



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

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**STATE OF OHIO**



**OLD FORT LOCAL SCHOOL DISTRICT  
SENECA COUNTY**

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**REPORT OF INDEPENDENT ACCOUNTANTS**

Old Fort Local School District  
Seneca County  
7635 North County Road 51  
P.O. Box 64  
Old Fort, Ohio 44861-0064

To the Board of Education:

We have audited the accompanying general-purpose financial statements of Old Fort Local School District (the District) as of and for the year ended June 30, 2002, as listed in the table of contents. These general-purpose financial statements are the responsibility of the District's management. Our responsibility is to express an opinion on these general-purpose financial statements based on our audit.

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

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

In accordance with *Government Auditing Standards*, we have also issued our report dated December 10, 2002 on our consideration of the District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

A handwritten signature in black ink, appearing to read "Jim Petro".

**Jim Petro**  
Auditor of State

December 10, 2002

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**OLD FORT LOCAL SCHOOL DISTRICT  
SENECA COUNTY**

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

	Governmental Fund Types		
	General	Special Revenue	Capital Projects
<b>ASSETS AND OTHER DEBITS</b>			
<b>Assets:</b>			
Equity in pooled cash and cash equivalents	\$290,928	\$79,281	\$89,836
Receivables (net of allowances of uncollectibles):			
Property taxes - current and delinquent	1,065,972		31,058
Accounts	51	132	
Accrued interest	492		
Advances to other funds	1,211		
Due from other governments	1,549	515	
Materials and supplies inventory	11,458		
Prepayments	13,732		
Restricted assets:			
Equity in pooled cash and cash equivalents	29,866		
Property, plant and equipment (net of accumulated depreciation where applicable)			
<b>Other debits:</b>			
Amount to be provided for retirement of general long-term obligations			
	<b>\$1,415,259</b>	<b>\$79,928</b>	<b>\$120,894</b>
<b>Total assets and other debits</b>			



<u>Proprietary Fund Type</u>	<u>Fiduciary Fund Types</u>	<u>Account Groups</u>		<u>Total (Memorandum Only)</u>
		<u>General Fixed Assets</u>	<u>General Long-Term Obligations</u>	
<u>Enterprise</u>	<u>Trust and Agency</u>			
\$37,957	\$31,984			\$529,986
				1,097,030
				183
				492
				1,211
6,276				8,340
3,473				14,931
				13,732
				29,866
18,841		\$7,038,620		7,057,461
			\$361,062	361,062
<u><b>\$66,547</b></u>	<u><b>\$31,984</b></u>	<u><b>\$7,038,620</b></u>	<u><b>\$361,062</b></u>	<u><b>\$9,114,294</b></u>

(Continued)

**OLD FORT LOCAL SCHOOL DISTRICT  
SENECA COUNTY**

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

	Governmental Fund Types		
	General	Special Revenue	Capital Projects
<b>LIABILITIES, EQUITY AND OTHER CREDITS</b>			
<b>Liabilities:</b>			
Accounts payable	\$7,217	\$586	
Accrued wages and benefits	245,987	2,627	
Compensated absences payable	25,215		
Pension obligation payable	55,812		
Advance from other funds			
Deferred revenue	932,824		\$27,179
Due to other governments	13,723	210	
Due to students			
Energy conservation loan payable			
Total liabilities	1,280,778	3,423	27,179
<b>Equity and other credits:</b>			
Investment in general fixed assets			
Contributed capital			
Retained earnings: unreserved			
Fund balances:			
Reserved for encumbrances	29,584	22,558	48,560
Reserved for materials and supplies inventory	11,458		
Reserved for prepayments	13,732		
Reserved for tax revenue unavailable for appropriation	133,148		3,879
Reserved for budget stabilization	25,859		
Reserved for textbooks	4,007		
Reserved for advances	1,211		
Unreserved-undesignated	(84,518)	53,947	41,276
Total equity and other credits	134,481	76,505	93,715
<b>Total liabilities, equity and other credits</b>	<b>\$1,415,259</b>	<b>\$79,928</b>	<b>\$120,894</b>

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

Proprietary Fund Type	Fiduciary Fund Types	Account Groups		Total (Memorandum Only)
		General Fixed Assets	General Long-Term Obligations	
Enterprise	Trust and Agency			
				\$7,838
\$35				255,230
6,616				165,198
			\$139,983	94,662
5,813			33,037	1,211
1,211				961,858
1,855				14,156
223				28,640
	\$28,640			188,042
			188,042	188,042
15,753	28,640		361,062	1,716,835
		\$7,038,620		7,038,620
50,794				50,794
				100,702
				11,458
				13,732
				137,027
				25,859
				4,007
				1,211
	3,344			14,049
50,794	3,344	7,038,620		7,397,459
<b>\$66,547</b>	<b>\$31,984</b>	<b>\$7,038,620</b>	<b>\$361,062</b>	<b>\$9,114,294</b>

**OLD FORT LOCAL SCHOOL DISTRICT  
SENECA COUNTY**

COMBINED STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES  
ALL GOVERNMENTAL FUND TYPES AND EXPENDABLE TRUST FUND  
FOR THE FISCAL YEAR ENDED JUNE 30, 2002

	<b>Governmental Fund Types</b>		
	<b>General</b>	<b>Special Revenue</b>	<b>Capital Projects</b>
<b>Revenues:</b>			
From local sources:			
Taxes	\$1,152,371		\$62,765
Tuition	518,540		
Earnings on investments	16,395		
Extracurricular		\$75,592	
Other local revenues	16,981	12,872	
Other revenue		15,000	
Intergovernmental - State	1,874,059	231,977	22,398
Intergovernmental - Federal		69,611	
Total revenue	<u>3,578,346</u>	<u>405,052</u>	<u>85,163</u>
<b>Expenditures:</b>			
Current:			
Instruction:			
Regular	1,935,386	25,149	3,327
Special	204,678	83,177	
Vocational	23,137		
Support services:			
Pupil	125,484	5,652	
Instructional staff	207,388	194,374	2,005
Board of Education	12,317		
Administration	358,910	1,056	
Fiscal	138,029		2,203
Operations and maintenance	342,963	107	5,382
Pupil transportation	226,686	8,891	26,481
Central	18,367	4,990	
Community services			
Extracurricular activities	86,192	71,581	
Facilities acquisition and construction	18,660		84,448
Debt service:			
Principal retirement	7,534		
Interest and fiscal charges	11,086		
Total expenditures	<u>3,716,817</u>	<u>394,977</u>	<u>123,846</u>
Excess of revenues over (under) expenditures	<u>(138,471)</u>	<u>10,075</u>	<u>(38,683)</u>
Other financing sources:			
Proceeds from sale of fixed assets	752		
Proceeds from sale of loan			72,490
Total other financing sources	<u>752</u>		<u>72,490</u>
Excess of revenues and other financing sources over (under) expenditures and other financing (uses)	<u>(137,719)</u>	<u>10,075</u>	<u>33,807</u>
Fund balances, July 1	270,427	66,430	59,908
Increase in reserve for inventory	1,773		
<b>Fund balances, June 30</b>	<b><u>\$134,481</u></b>	<b><u>\$76,505</u></b>	<b><u>\$93,715</u></b>

