



**OTSEGO LOCAL SCHOOL DISTRICT  
WOOD COUNTY**

**SINGLE AUDIT**

**FOR THE YEAR ENDED JUNE 30, 2001**



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

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**STATE OF OHIO**



**OTSEGO LOCAL SCHOOL DISTRICT  
WOOD COUNTY**

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## REPORT OF INDEPENDENT ACCOUNTANTS

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

To the Board of Education:

We have audited the accompanying general-purpose financial statements of Otsego Local School District (the District) as of and for the year ended June 30, 2001, as listed in the table of contents. These general-purpose financial statements are the responsibility of the District's management. Our responsibility is to express an opinion on these general-purpose financial statements based on our audit.

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

In our opinion, the general-purpose financial statements referred to above present fairly, in all material respects, the financial position of the District, as of June 30, 2001, and the results of its operations and cash flows of its proprietary fund types and nonexpendable trust funds for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report January 03, 2002, on our consideration of the District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

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

**Jim Petro**  
Auditor of State

January 3, 2002

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**OTSEGO LOCAL SCHOOL DISTRICT  
WOOD COUNTY**

**Combined Balance Sheet  
All Fund Types and Account Groups  
As of June 30, 2001**

	Governmental Fund Types			
	General	Special Revenue	Debt Service	Capital Projects
<b>ASSETS AND OTHER DEBITS</b>				
<b>Assets:</b>				
Equity in Pooled Cash and Cash Equivalents	\$1,866,877	\$168,238	\$14,970	\$295,544
Cash and Cash Equivalents: In Segregated Accounts				
Receivables:				
Taxes	5,223,265		29,194	146,543
Accounts	5,872	880		
Interfund Receivable	644			
Materials and Supplies Inventory				
Prepaid Items	5,869			
Restricted Assets:				
Equity in Pooled Cash and Cash Equivalents	43,986			
Fixed Assets				
Accumulated Depreciation				
<b>Other Debits:</b>				
Amount in Debt Service Fund for Retirement of General Long-Term Obligations Provided from General Government Resources				
<b>Total Assets and Other Debits</b>	<b>\$7,146,513</b>	<b>\$169,118</b>	<b>\$44,164</b>	<b>\$442,087</b>

Proprietary Fund Types		Fiduciary Fund Types	Account Groups		Totals (Memorandum Only)
Enterprise	Internal Service	Trust and Agency	General Fixed Assets	General Long-Term Obligations	
\$38,237	\$4,360	\$63,921			\$2,452,147
		2,980			2,980
81		90			5,399,002
6,533					6,923
700					644
					6,533
					6,569
92,597			\$7,994,285		43,986
(75,537)					8,086,882
					(75,537)
				\$14,970	14,970
				1,307,955	1,307,955
<b>\$62,611</b>	<b>\$4,360</b>	<b>\$66,991</b>	<b>\$7,994,285</b>	<b>\$1,322,925</b>	<b>\$17,253,054</b>

(Continued)

**OTSEGO LOCAL SCHOOL DISTRICT  
WOOD COUNTY**

**Combined Balance Sheet  
All Fund Types and Account Groups  
As of June 30, 2001  
(Continued)**

	<u>Governmental Fund Types</u>			
	<u>General</u>	<u>Special Revenue</u>	<u>Debt Service</u>	<u>Capital Projects</u>
<b>LIABILITIES, FUND EQUITY AND OTHER CREDITS</b>				
<b>Liabilities:</b>				
Accounts Payable	\$23,640	\$1,277		\$3,353
Accrued Wages and Benefits	776,887	37,502		
Compensated Absences Payable	30,786	283		
Interfund Payable				
Intergovernmental Payable	141,040	366		
Deferred Revenue	4,795,063		\$26,829	134,879
Due to Students				
Capital Leases Payable				
Energy Conservation Loan Payable				
Asbestos Removal Loan Payable				
General Obligation Bonds Payable				
	<hr/>	<hr/>	<hr/>	<hr/>
Total Liabilities	5,767,416	39,428	26,829	138,232
<b>Fund Equity and Other Credits:</b>				
Investment in General Fixed Assets				
Retained Earnings:				
Unreserved				
Fund Balances:				
Reserved for Encumbrances	113,310	15,654		30,000
Reserved for Prepaid Items	5,869			
Reserved for Debt Service Principal			14,970	
Reserved for Contributions				
Reserved for Budget Stabilization	43,986			
Reserved for Property Taxes	428,202		2,365	11,664
Unreserved, Undesignated	787,730	114,036		262,191
	<hr/>	<hr/>	<hr/>	<hr/>
Total Fund Equity and Other Credits	1,379,097	129,690	17,335	303,855
<b>Total Liabilities, Fund Equity and Other Credits</b>	<b><u>\$7,146,513</u></b>	<b><u>\$169,118</u></b>	<b><u>\$44,164</u></b>	<b><u>\$442,087</u></b>

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

Proprietary Fund Types		Fiduciary Fund Types	Account Groups		Totals (Memorandum Only)
Enterprise	Internal Service	Trust and Agency	General Fixed Assets	General Long-Term Obligations	
	\$906				\$29,176
	25,488				839,877
	16,160			\$657,236	704,465
	644				644
	15,906			98,584	255,896
	3,668				4,960,439
		\$37,645			37,645
				109,685	109,685
				105,000	105,000
				2,420	2,420
				350,000	350,000
62,772		37,645		1,322,925	7,395,247
			\$7,994,285		7,994,285
(161)	\$4,360				4,199
					158,964
					5,869
					14,970
		27,980			27,980
					43,986
					442,231
		1,366			1,165,323
(161)	4,360	29,346	7,994,285		9,857,807
<b>\$62,611</b>	<b>\$4,360</b>	<b>\$66,991</b>	<b>\$7,994,285</b>	<b>\$1,322,925</b>	<b>\$17,253,054</b>

**OTSEGO LOCAL SCHOOL DISTRICT  
WOOD COUNTY**

**Combined Statement of Revenues, Expenditures and Changes in Fund Balances  
All Governmental and Similar Fiduciary Fund Types  
For the Year Ended June 30, 2001**

	<u>Governmental Fund Types</u>	
	<u>General</u>	<u>Special Revenue</u>
<b>Revenues:</b>		
Intergovernmental	\$5,669,746	\$477,606
Interest	157,361	
Tuition and Fees	144,963	
Rent	1,410	
Extracurricular Activities		93,192
Gifts and Donations	104,140	9,699
Customer Services		756
Property and Other Local Taxes	4,975,351	
Miscellaneous	68,336	26,451
Total Revenues	<u>11,121,307</u>	<u>607,704</u>
<b>Expenditures:</b>		
Instruction:		
Regular	4,875,095	141,159
Special	1,070,815	276,667
Vocational	329,752	
Other	60,204	285
Support services:		
Pupils	522,291	7,417
Instructional Staff	276,536	30,125
Board of Education	16,545	
Administration	1,004,140	56,462
Fiscal	248,605	625
Business	1,523	2,740
Operation and Maintenance of Plant	916,373	
Pupil Transportation	723,013	10,336
Central		10,277
Non-Instructional Services	105	
Extracurricular activities	201,987	116,734
Capital Outlay	36,394	
Debt Service		
Debt Service - Principal		27,732
Debt Service - Interest		8,191
Total Expenditures	<u>10,283,378</u>	<u>688,750</u>
Excess of Revenues Over (Under) Expenditures	<u>837,929</u>	<u>(81,046)</u>
<b>Other Financing Sources and Uses</b>		
Operating Transfers In		25,000
Refund of Prior Year Expenditures	29,845	150
Other Financing Sources	(1,669)	29,515
Operating Transfers Out	(330,002)	
Total Other Financing Sources (Uses)	<u>(301,826)</u>	<u>54,665</u>
Excess of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	536,103	(26,381)
Fund Balance at Beginning of Year	842,994	156,071
<b>Fund Balance at End of Year</b>	<u><u>\$1,379,097</u></u>	<u><u>\$129,690</u></u>

