,202)
(25,576)	1,414	4,546	7,150,054	0	7,610,175
\$ 75,731	\$ 1,414	\$ 34,264	\$ 7,150,054	\$ 1,413,314	\$ 14,335,904

**COMBINED STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES
ALL GOVERNMENTAL AND SIMILAR FIDUCIARY FUND TYPES
FOR THE YEAR ENDED JUNE 30, 1999**

	Governmental Fund Types	
	General	Special Revenue
Revenues:		
From local sources:		
Taxes	\$ 3,614,044	\$ 0
Tuition	58,227	
Earnings on investments	100,919	
Other local revenues	32,432	109,824
Other revenues		15,105
Intergovernmental - State	5,112,493	126,251
Intergovernmental - Federal		239,272
Total revenue	8,918,115	490,452
Expenditures:		
Current:		
Instruction:		
Regular	4,559,325	96,005
Special	844,547	243,138
Vocational	333,521	
Other	85,349	
Support services:		
Pupil	466,728	8,920
Instructional staff	213,818	8,780
Board of Education	14,120	
Administration	845,754	40,913
Fiscal	270,338	208
Business	811	
Operations and maintenance	696,056	2,349
Pupil transportation	651,850	12,313
Community services	120	
Extracurricular activities	165,808	100,498
Facilities services	9,728	
Debt service:		
Principal retirement		24,330
Interest and fiscal charges		11,592
Total expenditures	9,157,873	549,046
Excess of revenues over (under) expenditures	(239,758)	(58,594)
Other financing sources (uses):		
Operating transfers in	211	30,500
Operating transfers out	(70,750)	
Proceeds from sale of assets	860	
Total other financing sources (uses)	(69,679)	30,500
Excess of revenues and other financing sources over (under) expenditures and other financing uses	(309,437)	(28,094)
Fund balance, July 1	655,483	118,022
Fund balance, June 30	\$ 346,046	\$ 89,928

The notes to the general-purpose financial statements are an integral part of this statement.

Governmental Fund Types		Fiduciary Fund Type	Total (Memorandum Only)
Debt Service	Capital Projects	Expendable Trust	
\$ 71,752	\$ 132,072	\$ 0	\$ 3,817,868
			58,227
		1,500	100,919
			143,756
2,673	367,382		15,105
			5,608,799
			239,272
<u>74,425</u>	<u>499,454</u>	<u>1,500</u>	<u>9,983,946</u>
	138,110		4,793,440
			1,087,685
			333,521
			85,349
			475,648
	713		223,311
			14,120
			886,667
163	1,074		271,783
			811
			698,405
			664,163
		1,200	1,320
			266,306
	719,053		728,781
50,000			74,330
<u>30,858</u>			<u>42,450</u>
<u>81,021</u>	<u>858,950</u>	<u>1,200</u>	<u>10,648,090</u>
<u>(6,596)</u>	<u>(359,496)</u>	<u>300</u>	<u>(664,144)</u>
			30,711
	(211)		(70,961)
			860
<u>0</u>	<u>(211)</u>	<u>0</u>	<u>(39,390)</u>
(6,596)	(359,707)	300	(703,534)
41,185	368,881	1,266	1,184,837
<u>\$ 34,589</u>	<u>\$ 9,174</u>	<u>\$ 1,566</u>	<u>\$ 481,303</u>

**COMBINED STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCES - BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)
ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED JUNE 30, 1999**

	General Fund		
	Revised Budget	Actual	Variance: Favorable (Unfavorable)
Revenues:			
Local sources:			
Taxes	\$ 3,743,277	\$ 3,682,341	\$ (60,936)
Tuition	56,268	55,167	(1,101)
Earnings on Investment	99,185	97,613	(1,572)
Other local revenues	48,639	47,954	(685)
Other revenue			
Intergovernmental - State	5,197,671	5,113,499	(84,172)
Intergovernmental - Federal			
Total revenues	<u>9,145,040</u>	<u>8,996,574</u>	<u>(148,466)</u>
Expenditures:			
Instruction:			
Regular	4,701,672	4,605,390	96,282
Special	895,524	866,452	29,072
Vocational	330,991	329,870	1,121
Other	100,091	85,672	14,419
Support services:			
Pupils	465,316	458,567	6,749
Instructional staff	212,359	207,827	4,532
Board of education	16,635	13,551	3,084
Administration	891,502	863,370	28,132
Fiscal	271,575	254,702	16,873
Business	750	745	5
Operation and maintenance - plant	756,572	685,796	70,776
Pupil transportation	778,824	710,958	67,866
Community services	320	320	0
Extracurricular activities	168,373	165,934	2,439
Facilities services	14,875	12,428	2,447
Debt service:			
Principal retirement			
Interest and fiscal charges			
Total expenditures	<u>9,605,379</u>	<u>9,261,582</u>	<u>343,797</u>
Excess of revenue over (under) expenditures	<u>(460,339)</u>	<u>(265,008)</u>	<u>195,331</u>
Other Financing Sources and (Uses):			
Refund of prior year's expense	19,074	18,925	(149)
Operating transfers in	370,990	364,858	(6,132)
Operating transfers (out)	(435,396)	(435,396)	0
Advances in	954	960	6
Advances (out)	(159,730)	(159,730)	0
Proceeds of sale of fixed assets	953	860	(93)
Total other financing sources (uses)	<u>(203,155)</u>	<u>(209,523)</u>	<u>(6,368)</u>
Excess of revenues and other financing sources over (under) expenditures and other financing uses	<u>(663,494)</u>	<u>(474,531)</u>	<u>188,963</u>
Fund balance, beginning of year	<u>1,011,489</u>	<u>1,011,489</u>	<u>0</u>
Prior year encumbrances appropriated	<u>97,134</u>	<u>97,134</u>	<u>0</u>
Fund balance, end of year	<u>\$ 445,129</u>	<u>\$ 634,092</u>	<u>\$ 188,963</u>

Special Revenue Fund			Debt Service Funds		
Revised Budget	Actual	Variance: Favorable (Unfavorable)	Revised Budget	Actual	Variance: Favorable (Unfavorable)
\$ 0	\$ 0	\$ 0	\$ 71,909	\$ 71,909	\$ 0
137,050	109,658	(27,392)			
10,105	10,105	0			
129,310	129,310	0	3,537	2,673	(864)
256,466	256,466	0			
532,931	505,539	(27,392)	75,446	74,582	(864)
125,848	112,777	13,071			
236,007	235,570	437			
8,572	8,568	4			
30,263	27,237	3,026			
57,089	41,348	15,741			
208	208	0	163	163	0
2,357	2,357	0			
11,472	11,472	0			
137,215	104,073	33,142			
			50,000	50,000	0
			30,858	30,858	0
609,031	543,610	65,421	81,021	81,021	0
(76,100)	(38,071)	38,029	(5,575)	(6,439)	(864)
6,420	6,420	0			
30,500	30,500	0			
36,920	36,920	0	0	0	0
(39,180)	(1,151)	38,029	(5,575)	(6,439)	(864)
102,684	102,684	0	39,578	39,578	0
21,883	21,883	0			
\$ 85,387	\$ 123,416	\$ 38,029	\$ 34,003	\$ 33,139	\$ (864)

(Continued)

**COMBINED STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCES - BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)
ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED JUNE 30, 1999
(Continued)**

