



Dave Yost • Auditor of State

**OTSEGO LOCAL SCHOOL DISTRICT
WOOD COUNTY**

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INDEPENDENT AUDITOR'S REPORT

Otsego Local School District
Wood County
18505 Tontogany Creek Road, P.O. Box 290
Tontogany, Ohio 43565-0290

To the Board of Education:

Report on the Financial Statements

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

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinion

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

Accounting Basis

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

Other Matters

Supplemental and Other Information

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

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

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

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

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated September 16, 2013, on our consideration of the District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. That report describes the scope of our internal control testing over financial reporting and compliance, and the results of that testing, and does not opine on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

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

Dave Yost
Auditor of State

Columbus, Ohio

September 16, 2013

Otsego Local School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2013
Unaudited

The discussion and analysis of Otsego Local School District's financial performance provides an overall review of the District's financial activities for the fiscal year ended June 30, 2013, within the limitations of cash basis accounting. Readers should also review the basic financial statements and notes to enhance their understanding of the District's financial performance.

Highlights

Highlights for fiscal year 2013 are as follows:

In total, net position decreased \$7,218,353, or 57 percent. This decrease was due to disbursements related to the Ohio School Facilities Commission construction project for new school facilities.

The District's general receipts, those being primarily property taxes, income taxes, and unrestricted state entitlements, were 85 percent of the total cash received during the fiscal year.

Using the Basic Financial Statements

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

The District has elected to present its financial statements on the cash basis of accounting. This basis of accounting is a basis of accounting other than generally accepted accounting principles. Basis of accounting is a reference to when financial events are recorded, such as the timing for recognizing revenues, expenses, and the related assets and liabilities. Under the District's cash basis of accounting, receipts and disbursements and the related assets and liabilities are recorded when they result in cash transactions.

As a result of using the cash basis of accounting, certain assets and their related revenues (such as accounts receivable) and certain liabilities and their related expenses (such as accounts payable) are not recorded in the financial statements. Therefore, when reviewing the financial information and discussion within this report, the reader must keep in mind the limitations resulting from the use of the cash basis of accounting.

The statement of net position and the statement of activities provide information about the cash activities of the whole District.

Fund financial statements provide a greater level of detail. For governmental funds, these statements tell how services were financed in the short-term as well as what remains for future spending. The fund financial statements also look at the District's most significant funds, with all other nonmajor funds presented in total in a single column. For Otsego Local School District, the General Fund, the Bond Retirement debt service fund, and the Ohio School Facilities Commission capital projects fund are the most significant funds.

Otsego Local School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2013
Unaudited

Reporting the District as a Whole

The statement of net position and the statement of activities reflect how the District did financially during fiscal year 2013, within the limitations of cash basis accounting. The statement of net position presents the cash balance of the governmental activities of the District at fiscal year end. The statement of activities compares cash disbursements with program receipts for each function or program of the District's governmental activities. A function is a group of related activities designed to accomplish a major service or regulatory program for which the District is responsible. Program receipts include charges paid by the recipient of the program's goods or services and grants and contributions restricted to meeting the operational or capital requirements of a particular program. General receipts are all receipts not classified as program receipts. The comparison of cash disbursements with program receipts identifies how each governmental function draws from the District's general receipts.

These statements report the District's cash position and the changes in cash position. Factors which contribute to these changes may also include the District's property tax base, current property tax laws in Ohio restricting revenue growth, facility conditions, required educational programs, and other factors.

In the statement of net position and the statement of activities, all of the District's activities are presented as governmental activities. All of the District's programs and services are reported here including instruction, support services, non-instructional services, extracurricular activities, capital outlay, and debt service disbursements.

Reporting the District's Most Significant Funds

Fund financial statements provide detailed information about the District's major funds. While the District uses many funds to account for its financial transactions, the fund financial statements focus on the District's most significant funds. The District's major funds are the General Fund, the Bond Retirement debt service fund, and the Ohio School Facilities Commission capital projects fund.

Governmental Funds - All of the District's activities are reported in governmental funds which focus on how monies flow into and out of those funds and the balances left at fiscal year end for spending in future periods. These funds are reported using the cash basis accounting. The governmental fund financial statements provide a detailed short-term view of the District's general government operations and the basic services it provides. Governmental fund information helps determine whether there are more or less financial resources that can be spent in the near future to finance educational programs.

Fiduciary Funds - Fiduciary funds are used to account for resources held for the benefit of parties outside the District. Fiduciary funds are not reflected on the government-wide financial statements because the resources from these funds are not available to support the District's programs.

The District as a Whole

Table 1 provides a summary of the District's net position for fiscal year 2013 and fiscal year 2012:

Otsego Local School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2013
Unaudited

Table 1
Net Position

	Governmental Activities		
	2013	2012	Change
<u>Assets:</u>			
Cash and Cash Equivalents	\$5,512,278	\$12,730,631	(\$7,218,353)
 <u>Net Position:</u>			
Restricted	2,159,534	9,703,791	(7,544,257)
Unrestricted	3,352,744	3,026,840	325,904
Total Net Position	\$5,512,278	\$12,730,631	(\$7,218,353)

As mentioned previously, total net position decreased 57 percent from the prior fiscal year. This decrease was due to disbursements related to the Ohio School Facilities Commission construction project for new school facilities.

Table 2 reflects the changes in net position for fiscal year 2013 and fiscal year 2012.

Table 2
Changes in Net Position

	Governmental Activities		
	2013	2012	Change
<u>Receipts:</u>			
Program Receipts			
Charges for Services	\$1,099,433	\$1,044,524	\$54,909
Operating Grants and Contributions	1,562,887	1,646,635	(83,748)
Capital Grants and Contributions	12,422	0	12,422
Total Program Receipts	2,674,742	2,691,159	(16,417)
General Receipts			
Property Taxes	5,093,605	5,243,790	(150,185)
Income Taxes	2,502,720	2,426,721	75,999
Grants and Entitlements	7,355,328	17,420,541	(10,065,213)
Interest	9,410	13,003	(3,593)
Gifts and Donations	9,822	7,427	2,395
Miscellaneous	172,971	133,682	39,289
Sale of Capital Assets	226	0	226
Total General Revenues	15,144,082	25,245,164	(10,101,082)
Total Revenues	17,818,824	27,936,323	(10,117,499)

(continued)

Otsego Local School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2013
Unaudited

Table 2
Changes in Net Position
(continued)

	Governmental Activities		
	2013	2012	Change
<u>Disbursements:</u>			
Instruction:			
Regular	\$6,431,096	\$6,346,387	(\$84,709)
Special	2,016,602	1,884,343	(132,259)
Vocational	3,332	3,936	604
Support Services:			
Pupils	683,060	715,176	32,116
Instructional Staff	234,011	240,498	6,487
Board of Education	15,955	42,372	26,417
Administration	947,170	979,301	32,131
Fiscal	382,496	384,323	1,827
Business	5,615	5,697	82
Operation and Maintenance of Plant	1,171,217	921,268	(249,949)
Pupil Transportation	977,575	939,229	(38,346)
Central	1,541	0	(1,541)
Non-Instructional Services	607,641	589,287	(18,354)
Extracurricular Activities	432,409	338,839	(93,570)
Capital Outlay	9,571,666	11,763,614	2,191,948
Debt Service:			
Principal Retirement	860,000	534,024	(325,976)
Interest and Fiscal Charges	695,791	716,771	20,980
Interest on Capital Appreciation Bonds	0	310,974	310,974
Total Disbursements	<u>25,037,177</u>	<u>26,716,039</u>	<u>1,678,862</u>
Increase (Decrease) in Net Position	(7,218,353)	1,220,284	(8,438,637)
Net Position at Beginning of Year	<u>12,730,631</u>	<u>11,510,347</u>	<u>1,220,284</u>
Net Position at End of Year	<u>\$5,512,278</u>	<u>\$12,730,631</u>	<u>(\$7,218,353)</u>

Although the overall change in program revenues from the prior fiscal year was not significant, the makeup of those program revenues did change somewhat. There was an increase in charges for services generally related to athletic activities and a decrease in operating grants and contributions due to the expiration of the Education Jobs grant. There was a substantial decrease in general revenues due to the unrestricted grant resources received in the prior year from the Ohio School Facilities Commission for the facilities construction project.

Disbursements also decreased significantly, again related to the Ohio School Facilities project. While there continued to be significant construction in fiscal year 2013, it was less than that of the prior fiscal year.

With the exception of capital outlay due to construction, the largest disbursements, as expected, are reflected in the instruction programs, accounting for 55 percent of governmental activities disbursements (less capital outlay). Combined with the support services related to instruction, such as pupils, instructional staff, operation and maintenance of plant, and pupil transportation, 74 percent of the District's costs are related directly to the functions of delivering education and maintaining facilities.

Otsego Local School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2013
Unaudited

Table 3 indicates the total cost of services and the net cost of services for governmental activities. The statement of activities reflects the cost of program services and the charges for services, grants, and contributions offsetting those services. The net cost of services identifies the cost of those services supported by tax receipts and unrestricted state entitlements.