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

Governmental Fund Types		Fiduciary Fund Types	Totals (Memorandum Only)
Debt Service	Capital Projects	Expendable Trust	
\$2,720	\$110,058		\$6,260,130
			157,361
			144,963
			1,410
		\$2,800	93,192
			116,639
			756
65,097	140,564		5,181,012
			94,787
<u>67,817</u>	<u>250,622</u>	<u>2,800</u>	<u>12,050,250</u>
	105,172		5,121,426
			1,347,482
			329,752
			60,489
	531		529,708
			307,192
			16,545
			1,060,602
225	1,477		250,932
			4,263
			916,373
			733,349
			10,277
		3,300	3,405
			318,721
	200,088		236,482
50,254			77,986
<u>25,772</u>			<u>33,963</u>
<u>76,251</u>	<u>307,268</u>	<u>3,300</u>	<u>11,358,947</u>
<u>(8,434)</u>	<u>(56,646)</u>	<u>(500)</u>	<u>691,303</u>
	214,002		239,002
			29,995
			27,846
			(330,002)
	<u>214,002</u>		<u>(33,159)</u>
(8,434)	157,356	(500)	658,144
25,769	146,499	1,866	1,173,199
<u>\$17,335</u>	<u>\$303,855</u>	<u>\$1,366</u>	<u>\$1,831,343</u>

**OTSEGO LOCAL SCHOOL DISTRICT  
WOOD COUNTY**

**Combined Statement of Revenues, Expenditures and Changes in Fund Balances  
Budget and Actual Comparison (Non-GAAP Budgetary Basis)  
All Governmental and Similar Fiduciary Fund Types  
For the Year Ended June 30, 2001**

	General		Variance: Favorable (Unfavorable)
	Budget	Actual	
<b>Revenues:</b>			
Intergovernmental	\$5,654,826	\$5,671,325	\$16,499
Interest	130,824	157,360	26,536
Tuition and Fees	106,650	141,227	34,577
Rent	615	1,410	795
Extracurricular Activities			
Gifts and Donations	134,471	103,390	(31,081)
Customer Services			
Property and Other Local Taxes	4,857,128	5,086,885	229,757
Miscellaneous	114,532	69,390	(45,142)
Total Revenues	10,999,046	11,230,987	231,941
<b>Expenditures:</b>			
Current:			
Instruction:			
Regular	5,257,489	4,916,965	340,524
Special	1,109,090	1,093,762	15,328
Vocational	341,769	333,514	8,255
Other	79,392	60,109	19,283
Support services:			
Pupils	558,848	517,113	41,735
Instructional Staff	294,820	277,799	17,021
Board of Education	20,456	17,108	3,348
Administration	1,082,430	998,878	83,552
Fiscal	274,724	249,751	24,973
Business	4,555	2,096	2,459
Operation and Maintenance of Plant	1,046,146	944,230	101,916
Pupil Transportation	829,232	720,920	108,312
Central			
Non-Instructional Services	355	105	250
Extracurricular activities	197,686	189,759	7,927
Capital Outlay	39,122	36,956	2,166
Debt Service			
Debt Service - Principal			
Debt Service - Interest			
Total Expenditures	11,136,114	10,359,065	777,049
Excess of Revenues Over (Under) Expenditures	(137,068)	871,922	1,008,990
<b>Other Financing Sources and Uses</b>			
Operating Transfers In	341,451	807,366	465,915
Proceeds from Sale of Fixed Assets			
Refund of Prior Year Expenditures	10,000	36,689	26,689
Advances In	28,334	40,344	12,010
Other Financing Sources		(1,669)	(1,669)
Operating Transfers Out	(1,146,451)	(1,137,367)	9,084
Advances Out			
Total Other Financing Sources (Uses)	(766,666)	(254,637)	512,029
Excess of Revenue and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	(903,734)	617,285	1,521,019
Fund Balances at Beginning of Year	1,075,833	1,075,833	
Prior Year Encumbrances Appropriated	80,434	80,434	
<b>Fund Balance at end of Year</b>	<b>\$252,533</b>	<b>\$1,773,552</b>	<b>\$1,521,019</b>

Special Revenue			Debt Service		
Budget	Actual	Variance: Favorable (Unfavorable)	Budget	Actual	Variance: Favorable (Unfavorable)
\$480,919	\$477,606	(\$3,313)	\$3,503	\$2,720	(\$783)
97,600	92,312	(5,288)			
33,850	9,699	(24,151)			
1,600	756	(844)			
43,825	26,451	(17,374)	62,598	64,455	1,857
657,794	606,824	(50,970)	66,101	67,175	1,074
186,321	179,897	6,424			
275,396	273,023	2,373			
285	285				
7,594	7,594				
40,076	33,921	6,155			
75,553	63,391	12,162			
625	625		257	225	32
2,740	2,740				
9,874	9,874				
19,315	15,527	3,788			
159,842	126,013	33,829			
			50,254	50,254	
			25,772	25,772	
777,621	712,890	64,731	76,283	76,251	32
(119,827)	(106,066)	13,761	(10,182)	(9,076)	1,106
25,000	25,000				
1,950	1,950				
29,515	29,515				
56,465	56,465				
(63,362)	(49,601)	13,761	(10,182)	(9,076)	1,106
168,353	168,353		24,046	24,046	
32,555	32,555				
<b>\$137,546</b>	<b>\$151,307</b>	<b>\$13,761</b>	<b>\$13,864</b>	<b>\$14,970</b>	<b>\$1,106</b>

(Continued)

**OTSEGO LOCAL SCHOOL DISTRICT  
WOOD COUNTY**

**Combined Statement of Revenues, Expenditures and Changes in Fund Balances  
Budget and Actual Comparison (Non-GAAP Budgetary Basis)  
All Governmental and Similar Fiduciary Fund Types  
For the Year Ended June 30, 2001  
(Continued)**

	<b>Capital Projects</b>		<b>Variance: Favorable (Unfavorable)</b>
	<b>Budget</b>	<b>Actual</b>	
<b>Revenues:</b>			
Intergovernmental	\$82,908	\$110,058	\$27,150
Interest			
Tuition and Fees			
Rent			
Extracurricular Activities			
Gifts and Donations			
Customer Services			
Property and Other Local Taxes	136,966	144,858	7,892
Miscellaneous			
Total Revenues	<u>219,874</u>	<u>254,916</u>	<u>35,042</u>
<b>Expenditures:</b>			
Current:			
Instruction:			
Regular	107,636	103,372	4,264
Special			
Vocational			
Other			
Support services:			
Pupils			
Instructional Staff	531	531	
Board of Education			
Administration	30,000	30,000	
Fiscal	1,500	1,477	23
Business			
Operation and Maintenance of Plant			
Pupil Transportation			
Central			
Non-Instructional Services			
Extracurricular activities			
Capital Outlay	205,332	200,087	5,245
Debt Service			
Debt Service - Principal			
Debt Service - Interest			
Total Expenditures	<u>344,999</u>	<u>335,467</u>	<u>9,532</u>
Excess of Revenues Over (Under) Expenditures	<u>(125,125)</u>	<u>(80,551)</u>	<u>44,574</u>
<b>Other Financing Sources and Uses</b>			
Operating Transfers In		214,001	214,001
Proceeds from Sale of Fixed Assets			
Refund of Prior Year Expenditures			
Advances In			
Other Financing Sources			
Operating Transfers Out			
Advances Out	(27,583)	(27,583)	
Total Other Financing Sources (Uses)	<u>(27,583)</u>	<u>186,418</u>	<u>214,001</u>
Excess of Revenue and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	<u>(152,708)</u>	<u>105,867</u>	<u>258,575</u>
Fund Balances at Beginning of Year	43,512	43,512	
Prior Year Encumbrances Appropriated	112,812	112,812	
<b>Fund Balance at End of Year</b>	<u><b>\$3,616</b></u>	<u><b>\$262,191</b></u>	<u><b>\$258,575</b></u>