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

<u>Fiduciary Fund Types</u>	<u>Total (Memorandum Only)</u>
<u>Expendable Trust</u>	
	\$1,215,136
	518,540
	16,395
	75,592
\$3,652	33,505
	15,000
	2,128,434
	69,611
<u>3,652</u>	<u>4,072,213</u>
106	1,963,968
	287,855
	23,137
	131,136
	403,767
	12,317
	359,966
	140,232
2,299	350,751
	262,058
	23,357
770	770
	157,773
	103,108
	7,534
	11,086
<u>3,175</u>	<u>4,238,815</u>
<u>477</u>	<u>(166,602)</u>
	752
	72,490
	73,242
477	(93,360)
2,867	399,632
	1,773
<u>\$3,344</u>	<u>\$308,045</u>

**OLD FORT LOCAL SCHOOL DISTRICT  
SENECA COUNTY**

COMBINED STATEMENT OF REVENUES, EXPENDITURES  
AND CHANGES IN FUND BALANCES  
BUDGET AND ACTUAL COMPARISON (NON-GAAP BUDGETARY BASIS)  
ALL GOVERNMENTAL FUND TYPES

	General		Variance: Favorable (Unfavorable)
	Revised Budget	Actual	
<b>Revenues:</b>			
From local sources:			
Taxes	\$1,049,736	\$1,091,988	\$42,252
Tuition	521,599	519,782	(1,817)
Earnings on investments	18,000	16,848	(1,152)
Extracurricular			
Other local revenues	257,511	254,554	(2,957)
Other revenue			
Intergovernmental - State	1,863,822	1,872,510	8,688
Intergovernmental - Federal			
Total revenues	<u>3,710,668</u>	<u>3,755,682</u>	<u>45,014</u>
<b>Expenditures:</b>			
Current:			
Instruction:			
Regular	1,959,500	1,929,018	30,482
Special	202,317	215,364	(13,047)
Vocational	20,288	23,137	(2,849)
Support services:			
Pupil	136,750	124,738	12,012
Instructional staff	214,661	206,413	8,248
Board of Education	13,953	13,584	369
Administration	368,975	358,700	10,275
Fiscal	118,527	138,437	(19,910)
Operations and maintenance	363,668	343,255	20,413
Pupil transportation	238,269	239,269	(1,000)
Central	16,550	18,165	(1,615)
Extracurricular activities	97,737	83,615	14,122
Facilities acquisition and construction	25,858	18,660	7,198
Debt service:			
Principal retirement	7,534	7,534	
Interest and fiscal charges	11,086	11,086	
Total expenditures	<u>3,795,673</u>	<u>3,730,975</u>	<u>64,698</u>
Excess of revenues over (under) expenditures	<u>(85,005)</u>	<u>24,707</u>	<u>109,712</u>
<b>Other financing sources (uses):</b>			
Advances in		10,490	10,490
Advances out		(6,644)	(6,644)
Operating transfers out		(1,210)	(1,210)
Other miscellaneous use of funds		(3,793)	(3,793)
Proceeds from sale of fixed assets	652	752	100
Proceeds from sale of loan			
Refund of prior year expenditure	15,539	15,578	39
Total other financing sources (uses)	<u>16,191</u>	<u>15,173</u>	<u>(1,018)</u>
Excess of revenues and other financing sources over (under) expenditures and other financing (uses)	<u>(68,814)</u>	<u>39,880</u>	<u>108,694</u>
Fund balances, July 1	201,367	201,367	
Prior year encumbrances appropriated	36,652	36,652	
<b>Fund balances, June 30</b>	<b><u>\$169,205</u></b>	<b><u>\$277,899</u></b>	<b><u>\$108,694</u></b>

Special Revenue			Capital Projects		
Revised Budget	Actual	Variance: Favorable (Unfavorable)	Budget Revised	Actual	Variance: Favorable (Unfavorable)
			\$56,580	\$63,049	\$6,469
\$64,681	\$75,593	\$10,912			
14,300	12,949	(1,351)			
15,000	15,000				
228,736	231,977	3,241	5,920	22,398	16,478
80,871	79,316	(1,555)			
<u>403,588</u>	<u>414,835</u>	<u>11,247</u>	<u>62,500</u>	<u>85,447</u>	<u>22,947</u>
32,218	26,131	6,087	6,953	13,620	(6,667)
81,296	80,435	861			
5,907	5,591	316			
228,017	214,880	13,137	1,800	2,005	(205)
1,238	637	601			
229		229	1,500	2,203	(703)
95	107	(12)	4,300	5,382	(1,082)
7,200	8,502	(1,302)	91,481	68,501	22,980
5,000	5,000				
92,752	75,082	17,670			
			358,813	84,448	274,365
<u>453,952</u>	<u>416,365</u>	<u>37,587</u>	<u>464,847</u>	<u>176,159</u>	<u>288,688</u>
<u>(50,364)</u>	<u>(1,530)</u>	<u>48,834</u>	<u>(402,347)</u>	<u>(90,712)</u>	<u>311,635</u>
	6,644	6,644			
	(6,644)	(6,644)			
			346,813	72,490	(274,323)
1,100	1,181	81			
<u>1,100</u>	<u>1,181</u>	<u>81</u>	<u>346,813</u>	<u>72,490</u>	<u>(274,323)</u>
(49,264)	(349)	48,915	(55,534)	(18,222)	37,312
51,786	51,786		29,264	29,264	
4,660	4,660		30,234	30,234	
<u>\$7,182</u>	<u>\$56,097</u>	<u>\$48,915</u>	<u>\$3,964</u>	<u>\$41,276</u>	<u>\$37,312</u>

(Continued)

**OLD FORT LOCAL SCHOOL DISTRICT  
SENECA COUNTY**

COMBINED STATEMENT OF REVENUES, EXPENDITURES  
AND CHANGES IN FUND BALANCES  
BUDGET AND ACTUAL COMPARISON (NON-GAAP BUDGETARY BASIS)  
ALL GOVERNMENTAL FUND TYPES  
(Continued)

