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STATE OF OHIO



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January 21, 2003

The attached audit was conducted and prepared for release prior to the commencement of my term of office on January 13, 2003. Thus, I am releasing this audit under the signature of my predecessor.

Betty Montgomery

BETTY MONTGOMERY
Auditor of State

**OTTAWA-GLANDORF LOCAL SCHOOL DISTRICT
PUTNAM COUNTY**

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REPORT OF INDEPENDENT ACCOUNTANTS

Ottawa-Glandorf Local School District
Putnam County
360 North Locust Street
Ottawa, Ohio 45875-1432

To the Board of Education:

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

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

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

As described in note 3 to the general-purpose financial statements, during the year ended June 30, 2002, the District reclassified its internal service fund.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 19, 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 whole. The accompanying schedule of federal awards receipts and expenditures is presented for purpose 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.

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

Jim Petro
Auditor of State

December 19, 2002

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**OTTAWA-GLANDORF LOCAL SCHOOL DISTRICT
PUTNAM COUNTY**

**Combined Balance Sheet
All Fund Types and Account Groups
As of June 30, 2002**

	Governmental Fund Types			
	General	Special Revenue	Debt Service	Capital Projects
ASSETS AND OTHER DEBITS				
Assets:				
Equity in pooled cash and cash equivalents	\$2,547,454	\$483,135	\$255,115	\$6,218,981
Investments				9,028,440
Receivables (net of allowances of uncollectibles):				
Property taxes - current and delinquent	3,800,024		79,393	163,359
Accounts	2,996	240		
Accrued interest	75,479			
Interfund loans receivable	30,000			
Due from other governments		1,440		
Loans receivable				
Materials and supplies inventory	569			
Prepayments	47,943			
Restricted assets:				
Equity in pooled cash and cash equivalents	114,530			
Property, plant and equipment (net of accumulated depreciation where applicable)				
Other Debits:				
Amount available in Debt Service Fund				
Amount to be provided for retirement of General Long-Term Obligations				
Total assets and other debits	\$6,618,995	\$484,815	\$334,508	\$15,410,780

Proprietary Fund Type	Fiduciary Fund Types	Account Groups		Total (Memorandum Only)
		General Fixed Assets	General Long-Term Obligations	
Enterprise	Trust and Agency			
\$408,434	\$48,102			\$9,961,221
				9,028,440
				4,042,776
				3,236
				75,479
				30,000
7,325				8,765
	20,623			20,623
6,517				7,086
				47,943
				114,530
71,992		\$9,669,400		9,741,392
			\$260,809	260,809
			14,713,053	14,713,053
\$494,268	\$68,725	\$9,669,400	\$14,973,862	\$48,055,353

(Continued)

**OTTAWA-GLANDORF LOCAL SCHOOL DISTRICT
PUTNAM COUNTY**

**Combined Balance Sheet
All Fund Types and Account Groups
As of June 30, 2002
(Continued)**

	<u>Governmental Fund Types</u>			
	<u>General</u>	<u>Special Revenue</u>	<u>Debt Service</u>	<u>Capital Projects</u>
LIABILITIES, EQUITY AND OTHER CREDITS				
Liabilities:				
Accounts payable	\$44,493	\$7,598		\$2,830
Accrued wages and benefits	746,834	44,204		
Compensated absences payable	4,583			
Pension obligation payable	151,042	6,746		
Interfund loans payable		30,000		
Due to other governments	30,406	1,686		
Deposits held and due to others				
Due to students				
Deferred revenue	3,359,103	1,440	\$73,699	120,060
General obligation bonds payable				
Bond anticipation notes payable				
Energy conservation notes payable				
Asbestos removal loan payable				
	<hr/>	<hr/>	<hr/>	<hr/>
Total liabilities	4,336,461	91,674	73,699	122,890
Equity and other credits:				
Investment in general fixed assets				
Contributed capital				
Retained earnings: unreserved				
Fund balances:				
Reserved for encumbrances	242,147	48,255		67,930
Reserved for materials and supplies inventory	569			
Reserved for prepayments	47,943			
Reserved for debt service			255,115	
Reserved for tax revenue				
unavailable for appropriation	227,758		5,694	43,299
Reserved for budget stabilization	32,039			
Reserved for school bus purchases	82,491			
Reserved for loans				
Designated for budget stabilization	197,862			
Designated for termination benefits		209,918		
Unreserved-undesignated	1,451,725	134,968		15,176,661
	<hr/>	<hr/>	<hr/>	<hr/>
Total equity and other credits	2,282,534	393,141	260,809	15,287,890
Total liabilities, equity and other credits	<u>\$6,618,995</u>	<u>\$484,815</u>	<u>\$334,508</u>	<u>\$15,410,780</u>

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

Proprietary Fund Type	Fiduciary Fund Types	Account Groups		Total (Memorandum Only)
		General Fixed Assets	General Long-Term Obligations	
Enterprise	Trust and Agency			
				\$54,921
\$22,695				813,733
13,769			\$913,550	931,902
18,252			73,797	249,837
				30,000
1,132				33,224
	\$3,277			3,277
	29,544			29,544
5,004				3,559,306
			450,000	450,000
			13,485,000	13,485,000
			41,500	41,500
			10,015	10,015
<u>60,852</u>	<u>32,821</u>		<u>14,973,862</u>	<u>19,692,259</u>
		\$9,669,400		9,669,400
52,546				52,546
380,870				380,870
				358,332
				569
				47,943
				255,115
				276,751
				32,039
				82,491
	20,623			20,623
				197,862
				209,918
	15,281			16,778,635
<u>433,416</u>	<u>35,904</u>	<u>9,669,400</u>		<u>28,363,094</u>
<u>\$494,268</u>	<u>\$68,725</u>	<u>\$9,669,400</u>	<u>\$14,973,862</u>	<u>\$48,055,353</u>

**OTTAWA-GLANDORF LOCAL SCHOOL DISTRICT
PUTNAM COUNTY**

**Combined Statement of Revenues, Expenditures and Changes in Fund Balances
All Governmental and Similar Fiduciary Fund Types
For the Year Ended June 30, 2002**

	Governmental Fund Types	
	General	Special Revenue
Revenues:		
From local sources:		
Taxes	\$4,318,062	
Tuition	2,730	
Earnings on investments	140,898	\$1,700
Extracurricular activities		332,767
Payment in lieu of taxes		
Other local revenues	159,444	12,408
Intergovernmental - State	5,414,043	324,718
Intergovernmental - Federal		575,696
	<u>10,035,177</u>	<u>1,247,289</u>
Expenditures:		
Current:		
Instruction:		
Regular	5,090,150	479,522
Special	1,016,894	144,415
Vocational	163,844	
Other	54,877	
Support services:		
Pupil	411,331	32,074
Instructional staff	318,418	53,525
Board of Education	35,615	
Administration	795,711	109,280
Fiscal	281,424	5,981
Business	245	
Operations and maintenance	647,045	8,236
Pupil transportation	568,619	
Central	44,726	
Community services	1,777	206,489
Extracurricular activities	231,314	212,240
Facilities acquisition and construction	48,358	
Debt service:		
Principal retirement		
Interest and fiscal charges		
	<u>9,710,348</u>	<u>1,251,762</u>
Excess of revenues over (under) expenditures	<u>324,829</u>	<u>(4,473)</u>
Other financing sources (uses):		
Proceeds of notes		
Premium and accrued interest on bonds		
Proceeds from sale of fixed assets	248	
Operating transfers in		60,933
Operating transfers out	(80,000)	(933)
	<u>(79,752)</u>	<u>60,000</u>
Excess of revenues and other financing sources over (under) expenditures and other financing (uses)	<u>245,077</u>	<u>55,527</u>
Fund balances, July 1	2,038,289	337,614
Decrease in reserve for inventory	(832)	
Fund balances, June 30	<u>\$2,282,534</u>	<u>\$393,141</u>