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

Expendable Trust			Totals (Memorandum Only)		
Budget	Actual	Variance: Favorable (Unfavorable)	Budget	Actual	Variance: Favorable (Unfavorable)
			\$6,222,156	\$6,261,709	\$39,553
			130,824	157,360	26,536
			106,650	141,227	34,577
			615	1,410	795
			97,600	92,312	(5,288)
\$3,500	\$2,800	(\$700)	171,821	115,889	(55,932)
			1,600	756	(844)
			5,056,692	5,296,198	239,506
			158,357	95,841	(62,516)
<u>3,500</u>	<u>2,800</u>	<u>(700)</u>	<u>11,946,315</u>	<u>12,162,702</u>	<u>216,387</u>
			5,551,446	5,200,234	351,212
			1,384,486	1,366,785	17,701
			341,769	333,514	8,255
			79,677	60,394	19,283
			566,442	524,707	41,735
			335,427	312,251	23,176
			20,456	17,108	3,348
			1,187,983	1,092,269	95,714
			277,106	252,078	25,028
			7,295	4,836	2,459
			1,046,146	944,230	101,916
			839,106	730,794	108,312
			19,315	15,527	3,788
3,500	3,300	200	3,855	3,405	450
			357,528	315,772	41,756
			244,454	237,043	7,411
			50,254	50,254	
			25,772	25,772	
<u>3,500</u>	<u>3,300</u>	<u>200</u>	<u>12,338,517</u>	<u>11,486,973</u>	<u>851,544</u>
	<u>(500)</u>	<u>(500)</u>	<u>(392,202)</u>	<u>675,729</u>	<u>1,067,931</u>
			366,451	1,046,367	679,916
			11,950	38,639	26,689
			28,334	40,344	12,010
			29,515	27,846	(1,669)
			(1,146,451)	(1,137,367)	9,084
			(27,583)	(27,583)	
			<u>(737,784)</u>	<u>(11,754)</u>	<u>726,030</u>
	(500)	(500)	(1,129,986)	663,975	1,793,961
1,866	1,866		1,313,610	1,313,610	
			225,801	225,801	
<u>\$1,866</u>	<u>\$1,366</u>	<u>(\$500)</u>	<u>\$409,425</u>	<u>\$2,203,386</u>	<u>\$1,793,961</u>

**OTSEGO LOCAL SCHOOL DISTRICT  
WOOD COUNTY**

**Combined Statement of Revenues, Expenses and Changes in Fund Equity  
All Proprietary and Similar Fiduciary Fund Types  
For the Year Ended June 30, 2001**

	<u>Proprietary Fund Types</u>		<u>Fiduciary Fund Type</u>	<u>Totals (Memorandum Only)</u>
	<u>Enterprise</u>	<u>Internal Service</u>	<u>Nonexpendable Trust</u>	
<b>Operating Revenues:</b>				
Sales	\$345,431	\$20,745		\$366,176
Other Revenues	37,807			37,807
Total Operating Revenues	<u>383,238</u>	<u>20,745</u>		<u>403,983</u>
<b>Operating Expenses</b>				
Salaries	145,144			145,144
Fringe Benefits	73,781			73,781
Purchased Services	117,241			117,241
Materials and Supplies	237,620	20,275		257,895
Depreciation	1,232			1,232
Total Operating Expenses	<u>575,018</u>	<u>20,275</u>		<u>595,293</u>
Operating Income (Loss)	(191,780)	470		(191,310)
<b>Non-Operating Revenues and Expenses</b>				
Federal Donated Commodities	72,062			72,062
Federal and State Subsidies	71,464			71,464
Other	7,766			7,766
Total Non-Operating Revenues and Expenses	<u>151,292</u>			<u>151,292</u>
Income (Loss) Before Operating Transfers	(40,488)	470		(40,018)
Operating Transfers-In	66,000		\$25,000	91,000
Net Income	25,512	470	25,000	50,982
Retained Earnings/Fund Balances at Beginning of Year	(25,673)	3,890	2,980	(18,803)
<b>Retained Earnings/Fund Balances at End of Year</b>	<b><u>(\$161)</u></b>	<b><u>\$4,360</u></b>	<b><u>\$27,980</u></b>	<b><u>\$32,179</u></b>

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

**OTSEGO LOCAL SCHOOL DISTRICT  
WOOD COUNTY**

**Combined Statement of Cash Flow  
All Proprietary and Similar Fiduciary Fund Types  
For the Year Ended June 30, 2001**

	<u>Proprietary Fund Types</u>		<u>Fiduciary Fund Type</u>	<b>Totals (Memorandum Only)</b>
	<u>Enterprise</u>	<u>Internal Service</u>	<u>Nonexpendable Trust</u>	
<b>Increase (Decrease) in Cash and Cash Equivalents</b>				
<u>Cash Flows from Operating Activities:</u>				
Cash Received from Sales	\$345,350	\$20,868		\$366,218
Other Cash Receipts	37,807			37,807
Cash Payments to Suppliers for Goods and Service	(167,442)	(20,275)		(187,717)
Cash Payments for Contract Services	(117,241)			(117,241)
Cash Payments for Employee Services	(142,189)			(142,189)
Cash Payments for Employee Benefits	(73,087)			(73,087)
Net Cash Provided (Used) by Operating Activities	(116,802)	593		(116,209)
<u>Cash Flows from Noncapital Financing Activities:</u>				
Operating Grants Received	71,464			71,464
Transfers In	66,000		\$25,000	91,000
Other	7,766			7,766
Advances Out	(12,010)			(12,010)
Net Cash Provided by Noncapital Financing Activities	133,220		25,000	158,220
Net Increase (Decrease) in Cash and Cash Equivalents	16,418	593	25,000	42,011
Cash and Cash Equivalents at Beginning of Year	21,819	3,767	2,980	28,566
<b>Cash and Cash Equivalents at End of Year</b>	<b><u>\$38,237</u></b>	<b><u>\$4,360</u></b>	<b><u>\$27,980</u></b>	<b><u>\$70,577</u></b>
<b>Reconciliation of Operating Income to Net Cash Provided (Used) by Operating Activities:</b>				
Operating Income (Loss)	(\$191,780)	\$470		(\$191,310)
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:				
Depreciation	1,232			1,232
Donated Commodities Used During the Year	72,062			72,062
Adjustments to Capital Outlay	(635)			(635)
(Increase) Decrease in Assets:				
Accounts Receivable	(81)	123		42
Material and Supplies Inventory	(4,365)			(4,365)
Prepaid Items	(700)			(700)
Increase (Decrease) in Liabilities:				
Compensated Absences Payable	(4,147)			(4,147)
Intergovernmental Payable	568			568
Deferred Revenue	2,910			2,910
Accrued Wages and Benefits	7,227			7,227
Accounts Payable	906			906
Total Adjustments	74,977	123		75,100
<b>Net Cash Provided (Used) by Operating Activities</b>	<b><u>(\$116,803)</u></b>	<b><u>\$593</u></b>		<b><u>(\$116,210)</u></b>
<b>Reconciliation of Nonexpendable Trust Fund Cash Balance as of June 30, 2001:</b>				
Cash and Cash Equivalents - Trust and Agency Funds				\$66,901
Less: Expendable Trust Funds				(1,366)
Less: Agency Funds				(37,555)
<b>Cash and Cash Equivalents - Nonexpendable Trust Funds</b>				<b><u>\$27,980</u></b>

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

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**OTSEGO LOCAL SCHOOL DISTRICT  
WOOD COUNTY**

**NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS  
JUNE 30, 2001**

**1. DESCRIPTION OF THE SCHOOL DISTRICT**

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

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

The District currently operates three elementary schools, one middle school, and one comprehensive high school. The District employs 69 non-certified and 109 certified (including administrative) full-time and part-time employees to provide services to approximately 1,730 students in grades K through 12 and various community groups, which ranks it 330th out of approximately 612 school districts in Ohio.