Table 3
Governmental Activities

	Total Cost of Services		Net Cost of Services	
	2013	2012	2013	2012
Instruction:				
Regular	\$6,431,096	\$6,346,387	\$5,782,647	\$5,495,527
Special	2,016,602	1,884,343	940,561	870,117
Vocational	3,332	3,936	(741)	(136)
Support Services:				
Pupils	683,060	715,176	683,060	715,176
Instructional Staff	234,011	240,498	234,011	240,498
Board of Education	15,955	42,372	15,955	42,372
Administration	947,170	979,301	947,170	979,301
Fiscal	382,496	384,323	382,496	384,323
Business	5,615	5,697	5,615	5,697
Operation and Maintenance of Plant	1,171,217	921,268	1,171,217	921,268
Pupil Transportation	977,575	939,229	960,160	912,174
Central	1,541	0	1,541	0
Non-Instructional Services	607,641	589,287	(89,384)	(73,022)
Extracurricular Activities	432,409	338,839	200,670	206,202
Capital Outlay	9,571,666	11,763,614	9,571,666	11,763,614
Debt Service:				
Principal Retirement	860,000	534,024	860,000	534,024
Interest and Fiscal Charges	695,791	716,771	695,791	716,771
Interest on Capital Appreciation Bonds	0	310,974	0	310,974
Total Disbursements	<u>\$25,037,177</u>	<u>\$26,716,039</u>	<u>\$22,362,435</u>	<u>\$24,024,880</u>

The above table demonstrates the District's significant dependence on general receipts, primarily taxes and school foundation resources. However, note that several of the District's programs are substantially provided for through program receipts. For instance, 53 percent of the special instruction program costs were provided for through program receipts, those primarily being operating grants restricted for special instruction purposes. Again in fiscal year 2013, all of the costs of the non-instructional program was paid for through cafeteria sales and state and federal subsidies and donated commodities for food service operations. Extracurricular activities costs are supported by music and athletic fees, ticket sales, and gate receipts at musical and athletic events.

Otsego Local School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2013
Unaudited

The District's Funds

The District's governmental funds are accounted for using the cash basis of accounting.

Fund balance in the General Fund increased 19 percent from the prior fiscal year. Receipts were fairly similar to the prior fiscal year and there was a 7 percent increase disbursements; however, receipts were greater than costs resulting in the increase.

The Bond Retirement Fund had a decrease in fund balance to debt service requirements (principal and interest payments) in excess of annual tax receipts.

The Ohio School Facilities Commission Fund had a decrease in fund balance of over \$7.7 million due to spending resources on the facilities construction project.

General Fund Budgeting Highlights

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

During fiscal year 2013, the District amended its General Fund budget as needed. Changes from the original budget to the final budget for receipts and disbursements were not significant. There were few changes from the final budget to actual receipts and disbursements as the final budget was amended to closely match actual amounts.

Capital Assets and Debt Administration

Capital Assets

At the end of fiscal year 2013, the District had \$47,078,477 in capital assets for governmental activities. The District is reflecting capital assets at cost. Donated capital assets are reflected at their fair market value as of the date received. For further information regarding the District's capital assets, refer to Note 9 to the basic financial statements.

Debt

At June 30, 2013, the District had outstanding general obligation debt, in the amount of \$20,998,857. For further information regarding the District's long-term obligations, refer to Note 14 to the basic financial statements.

Current Issues

Fiscal responsibility is of paramount importance to the Otsego Board of Education and Administration. Over the past few years, spending disciplines adopted by the Board of Education have been implemented by the District's Administration.

Otsego Local School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2013
Unaudited

The Otsego Local School District has the privilege of a great management team, dedicated staff, and a greatly supportive and involved community. The Board of Education's adoption of spending disciplines would have no effect on the District's finances without the oversight of the management team and the buy in from staff. The entire District has worked hard to do more with less and to cut corners where possible; all with positive outcomes.

There is an ongoing potential for lost revenue with the passage of legislative bills targeted at educational resources. With the passage of HB 59 in June 2013, the District is slated to receive a small increase of State foundation resources over the next two years as included in the current State biennial budget. Unfortunately, this revenue stream will not begin until October 2013 at the earliest. While the State foundation funding stream has received incremental increases over the last few years, school districts across the State of Ohio have not been able to recoup the revenues lost during the period that Fiscal Stabilization resources were provided. According to the State Department of Taxation, the amount of State foundation revenue that has not been restored from earlier reductions is \$607 million state-wide.

With the number of changes coming from the State Legislature and the Ohio Department of Education, the District has had to find new ways of operating to meet the ever changing standards. There have been adjustments in administrative practices to allow for shared services; focused more so on services purchased through the local Educational Service Center, but at a reduced cost. The District has also worked to find additional funding streams through grant writing; both competitive and entitlement. The management team is working to find additional opportunities for the District which include purchasing consortiums and the renegotiation of existing contracts.

The Ohio School Facilities Commission project has begun to wind its way to completion. The new elementary building opened to students in August 2012 and the renovated junior high building is slated to open in August 2013. The entire District is now located on a single campus in Tontogany. Unfortunately, this also meant the loss of the District's oldest buildings; three elementary buildings have been, or are in the process of being, razed - Haskins Elementary, Weston Elementary, and Grand Rapids Elementary. While the District's staff and community are excited to have all the schools on one campus, it was hard to say good bye to our aging buildings due to the history and memories each of these building held.

In these times of economic uncertainty, the Board of Education and Administration is given the task of finding new ways to operate. Much of this environment has been created by the loss of State revenues from taxes due to unemployment, the dip in the housing market, the low number of new construction starts, and the subsequent loss of real estate valuations. These factors make District management difficult but the District is in the business of educating students and providing them with the skills necessary to become a successful member of society. In order to accomplish these goals, the District is finding opportunity in adversity; the opportunity to find new ways of operating, educating, and preparing students for continued success.

Contacting the District's Financial Management

This financial report is designed to provide our citizens, taxpayers, investors, and creditors with a general overview of the District's finances while providing accountability and transparency for the funding received through State, Federal, and local sources. Questions concerning any of the information in this report or requests for additional information should be directed to Dawn Jacobs, Treasurer/CFO, Otsego Local School District, 18505 Tontogany Creek Road, PO Box 290, Tontogany, Ohio 43565-0290.

Otsego Local School District
Statement of Net Position - Cash Basis
June 30, 2013

	<u>Governmental Activities</u>
<u>Assets:</u>	
Equity in Pooled Cash and Cash Equivalents	\$5,299,734
Cash and Cash Equivalents with Escrow Agent	<u>212,544</u>
Total Assets	<u>5,512,278</u>
<u>Net Position:</u>	
Restricted for:	
Capital Projects	1,352,173
Debt Service	294,449
Capital Improvements	364,179
Other Purposes	148,733
Unrestricted	<u>3,352,744</u>
Total Net Position	<u><u>\$5,512,278</u></u>

See Accompanying Notes to Basic Financial Statements

Otsego Local School District
Statement of Activities - Cash Basis
For the Fiscal Year Ended June 30, 2013

	Program Cash Receipts				Net (Disbursement) Receipt and Change in Net Position
	Cash Disbursements	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities
<u>Governmental Activities:</u>					
Current:					
Instruction:					
Regular	\$6,431,096	\$445,011	\$203,438	\$0	(\$5,782,647)
Special	2,016,602	16,761	1,059,280	0	(940,561)
Vocational	3,332	0	4,073	0	741
Support Services:					
Pupils	683,060	0	0	0	(683,060)
Instructional Staff	234,011	0	0	0	(234,011)
Board of Education	15,955	0	0	0	(15,955)
Administration	947,170	0	0	0	(947,170)
Fiscal	382,496	0	0	0	(382,496)
Business	5,615	0	0	0	(5,615)
Operation and Maintenance of Plant	1,171,217	0	0	0	(1,171,217)
Pupil Transportation	977,575	0	17,415	0	(960,160)
Central	1,541	0	0	0	(1,541)
Non-Instructional Services	607,641	413,300	271,303	12,422	89,384
Extracurricular Activities	432,409	224,361	7,378	0	(200,670)
Capital Outlay	9,571,666	0	0	0	(9,571,666)
Debt Service:					
Principal Retirement	860,000	0	0	0	(860,000)
Interest and Fiscal Charges	695,791	0	0	0	(695,791)
Total Governmental Activities	<u>\$25,037,177</u>	<u>\$1,099,433</u>	<u>\$1,562,887</u>	<u>\$12,422</u>	<u>(22,362,435)</u>
<u>General Receipts:</u>					
Property Taxes Levied for General Purposes					4,020,767
Property Taxes Levied for Debt Service					977,869
Property Taxes Levied for Permanent Improvements					94,969
Income Taxes Levied for General Purposes					2,502,720
Grants and Entitlements not Restricted to Specific Programs					7,355,328
Interest					9,410
Gifts and Donations					9,822
Miscellaneous					172,971
Sale of Capital Assets					226
Total General Receipts					<u>15,144,082</u>
Change in Net Position					(7,218,353)
Net Position Beginning of Year					<u>12,730,631</u>
Net Position End of Year					<u>\$5,512,278</u>

