



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

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**STATE OF OHIO**



**OTTOVILLE LOCAL SCHOOL DISTRICT  
PUTNAM COUNTY**

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## REPORT OF INDEPENDENT ACCOUNTANTS

Ottoville Local School District  
Putnam County  
300 West Third Street  
P.O. Box 248  
Ottoville, Ohio 45876-0248

To the Board of Education:

We have audited the accompanying general-purpose financial statements of Ottoville 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 Ottoville Local School District, Putnam County, as of June 30, 2002, and the results of its operations and the cash flows of its enterprise fund 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 financial statements the District changed its method of accounting for donated commodities during fiscal year 2002.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 11, 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 horizontal line extending to the right.

**Jim Petro**  
Auditor of State

December 11, 2002

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**OTTOVILLE LOCAL SCHOOL DISTRICT  
PUTNAM COUNTY**

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

	Governmental Fund Types			
	General	Special Revenue	Debt Service	Capital Projects
<b>Assets and Other Debits:</b>				
<u>Assets:</u>				
Equity in Pooled Cash and Cash Equivalents	\$927,315	\$129,394	\$146,924	\$2,890,131
Investments				8,121,421
Receivables:				
Property Taxes	1,034,543	21,372	359,253	108,938
Accounts	359	2,632		
Intergovernmental	9,102	2,713		5,929,515
Interfund	3,859			
Accrued Interest				113,317
Inventory Held for Resale	16,187	84		
Materials and Supplies Inventory	29,037	365		
Prepaid Items	8,511	977		2,679
Restricted Assets:				
Equity in Pooled Cash and Cash Equivalents	35,863			
Fixed Assets (net, where applicable, of accumulated depreciation)				
<u>Other Debits:</u>				
Amount Available in Debt Service				
Fund for Retirement of General Long-Term Obligations				
Amount to be Provided from General Governmental Resources				
<b>Total Assets and Other Debits</b>	<b>\$2,064,776</b>	<b>\$157,537</b>	<b>\$506,177</b>	<b>\$17,166,001</b>



<u>Proprietary Fund Type</u>	<u>Fiduciary Fund Type</u>	<u>Account Groups</u>		<u>Totals (Memorandum Only)</u>
		<u>General Fixed Assets</u>	<u>General Long-Term Obligations</u>	
<u>Enterprise</u>	<u>Agency</u>			
\$14,922	\$14,071			\$4,122,757
				8,121,421
				1,524,106
	224			3,215
				5,941,330
				3,859
				113,317
3,868				20,139
1,173				30,575
				12,167
				35,863
63,135		\$9,034,382		9,097,517
			\$158,677	158,677
			4,550,695	4,550,695
<b><u>\$83,098</u></b>	<b><u>\$14,295</u></b>	<b><u>\$9,034,382</u></b>	<b><u>\$4,709,372</u></b>	<b><u>\$33,735,638</u></b>

(Continued)

**OTTOVILLE LOCAL SCHOOL DISTRICT  
PUTNAM COUNTY**

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

	<b>Governmental Fund Types</b>			
	<b>General</b>	<b>Special Revenue</b>	<b>Debt Service</b>	<b>Capital Projects</b>
<b>Liabilities, Fund Equity, and Other Credits:</b>				
<u>Liabilities:</u>				
Accounts Payable	\$29,814	\$23,506		
Contracts Payable	8,705			\$1,609,683
Accrued Wages and Benefits	295,207	115		
Retainage Payable				93,846
Compensated Absences Payable	3,035			
Intergovernmental Payable	61,837	789		
Interfund Payable			\$3,859	
Due to Students				
Deferred Revenue	990,275	20,443	343,641	5,993,093
Capital Lease Payable				
General Obligation Bonds Payable				
	<hr/>	<hr/>	<hr/>	<hr/>
Total Liabilities	1,388,873	44,853	347,500	7,696,622
<u>Fund Equity and Other Credits:</u>				
Investment in General Fixed Assets				
Retained Earnings:				
Unreserved				
Fund Balance:				
Reserved for Property Taxes	44,268	929	15,612	4,485
Reserved for Bus Purchases	35,863			
Reserved for Encumbrances	152,565	15,613		13,706,317
Unreserved (Deficit)	443,207	96,142	143,065	(4,241,423)
	<hr/>	<hr/>	<hr/>	<hr/>
Total Fund Equity and Other Credits	675,903	112,684	158,677	9,469,379
<b>Total Liabilities, Fund Equity, and Other Credits</b>	<b><u><u>\$2,064,776</u></u></b>	<b><u><u>\$157,537</u></u></b>	<b><u><u>\$506,177</u></u></b>	<b><u><u>\$17,166,001</u></u></b>

*See Accompanying Notes to the General-Purpose Financial Statements*

Proprietary Fund Type	Fiduciary Fund Type	Account Groups		Totals (Memorandum Only)
		General Fixed Assets	General Long-Term Obligations	
Enterprise	Agency			
\$170	\$137			\$53,627
				1,618,388
9,285				304,607
				93,846
5,923			\$222,940	231,898
6,492			22,678	91,796
				3,859
	14,158			14,158
				7,347,452
			238,754	238,754
			4,225,000	4,225,000
<u>21,870</u>	<u>14,295</u>		<u>4,709,372</u>	<u>14,223,385</u>
		\$9,034,382		9,034,382
61,228				61,228
				65,294
				35,863
				13,874,495
				(3,559,009)
<u>61,228</u>		<u>9,034,382</u>		<u>19,512,253</u>
<u><b>\$83,098</b></u>	<u><b>\$14,295</b></u>	<u><b>\$9,034,382</b></u>	<u><b>\$4,709,372</b></u>	<u><b>\$33,735,638</b></u>