**The Reporting Entity**

The District has implemented the Government Accounting Standards Board (GASB) pronouncements concerning the definition of the reporting entity. Accordingly, the District's balance sheet includes all funds, account groups, agencies, boards, commissions, and component units over which the District officials exercise oversight responsibility.

Oversight responsibility includes such aspects as appointment of governing body members, budget review, approval of property tax levies, outstanding debt secured by District full faith and credit or revenues, and responsibility for funding deficits. On this basis, there were no organizations subject to the District's oversight responsibility, which required incorporation into the financial statements.

The School District is associated with organizations, which are defined as jointly governed organizations, a related organization and group purchasing pools. These organizations include the Northwest Ohio Computer Association, the Penta Career Center, Northwestern Ohio Educational Research Council, the Weston Public Library, the Wood County Schools Benefit Association, and the OSBA Workers' Compensation Group Rating Plan. These organizations are presented in Notes 14, 15, and 16 to the general-purpose financial statements.

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

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

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

The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. All governmental fund types and expendable trust funds are accounted for using a flow of current financial resources measurement focus. With this measurement focus, only current assets and current liabilities are generally included on the balance sheet. Operating

**OTSEGO LOCAL SCHOOL DISTRICT  
WOOD COUNTY**

**NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS  
JUNE 30, 2001  
(Continued)**

statements of these funds present increases (i.e., revenues and other financing sources) and decreases (i.e., expenditures and other financing uses) in net current assets.

All proprietary fund types and nonexpendable trust funds are accounted for on a flow of economic resources measurement focus. With this measurement focus, all assets and all liabilities associated with the operation of these funds are included on the balance sheet. Proprietary fund type operating statements present increases (e.g., revenues) and decreases (e.g., expenses) in net total assets. Basis of accounting refers to when revenues and expenditures or expenses are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurements made.

The modified accrual basis of accounting is followed for the governmental fund types, expendable trust funds and agency funds. The full accrual basis of accounting is followed by the proprietary fund types and nonexpendable trust fund.

Revenue resulting from exchange transactions, in which each party gives and receives essentially equal value, is recorded on the accrual basis when the exchange takes place. On the modified accrual basis, revenue is recorded in the fiscal year in which the resources are measurable and become available. Available means the resources will be collected within the current fiscal year or are expected to be collected soon enough thereafter to be used to pay liabilities of the current fiscal year. For the School District, available means expected to be received within sixty days of fiscal year end.

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

Under the modified accrual basis, the following revenue sources are considered both measurable and available at fiscal year end: property taxes available as an advance, income taxes, grants, interest, tuition, and student fees.

**B. Fund Accounting**

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

**OTSEGO LOCAL SCHOOL DISTRICT  
WOOD COUNTY**

**NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS  
JUNE 30, 2001  
(Continued)**

**1. Governmental Funds**

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

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

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

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

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

**2. Proprietary Funds**

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

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

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

**3. Fiduciary Funds**

Trust and Agency Funds - These funds are used to account for assets held by the District in a trustee capacity or as an agent for individuals, private organizations, other governmental units, and/or other funds. These include Expendable and Nonexpendable Trust Funds and Agency Funds. Expendable Trust Funds are accounted for in essentially the same manner as Governmental funds. Nonexpendable Trust funds are accounted for

**OTSEGO LOCAL SCHOOL DISTRICT  
WOOD COUNTY**

**NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS  
JUNE 30, 2001  
(Continued)**

in essentially the same manner as Proprietary funds. Agency Funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations.

**4. Account Groups**

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

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

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

**C. Budgetary Accounting**

Budgets are adopted on a cash basis.

The District is required by State statute to adopt an annual appropriation budget for all funds.

The specific timetable for fiscal year 2001 is as follows:

1. Prior to January 15, the Treasurer submits to the Board of Education a proposed operating budget for the fiscal year commencing the following July 1. The budget includes proposed expenditures and the means of financing for all funds. A public hearing is publicized and conducted to obtain taxpayers' comments. The purpose of this Budget document is to reflect the need for existing (or increased) tax rates.
2. By no later than January 20, the Board adopted budget is filed with the County Budget Commission for rate determination.
3. Prior to April 1, the Board of Education accepts, by formal resolution, the tax rates as determined by the Budget Commission and receives the Commission's Certificate of Estimated Resources, which states the projected revenue of each fund. The annual appropriation measure (the true operating budget) is then developed at the fund, function and object level of expenditures, which are the legal levels of budgetary control.
4. A temporary appropriation measure to control cash disbursements may be passed on or about July 1 of each year for the period July 1 to September 30. An annual appropriation measure must be passed by October 1 of each year for a period July 1 to June 30. The appropriation measure may be amended or supplemented during the year, as new information becomes available. Appropriations may not exceed estimated resources.
5. The District maintains budgetary control by not permitting expenditures to exceed appropriations within each fund, function and object without approval of the Board of Education. The Board permits management to make discretionary budgetary adjustments

**OTSEGO LOCAL SCHOOL DISTRICT  
WOOD COUNTY**

**NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS  
JUNE 30, 2001  
(Continued)**

within each function and object, which are approved by the Board on a monthly basis. Any adjustments that alter the total fund appropriation require specific action of the Board.

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

The District's budget (budget basis) for all funds accounts for certain transactions on a basis, which differs from generally accepted accounting principles (GAAP basis). The major differences between the budget basis and the GAAP basis are that:

1. Revenues are recorded when received in cash for budget purposes as opposed to when susceptible to accrual for GAAP purposes.
2. Expenditures and expenses are recorded when paid in cash or encumbered for budget purposes as opposed to when the liability is incurred for GAAP purposes.

An analysis of the difference between GAAP and budgetary basis for all governmental fund types and expendable trust fund for the year ended June 30, 2001 follows:

	Excess of Revenues and Other Sources Over (Under) Expenditures and Other Uses				
	General	Special Revenue	Debt Service	Capital Projects	Expendable Trust
Budget Basis	\$617,285	(\$49,601)	(\$9,076)	\$105,867	(\$500)
Revenue Accruals	(109,681)	880	642	(4,294)	
Expenditure Accruals	(61,624)	7,209		(5,153)	
Other Financing Sources (Uses)	(47,189)	(1,800)		27,583	
Reserve for Encumbrances	137,312	16,931		33,353	
GAAP Basis	\$536,103	(\$26,381)	(\$8,434)	\$157,356	(\$500)

**D. Encumbrances**

The District is required to use the encumbrance method of accounting. Under this system, purchase orders, contracts, and other commitments for the expenditure of funds are recorded in order to reserve the portion of the applicable appropriation. At the close of each fiscal year, the unencumbered balance of each appropriation reverts to the respective fund from which it was appropriated and becomes subject to future appropriations. The encumbered appropriation balance is carried forward to the succeeding fiscal year and need not be reappropriated.

**E. Cash and Investments**

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

During 2001 investments were limited to the State Treasury Asset Reserve of Ohio (STAR Ohio) and repurchase agreements.

**OTSEGO LOCAL SCHOOL DISTRICT  
WOOD COUNTY**

**NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS  
JUNE 30, 2001  
(Continued)**

Except for nonparticipating investment contracts, investments are reported at fair value, which is based on, quoted market prices. Nonparticipating investment contracts such as repurchase agreements are reported at cost.

STAR Ohio is an investment pool managed by the State Treasurer's Office, which allows governments within the State to pool their funds for investment purposes. STAR Ohio is not registered with the SEC as an investment company, but does operate in a manner consistent with Rule 2a7 of the Investment Company Act of 1940. Investments in STAR Ohio are valued at STAR Ohio's share price, which is the price the investment could be sold for on December 31, 2001.