See Accompanying Notes to Basic Financial Statements

Otsego Local School District
Statement of Cash Basis Assets and Fund Balances
Governmental Funds
June 30, 2013

	General	Bond Retirement	Ohio School Facilities Commission	Other Governmental	Total Governmental Funds
<u>Assets:</u>					
Equity in Pooled Cash and Cash Equivalents	\$3,052,927	\$294,449	\$1,105,741	\$482,438	\$4,935,555
<u>Restricted Assets:</u>					
Equity in Pooled Cash and Cash Equivalents	364,179	0	0	0	364,179
Cash and Cash Equivalents with Escrow Agent	0	0	212,544	0	212,544
Total Assets	\$3,417,106	\$294,449	\$1,318,285	\$482,438	\$5,512,278
<u>Fund Balances:</u>					
Restricted	\$460,081	\$294,449	\$1,318,285	\$182,621	\$2,255,436
Committed	0	0	0	304,210	304,210
Assigned	233,898	0	0	0	233,898
Unassigned (Deficit)	2,723,127	0	0	(4,393)	2,718,734
Total Fund Balances	\$3,417,106	\$294,449	\$1,318,285	\$482,438	\$5,512,278

See Accompanying Notes to Basic Financial Statements

Otsego Local School District
Statement of Cash Receipts, Cash Disbursements, and Changes in Cash Basis Fund Balances
Governmental Funds
For the Fiscal Year Ended June 30, 2013

	General	Bond Retirement	Ohio School Facilities Commission	Other Governmental	Total Governmental Funds
<u>Receipts:</u>					
Property Taxes	\$4,020,767	\$977,869	\$0	\$94,969	\$5,093,605
Income Taxes	2,502,720	0	0	0	2,502,720
Intergovernmental	5,788,626	145,335	1,865,277	1,096,213	8,895,451
Interest	5,955	0	3,455	0	9,410
Tuition and Fees	557,102	0	0	0	557,102
Extracurricular Activities	23,500	0	0	200,861	224,361
Charges for Services	0	0	0	317,970	317,970
Gifts and Donations	23,885	0	0	21,123	45,008
Miscellaneous	148,875	0	0	24,096	172,971
Total Receipts	13,071,430	1,123,204	1,868,732	1,755,232	17,818,598
<u>Disbursements:</u>					
<u>Current:</u>					
<u>Instruction:</u>					
Regular	6,251,796	0	0	179,300	6,431,096
Special	1,425,413	0	0	591,189	2,016,602
Vocational	3,332	0	0	0	3,332
<u>Support Services:</u>					
Pupils	683,060	0	0	0	683,060
Instructional Staff	216,862	0	0	17,149	234,011
Board of Education	15,955	0	0	0	15,955
Administration	943,706	0	0	3,464	947,170
Fiscal	366,188	14,859	0	1,449	382,496
Business	5,615	0	0	0	5,615
Operation and Maintenance of Plant	1,078,710	0	0	92,507	1,171,217
Pupil Transportation	977,575	0	0	0	977,575
Central	1,541	0	0	0	1,541
Non-Instructional Services	557	0	0	607,084	607,641
Extracurricular Activities	237,956	0	0	194,453	432,409
Capital Outlay	2,377	0	9,569,289	0	9,571,666
<u>Debt Service:</u>					
Principal Retirement	240,000	620,000	0	0	860,000
Interest and Fiscal Charges	68,597	627,194	0	0	695,791
Total Disbursements	12,519,240	1,262,053	9,569,289	1,686,595	25,037,177
Excess of Receipts Over (Under) Disbursements	552,190	(138,849)	(7,700,557)	68,637	(7,218,579)
<u>Other Financing Sources (Uses):</u>					
Sale of Capital Assets	226	0	0	0	226
Transfers In	0	0	0	108,997	108,997
Transfers Out	0	0	0	(108,997)	(108,997)
Total Other Financing Sources (Uses)	226	0	0	0	226
Changes in Fund Balances	552,416	(138,849)	(7,700,557)	68,637	(7,218,353)
Fund Balances at Beginning of Year	2,864,690	433,298	9,018,842	413,801	12,730,631
Fund Balances at End of Year	\$3,417,106	\$294,449	\$1,318,285	\$482,438	\$5,512,278

See Accompanying Notes to Basic Financial Statements

Otsego Local School District
Statement of Receipts, Disbursements, and Changes in Fund Balance
Budget (Non-GAAP Basis) and Actual
General Fund
For the Fiscal Year Ended June 30, 2013

	Budgeted Amounts		Actual	Variance with Final Budget Over (Under)
	Original	Final		
<u>Receipts:</u>				
Property Taxes	\$4,051,150	\$4,020,901	\$4,020,767	(\$134)
Income Taxes	2,443,936	2,523,387	2,502,720	(20,667)
Intergovernmental	5,826,635	5,790,453	5,788,626	(1,827)
Interest	4,064	5,867	5,955	88
Tuition and Fees	531,625	692,046	557,102	(134,944)
Extracurricular Activities	25,000	23,500	23,500	0
Gifts and Donations	5,000	23,885	23,885	0
Miscellaneous	103,375	148,619	148,443	(176)
Total Receipts	<u>12,990,785</u>	<u>13,228,658</u>	<u>13,070,998</u>	<u>(157,660)</u>
<u>Disbursements:</u>				
Current:				
Instruction:				
Regular	6,261,144	6,318,033	6,317,927	106
Special	1,405,332	1,435,302	1,435,436	(134)
Vocational	4,001	3,332	3,332	0
Support Services:				
Pupils	694,453	683,660	683,660	0
Instructional Staff	235,736	230,066	230,066	0
Board of Education	41,999	17,455	17,455	0
Administration	970,508	957,362	957,357	5
Fiscal	360,988	411,850	391,182	20,668
Business	5,181	5,615	5,615	0
Operation and Maintenance of Plant	1,134,399	1,187,135	1,148,042	39,093
Pupil Transportation	975,560	988,764	980,518	8,246
Central	0	6,541	6,541	0
Non-Instructional Services	0	557	557	0
Extracurricular Activities	221,689	237,956	237,956	0
Capital Outlay	0	102,400	2,377	100,023
Debt Service:				
Principal Retirement	240,000	240,000	240,000	0
Interest and Fiscal Charges	68,543	68,597	68,597	0
Total Disbursements	<u>12,619,533</u>	<u>12,894,625</u>	<u>12,726,618</u>	<u>168,007</u>
Excess of Receipts Over Disbursements	<u>371,252</u>	<u>334,033</u>	<u>344,380</u>	<u>10,347</u>
<u>Other Financing Sources:</u>				
Sale of Capital Assets	0	226	226	0
Refund of Prior Year Expenditures	1,000	432	432	0
Total Other Financing Sources	<u>1,000</u>	<u>658</u>	<u>658</u>	<u>0</u>
Changes in Fund Balance	372,252	334,691	345,038	10,347
Fund Balance Beginning of Year	2,657,062	2,657,062	2,657,062	0
Prior Year Encumbrances Appropriated	<u>207,628</u>	<u>207,628</u>	<u>207,628</u>	<u>0</u>
Fund Balance End of Year	<u>\$3,236,942</u>	<u>\$3,199,381</u>	<u>\$3,209,728</u>	<u>\$10,347</u>

See Accompanying Notes to the Basic Financial Statements

Otsego Local School District
Statement of Cash Basis Fiduciary Net Position
Fiduciary Funds
For the Fiscal Year Ended June 30, 2013

	Private Purpose Trust	Agency
<u>Assets:</u>		
Equity in Pooled Cash and Cash Equivalents	\$61,644	\$39,138
<u>Liabilities:</u>		
Due to Students	0	\$39,138
<u>Net Position:</u>		
Held in Trust for Scholarships	33,664	
Endowment	27,980	
Total Net Position	\$61,644	

See Accompanying Notes to Basic Financial Statements

Otsego Local School District
Statement of Cash Basis Change in Fiduciary Net Position
Private Purpose Trust Fund
For the Fiscal Year Ended June 30, 2013

Additions:

Interest	\$16
Donations	3,231
Total Additions	<u>3,247</u>

Deductions:

Non-Instructional Services	<u>3,874</u>
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Change in Net Position (627)

Net Position at Beginning of Year 62,271

Net Position at End of Year \$61,644

See Accompanying Notes to Basic Financial Statements

Otsego Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2013

Note 1 - Description of the District and Reporting Entity

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

The District serves an area of approximately one hundred forty-four square miles. It is located in portions of Wood, Lucas, and Henry Counties, including the villages of Tontogany, Haskins, Grand Rapids, and Weston, and portions of surrounding townships. The District is the 357th largest in the State of Ohio (among 612 school districts) in terms of enrollment. It is staffed by seventy-eight classified employees, ninety-one certified teaching personnel, and eight administrative employees who provide services to 1,631 students and other community members. The District currently operates one elementary school, one middle school, and one comprehensive high school.

Reporting Entity

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

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

The District participates in four jointly governed organizations, a related organization, and two insurance pools. These organizations are the Northwest Ohio Computer Association, Northern Buckeye Education Council, Penta Career Center, Northwestern Ohio Educational Research Council, Inc., Weston Public Library, Wood County Schools Benefit Plan Association, and the Ohio School Boards Association Workers’ Compensation Group Rating Plan. These organizations are presented in Notes 19, 20, and 21 to the basic financial statements.