	Capital Projects Funds		
	Revised Budget	Actual	Variance: Favorable (Unfavorable)
Revenues:			
Local sources:			
Taxes	\$ 132,901	\$ 132,901	\$ 0
Tuition			
Earnings on Investment			
Other local revenues			
Other revenue			
Intergovernmental - State	372,716	367,383	(5,333)
Intergovernmental - Federal			
Total revenues	<u>505,617</u>	<u>500,284</u>	<u>(5,333)</u>
Expenditures:			
Instruction:			
Regular	208,642	138,118	70,524
Special			
Vocational			
Other			
Support services:			
Pupils			
Instructional staff	8,583	948	7,635
Board of education			
Administration			
Fiscal	1,360	1,074	286
Business			
Operation and maintenance - plant			
Pupil transportation			
Community services			
Extracurricular activities			
Facilities services	794,444	735,921	58,523
Debt service:			
Principal retirement			
Interest and fiscal charges			
Total expenditures	<u>1,013,029</u>	<u>876,061</u>	<u>136,968</u>
Excess of revenue over (under) expenditures	<u>(507,412)</u>	<u>(375,777)</u>	<u>131,635</u>
Other Financing Sources and (Uses):			
Refund of prior year's expense			
Operating transfers in			
Operating transfers (out)	(211)	(211)	0
Advances in	159,086	159,086	0
Advances (out)	(960)	(960)	0
Proceeds of sale of fixed assets			
Total other financing sources (uses)	<u>157,915</u>	<u>157,915</u>	<u>0</u>
Excess of revenues and other financing sources over (under) expenditures and other financing uses	<u>(349,497)</u>	<u>(217,862)</u>	<u>131,635</u>
Fund balance, beginning of year	<u>305,729</u>	<u>305,729</u>	<u>0</u>
Prior year encumbrances appropriated	<u>58,326</u>	<u>58,326</u>	<u>0</u>
Fund balance, end of year	<u>\$ 14,558</u>	<u>\$ 146,193</u>	<u>\$ 131,635</u>

The notes to the general-purpose financial statements are an integral part of this statement.

Expendable Trust Funds			Totals (Memorandum only)		
Revised Budget	Actual	Variance: Favorable (Unfavorable)	Revised Budget	Actual	Variance: Favorable (Unfavorable)
\$ 0	\$ 0	\$ 0	\$ 3,948,087	\$ 3,887,151	\$ (60,936)
			56,268	55,167	(1,101)
			99,185	97,613	(1,572)
			185,689	157,612	(28,077)
			10,105	10,105	0
			5,703,234	5,612,865	(90,369)
			256,466	256,466	0
0	0	0	10,259,034	10,076,979	(182,055)
			5,036,162	4,856,285	179,877
			1,131,531	1,102,022	29,509
			330,991	329,870	1,121
			100,091	85,672	14,419
			473,888	467,135	6,753
			251,205	236,012	15,193
			16,635	13,551	3,084
			948,591	904,718	43,873
			273,306	256,147	17,159
			750	745	5
			758,929	688,153	70,776
			790,296	722,430	67,866
			320	320	0
			305,588	270,007	35,581
			809,319	748,349	60,970
			50,000	50,000	0
			30,858	30,858	0
0	0	0	11,308,460	10,762,274	546,186
0	0	0	(1,049,426)	(685,295)	364,131
			25,494	25,345	(149)
			401,490	395,358	(6,132)
			(435,607)	(435,607)	0
			160,040	160,046	6
			(160,690)	(160,690)	0
			953	860	(93)
0	0	0	(8,320)	(14,688)	(6,368)
0	0	0	(1,057,746)	(699,983)	357,763
			1,459,480	1,459,480	0
			177,343	177,343	0
\$ 0	\$ 0	\$ 0	\$ 579,077	\$ 936,840	\$ 357,763

**COMBINED STATEMENT OF REVENUES, EXPENSES,
AND CHANGES IN RETAINED EARNINGS/FUND BALANCE
ALL PROPRIETARY AND SIMILAR FIDUCIARY FUND TYPES
FOR THE YEAR ENDED JUNE 30, 1999**

	<u>Proprietary Fund Types</u>		<u>Fiduciary Fund Type</u>	<u>Total (Memorandum Only)</u>
	<u>Enterprise</u>	<u>Internal Service</u>	<u>Nonexpendable Trust</u>	
Operating revenues:				
Classroom materials and fees	\$ 23,166	\$ 15,147	\$ 0	\$ 38,313
Sales/charges for services	312,235			312,235
Total operating revenues	<u>335,401</u>	<u>15,147</u>	<u>0</u>	<u>350,548</u>
Operating expenses:				
Personal services	242,386			242,386
Contract services	22,726	120		22,846
Materials and supplies	206,798	15,369		222,167
Depreciation	2,638			2,638
Other operating expenses	3,818			3,818
Total operating expenses	<u>478,366</u>	<u>15,489</u>	<u>0</u>	<u>493,855</u>
Operating loss	<u>(142,965)</u>	<u>(342)</u>	<u>0</u>	<u>(143,307)</u>
Nonoperating revenues:				
Operating grants	60,699			60,699
Federal donated commodities	28,317			28,317
Interest Revenue	78			78
Total nonoperating revenues	<u>89,094</u>	<u>0</u>	<u>0</u>	<u>89,094</u>
Net loss before operating transfers	(53,871)	(342)		(54,213)
Operating transfers in	40,250			40,250
Net loss	(13,621)	(342)	0	(13,963)
Retained earnings/ fund balance at July 1	(11,955)	1,756	2,980	(7,219)
Retained earnings/ fund balance at June 30	<u>\$ (25,576)</u>	<u>\$ 1,414</u>	<u>\$ 2,980</u>	<u>\$ (21,182)</u>

The notes to the general-purpose financial statements are an integral part of this statement.

**COMBINED STATEMENT OF CASH FLOWS
ALL PROPRIETARY AND SIMILAR FIDUCIARY FUND TYPES
FOR THE YEAR ENDED JUNE 30, 1999**

	Proprietary Fund Types		Fiduciary Fund Type	Total (Memorandum Only)
	Enterprise	Internal Service	Nonexpendable Trust	
Cash flows from operating activities:				
Cash received from classroom materials and fees	\$ 23,166	\$ 15,147	\$ 0	\$ 38,313
Cash received from sales/service charges	312,270			312,270
Cash payments for personal services	(228,100)			(228,100)
Cash payments for contract services	(22,606)	(120)		(22,726)
Cash payments supplies and materials	(178,536)	(15,369)		(193,905)
Cash payments for other expenses	(3,818)			(3,818)
Net cash provided (used) by operating activities	(97,624)	(342)	0	(97,966)
Cash flows from noncapital financing activities:				
Cash received from operating grants	60,699			60,699
Cash received from interfund loans	644			644
Cash received from nonoperating activities	40,250			40,250
Net cash provided (used) by noncapital financing activities	101,593	0	0	101,593
Cash flows from investing activities:				
Interest received	78			78
Net (decrease) in cash and cash equivalents	4,047	(342)	0	3,705
Cash and cash equivalents at beginning of year	26,199	1,756	1,715	29,670
Cash and cash equivalents at end of year	\$ 30,246	\$ 1,414	\$ 1,715	\$ 33,375
Reconciliation of operating loss to net cash provided (used) by operating activities:				
Operating loss	\$ (142,965)	\$ (342)	\$ 0	\$ (143,307)
Adjustments to reconcile operating income to net cash provided by operating activities:				
Depreciation	2,638			2,638
Federal donated commodities	28,317			28,317
Changes in assets and liabilities:				
Supplies inventory	(947)			(947)
Accounts receivable	35			35
Prepayments	4,224			4,224
Accrued wages and benefits	8,681			8,681
Compensated absences payable	3,273			3,273
Pension obligation payable	(1,892)			(1,892)
Accounts payable	197			197
Deferred revenue	815			815
Net cash provided (used) by operating activities	\$ (97,624)	\$ (342)	\$ 0	\$ (97,966)

The notes to the general-purpose financial statements are an integral part of this statement.