**OTTOVILLE LOCAL SCHOOL DISTRICT  
PUTNAM COUNTY**

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

	<u>Governmental Fund Types</u>	
	<u>General</u>	<u>Special Revenue</u>
<b>Revenues:</b>		
Property Taxes	\$899,925	\$10,601
Payment in Lieu of Taxes	85,331	
Intergovernmental	2,670,376	352,350
Interest	29,960	
Tuition and Fees	51,669	
Extracurricular Activities		114,398
Gifts and Donations	3,430	1,183
Miscellaneous	19,196	
Total Revenues	<u>3,759,887</u>	<u>478,532</u>
<b>Expenditures:</b>		
Current:		
Instruction:		
Regular	2,002,746	280,368
Special	211,870	53,520
Other	22,459	825
Support Services:		
Pupils	63,359	8,839
Instructional Staff	176,087	9,256
Board of Education	14,131	
Administration	336,411	1,718
Fiscal	140,025	842
Operation and Maintenance of Plant	222,372	
Pupil Transportation	156,480	
Non-Instructional Services	90	25
Extracurricular Activities	77,106	85,852
Capital Outlay	133,541	
Debt Service:		
Principal Retirement	29,159	
Interest and Fiscal Charges	349	
Total Expenditures	<u>3,586,185</u>	<u>441,245</u>
Excess of Revenues Over (Under) Expenditures	<u>173,702</u>	<u>37,287</u>
<b>Other Financing Sources (Uses):</b>		
Proceeds from Sale of Bonds		
Proceeds from Sale of Fixed Assets	250	
Inception of Capital Lease	81,913	
Operating Transfers In		
Operating Transfers Out	<u>(259,089)</u>	
Total Other Financing Sources (Uses)	<u>(176,926)</u>	
Excess of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	(3,224)	37,287
Fund Balances at Beginning of Year	<u>679,127</u>	<u>75,397</u>
<b>Fund Balances at End of Year</b>	<b><u>\$675,903</u></b>	<b><u>\$112,684</u></b>

*See Accompanying Notes to the General-Purpose Financial Statements*

<u>Governmental Fund Types</u>		<u>Totals</u>
<u>Debt Service</u>	<u>Capital Projects</u>	<u>(Memorandum Only)</u>
\$229,310	\$94,991	\$1,234,827
		85,331
27,263	8,535,973	11,585,962
	207,641	237,601
		51,669
		114,398
		4,613
148,822	158,000	326,018
405,395	8,996,605	13,640,419
	7,599	2,290,713
		265,390
	8,552	31,836
	2,577	74,775
		185,343
		14,131
		338,129
5,626	11,034	157,527
		222,372
		156,480
		115
	1,119	164,077
	3,350,376	3,483,917
3,085,000	93,000	3,207,159
339,495	12,016	351,860
3,430,121	3,486,273	10,943,824
(3,024,726)	5,510,332	2,696,595
3,035,000		3,035,000
		250
		81,913
	259,089	259,089
		(259,089)
3,035,000	259,089	3,117,163
10,274	5,769,421	5,813,758
148,403	3,699,958	4,602,885
<b>\$158,677</b>	<b>\$9,469,379</b>	<b>\$10,416,643</b>

**OTTOVILLE LOCAL SCHOOL DISTRICT  
PUTNAM COUNTY**

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

	General Fund		Variance Favorable (Unfavorable)
	Revised Budget	Actual	
<b>Revenues:</b>			
Property Taxes	\$899,615	\$907,640	\$8,025
Payment in Lieu of Taxes	85,000	85,331	331
Intergovernmental	2,564,222	2,670,142	105,920
Interest	54,000	29,960	(24,040)
Tuition and Fees	47,400	51,045	3,645
Extracurricular Activities			
Gifts and Donations	3,250	3,430	180
Miscellaneous	7,500	18,850	11,350
Total Revenues	3,660,987	3,766,398	105,411
<b>Expenditures:</b>			
Current:			
Instruction:			
Regular	2,295,699	2,161,901	133,798
Special	219,250	210,615	8,635
Other	30,004	22,711	7,293
Support Services:			
Pupils	64,255	62,437	1,818
Instructional Staff	178,003	177,175	828
Board of Education	15,600	17,686	(2,086)
Administration	379,230	337,517	41,713
Fiscal	147,073	142,363	4,710
Operation and Maintenance of Plant	244,877	232,701	12,176
Pupil Transportation	210,924	210,222	702
Non-Instructional Services		180	(180)
Extracurricular Activities	80,413	78,464	1,949
Capital Outlay	298,794	63,787	235,007
Debt Service:			
Principal Retirement			
Interest and Fiscal Charges			
Total Expenditures	4,164,122	3,717,759	446,363
Excess of Revenues Over (Under) Expenditures	(503,135)	48,639	551,774
<b>Other Financing Sources (Uses):</b>			
Proceeds from Sale of Bonds			
Proceeds from Sale of Fixed Assets		250	250
Refund of Prior Year Expenditures	500	35	(465)
Advances In		49,218	49,218
Advances Out		(53,077)	(53,077)
Operating Transfers In			
Operating Transfers Out	(259,089)	(259,089)	
Total Other Financing Sources (Uses)	(258,589)	(262,663)	(4,074)
Excess of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	(761,724)	(214,024)	547,700
Fund Balances at Beginning of Year	872,865	872,865	
Prior Year Encumbrances Appropriated	73,965	73,965	
<b>Fund Balances (Deficit) at End of Year</b>	<b>\$185,106</b>	<b>\$732,806</b>	<b>\$547,700</b>