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

Governmental Fund Types		Fiduciary Fund Type	Total (Memorandum Only)
Debt Service	Capital Projects	Expendable Trust	
\$118,225	\$158,375		\$4,594,662
9,400	67,667		2,730
	195,840		219,665
			332,767
			195,840
		\$2,196	174,048
7,762	35,791		5,782,314
			575,696
<u>135,387</u>	<u>457,673</u>	<u>2,196</u>	<u>11,877,722</u>
	1,921		5,571,593
			1,161,309
			163,844
			54,877
			443,405
	46,187		418,130
			35,615
			904,991
2,122	4,508		294,035
			245
	199,227		854,508
			568,619
			44,726
		1,062	209,328
			443,554
			48,358
135,000			135,000
41,323			41,323
<u>178,445</u>	<u>251,843</u>	<u>1,062</u>	<u>11,393,460</u>
<u>(43,058)</u>	<u>205,830</u>	<u>1,134</u>	<u>484,262</u>
	13,485,000		13,485,000
	14,000		14,000
			248
			60,933
			(80,933)
	<u>13,499,000</u>		<u>13,479,248</u>
(43,058)	13,704,830	1,134	13,963,510
303,867	1,583,060	34,770	4,297,600
			(832)
<u>\$260,809</u>	<u>\$15,287,890</u>	<u>\$35,904</u>	<u>\$18,260,278</u>

**OTTAWA-GLANDORF LOCAL SCHOOL DISTRICT
PUTNAM COUNTY**

**Combined Statement of Revenues, Expenditures and Changes in Fund Balances
Budget and Actual Comparison (Non-GAAP Budgetary Basis)
All Governmental Fund Types
For the Year Ended June 30, 2002**

	General		
	Revised Budget	Actual	Variance: Favorable (Unfavorable)
Revenues:			
From local sources:			
Taxes	\$4,230,516	\$4,329,599	\$99,083
Tuition		2,730	2,730
Earnings on investments	242,000	116,329	(125,671)
Extracurricular activities			
Payment in lieu of taxes			
Other local revenues	236,431	156,271	(80,160)
Intergovernmental - State	4,874,362	5,414,043	539,681
Intergovernmental - Federal			
Total revenues	<u>9,583,309</u>	<u>10,018,972</u>	<u>435,663</u>
Expenditures:			
Current:			
Instruction:			
Regular	5,547,341	5,218,727	328,614
Special	972,595	1,021,253	(48,658)
Vocational	180,245	164,902	15,343
Other	57,418	55,093	2,325
Support services:			
Pupil	389,134	407,499	(18,365)
Instructional staff	322,813	316,746	6,067
Board of Education	33,391	45,115	(11,724)
Administration	816,743	808,575	8,168
Fiscal	304,366	282,905	21,461
Business	296	245	51
Operations and maintenance	732,689	699,045	33,644
Pupil transportation	595,957	622,143	(26,186)
Central	173,778	50,291	123,487
Community services		1,777	(1,777)
Extracurricular activities	216,702	222,301	(5,599)
Facilities acquisition and construction	41,130	65,858	(24,728)
Debt service:			
Principal retirement			
Interest and fiscal charges			
Total expenditures	<u>10,384,598</u>	<u>9,982,475</u>	<u>402,123</u>
Excess of revenues over (under) expenditures	<u>(801,289)</u>	<u>36,497</u>	<u>837,786</u>
Other financing sources (uses):			
Premium and accrued interest on bonds			
Proceeds from sale of bonds			
Proceeds from sale of fixed assets		248	248
Advances in			
Advances out		(30,000)	(30,000)
Operating transfers in			
Operating transfers out		(60,000)	(60,000)
Refund of prior year expenditure		1,266	1,266
Total other financing sources (uses)		<u>(88,486)</u>	<u>(88,486)</u>
Excess of revenues and other financing sources over (under) expenditures and other financing (uses)	<u>(801,289)</u>	<u>(51,989)</u>	<u>749,300</u>
Fund balances, July 1	2,201,526	2,201,526	
Prior year encumbrances appropriated	204,929	204,929	
Fund balances, June 30	<u>\$1,605,166</u>	<u>\$2,354,466</u>	<u>\$749,300</u>

Special Revenue			Debt Service		
Revised Budget	Actual	Variance: Favorable (Unfavorable)	Budget Revised	Actual	Variance: Favorable (Unfavorable)
			\$178,483	\$118,078	(\$60,405)
\$365,000	\$1,700 339,285	\$1,700 (25,715)		9,400	9,400
489,752	3,784 324,718	3,784 (165,034)	7,675	7,762	87
569,170	576,361	7,191			
1,423,922	1,245,848	(178,074)	186,158	135,240	(50,918)
579,179	498,671	80,508			
156,086	131,113	24,973			
39,696	39,889	(193)			
40,515	49,667	(9,152)			
126,732	115,985	10,747			
1,298	6,144	(4,846)	4,500	2,122	2,378
900	8,451	(7,551)			
241,831	211,943	29,888			
256,006	246,833	9,173			
			135,000	135,000	
			56,600	41,323	15,277
1,442,243	1,308,696	133,547	196,100	178,445	17,655
(18,321)	(62,848)	(44,527)	(9,942)	(43,205)	(33,263)
	30,000	30,000			
100,000	60,000	(40,000)			
	170	170			
100,000	90,170	(9,830)			
81,679	27,322	(54,357)	(9,942)	(43,205)	(33,263)
358,997	358,997		298,320	298,320	
40,943	40,943				
\$481,619	\$427,262	(\$54,357)	\$288,378	\$255,115	(\$33,263)

(Continued)

**OTTAWA-GLANDORF LOCAL SCHOOL DISTRICT
PUTNAM COUNTY**

**Combined Statement of Revenues, Expenditures and Changes in Fund Balances
Budget and Actual Comparison (Non-GAAP Budgetary Basis)
All Governmental Fund Types
For the Year Ended June 30, 2002
(Continued)**

	Capital Projects		
	Budget Revised	Actual	Variance: Favorable (Unfavorable)
Revenues:			
From local sources:			
Taxes	\$165,837	\$157,995	(\$7,842)
Tuition			
Earnings on investments	291,154	67,667	(223,487)
Extracurricular activities			
Payment in lieu of taxes	842,650	195,840	(646,810)
Other local revenues			
Intergovernmental - State	153,995	35,790	(118,205)
Intergovernmental - Federal			
Total revenues	<u>1,453,636</u>	<u>457,292</u>	<u>(996,344)</u>
Expenditures:			
Current:			
Instruction:			
Regular	1,921	1,921	
Special			
Vocational			
Other			
Support services:			
Pupil			
Instructional staff	69,443	46,307	23,136
Board of Education			
Administration			
Fiscal	4,239	4,508	(269)
Business			
Operations and maintenance	620,499	264,574	355,925
Pupil transportation			
Central			
Community services			
Extracurricular activities			
Facilities acquisition and construction		12,000	(12,000)
Debt service:			
Principal retirement			
Interest and fiscal charges			
Total expenditures	<u>696,102</u>	<u>329,310</u>	<u>366,792</u>
Excess of revenues over (under) expenditures	<u>757,534</u>	<u>127,982</u>	<u>(629,552)</u>
Other financing sources (uses):			
Premium and accrued interest on bonds		14,000	14,000
Proceeds from sale of bonds		13,485,000	13,485,000
Proceeds from sale of fixed assets			
Advances in			
Advances out			
Operating transfers in			
Operating transfers out			
Refund of prior year expenditure			
Total other financing sources (uses)		<u>13,499,000</u>	<u>13,499,000</u>
Excess of revenues and other financing sources over (under) expenditures and other financing (uses)	757,534	13,626,982	12,869,448
Fund balances, July 1	1,415,938	1,415,938	
Prior year encumbrances appropriated	133,741	133,741	
Fund balances, June 30	<u>\$2,307,213</u>	<u>\$15,176,661</u>	<u>\$12,869,448</u>

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

Total (Memorandum only)		
Budget Revised	Actual	Variance: Favorable (Unfavorable)
\$4,574,836	\$4,605,672	\$30,836
	2,730	2,730
533,154	195,096	(338,058)
365,000	339,285	(25,715)
842,650	195,840	(646,810)
236,431	160,055	(76,376)
5,525,784	5,782,313	256,529
569,170	576,361	7,191
<u>12,647,025</u>	<u>11,857,352</u>	<u>(789,673)</u>
6,128,441	5,719,319	409,122
1,128,681	1,152,366	(23,685)
180,245	164,902	15,343
57,418	55,093	2,325
428,830	447,388	(18,558)
432,771	412,720	20,051
33,391	45,115	(11,724)
943,475	924,560	18,915
314,403	295,679	18,724
296	245	51
1,354,088	972,070	382,018
595,957	622,143	(26,186)
173,778	50,291	123,487
241,831	213,720	28,111
472,708	469,134	3,574
41,130	77,858	(36,728)
135,000	135,000	
56,600	41,323	15,277
<u>12,719,043</u>	<u>11,798,926</u>	<u>920,117</u>
<u>(72,018)</u>	<u>58,426</u>	<u>130,444</u>
	14,000	14,000
	13,485,000	13,485,000
	248	248
	30,000	30,000
	(30,000)	(30,000)
100,000	60,000	(40,000)
	(60,000)	(60,000)
	1,436	1,436
<u>100,000</u>	<u>13,500,684</u>	<u>13,400,684</u>
27,982	13,559,110	13,531,128
4,274,781	4,274,781	
379,613	379,613	
<u>\$4,682,376</u>	<u>\$18,213,504</u>	<u>\$13,531,128</u>