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NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS
JUNE 30, 1999

NOTE 1 - DESCRIPTION OF THE SCHOOL DISTRICT

The Otsego Local School District (the District) is located in portions of Wood, Lucas, and Henry Counties, including all of the villages of Tontogany, Haskins, Grand Rapids, and Weston, and portions of surrounding townships. The District serves an area of approximately 144 square miles.

The District is organized in accordance with Sections 2 and 3, Article VI of the Constitution of the State of Ohio. Under such laws, there is no authority for a school district to have a charter or adopt local laws. The legislative power of the District is vested in the Board of Education, consisting of five members elected at large for staggered four year terms.

The District currently operates three elementary schools, one middle school, and one comprehensive high school. The District employs 72 non-certified and 109 certified (including administrative) full-time and part-time employees to provide services to approximately 1,788 students in grades K through 12 and various community groups, which ranks it 320 out of approximately 612 school districts in Ohio.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the District have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The District's significant accounting policies are described below.

A. The Reporting Entity

The District's reporting entity has been defined in accordance with GASB Statement No.14, The Financial Reporting Entity, effective for financial statements for periods beginning after December 15, 1992. The financial statements of the reporting entity include only those of the District (the primary government). The District has no component units. The following organizations are described due to their relationship to the District.

Jointly Governed Organizations:

Penta County Joint Vocational School

The vocational school district is a separate body politic and corporate, established by the Ohio Revised Code (ORC) to provide vocational and special education needs of the students. The school accepts non-tuition students from the District as a member school, however, it is considered a separate political subdivision and is not considered to be part of the District.

Northwest Ohio Computer Association (NWOCA)

The District is a participant with 28 other school districts in a jointly governed organization to operate NWOCA. NWOCA was formed for the purpose of providing computer services. NWOCA is governed by a board of directors consisting of the superintendents of the member school districts. The degree of control exercised by any participating school district is limited to its representation on the board. The District does not have an ongoing financial interest or responsibility in NWOCA. In fiscal 1999, the District paid \$13,015 to NWOCA in user and support fees.

NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS
JUNE 30, 1999
(Continued)

Related Organizations:

Weston Public Library

The District appoints all representatives of the board of the Weston Public Library. The District is not involved in the operational management of the Library, nor does it subsidize or finance its operation. The selection of directors and approval of the annual budget by the District is conducted only to comply with statutory requirements.

The District also participates in two insurance group purchasing pools, described in Note 11.

B. Fund Accounting

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

1. Governmental Funds

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

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

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

Debt Service Fund - The Debt Service Fund is used to account for the accumulation of resources for, and the payment of, general long-term debt principal, interest, and related costs.

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

2. Proprietary Funds

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

NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS
JUNE 30, 1999
(Continued)

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

Internal Service Funds - The Internal Service Funds are used to account for the financing of goods and services provided by one department or agency to other departments or agencies of the District, or to other governmental units, on a cost-reimbursement basis.

3. Fiduciary Funds

Trust and Agency Funds - These funds are used to account for assets held by the District in a trustee capacity or as an agent for individuals, private organizations, other governmental units, and/or other funds. These include Expendable and Nonexpendable Trust and Agency Funds. Expendable Trust Funds are accounted for in essentially the same manner as Governmental funds. Nonexpendable Trust funds are accounted for in essentially the same manner as Proprietary funds. Agency Funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations.

4. Account Groups

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

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

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

C. Measurement Focus/Basis of Accounting

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

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

NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS
JUNE 30, 1999
(Continued)

The modified accrual basis of accounting is followed for Governmental, Expendable Trust and Agency funds. Under the modified accrual basis of accounting, revenues are recognized when they become both measurable and available to finance expenditures of the current period, which for the District is sixty days after the June 30 year-end. Revenues accrued at the end of the year include interest, tuition, grants and entitlements (to the extent they are intended to finance the current fiscal year), and accounts (student fees and rent). Current property taxes measurable as of June 30, 1999, and which are intended to finance fiscal 2000 operations, have been recorded as deferred revenues. Delinquent property taxes measurable and available (received within 60 days) and amounts available as an advance on future tax settlements are recognized as revenue at year-end. Taxes available for advance and recognized as revenue but not received by the District prior to June 30, 1999, are reflected as a reservation of fund balance for future appropriations. The District is prohibited by law from appropriating this revenue in accordance with ORC Section 5705.35, since an advance of revenue was not requested or received prior to the fiscal year-end.

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

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

The Proprietary and Nonexpendable Trust funds are accounted for on the accrual basis of accounting. Under the accrual basis of accounting, revenues are recorded when earned and expenses are recorded at the time liabilities are incurred.

D. Budgets

The District is required by state statute to adopt an annual appropriated cash basis budget for all funds. The specific timetable for fiscal year 1999 is as follows.

1. Prior to January 15 of the preceding year, the Superintendent and Treasurer submit to the Board of Education a proposed operating budget for the fiscal year commencing the following July 1. The budget includes proposed expenditures and the means of financing for all funds. Public hearings are publicized and conducted to obtain taxpayers' comments. The expressed purpose of this budget document is to reflect the need for existing (or increased) tax rates.
2. By no later than January 20, the Board-adopted budget is filed with the Wood County Budget Commission for tax rate determination.

NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS
JUNE 30, 1999
(Continued)

3. Prior to April 1, the Board of Education accepts, by formal resolution, the tax rates as determined by the Budget Commission and receives the Commission's Certificate of Estimated Resources which states the projected revenue of each fund. Prior to June 30, the District must revise its budget so that total contemplated expenditures from any fund during the ensuing year will not exceed the amount stated in the Certificate of Estimated Resources. The revised budget then serves as a basis for the appropriation measure. On or about July 1, the Certificate is amended to include any unencumbered balances from the preceding year as reported by the District Treasurer. The Certificate may be further amended during the year if projected increases or decreases in revenue are identified by the District Treasurer. The amounts reported in the budgetary statement reflect the amounts set forth in the final Amended Certificate issued for fiscal year 1999.
4. By July 1, the annual appropriation resolution is legally enacted by the Board of Education at the fund, function, and object level of expenditures, which are the legal levels of budgetary control. (State statute permits a temporary appropriation to be effective until no later than October 1 of each year.) 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 or alter total function appropriations within a fund, or alter object appropriations within functions 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 departments/functions and funds completed the year within the amount of their legally authorized cash basis appropriation.
7. Appropriation amounts are as originally adopted, or as amended by the Board 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 during fiscal 1999 in the following amounts:

	<u>Increase</u>
General Fund	\$239,567
Special Revenue Funds	21,842
Debt Service Fund	13
Capital Projects Funds	128,732
Enterprise Funds	36,618
Agency Funds	8,600
 Total	 <u>\$435,372</u>

8. Unencumbered appropriations lapse at year-end. Encumbered appropriations are carried forward to the succeeding fiscal year and need not be reappropriated. Expenditures plus encumbrances may not legally exceed budgeted appropriations at the fund, function and/or object level.

Encumbrance accounting is utilized with District funds in the normal course of operations, for purchase orders and contract-related expenditures. An encumbrance is a reserve on the available spending authority due to commitment for a future expenditure and does not represent a liability.

NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS
JUNE 30, 1999
(Continued)

For Governmental Fund Types, encumbrances outstanding at year-end appear as a reservation of fund balance on a GAAP basis and as the equivalent of expenditures on a Non-GAAP budgetary basis in order to demonstrate legal compliance. Note 15 provides a reconciliation of the budgetary and GAAP basis of accounting.

E. Cash and Investments

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

During 1999 investments were limited to the State Treasury Asset Reserve of Ohio (STAR Ohio) and repurchase agreements.

Investments are reported at cost except for investments in STAR Ohio.