Special Revenue Funds			Debt Service Fund		
Revised Budget	Actual	Variance Favorable (Unfavorable)	Revised Budget	Actual	Variance Favorable (Unfavorable)
\$9,537	\$9,672	\$135	\$217,571	\$220,617	\$3,046
304,292	303,691	(601)	27,471	27,263	(208)
105,415	111,719	6,304			
1,100	1,183	83			
			148,822	148,822	
420,344	426,265	5,921	393,864	396,702	2,838
289,488	283,916	5,572			
8,516	8,512	4			
2,000	2,000				
9,690	8,628	1,062			
10,455	8,406	2,049			
1,732	1,619	113			
1,103	842	261	8,250	5,626	2,624
	25	(25)			
121,933	104,882	17,051			
			3,088,849	3,085,000	3,849
			339,495	339,495	
444,917	418,830	26,087	3,436,594	3,430,121	6,473
(24,573)	7,435	32,008	(3,042,730)	(3,033,419)	9,311
			3,035,000	3,035,000	
			49,218	53,077	3,859
				(49,218)	(49,218)
			3,084,218	3,038,859	(45,359)
(24,573)	7,435	32,008	41,488	5,440	(36,048)
68,220	68,220		141,484	141,484	
17,751	17,751				
<b>\$61,398</b>	<b>\$93,406</b>	<b>\$32,008</b>	<b>\$182,972</b>	<b>\$146,924</b>	<b>(\$36,048)</b>

(Continued)

**OTTOVILLE LOCAL SCHOOL DISTRICT  
PUTNAM COUNTY**

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

	<b>Capital Projects Funds</b>		
	<b>Revised Budget</b>	<b>Actual</b>	<b>Variance Favorable (Unfavorable)</b>
<b>Revenues:</b>			
Property Taxes	\$365,153	\$95,881	(\$269,272)
Payment in Lieu of Taxes			
Intergovernmental	14,388,535	8,437,931	(5,950,604)
Interest	202,000	152,488	(49,512)
Tuition and Fees			
Extracurricular Activities			
Gifts and Donations			
Miscellaneous	158,000	158,000	
Total Revenues	<u>15,113,688</u>	<u>8,844,300</u>	<u>(6,269,388)</u>
<b>Expenditures:</b>			
Current:			
Instruction:			
Regular	40,680	20,540	20,140
Special			
Other	8,881	8,881	
Support Services:			
Pupils	5,000	5,000	
Instructional Staff			
Board of Education			
Administration			
Fiscal	11,924	11,034	890
Operation and Maintenance of Plant			
Pupil Transportation			
Non-Instructional Services			
Extracurricular Activities	1,119	1,119	
Capital Outlay	17,699,903	17,106,910	592,993
Debt Service:			
Principal Retirement			
Interest and Fiscal Charges			
Total Expenditures	<u>17,767,507</u>	<u>17,153,484</u>	<u>614,023</u>
Excess of Revenues Over (Under) Expenditures	<u>(2,653,819)</u>	<u>(8,309,184)</u>	<u>(5,655,365)</u>
<b>Other Financing Sources (Uses):</b>			
Proceeds from Sale of Bonds			
Proceeds from Sale of Fixed Assets			
Refund of Prior Year Expenditures			
Advances In			
Advances Out			
Operating Transfers In	258,758	259,089	331
Operating Transfers Out			
Total Other Financing Sources (Uses)	<u>258,758</u>	<u>259,089</u>	<u>331</u>
Excess of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	(2,395,061)	(8,050,095)	(5,655,034)
Fund Balances at Beginning of Year	2,864,751	2,864,751	
Prior Year Encumbrances Appropriated	835,028	835,028	
<b>Fund Balances (Deficit) at End of Year</b>	<u><b>\$1,304,718</b></u>	<u><b>(\$4,350,316)</b></u>	<u><b>(\$5,655,034)</b></u>

See Accompanying Notes to the General-Purpose Financial Statements



<b>Totals (Memorandum Only)</b>		
<b>Revised Budget</b>	<b>Actual</b>	<b>Variance Favorable (Unfavorable)</b>
\$1,491,876	\$1,233,810	(\$258,066)
85,000	85,331	331
17,284,520	11,439,027	(5,845,493)
256,000	182,448	(73,552)
47,400	51,045	3,645
105,415	111,719	6,304
4,350	4,613	263
314,322	325,672	11,350
<u>19,588,883</u>	<u>13,433,665</u>	<u>(6,155,218)</u>
2,625,867	2,466,357	159,510
227,766	219,127	8,639
40,885	33,592	7,293
78,945	76,065	2,880
188,458	185,581	2,877
15,600	17,686	(2,086)
380,962	339,136	41,826
168,350	159,865	8,485
244,877	232,701	12,176
210,924	210,222	702
	205	(205)
203,465	184,465	19,000
17,998,697	17,170,697	828,000
3,088,849	3,085,000	3,849
339,495	339,495	
<u>25,813,140</u>	<u>24,720,194</u>	<u>1,092,946</u>
<u>(6,224,257)</u>	<u>(11,286,529)</u>	<u>(5,062,272)</u>
3,035,000	3,035,000	
	250	250
500	35	(465)
49,218	102,295	53,077
	(102,295)	(102,295)
258,758	259,089	331
<u>(259,089)</u>	<u>(259,089)</u>	
<u>3,084,387</u>	<u>3,035,285</u>	<u>(49,102)</u>
(3,139,870)	(8,251,244)	(5,111,374)
3,947,320	3,947,320	
926,744	926,744	
<u><b>\$1,734,194</b></u>	<u><b>(\$3,377,180)</b></u>	<u><b>(\$5,111,374)</b></u>

**OTTOVILLE LOCAL SCHOOL DISTRICT  
PUTNAM COUNTY**

**Statement of Revenues, Expenses, and Changes in Retained Earnings  
Enterprise Fund  
For the Fiscal Year Ended June 30, 2002**