**OTTAWA-GLANDORF LOCAL SCHOOL DISTRICT
PUTNAM COUNTY**

**Combined Statement of Revenues, Expenses and
Changes in Fund Equity
Proprietary Fund Type
For the Year Ended June 30, 2002**

	Proprietary Fund Type
	Enterprise
Operating revenues:	
Tuition and fees	\$39,702
Sales and charges for services	392,512
Other	100
Total operating revenues	432,314
Operating expenses:	
Personal services	250,555
Contract services	16,797
Materials and supplies	283,148
Depreciation	11,514
Other	70
Total operating expenses	562,084
Operating loss	(129,770)
Nonoperating revenues:	
Operating grants	64,002
Federal commodities	48,321
Interest revenue	16,904
Total nonoperating revenues	129,227
Loss before transfers	(543)
Transfer in	20,000
Net Income	19,457
Retained earnings, July 1 (restated)	381,413
Retained earnings, June 30	380,870
Contributed capital, beginning and end of year	52,546
Fund Equity, June 30	\$433,416

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

**OTTAWA-GLANDORF LOCAL SCHOOL DISTRICT
PUTNAM COUNTY**

**Combined Statement of Cash Flows
Proprietary Fund Type
For the Year Ended June 30, 2002**

	Proprietary Fund Type
	Enterprise
Cash flows from operating activities:	
Cash received from tuition and fees	\$39,702
Cash received from sales and service charges	392,512
Cash received from other operations	100
Cash payments for personal services	(251,497)
Cash payments for contract services	(18,457)
Cash payments for materials and supplies	(238,899)
Cash payments for other expenses	(70)
	(76,609)
Net cash used in operating activities	(76,609)
Cash flows from noncapital financing activities:	
Cash received from operating grants	56,677
	56,677
Cash flows from capital and related financing activities:	
Acquisition of capital assets	(4,619)
	(4,619)
Cash flows from investing activities:	
Interest received	16,905
	16,905
Net decrease in cash and cash equivalents	(7,646)
Cash and cash equivalents at beginning of year	416,080
	416,080
Cash and cash equivalents at end of year	\$408,434
Reconciliation of operating loss to net cash used in operating activities:	
Operating loss	(\$129,770)
Adjustments to reconcile operating loss to net cash used in operating activities:	
Depreciation	11,514
Federal donated commodities	48,321
Changes in assets and liabilities:	
Increase in materials and supplies inventory	(1,192)
Increase (decrease) in accounts payable	(5,695)
Increase (decrease) in accrued wages and benefits	3,773
Decrease in compensated absences payable	(6,060)
Increase in pension obligation payable	213
Increase in due to other governments	1,132
Increase in deferred revenue	1,155
	1,155
Net cash used in operating activities	(\$76,609)

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

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**OTTAWA-GLANDORF LOCAL SCHOOL DISTRICT
PUTNAM COUNTY**

**Notes to General Purpose Financial Statements
For the Fiscal Year Ended June 30, 2002**

1. DESCRIPTION OF THE SCHOOL DISTRICT

Ottawa-Glandorf Local School District (the District) is located in Putnam County and includes all of the Villages of Ottawa and Glandorf, and portions of surrounding townships. The District serves an area of approximately 66 square miles.

The District was organized in 1962, 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 2 elementary schools and 1 comprehensive high school. The District employs 78 non-certified and 120 certified (including administrative) full-time and part-time employees to provide services to approximately 1,762 students in grades K through 12 and various community groups, which ranks it 319th out of approximately 705 public and community school districts in the State.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of Ottawa-Glandorf Local School 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 School District also applies Financial Accounting Standards Board (FASB) statements and interpretations issued on or before November 30, 1989, to its proprietary activities provided they do not conflict with or contradict GASB pronouncements. The more significant of the School District's accounting policies are described below.

A. The Reporting Entity

The District's reporting entity has been defined in accordance with GASB Statement No. 14, "The Financial Reporting Entity". A reporting entity is comprised of the primary government, component units, and other organizations that are included to insure that the financial statements of the District are not misleading. The primary government consists of all funds, departments, boards, and agencies that are not legally separate from the District. For the District, this includes general operations, food service, and student related activities of the District. Component units are legally separate organizations for which the District is financially accountable. The District is financially accountable for an organization if the District appoints a voting majority of the organization's governing board and (1) the District is able to significantly influence the programs or services performed or provided by the organization; or (2) the District is legally entitled to or can otherwise access the organization's resources; the District is legally obligated or has otherwise assumed the responsibility to finance the deficits of, or provide financial support to, the organization or the District is obligated for the debt of the organization. Component units may also include organizations that are fiscally dependent on the District in that the District approves the budget, the issuance of debt, or the levying of taxes for the organization. The financial statements of the reporting entity include only those of the District (the primary government). The District has no component units. The following organizations are described due to their relationship to the District.

**OTTAWA-GLANDORF LOCAL SCHOOL DISTRICT
PUTNAM COUNTY**

**Notes to General Purpose Financial Statements
For the Fiscal Year Ended June 30, 2002
(Continued)**

JOINTLY GOVERNED ORGANIZATIONS

Northwest Ohio Area Computer Services Cooperative

The District is a participant in the Northwest Ohio Area Computer Services Cooperative (NOACSC) which is a computer consortium. NOACSC is an association of public school districts within the boundaries of Allen, Hancock, Paulding, Putnam, and Van Wert counties, and the cities of St. Marys and Wapakoneta. The organization was formed for the purpose of applying modern technology (with the aid of computers and other electronic equipment) to administrative and instructional functions among member school districts.

The governing board of NOACSC consists of two representatives from each county elected by majority vote of all charter member school districts within each county plus one representative from the fiscal agent school district. Financial information can be obtained from Michael Wildermuth, who serves as director, at 645 South Main Street, Lima, Ohio 45804.

Millstream Cooperative Career Center

The Millstream Cooperative Career Center is a distinct political subdivision of the State of Ohio established under Section 3313.90. The Career Center operates under the direction of an Advisory Council consisting of the superintendent of each participating school district and one additional representative appointed by the Findlay City School District. The Putnam and Hancock Counties Educational Service Centers serve in an ex-officio capacity for all meetings. To obtain financial information write to the Findlay City School District, Pamela Barber, Treasurer, at 227 South West Street, Findlay, Ohio 45840-3377.

The District also participates in two insurance group purchasing pools, described in Note 12.

B. Fund Accounting

The District uses funds and account groups to report on its financial position and the results of its operations. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain School District functions or activities.

A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts recording cash and other financial resources, together with all related liabilities and residual equities or balances, and changes therein, which are segregated for the purpose of carrying on specific activities or attaining certain objectives in accordance with special restrictions or limitations. An account group is a financial reporting device designed to provide accountability for certain assets and liabilities not recorded in the funds because they do not directly affect net available expendable resources.

For financial statement presentation purposes, the various funds of the School District are grouped into the following generic fund types under the broad fund categories governmental, proprietary, and fiduciary.

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

**OTTAWA-GLANDORF LOCAL SCHOOL DISTRICT
PUTNAM COUNTY**

**Notes to General Purpose Financial Statements
For the Fiscal Year Ended June 30, 2002
(Continued)**

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. The general fund balance is available to the District for any purpose, provided it is expended or transferred in accordance with applicable Ohio statute.

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

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 is the District's proprietary fund type:

Enterprise Funds - The enterprise funds are used to account for operations that are (a) 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.

3. FIDUCIARY FUNDS

Trust and Agency Funds - These funds are used to account for assets held by the County in a trustee capacity or as an agent for individuals, private organizations, other governments, and/or other funds. These include expendable trust and agency funds. Expendable trusts are accounted for in the essentially the same manner as Governmental funds. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. Agency funds are reported on a cash basis, with note disclosure regarding items which, in other fund types, would be subject to accrual.

**OTTAWA-GLANDORF LOCAL SCHOOL DISTRICT
PUTNAM COUNTY**

**Notes to General Purpose Financial Statements
For the Fiscal Year Ended June 30, 2002
(Continued)**

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.