	<b>Total (Memorandum only)</b>		
	<b>Budget Revised</b>	<b>Actual</b>	<b>Variance: Favorable (Unfavorable)</b>
<b>Revenues:</b>			
From local sources:			
Taxes	\$1,106,316	\$1,155,037	\$48,721
Tuition	521,599	519,782	(1,817)
Earnings on investments	18,000	16,848	(1,152)
Extracurricular	64,681	75,593	10,912
Other local revenues	271,811	267,503	(4,308)
Other revenue	15,000	15,000	
Intergovernmental - State	2,098,478	2,126,885	28,407
Intergovernmental - Federal	80,871	79,316	(1,555)
Total revenues	<u>4,176,756</u>	<u>4,255,964</u>	<u>79,208</u>
<b>Expenditures:</b>			
Current:			
Instruction:			
Regular	1,998,671	1,968,769	29,902
Special	283,613	295,799	(12,186)
Vocational	20,288	23,137	(2,849)
Support services:			
Pupil	142,657	130,329	12,328
Instructional staff	444,478	423,298	21,180
Board of Education	13,953	13,584	369
Administration	370,213	359,337	10,876
Fiscal	120,256	140,640	(20,384)
Operations and maintenance	368,063	348,744	19,319
Pupil transportation	336,950	316,272	20,678
Central	21,550	23,165	(1,615)
Extracurricular activities	190,489	158,697	31,792
Facilities acquisition and construction	384,671	103,108	281,563
Debt service:			
Principal retirement	7,534	7,534	
Interest and fiscal charges	11,086	11,086	
Total expenditures	<u>4,714,472</u>	<u>4,323,499</u>	<u>390,973</u>
Excess of revenues over (under) expenditures	<u>(537,716)</u>	<u>(67,535)</u>	<u>470,181</u>
<b>Other financing sources (uses):</b>			
Advances in		17,134	17,134
Advances out		(13,288)	(13,288)
Operating transfers out		(1,210)	(1,210)
Other miscellaneous use of funds		(3,793)	(3,793)
Proceeds from sale of fixed assets	652	752	100
Proceeds from sale of loan	346,813	72,490	(274,323)
Refund of prior year expenditure	16,639	16,759	120
Total other financing sources (uses)	<u>364,104</u>	<u>88,844</u>	<u>(275,260)</u>
Excess of revenues and other financing sources over (under) expenditures and other financing (uses)	<u>(173,612)</u>	<u>21,309</u>	<u>194,921</u>
Fund balances, July 1	282,417	282,417	
Prior year encumbrances appropriated	71,546	71,546	
<b>Fund balances, June 30</b>	<b><u>\$180,351</u></b>	<b><u>\$375,272</u></b>	<b><u>\$194,921</u></b>

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



**OLD FORT LOCAL SCHOOL DISTRICT  
SENECA COUNTY**

COMBINED STATEMENT OF REVENUES, EXPENSES,  
AND CHANGES IN RETAINED EARNINGS  
ALL PROPRIETARY FUND TYPES  
FOR THE FISCAL YEAR ENDED JUNE 30, 2002

	<u>Proprietary Fund Types</u>		<u>Total (Memorandum Only)</u>
	<u>Enterprise</u>	<u>Internal Service</u>	
<b>Operating revenues:</b>			
Sales/charges for services	\$123,078		\$123,078
Total operating revenues	123,078		123,078
<b>Operating expenses:</b>			
Personal services	84,224		84,224
Contract services	1,054		1,054
Materials and supplies	83,535		83,535
Depreciation	1,986		1,986
Other	157	\$7,812	7,969
Total operating expenses	170,956	7,812	178,768
Operating loss	(47,878)	(7,812)	(55,690)
<b>Nonoperating revenues:</b>			
Operating grants	32,886		32,886
Federal commodities	13,055		13,055
Interest revenue	1,248		1,248
Other nonoperating revenues	880	7,799	8,679
Total nonoperating revenues	48,069	7,799	55,868
Net income (loss)	191	(13)	178
Retained earnings, July 1	50,603	13	50,616
<b>Retained earnings, June 30</b>	<b>\$50,794</b>		<b>\$50,794</b>

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

**OLD FORT LOCAL SCHOOL DISTRICT  
SENECA COUNTY**

COMBINED STATEMENT OF CASH FLOWS  
ALL PROPRIETARY FUND TYPES  
FOR THE FISCAL YEAR ENDED JUNE 30, 2002

	<u>Proprietary Fund Types</u>		<b>Total (Memorandum Only)</b>
	<u>Enterprise</u>	<u>Internal Service</u>	
<b>Cash flows from operating activities:</b>			
Cash received from sales/service charges	\$122,033		\$122,033
Cash payments for personal services	(86,031)		(86,031)
Cash payments for contract services	(935)		(935)
Cash payments for materials and supplies	(70,646)		(70,646)
Cash payments for other expenses	(157)	(\$7,812)	(7,969)
	<u>(35,736)</u>	<u>(7,812)</u>	<u>(43,548)</u>
Net cash used in operating activities			
<b>Cash flows from noncapital financing activities:</b>			
Cash received from operating grants	29,145		29,145
Cash used for repayment of advance from other funds	(3,847)		(3,847)
Cash received from other nonoperating activities	880	7,799	8,679
	<u>26,178</u>	<u>7,799</u>	<u>33,977</u>
Net cash provided by noncapital financing activities			
<b>Cash flows from investing activities:</b>			
Interest received	1,248		1,248
	<u>1,248</u>		<u>1,248</u>
Net cash provided by investing activities			
Net decrease in cash and cash equivalents	(8,310)	(13)	(8,323)
Cash and cash equivalents at beginning of year	46,267	13	46,280
<b>Cash and cash equivalents at end of year</b>	<b><u>\$37,957</u></b>	<b><u></u></b>	<b><u>\$37,957</u></b>
<b>Reconciliation of operating loss to net cash used in operating activities:</b>			
Operating loss	(\$47,878)	(\$7,812)	(\$55,690)
Adjustments to reconcile operating loss to net cash used in operating activities:			
Depreciation	1,986		1,986
Federal donated commodities	13,055		13,055
Changes in assets and liabilities:			
Decrease in materials and supplies inventory	569		569
Decrease in prepayments	84		84
Increase in accounts payable	35		35
Decrease in accrued wages and benefits	(158)		(158)
Increase in due to other governments	223		223
Decrease in pension obligation payable	(2,917)		(2,917)
Decrease in deferred revenue	(735)		(735)
	<u>(35,736)</u>	<u>(7,812)</u>	<u>(43,548)</u>
<b>Net cash used in operating activities</b>	<b><u>(\$35,736)</u></b>	<b><u>(\$7,812)</u></b>	<b><u>(\$43,548)</u></b>

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

**OLD FORT LOCAL SCHOOL DISTRICT  
SENECA COUNTY**

**NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2002**

**NOTE 1 - DESCRIPTION OF THE SCHOOL DISTRICT**

Old Fort Local School District (the District) is located in Seneca County and encompasses the towns of Old Fort and Fort Seneca. The District serves an area of approximately 49 square miles.

The District was established in 1841 through the consolidation of existing land areas and school districts and is organized under Section 2 and 3, Articles 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 school district is vested in the Board of Education, consisting of five members elected at large for staggered four-year terms.