STAR Ohio is an investment pool managed by the State Treasurer's Office which allows governments within the State to pool their funds for investment purposes. STAR Ohio is not registered with the SEC as an investment company, but does operate in a manner consistent with Rule 2a7 of the Investment Company Act of 1940. Investments in STAR Ohio are valued at STAR Ohio's share price which is the price the investment could be sold for on December 31, 1999.

The Board allocates all investment earnings to the General fund and the Food Service fund. Interest revenue credited to the General fund during fiscal 1999 totaled \$100,919, which included \$33,582 assigned from other funds of the District.

The District utilizes a financial institution to service bonded debt as principal and interest payments come due. This account did not have a balance at June 30, 1999.

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

F. Inventory

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

G. Prepaids

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

NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS
JUNE 30, 1999
(Continued)

H. Fixed Assets and Depreciation

1. General Fixed Assets Account Group

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

2. Proprietary and Nonexpendable Trust Funds

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

<u>Asset</u>	<u>Life (years)</u>
Furniture, Fixtures and Minor Equipment	5-20
Vehicles	4-6

I. Intergovernmental Revenues

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

Entitlements

General Fund

State Foundation Program
State Property Tax Relief

Debt Service Fund

State Property Tax Relief

Capital Projects Fund

State Property Tax Relief

NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS
JUNE 30, 1999
(Continued)

Non-Reimbursable Grants

Special Revenue Funds

Teacher Development
Management Information Systems
School Improvement Models
Technology Grant
Public School Preschool
Title I
Title VI
Instructional Materials Subsidy
Data Communication for Schools
Early Childhood Development

Capital Project Funds

School Net
Technology Equity
Vocational Education Building
Emergency Building Repair

Reimbursable Grants

General Fund

School Bus Purchases
Driver Education

Proprietary

National School Lunch Program
National School Milk Program

Grants and entitlements amounted to over 56% of the District's operating revenue during the 1999 fiscal year.

J. Interfund Transactions

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

1. Transfers of resources from one fund to another fund. The resources transferred are to be expended for operations by the receiving fund and are recorded as operating transfers, with the exception of agency funds, which do not report transfers of resources as operating transfers.
2. Reimbursements from one fund to another are treated as expenditures/expenses in the reimbursing fund and a reduction in expenditures/expenses in the reimbursed fund.
3. Short-term interfund loans made pursuant to Board of Education Resolution are reflected as "interfund loans receivable or payable." Such interfund loans are repaid in the following fiscal year.

NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS
JUNE 30, 1999
(Continued)

4. Quasi-external transactions are similar to the purchase of goods or services from a vendor (i.e., the fund which provides a service records revenue, and the fund which receives that service records an expenditure/expense).
5. Residual equity transfers are non-recurring or non-routine permanent transfers of equity, generally made when a fund is closed.
6. Long-term interfund loans that will not be repaid within the next year are termed "advances" and are shown as reservations of fund balances on the combined balance sheet for those funds that report advances to other funds as assets because they are not spendable, available resources.

An analysis of the District's interfund transactions for fiscal year 1999 is presented in Note 5.

K. Compensated Absences

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

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

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

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

L. Long-Term Obligations

Long-term debt is recognized as a liability of a Governmental fund when due, or when resources have been accumulated in the Debt Service fund for payment early in the following year. For other long-term obligations, only that portion expected to be financed from expendable available financial resources is reported as a fund liability of a governmental fund. The remaining portion of such obligations is reported in the General Long-Term Obligations Account Group.

NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS
JUNE 30, 1999
(Continued)

Long-term liabilities expected to be financed from Proprietary fund operations are accounted for in those funds.

M. Fund Equity

Reserved fund balances indicate that portion of fund equity which is not available for current appropriation or is legally segregated for a specific use. Fund balances are reserved for encumbrances, long-term advances, debt service, prepaids, tax revenue unavailable for appropriation, and budget stabilization. In addition, although the Nonexpendable Trust Fund uses the total economic resources measurement focus, the fund equity is reserved for the amount of the principal endowment. The unreserved portions of fund equity reflected for the Governmental funds are available for use within the specific purposes of those funds.

N. Statutory Reserves

The District is required by State law to set-aside certain General fund revenue amounts, as defined by statute, into various reserves. These reserves are calculated and presented on a cash basis. During the fiscal year ended June 30, 1999, the reserve activity was as follows:

	<u>Textbook</u>	<u>Capital</u>	<u>Budget Stabilization</u>
<u>Determination of Fund Balance Reserve</u>			
Balance June 30, 1998			\$ 51,255
Current Year Set Aside Requirements	\$ 143,350	\$ 143,350	71,675
Bureau of Worker's Compensation Refund Received in Fiscal Year 1999			281
Current Year Offsets	(24,094)	(126,814)	
Qualifying Expenditures (Paid in Cash)	(119,256)	(16,536)	
Total Restricted Assets	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 123,211</u>

Amounts of offsets and qualifying expenditures presented in the table were limited to those necessary to reduce the year end balance to zero. Although the District may have had additional offsets and qualifying expenditures during the year, by rule, these amounts may not be used to reduce the set aside requirements of future years and are therefore not presented.

O. Statement of Cash Flows

In September 1989, GASB issued Statement No. 9, Reporting Cash Flows of Proprietary and Nonexpendable Trust Funds and Governmental Entities That Use Proprietary Fund Accounting. The District has presented a statement of cash flows for its Proprietary and Nonexpendable Trust funds. For purposes of the statement of cash flows, the District considers cash equivalents to include all short term investments (maturity of 90 days or less from date of purchase).

NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS
JUNE 30, 1999
(Continued)

P. Financial Reporting for Proprietary and Similar Fund Types

The District's financial statements have been prepared in accordance with GASB Statement No. 20, Accounting and Financial Reporting for Proprietary Funds and Other Governmental Entities That Use Proprietary Fund Accounting. This Statement is effective for financial statements beginning after December 15, 1993. The District accounts for its proprietary activities in accordance with all applicable GASB pronouncements, as well as pronouncements of the Financial Accounting Standards Board (FASB) and its predecessors issued on or before November 30, 1989, unless those pronouncements conflict with or contradict GASB pronouncements.

Q. Memorandum Only - Total Columns

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

R. Restricted Assets

Certain assets of the General fund are classified as restricted assets because their use is completely restricted by State legislation.

S. Estimates

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

NOTE 3 - CHANGES IN FINANCIAL STATEMENT PRESENTATION AND OTHER FUND DISCLOSURES

A. Change in Accounting Principle

In 1999, the District implemented GASB Statement No. 32, Accounting and Financial Reporting For Internal Revenue Code Section 457 Deferred Compensation Plans. Recent changes in the Internal Revenue Code require that deferred compensation plan assets be placed in trust for the exclusive benefit of employees and their beneficiaries by no later than January 1, 1999. Statement 32 provides that, upon the transfer of deferred compensation assets to such a trust, the employer is no longer considered the owner of the amounts deferred by employees under the deferred compensation plan. During 1999, the Ohio Public Employees Deferred Compensation Plan placed assets in trusts to comply with the above requirements, and accordingly, plan assets which totaled \$16,004 as of June 30, 1999 have been excluded from the District's financial statements.

B. Accountability and Compliance

Deficit Fund Balances/Retained Earnings

Fund balances/retained earnings at June 30, 1999 included the following individual fund deficits:

NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS
JUNE 30, 1999
(Continued)

	<u>Deficit Balance</u>
<u>Special Revenue Funds</u>	
Public School Preschool	\$ (2,845)
Title I	(10,475)
 <u>Capital Projects Fund</u>	
Emergency Building Repair	(159,086)
 <u>Enterprise Funds</u>	
Food Service	(49,569)

These GAAP-basis deficits will be funded by anticipated future intergovernmental revenues or other subsidies not recognized and recorded at June 30.