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

C. Measurement Focus/Basis of Accounting

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

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

The modified accrual basis of accounting is followed for governmental and expendable trust funds. Under the modified accrual basis of accounting, revenues are recognized when they become both measurable and available to finance expenditures of the current period, which for the District is sixty days after the June 30 year-end. Revenues accrued at the end of the year include interest, tuition, grants and entitlements (to the extent they are intended to finance the current fiscal year), and accounts (student fees and rent). Current property taxes measurable as of June 30, 2002 but which are intended to finance fiscal 2003 operations have been recorded as deferred revenues. Delinquent property taxes measurable and available (received within 60 days) and amounts available as an advance on future tax settlements are recognized as revenue at year-end. Taxes available for advance and recognized as revenue but not received by the District prior to June 30, 2002, are reflected as a reservation of fund balance for future appropriations. The District is prohibited by law from appropriating this revenue in accordance with ORC Section 5705.35, since an advance of revenue was not requested or received prior to the fiscal year-end.

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

**OTTAWA-GLANDORF LOCAL SCHOOL DISTRICT
PUTNAM COUNTY**

**Notes to General Purpose Financial Statements
For the Fiscal Year Ended June 30, 2002
(Continued)**

specified purpose, and expenditure requirements, in which the resources are provided to the District on a reimbursement basis.

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

Expenditures (decreases in net financial resources) are recognized in the period in which the fund liability is incurred with the following exceptions: general long-term obligation principal and interest reported only when due; and the costs of accumulated unpaid vacation and sick leave are reported as expenditures in the period in which they will be liquidated with available financial resources rather than in the period earned by employees. Allocations of cost, such as depreciation and amortization, are not recognized in governmental funds.

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

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

D. Budgets

The budgetary process is prescribed by provisions of the Ohio Revised Code and entails the preparation of budgetary documents within an established timetable. The major documents prepared are the tax budget, the certificate of estimated resources, and the appropriation resolution, all of which are prepared on the budgetary basis of accounting. The certificate of estimated resources and the appropriation resolution are subject to amendment throughout the year with the legal restriction that appropriations cannot exceed estimated resources, as certified. The specific timetable for fiscal year 2002 is as follows:

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

**OTTAWA-GLANDORF LOCAL SCHOOL DISTRICT
PUTNAM COUNTY**

**Notes to General Purpose Financial Statements
For the Fiscal Year Ended June 30, 2002
(Continued)**

Estimated Resources which states the projected revenue of each fund. Prior to June 30, the District must revise its budget so that total contemplated expenditures from any fund during the ensuing year will not exceed the amount stated in the Certificate of Estimated Resources. The revised budget then serves as a basis for the appropriation measure. On or about July 1, the Certificate is amended to include any unencumbered balances from the preceding year as reported by the District Treasurer. The Certificate may be further amended during the year if projected increases or decreases in revenue are identified by the District Treasurer.

4. By July 1, the annual appropriation resolution is legally enacted by the Board of Education at the fund level of expenditures, which is the legal levels of budgetary control. (State statute permits a temporary appropriation to be effective until no later than October 1 of each year.) Resolution appropriations by fund must be within the estimated resources as certified by the County Budget Commission and the total of expenditures and encumbrances may not exceed the appropriation totals.
5. All funds, other than Agency funds, are legally required to be budgeted and appropriated. Short-term interfund loans are not required to be budgeted since they represent a temporary cash flow resource, and are intended to be repaid.
6. Any revisions that alter the total of any fund appropriation must be approved by the Board of Education.
7. Formal budgetary integration is employed as a management control device during the year for all funds consistent with the general obligation bond indenture and other statutory provisions. All departments/functions and funds completed the year within the amount of their legally authorized cash basis appropriation.
8. Appropriation amounts are as originally adopted, or as amended by the Board of Education through the year by supplemental appropriations which either reallocated or increased the original appropriated amounts. All supplemental appropriations were legally enacted by the Board during fiscal 2002.
9. Unencumbered appropriations lapse at year-end. Encumbered appropriations are carried forward to the succeeding fiscal year and need not be reappropriated. Expenditures plus encumbrances may not legally exceed budgeted appropriations at the fund, function and/or object level.

Encumbrance accounting is utilized with District funds in the normal course of operations, for purchase orders and contract-related expenditures. An encumbrance is a reserve on the available spending authority due to commitment for a future expenditure and does not represent a liability. For governmental fund types, encumbrances outstanding at year-end appear as a reservation of fund balance on a GAAP basis and as the equivalent of expenditures on a non-GAAP budgetary basis in order to demonstrate legal compliance. Note 16 provides a reconciliation of the budgetary and GAAP basis of accounting. Encumbrances for proprietary funds are disclosed in Note 13.

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

**OTTAWA-GLANDORF LOCAL SCHOOL DISTRICT
PUTNAM COUNTY**

**Notes to General Purpose Financial Statements
For the Fiscal Year Ended June 30, 2002
(Continued)**

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 fiscal 2002, investments were limited to certificates of deposit, federal agency securities and money market mutual funds.

Except for nonparticipating investment contracts, investments are reported at fair value, which is based on quoted market prices. Nonparticipating investment contracts such as non-negotiable certificates of deposit are reported at cost.

The School District allocates interest according to State statutes and Board policy. Interest revenue credited to the General Fund during fiscal year 2002 was \$140,898, which included \$93,184 assigned from other School District funds.

For purposes of the combined statement of cash flows and for presentation on the combined balance sheet, investments of the cash management pool and investments with an original maturity of three months or less at the time they are purchased by the School District are considered to be cash equivalents. Investments with an initial maturity of more than three months, and not purchased from the pool, are reported as investments.

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

F. Inventory

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

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

G. Prepaids

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

H. Fixed Assets and Depreciation

1. General Fixed Assets Account Group

General fixed assets are capitalized at cost (or estimated historical cost) and updated for the cost of additions and retirements during the year in the general fixed assets account group. Donated fixed assets are recorded at their fair market values as of the date

**OTTAWA-GLANDORF LOCAL SCHOOL DISTRICT
PUTNAM COUNTY**

**Notes to General Purpose Financial Statements
For the Fiscal Year Ended June 30, 2002
(Continued)**

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. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not capitalized. No depreciation is recognized for assets in the general fixed assets account group. The District has not included infrastructure in the general fixed asset account group.

2. Proprietary Funds

Equipment reflected in these funds is stated at historic 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 an estimated useful life of five to forty 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 (excluding commodities) are recognized as revenue when measurable and earned.

J. Interfund Transactions

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

1. Transfers of resources from one fund to another fund. The resources transferred are to be expended for operations by the receiving fund and are recorded as operating transfers, with the exception of agency funds, which do not report transfers of resources as operating transfers.
2. Reimbursements from one fund to another are treated as expenditures/expenses in the reimbursing fund and a reduction in expenditures/expenses in the reimbursed fund.
3. Short-term interfund loans made pursuant to Board of Education Resolution are reflected as "interfund loans receivable or payable." Such interfund loans are repaid in the following fiscal year.
4. Quasi-external transactions are similar to the purchase of goods or services from a vendor; i.e., the fund which provides a service records revenue, and the fund which receives that service records an expenditure/expense.
5. Residual equity transfers are non-recurring or non-routine permanent transfers of equity, generally made when a fund is closed.

An analysis of the District's interfund transactions for fiscal year 2002 is presented in Note 5.

**OTTAWA-GLANDORF LOCAL SCHOOL DISTRICT
PUTNAM COUNTY**

**Notes to General Purpose Financial Statements
For the Fiscal Year Ended June 30, 2002
(Continued)**

K. Contributed Capital

Contributed capital represents resources from other funds, other governments, and private sources provided to proprietary funds that is not subject to repayment. These assets are recorded at their fair market value on the date donated. Depreciation on those assets acquired or constructed with contributed resources is expensed and closed to unreserved retained earnings at year-end. In accordance with GASB Statement No. 33, capital contributions are recorded as revenue and a component of retained earnings at fiscal year-end. There were no capital contributions received by the enterprise funds in fiscal 2002. Contributed capital in the enterprise funds at June 30, 2002 was \$52,546.