<b>Operating Revenues:</b>	
Sales	\$147,405
	<hr/>
<b>Operating Expenses:</b>	
Salaries	70,268
Fringe Benefits	19,914
Purchased Services	7,200
Materials and Supplies	9,800
Cost of Sales	104,756
Depreciation	5,424
	<hr/>
Total Operating Expenses	217,362
	<hr/>
Operating Loss	(69,957)
	<hr/>
<b>Non-Operating Revenues:</b>	
Federal Donated Commodities	17,390
Interest	727
Operating Grants	24,361
	<hr/>
Total Non-Operating Revenues	42,478
	<hr/>
Net Loss	(27,479)
	<hr/>
Retained Earnings at Beginning of Year - Restated (Note 3)	88,707
	<hr/>
<b>Retained Earnings at End of Year</b>	<b>\$61,228</b>
	<hr/> <hr/>

*See Accompanying Notes to the General-Purpose Financial Statements*

**OTTOVILLE LOCAL SCHOOL DISTRICT  
PUTNAM COUNTY**

**Statement of Revenues, Expenses, and Changes in Fund Balances  
Budget and Actual Comparison (Budget Basis)  
Enterprise Fund  
For the Fiscal Year Ended June 30, 2002**

	<u>Revised Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
<b>Revenues:</b>			
Sales	\$146,500	\$147,405	\$905
Interest	2,000	727	(1,273)
Operating Grants	21,300	24,361	3,061
	<u>169,800</u>	<u>172,493</u>	<u>2,693</u>
<b>Expenses:</b>			
Salaries	63,375	63,375	
Fringe Benefits	23,325	23,235	90
Purchased Services	9,673	9,340	333
Materials and Supplies	92,250	90,734	1,516
	<u>188,623</u>	<u>186,684</u>	<u>1,939</u>
Excess of Expenses Over Revenues	(18,823)	(14,191)	4,632
Fund Balances at Beginning of Year	26,362	26,362	
Prior Year Encumbrances Appropriated	473	473	
<b>Fund Balances at End of Year</b>	<b><u><u>\$8,012</u></u></b>	<b><u><u>\$12,644</u></u></b>	<b><u><u>\$4,632</u></u></b>

*See Accompanying Notes to the General-Purpose Financial Statements*

**OTTOVILLE LOCAL SCHOOL DISTRICT  
PUTNAM COUNTY**

**Statement of Cash Flows  
Enterprise Fund  
For the Fiscal Year Ended June 30, 2002**

**Increase (Decrease) in Cash and Cash Equivalents:**

Cash Flows from Operating Activities:

Cash Received from Customers	\$147,405
Cash Payments for Salaries	(63,375)
Cash Payments for Fringe Benefits	(23,235)
Cash Payments for Goods and Services	(97,796)
	(97,796)

Net Cash Used for Operating Activities (37,001)

Cash Flows from Noncapital Financing Activities:

Cash Received from Operating Grants 24,361

Cash Flows from Investing Activities:

Cash Received from Interest 727

Net Decrease in Cash and Cash Equivalents (11,913)

Cash and Cash Equivalents at Beginning of Year 26,835

**Cash and Cash Equivalents at End of Year \$14,922**

**Reconciliation of Operating Loss to Net Cash  
Used for Operating Activities:**

Operating Loss (\$69,957)

Adjustments to Reconcile Operating Loss to

Net Cash Used for Operating Activities:

Depreciation	5,424
Donated Commodities Received During Year	17,390
Changes in Assets and Liabilities:	
Decrease in Inventory Held for Resale	5,406
Decrease in Materials and Supplies Inventory	1,026
Decrease in Prepaid Items	14
Increase in Accounts Payable	170
Increase in Accrued Wages and Benefits	1,280
Increase in Compensated Absences Payable	5,889
Decrease in Intergovernmental Payable	(3,643)
	(3,643)

Total Adjustments 32,956

**Net Cash Used for Operating Activities (\$37,001)**

**Noncash Transactions:**

The Food Service enterprise fund received \$17,390 in donated commodities in fiscal year 2002.

*See Accompanying Notes to the General-Purpose Financial Statements*

**OTTOVILLE LOCAL SCHOOL DISTRICT  
PUTNAM COUNTY**

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

**NOTE 1 - DESCRIPTION OF THE SCHOOL DISTRICT AND REPORTING ENTITY**

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

The School District was established in 1917 through the consolidation of existing land areas and school districts. The School District serves an area of approximately forty square miles. It is located in Putnam and Paulding Counties, and includes all of the Village of Ottoville and portions of surrounding townships. It is staffed by twenty-one classified employees, forty-two certified teaching personnel, and five administrative employees who provide services to six hundred twenty-three students and other community members. The School District currently operates one instructional building.

***Reporting Entity:***

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

Component units are legally separate organizations for which the School District is financially accountable. The School District is financially accountable for an organization if the School District appoints a voting majority of the organization's governing board and (1) the School District is able to significantly influence the programs or services performed or provided by the organization; or (2) the School District is legally entitled to or can otherwise access the organization's resources; the School District is legally obligated or has otherwise assumed the responsibility to finance the deficits of, or provide financial support to, the organization; or the School District is obligated for the debt of the organization. Component units may also include organizations that are fiscally dependent on the School District in that the School District approves the budget, the issuance of debt, or the levying of taxes. The School District does not have any component units.

The School District participates in four jointly governed organizations and three insurance pools. These organizations are the Northwest Ohio Area Computer Services Cooperative, Vantage Joint Vocational School, West Central Ohio Regional Professional Development Center, Northwestern Ohio Educational Research Council, Inc., NOACSC Workers' Compensation Group Rating Plan, Putnam County Schools Insurance Group, and the Ohio School Plan. These organizations are presented in Notes 20 and 21 to the general purpose financial statements.