NOTE 4 - EQUITY IN POOLED CASH AND INVESTMENTS

State statutes classify monies held by the School 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 School District treasury, in commercial accounts payable or withdrawable on demand, including negotiable order of withdrawal (NOW) accounts, or in money market deposit accounts.

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

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

Protection of the District's deposits is provided by the Federal Deposit Insurance Corporation, 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 moneys deposited with the institution.

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

1. United States Treasury Notes, Bills, Bonds, or any other obligation or security issued by the United States Treasury or any other obligation guaranteed as to principal 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

NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS
JUNE 30, 1999
(Continued)

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 division (1) or (2) and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions;
6. The State Treasurer's investment pool (STAR Ohio);
7. Certain bankers' acceptances and commercial paper notes for a period not to exceed one hundred and eighty days from the date of purchase in an amount not to exceed twenty-five percent of the interim moneys available for investment at any one time; and,
8. Under limited circumstances, corporate debt instruments rated in either of the two highest rating classifications by at least two nationally recognized rating agencies.

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

Cash on Hand: At year end, the District had \$600 in undeposited cash on hand, which is included on the Balance Sheet of the District as part of "Equity in Pooled Cash and Cash Equivalents," but is not included in the total amount of deposits reported below.

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

Deposits: At year-end the carrying amount of the District's deposits was \$773,491 and the bank balance was \$996,598. Of the bank balance:

1. \$182,717 was covered by federal deposit insurance.
2. \$813,881 was uninsured and uncollateralized. Although all statutory requirements for the deposit of money had been followed, noncompliance with federal requirements could potentially subject the District held to a successful claim by the FDIC.

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

NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS
JUNE 30, 1999
(Continued)

District's name. STAR Ohio is an unclassified investment since it is not evidenced by securities that exist in physical or book entry form.

	Category of Risk 3	Fair Value
Repurchase Agreements	\$ 146,022	\$ 146,002
Not Subject to Categorization:		
Investment in State Treasurer's Investment	N/A	310,749
Total Investments	\$ 146,022	\$ 456,751

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

A reconciliation between the classifications of cash and cash equivalents and investments on the combined balance sheet per GASB Statement No. 9 and the classifications of deposits and investments presented above per GASB Statement No. 3 is as follows:

	Cash and Cash Equivalents	Investments
GASB Statement No. 9	\$ 1,229,577	\$ 1,265
Investments of the Cash Management Pool:		
Repurchase Agreement	(146,002)	146,002
State Treasurer's Investment Pool	(310,749)	310,749
Certificates of Deposit	1,265	(1,265)
Cash on Hand	(600)	
GASB Statement No. 3	\$ 773,491	\$ 456,751

NOTE 5 - INTERFUND TRANSACTIONS

A. Interfund Loans Payable/Receivable

Interfund balances at June 30, 1999, consist of the following individual interfund loans receivable and payable:

	Interfund Loans Receivable	Interfund Loans Payable
<u>General Fund</u>	\$ 159,730	
<u>Capital Projects Funds</u>		
Emergency Building Repair		\$ (159,086)
<u>Enterprise Funds</u>		
Uniform School Supplies		(644)
Total Interfund Loans	\$ 159,730	\$ (159,730)

NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS
JUNE 30, 1999
(Continued)

B. The District had the following long-term advances outstanding at June 30, 1999:

	Advances To Other Funds	Advances (From Other Funds)
General Fund	\$ 12,010	
<u>Enterprise Funds</u>		
Food Service		\$ (12,000)
Uniform School Supplies		(10)
Totals	\$ 12,010	\$ (12,010)

C. The following is a reconciliation of the District's operating transfers for fiscal year 1999:

Fund	Transfers In	Transfers (Out)
General Fund	\$ 211	\$ (70,750)
<u>Special Revenue Funds</u>		
Management Information Systems	30,000	
District Managed Student Activity	500	
<u>Capital Projects Fund</u>		
Vocational Equipment		(211)
<u>Enterprise Funds</u>		
Food Service	40,250	
Totals	\$ 70,961	\$ (70,961)

NOTE 6 - PROPERTY TAXES

Property taxes are levied and assessed on a calendar year basis. Distributions from the second half of the calendar year occur in a new fiscal year and are intended to finance the operations of that year. Property taxes include amounts levied against all real, public utility and tangible (used in business) property located in the District.

Real property taxes and public utility taxes are levied after November 1 on the assessed value listed as of the prior January 1, the lien date. Assessed values are established by State law at 35% of appraised market value.

Public utility property taxes are assessed on tangible personal property, as well as land and improvements. Real property is assessed at 35% of market value and personal property is assessed at 100% of market value except for the personal property of rural electric companies which is assessed 50% of market and railroads which are assessed at 29%.

Tangible personal property taxes attach as a lien and are levied on January 1 of the current year. Tangible personal property assessments are 25% of true value.

The assessed value upon which the 1998 taxes were collected was \$116,849,744. Agricultural/Residential and public utility real estate represented 80.01% or \$93,498,540 of this total; Commercial & Industrial real estate represented 6.71% or \$7,835,950; public utility tangible 9.35% or \$10,924,110 and general tangible property 3.93% or \$4,591,144. The voted general tax rate for operations at the fiscal year ended June 30, 1999 was \$37.50 per \$1,000.00 of assessed valuation; the voted rate for debt service was \$0.20 per

NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS
JUNE 30, 1999
(Continued)

\$1,000.00 of assessed valuation; and the voted rate for permanent improvements was \$1.60 per \$1,000.00 of assessed valuation.

Real property taxes are payable annually or semi-annually. If paid annually, payment is due January 20; if paid semi-annually, the first payment is due January 20 with the remainder payable by June 20.

The County Treasurer collects property tax on behalf of the District. The County Auditor periodically remits to the District its portion of the taxes collected. These tax "advances" are based on statutory cash flow collection rates. Final "settlements" are made each February and August.

Accrued property taxes receivable represent delinquent taxes outstanding and real property, personal property and public utility taxes which became measurable as of June 30, 1999. Although total property tax collections for the next fiscal year are measurable, they are not (exclusive of advances) intended to finance current year operations. The net receivable (total receivable less amount available intended to finance the current year) is therefore offset by a credit to deferred revenue.

NOTE 7 - RECEIVABLES

Receivables at June 30, 1999 consisted of taxes, accounts (rent and student fees), and intergovernmental grants and entitlements (to the extent such grants and/or entitlements relate to the current fiscal year). All receivables are considered collectible in full due to the ability to foreclose for the nonpayment of taxes and the stable condition of State programs.

A summary of the principal items of receivables follows:

	<u>Amounts</u>
<u>General Fund</u>	
Taxes - Current and Delinquent	\$4,128,260
Accounts	16,590
 <u>Debt Service Fund</u>	
Taxes - Current and Delinquent	21,885
 <u>Capital Projects Funds</u>	
Taxes - Current and Delinquent	140,833

NOTE 8 - FIXED ASSETS

The following changes occurred in the General Fixed Assets Account Group during the year:

	Balance at July 1, 1998	Additions	Deletions	Balance at June 30, 1999
Land/Improvements	\$ 75,547	\$ 230,571		306,118
Buildings/Improvements	3,788,462	588,502		4,376,964
Capital Leased Buildings	250,990			250,990
Furniture/Equipment	1,138,057	243,511	\$ 4,643	1,376,925
Leased Equipment	15,162			15,162
Vehicles	767,024	56,871		823,895
Total	\$ 6,035,242	\$ 1,119,455	\$ 4,643	\$ 7,150,054

NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS
JUNE 30, 1999
(Continued)

A summary of the Proprietary fixed assets at June 30, 1999 follows:

Furniture and Equipment	\$	91,962
Less: Accumulated Depreciation		<u>(71,092)</u>
Net Fixed Assets	\$	<u><u>20,870</u></u>

NOTE 9 - CAPITALIZED LEASES - LESSEE DISCLOSURE

In prior years, the District has entered into capitalized leases for the acquisition of a building.