Note 2 - Summary of Significant Accounting Policies

These financial statements are presented on a cash basis of accounting. This basis of accounting differs from accounting principles generally accepted in the United States of America (GAAP). Generally accepted accounting principals include all relevant Governmental Accounting Standards Board (GASB) pronouncements, which have been applied to the extent they are applicable to the cash basis of accounting. Following are the more significant of the District’s accounting policies.

Note 2 - Summary of Significant Accounting Policies (continued)

A. Basis of Presentation

The District's basic financial statements consist of government-wide financial statements, including a statement of net position and a statement of activities, and fund financial statements which provide a more detailed level of financial information.

Government-Wide Financial Statements

The statement of net position and the statement of activities display information about the District as a whole. These statements include the financial activities of the primary government, except for fiduciary funds.

The statement of net position presents the cash balance of the governmental activities of the District at fiscal year end. The statement of activities compares disbursements with program receipts for each function or program of the District's governmental activities. Disbursements are reported by function. A function is a group of related activities designed to accomplish a major service or regulatory program for which the District is responsible. Program receipts include charges paid by the recipient of the program's goods or services and grants and contributions restricted to meeting the operational or capital requirements of a particular program. General receipts are all receipts not classified as program receipts, with certain limited exceptions. The comparison of direct disbursements with program receipts identifies the extent to which each governmental function is self-financing on a cash basis or draws from the District's general receipts.

Fund Financial Statements

During the fiscal year, the District segregates transactions related to certain District functions or activities in separate funds in order to aid financial management and to demonstrate legal compliance. Fund financial statements are designed to present financial information of the District at this more detailed level. The focus of governmental fund financial statements is on major funds. Each major fund is presented in a separate column. Nonmajor funds are aggregated and presented in a single column. Fiduciary funds are reported by type.

B. Fund Accounting

The District uses funds to maintain its financial records during the fiscal year. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts. The funds of the District are divided into two categories, governmental and fiduciary.

Governmental Funds

The District classifies funds financed primarily from taxes, intergovernmental receipts (e.g. grants), and other nonexchange transactions as governmental funds. The District's three major funds are the General Fund, the Bond Retirement debt service fund, and the Ohio School Facilities Commission capital projects fund.

General Fund - The General Fund is used to account for all financial resources, except those required to be accounted for in another fund. The General Fund balance is available to the District for any purpose provided it is expended or transferred according to the general laws of Ohio.

Note 2 - Summary of Significant Accounting Policies (continued)

Bond Retirement Fund - The Bond Retirement Fund is used to account for property taxes restricted for the payment of principal, interest, and related costs on general obligation debt.

Ohio School Facilities Commission Fund - The Ohio School Facilities Commission Fund is used to account for resources received and restricted for expenditures in connection with contracts entered into by the District and the Ohio School Facilities Commission for building one new elementary school to house grades Pre-K thru 5, renovations to the high school, and demolition of three elementary schools.

The other governmental funds of the District account for grants and other resources whose use is restricted, committed, or assigned for a particular purpose.

Fiduciary Funds

Fiduciary fund reporting focuses on net position and changes in net position. The fiduciary fund category is split into four classifications: pension trust funds, investment trust funds, private purpose trust funds, and agency funds. Trust funds are used to account for assets held by the District under a trust agreement for individuals, private organizations, or other governments and are not available to support the District's own programs. The District's private purpose trust fund accounts for programs that provide college scholarships and loans to students after graduation. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. The District's agency fund accounts for various student-managed activities.

C. Basis of Accounting

The District's financial statements are prepared using the cash basis of accounting. Except for modifications having substantial support, receipts are recorded in the District's financial records and reported in the financial statements when cash is received rather than when earned and disbursements are recorded when cash is paid rather than when a liability is incurred.

As a result of the use of the cash basis of accounting, certain assets and their related revenues (such as accounts receivable and revenue for billed or provided services not yet collected) and certain liabilities and their related expenses (such as accounts payable and expenses for goods or services received but not yet paid, and accrued expenses and liabilities) are not recorded in the financial statements.

D. Budgetary Process

All funds, except agency funds, are legally required to be budgeted and appropriated. The major documents prepared are the tax budget, the certificate of estimated resources, and the appropriations resolution, all of which are prepared on the budgetary basis of accounting. The tax budget demonstrates a need for existing or increased tax rates. The certificate of estimated resources establishes a limit on the amount the Board of Education may appropriate. The appropriations resolution is the Board's authorization to spend resources and sets annual limits on expenditures plus encumbrances at the level of control selected by the Board. The legal level of control selected by the Board is at the fund level for all funds. Budgetary allocations at the function and object level for all funds are made by the District Treasurer.

Note 2 - Summary of Significant Accounting Policies (continued)

The certificate of estimated resources may be amended during the fiscal year if projected increases or decreases in revenue are identified by the Treasurer. The amounts reported as the original budgeted amounts on the budgetary statements reflect the amounts on the certificate of estimated resources when the original appropriations were adopted. The amounts reported as the final budgeted amounts on the budgetary statements reflect the amounts on the final amended certificate of estimated resources requested by the District prior to fiscal year end.

The appropriations resolution is subject to amendment throughout the fiscal year with the restriction that appropriations cannot exceed estimated resources. The amounts reported as the original budgeted amounts reflect the first appropriations resolution for that fund that covered the entire fiscal year, including amounts automatically carried forward from prior fiscal years. The amounts reported as the final budgeted amounts represent the final appropriation amounts passed by the Board during the fiscal year.

E. Cash and Investments

To improve cash management, cash received by the District is pooled. Monies for all funds are maintained in this pool. Individual fund integrity is maintained through District records. Interest in the pool is presented as “Equity in Pooled Cash and Cash Equivalents”.

Cash and cash equivalents that are held separately for the District by escrow agents for payment of retainage to contractors upon project completion are recorded as “Cash and Cash Equivalents with Escrow Agent”.

During fiscal year 2013, investments consisted of 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 net asset value per share, which is the price the investment could be sold for on June 30, 2013.

The District allocates interest according to State statutes. Interest revenue credited to the General Fund during fiscal year 2013 was \$5,955, which includes \$1,351 assigned from other District funds.

Investments of the District’s cash management pool and investments with an original maturity of three months or less at the time they are purchased by the District are presented on the financial statements as cash equivalents. Investments with an initial maturity of more than three months that were not purchased from the pool are reported as investments.

Investments are reported as assets. Accordingly, purchases of investments are not recorded as disbursements, and sales of investments are not recorded as receipts. Gains or losses at the time of sale are recorded as receipts or negative receipts (contra revenue), respectively.

Note 2 - Summary of Significant Accounting Policies (continued)

F. Restricted Assets

Assets are reported as restricted when limitations on their use change the nature or normal understanding of the availability of the asset. Such constraints are either externally imposed by creditors, contributors, grantors, laws of other governments, or imposed by law through constitutional provisions. Restricted assets in the General Fund represent amounts required by State statute to be set aside for the acquisition and construction of capital improvements.

G. Capital Assets

Acquisitions of property, plant, and equipment are recorded as disbursements when paid. The financial statements do not report these assets.

H. Compensated Absences

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

I. Long-Term Obligations

Cash basis financial statements do not report liabilities for bonds and other long-term obligations. Proceeds of debt are reported when cash is received and principal and interest payments are reported when disbursements are made.

J. Net Position

Net position is reported as restricted when there are limitations imposed on its use either through external restrictions imposed by creditors, grantors, or laws or regulations of other governments. Net position restricted for other purposes includes resources restricted for food service operations and federal and state grants. The District's policy is to first apply restricted resources when an expense is incurred for purposes for which both restricted and unrestricted net position is available.

K. Fund Balance

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

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

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

Otsego Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2013

Note 2 - Summary of Significant Accounting Policies (continued)

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

Assigned - Amounts in the assigned classification are intended to be used by the District for specific purposes but do not meet the criteria to be classified as restricted or committed. In governmental funds, other than the General Fund, assigned fund balance represents the remaining amount that is not restricted or committed. Assigned amounts represent intended uses established by the Board of Education. The Board of Education has authorized the Treasurer to assign fund balance for purchases on order provided such amounts have been lawfully appropriated.

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

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

L. Interfund Activity

Transfers within governmental activities are eliminated on the government-wide financial statements.

Internal allocations of overhead expenses from one function to another or within the same function are eliminated on the statement of activities. Payments for interfund services provided and used are not eliminated.

Exchange transactions between funds are reported as receipts in the seller funds and as disbursements in the purchaser funds. Flows of cash or goods from one fund to another without a requirement for repayment are reported as interfund transfers. Interfund transfers are reported as other financing sources/uses in governmental funds. Repayments from funds responsible for particular disbursements to the funds that initially paid for them are not presented on the financial statements.

Note 3 - Change in Accounting Principles

For fiscal year 2013, the District has implemented Governmental Accounting Standards Board (GASB) Statement No. 62, "Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989, FASB and AICPA Pronouncements".