The Board allocates all investment earnings to the General fund and the Food Service fund. Interest revenue credited to the General fund, during fiscal 2001 totaled \$157,361, which included \$47,208 assigned from other funds of the District.

The District utilizes a financial institution to service bonded debt as principal and interest payments come due. This account did not have a balance at June 30, 2001.

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

**F. Inventory**

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

**G. Prepaids**

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

**H. Property, Plant and Equipment**

1. General Fixed Assets Account Group

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

**OTSEGO LOCAL SCHOOL DISTRICT  
WOOD COUNTY**

**NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS  
JUNE 30, 2001  
(Continued)**

2. Proprietary Funds

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

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

**I. Intergovernmental Revenues**

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

**Entitlements**

General Fund

State Foundation Program  
State Property Tax Relief

Debt Service Fund

State Property Tax Relief

Capital Projects Fund

State Property Tax Relief

**Non-Reimbursable Grants**

Special Revenue Funds

Teacher Development  
Management Information Systems  
Public School Preschool  
OECN Network Connectivity  
School Net Professional Development  
Instructional Materials Subsidy  
Public School Preschool  
Ohio Reads  
Summer School Subsidy  
Extended Learning Opportunity

**OTSEGO LOCAL SCHOOL DISTRICT  
WOOD COUNTY**

**NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS  
JUNE 30, 2001  
(Continued)**

Safe School Funding  
Ohio Environmental Education  
MS – Nontraditional Career Mini  
OMS Ohio Partners  
Title II  
Title I  
Title VI  
E-Rate  
Title VI-R

Capital Project Funds

School Net  
Technology Equity  
Vocational Education Building  
Emergency Building Repair

**Reimbursable Grants**

General Fund

School Bus Purchases  
Driver Education

Proprietary Funds

National School Lunch Program  
National School Milk Program

Grants and entitlements amounted to over 50% of the District's operating revenue during the 2001 fiscal year.

**J. Interfund Transactions**

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

1. Transfers of resources from one fund to another fund through which resources are to be expended are recorded as operating transfers.
2. Reimbursements from one fund to another are treated as expenditures/expenses in the reimbursing fund and a reduction in expenditures/expenses in the reimbursed fund.
3. Short-term interfund loans are reflected as interfund receivables and interfund payables.

**OTSEGO LOCAL SCHOOL DISTRICT  
WOOD COUNTY**

**NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS  
JUNE 30, 2001  
(Continued)**

**K. Compensated Absences**

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

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

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

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

**L. Long-Term Obligations**

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

**M. Restricted Assets**

Restricted assets in the general fund represent cash and cash equivalents whose use is limited by legal requirements. Restricted assets consist of amounts required to be set aside to establish a reserve for budget stabilization. See Note 18 for the calculation of the year-end restricted asset balance and the corresponding fund balance reserves.

**OTSEGO LOCAL SCHOOL DISTRICT  
WOOD COUNTY**

**NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS  
JUNE 30, 2001  
(Continued)**

**N. Fund Balance Reserves**

The School District reserves those portions of fund equity which are legally segregated for a specific future use or which do not represent available expendable resources and therefore are not available for appropriation or expenditure. Unreserved fund balance indicates that portion of fund equity, which is available for appropriation in future periods. Fund equity reserves have been established for Encumbrances, Prepaid Items, Debt Service Principal, Contributions, Property Taxes and Budget Stabilization.

The reserve for property taxes represents taxes recognized as revenue under generally accepted accounting principles but not available for appropriation under State statute. The reserve for Contributions signifies the legal restrictions on the use of principal.

**O. Memorandum Only - Total Columns**

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

**P. Estimates**

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

**Q. Statement of Cash Flows**

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

**3. ACCOUNTABILITY**

At June 30, 2001, the Public School Preschool, Title I, and Lunchroom Funds had a deficit fund balance of \$632, \$2,314, and \$19,643, which were created by the application of generally accepted accounting principles. The General Fund provides transfers to cover deficit balances; however, this is done when cash is needed rather than when accruals occur.

**4. EQUITY IN POOLED CASH AND INVESTMENTS**

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

**OTSEGO LOCAL SCHOOL DISTRICT  
WOOD COUNTY**

**NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS  
JUNE 30, 2001  
(Continued)**

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

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

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

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

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

1. United States Treasury Notes, Bills, Bonds, or any other obligation or security issued by the United States Treasury or any other obligation guaranteed as to principal and interest by the United States;
2. Bonds, Notes, Debentures, or any other obligations or securities issued by any federal government agency or instrumentality, including but not limited to, the Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, Government National Mortgage Association, and Student Loan Marketing Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
3. Written repurchase agreements in the securities listed above provided that the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least two percent and be marked to market daily, and that the term of the agreement must not exceed thirty days;
4. Bonds and other obligations of the State of Ohio;
5. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2) and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions;
6. The State Treasurer's investment pool (STAR Ohio);

**OTSEGO LOCAL SCHOOL DISTRICT  
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**NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS  
JUNE 30, 2001  
(Continued)**

7. Certain bankers' acceptances and commercial paper notes for a period not to exceed one hundred and eighty days from the date of purchase in an amount not to exceed twenty-five percent of the interim moneys available for investment at any one time; and,
8. Under limited circumstances, corporate debt instruments rated in either of the two highest rating classifications by at least two nationally recognized rating agencies.  
Investments in stripped principal or interest obligations, reverse repurchase agreements and derivatives are prohibited. The issuance of taxable notes for the purpose of arbitrage, the use of leverage and short selling are also prohibited. An investment must mature within five years from the date of purchase unless matched to a specific obligation or debt of the District, and must be purchased with the expectation that it will be held to maturity. Investments may only be made through specified dealers and institutions. Payment for investments may be made only upon delivery of the securities representing the investments to the Treasurer or qualified trustee or, if the securities are not represented by a certificate, upon receipt of confirmation of transfer from the custodian.

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

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

*Deposits:* At year-end the carrying amount of the District's deposits was \$1,853,088 and the bank balance was \$2,064,359 Of the bank balance:

1. \$200,000 was covered by federal deposit insurance.
2. \$1,864,359 was uninsured and uncollateralized. Although all statutory requirements for the deposit of money had been followed, noncompliance with federal requirements could potentially subject the District held to a successful claim by the FDIC.

*Investments:* The District's investments are required to be categorized to give an indication of the level of risk assumed by the District at year end. Category 1 includes investments that are insured or registered or for which the securities are held by the District or its agent in the District's name. Category 2 includes uninsured and unregistered investments for which the securities are held by the counterparty's trust department or agent in the District's name. Category 3 includes uninsured and unregistered investments for which the securities are held by the counterparty, or by its trust department or agent but not in the District's name. STAR Ohio is an unclassified investment since it is not evidenced by securities that exist in physical or book entry form.

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	Category of Risk 3	Reported Amount	Fair Value
Repurchase Agreements	\$368,887	\$368,887	\$368,887
Not Subject to Categorization:			
Investment in State Treasurer's Investment Pool		276,538	276,538
Total Investments	\$368,887	\$645,425	\$645,425

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

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

	Cash and Cash Equivalents	Investments
GASB Statement No. 9	\$2,499,113	
Cash on Hand	(600)	
Investments:		
Repurchase Agreement	(368,887)	\$368,887
STAR Ohio	(276,538)	276,538
GASB Statement No. 3	\$1,853,088	\$645,425

**5. PROPERTY TAXES**

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

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

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

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

The assessed value upon which the 2001 taxes were collected was \$149,716,889. Agricultural/Residential and public utility real estate represented 83% or \$123,580,870 of this total; Commercial and Industrial real estate represented 7% or \$10,161,870; public utility tangible 7% or \$10,880,130 and general tangible property 3% or \$5,094,0190. The voted general tax rate for

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operations at the fiscal year ended June 30, 2001 was \$59.90 per \$1,000.00 of assessed valuation; the voted rate for debt service was \$.10 per \$1,000.00 of assessed valuation; and the voted rate for permanent improvements was \$1.60 per \$1,000.00 of assessed valuation.