L. Compensated Absences

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

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

M. Long-Term Obligations

In general, governmental fund payables and accrued liabilities are reported as obligations of the funds regardless of whether they will be liquidated with current resources. However, compensated absences and contractually required pension contributions that will be paid from governmental funds are reported as a liability in the general long-term obligations account group to the extent that they will not be paid with current available expendable financial resources. Payments made more than sixty days after year-end are generally considered not to have been paid with current available financial resources. Bonds, capital leases, and long-

**OTTAWA-GLANDORF LOCAL SCHOOL DISTRICT
PUTNAM COUNTY**

**Notes to General Purpose Financial Statements
For the Fiscal Year Ended June 30, 2002
(Continued)**

term loans are reported as a liability of the general long-term obligations account group until due.

Long-term debt and other obligations financed by proprietary funds are reported as liabilities in the appropriate proprietary funds.

N. Fund Reserves/Designations

Reserved fund balances indicate that portion of fund equity which is not available for current appropriation or is legally segregated for a specific use. Fund balances are reserved for encumbrances, materials and supplies inventory, prepayments, tax revenue unavailable for appropriation, budget stabilization, school bus purchases, debt service, and loans. The reserve for property taxes represents taxes recognized as revenue under GAAP, but not available for appropriation under State statute. The unreserved portions of fund equity reflected for the governmental funds are available for use within the specific purposes of those funds.

Additional amounts, set aside by the school board for budget stabilization are reported as a designation of fund balance in the general fund. A portion of the special revenue funds' fund balance has been designated for long-term termination benefits. Designations represent tentative management plans which are subject to change.

O. Parochial Schools

Within the District boundaries, Sts. Peter and Paul Elementary School is operated by the Toledo Catholic Diocese. Current state legislation provides funding to this parochial school. These monies are received and disbursed on behalf of the parochial school by the treasurer of the District, as directed by the parochial school. The receipt and expenditure of these state monies by the District is reflected in a special revenue fund for financial reporting purposes.

P. Restricted Assets

Restricted assets in the general fund represent cash and cash equivalents set aside to establish reserves for budget stabilization and school bus purchases. The budget reserve is required by state statute. See Note 18 for detail of statutory reserves. Cash is not restricted for designations of fund balance, because designations are not required by statute, and may be changed or eliminated at management's discretion.

Q. Estimates

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

R. Memorandum Only - Total Columns

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

**OTTAWA-GLANDORF LOCAL SCHOOL DISTRICT
PUTNAM COUNTY**

**Notes to General Purpose Financial Statements
For the Fiscal Year Ended June 30, 2002
(Continued)**

3. ACCOUNTABILITY AND COMPLIANCE

A. Prior Period Adjustment

In prior years the District maintained an internal service fund to account for an employee benefit in which the District paid the employees co-pays and deductibles for prescription drugs. The benefit was funded with money from the General Fund. For fiscal year 2002 the District has accounted for this activity in the General Fund.

During fiscal year 2002 the District completed a review of its fixed assets which resulted in changes to some of the previously reported fixed asset values.

These changes had the following affect on the fund balance/retained earnings as previously reported:

	<u>General</u>	<u>Enterprise</u>	<u>Internal Service</u>
Fund Balance/Retained Earnings as Previously Reported at June 30, 2001	\$1,958,779	\$339,582	\$79,510
Adjustments:			
Fund Reclassification	79,510		(79,510)
Fixed Assets		21,831	
Restated Fund Balance/Retained Earnings at July 1, 2001	<u>\$2,038,289</u>	<u>\$361,413</u>	

The change in fixed assets was not significant on the previously reported net income. The change in fund classification had the following affect on the previously reported excess of revenues over expenditures and net loss as previously reported:

	<u>General Fund</u>	<u>Internal Service</u>
Excess of revenues over expenditures and net loss as previously reported at June 30, 2001	\$199,043	(\$4,749)
Adjustment for Fund Reclassification	(4,749)	4,749
Adjusted balance at July 1, 2000	<u>\$194,294</u>	<u> </u>

B. Deficit Balances

Fund balances at June 30, 2002 included the following individual fund deficits:

<u>Special Revenue Funds:</u>	
Public School Preschool	\$6,853
Ohio Reads	22,768
Title VI	353
EHA Preschool Grants	24

**OTTAWA-GLANDORF LOCAL SCHOOL DISTRICT
PUTNAM COUNTY**

**Notes to General Purpose Financial Statements
For the Fiscal Year Ended June 30, 2002
(Continued)**

These GAAP deficits will be funded by anticipated future intergovernmental revenues or other subsidies not recognized and recorded at June 30. The General fund provides transfers for deficit balances; however, transfers are made when cash is needed rather than when accruals occur.

C. Agency Funds

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

<u>ASSETS</u>	
Accounts receivable	\$343
<u>LIABILITIES</u>	
Accounts payable	104

4. EQUITY IN POOLED CASH AND INVESTMENTS

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

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

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

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

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

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

1. United States Treasury Notes, Bills, Bonds, or any other obligation or security issued by the United States Treasury or any other obligation guaranteed as to principal and interest by the United States;
2. Bonds, notes, debentures, or any other obligations or securities issued by any federal government agency or instrumentality, including but not limited to, the Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home

**OTTAWA-GLANDORF LOCAL SCHOOL DISTRICT
PUTNAM COUNTY**

**Notes to General Purpose Financial Statements
For the Fiscal Year Ended June 30, 2002
(Continued)**

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 2% and be marked to market daily, and that the term of the agreement must not exceed thirty days;
4. Bonds and other obligations of the State of Ohio;
5. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2) and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions;
6. The State Treasurer's investment pool (STAR Ohio);
7. Certain bankers' acceptances and commercial paper notes for a period not to exceed 180 days from the date of purchase in an amount not to exceed 25% 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 \$375 in undeposited cash on hand which is included on the combined balance sheet 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 \$8,585,040 and the bank balance was \$8,667,400 (both amounts include \$8,000,000 in non-negotiable certificates of deposit). Of the bank balance:

1. \$170,814 was covered by federal deposit insurance; and
2. \$8,496,586 was uninsured and uncollateralized as defined by GASB although it was secured by collateral held by third party trustees, pursuant to Section 135.81, Ohio Revised Code, in collateralized pools securing all public funds on deposit with specific depository institutions;

**OTTAWA-GLANDORF LOCAL SCHOOL DISTRICT
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**Notes to General Purpose Financial Statements
For the Fiscal Year Ended June 30, 2002
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these securities not being in the name of the District. Although all state statutory requirements for the deposit of money had been followed, non-compliance with federal requirements could potentially subject the District 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. The U.S. Treasury money market mutual fund is an unclassified investment since it is not evidenced by securities that exist in physical or book entry form.

	Category of Risk 3	Fair Value
U.S. Government securities	\$4,972,246	\$4,972,246
Money market mutual fund	Unclassified	5,546,530
Total		\$10,518,776

The federal agency securities have maturity dates ranging from August, 2001 to April, 2006.

The classification of cash, 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 Non-Expendable Trust Funds and Governmental Entities That Use Proprietary Fund Accounting".

A reconciliation between the classifications of cash, 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:

	Equity in Pooled Cash and Cash Equivalents	Investments
GASB Statement No. 9	\$10,075,751	\$9,028,440
Investments of the cash management pool:		
U.S. Government securities	(3,943,806)	3,943,806
Money Market Mutual Fund	(5,546,530)	5,546,530
Certificates of Deposit	8,000,000	(8,000,000)
Cash on hand	(375)	
GASB Statement No. 3	\$8,585,040	\$10,518,776

5. INTERFUND TRANSACTIONS

A. The following is a breakdown of the District's interfund loans at June 30, 2002:

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**Notes to General Purpose Financial Statements
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(Continued)**

	Interfund Loans Receivable	Interfund Loans Payable
General Fund	\$30,000	
Special Revenue Fund:		
Ohio Reads		\$30,000
Total	\$30,000	\$30,000

B. The following is a reconciliation of the District's operating transfers for fiscal year 2002:

	Transfers In	Transfers Out
General Fund		\$80,000
Special Revenue Funds:		
Termination Benefits Fund	\$50,000	
District Managed Activity Fund	10,000	
EESA/NDEA	933	
Drug Free Schools Grant		933
Enterprise Fund:		
Uniform School Supplies Fund	20,000	
Total	\$80,933	\$80,933

6. PROPERTY TAXES

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

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

Public utility property taxes are assessed on tangible personal property, as well as land and improvements. Real property is assessed at varying rates of true value.

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 first \$10,000 of assessed value is exempt from taxation. The District receives a state subsidy in lieu of tax revenue which would otherwise have been collected.