GASB Statement No. 62 incorporates into GASB's authoritative literature certain FASB and AICPA pronouncements issued on or before November 30, 1989. The implementation of this statement did not result in any change to the District's financial statements.

Otsego Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2013

Note 3 - Change in Accounting Principles (continued)

For fiscal year 2013, the District implemented Governmental Accounting Standard Board (GASB) Statement No. 63, "Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position."

GASB Statement No. 63 identifies net position, rather than net assets, as the residual of all other elements presented in a statement of financial position. This change was incorporated in the District's fiscal year 2013 financial statements; however, there was no effect on beginning net position/fund balance.

Note 4 - Budgetary Basis of Accounting

The budgetary basis as provided by law is based upon accounting for certain transactions on the basis of cash, receipts, disbursements, and encumbrances. The Statement of Receipts, Disbursements, and Changes in Fund Balance - Budget (Non-GAAP Basis) and Actual presented for the General Fund is prepared on the budgetary basis to provide a meaningful comparison of actual results with the budget. The difference between the budgetary basis and the cash basis is outstanding year end encumbrances which are treated as cash disbursements (budgetary basis) rather than as committed or assigned fund balance (cash basis). The General Fund encumbrances outstanding at year end (budgetary basis) were \$207,378.

Note 5 - Accountability

At June 30, 2013, the Miscellaneous State Grants and Early Childhood Education special revenue funds had deficit fund balances, in the amount of \$4,062 and \$331, respectively. The General Fund provides transfers to cover deficit balances; however, this is done when cash is needed.

Note 6 - Deposits and Investments

Monies held by the District are classified by State statute into three categories.

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

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

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

Otsego Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2013

Note 6 - Deposits and Investments (continued)

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

1. United States Treasury bills, bonds, notes, 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 obligation or security 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;
4. Bonds and other obligations of the State of Ohio or Ohio local governments;
5. Time certificates of deposit or savings or deposit accounts including, but not limited to, passbook accounts;
6. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2);
7. The State Treasurer's investment pool (STAR Ohio); and
8. Commercial paper and bankers' acceptances if training requirements have been met.

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.

Deposits

Custodial credit risk for deposits is the risk that in the event of bank failure, the District will not be able to recover deposits or collateral securities that are in the possession of an outside party. At fiscal year end, \$1,431,564 of the District's bank balance of \$4,195,734 was exposed to custodial credit risk because it was uninsured and uncollateralized. Although all State statutory requirements for the deposit of money had been followed, noncompliance with federal requirements could potentially subject the District to a successful claim by the FDIC.

The District has no deposit policy for custodial credit risk beyond the requirements of State statute. Ohio law requires that deposits be either insured or be protected by eligible securities pledged to and deposited either with the District or a qualified trustee by the financial institution as security for repayment, or by a collateral pool of eligible securities deposited with a qualified trustee and pledged to secure the repayment of all public monies deposited in the financial institution whose market value at all times shall be at least 105 percent of the deposits being secured.

Otsego Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2013

Note 6 - Deposits and Investments (continued)

Investments

As of June 30, 2013, the fair value of funds on deposit with STAR Ohio was \$1,740,573. The District's investment in STAR Ohio had an average maturity of 58 days. STAR Ohio carries a rating of AAA by Standards and Poor's. The District has no policy regarding interest rate or credit risk beyond the requirements of State statute. Ohio law requires that STAR Ohio maintain the highest rating provided by at least one nationally recognized standard rating service.

Note 7 - Property Taxes

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

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

Public utility property tax revenues received in calendar year 2013 represent the collection of calendar year 2012 taxes. Public utility real and tangible personal property taxes received in calendar year 2013 became a lien on December 31, 2011, were levied after April 1, 2012, and are collected with real property taxes. Public utility real property is assessed at 35 percent of true value; public utility tangible personal property is currently assessed at varying percentages of true value.

The District receives property taxes from Wood, Lucas, and Henry Counties. The County Auditors periodically advance to the District its portion of the taxes collected. Second-half real property tax payments collected by the counties by June 30, 2013, are available to finance fiscal year 2013 operations. The amount available to be advanced can vary based on the date the tax bills are sent.

Otsego Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2013

Note 7 - Property Taxes (continued)

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

	2012 Second- Half Collections		2013 First- Half Collections	
	Amount	Percent	Amount	Percent
Agricultural/Residential	\$194,126,300	90.02%	\$193,615,730	90.00%
Industrial/Commercial	14,384,870	6.67	13,910,610	6.46
Public Utility Real	184,390	.09	153,330	.07
Public Utility Personal	6,943,460	3.22	7,460,750	3.47
Total Assessed Value	<u>\$215,639,020</u>	<u>100.00%</u>	<u>\$215,140,420</u>	<u>100.00%</u>
Tax rate per \$1,000 of assessed valuation	\$46.65		\$46.10	

Note 8 - Income Taxes

The District levies a voted tax of 1 percent for general operations on the income of residents and of estates. The tax was effective on January 1, 2003, and is for a continuing period. Employers of residents are required to withhold income tax on compensation and remit the tax to the State. Taxpayers are required to file an annual return. The State makes quarterly distributions to the District after withholding amounts for administrative fees and estimated refunds. Income tax revenue is credited to the General Fund.

Note 9 - Capital Assets

Capital asset activity for the fiscal year ended June 30, 2013, was as follows:

	Balance at 6/30/12	Additions	Reductions	Balance at 6/30/13
Governmental Activities				
Nondepreciable Capital Assets				
Land	\$143,659	\$0	\$0	\$143,659
Construction in Progress	14,554,483	7,737,467	0	22,291,950
Total Nondepreciable Capital Assets	<u>14,698,142</u>	<u>7,737,467</u>	<u>0</u>	<u>22,435,609</u>

(continued)

Otsego Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2013

Note 9 - Capital Assets (continued)

	Balance at 6/30/12	Additions	Reductions	Balance at 6/30/13
Governmental Activities				
Depreciable Capital Assets				
Land Improvements	\$547,848	\$151,998	\$0	\$699,846
Buildings and Building Improvements	23,713,862	0	(1,634,299)	22,079,563
Furniture, Fixtures, and Equipment	883,578	72,710	(48,669)	907,619
Vehicles	947,040	8,800	0	955,840
Total Depreciable Capital Assets	<u>26,092,328</u>	<u>233,508</u>	<u>(1,682,968)</u>	<u>24,642,868</u>
Governmental Activities Capital Assets	<u>\$40,790,470</u>	<u>\$7,970,975</u>	<u>(\$1,682,968)</u>	<u>\$47,078,477</u>

Note 10 - 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. During fiscal year 2013, the District contracted for the following insurance coverage:

Coverage provided by Ohio Casualty Insurance is as follows:

General District Liability	
Per Occurrence	\$1,000,000
Aggregate	2,000,000
Building and Contents	46,325,196
Umbrella Liability	2,000,000
Automobile Liability	1,000,000
Uninsured Motorists	1,000,000

Settled claims have not exceeded this commercial coverage in any of the past three years and there has been no significant reduction in insurance coverage from the prior fiscal year.

The District participates in the Wood County Schools Benefit Plan Association (Association), a public entity shared risk pool consisting of six local school districts, two exempted village school districts, a city school district, a joint vocational school, and the Educational Service Center. The District pays monthly premiums to the Association for employee medical and dental benefits. The Association is responsible for the management and operations of the program and the payment of all claims. Upon withdrawal from the Association, a participant is responsible for the payment of all liabilities to its employees, dependents, and designated beneficiaries accruing as a result of withdrawal.

Note 10 - Risk Management (continued)

For fiscal year 2013, the District participated in the Ohio School Boards Association Workers' Compensation Group Rating Plan (GRP), an insurance purchasing pool. 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 participants is calculated as one experience and a common premium rate is applied to all participants 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. Participation in the GRP is limited to participants 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 - Defined Benefit Pension Plans

A. State Teachers Retirement System

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

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

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

Funding Policy - Chapter 3307 of the Ohio Revised Code provides statutory authority for member and employer contributions. Contribution rates are established by the STRS Ohio Board upon the recommendation of its consulting actuary, not to exceed statutory maximum rates of 10 percent for members and 14 percent for employers. For the fiscal year ended June 30, 2013, plan members were required to contribute 10 percent of their annual covered salary. The District was required to contribute 14 percent; 13 percent was the portion used to fund pension obligations.

Otsego Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2013

Note 11 - Defined Benefit Pension Plans (continued)

The District's required contribution to STRS Ohio for the DBP and for the defined benefit portion of the CP were \$721,579 for the fiscal year ended June 30, 2013, \$694,579 and \$10,423 for the fiscal year ended June 30, 2012, and \$751,806 and \$8,258 for the fiscal year ended June 30, 2011. For fiscal year 2013, 84 percent has been contributed for both the DBP and CP. The full amount has been contributed for fiscal years 2012 and 2011.

The contribution to STRS Ohio for the DCP for fiscal year 2013 is not yet available.

B. School Employees Retirement System

Plan Description - The District participates in the School Employees Retirement System (SERS), a cost-sharing multiple-employer defined benefit pension plan. SERS provides retirement, disability and survivor benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Authority to establish and amend benefits is provided by Chapter 3309 of the Ohio Revised Code. SERS issues a stand-alone financial report that can be obtained by visiting the SERS website at www.ohsers.org under employers/audit resources.