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

The financial statements of Ottoville 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 enterprise fund provided they do not conflict with or contradict GASB pronouncements. Following are the more significant of the School District's accounting policies.

**OTTOVILLE LOCAL SCHOOL DISTRICT  
PUTNAM COUNTY**

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

**A. Basis of Presentation - Fund Accounting**

The School 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 of governmental, proprietary, and fiduciary.

*Governmental Fund Types:*

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

*General Fund* - The General Fund is the operating fund of the School 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 School District for any purpose provided it is expended or transferred according to the general laws of Ohio.

*Special Revenue Funds* - Special revenue funds are used to account for the proceeds of specific revenue sources (other than major capital projects) that are legally restricted to expenditure 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 obligation principal, interest, and related costs.

*Capital Projects Funds* - 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).

*Proprietary Fund Type:*

Proprietary funds are used to account for the School District's ongoing activities which are similar to those found in the private sector. The following is the School District's proprietary fund type:

*Enterprise Fund* - The enterprise fund is used to account for activities that are financed and operated in a manner similar to private business enterprises where the intent 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 where it has been decided that periodic determination of revenues earned, expenses incurred, and/or net income is

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

appropriate for capital maintenance, public policy, management control, accountability, or other purposes.

*Fiduciary Fund Type:*

Fiduciary funds are used to account for assets held by the School District in a trustee capacity or as an agent for individuals, private organizations, other governmental units, and/or other funds. The School District's fiduciary funds are agency funds, which are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations.

*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 a general nature, the following account groups are used:

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

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

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

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

The enterprise fund is accounted for using a flow of economic resources measurement focus. With this measurement focus, all assets and all liabilities associated with the operation of this fund are included on the balance sheet. The operating statement of this fund presents increases (e.g., revenues) and decreases (e.g., expenses) in net total assets.

Basis of accounting refers to when revenues and expenditures or expenses are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurements made.

The modified accrual basis of accounting is followed for the governmental fund types and agency funds. The full accrual basis of accounting is followed for the enterprise fund.

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

**OTTOVILLE LOCAL SCHOOL DISTRICT  
PUTNAM COUNTY**

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

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

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

Deferred revenues arise when assets are recognized before revenue recognition criteria have been satisfied. Property taxes for which there was an enforceable legal claim as of June 30, 2002, but which were levied to finance fiscal year 2003 operations, are recorded as deferred revenue. Grants and entitlements received before the eligibility requirements are met are also recorded as deferred revenue. On the modified accrual basis, revenues that are not collected within the available period are recorded as deferred revenue.

On the accrual basis, expenses are recognized at the time they are incurred.

The measurement focus of governmental fund accounting is on decreases in net financial resources (expenditures) rather than expenses. Expenditures are generally recognized in the accounting period in which the related fund liability is incurred, if measurable. Allocations of cost, such as depreciation and amortization, are not recognized in governmental funds.

**C. Budgetary Process**

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.

All funds, other than agency funds, are legally required to be budgeted and appropriated. The legal level of budgetary control is at the object level within each fund. Any budgetary modifications at this level may only be made by resolution of the Board of Education.

Advances in and advances out are not required to be budgeted since they represent a temporary cash flow resource and are intended to be repaid.

The Eisenhower, Title VI-B, and Preschool special revenue funds are flow-through grants in which the Putnam County Educational Service Center is the primary recipient. Budgetary information for these funds is not included within the School District's reporting entity for which the "appropriated budget" is adopted.



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

*Tax Budget:*

Prior to January 15, 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 express purpose of this budget document is to reflect the need for existing or increased tax rates.

By no later than January 20, the Board-adopted budget is filed with the Putnam County Budget Commission for rate determination.

*Estimated Resources:*

Prior to April 1, the Board of Education accepts, by formal resolution, the tax rates, as determined by the County Budget Commission, and receives the commission's certificate of estimated resources, which states the projected revenue of each fund. Prior to June 30, the School District must revise its budget so that total contemplated expenditures from any fund during the ensuing fiscal year will not exceed the amount stated in the certificate of estimated resources. The revised budget then serves as the basis for the appropriation measure. On or about July 1, the certificate of estimated resources is amended to include any unencumbered cash balances from the preceding fiscal year. The certificate of estimated resources may be further amended during the year if projected increases or decreases in revenue are identified by the School District Treasurer. The amounts reported on the budgetary statements reflect the amounts on the amended certificate of estimated resources in effect at the time final appropriations were passed by the Board.

*Appropriations:*

Upon receipt from the County Auditor of an amended certificate of estimated resources, based on final assessed values and tax rates, or a certificate saying no new certificate is necessary, the annual appropriation resolution is legally enacted by the Board of Education. Prior to the passage of the annual appropriation measure, the Board may pass a temporary appropriation measure to meet the ordinary expenses of the School District. The appropriation resolution, 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 at any legal level of control.

The Board may pass supplemental fund appropriations as long as the total appropriations by fund do not exceed the amounts set forth in the most recent certificate of estimated resources. During the year, several supplemental appropriation resolutions were legally enacted.

The budget figures which appear in the statements of budgetary comparisons represent the final appropriation amounts passed during the fiscal year. Formal budgetary integration is employed as a management control device during the year for all funds, except agency funds and funds held by the Putnam County Educational Service Center, consistent with statutory provisions.

*Encumbrances:*

As part of formal budgetary control, purchase orders, contracts, and other commitments for the expenditure of monies are recorded as the equivalent of expenditures on the non-GAAP budgetary basis in order to reserve that portion of the applicable appropriation. On the GAAP basis, encumbrances outstanding at fiscal year end are reported as a reservation of fund balance for subsequent-year

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

expenditures for governmental fund types and reported in the notes to the financial statements for the enterprise fund.