The assessed value upon which the 2001 taxes were collected was \$170,173,206. Agricultural/residential and public utility/minerals real estate represented \$108,238,780 or 63.6% of this total; commercial & industrial real estate represented \$22,465,280 or 13.2% of this total, public utility tangible represented \$5,746,200 or 3.4% of this total and general tangible property represented \$33,722,946 or 19.8% of this total. The voted general tax rate at the fiscal year ended June 30, 2002 was \$22.80 per \$1,000.00 of assessed valuation for operations, \$.50 per \$1,000.00 of assessed valuation for debt service, and \$1.50 per \$1,000.00 of assessed valuation for permanent improvement.

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(Continued)**

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

Accrued property taxes receivable represent delinquent taxes outstanding and real property, personal property, and public utility taxes which became measurable as of June 30, 2002. Although total property tax collections for the next fiscal year are measurable, they are not (exclusive of advances) intended to finance current year operations. The net receivable (total receivable less amount available intended to finance the current year) is therefore offset by a credit to deferred revenue.

Taxes available for advance and recognized as revenue but not received by the District prior to June 30, 2002 are reflected as a reservation of fund balance for future appropriations. The District is prohibited by law from appropriating this revenue in accordance with ORC Section 5705.35, since an advance of revenue was not requested or received prior to the fiscal year-end. Available tax advances at June 30, 2002 totaled \$227,758 in the General fund, \$5,694 in the debt service fund and \$43,299 in the Permanent Improvements fund.

7. INCOME TAX

The District levies a voted tax of one-half percent for general obligations on the income of residents and of estates. The tax was effective January 1, 1993, and is a continuing tax. Employers of residents are required to withhold income tax on compensation and remit the tax to the State. Taxpayers are required to file an annual return. The State makes quarterly distributions to the District after withholding amounts for administrative fees and estimated refunds. Income tax revenue is credited to the general fund and in fiscal 2002 amounted to 781,459. Taxes receivable reported on the Combined Balance Sheet includes \$282,082 in income tax receivable.

8. RECEIVABLES

Receivables at June 30, 2002 consisted of taxes, accounts (billings for user charged services and student fees), accrued interest, interfund loans, loans, intergovernmental grants (to the extent that eligibility requirements have been met by year-end). Intergovernmental grants receivable have been presented as "Due from other governments" on the combined balance sheet. Taxes and intergovernmental 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 - current and delinquent	\$3,800,024
Accrued interest	75,479
Interfund loan	30,000

**OTTAWA-GLANDORF LOCAL SCHOOL DISTRICT
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**Notes to General Purpose Financial Statements
For the Fiscal Year Ended June 30, 2002
(Continued)**

<u>Debt Service Fund</u>		
Taxes - current and delinquent	79,393	
<u>Capital Projects Fund</u>		
Taxes - current and delinquent	163,359	
<u>Expendable Trust Fund</u>		
Loans receivable	20,623	

9. NOTES RECEIVABLE

The Hermiller-Lytle Scholarship Fund was established in 1974 through a will. Qualified students may borrow up to \$1,900 to pay for the costs of higher education. Repayments begin six months after termination of college attendance. Also at that time, the principal begins accruing interest at a rate of 3% per annum. At the close of fiscal year 2002, there were 35 loans outstanding, with a total principal balance of \$20,623.

10. FIXED ASSETS

During fiscal year 2002, the District completed a review of its fixed assets, which resulted in changes to some of the previously reported fixed assets values. This adjustment had the following effect on the balance previously reported in the general fixed asset account group:

	Balance 6/30/01	Adjustment	Restated Balance 7/1/01
Land/improvements	\$601,760		\$601,760
Buildings/improvements	5,077,647		5,077,647
Furniture/equipment	2,835,270	(\$624,232)	2,211,038
Vehicles	1,133,720		1,133,720
Construction-in-progress	9,411		9,411
Total	<u>\$9,657,808</u>	<u>(\$624,232)</u>	<u>\$9,033,576</u>

The following changes occurred in the general fixed assets account group during the year:

	Balance 7/1/01	Additions	Deletions	Balance 6/30/02
Land/improvements	\$601,760			\$601,760
Buildings/improvements	5,077,647	\$24,968		5,102,615
Furniture/equipment	2,211,038	571,570	(\$23,304)	2,759,304
Vehicles	1,133,720	125,720	(53,719)	1,205,721
Construction in progress	9,411	9,418	(18,829)	
Total	<u>\$9,033,576</u>	<u>\$731,676</u>	<u>(\$95,852)</u>	<u>\$9,669,400</u>

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

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**Notes to General Purpose Financial Statements
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(Continued)**

Furniture and equipment	\$220,587
Less: accumulated depreciation	<u>(148,595)</u>
Net fixed assets	<u><u>\$71,992</u></u>

11. LONG-TERM OBLIGATIONS

General Obligation Bonds: The outstanding bonds have been issued to provide funds for the acquisition and construction of equipment and facilities and 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 .80 mill bonded debt tax levy.

Bond Anticipation Notes: On June 12, 2002, the District issued \$13,485,000 in bond anticipation notes in order to renovate and add to the high school. These bond anticipation notes mature on December 12, 2002. The bond anticipation notes were retired when the District issues general obligation bonds in September of 2002. In accordance with FASB Statement No. 6, "Classification of Short-Term Obligations Expected to Be Refinanced" the bond anticipation notes are considered long-term obligations because they have been replaced with long-term bonds before the financial statements have been issued.

Energy Conservation Bonds and Asbestos Removal Loan: The outstanding bonds and loan are general obligations of the District, for which the District's full faith and credit are pledged for repayment. Accordingly, these obligations are accounted for in the general long-term obligations account group. Payments of principal and interest relating to these obligations are recorded as expenditures in the debt service fund; however, unlike general obligation bonds, Ohio statute allows for the issuance of energy conservation bonds without voter approval, and the subsequent repayment of the bonds from operating revenues. The asbestos removal loan is interest-free, providing repayment remains current.

A. The following is a description of the District's bonds, notes, and loans outstanding as of June 30, 2002:

Purpose	Interest Rates	Issue Date	Maturity Date	Balance 7/1/01	Issued/ (Retired) in Fiscal 2002	Balance 6/30/2002
Construction Bonds	7.50%	7/1/86	12/1/10	\$500,000	(\$50,000)	\$450,000
Bond Anticipation Notes	2.50%	6/12/02	12/12/02		13,485,000	13,485,000
Asbestos Removal Loan	None	5/31/94	5/31/07	12,015	(2,000)	10,015
Energy Conservation Bonds	4.00%	7/1/92	7/1/02	124,500	(83,000)	41,500
				<u>\$636,515</u>	<u>\$13,350,000</u>	<u>\$13,986,515</u>

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

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**Notes to General Purpose Financial Statements
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(Continued)**

Year Ending June 30	Principal	Interest	Total
2003	\$13,578,500	\$201,575	\$13,780,075
2004	52,000	28,125	80,125
2005	52,000	24,375	76,375
2006	52,000	20,625	72,625
2007	52,000	16,875	68,875
2008 - 2011	200,015	30,000	230,015
Total	<u>\$13,986,515</u>	<u>\$321,575</u>	<u>\$14,308,090</u>

- C. During the year ended June 30, 2002, 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.

	Balance 7/1/01	Increase	Decrease	Balance 6/30/02
Compensated absences	\$920,418		(\$6,868)	913,550
Asbestos removal loan	12,015		(2,000)	10,015
General obligation bonds	500,000		(50,000)	450,000
Bond anticipation notes		\$13,485,000		13,485,000
Pension obligation	54,788	73,797	(54,788)	73,797
Energy conservation bonds	124,500		(83,000)	41,500
Total	<u>\$1,611,721</u>	<u>\$13,558,797</u>	<u>(\$196,656)</u>	<u>\$14,973,862</u>

D. Legal Debt Margin

The Ohio Revised Code provides that voted net general obligation debt of the District shall never exceed 9% of the total assessed valuation of the District. The code further provides that unvoted indebtedness shall not exceed 1/10 of 1% of the property valuation of the District. The code further provides that unvoted indebtedness for energy conservation measures shall not exceed 9/10 of 1% of the property valuation of the District. The effects of these debt limitations at June 30, 2002 are a voted debt margin of \$1,641,396 (including available funds of \$260,809), an unvoted debt margin of \$170,173, and an unvoted energy conservation debt margin of \$1,490,059.

12. RISK MANAGEMENT

The District is exposed to various risks of loss related to torts; theft, or damage to, and destruction of assets; errors and omissions; injuries to employees and natural disaster. During fiscal year 2002, the District contracted with Indiana Insurance for property insurance and fleet insurance and with Nationwide Insurance for liability insurance.