Funding Policy - Plan members are required to contribute 10 percent of their annual covered salary and the District is required to contribute 14 percent of annual covered payroll. The contribution requirement of plan members and employers is established and may be amended by the SERS Retirement Board up to a statutory maximum amount of 10 percent for plan members and 14 percent for employers. The Retirement Board, acting with the advice of the actuary, allocates the employer contribution rate among four of the system's funds (pension trust fund, death benefit fund, Medicare B fund, and health care fund). For the fiscal year ended June 30, 2013, the allocation to pension and death benefits was 13.1 percent. The remaining .9 percent of the 14 percent employer contribution rate was allocated to the Medicare B and health care funds. The District's required contribution for pension obligations to SERS for the fiscal years ended June 30, 2013, 2012, and 2011 was \$211,824, \$208,175, and \$203,403, respectively. For fiscal year 2013, 57 percent has been contributed. The full amount has been contributed for fiscal years 2012 and 2011.

C. Social Security System

Effective July 1, 1991, all employees not otherwise covered by the State Teachers Retirement System or the School Employees Retirement System have an option to choose Social Security or the State Teachers Retirement System/School Employees Retirement System. As of June 30, 2013, two of the Board of Education members have elected Social Security. The Board's liability is 6.2 percent of wages paid.

Note 12 - Postemployment Benefits

A. State Teachers Retirement System

Plan Description - The District participates in a cost-sharing multiple-employer defined benefit Health Care Plan administered by the State Teachers Retirement System of Ohio (STRS Ohio) for eligible retirees who participated in the Defined Benefit or Combined pension plans offered by STRS Ohio. Ohio law authorizes STRS Ohio to offer the Plan. Benefits include hospitalization, physicians' fees, prescription drugs, and reimbursement of monthly Medicare Part B premiums. The Plan is included in STRS Ohio's financial report which can be obtained by calling (888) 227-7877 or by visiting the STRS Ohio Web site at www.strsoh.org.

Note 12 - Postemployment Benefits (continued)

Funding Policy - Chapter 3307 of the Ohio Revised Code authorizes STRS Ohio to offer the Plan and gives the Retirement Board authority over how much, if any, of the health care costs will be absorbed by STRS Ohio. Active employee members do not contribute to the Health Care Plan. All benefit recipients, for the most recent year, pay a monthly premium. Under Ohio law, funding for postemployment health care may be deducted from employer contributions. For fiscal year 2013, STRS Ohio allocated employer contributions equal to 1 percent of covered payroll to postemployment health care. The District's contribution for health care for the fiscal years ended June 30, 2013, 2012, and 2011 was \$55,506, \$54,946, and \$58,928, respectively. For fiscal year 2013, 84 percent has been contributed. The full amount has been contributed for fiscal years 2012 and 2011.

B. School Employees Retirement System

Plan Description - The District participates in two cost-sharing multiple-employer defined benefit other postemployment benefit (OPEB) plans administered by the School Employees Retirement System (SERS) for classified retirees and their beneficiaries, a Health Care Plan and a Medicare Part B Plan. The Health Care Plan includes hospitalization and physicians fees through several types of plans including HMO's, PPO's, and traditional indemnity plans as well as a prescription drug program. The Medicare Part B Plan reimburses Medicare Part B premiums paid by eligible retirees and beneficiaries up to a statutory limit. Benefit provisions and the obligation to contribute are established by SERS based on authority granted by State statute. The financial reports of both Plans are included in the SERS Comprehensive Annual Financial Report which can be obtained by visiting the SERS website at www.ohsers.org under employers/audit resources.

Funding Policy - State statute permits SERS to fund the health care benefits through employer contributions. Each fiscal year, after the allocation for statutorily required benefits, the Retirement Board allocates the remainder of the employer contribution of 14 percent of covered payroll to the Health Care Fund. The Health Care Fund was established and is administered in accordance with Internal Revenue Code Section 105(e). For fiscal year 2013, .16 percent of covered payroll was allocated to health care. In addition, employers pay a surcharge for employees earning less than an actuarially determined amount. For fiscal year 2013, this amount was \$20,525. For fiscal year 2013, the District paid \$24,000 in surcharge.

Active employee members do not contribute to the Health Care Plan. Retirees and their beneficiaries are required to pay a health care premium that varies depending on the plan selected, the number of qualified years of service, Medicare eligibility, and retirement status.

The District's contribution for health care for the fiscal years ended June 30, 2013, 2012, and 2011 was \$2,587, \$9,015, and \$24,629, respectively. For fiscal year 2013, 57 percent has been contributed. The full amount has been contributed for fiscal years 2012 and 2011.

The Retirement Board, acting with advice of the actuary, allocates a portion of the employer contribution to the Medicare Part B Fund. For fiscal year 2013, this actuarially required allocation was .74 percent of covered payroll. The District's contribution for Medicare Part B for the fiscal years ended June 30, 2013, 2012, and 2011 was \$11,966, \$12,294, and \$13,089, respectively. For fiscal year 2013, 57 percent has been contributed. The full amount has been contributed for fiscal years 2012 and 2011.

Otsego Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2013

Note 13 - Other Employee Benefits

A. Compensated Absences

The criteria for determining vacation and sick leave benefits are derived from negotiated agreements and State laws. Classified employees earn ten to twenty-one days of vacation per year, depending upon length of service. Accumulated unused vacation time is paid to classified employees and administrators upon termination of employment. Teachers do not earn vacation time.

Teachers, administrators, and classified employees earn sick leave at a rate of one and one-fourth days per month. Sick leave may be accumulated to an unlimited amount for certified employees and administrators and up to a maximum of two hundred ninety-five days for classified employees. Upon retirement, payment is made for one-fourth of accrued but unused sick leave credit to a maximum of seventy days for both certified and classified employees.

B. Health Care Benefits

The District offers medical and dental benefits to full-time employees through the Wood County Schools Benefit Plan Association. Vision benefits are available through Vision Service Plan. The District also offers life insurance to all employees through the Northern Buckeye Educational Council (NBEC) Life Insurance Program.

Note 14 - Long-Term Obligations

Changes in the District's long-term obligations during fiscal year 2013 were as follows:

	Balance at 6/30/12	Additions	Reductions	Balance at 6/30/13	Amounts Due Within One Year
General Obligation Debt					
FY 2010 Certificates of Participation 1.95%	\$3,515,000	\$0	\$240,000	\$3,275,000	\$245,000
FY 2007 School Facilities Construction and Improvement Refunding					
Serial Bonds 4 - 4.125%	6,380,000	0	85,000	6,295,000	90,000
Term Bonds 4%	2,135,000	0	0	2,135,000	0
Capital Appreciation Bonds	45,000	0	0	45,000	0
Accretion on Capital Appreciation Bonds	297,082	151,433	0	448,515	0
Premium	860,174	0	8,541	851,633	0
Discount	(31,376)	0	(311)	(31,065)	0

(continued)

Otsego Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2013

Note 14 - Long-Term Obligations (continued)

	Balance at 6/30/12	Additions	Reductions	Balance at 6/30/13	Amounts Due Within One Year
General Obligation Debt (continued)					
FY 2007 School Facilities Construction and Improvement Refunding					
Serial Bonds 4 - 4.125%	\$4,815,000	\$0	\$80,000	\$4,735,000	\$85,000
Term Bonds 4%	985,000	0	0	985,000	0
Capital Appreciation Bonds	220,000	0	0	220,000	0
Accretion on Capital Appreciation Bonds	309,458	93,099	0	402,557	0
Premium	611,406	0	8,125	603,281	0
Discount	(40,326)	0	(536)	(39,790)	0
FY 2004 School Facilities Construction and Improvement					
Serial Bonds 5.0233%	1,385,000	0	430,000	955,000	460,000
Premium	2,900	0	1,397	1,503	0
Discount	(5,358)	0	(2,581)	(2,777)	0
FY 1994 School Facilities Improvement 5.0983%					
	145,000	0	25,000	120,000	25,000
Total General Obligation Debt	\$21,628,960	\$244,532	\$874,635	\$20,998,857	\$905,000

FY 2010 Certificates of Participation - On December 18, 2009, the District issued certificates of participation, in the amount of \$4,000,000, to construct and renovate buildings. The debt was issued in accordance with the American Recovery and Reinvestment Act of 2009, which provides for federal tax credits for the holders of debt in lieu of interest payments. This reduces the issuers costs of borrowing. This debt was issued for a fifteen year period, with final maturity during fiscal year 2025. The debt will be retired through the General Fund.

The debt maturing on September 16, 2024, is subject to mandatory sinking fund redemption, at a redemption price equal to 100 percent of the principal amount redeemed, plus accrued interest to the date of redemption, on December 1 in each year and principal amount as follows:

Year	Amount
2010	\$250,000
2011	235,000
2012	240,000
2013	245,000
2014	250,000
2015	255,000
2016	260,000
2017	265,000
2018	270,000
2019	275,000

(continued)

Otsego Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2013

Note 14 - Long-Term Obligations (continued)

Year	Amount
2020	\$280,000
2021	285,000
2022	290,000
2023	295,000

The remaining principal, in the amount of \$305,000, will be paid at stated maturity on September 16, 2024.