The District ranks as the 588<sup>th</sup> largest by enrollment among the 705 public and community school districts in the State, and 5<sup>th</sup> largest in Seneca County. It currently operates one elementary school and one comprehensive middle/high school. The District employs 31 non-certified and 43 certified employees to provide services to 592 students in grades K through 12 and various community groups.

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

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

**A. Reporting Entity**

The District's reporting entity has been defined in accordance with GASB Statement No. 14, "The Financial Reporting Entity". When applying GASB Statement No. 14, management has considered all potential component units.

The basic, but not the only, criterion for including a potential component unit within the reporting entity is the District's ability to exercise significant oversight responsibility. The most significant manifestation of this ability is financial interdependence. Other manifestations of the ability to exercise oversight responsibility include, but are not limited to, the selection of the governing authority, the designation of management, the ability to significantly influence operations and the accountability for fiscal matters.

A second criterion used in evaluating potential component units is the scope of public service. Application of this criterion involves considering whether the activity benefits the District and/or its citizens. A third criterion used to evaluate potential component units for inclusion or exclusion from the reporting entity is the existence of special financing relationships, regardless of whether the District is able to exercise oversight responsibilities. Based upon the application of these criteria, the District has no component units. The following organizations are described due to their relationship with the District:

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JOINTLY GOVERNED ORGANIZATION

Northern Ohio Educational Computer Association (NOECA)

The District is a participant in the Northern Ohio Educational Computer Association (NOECA), which is a computer consortium. NOECA is an association of forty-one public school districts formed for the purpose of applying modern technology with the aid of computers and other electronic equipment to administrative and instructional functions among member school districts. The NOECA Board of Directors consists of two representatives from each county in which participating school districts are located, the chairman of each of the operating committees, and a representative from the fiscal agent. Financial information can be obtained from Betty Schwiefert, who serves as Controller, 2900 South Columbus Avenue, Sandusky, Ohio 44870.

Vanguard-Sentinel Career Centers

The Vanguard-Sentinel Career Center is a district political subdivision of the State of Ohio operated under the direction of a Board consisting of one representative from each of the participating school districts' elected boards, which possesses its own budgeting and taxing authority. To obtain financial information write to the Vanguard-Sentinel Career Centers, Jay Valesek, who serves as Treasurer, at 1306 Cedar Street, Fremont, Ohio 43420.

Northwestern Ohio Educational Research Council, Inc.

The Northwestern Ohio Educational Research Council, Inc. (NOERC) is a jointly governed organization formed to bring educational entities into a better understanding of their common educational problems, facilitate and conduct practical educational research, coordinate educational research among members, provide a means for evaluating and disseminating the results of research, serve as a repository for research and legislative materials, and provide opportunities for training. The NOERC serves a twenty-five county area in Northwest Ohio. The Board of Directors consists of superintendents from two educational service centers, two exempted village school districts, five local school districts, and five city school districts, as well as representatives from two private or parochial schools and three institutions of higher education. Each active member is entitled to one vote on all issues addressed by the Board of Directors. Financial information can be obtained from the Northwestern Ohio Educational Research Council, Inc., Box 456, Ashland, Ohio 44805.

PUBLIC ENTITY RISK POOLS

North Central Ohio Joint Self-Insurance Association (the Association)

The Association is a public entity risk pool consisting of the North Central Ohio Educational Service Center, the Sandusky County Educational Service Center, and five local school districts - Tiffin, Old Fort, Bettsville, Seneca East, and New Riegel. The Association was established pursuant to Section 9.833, Ohio Revised Code, in order to act as a common risk management and insurance program. The Association's Board of Directors is comprised of one member from each of the local school districts, the North Central Ohio Educational Service Center, and the Sandusky County Educational Service Center. The North Central Ohio Educational Service Center acts as fiscal agent to the Association. Refer to Note 10 for further information on this public entity risk pool.

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Ohio School Boards Association Workers' Compensation Group Rating Plan

The District participates in a group rating plan for workers' compensation as established under § 4123.29 of the Ohio Revised Code. The Ohio School Boards Association Workers' Compensation Group Rating Plan (the Plan) was established through the Ohio School Boards Association (OSBA) as a group purchasing pool. The Plan's business and affairs are conducted by a three member Board of Directors consisting of the President, the President-Elect, and the Immediate Past President of the OSBA. The Executive Director of the OSBA, or his designee, serves as coordinator of the Plan. Each year, the participating school districts pay an enrollment fee to the Plan to cover the costs of administering the program.

**B. Fund Accounting**

The District uses funds and account groups to report its financial position and the results of its operations. A fund is a separate accounting entity with a self-balancing set of accounts. An account group, on the other hand, is a financial reporting device designed to provide accountability for certain assets and liabilities that are not recorded in the funds because they do not directly affect net expendable available financial resources.

Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain school district activities or functions. Funds are classified into three categories: governmental, proprietary and fiduciary. Each category is divided into separate fund types.

GOVERNMENTAL FUNDS

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

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

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

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

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 is the District's proprietary fund types:

Enterprise Funds - The enterprise funds are used to account for operations (a) that are financed and operated in a manner similar to private business enterprises--where the intent of the governing body is that the costs (expenses, including depreciation) of providing goods or

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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 Fund - The internal service fund is used to account for the financing of goods or services provided by one department or agency to other departments or agencies of the District or to other governments, on a cost-reimbursement basis.

FIDUCIARY FUNDS

Fiduciary funds are used to account for assets held by the District in a trustee capacity or as an agent for individuals, private organizations, other governmental units and/or other funds. These include an expendable trust agency fund. The expendable trust fund is accounted for in essentially the same manner as governmental funds. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. The agency fund is presented on a budget basis, with note disclosure, regarding revenue items, which, in other fund types, would be subject to accrual and recorded on the combined balance sheet. See Note 3.B. for an analysis of the agency fund accruals, which, in other fund types, would be recognized in the combined balance sheet.

ACCOUNT GROUPS

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

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

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

**C. Measurement Focus and Basis of Accounting**

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

All proprietary funds 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.

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

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District is 60 days after the June 30 year-end. Revenues accrued at the end of the year include taxes, grants and entitlements, interest, and accounts (student fees and tuition). Current property taxes measurable as of June 30, 2002, and which are intended to finance fiscal 2003 operations, have been recorded as deferred revenues. Delinquent property taxes measurable and available (received within 60 days) are recognized as revenue. In proprietary funds, unused donated commodities are reported as deferred revenue.