The terms of the agreement provides an option to purchase the equipment. The lease meets the criteria of a capital lease as defined by Statement No. 13 of the Financial Accounting Standards Board (FASB), "Accounting for Leases," which defines a capital lease generally as one which transfers benefits and risks of ownership to the lessee at the conclusion of the lease term. Capital lease payments have been reclassified and are reflected as debt service expenditures in the Combined Statement of Revenues, Expenditures and Changes in Fund Balances for Governmental Fund Types and Expendable Trust Funds. These expenditures are reflected as program/function expenditures on a budgetary basis.

General fixed assets acquired by lease have been capitalized in the General Fixed Assets Account Group in an amount equal to the present value of the future minimum lease payments as of the date of their inception. A corresponding liability was recorded in the General Long-Term Obligations Account Group. Principal payments in the 1999 fiscal year totaled \$24,330. This amount is reflected as debt service principal retirement in the Special Revenue Funds.

The following is an analysis of the equipment under capital lease as of June 30, 1999:

		<u>General Fixed Assets</u>
Modular Building	\$	<u>250,990</u>
Carrying Value	\$	<u><u>250,990</u></u>

The following is a schedule of the future minimum lease payments required under the capital lease and the present value of the future minimum lease payments as of June 30, 1999:

	<u>General Long-Term Obligations</u>	
Year Ending June 30		Modular Building
2000	\$	35,922
2001		35,922
2002		35,922
2003		35,922
2004		35,922
2005		<u>14,968</u>
Total Future Minimum Lease Payments		194,578
Less: Amount Representing Interest		<u>31,186</u>
Present Value of Future Minimum Lease Payments	\$	<u><u>163,392</u></u>

NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS
JUNE 30, 1999
(Continued)

The District does not have a capitalized lease obligation after fiscal year 2005.

NOTE 10 - LONG-TERM DEBT

All current general obligation bonds outstanding, issued to provide funds for the acquisition and construction of equipment and facilities, are general obligations of the District for which the full faith and credit of the District is pledged for repayment. Accordingly, such unmatured obligations of the District are accounted for in the General Long-Term Obligations Account Group. Payments of principal and interest relating to these bonds are recorded as expenditures in the Debt Service fund. The source of payment is derived from a current .20 mill bonded debt tax levy.

Energy conservation notes and asbestos removal loans outstanding are general obligations of the District, for which the District's full faith and credit are pledged for repayment. Accordingly, these notes are accounted for in the General Long-Term Obligations Account Group. Payments of principal and interest relating to these notes are recorded as expenditures in the Debt Service fund; however, unlike general obligation bonds, Ohio statute allows for the issuance of these notes and loans without voter approval, and the subsequent repayment of the notes from operating revenues.

A. The following is a description of the Otsego Local School District bonds and notes outstanding as of June 30, 1999:

Purpose	Interest Rate	Issue Date	Maturity Date	Balance 7/01/98	Retired In Fiscal 1999	Balance 6/30/99
Asbestos Removal Loan	None	08/21/86	12/30/01	\$ 17,420	\$ 5,000	\$ 12,420
Asbestos Removal Loan	None	04/08/88	12/30/00	10,254	5,000	5,254
School Energy Conservation Note	5.85%	07/01/94	07/01/04	195,000	30,000	165,000
School Facilities Improvement Bonds	5.00%	02/01/94	12/01/16	385,000	10,000	375,000
				<u>\$ 607,674</u>	<u>\$ 50,000</u>	<u>\$ 557,674</u>

B. The following is a summary of the District's future annual debt service requirements to maturity for general obligation bonds, energy conservation notes and asbestos removal loans:

Year Ending June 30	Principal	Interest	Total
2000	\$ 50,000	\$ 28,303	\$ 78,303
2001	50,254	25,772	76,026
2002	52,420	23,268	75,688
2003	50,000	20,470	70,470
2004	50,000	17,672	67,672
Thereafter	305,000	112,375	417,375
Total	<u>\$ 557,674</u>	<u>\$ 227,860</u>	<u>\$ 785,534</u>

C. During the year ended June 30, 1999, the following changes occurred in liabilities reported in the General Long-Term Obligations Account Group. Compensated absences and the pension obligation will be paid from the fund from which the employee is paid.

NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS
JUNE 30, 1999
(Continued)

	Balance at 6/30/98	Increase	Decrease	Balance at 6/30/99
Compensated Absences	\$ 629,622	\$ 101,621	\$ 117,172	\$ 614,071
General Obligation Bonds	385,000		10,000	375,000
General Obligation Notes	27,674		10,000	17,674
Energy Conservation Notes	195,000		30,000	165,000
Capital Leases	187,722		24,330	163,392
Pension Obligation	79,982	78,177	79,982	78,177
Total	\$ 1,505,000	\$ 179,798	\$ 271,484	\$ 1,413,314

D. Legal Debt Margin

The Ohio Revised Code provides that voted net general obligation debt of a school district shall never exceed 9% of the total assessed valuation of the District. The code further provides that unvoted indebtedness shall not exceed 1/10 of 1% of the property valuation of the district. The effects of these debt limitations for the District at June 30, 1999 are a voted debt margin of \$10,176,066 (including available funds of \$34,589) and an unvoted debt margin of \$116,850.

NOTE 11 - RISK MANAGEMENT

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 maintains comprehensive commercial insurance coverage for real property, building contents, and vehicles. Vehicle policies include liability coverage for bodily injury and property damage.

Real property and contents have a liability limit of \$16,552,500 with 100% coinsurance.

The District's fleet insurance policy has a liability limit of \$2,000,000 each occurrence and \$2,000,000 for uninsured motorists.

The District has liability insurance coverage limits of \$1,000,000 per claim and \$5,000,000 annual aggregate.

Settled claims resulting from these risks have not exceeded the commercial insurance coverage in any of the past three fiscal years.

Wood County Schools Benefit Association

The District has joined together with other school districts in the County to form Wood County Schools Benefit Association, a public entity risk pool currently operating as a common risk management and insurance program for 11 member school districts. The District pays an annual premium to Wood County Schools Benefit Association, for its general insurance coverage. It is intended that the Wood County Schools Benefit Association will be self-sustaining through member premiums and will reinsure through commercial companies for claims in excess of \$150,000 for each insured event.

OSBA Worker's Compensation Group Rating

The District is a member of the OSBA Workers' Compensation Group Rating Program established in April 1991. The program was created by the Ohio Schools Boards Association as a result of the Workers' Compensation group rating plan as defined in 4123.29, Ohio Revised Code. The group rating plan will allow

NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS
JUNE 30, 1999
(Continued)

school districts to group together to potentially achieve a lower premium rate than they may otherwise be able to acquire as individual employers.

NOTE 12 - SEGMENT INFORMATION - ENTERPRISE FUNDS

The District maintains three Enterprise funds to account for the operations of Food Services, Uniform School Supplies, and Rotary. The table below reflects, in a summarized format, the more significant financial data relating to the Enterprise Funds of the District as of and for the year ended June 30, 1999.