*Lapsing of Appropriations:*

At the close of each fiscal year, the unencumbered balance of each appropriation reverts to the respective fund from which it was appropriated and becomes subject to future appropriation. Encumbered appropriations are carried forward to the succeeding fiscal year and are not reappropriated.

**D. Cash and Investments**

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

During fiscal year 2002, the School District's investments included non-negotiable certificates of deposit, repurchase agreements, federal agency securities, and mutual funds. Non-negotiable certificates of deposit and repurchase agreements are reported at cost. Federal agency securities are reported at fair value, which is based on quoted market prices. Mutual funds are reported at fair value, which is based on current share price.

The School District allocates interest according to State statutes. Interest revenue credited to the General Fund during fiscal year 2002 was \$29,960, which included \$15,326 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.

**E. Inventory**

Inventory is presented at the lower of cost or market on a first-in, first-out basis and is expensed when used. Inventory in governmental funds consists of expendable supplies held for consumption. Inventory in the proprietary funds consists of donated and purchased food.

**F. Prepaid Items**

Payments made to vendors for services that will benefit periods beyond June 30, 2002, are recorded as prepaid items using the consumption method. A current asset for the prepaid amount is recorded at the time of purchase and an expenditure/expense is reported in the year in which services are consumed.

**G. Restricted Assets**

Restricted assets represent cash and cash equivalents whose use is limited by legal requirements. Restricted assets in the General Fund represent unexpended revenues restricted for the purchase of buses.

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

**H. Fixed Assets and Depreciation**

General fixed assets are not capitalized in the funds used to acquire or construct them. Instead, capital acquisition and construction costs are reflected as expenditures in governmental funds, and the related assets are reported in the general fixed assets account group. Fixed assets utilized in the enterprise fund are capitalized in the fund. All fixed assets are capitalized at cost (or estimated historical cost) and updated for additions and reductions during the year. Donated fixed assets are recorded at their fair market value as of the date received. The School District maintains a capitalization threshold of five hundred dollars for single items, two hundred fifty dollars for grouped items, and ten thousand dollars for land improvements, building improvements, and improvements other than buildings. The School District does not have any infrastructure.

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. Improvements are capitalized. Improvements to enterprise fund fixed assets are depreciated over the remaining useful lives of the related fixed assets.

Assets in the general fixed assets account group are not depreciated. Depreciation of furniture and equipment in the enterprise fund is computed using the straight-line method over an estimated useful life of fifteen to twenty years.

**I. Interfund Assets/Liabilities**

Short-term interfund loans are classified as "Interfund Receivables/Payables".

**J. Compensated Absences**

Vacation benefits are accrued as a liability as the benefits are earned if the employees' rights to receive compensation are attributable to services already rendered and it is probable that the School District will compensate the employees for the benefits through paid time off or some other means. The School District records a liability for accumulated unused vacation time when earned for all employees with more than one year of service.

Sick leave benefits are accrued as a liability using the vesting method. The liability includes the employees who are currently eligible to receive termination benefits and those the School District has identified as probable of receiving payment in the future. The amount is based on accumulated sick leave and employees' wage rates at fiscal year end, taking into consideration any limits specified in the School District's termination policy. The School District records a liability for accumulated unused sick leave for all employees after ten years of service with the School District and/or other political subdivisions.

For governmental funds, the current portion of unpaid compensated absences is the amount expected to be paid using available expendable resources. These amounts are recorded in the account "Compensated Absences Payable" in the fund from which the employees who have accumulated unpaid leave are paid. The remainder is reported in the general long-term obligations account group. In the enterprise fund, the entire amount of compensated absences is reported as a fund liability.

**K. Accrued Liabilities and 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 liabilities in the general long-term obligations account group to the extent that they will not be paid with

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

current available expendable resources. Payments made more than sixty days after fiscal year end are considered not to have used current available expendable resources. Capital leases and bonds are reported as liabilities in the general long-term obligations account group until due.

Long-term debt and other obligations financed by the enterprise fund are reported as liabilities in the fund.

**L. Fund Balance Reserves**

The School District reserves those portions of fund equity which are legally segregated for a specific future use or which do not represent available expendable resources and, therefore, are not available for appropriation or expenditure. Unreserved fund balance indicates that portion of fund equity which is available for appropriation in future periods. Fund equity reserves have been established for property taxes, bus purchases, and encumbrances.

The reserve for property taxes represents taxes recognized as revenue under generally accepted accounting principles but not available for appropriation under State statute.

**M. Interfund Transactions**

Quasi-external transactions are accounted for as revenues and expenditures, or expenses. Transactions that constitute reimbursements to a fund for expenditures/expenses initially made from it that are properly applicable to another fund are recorded as expenditures/expenses in the reimbursing fund and as reductions of expenditures/expenses in the fund that is reimbursed.

Nonrecurring or nonroutine permanent transfers of equity are reported as residual equity transfers. All other interfund transfers are reported as operating transfers.

**N. Use of Estimates**

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

**O. Total Columns on General Purpose Financial Statements**

Total columns on the general purpose financial statements are captioned "Totals (Memorandum Only)" to indicate that they are presented only to facilitate financial analysis. Data in these columns do not present financial position or results of operations 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.

**NOTE 3 - RESTATEMENT OF FUND EQUITY**

For the fiscal year 2002, the School District is recognizing donated commodities as revenue when they are received. In prior years, the School District reported donated commodities as revenue when used. As a result of the restatement, retained earnings as previously reported as of June 30, 2001, increased \$5,215, from \$83,492 to \$88,707.