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

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

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

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

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

**D. Budgets**

The District is required by state statute to adopt an annual appropriated cash basis budget for all funds. The specific timetable for fiscal year 2002 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'

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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 Seneca County Budget Commission for tax rate determination.
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 2002.
4. By July 1, the annual Appropriation Resolution is legally enacted by the Board of Education at the fund level of expenditures, which is the legal level of budgetary control. State statute permits a temporary appropriation to be effective until no later than October 1 of each year. Although the legal level of budgetary control was established at the fund level of expenditures, the District has elected to present budgetary statement comparisons at the fund and function level of expenditures. Resolution appropriations by fund must be within the estimated resources as certified by the County Budget Commission and the total of expenditures and encumbrances may not exceed the appropriation total.
5. Any revisions that alter the total of any fund must be approved by the Board of Education.
6. Formal budgetary integration is employed as a management control device during the year for all funds consistent with the general obligation bond indenture and other statutory provisions. All funds completed the year within the amount of their legally authorized cash basis appropriation.
7. Appropriation amounts are 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. Supplemental appropriations legally enacted by the Board during fiscal 2002; however, none of these amendments were significant.
8. Unencumbered appropriations lapse at year-end. Encumbered appropriations are carried forward to the succeeding fiscal year and need not be reappropriated. Expenditures plus encumbrances may not legally exceed budgeted appropriations at the fund level.

Encumbrance accounting is utilized with District funds in the normal course of operations, for purchase orders and contract related expenditures. An encumbrance is a reserve on the available spending authority due to commitment for a future expenditure and does not represent a liability. For Governmental Fund Types, encumbrances outstanding at year-end appear as a reserve to the fund balance on a GAAP basis and as the equivalent of expenditures on a non-GAAP budgetary



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basis in order to demonstrate legal compliance. Note 14 provides a reconciliation of the budgetary and GAAP basis of accounting and Note 11 provides disclosure of the encumbrances outstanding for enterprise funds at fiscal year-end.

**E. Cash and Investments**

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

During fiscal 2002, the District's investments were limited to investments in the State Treasury Asset Reserve of Ohio (STAR Ohio) and a nonnegotiable certificate of deposit. Investments in STAR Ohio are reported at fair value. Fair value is based on quoted market prices. Nonparticipating investment contracts, such as nonnegotiable certificates of deposit, are reported at cost.

STAR Ohio is an investment pool managed by the State Treasurer's Office, which allows governments within the State to pool their funds for investment purposes. STAR Ohio is not registered with the SEC as an investment company, but does operate in a manner consistent with Rule 2a7 of the Investment Company Act of 1940. Investments in STAR Ohio are valued at STAR Ohio's share price, which is the price the investment could be sold for on June 30, 2002.

Under existing Ohio statutes all investment earnings are assigned to the general fund unless statutorily required to be credited to a specific fund. The Food Service enterprise fund receives interest earnings based upon Federal mandate. Interest revenue credited to the general fund during fiscal 2002 amounted to \$16,395, which includes \$6,414 assigned from other District funds.

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

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

**F. Inventory**

Inventories for all governmental funds are valued at cost (first-in/first-out method). The purchase method is used to account for inventories. Under the purchase method, inventories are recorded as expenditures when purchased; however, material amounts of inventories at period-end are reported as assets of the respective fund, which are equally offset by a fund balance reserve which indicates they are unavailable for appropriation even though they are a component of reported assets.

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.

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**G. Prepayments**

Prepayments for governmental funds represent cash disbursements, which have occurred and are, therefore, not current expendable resources. These items are reported as fund assets on the balance sheet using the allocation method, which amortizes their cost over the periods benefiting from the advance payment. At year-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.

**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 Funds

Equipment reflected in these funds is 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>
Buildings	25 - 50
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. Other than commodities, grants and entitlements 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

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Non-Reimbursable Grants

Special Revenue Funds

Management Information Systems  
Disadvantaged Pupil Impact Aid  
Title I Migrant Program  
Title VI-B  
Title I  
Title VI  
Professional Development  
Eisenhower  
Drug-Free  
SchoolNet Professional Development  
Ohio Reads  
Summer Intervention Program  
Title VI-R Class Size Reduction

Capital Projects Funds

SchoolNet  
Permanent Improvement

Reimbursable Grants

Proprietary Funds

National School Lunch Program  
Government Donated Commodities

Grants and entitlements amounted to approximately 53% of the District's operating revenue during the 2002 fiscal year.

**J. Compensated Absences**

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

In accordance with the provisions of GASB Statement No. 16, "Accounting for Compensated Absences", a liability for vacation leave is accrued if a) the employees' rights to payment are attributable to services already rendered; and b) it is probable that the employer will compensate the employees for the benefits through paid time off or other means, such as cash payment at termination or retirement. A liability for severance 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 50 or greater with at least 10 years of service and all employees with at least 20 years of service regardless of their age were considered expected to become eligible to retire in accordance with GASB Statement No. 16.

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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.

**K. Long-Term Obligations**

For long-term obligations, only that portion expected to be financed from expendable available financial resources is reported as a fund liability of a government fund. The remaining portion of such obligations is reported in the general long-term obligations account group. Long-term liabilities expected to be financed from proprietary fund operations are accounted for in those funds.

**L. 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, materials and supplies inventory, prepayments, tax revenue unavailable for appropriation, budget stabilization, textbooks, and advances. The unreserved portions of fund equity reflected for the governmental funds are available for use within the specific purposes of those funds. The reserve for tax revenue unavailable for appropriation represents taxes recognized as revenue under GAAP, but not available for appropriations under State statute.

**M. Interfund Transactions**

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

1. Transfers of resources from one fund to another fund. The resources transferred are to be expended for operations by the receiving fund and are recorded as operating transfers, with the exception of agency funds, which do not show transfers of resources as operating transfers.
2. Reimbursements from one fund to another are treated as expenditures/expenses in the reimbursing fund and a reduction in expenditures/expenses in the reimbursed fund. Quasi-external transactions are accounted for as revenues, expenditures or expenses.
3. Short-term interfund loans and accrued interfund reimbursements and accrued operating transfers are reflected as "interfund loans receivable or payable". The District had no short-term interfund loans receivable or payable at June 30, 2002.
4. Long-term interfund loans that will not be repaid within the next year are termed "advances" and are shown as reservations of fund balances on the combined balance sheet for those funds that report advances to other funds as assets because they are not spendable, available resources. The District had long-term interfund loans receivable and payable at June 30, 2002.

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An analysis of interfund transactions is presented in Note 5.

**N. Restricted Assets**

Restricted assets in the general fund represent cash and cash equivalents that are restricted in use by State statute. A fund balance reserve has also been established. See Note 16 for details.

**O. Estimates**

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

**P. Memorandum Only - Total Columns**

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

**NOTE 3 - ACCOUNTABILITY AND COMPLIANCE**

**A. Deficit Fund Balances/Retained Earnings**

Fund balance/retained earnings at June 30, 2002 included the following individual fund deficits:

	<u>Deficit Balance</u>
<u>Special Revenue Funds</u>	
Management Information Systems	\$ 19
Disadvantaged Pupil Impact Aid	43
<u>Enterprise Fund</u>	
Preschool	1,211

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

The deficit fund balances in the Management Information Systems and Disadvantaged Pupil Impact Aid special revenue funds are a result of accruing wage obligations in accordance with GAAP. These deficits will be eliminated by user charges and intergovernmental revenues not recognized at June 30.