	Food Services	Uniform School Supplies	Rotary	Total
Operating Revenue	\$ 279,026	\$ 23,166	\$ 33,209	\$ 335,401
Depreciation	2,638			2,638
Operating Income (Loss)	(145,697)	3,233	(501)	(142,965)
Operating Grants	60,699			60,699
Operating Transfers In	40,250			40,250
Net Income (Loss)	(16,353)	3,233	(501)	(13,621)
Net Working Capital	(36,879)	5,371	18,632	(12,876)
Total Assets	51,007	6,092	18,632	75,731
Long-Term Liabilities Payable From Fund				
Revenues	33,560	10		33,570
Total Liabilities	100,576	731		101,307
Total Fund Equity (Deficit)	(49,569)	5,361	18,632	(25,576)
Encumbrances at June 30, 1999	228	2,711		2,939

NOTE 13 - DEFINED BENEFIT PENSION PLANS

A. School Employees Retirement System

The District contributes to the School Employees Retirement System of Ohio (SERS), a cost-sharing multiple employer public employee retirement system administered by the School Employees Retirement Board. SERS provides basic retirement benefits, disability, survivor, and health care benefits based on eligible service credit to members and beneficiaries. Benefits are established by Chapter 3309 of the Ohio Revised Code. SERS issues a publicly available financial report that includes financial statements and required supplementary information for SERS. The report may be obtained by writing to the School Employees Retirement System, 45 North Fourth Street, Columbus, Ohio 43215-3634.

Plan members are required to contribute 9 percent of their annual covered salary and the District is required to contribute 14 percent for 1999; 9.02 percent was the portion to fund pension obligations. The contribution rates are not determined actuarially, but are established by the School Employees Retirement Board within the rates allowed by State statute. The adequacy of the contribution rates is determined annually. The District's required contributions for pension obligations to SERS for the fiscal years ended June 30, 1999, 1998, and 1997 were \$197,036,

NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS
JUNE 30, 1999
(Continued)

\$196,375, and \$251,152, respectively; 52 percent has been contributed for fiscal year 1999 and 100 percent for the fiscal years 1998 and 1997. \$93,756, which represents the unpaid contribution for fiscal year 1999, is recorded as a liability within the respective funds and the General Long-Term Obligations Account Group.

B. State Teachers Retirement System

The District contributes to the State Teachers Retirement System of Ohio (STRS), a cost-sharing multiple employer public employee retirement system administered by the State Teachers Retirement Board. STRS provides basic retirement benefits, disability, survivor, and health care benefits based on eligible service credit to members and beneficiaries. Benefits are established by Chapter 3307 of the Ohio Revised Code. STRS issues a publicly available financial report that includes financial statements and required supplementary information for STRS. The report may be obtained by writing to the State Teachers Retirement System, 275 East Broad Street, Columbus, Ohio 43215-3771.

Plan members are required to contribute 9.3 percent of their annual covered salary and the District is required to contribute 14 percent; 6 percent was the portion used to fund pension obligations. Contribution rates are established by the State Teachers Retirement Board, upon recommendation of its consulting actuary, not to exceed statutory maximum rates of 10 percent for members and 14 percent for employers. The District's required contributions for pension obligations to STRS for the fiscal years ended June 30, 1999, 1998, and 1997 were \$661,471, \$720,637, and \$1,030,512, respectively; 84 percent has been contributed for fiscal year 1999 and 100 percent for the fiscal years 1998 and 1997. \$108,800, which represents the unpaid contribution for fiscal year 1999, is recorded as a liability within the respective funds.

C. Social Security System

Effective July 1, 1991, all employees not otherwise covered by the School Employees Retirement System or the State Teachers Retirement System have an option to choose Social Security or the School Employees Retirement System/State Teachers Retirement System. As of June 30, 1999, members of the Board of Education have elected Social Security. The Board's liability is 6.2 percent of wages paid.

NOTE 14 - POSTEMPLOYMENT BENEFITS

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

For STRS, all benefit recipients are required to pay a portion of health care cost in the form of a monthly premium. By Ohio law, the cost of coverage paid from STRS funds shall be included in the employer contribution rate, currently 14 percent of covered payroll. Through June 30, 1998, the board allocated employer contributions equal to 3.5 percent of covered payroll to the Health Care Reserve Fund for which payments for health care benefits are paid. Beginning July 1, 1998, this allocation was increased to 8 percent. For the District, this amount equaled \$377,983 during the 1999 fiscal year. As of July 1, 1998, eligible benefit recipients totaled 91,999. For the fiscal year ended June 30, 1998, net health care costs paid by STRS were \$219,224,000.

NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS
JUNE 30, 1999
(Continued)

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

For this fiscal year, employer contributions to fund health care benefits were 4.98 percent of covered payroll. In addition, SERS levies a surcharge to fund health care benefits equal to 14 percent of the difference between a minimum pay and the member's pay, pro-rated for partial service credit. For fiscal year 1999, the minimum pay has been established at \$12,400. For the District, the amount to fund health care benefits, including surcharge, equaled \$96,741 during the 1999 fiscal year. The number of participants currently receiving health care benefits is 50,000. For the fiscal year ended June 30, 1998, net health care costs paid by SERS were \$111,900,575.

NOTE 15 - BUDGETARY BASIS OF ACCOUNTING

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

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

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

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

	Excess of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses			
	Governmental Fund Types			
	General	Special Revenue	Debt Service	Capital Projects
Budget Basis	\$ (474,531)	\$ (1,151)	\$ (6,439)	\$ (217,862)
Net Adjustment for Revenue Accruals	(78,460)	(15,087)	(157)	(828)

(Continued)

NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS
JUNE 30, 1999
(Continued)

	General	Special Revenue	Debt Service	Capital Projects
(Continued)				
Net Adjustment for Expenditure Accruals	(103,064)	(13,733)		4,102
Net Adjustment for Other Financing Sources/(Uses)	139,845	(6,420)		(158,126)
Adjustment for Encumbrances	206,773	8,297		13,007
GAAP Basis	<u>\$ (309,437)</u>	<u>\$ (28,094)</u>	<u>\$ (6,596)</u>	<u>\$ (359,707)</u>

NOTE 16 - CONTINGENT LIABILITIES

A. Grants

The District receives significant financial assistance from numerous federal, state and local agencies in the form of grants. The disbursement of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and is subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the General Fund or other applicable funds. However in the opinion of management, any such disallowed claims will not have a material effect on any of the financial statements of the individual fund types included herein or on the overall financial position of the District at June 30, 1999.

B. Litigation

The District is party to legal proceedings. The District management is of the opinion that ultimate disposition of these claims and legal proceedings will not have a material effect, if any, on the financial condition of the District.

C. School Funding Decision

On March 24, 1997, the Ohio Supreme Court rendered a decision declaring certain portions of the Ohio school funding plan unconstitutional. The Court stayed the effect of its ruling for one year to allow the State's legislature to design a plan to remedy the perceived defects in that system. Declared unconstitutional was the State's "school foundation program", which provides significant amounts of monetary support to this District. During the fiscal year ended June 30, 1999, the District received \$4,555,167 of school foundation support for its General fund.

Since the Supreme Court ruling, numerous pieces of legislation have been passed by the State legislature in an attempt to address the issues identified by the Court. The Court of Common Pleas in Perry County has reviewed the new laws and, in a decision issued on February 26, 1999, determined they are not sufficiently responsive to the constitutional issues raised under the "thorough and efficient" clause of the Ohio Constitution. The State has appealed the decision made by the Court of Common Pleas to the Ohio Supreme Court. As of June 30, 1999, the Ohio Supreme Court has not rendered an opinion on this issue. The decision of the Court of Common Pleas in

NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS
JUNE 30, 1999
(Continued)

Perry County has been stayed by the Ohio Supreme Court, and, as such, school districts are still operating under the laws that the Common Pleas Court declared unconstitutional.