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

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

Accrued property taxes receivable represent delinquent taxes outstanding and real property, personal property and public utility taxes that became measurable as of June 30, 2001. Although total property tax collections for the next fiscal year are measurable, they are not (exclusive of advances) intended to finance current year operations. The net receivable (total receivable less amount available intended to finance the current year) is therefore offset by a credit to deferred revenue.

**6. RECEIVABLES**

Receivables at June 30, 2001 consisted of taxes, accounts (rent and student fees), and intergovernmental grants and entitlements (to the extent such grants and/or entitlements relate to the current fiscal year). All receivables are considered collectible in full due to the ability to foreclose for the nonpayment of taxes and the stable condition of State programs.

A summary of the principal items of receivables follows:

	<u>Amount</u>
<u>General Fund</u>	
Taxes	\$5,223,265
Accounts	5,872
 <u>Special Revenue Fund</u>	
Accounts	880
 <u>Debt Service Fund</u>	
Taxes	29,194
 <u>Capital Projects Fund</u>	
Taxes	146,543

**7. FIXED ASSETS**

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

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<u>Asset Category</u>	<u>Balance at 6/30/00</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance at 6/30/01</u>
Land and Improvements	\$306,118			\$306,118
Buildings and Improvements	4,376,964	\$417,437		4,794,401
Capital Leased Buildings	250,990			250,990
Furniture and Equipment	1,478,952	338,269	\$13,502	1,803,719
Leased Equipment	15,162			15,162
Vehicles	823,895			823,895
<b>Totals</b>	<u><u>\$7,252,081</u></u>	<u><u>\$755,706</u></u>	<u><u>\$13,502</u></u>	<u><u>\$7,994,285</u></u>

A summary of the Proprietary fixed assets at June 30, 2001 follows:

Furniture and Equipment	\$92,597
Less: Accumulated Depreciation	<u>(75,537)</u>
Net Fixed Assets	<u><u>\$17,060</u></u>

**8. CAPITALIZED LEASES - LESSEE DISCLOSURE**

In prior years, the District has entered into capitalized leases for the acquisition of modular classrooms.

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

General fixed assets acquired by lease have been capitalized in the General Fixed Assets Account Group in an amount equal to the present value of the future minimum lease payments as of the date of their inception. A corresponding liability was recorded in the General Long-Term Obligations Account Group. Principal payments in the 2001 fiscal year totaled \$27,732. This amount is reflected as debt service principal retirement in the Special Revenue Funds.

The following is an analysis of the modular classroom under capital lease as of June 30, 2001:

General Fixed Assets:	
Modular Building, Carrying Value	\$250,990

The following is a schedule of the future minimum lease payments required under the capital lease and the present value of the future minimum lease payments as of June 30, 2001:

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General Long-Term Obligations	
Year Ending June 30,	Modular Building
2002	\$35,922
2003	35,922
2004	35,923
2005	14,967
Total Future Minimum Lease Payments	122,734
Less: Amount Representing Interest	13,049
Present Value of Future Minimum Lease Payments	\$109,685

**9. LONG-TERM OBLIGATIONS**

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

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

**A.** The following is a description of the Otsego Local School District bonds and notes outstanding as of June 30, 2001:

Purpose	Interest Rate	Issue Date	Maturity Date	Balance at 07/01/00	Retired in Fiscal 2001	Balance at 06/30/01
Asbestos Removal Loan	None	08/21/86	12/30/01	\$7,420	\$5,000	\$2,420
Asbestos Removal Loan	None	04/08/86	12/30/00	254	254	
School Energy Conservation Note	5.85%	07/01/94	07/01/04	135,000	30,000	105,000
School Facilities Improvement Bonds	5.00%	02/01/94	12/01/16	365,000	15,000	350,000
				\$507,674	\$50,254	\$457,420

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

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<u>Fiscal year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2002	\$52,420	\$23,268	\$75,688
2003	50,000	20,470	70,470
2004	50,000	17,672	67,672
2005	15,000	14,875	29,875
2006	15,000	14,125	29,125
2007-2011	105,000	56,125	161,125
2012-2016	135,000	26,375	161,375
2017	35,000	875	35,875
Total	<u>\$457,420</u>	<u>\$173,785</u>	<u>\$631,205</u>

- C. During the year ended June 30, 2001, the following changes occurred in liabilities reported in the General Long-Term Obligations Account Group. Compensated absences and the pension obligation will be paid from the fund from which the employee is paid.

	<u>Balance at 06/30/00</u>	<u>Increase</u>	<u>Decrease</u>	<u>Balance at 06/30/01</u>
General Obligation Bonds	\$365,000		\$15,000	\$350,000
General Obligation Notes	7,674		5,254	2,420
Energy Conservation Notes	135,000		30,000	105,000
Capital Leases	137,417		27,732	109,685
Pension Obligation	91,135	\$7,449		98,584
Compensated Absences	718,468		61,232	657,236
Total Long-Term Obligations	<u>\$1,454,694</u>	<u>\$7,449</u>	<u>\$139,218</u>	<u>\$1,322,925</u>

**D. Legal Debt Margin**

The Ohio Revised Code provides that voted net general obligation debt of a school district shall never exceed 9% of the total assessed valuation of the District. The code further provides that unvoted indebtedness shall not exceed 1/10 of 1% of the property valuation of the district. The effects of these debt limitations for the District at June 30, 2001 are a voted debt margin of \$13,139,490 (including available funds of \$14,970) and an unvoted debt margin of \$149,717.

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

Real property and contents have a liability limit of \$21,552,500 with 100% coinsurance.

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

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

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

**11. SEGMENT INFORMATION - ENTERPRISE FUNDS**

The District maintains three Enterprise funds to account for the operations of Food Services, Uniform School Supplies, and Rotary. The table below reflects, in a summarized format, the more significant financial data relating to the Enterprise Funds of the District as of and for the year ended June 30, 2001.

	Food Service	Uniform School Supplies	Rotary	Totals
Operating Revenues	\$327,175	\$18,256	\$37,807	\$383,238
Depreciation	1,232			1,232
Operating (loss)	(190,471)	(344)	(965)	(191,780)
Donated commodities	72,062			72,062
Grants	71,464			71,464
Other	7,766			7,766
Operating transfers in	66,000			66,000
Net income (loss)	26,821	(344)	(965)	25,512
Net working capital	(36,703)	1,098	18,384	(17,221)
Total assets	42,485	1,742	18,384	62,611
Total liabilities	62,128	644		62,772
Total equity	(19,643)	1,098	18,384	(161)

**12. DEFINED BENEFIT PENSION PLANS**

**A. School Employees Retirement System**

The District contributes to the School Employees Retirement System of Ohio (SERS), a cost-sharing multiple employer public employee retirement system administered by the School Employees Retirement Board. SERS provides basic retirement benefits, disability, survivor, and health care benefits based on eligible service credit to members and beneficiaries. Benefits are established by Chapter 3309 of the Ohio Revised Code. SERS issues a publicly available financial report that includes financial statements and required supplementary information for SERS. The report may be obtained by writing to the School Employees Retirement System, 45 North Fourth Street, Columbus, Ohio 43215-3634 or by calling (614) 222-5853.

Plan members are required to contribute 9 percent of their annual covered salary and the District is required to contribute 14 percent for 2001. The contribution rates are not determined actuarially, but are established by the School Employees Retirement Board within the rates allowed by State statute. The adequacy of the contribution rates is determined annually. The District's required contributions for pension obligations to SERS for the fiscal years ended June 30, 2001, 2000, and 1999 were \$93,094, \$66,588, and \$50,061, respectively; 57 percent

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has been contributed for fiscal year 2001 and 100 percent for the fiscal years 2000 and 1999. \$92,078, which represents the unpaid contribution for fiscal year 2001, is recorded as a liability within the respective funds and the General Long-Term Obligations Account Group.