The deficit retained earnings in the Preschool enterprise fund is due to the recording of a long-term interfund loan payable (advances from other funds) as a fund liability rather than as an "other financing source". This deficit will be eliminated as revenues are collected to repay this advance due from other funds.

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**B. Agency Fund**

The following are accruals for the agency fund, which, in another fund type, would be recognized in the combined balance sheet:

<u>Assets</u>	
Accounts receivable	\$ 14
<u>Liabilities</u>	
Accounts payable	343

**NOTE 4 - EQUITY IN POOLED CASH AND INVESTMENTS**

The District maintains a cash and investment pool used by all funds. Each fund type's portion of this pool is displayed on the combined balance sheet as "Equity in Pooled Cash Equivalents". State statutes require the classification of monies held by the District into three categories:

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

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

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

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

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

1. United States Treasury Notes, Bills, Bonds, or any other obligation or security issued by the United States Treasury or any other obligation guaranteed as to principal or interest by the United States;
2. Bonds, notes, debentures, or any other obligations or securities issued by any federal government agency or instrumentality, including but not limited to, the federal national mortgage association, federal home loan bank, federal farm credit bank, federal home loan mortgage corporation, government national mortgage association, and student loan marketing association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;

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3. Written repurchase agreements in the securities listed above provided that the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least 2% and be marked to market daily, and that the term of the agreement must not exceed 30 days;
4. Bonds and other obligations of the State of Ohio;
5. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2) of this section and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions;
6. The State Treasury Asset Reserve of Ohio (STAR Ohio);
7. Certain bankers' acceptances and commercial paper notes for a period not to exceed 180 days in an amount not to exceed 25% of the interim monies available for investment at any one time; and
8. Under limited circumstances, corporate debt instruments rated in either of the two highest rating classifications by at least two nationally recognized rating agencies.

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

*Cash on Hand:* At fiscal year-end, the District had \$75 in undeposited cash on hand, which is included on the combined balance sheet of the District as part of "Equity in Pooled Cash and Cash Equivalents."

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

*Deposits:* At year-end, the carrying amount of the District's deposits, including non-negotiable certificates of deposit, was \$76,013 and the bank balance, including non-negotiable certificates of deposit, was \$118,318. Of the bank balance, \$100,000 was covered by federal depository insurance and \$18,318 pledged collateral was uninsured and uncollateralized. Although all State statutory requirements for the deposit of money had been followed, non-compliance with federal requirements could potentially subject the School District to a successful claim by the FDIC.

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

*Investments:* The District's investments are categorized below to give an indication of the level of risk assumed by the entity at year-end. Category 1 includes investments that are insured or registered or securities held by the District. Category 2 includes uninsured and unregistered investments for which the

**OLD FORT LOCAL SCHOOL DISTRICT  
SENECA COUNTY**

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

securities are held by the counterparty's trust department or agent in the District's name. Category 3 includes uninsured and unregistered investments for which the securities are held by the counterparty or by its trust department, but not in the District's name.

The District had an investment of \$483,764 in STAR Ohio at June 30, 2002. STAR Ohio is not categorized because it is not evidenced by securities that exist in physical or book entry form.

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

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

	Cash and Cash Equivalents/ Deposits	Investments
GASB Statement No. 9	\$559,852	
Investments of the cash management pool:		
STAR Ohio	(483,764)	\$483,764
Cash on hand	(75)	
GASB Statement No. 3	\$76,013	\$483,764

**NOTE 5 - INTERFUND TRANSACTIONS**

The District had the following long-term advance outstanding at June 30, 2002:

	Advances To Other Funds	Advances From Other Funds
General Fund	\$1,211	
Enterprise Fund:		
Preschool		1,211
Total	\$1,211	\$1,211

**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



**OLD FORT LOCAL SCHOOL DISTRICT  
SENECA COUNTY**

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

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 2001 taxes were collected was \$41,611,474. Agricultural/residential, minerals and public utility real estate represented \$29,279,570 or 70.36% of this total; Commercial & Industrial real estate represented \$2,573,330 or 6.19% of this total; public utility tangible represented \$3,118,470 or 7.49% of this total and general tangible property represented \$6,640,104 or 15.96% of this total. The voted general tax rate at the fiscal year ended June 30, 2002 was \$40.00 per \$1,000.00 of assessed valuation for operations and \$2.00 per \$1,000.00 of assessed valuation for permanent improvements.

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 Seneca County Treasurer and Sandusky County Treasurer collect property taxes on behalf of the District. The Seneca County Auditor and Sandusky County Auditor periodically remit to the District their 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, 2002. 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. A total of \$137,027 was available to the District as an advance at June 30 and is recognized as revenue.

Taxes available for advance and recognized as revenue, but not received by the District prior to June 30, 2002, are reflected as a reservation of fund balance for future appropriations. The District is prohibited, by law, from appropriating this revenue in accordance with ORC Section 5705.35, since an advance of revenue was not requested or received prior to the fiscal year-end.

**NOTE 7 - RECEIVABLES**

Receivables at June 30, 2002 consisted of taxes, accounts (billings for user charged services and student fees), accrued interest, advances to other funds and intergovernmental grants and entitlements (to the extent eligibility requirements have been met by year-end). Intergovernmental receivables have been reported as "Due From Other Governments" on the combined balance sheet. All receivables are considered collectible in full due to the ability to foreclose for the nonpayment of taxes, the stable condition of State programs, and the current fiscal year guarantee of Federal funds.

**OLD FORT LOCAL SCHOOL DISTRICT  
SENECA COUNTY**

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

A summary of the principal items of receivables follows:

	Amounts
<u>General Fund</u>	
Taxes - current and delinquent	\$1,065,972
Accounts	51
Accrued interest	492
Advances to other funds	1,211
Due from other governments	1,549
<u>Special Revenue Funds</u>	
Accounts	132
Due from other governments	515
<u>Capital Projects Funds</u>	
Taxes - current and delinquent	31,058
<u>Enterprise Funds</u>	
Due from other governments	6,276

**NOTE 8 - FIXED ASSETS**

A summary of the changes in the general fixed assets account group during the fiscal year follows:

	Balance 7/1/01	Increase	Decrease	Balance 6/30/02
Land/improvements	\$106,456			\$106,456
Buildings/improvements	5,492,357			5,492,357
Furniture/equipment	703,268	\$182,704	\$2,813	883,159
Vehicles	531,592	58,306	33,250	556,648
<b>Total</b>	<b>\$6,833,673</b>	<b>\$241,010</b>	<b>\$36,063</b>	<b>\$7,038,620</b>

There was no significant construction in progress.