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

**NOTE 4 - BUDGETARY BASIS OF ACCOUNTING**

While the School District is reporting financial position, results of operations, and changes in fund balances/retained earnings on the basis of generally accepted accounting principles (GAAP), the budgetary basis as provided by law is based upon accounting for certain transactions on a basis of cash receipts, disbursements, and encumbrances. The Combined Statement of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual (Budget Basis) - All Governmental Fund Types and the Statement of Revenues, Expenses, and Changes in Fund Balances - Budget and Actual (Budget Basis) - Enterprise Fund are presented on the budgetary basis to provide a meaningful comparison of actual results with the budget. The major differences between the budget basis and GAAP basis are that:

1. Revenues are recorded when received in cash (budget basis) as opposed to when susceptible to accrual (GAAP basis).
2. Expenditures/expenses are recorded when paid in cash (budget basis) as opposed to when the liability is incurred (GAAP basis).
3. Encumbrances are treated as expenditures/expenses for all funds (budget basis) rather than as a reservation of fund balance for governmental fund types and as note disclosure in the enterprise fund (GAAP basis).
4. Proceeds from and principal payments on bond anticipation notes are reported on the operating statement (budget basis) rather than as balance sheet transactions (GAAP basis).
5. The School District does not budget for the grants that are held and administered by the Putnam County Educational Service Center (budget basis); however, the grant activity is included as a special revenue fund for GAAP reporting.

The following tables summarize the adjustments necessary to reconcile the GAAP and budgetary basis statements by fund type.

Excess of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses All Governmental Fund Types				
	General	Special Revenue	Debt Service	Capital Projects
GAAP Basis	(\$3,224)	\$37,287	\$10,274	\$5,769,421
Revenue Accruals:				
2001	60,275	376	6,919	5,375
2002	(53,729)	(6,274)	(15,612)	(158,677)
Expenditure Accruals:				
2001	(393,409)	(12,005)		(6,193)
2002	398,598	24,410		1,703,529
Change in Fair Value				997
Inventory Held for Resale	2,382	(84)		
Materials and Supplies Inventory	(127)	(365)		

(Continued)

**OTTOVILLE LOCAL SCHOOL DISTRICT  
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**Notes to the General-Purpose Financial Statements  
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(Continued)**

Excess of Revenues and Other Financing Sources  
Over (Under) Expenditures and Other Financing Uses  
All Governmental Fund Types  
(Continued)

	General	Special Revenue	Debt Service	Capital Projects
Prepaid Items	9,441	(58)		(2,679)
Advances In	49,218		53,077	
Advances Out	(53,077)		(49,218)	
Nonbudgeted Cash Activity		136		
Encumbrances Outstanding at Fiscal Year End	<u>(230,372)</u>	<u>(35,988)</u>		<u>(15,361,868)</u>
Budget Basis	<u><u>(\$214,024)</u></u>	<u><u>\$7,435</u></u>	<u><u>\$5,440</u></u>	<u><u>(\$8,050,095)</u></u>

Net Loss/Excess of Revenues Under Expenses  
Enterprise Fund

GAAP Basis	(\$27,479)
Expense Accruals:	
2001	(18,174)
2002	21,870
Inventory Held for Resale	5,406
Materials and Supplies Inventory	1,026
Prepaid Items	14
Depreciation Expense	5,424
Encumbrances Outstanding at Fiscal Year End	<u>(2,278)</u>
Budget Basis	<u><u>(\$14,191)</u></u>

**NOTE 5 - DEPOSITS AND INVESTMENTS**

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

Active deposits are public deposits necessary to meet current demands on the treasury. Such monies must be maintained either as cash in the School District treasury, in commercial accounts payable or withdrawable 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 or deposit accounts, including passbook accounts.

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

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

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

1. United States Treasury bills, bonds, notes, or any other obligation or security issued by the United States Treasury, or any other obligation guaranteed as to principal and interest by the United States;
2. Bonds, notes, debentures, or any other obligation or security issued by any federal government agency or instrumentality including, but not limited to, the Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, Government National Mortgage Association, and Student Loan Marketing Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
3. Written repurchase agreements in the securities listed above provided the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least 2 percent and be marked to market daily, and the term of the agreement must not exceed thirty days;
4. Bonds and other obligations of the State of Ohio;
5. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2) and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions;
6. The State Treasurer's investment pool (STAR Ohio);
7. Certain bankers' acceptances and commercial paper notes for a period not to exceed one hundred eighty days in an amount not to exceed 25 percent of the interim monies available for investment at any one time; and
8. Under limited circumstances, corporate debt interests rated in either of the two highest rated 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 School 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.

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".

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

At fiscal year end, the carrying amount of the School District's deposits was \$1,369,756 and the bank balance was \$1,127,722. Of the bank balance, \$200,000 was covered by federal depository insurance. The remaining amounts were uninsured and uncollateralized. Although all State statutory requirements for the deposit of money had been followed, noncompliance with federal requirements could potentially subject the School District to a successful claim by the FDIC.

The School District's investments are categorized to give an indication of the level of risk assumed by the School District at fiscal year end. Category 1 includes investments that are insured or registered for which the securities are held by the School District or its agent in the School 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 School 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 School District's name. Mutual funds are an unclassified investment since they are not evidenced by securities that exist in physical or book entry form.