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

**SCHEDULE OF FEDERAL AWARDS EXPENDITURES
FOR THE YEAR ENDED JUNE 30, 1999**

FEDERAL GRANTOR <i>Pass Through Grantor</i> <u>Program Title</u>	Federal CFDA Number	Pass-through Entity Number	Program or Award Amount	Cash Receipts	Non-cash Receipts	Cash Disburse- ments	Non-cash Disburse- ments
UNITED STATES DEPARTMENT OF AGRICULTURE							
<i>Passed through the State Department of Education</i>							
<u>Nutrition Cluster:</u>							
School Breakfast Program	10.553			\$ 4,196	\$ 0	\$ 4,196	\$ 0
National School Lunch Program	10.555			53,374		53,374	
Total Nutrition Cluster				<u>57,570</u>		<u>57,570</u>	
Food Distribution Program	10.550				30,117		30,117
Total Department Of Agriculture				<u>57,570</u>	<u>30,117</u>	<u>57,570</u>	<u>30,117</u>
UNITED STATES DEPARTMENT OF HUMAN SERVICES							
<i>Passed through the State Department of Human Services</i>							
Dependent Care Plan	93.673	050724 DC-S1-98	\$ 11,630			4,956	
UNITED STATES DEPARTMENT OF EDUCATION							
<i>Passed through the State Department of Education</i>							
Title 1	84.010	050724 C1-S1-99	223,056	223,056		198,337	
		050724 C1-S1-98	220,170	17,195		34,780	
Total Title 1				<u>240,251</u>		<u>233,117</u>	
Title VI	84.298	050724 C2-S1-99	6,215	6,215		6,215	
Goals 2000	84.276	050724 G2-S2-99	10,000	10,000		3,771	
Total Department Of Education				<u>256,466</u>		<u>243,103</u>	
TOTAL FEDERAL AWARDS EXPENDITURES				<u>\$ 314,036</u>	<u>\$ 30,117</u>	<u>\$ 305,629</u>	<u>\$ 30,117</u>

The notes to the schedule of federal awards expenditures are an integral part of this schedule.

**NOTES TO THE SCHEDULE OF FEDERAL AWARDS EXPENDITURES
JUNE 30, 1999**

NOTE A - SIGNIFICANT ACCOUNTING POLICIES

The accompanying Schedule of Federal Awards Expenditures (the Schedule) summarizes activity of the District's federal award programs. The schedule has been prepared on the cash basis of accounting.

NOTE B - FOOD DISTRIBUTION

Nonmonetary assistance, such as food received from the U.S. Department of Agriculture, is reported in the Schedule at the fair market value of the commodities received and consumed. Cash receipts from the U.S. Department of Agriculture are commingled with State grants. It is assumed federal monies are expended first. At June 30, 1999, the District had no significant food commodities in inventory.

NOTE C - ENVIRONMENTAL PROTECTION AGENCY GRANT

The District received no interest loans in 1986 and 1988 from the U.S. Environmental Protection Agency under the Asbestos Removal Grant Program (CFDA 66.702). As of June 30, 1999, the District owed \$17,674 on these loans. There are no continuing compliance requirements associated with these



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

Otsego Local School District
Wood County
PO Box 290
Tontogany, Ohio 43565-0290

To the Board of Education:

We have audited the financial statements of Otsego Local School District (the District) as of and for the year ended June 30, 1999, and have issued our report thereon dated February 29, 2000, in which we indicated that the District changed its method of accounting for deferred compensation. We conducted our audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

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

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the District's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses. However, we noted other matters involving the internal control over financial reporting that do not require inclusion in this report, that we have reported to the management of the District in a separate letter dated February 29, 2000.

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

Jim Petro
Auditor of State

February 29, 2000



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

Otsego Local School District
Wood County
PO Box 290
Tontogony, Ohio 43565-0290

To the Board of Education:

Compliance

We have audited the compliance of Otsego Local School District, Wood County, (the District) with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133, Compliance Supplement* that is applicable to its major federal program for the year ended June 30, 1999. The District's major federal program is identified in the summary of auditor's results section of the accompanying schedule of findings. Compliance with the requirements of laws, regulations, contracts and grants applicable to its major federal programs are the responsibility of District's management. Our responsibility is to express an opinion on District's compliance based on our audit.

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

In our opinion, the District complied, in all material respects, with the requirements referred to above that is applicable to its major federal program for the year ended June 30, 1999.

Internal Control Over Compliance

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

We noted a certain matter involving the internal control over compliance and its operation that we consider to be a reportable condition. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over compliance that, in our judgment, could adversely affect the District's ability to administer a major federal program in accordance with applicable requirements of laws, regulations, contracts and grants. The reportable condition is described in the accompanying schedule of findings as item 1999-10187-001.

A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts and grants that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, we believe the reportable condition described above is not a material weakness.

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

Jim Petro
Auditor of State

February 29, 2000

**SCHEDULE OF FINDINGS
OMB CIRCULAR A -133 § .505
JUNE 30, 1999**

1. SUMMARY OF AUDITOR'S RESULTS

<i>(d)(1)(i)</i>	Type of Financial Statement Opinion	Unqualified
<i>(d)(1)(ii)</i>	Were there any material control weakness conditions reported at the financial statement level (GAGAS)?	No
<i>(d)(1)(ii)</i>	Were there any other reportable control weakness conditions reported at the financial statement level (GAGAS)?	No
<i>(d)(1)(iii)</i>	Was there any reported material noncompliance at the financial statement level (GAGAS)?	No
<i>(d)(1)(iv)</i>	Were there any material internal control weakness conditions reported for major federal programs?	No
<i>(d)(1)(iv)</i>	Were there any other reportable internal control weakness conditions reported for major federal programs?	Yes
<i>(d)(1)(v)</i>	Type of Major Programs' Compliance Opinion	Unqualified
<i>(d)(1)(vi)</i>	Are there any reportable findings under § .510?	Yes
<i>(d)(1)(vii)</i>	Major Programs (list):	CFDA 84.010, Title I
<i>(d)(1)(viii)</i>	Dollar Threshold: Type A/B Programs	Type A: > \$ 300,000 Type B: all others
<i>(d)(1)(ix)</i>	Low Risk Auditee?	Yes

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

None.

3. FINDINGS FOR FEDERAL AWARDS

FINDING NUMBER 1999-10187-001

CFDA Title and Number	Title I, CFDA 84.010
Federal Award Number / Year	050724-C1-S1-1999
Federal Agency	Department of Education
Pass-Through Agency	State of Ohio Department of Education

Reportable Condition - School Eligibility Determination

In determining eligibility the District must select a poverty measure, and those measures must be used consistently across the district to rank all of its school attendance areas according to their percentage of poverty. The measure used by the District is the number of children eligible for free and reduced priced lunches.

In testing the determination of "low income students" on the Title I application the District only used free lunch applications on file and did not use the same month of applications consistently for each school (elementary and middle schools reported November free applications count and for the high school December free applications were used). Two of the three elementary schools qualified for the Title I program in this calculation.

After taking into consideration both the free and reduced lunch applications, all three elementary schools were eligible to have received the benefits of the Title I program.

Possible results of this miscalculation is the loss of additional funding to the District to administer the Title I program.

The Title I Coordinator stated that the Food Service Director provided the number of applications which were then reported on the Title I application and did not realize that reduced applications were not included.

We recommend that the Coordinator compare the number of low income students reported on the Title 1 application to the District prepared food service reports (CN-1) which indicates the number of free and reduced lunch applications on file.

In discussion with the Title I Coordinator, corrective action will be taken to ensure that both free and reduced lunch applications will be used in the percentage of poverty calculation.

CORRECTIVE ACTION PLAN
OMB CIRCULAR A -133 § .315 (c)
JUNE 30, 1999

Finding Number	Planned Corrective Action	Anticipated Completion Date	Responsible Contact Person
1999-10187-001	All free and reduced lunch applications will be included in the future to determine school eligibility in administering the Title 1 program.	July 1, 2000	Chris Ziegler



STATE OF OHIO
OFFICE OF THE AUDITOR

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OTSEGO LOCAL SCHOOL DISTRICT

WOOD COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
MARCH 21, 2000**