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

Furniture and equipment	\$60,176
Less: accumulated depreciation	41,335
<b>Net fixed assets</b>	<b>\$18,841</b>

**NOTE 9 - LONG-TERM OBLIGATIONS**

- A.** During the year ended June 30, 2002, the following changes occurred in the liabilities reported in the general long-term obligations account group. Compensated absences and the pension obligation will be paid from the fund in which the employee was paid.

**OLD FORT LOCAL SCHOOL DISTRICT  
SENECA COUNTY**

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

	Balance 7/1/01	Increase	Decrease	Balance 6/30/02
Compensated absences	\$146,645	\$31,558	\$38,220	\$139,983
Pension obligation payable	34,322	33,037	34,322	33,037
Energy conservation note	123,086	72,490	7,534	188,042
Total	<u>\$304,053</u>	<u>\$137,085</u>	<u>\$80,076</u>	<u>\$361,062</u>

Energy Conservation Note - On June 12, 2000, the District obtained a line of credit with a maximum credit amount of \$471,000. The District will request amounts as needed for the implementation of school building energy conservation improvements under the guidelines of Ohio Amended House Bill 264 and Ohio Revised Code Sections 133.06 and 3313.322. This line of credit bears an interest rate of 6.65% and matures on June 12, 2015. The primary source of repayment of this note is through energy savings as a result of the improvements. Payments of principal and interest relating to this liability are recorded as expenditures in the general fund. The unmatured obligation at year-end is accounted for in the general long-term debt account group.

- B. Principal and interest requirements to retire the energy conservation note outstanding at June 30, 2002, are as follows:

Fiscal Year Ending June 30,	Principal	Interest	Total
2003	\$9,368	\$12,394	\$21,762
2004	9,988	11,774	21,762
2005	10,715	11,047	21,762
2006	11,460	10,302	21,762
2007	12,257	9,505	21,762
2008 - 2012	75,276	33,535	108,811
2013 - 2015	58,978	6,337	65,315
Total	<u>\$188,042</u>	<u>\$94,894</u>	<u>\$282,936</u>

Amounts in the amortization schedule are estimates. Actual amounts may vary based on the amount drawn against the line of credit and if payments are made on different dates of in different amounts.

**C. Legal Debt Margin**

The Ohio Revised Code provides that voted net general obligation debt of the District shall never exceed 9% of the total assessed valuation of the District. The code further provides that unvoted indebtedness shall not exceed 1/10 of 1% of the property valuation of the District. The effects of these debt limitations at June 30, 2002 are a voted debt margin of \$3,745,033 and an unvoted debt margin of \$41,611.

**NOTE 10 - RISK MANAGEMENT**

**A. Comprehensive**

The District maintains comprehensive insurance coverage with private carriers for liability, real property, building contents, boiler/machinery and vehicles. Vehicle policies include liability

**OLD FORT LOCAL SCHOOL DISTRICT  
SENECA COUNTY**

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

coverage for bodily injury and property damage. In addition, real property contents are 90% coinsured. The following is a description of the District's insurance coverage:

Coverage	Insurer	Coverage	Deductible
General liability:	Phelan Insurance		
Aggregate		\$1,000,000	\$1,000
Each occurrence		1,000,000	1,000
Wrongful Acts Limit		1,000,000	1,000
Excess liability:	Phelan Insurance		
Each occurrence		1,000,000	
Aggregate		4,000,000	
Property	Indiana Insurance	12,420,606	1,000
Fleet:			
Comprehensive	Auto Owners	Actual Cash Value	
Collision	Mutual Insurance	Actual Cash Value	250
Umbrella liability	Cincinnati Insurance	3,000,000	
Boiler and machinery	Cincinnati Insurance	500,000	500

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

**B. Health Insurance**

The District joined together with other area school districts to form the North Central Ohio Joint-Self Insurance Association, a public entity risk pool for seven member school districts. The risk of loss transfers entirely to the pool. The pool is self-sustaining through member premiums. The District paid a monthly premium to the pool for health insurance. The agreement for formation of the pool provided that it will be self-sustaining through member premiums and the pool will purchase stop-loss insurance policies through commercial companies to cover claims in excess of \$50,000 for any employee.

**C. Workers' Compensation**

The District participates in the Ohio School Boards Association Workers' Compensation Group Rating Program (GRP), an insurance purchasing pool (see Note 2.A.). The GRP's business and affairs are conducted by a three-member Board of Directors consisting of the President, the President-Elect and the Immediate Past President of the Ohio School Boards Association. The Executive Director of the OSBA, or his designee, serves as coordinator of the program. Each year, the participating school districts pay an enrollment fee to the GRP to cover the costs of administering the program.

The intent of the GRP is to achieve the benefit of a reduced premium for the District by virtue of its grouping and representation with other participants in the GRP. The workers compensation experience of the participating school districts is calculated as one experience and a common premium rate is applied to all school districts in the GRP. Each participant pays its workers' compensation premium to the State based on the rate for the GRP rather than its individual rate. Total savings are then calculated and each participant's individual performance is compared to the overall savings percentage of the GRP. A participant will then either receive money from or be required to contribute to the "Equity Pooling Fund". This "equity pooling" arrangement insures that

**OLD FORT LOCAL SCHOOL DISTRICT  
SENECA COUNTY**

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

each participant shares equally in the overall performance of the GRP. Participation in the GRP is limited to school districts that can meet the GRP's selection criteria. The firm of Gates McDonald & Co. provides administrative, cost control and actuarial services to the GRP.

**NOTE 11 - SEGMENT INFORMATION - ENTERPRISE FUNDS**

The District maintains four enterprise funds to account for the operations of food service, uniform school supplies, farm and preschool. The table below reflects, in a summarized format, the more significant financial data relating to the enterprise funds of the District as of and for the year ended June 30, 2002.

	Food Service	School Supplies	Farm	Preschool	Total
Operating revenue	\$122,013			\$1,065	\$123,078
Operating expenses					
before depreciation	168,769			201	168,970
Depreciation	1,986				1,986
Operating income/(loss)	(48,742)			864	(47,878)
Operating grants	32,886				32,886
Federal commodities	13,055				13,055
Net income/(loss)	(673)			864	191
Net working capital	37,015	\$65	\$1,897	(1,211)	37,766
Total assets	64,585	65	1,897		66,547
Total liabilities	14,542			1,211	15,753
Total equity/(deficit)	50,043	65	1,897	(1,211)	101,588
Encumbrances outstanding at June 30, 2002	128				128

**NOTE 12 - DEFINED BENEFIT PENSION PLANS**

**A. School Employees Retirement System**

The District contributes to the School Employees Retirement System of Ohio (SERS), a cost-sharing, multiple-employer defined benefit pension plan administered by the School Employees Retirement Board. SERS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Authority to establish and amend benefits is provided by Chapter 3309 of the Ohio Revised Code. SERS issues a publicly available, stand-alone financial report that includes financial statements and required supplementary information. The report may be obtained by writing to the School Employees Retirement System, 300 East Broad Street, Columbus, Ohio 43215, or by calling (614) 222-5853.