Coverages provided by Indiana Insurance are as follows:

	<u>Deductible</u>	<u>Coverage</u>
Building and Contents - Replacement cost	\$1,000	\$20,654,151
Earthquake Coverage	5%	10,000,000
Boiler and Machinery	1,000	20,654,151
Musical Instruments	250	199,947

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**Notes to General Purpose Financial Statements
For the Fiscal Year Ended June 30, 2002
(Continued)**

Audio and Visual Equipment and Computers	250	112,279
Miscellaneous Scheduled Property	250	41,641
Automobile Liability	250	1,000,000
Commercial General Liability	-	1,000,000
Employee Benefits	1,000	1,000,000
School Leaders Errors and Omissions Liability	2,500	1,000,000
Sexual Misconduct and Molestation Liability	-	1,000,000
Umbrella Liability	-	5,000,000

Settled claims have not exceeded this commercial coverage in any of the past three years.

The District participates in the Northwest Ohio Area Computer Services Cooperative Workers' Compensation Group Rating Program (the "Plan"), an insurance purchasing pool. The Plan is intended to reduce premiums for the participants. The workers' compensation experience of the participating school districts is calculated as one experience and a common premium rate is applied to all school districts in the Plan. Each participant pays its workers' compensation premium to the State based on the rate for the Plan rather than its individual rate. Participation in the Plan is limited to educational entities that can meet the Plan's selection criteria. Each participant must apply annually. The Plan provides the participants with a centralized program for processing, analysis and management of workers' compensation claims and a risk management program to assist in developing safer work environments. Each participant must pay its premiums, enrollment or other fees, and perform its obligations in accordance with the terms of the agreement. The GRP's business and affairs are conducted by a 25 member Board of Directors consisting of two representatives from each county elected by a majority vote of all charter member schools within each county plus one representative from the fiscal agency A-site. The Treasurer of Findlay City Schools serves as coordinator of the program. Each year, the participating school districts pay an enrollment fee to the GRP to cover the costs of administering the program.

The District offers group medical, dental, and prescription insurances to all employees through Medical Mutual of Ohio. Depending upon the plan chosen, the employees share a portion of the cost of the monthly premium with the Board. The premium varies with employee depending on the terms of the union contract. Regardless of the plan utilized by the employees, all group benefit plans are traditionally funded, and the District does not retain any risk of loss.

The District provides a prescription drug benefits to employees. The District pays for the employees' prescriptions and then is reimbursed for all except the employees' co-pay and deductible through the employees' insurance coverage. The expenses and related reimbursements are accounted for in the General Fund. The District has no stop loss insurance and has not set a maximum amount payable per beneficiary; however, the District's liability is limited to the employees' unpaid deductible and maximum out of pocket expense.

Post employment health care is provided to plan participants or their beneficiaries through the respective retirement systems discussed in Note 15. As such, no funding provisions are required by the District.

13. SEGMENT INFORMATION - ENTERPRISE FUNDS

The District maintains four enterprise funds to account for the operations of Food Services, Adult Education, and Preschool/Latchkey. The table below reflects, in a summarized format, the more

**OTTAWA-GLANDORF LOCAL SCHOOL DISTRICT
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**Notes to General Purpose Financial Statements
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significant financial data relating to the Enterprise Funds of the District as of and for the year ended June 30, 2002.

	Food Services	Uniform School Supplies	Adult Education	Preschool/ Latchkey	Total
Total operating revenues	\$392,512	\$141		\$39,661	\$432,314
Depreciation expense	11,514				11,514
Total operating expenses	500,312	13,784		47,988	562,084
Operating loss	(107,800)	(13,643)		(8,327)	(129,770)
Non-operating revenues:					
Operating grants	64,002				64,002
Federal donated commodities	48,321				48,321
Interest revenue	2,304			14,600	16,904
Net income/(loss)	6,827	(13,643)		6,273	(543)
Net working capital	20,091		\$402	354,700	375,193
Total assets	129,247		402	364,619	494,268
Fixed assets:					
Acquisitions	4,619				4,619
Total liabilities	53,176			7,676	60,852
Contributed capital	52,546				52,546
Total fund equity	76,071		402	356,943	433,416
Encumbrances at 06/30/02	800				800

14. DEFINED BENEFIT PENSION PLANS

A. School Employees Retirement System

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

Plan members are required to contribute 9% of their annual covered salary and the District is required to contribute at an actuarially determined rate, which was 14% for 2002; 5.46% was the portion to fund pension obligations. The contribution rates of plan members and employers are established and may be amended by the School Employees Retirement Board, up to maximum amounts 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, 2002, 2001, and 2000 were \$68,137, \$65,176, \$81,020, respectively; 43% has been contributed for fiscal year 2002 and 100% for the fiscal years 2001 and 2000. \$38,736, which represents the unpaid contribution for fiscal year 2002, is recorded as a liability within the respective funds and the general long-term obligations account group.

**OTTAWA-GLANDORF LOCAL SCHOOL DISTRICT
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**Notes to General Purpose Financial Statements
For the Fiscal Year Ended June 30, 2002
(Continued)**

B. State Teachers Retirement System

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

Plan members are required to contribute 9.3% of their annual covered salary and the District is required to contribute 14% for 2002; 9.5% was the portion used to fund pension obligations. Contribution rates are established by the State Teachers Retirement Board, upon recommendation of its consulting actuary, not to exceed statutory maximum rates of 10% for members and 14% for employers. The District's required contributions for pension obligations to STRS for the fiscal years ended June 30, 2002, 2001, and 2000 were \$486,143, \$477,010, and \$304,379, respectively; 83% has been contributed for fiscal year 2002 and 100% for the fiscal years 2001 and 2000. \$80,797, which represents the unpaid contribution for fiscal year 2002, is recorded as a liability within the respective funds.

15. POSTEMPLOYMENT BENEFITS

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

The State Teachers Retirement Board has statutory authority over how much, if any, of the health care costs will be absorbed by STRS. Most benefit recipients pay a portion of the health care cost in the form of a monthly premium. By Ohio law, the cost of coverage paid from STRS funds shall be included in the employer contribution rate, currently 14 percent of covered payroll. For this fiscal year, the State Teachers Retirement Board allocated employer contributions equal to 4.5 percent of covered payroll to the Health Care Reserve Fund. For the District, this amount equaled \$230,279 during fiscal 2002.

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

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

For this fiscal year, employer contributions to fund health care benefits were 8.54 percent of covered payroll. In addition, SERS levies a surcharge to fund health care benefits equal to 14 percent of the difference between a minimum pay and the member's pay, pro-rated for partial

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**Notes to General Purpose Financial Statements
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service credit. For fiscal year 2002, the minimum pay has been established at \$12,400. The surcharge, added to the unallocated portion of the 14 percent employer contribution rate, provides for maintenance of the asset target level for the health care fund.

The target level for the health care reserve is 150 percent of annual health care expenses. Expenses for health care at June 30, 2001 (the latest information available), were \$161.440 million and the target level was \$242.2 million. At June 30, 2001 (the latest information available), SERS had net assets available for payment of health care benefits of \$315.7 million and SERS had approximately 50,000 participants receiving health care benefits. For the District, the amount to fund health care benefits, including surcharge, equaled \$126,337 during the 2002 fiscal year.

16. BUDGETARY BASIS OF ACCOUNTING

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

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

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

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

	Excess of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses			
	Governmental Fund Types			
	General Fund	Special Revenue Funds	Debt Service Fund	Capital Projects Funds
Budget basis	(\$51,989)	\$27,322	(\$43,205)	\$13,626,982
Net adjustment for revenue accruals	16,205	1,441	147	381
Net adjustment for expenditure accruals	(798)	1,061		6,707
Net adjustment for other financing sources/ (uses)	8,734	(30,170)		
Encumbrances	272,925	55,873		70,760
GAAP basis	\$245,077	\$55,527	(\$43,058)	\$13,704,830

**OTTAWA-GLANDORF LOCAL SCHOOL DISTRICT
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**Notes to General Purpose Financial Statements
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(Continued)**

17. CONTINGENCIES

A. Grants

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

B. Litigation

As of the balance sheet date, the District is involved in no litigation either as a plaintiff or defendant.

C. School Funding Decision

On December 11, 2002, the Ohio Supreme Court issued its latest opinion regarding the State's school funding plan. The decision reaffirmed earlier decisions that Ohio's current school-funding plan is unconstitutional.