**B. State Teachers Retirement System**

The District contributes to the State Teachers Retirement System of Ohio (STRS), a cost sharing multiple employer public employee retirement system administered by the State Teachers Retirement Board. STRS provides basic retirement benefits, disability, survivor, and health care benefits based on eligible service credit to members and beneficiaries. Benefits are established by Chapter 3307 of the Ohio Revised Code. STRS issues a publicly available financial report that includes financial statements and required supplementary information for STRS. The report may be obtained by writing to the State Teachers Retirement System, 275 East Broad Street, Columbus, Ohio 43215-3771 or by calling (614) 227-4090.

Plan members are required to contribute 9.3 percent of their annual covered salary and the District is required to contribute 14 percent. Contribution rates are established by the State Teachers Retirement Board, upon recommendation of its consulting actuary, not to exceed statutory maximum rates of 10 percent for members and 14 percent for employers. The District's required contributions for pension obligations to STRS for the fiscal years ended June 30, 2001, 2000, and 1999 were \$223,719, \$389,341, and \$377,983, respectively; 83 percent has been contributed for fiscal year 2001 and 100 percent for the fiscal years 2000 and 1999. \$113,660, which represents the unpaid contribution for fiscal year 2001, is recorded as a liability within the respective funds.

**C. Social Security System**

Effective July 1, 1991, all employees not otherwise covered by the School Employees Retirement System or the State Teachers Retirement System have an option to choose Social Security or the School Employees Retirement System/State Teachers Retirement System. As of June 30, 2001, members of the Board of Education have elected Social Security. The Board's liability is 6.2 percent of wages paid.

**13. POSTEMPLOYMENT BENEFITS**

The State Teachers Retirement System (STRS) provides comprehensive health care benefits to retirees and their dependents. Coverage includes hospitalization, physician fees, prescription drugs and reimbursement of monthly Medicare premiums. All benefit recipients and sponsored dependents are eligible for health care coverage. Pursuant to the Revised Code, the State Teachers Retirement Board has discretionary authority over how much, if any, of the health care costs will be absorbed by STRS. Most benefit recipients pay a portion of health care costs in the form of a monthly premium.

The Revised Code grants authority to STRS to provide health care coverage to benefit recipients, spouses and dependents. By Ohio law, the cost of the coverage paid from STRS funds shall be included in the employer contribution rate, currently at 14 percent of covered payroll.

The Retirement Board allocates employer contributions to the Health Care Reserve Fund from which health care benefits are paid. For the fiscal year ended June 30, 2000, the board allocated employer

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contributions equal to 8 percent of covered payroll to Health Care Reserve Fund. The balance in the Health Care Reserve Fund was \$3.419 billion on June 30, 2000. The Health Care Reserve Fund allocation for the year ended June 30, 2001 will be 4.5 percent of covered payroll.

For the year ended June 30, 2000, net health care costs paid by STRS were \$283,137,000. There were 99,011 eligible benefit recipients.

The Ohio Revised Code gives SERS the discretionary authority to provide postretirement health care to retirees and their dependents. Coverage is made available to service retirees with ten or more years of qualifying service credit, disability and survivor benefit recipients. Members retiring on or after August 1, 1989 with less than twenty-five years of service credit must pay a portion of their premium for health care. The portion is based on years of service up to a maximum of 75 percent of the premium.

After the allocation for the basic benefits, the remainder of the employer's 14 percent contribution is allocated to providing health care benefits. At June 30, 2000, the allocation rate is 8.45 percent. In addition, SERS levies a surcharge to fund health care benefits equal to 14 percent of the difference between a minimum pay and the member's pay, pro-rated for partial service credit. For fiscal 2000, the minimum pay has been established as \$12,400. The surcharge, added to the unallocated portion of the 14 percent employer contribution rate, provides for maintenance of the asset target level for the health care fund.

Health care benefits are financed on a pay-as-you-go basis. The target level for the health care reserve is 150 percent of annual health care expenses. Expenses for health care at June 30, 2000 were \$140,696,340 and the target level was \$211.0 million. At June 30, 2000, the Retirement System's net assets available for payment of health care benefits were \$252.3 million. The number of participants currently receiving health care benefits is approximately 50,000.

The portion of your employer contributions that were used to fund postemployment benefits can be determined by multiplying actual employer contributions times .6036, then adding the surcharge due as of June 30, 2000, as certified to your district by SERS.

**14. JOINTLY GOVERNED ORGANIZATIONS**

**A. Northern Buckeye Education Council/Northwest Ohio Computer Association**

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.

The District is a participant in the Northwest Ohio Computer Association (NWOCA), which is a program provided by NBEC. The program was formed for the purpose of applying modern technology with the aid of computers and other electronic equipment to administrative and

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instructional functions among member school districts. Total fees paid by the District to NWOCA during this fiscal year were \$39,244. Financial information can be obtained from Cindy Siler, who serves as Treasurer, at 22-900 State Route 34, Archbold, Ohio 43502.

**B. Penta Career Center**

The Penta Career Center is a distinct political subdivision of the State of Ohio operated under the direction of a Board consisting of one representative from each of the sixteen participating school districts' elected boards, which possesses its own budgeting and taxing authority. To obtain financial information write to the Penta Career Center, Carrie J. Herringshaw, who serves as Treasurer, at 30095 Oregon Road, Perrysburg, Ohio 43551.

**C. Northwestern Ohio Educational Research Council, Inc.**

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

**15. RELATED ORGANIZATION**

**Weston Public Library**

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

**16. GROUP PURCHASING POOLS**

**Wood County Schools Benefit Association**

The District has joined together with other school districts in the County to form Wood County Schools Benefit Association, a public entity risk pool currently operating as a common risk management and insurance program for 11 member school districts.

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The District pays an annual premium to Wood County Schools Benefit Association, for its general insurance coverage. It is intended that the Wood County Schools Benefit Association will be self-sustaining through member premiums and will reinsure through commercial companies for claims in excess of \$150,000 for each insured event.

**OSBA Workers' Compensation Group Rating**

The District is a member of the OSBA Workers' Compensation Group Rating Program established in April 1991. The program was created by the Ohio Schools Boards Association as a result of the Workers' Compensation group rating plan as defined in 4123.29, Ohio Revised Code. The group rating plan will allow school districts to group together to potentially achieve a lower premium rate than they may otherwise be able to acquire as individual employers.

**17. CONTINGENT LIABILITIES**

**A. Grants**

The District receives significant financial assistance from numerous federal, state and local agencies in the form of grants. The disbursement of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and is subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the General Fund or other applicable funds. However in the opinion of management, any such disallowed claims will not have a material effect on any of the financial statements of the individual fund types included herein or on the overall financial position of the District at June 30, 2001.

**B. Litigation**

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

**18. SET-ASIDE CALCULATIONS AND FUND RESERVES**

The School District is required by State statute to annually set aside in the general fund an amount based on a statutory formula for the purchase of textbooks and other instructional materials and an equal amount for the acquisition and construction of capital improvements. Amounts not spent by year-end or offset by similarly restricted resources received during the year must be held in cash at year-end and carried forward to be used for the same purposes in future years. The School District is also required to set aside money for budget stabilization.

The following cash basis information describes the change in the year-end set-aside amounts for textbooks, capital acquisition, and budget stabilization. Disclosure of this information is required by State statute.

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	<u>Textbooks</u>	<u>Capital Acquisition</u>	<u>Budget Stabilization</u>
Set-aside Cash Balance as of June 30, 2000	(\$70,651)		\$191,724
Current Year Set-aside Requirement	221,740	\$221,740	1,757
Current Year Offsets		(135,205)	
Qualifying Disbursements	(300,375)	(86,535)	(9,427)
Legislative Reduction			(140,068)
Balance Carried Forward to FY 2002	<u>(\$149,286)</u>		<u>\$43,986</u>
Cash Balance Carried Forward to FY 2002			<u>\$43,986</u>

Although the School District had offsets and qualifying disbursements during the year that reduced the set-aside amounts to below zero, these extra amounts may be used to reduce the set-aside requirements of future years.