Plan members are required to contribute 9% of their annual covered salary and the District is required to contribute 14% for 2002; 5.46% was the portion to fund pension obligations. The contribution rates are not determined actuarially, but are established by the School Employees Retirement Board within the rates allowed by State statute. The adequacy of the contribution rates is determined annually. The District's required contributions to SERS for the fiscal years ended June 30, 2002, 2001 and 2000 were \$66,029, \$60,738, and \$56,731, respectively; 37.37% has been contributed for fiscal year 2002 and 100% for the fiscal years 2001 and 2000. \$41,352, representing the unpaid contribution for fiscal year 2002, is recorded as a liability within the respective funds and the general long-term obligations account group.

**OLD FORT LOCAL SCHOOL DISTRICT  
SENECA COUNTY**

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

**B. State Teachers Retirement System**

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

Plan members are required to contribute 9.3% of their annual covered salary and the District is required to contribute 14%; 9.5% was the portion used to fund pension obligations. Contribution rates are established by the State Teachers Retirement Board, upon recommendation of its consulting actuary, not to exceed statutory maximum rates of 10% for members and 14% for employers. The District's required contributions to STRS for the fiscal years ended June 30, 2002, 2001, and 2000 were \$249,324, \$224,579, and \$209,522, respectively; 83.14% has been contributed for fiscal year 2002 and 100% for the fiscal years 2001 and 2000. \$42,028, representing the unpaid contribution for fiscal year 2002, is recorded as a liability within the respective funds.

**NOTE 13 - POSTEMPLOYMENT BENEFITS**

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

The State Teachers Retirement Board has statutory authority over how much, if any, of the health care costs will be absorbed by STRS. Most benefit recipients pay a portion of the health care cost in the form of a monthly premium. By Ohio law, the cost of coverage paid from STRS funds shall be included in the employer contribution rate, currently 14 percent of covered payroll. For this fiscal year, the State Teachers Retirement Board allocated employer contributions equal to 4.5 percent of covered payroll to the Health Care Reserve Fund. For the District, this amount equaled \$80,140 during fiscal 2002.

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

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

For this fiscal year, employer contributions to fund health care benefits were 8.54 percent of covered payroll. 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

**OLD FORT LOCAL SCHOOL DISTRICT  
SENECA COUNTY**

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

year 2002, the minimum pay has been established at \$12,400. The surcharge, added to the unallocated portion of the 14 percent employer contribution rate, provides for maintenance of the asset target level for the health care fund.

The target level for the health care reserve is 150 percent of annual health care expenses. Expenses for health care at June 30, 2001 (the latest information available), were \$161.440 million and the target level was \$242.2 million. At June 30, 2001 (the latest information available), SERS had net assets available for payment of health care benefits of \$315.7 million and SERS had approximately 50,000 participants receiving health care benefits. For the District, the amount to fund health care benefits, including surcharge, equaled \$56,714 during the 2002 fiscal year.

**NOTE 14 - BUDGETARY BASIS OF ACCOUNTING**

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

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

- (a) Revenues are recorded when received in cash (budget basis) as opposed to when susceptible to accrual (GAAP basis);
- (b) Expenditures are recorded when paid in cash (budget basis) as opposed to when the liability is incurred (GAAP basis);
- (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:

	Governmental Fund Types		
	General	Special Revenue	Capital Projects
Budget basis	\$39,880	(\$349)	(\$18,222)
Net adjustment for revenue accruals	(177,336)	(9,783)	(284)
Net adjustment for expenditure accruals	(28,737)	(1,796)	3,753
Net adjustment for other financing sources/(uses)	(14,421)	(1,181)	
Encumbrances (budget basis)	42,895	23,184	48,560
GAAP basis	(\$137,719)	\$10,075	\$33,807

**OLD FORT LOCAL SCHOOL DISTRICT  
SENECA COUNTY**

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

**NOTE 15 - CONTINGENCIES**

**A. Grants**

The District receives significant financial assistance from numerous federal, state and local agencies in the form of grants. The disbursement of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and is subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the general fund or other applicable funds; however, in the opinion of management, any such disallowed claims will not have a material effect on any of the financial statements of the individual fund types included herein or on the overall financial position of the District at June 30, 2002.

**B. Litigation**

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

**C. State School Funding Decision**

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

- A change in the school districts that are used as the basis for determining the base cost support amount. Any change in the amount of funds distributed to school districts as a result of this change must be retroactive to July 1, 2001, although a timeline for distribution is not specified.
- Fully funding parity aid no later than the beginning of fiscal year 2004 rather than fiscal year 2006.

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

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

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

**NOTE 16 - STATUTORY RESERVES**

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



**OLD FORT LOCAL SCHOOL DISTRICT  
SENECA COUNTY**

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

	<u>Textbooks</u>	<u>Capital Acquisition</u>	<u>Budget Stabilization</u>
Set-aside cash balance as of June 30, 2001	\$16,579		\$25,859
Current year set-aside requirement	69,665	\$69,665	
Current year offsets		(68,727)	
Qualifying disbursements	(82,237)	(95,964)	
Total	<u>\$4,007</u>	<u>(\$95,026)</u>	<u>\$25,859</u>
Cash balance carried forward to FY 2003	<u>\$4,007</u>		<u>\$25,859</u>

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

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

Amount restricted for budget stabilization	\$25,859
Amount restricted for textbooks	<u>4,007</u>
Total restricted assets	<u>\$29,866</u>

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STATE OF OHIO  
OFFICE OF THE AUDITOR

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

Old Fort Local School District  
Seneca County  
7635 North County Road 51  
P.O. Box 64  
Old Fort, Ohio 44861-0064

To the Board of Education:

We have audited the financial statements of Old Fort Local School District as of and for the year ended June 30, 2002, and have issued our report thereon dated December 10, 2002. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

**Compliance**

As part of obtaining reasonable assurance about whether the District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*. However, we noted certain immaterial instances of noncompliance that we have reported to management of the District in a separate letter dated December 10, 2002.

**Internal Control Over Financial Reporting**

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

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

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

A handwritten signature in black ink, appearing to read "Jim Petro". The signature is stylized with a large, looping initial "J" and a cursive "Petro".

**Jim Petro**  
Auditor of State

December 10, 2002



STATE OF OHIO  
OFFICE OF THE AUDITOR  

---

JIM PETRO, AUDITOR OF STATE

88 East Broad Street  
P.O. Box 1140  
Columbus, Ohio 43216-1140  
Telephone 614-466-4514  
800-282-0370  
Facsimile 614-466-4490

**OLD FORT LOCAL SCHOOL DISTRICT**

**SENECA COUNTY**

**CLERK'S CERTIFICATION**

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

*Susan Babbitt*

**CLERK OF THE BUREAU**

**CERTIFIED  
JANUARY 9, 2003**