The Supreme Court relinquished jurisdiction over the case and directed "...the Ohio General Assembly to enact a school-funding scheme that is thorough and efficient...". The School District is currently unable to determine what effect, if any, this decision will have on its future State funding and its financial operations.

18. STATUTORY RESERVES

The District is required by State law to set-aside certain (cash-basis) general fund revenue amounts, as defined by statute, into various reserves. During the fiscal year ended June 30, 2002, the reserve activity was as follows:

	Instructional Reserve	Capital Reserve	Budget Stabilization Reserve
Balance at 7/1/01	(\$19,106)		\$32,039
Required set-aside	205,379	\$205,379	
Offset credits		(61,310)	
Qualifying disbursements	(273,239)	(144,069)	
Balance at 6/30/02	<u>(\$86,966)</u>		<u>\$32,039</u>
Balance carried forward to FY 2003	<u>(86,966)</u>		<u>32,039</u>

The District had offsets and qualifying disbursements during the year for textbooks that reduced the set-aside amounts below zero. This extra amount may be used to reduce the set-aside requirements of future years for the instructional materials set-aside. The negative amount is therefore presented as being carried forward to the next fiscal year.

**OTTAWA-GLANDORF LOCAL SCHOOL DISTRICT
PUTNAM COUNTY**

**Notes to General Purpose Financial Statements
For the Fiscal Year Ended June 30, 2002
(Continued)**

The District has elected to set-aside a total of \$197,862 in excess of the statutory requirement for budget stabilization. This amount is reported as designated fund balance on the combined balance sheet.

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

Amount restricted for budgetary reserve	\$32,039
Amount restricted for school bus purchases	<u>82,491</u>
Total restricted assets	<u><u>\$114,530</u></u>

19. SIGNIFICANT SUBSEQUENT EVENTS

General Obligation Bonds

On August 27, 2002, the District issued general obligation bonds in the amount of \$13,485,000 in order retire bond anticipation notes used to finance renovations and make additions to the high school. The settlement date on these general obligation bonds is September 16, 2002.

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**OTTAWA-GLANDORF LOCAL SCHOOL DISTRICT
PUTNAM COUNTY**

**Schedule of Federal Awards Receipts and Expenditures
For the Year Ended June 30, 2002**

FEDERAL GRANTOR <i>Pass Through Grantor</i> Program Title	Pass Through Entity Number	Federal CFDA Number
UNITED STATES DEPARTMENT OF AGRICULTURE <i>Passed Through Ohio Department of Education</i>		
<u>Nutrition Cluster:</u>		
Food Distribution Program	-	10.550
National School Lunch Program	49379-LL-P4-02	10.555
Total Department of Agriculture - Nutrition Cluster		
UNITED STATES DEPARTMENT OF EDUCATION <i>Passed Through Ohio Department of Education</i>		
Title I Grants to Local Educational Agencies	49379-C1-S1-01 49379-C1-S1-02	84.010 84.010
Total Title I Grants		
<u>Special Education Cluster:</u>		
Special Education-Grants to States	49379-6B-SF-01 49379-6B-SF-02	84.027 84.027
Total Special Education Grant		
Special Education-Preschool Grants	49379-PG-S1-01 49379-PG-S1-02	84.173 84.173
Total Special Education Preschool Grants		
Total Special Education Cluster		
Safe and Drug Free Schools and Communities Grant	49379-DR-S1-02	84.186
Goals 2000 - State and Local Education Systematic Improvement	49379-G2-S2-99	84.276
Eisenhower Professional Development	49379-MS-S1-02	84.281
Innovative Educational Program Strategies	49379-C2-S1-01 49379-C2-S1-02	84.298 84.298
Total Innovative Education Program		
Technology Literacy Challenge Fund Grant	49379-TF-V2-00 49379-TF-01	84.318 84.318
Total Technology Literacy Challenge		
School Renovation, Idea, and Technology Grants	49379-AT-S1-02	84.352A
Class Size Reduction	49379-CR-S1-02	84.340
Total Department of Education		
Totals		

The accompanying notes are an integral part of this schedule.

Receipts	Non-Cash Receipts	Disbursements	Non-Cash Disbursements
	\$48,321		\$48,321
\$54,815		\$54,815	
54,815	48,321	54,815	48,321
		12,724	
95,164		75,837	
95,164		88,561	
		1,316	
125,182		108,767	
125,182		110,083	
		3,805	
9,951		9,951	
9,951		13,756	
135,133		123,839	
		7,983	
		57	
6,655		6,592	
		2,340	
10,519		10,519	
10,519		12,859	
		65,000	
65,000		196,540	
200,000		261,540	
265,000			
		16,453	
		13,008	
28,379		26,869	
565,286		541,308	
\$620,101	\$48,321	\$596,123	\$48,321

**OTTAWA-GLANDORF LOCAL SCHOOL DISTRICT
PUTNAM COUNTY**

**Notes to Schedule of Federal Awards Receipts and Expenditures
For the Fiscal Year Ended June 30, 2002**

NOTE A – SIGNIFICANT ACCOUNTING POLICIES

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

NOTE B – FOOD DISTRIBUTION

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.



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

Ottawa-Glandorf Local School District
Putnam County
360 North Locust Street
Ottawa, Ohio 45875-1432

To the Board of Education:

We have audited the financial statements of Ottawa-Glandorf Local School District (the District) as of and for the year ended June 30, 2002, and have issued our report thereon dated December 19, 2002, in which we disclosed the District reclassified its internal service fund. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*. However, we noted certain immaterial instances of noncompliance that we have reported to management of the District in a separate letter dated December 19, 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 December 19, 2002.

This report is intended for the information and use of the finance 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.

A handwritten signature in black ink, appearing to read "Jim Petro". The signature is stylized with a large loop at the end of the last name.

Jim Petro
Auditor of State

December 19, 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**

Ottawa-Glandorf Local School District
Putnam County
360 North Locust Street
Ottawa, Ohio 45875-1432

To the Board of Education:

Compliance

We have audited the compliance of Ottawa-Glandorf Local School District (the District) with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133, Compliance Supplement* that are applicable to each of its major federal programs for the year ended June 30, 2002. 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 each of its major federal programs for the year ended June 30, 2002. However, we noted a certain immaterial instance of noncompliance that we have reported to the management of District in a separate letter dated December 19, 2002.

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.

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 finance 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.

A handwritten signature in black ink, appearing to read "Jim Petro", with a large loop at the end of the signature.

Jim Petro
Auditor of State

December 19, 2002

**OTTAWA-GLANDORF LOCAL SCHOOL DISTRICT
PUTNAM COUNTY**

**Schedule of Findings
OMB Circular A -133 § .505
June 30, 2002**

1. SUMMARY OF AUDITOR'S RESULTS

(d)(1)(i)	Type of Financial Statement Opinion	Unqualified
(d)(1)(ii)	Were there any material control weakness conditions reported at the financial statement level (GAGAS)?	No
(d)(1)(ii)	Were there any other reportable control weakness conditions reported at the financial statement level (GAGAS)?	No
(d)(1)(iii)	Was there any reported material noncompliance at the financial statement level (GAGAS)?	No
(d)(1)(iv)	Were there any material internal control weakness conditions reported for major federal programs?	No
(d)(1)(iv)	Were there any other reportable internal control weakness conditions reported for major federal programs?	No
(d)(1)(v)	Type of Major Programs' Compliance Opinion	Unqualified
(d)(1)(vi)	Are there any reportable findings under §.510?	No
(d)(1)(vii)	Major Programs (list):	Technology Literacy Challenge Fund Grant CFDA #84.318 Special Education Cluster: Grants to States CFDA #84.027 Preschool Grant CFDA #84.173
(d)(1)(viii)	Dollar Threshold: Type A\B Programs	Type A: > \$300,000 Type B: All Others
(d)(1)(ix)	Low Risk Auditee?	No

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

None.

3. FINDINGS FOR FEDERAL AWARDS

None.

**OTTAWA-GLANDORF LOCAL SCHOOL DISTRICT
PUTNAM COUNTY**

**Schedule of Prior Audit Findings
OMB Circular A -133 § .315 (b)
June 30, 2002**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; Explain:
2001-10269-001	ORC § 5705.10 deficit fund cash balances	No	Some improvement has been made reducing this to a management letter comment.
2001-10269-002	ORC § 5705.41(D) certification of funds	Yes	



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OTTAWA-GLANDORF LOCAL SCHOOL DISTRICT

PUTNAM 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 30, 2003**