FY 2007 School Facilities Construction and Improvement Refunding Bonds - On December 21, 2006, the District issued bonds, in the amount of \$8,965,000, to partially refund bonds previously issued in fiscal year 2004 for buildings and other improvements. The refunding bond issue included serial, term, and capital appreciation bonds, in the original amount of \$6,785,000, \$2,135,000 and \$45,000, respectively. The bonds were issued for a twenty-six year period, with final maturity during fiscal year 2033. The bonds will be retired through the Bond Retirement debt service fund.

The serial bonds are subject to optional redemption, by and at the sole option of the District, either in whole or in part and in integral multiples of \$5,000, on any date on or after December 1, 2017, at a redemption price of 100 percent of the principal amount redeemed plus accrued interest to the redemption date.

The capital appreciation bonds are not subject to prior redemption. The capital appreciation bonds will mature on December 1, 2014, December 1, 2015, and December 1, 2016, in the amount of \$95,000, \$620,000, and \$630,000, respectively. For fiscal year 2013, \$151,433 was accreted on the capital appreciation bonds for a total bond value of \$493,515 at fiscal year end.

At June 30, 2013, \$8,965,000 of the refunded bonds was still outstanding.

FY 2007 School Facilities Construction and Improvement Refunding Bonds - On January 30, 2007, the District issued bonds, in the amount of \$6,420,000, to partially refund bonds previously issued in fiscal year 2004 for buildings and other improvements. The refunding bond issue included serial, term, and capital appreciation bonds, in the original amount of \$5,215,000, \$985,000 and \$220,000, respectively. The bonds were issued for a twenty-two year period, with final maturity during fiscal year 2029. The bonds will be retired through the Bond Retirement debt service fund.

The serial bonds are subject to optional redemption, by and at the sole option of the District, either in whole or in part and in integral multiples of \$5,000, on any date on or after December 1, 2028, at a redemption price of 100 percent of the principal amount redeemed plus accrued interest to the redemption date.

The capital appreciation bonds are not subject to prior redemption. The capital appreciation bonds will mature on December 1, 2017, and December 1, 2018, in the amount of \$690,000, and \$685,000, respectively. For fiscal year 2013, \$93,099 was accreted on the capital appreciation bonds for a total bond value of \$622,557 at fiscal year end.

At June 30, 2013, \$6,420,000 of the refunded bonds was still outstanding.

Otsego Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2013

Note 14 - Long-Term Obligations (continued)

FY 2004 School Facilities Construction and Improvement Bonds - On June 17, 2004, the District issued \$18,400,000 in voted general obligation bonds for constructing a new high school building. The bond issue included serial, term, and capital appreciation bonds, in the original amount of \$3,865,000, \$14,300,000, and \$235,000, respectively. The bonds were issued for a twenty-eight year period, with final maturity in fiscal year 2032. During fiscal year 2007, a portion of the serial bonds, in the amount of \$1,085,000, and the term bonds, in the amount of \$14,300,000, were advance refunded. The bonds are being retired through the Bond Retirement debt service fund.

The capital appreciation bonds were not subject to redemption prior to maturity. The capital appreciation bonds matured on December 1, 2010, and December 1, 2011, in the amount of \$405,000 and \$420,000, respectively.

FY 1994 School Facilities Improvement Bonds - On February 1, 1994, the District issued \$425,000 in voted general obligation bonds for improvements to an existing building. The bonds were issued for a twenty-three year period, with final maturity in fiscal year 2017. The bonds are being retired through the Bond Retirement debt service fund.

The District's overall debt margin was \$220,619 with an unvoted debt margin of \$207,680 at June 30, 2013.

Principal and interest requirements to retire the general obligation debt outstanding at June 30, 2013, were as follows:

Fiscal Year Ending June 30,	General Obligation Debt			Interest	Total
	Serial	Term	Capital		
2014	\$905,000	\$0	\$0	\$662,155	\$1,567,155
2015	860,000	0	5,166	724,587	1,589,753
2016	375,000	0	23,368	1,211,611	1,609,979
2017	390,000	0	16,466	1,218,258	1,624,724
2018	310,000	0	119,273	1,166,628	1,595,901
2019-2023	3,615,000	965,000	100,727	3,225,916	7,906,643
2024-2028	4,270,000	1,015,000	0	1,667,803	6,952,803
2029-2033	4,655,000	1,140,000	0	599,347	6,394,347
	<u>\$15,380,000</u>	<u>\$3,120,000</u>	<u>\$265,000</u>	<u>\$10,476,305</u>	<u>\$29,241,305</u>

Otsego Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2013

Note 15 - Fund Balance

Fund balance is classified as nonspendable, restricted, committed, assigned, and/or unassigned based primarily on the extent to which the District is bound to observe constraints imposed upon the use of the resources in governmental funds. The constraints placed on fund balance for the major governmental funds and all other governmental funds are presented below:

Fund Balance	General	Bond Retirement	Ohio School Facilities Commission	Other Governmental	Total Governmental Funds
Restricted for:					
Athletics and Music	\$0	\$0	\$0	\$65,824	\$65,824
Building Construction	0	0	1,318,285	0	1,318,285
Capital Improvements	364,179	0	0	33,888	398,067
Debt Retirement	0	294,449	0	0	294,449
Food Service Operations	0	0	0	40,552	40,552
Regular Instruction	0	0	0	13,089	13,089
Special Instruction	95,902	0	0	29,268	125,170
Total Restricted	460,081	294,449	1,318,285	182,621	2,255,436
Committed for:					
Facilities Maintenance	0	0	0	304,210	304,210
Assigned for:					
Community Activities	84	0	0	0	84
Educational Activities	2,717	0	0	0	2,717
Extracurricular Activities	55,906	0	0	0	55,906
Regular Instruction	6,241	0	0	0	6,241
Unpaid Obligations	168,950	0	0	0	168,950
Total Assigned	233,898	0	0	0	233,898
Unassigned (Deficit)	2,723,127	0	0	(4,393)	2,718,734
Total Fund Balance	\$3,417,106	\$294,449	\$1,318,285	\$482,438	\$5,512,278

Otsego Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2013

Note 16 - Set Asides

The District is required by State statute to annually set aside, in the General Fund, an amount based on a statutory formula for the acquisition and construction of capital improvements. Amounts not spent by the end of the fiscal year or offset by similarly restricted resources received during the fiscal year must be held in cash at fiscal year end. This amount must be carried forward and used for the same purpose in future years. The following cash basis information identifies the change in the fund balance for capital improvements during fiscal year 2013.

Balance June 30, 2012	\$123,994
Current Year Set Aside Requirement	263,180
Current Year Offsets	(1,520)
Qualifying Expenditures	(21,475)
Balance June 30, 2013	<u>\$364,179</u>

Note 17 - Interfund Transfers

During fiscal year 2013, other governmental funds made transfers to other governmental funds, in the amount of \$108,997 to subsidize various programs in other funds.

Note 18 - Donor Restricted Endowments

The District's private purpose trust fund includes donor restricted endowments. Endowment, in the amount of \$27,980, represents the principal portion. The amount of net appreciation in donor restricted investments that is available for expenditures by the District is \$33,664 and is included as held in trust for scholarships. State law permits the District to appropriate, for purposes consistent with the endowment's intent, net appreciation, realized and unrealized, unless the endowment terms specify otherwise. The endowment indicates that the interest should be used to provide a scholarship each year.

Note 19 - Jointly Governed Organizations

A. Northwest Ohio Computer Association

The District is a participant in the Northwest Ohio Computer Association (NWOCA), which is a computer consortium. NWOCA is an association of educational entities with the boundaries of Defiance, Fulton, Henry, Lucas, Williams, and Wood counties. The organization was formed for the purpose of applying modern technology with the aid of computers and other electronic equipment to administrative and instructional functions among member educational entities.

The NWOCA Assembly consists of the superintendent from each participating educational entity and a representative from the fiscal agent. The assembly elects the governing Council of two representatives from each of the six counties in which member educational entities are located and the representative from the member educational entity serving as fiscal agent for NWOCA. The degree of control exercised by any participating educational entity is limited to its representation on the Board. During fiscal year 2013, the District paid \$100,847 to NWOCA for various services. Financial information can be obtained from the Northwest Ohio Computer Association, 209 Nolan Parkway, Archbold, Ohio 43502.

Note 19 - Jointly Governed Organizations (continued)

B. Northern Buckeye Education Council

The Northern Buckeye Education Council (NBEC) was established in 1979 to foster cooperation among educational entities located in Defiance, Fulton, Henry, Lucas, Williams, and Wood counties. NBEC is organized under Ohio laws as a regional council of governments pursuant to a written agreement entered into by its member educational entities and bylaws adopted by the representatives of the member educational entities. NBEC is governed by an elected Board consisting of two representatives from each of the six counties in which the member educational entities are located. The board is elected from an Assembly consisting of a representative from each participating educational entity. Financial information can be obtained from the Northern Buckeye Educational Council, 209 Nolan Parkway, Archbold, Ohio 43502.