Effective April 10, 2001, Am. Sub. Senate Bill 345 amended Ohio Revised Code § 5705.29 effectively eliminating the requirement for the District to establish and maintain a budget stabilization reserve. S.B. 345 places special restrictions of the use of Bureau of Workers Compensation (BWC) rebate money remaining in the budget stabilization reserve as of April 10, 2001, which, after qualifying expenditures, is \$43,986 at June 30, 2001. Other non-BWC monies previously reported in the budget stabilization reserve are now reported as unreserved and undesignated fund balance in the general fund. The District is still required by state law to maintain the textbook reserve and capital acquisition reserve.

**19. STATE SCHOOL FUNDING DECISION**

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

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

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

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

In general, it is expected that the decision would result in an increase in State funding for most Ohio school districts. However, as of January 3, 2002, the Ohio General Assembly is still analyzing the impact this Supreme Court decision will have on funding for individual school districts. Further, the State of Ohio, in a motion filed September 17, 2001, asked the Court to reconsider and clarify the parts of the decision changing the school districts that are used as the basis for determining the base cost support amount and the requirement that changes be made retroactive to July 1, 2001.

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On November 2, 2001, the Court granted this motion for reconsideration. The Court may re-examine and redetermine any issue upon such reconsideration.

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

**20. CHANGE IN ACCOUNTING PRINCIPLES**

For fiscal year 2001, the School District has implemented Governmental Accounting Standards Board (GASB) Statement No. 33, "Accounting and Financial Reporting for Nonexchange Transactions" and Statement No. 36, "Recipient Reporting for Certain Shared Nonexchange Revenues". These statements establish accounting and financial reporting standards for nonexchange transactions involving financial or capital resources. The timing for the recognition of assets, liabilities, and expenditures/expenses resulting from nonexchange transactions will be the same whether the accrual or the modified accrual basis of accounting is required. However, for revenue recognition to occur on the modified accrual basis, the criteria established for accrual basis revenue recognition must be met and the revenues must be available. For the School District, the implementation of these statements had no effect on fund balances/retained earnings as previously reported for the fiscal year ended June 30, 2000.

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**OTSEGO LOCAL SCHOOL DISTRICT  
WOOD COUNTY**

**SCHEDULE OF FEDERAL AWARDS EXPENDITURES  
FOR THE YEAR ENDED JUNE 30, 2001**

<b>FEDERAL GRANTOR</b> <i>Pass Through Grantor</i> Program Title	Federal CFDA Number	Pass-through Entity Number
<b>UNITED STATES DEPARTMENT OF AGRICULTURE</b>		
<i>Passed through the State Department of Education</i>		
<u>Nutrition Cluster:</u>		
School Breakfast Program	10.553	
National School Lunch Program	10.555	
Food Distribution Program	10.550	
Total Department of Agriculture - Nutrition Cluster		
<b>UNITED STATES DEPARTMENT OF EDUCATION</b>		
<i>Passed through the State Department of Education</i>		
Title I - Grants to Local Educational Agencies	84.010	050724 C1-S1 2001 050724 C1-S1 2000
Total Title I		
Title IV - Drug Free School Grants	84.186	
Title II - Eisenhower Professional Development State Grant	84.281	050724 MS-S1 2001 050724 MS-S1 2000
Total Title II		
Title VI - Innovative Education Program Strategies	84.298	050724 C2-S1 2001
Title VI - R - Class Size Reduction Subsidy	84.340	050724 CR-S1 2001 050724 CR-S1 2000
Total VI - R		
Total Department of Education		
<b>TOTAL FEDERAL AWARDS EXPENDITURES</b>		

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

<u>Program or Award Amount</u>	<u>Cash Receipts</u>	<u>Non-cash Receipts</u>	<u>Cash Disbursements</u>	<u>Non-cash Disbursements</u>
	\$1,194		\$1,194	
	67,304		67,304	
		\$77,608		\$72,062
	<u>68,498</u>	<u>77,608</u>	<u>68,498</u>	<u>72,062</u>
\$223,059	12,676		45,662	
223,056	214,889		185,405	
	<u>227,565</u>		<u>231,067</u>	
7,231	7,228		7,228	
7,841	7,057		4,171	
7,934	5,554		5,700	
	<u>12,611</u>		<u>9,871</u>	
8,948	8,626		8,626	
41,762	41,762		36,056	
38,671			6,525	
	<u>41,762</u>		<u>42,581</u>	
	<u>297,792</u>		<u>299,373</u>	
	<u><b>\$366,290</b></u>	<u><b>\$77,608</b></u>	<u><b>\$367,871</b></u>	<u><b>\$72,062</b></u>

**OTSEGO LOCAL SCHOOL DISTRICT  
WOOD COUNTY**

**NOTES TO THE SCHEDULE OF FEDERAL AWARDS EXPENDITURES  
JUNE 30, 2001**

**NOTE A – SIGNIFICANT ACCOUNTING POLICES**

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

**NOTE B – FOOD DISTRIBUTION**

Non-monetary assistance, such as food received from the U.S. Department of Agriculture, is reported in the Schedule at the fair market value of the commodities received and consumed. Cash receipts from the U.S. Department of Agriculture are commingled with state grants. It is assumed federal monies are expended first. At June 30, 2001, the District had no significant food commodities in inventory.

**NOTE C – ENVIRONMENTAL PROTECTION AGENCY GRANT**

District received no interest loans in 1986 and 1988 from the U.S. Environmental Protection Agency under the Asbestos Removal Grant Program (CFDA 66.702). As of June 30, 2001, the District owed \$2,420 on these loans. There are no continuing compliance requirements associated with these loans.



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

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

To the Board of Education:

We have audited the financial statements of Otsego Local School District (the District) as of and for the year ended June 30, 2001, and have issued our report thereon dated January 3, 2002. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

**Compliance**

As part of obtaining reasonable assurance about whether the District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*. However, we noted a certain immaterial instance of noncompliance that does not require inclusion in this report, that we have reported to management of the District in a separate letter dated January 3, 2002.

**Internal Control Over Financial Reporting**

In planning and performing our audit, we considered the District's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses. However, we noted other matters involving the internal control over financial reporting that do not require inclusion in this report, that we have reported to management of the District in a separate letter dated January 3, 2002.

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

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

**Jim Petro**  
Auditor of State

January 3, 2002



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

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

To the Board of Education:

**Compliance**

We have audited the compliance of Otsego Local School District with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133, Compliance Supplement* that are applicable to each of its major federal programs for the year ended June 30, 2001. The District's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of the District's management. Our responsibility is to express an opinion on the District's compliance based on our audit.

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

In our opinion, the District complied, in all material respects, with the requirements referred to above that are applicable to its major federal program for the year ended June 30, 2001.

**Internal Control Over Compliance**

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

Otsego Local School District  
Wood County  
Report of Independent Accountants on Compliance with Requirements  
Applicable to Major Federal Programs and Internal Control Over  
Compliance in Accordance with OMB Circular A-133  
Page 2

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts and grants that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over compliance and its operation that we consider to be material weaknesses.

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

**Jim Petro**  
Auditor of State

January 3, 2002

**OTSEGO LOCAL SCHOOL DISTRICT  
FULTON COUNTY**

**SCHEDULE OF FINDINGS  
OMB CIRCULAR A -133 § .505  
JUNE 30, 2001**

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

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

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

None.

**3. FINDINGS FOR FEDERAL AWARDS**

None.





STATE OF OHIO  
OFFICE OF THE AUDITOR  

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**OTSEGO LOCAL SCHOOL DISTRICT**

**WOOD COUNTY**

**CLERK'S CERTIFICATION**

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

*Susan Babbitt*

**CLERK OF THE BUREAU**

**CERTIFIED  
JANUARY 24, 2002**