C. Penta Career Center

The Penta Career Center (Career Center) is a distinct political subdivision of the State of Ohio which provides vocational education to students. The Career Center is operated under the direction of a Board consisting of nine board members appointed from participating Districts' or Educational Service Centers' elected Board of Education. The Board consists of one representative from each exempted village and/or city school district: Bowling Green, Maumee, Perrysburg, and Rossford; one representative from each of the three least populous counties: Fulton, Ottawa, and Sandusky; and one representative from each of the most populous counties: Lucas and Wood. The Board possesses its own budgeting and taxing authority. Financial information can be obtained from the Penta Career Center, 9301 Buck Road, Perrysburg, Ohio 43551.

D. 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., 441 East Market Street, Celina, Ohio, 45822.

Note 20 - Related Organization

The Weston Public Library is a distinct political subdivision of the State of Ohio created under Chapter 3375 of the Ohio Revised Code. The Library is governed by a Board of Trustees appointed by the Otsego Local School District Board of Education. The Board of Trustees possesses its own contracting and budgeting authority, hires and fires personnel, and does not depend on the District for operational subsidies. Although the District does serve as the taxing authority and may issue tax related debt on behalf of the Library, its role is limited to a ministerial function. The determination to request approval of a tax, the rate, and the purpose are discretionary decisions made solely by the Board of Trustees. Financial information can be obtained from the Weston Public Library, P.O. Box 345, Weston, Ohio 43569.

Note 21 - Insurance Pools

A. Wood County Schools Benefit Plan Association

The Wood County Schools Benefit Plan Association (Association) is a public entity shared risk pool consisting of six local school districts, two exempted village school districts, a city school district, a joint vocational school, and an educational service center. The Association is organized as a Voluntary Employee Benefit Association under Section 501(c)(9) of the Internal Revenue Code and provides medical, dental, and other benefits to the employees of the participating entities. Each participating entity's superintendent is appointed to an Administrative Committee which advises the Trustee, Huntington Bank, concerning aspects of the administration of the Association.

Each entity decides which plans offered by the Administrative Committee will be extended to its employees. Participation in the Association is by written application subject to acceptance by the Administrative Committee and payment of the monthly premiums. Financial information can be obtained from Huntington Bank, Dena Best, 236 South Main Street, Findlay, Ohio 45840.

B. Ohio School Boards Association Workers' Compensation Group Rating Plan

The District participates in a group rating plan for worker's compensation as established under Section 4123.29 of the Ohio Revised Code. The Ohio School Boards Association Workers' Compensation Group Rating Plan (GRP) was established through the Ohio School Boards Association (OSBA) as an insurance purchasing pool.

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 OSBA. The Executive Director of the OSBA, or his designee, serves as coordinator of the GRP. Each year, the participants pay an enrollment fee to the GRP to cover the costs of administering the program.

Note 22 - Contingencies

A. Grants

The District received financial assistance from federal and state agencies in the form of grants. The expenditure of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and is subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the General Fund or other applicable funds. However, in the opinion of management, any such disallowed claims will not have a material adverse effect on the overall financial position of the District at June 30, 2013.

B. Litigation

There are currently no matters in litigation with the District as defendant.

**OTSEGO LOCAL SCHOOL DISTRICT
WOOD COUNTY**

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

FEDERAL GRANTOR <i>Pass Through Grantor</i> Program Title	Federal CFDA Number	Receipts	Disbursements
UNITED STATES DEPARTMENT OF AGRICULTURE			
<i>Passed Through Ohio Department of Education:</i>			
<u>Child Nutrition Cluster:</u>			
School Breakfast Program	10.553	\$41,937	\$41,937
National School Lunch Program	10.555		
Cash Assistance		200,222	200,222
Non-Cash Assistance (Commodities)		41,568	41,568
Total National School Lunch Program		<u>241,790</u>	<u>241,790</u>
Total Child Nutrition Cluster		283,727	283,727
State Administrative Expenses for Child Nutrition	10.560	9,909	9,909
Total U.S. Department of Agriculture		<u>293,636</u>	<u>293,636</u>
UNITED STATES DEPARTMENT OF EDUCATION			
<i>Passed Through Ohio Department of Education:</i>			
Title I Grants to Local Educational Agencies	84.010	170,850	171,520
<u>Special Education Cluster:</u>			
Special Education - Grants to States	84.027	375,461	353,592
Special Education - Preschool Grants	84.173	11,624	11,954
Total Special Education Cluster:		<u>387,085</u>	<u>365,546</u>
Improving Teacher Quality State Grants	84.367	76,869	72,652
ARRA - State Fiscal Stabilization Fund - Race-to-the-Top Incentive Grants, Recovery Act	84.395	33,561	31,458
Total U.S. Department of Education		<u>668,365</u>	<u>641,176</u>
Total Federal Awards Receipts and Expenditures		<u><u>\$962,001</u></u>	<u><u>934,812</u></u>

The accompanying notes are an integral part of this Schedule.

**OTSEGO LOCAL SCHOOL DISTRICT
WOOD COUNTY**

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

NOTE A - SIGNIFICANT ACCOUNTING POLICIES

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

NOTE B - CHILD NUTRITION CLUSTER

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

NOTE C – FOOD DONATION PROGRAM

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



Dave Yost • Auditor of State

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

Otsego Local School District
Wood County
18505 Tontogany Creek Road, P.O. Box 290
Tontogany, Ohio 43565-0290

To the Board of Education:

We have audited, in accordance with auditing standards generally accepted in the United States and the Comptroller General of the United States' *Government Auditing Standards*, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Otsego Local School District, Wood County, Ohio (the District) as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the District's basic financial statements and have issued our report thereon dated September 16, 2013, wherein we noted the District uses a special purpose framework other than generally accepted accounting principles.

Internal Control Over Financial Reporting

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

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

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

Compliance and Other Matters

As part of reasonably assuring whether the District's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial

statement amounts. However, opining on compliance with those provisions was not an objective of our audit and accordingly, we do not express an opinion. The results of our tests disclosed no instances of noncompliance or other matters we must report under *Government Auditing Standards*.

Purpose of this Report

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

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

Dave Yost
Auditor of State

Columbus, Ohio

September 16, 2013



Dave Yost • Auditor of State

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

Otsego Local School District
Wood County
18505 Tontogany Creek Road, P.O. Box 290
Tontogany, Ohio 43565-0290

To the Board of Education:

Report on Compliance for Each Major Federal Program

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

Management's Responsibility

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

Auditor's Responsibility

Our responsibility is to opine on the District's compliance for each of the District's major federal programs based on our audit of the applicable compliance requirements referred to above. Our compliance audit followed auditing standards generally accepted in the United States of America; the standards for financial audits included in the Comptroller General of the United States' *Government Auditing Standards*; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. These standards and OMB Circular A-133 require us to plan and perform the audit to reasonably assure whether noncompliance with the applicable compliance requirements referred to above that could directly and materially affect a major federal program occurred. An audit includes examining, on a test basis, evidence about the District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe our audit provides a reasonable basis for our compliance opinion on the District's major program. However, our audit does not provide a legal determination of the District's compliance.

Opinion on the Major Federal Program

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

Report on Internal Control Over Compliance

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

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

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

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



Dave Yost
Auditor of State

Columbus, Ohio

September 16, 2013

**OTSEGO LOCAL SCHOOL DISTRICT
WOOD COUNTY**

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

1. SUMMARY OF AUDITOR'S RESULTS

<i>(d)(1)(i)</i>	Type of Financial Statement Opinion	Unmodified
<i>(d)(1)(ii)</i>	Were there any material control weaknesses reported at the financial statement level (GAGAS)?	No
<i>(d)(1)(ii)</i>	Were there any significant deficiencies in internal control reported at the financial statement level (GAGAS)?	No
<i>(d)(1)(iii)</i>	Was there any reported material noncompliance at the financial statement level (GAGAS)?	No
<i>(d)(1)(iv)</i>	Were there any material internal control weaknesses reported for major federal programs?	No
<i>(d)(1)(iv)</i>	Were there any significant deficiencies in internal control reported for major federal programs?	No
<i>(d)(1)(v)</i>	Type of Major Programs' Compliance Opinion	Unmodified
<i>(d)(1)(vi)</i>	Are there any reportable findings under § .510(a)?	No
<i>(d)(1)(vii)</i>	Major Programs (list):	<u>Child Nutrition Cluster:</u> School Breakfast Program CFDA #10.553 National School Lunch Program CFDA #10.555
<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

None

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INDEPENDENT ACCOUNTANTS' REPORT ON APPLYING AGREED-UPON PROCEDURE

Otsego Local School District
Wood County
18505 Tontogany Creek Road, P.O. Box 290
Tontogany, Ohio 43565-0290

To the Board of Education:

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

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

We noted the Board amended its anti-harassment policy at its meeting on November 27, 2012 to include prohibiting harassment, intimidation, or bullying of any student "on a school bus" or by an "electronic act".

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

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

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

Dave Yost
Auditor of State

September 16, 2013

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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
OCTOBER 1, 2013**