	Category 2	Category 3	Carrying Value	Fair Value
Repurchase Agreement		\$1,997,000	\$1,997,000	\$1,997,000
Federal Home Loan Mortgage Corporation Notes	\$836,241		836,241	836,241
Federal Home Loan Bank Notes	3,707,727		3,707,727	3,707,727
Federal Farm Credit Bank Notes	902,780		902,780	902,780
Federal National Mortgage Association Notes	2,274,673		2,274,673	2,274,673
	<u>\$7,721,421</u>	<u>\$1,997,000</u>	\$9,718,421	\$9,718,421
Mutual Funds			1,191,864	1,191,864
Totals			<u>\$10,910,285</u>	<u>\$10,910,285</u>

The classification of cash and cash equivalents and investments on the combined balance sheet is based on criteria set forth in GASB Statement No. 9, "Reporting Cash Flows of Proprietary and Nonexpendable Trust Funds and Governmental Entities That Use Proprietary Fund Accounting". A reconciliation between the classification of cash and cash equivalents and investments on the combined balance sheet and the classification of deposits and investments according to GASB Statement No. 3 is as follows:

	Cash and Cash Equivalents/ Deposits	Investments
GASB Statement No. 9	\$4,158,620	\$8,121,421
Investments:		
Certificates of Deposit	400,000	(400,000)
Repurchase Agreement	(1,997,000)	1,997,000
Mutual Funds	(1,191,864)	1,191,864
GASB Statement No. 3	<u>\$1,369,756</u>	<u>\$10,910,285</u>

**NOTE 6 - PROPERTY TAXES**

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



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half of the fiscal year. Second-half tax distributions are received in the first half of the following fiscal year.

Property taxes include amounts levied against all real property, public utility property, and tangible personal (used in business) property located in the School District. Real and public utility property tax revenues received in calendar year 2002 represent the collection of calendar year 2001 taxes. Real property taxes received in calendar year 2002 are levied after April 1, 2001, on the assessed values as of January 1, 2001, the lien date. Assessed values for real property taxes are established by State statute at 35 percent of appraised market value. Real property taxes are payable annually or semiannually. If paid annually, payment is due December 31; if paid semiannually, the first payment is due December 31, with the remainder payable by June 20. Under certain circumstances, State statute permits alternate payment dates to be established.

Public utility real and tangible personal property taxes received in calendar year 2002 were levied after April 1, 2001, on the assessed values as of December 31, 2000, the lien date. Public utility real property is assessed at 35 percent of true value; tangible personal property is currently assessed at varying percentages of true value. Public utility property taxes are payable on the same dates as real property taxes described previously.

Tangible personal property tax revenues received in calendar year 2002 (other than public utility property) represent the collection of calendar year 2002 taxes. Tangible personal property taxes received in calendar year 2002 were levied after April 1, 2001, on the value as of December 31, 2001. Tangible personal property is currently assessed at 25 percent of true value. Amounts paid by multi-county taxpayers are due September 20. Single county taxpayers may pay annually or semiannually. If paid annually, payment is due April 30; if paid semiannually, the first payment is due April 30, with the remainder payable by September 20.

The School District receives property taxes from Putnam and Paulding Counties. The County Auditors periodically advance to the School District its portion of the taxes collected. Second-half real property tax payments collected by the Counties by June 30, 2002, are available to finance fiscal year 2002 operations. The amount available to be advanced can vary based on the date the tax bills are sent.

Accrued property taxes receivable represents delinquent taxes outstanding and real property, public utility property, and tangible personal property taxes which were measurable as of June 30, 2002, and for which there was an enforceable legal claim. Although total property tax collections for the next fiscal year are measurable, only the amount available as an advance at June 30 is intended to finance current fiscal year operations and is recognized as revenue at fiscal year end. The receivable is offset by a credit to deferred revenue for that portion not intended to finance current year operations. The amount available as an advance at June 30, 2002, was \$44,268 in the General Fund, \$929 in the School Facilities special revenue fund, \$15,612 in the Bond Retirement debt service fund, and \$4,485 in the Permanent Improvement capital projects fund. The amount available as an advance at June 30, 2001, was \$51,983 in the General Fund, \$6,919 in the Bond Retirement debt service fund, and \$5,375 in the Permanent Improvement capital projects fund.

The assessed values upon which the fiscal year 2002 taxes were collected are:

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	2001 Second- Half Collections		2002 First- Half Collections	
	Amount	Percent	Amount	Percent
Agricultural/Residential and Other Real Estate	\$35,775,670	86.15%	\$36,753,990	86.15%
Public Utility	2,041,610	4.92%	1,580,800	3.70%
Tangible Personal	3,711,021	8.93%	4,329,808	10.15%
Total Assessed Value	<u>\$41,528,301</u>	<u>100.00%</u>	<u>\$42,664,598</u>	<u>100.00%</u>
Tax rate per \$1,000 of assessed valuation	<u>\$33.30</u>		<u>\$39.00</u>	

The School District passed a 5.57 mill levy for the construction of new instructional facilities plus .50 mills for maintenance of the new facilities. The levy for the 1995 School Improvement bonds was reduced by .37 mills.

**NOTE 7 - PAYMENT IN LIEU OF TAXES**

As provided by State law, the School District has entered into agreements with a number of property owners under which the School District has granted property tax abatements to those property owners. The property owners have agreed to make payments to the School District which reflect all or a portion of the property taxes which the property owners would have paid if their taxes had not been abated. The property owners' contractual promises to make these payments in lieu of taxes generally continue until the agreement expires. Payments in lieu of taxes for fiscal year 2002 were \$85,331.

**NOTE 8 - RECEIVABLES**

Receivables at June 30, 2002, consisted of property taxes, accounts (rent, billings for user charged services, and student fees), intergovernmental, interfund, and accrued interest. All receivables are considered collectible in full due to the ability to foreclose for the nonpayment of taxes, the stable condition of State programs, the current year guarantee of federal funds, and the School District's policy on collecting student fees.

A summary of the principal items of intergovernmental receivables follows:

	<u>Amounts</u>
General Fund	
Reimbursements	\$8,602
E-rate	500
Total General Fund	<u>9,102</u>
Special Revenue Funds	
Athletic	423
Title VI-R	2,290
Total Special Revenue Funds	<u>2,713</u>
Capital Projects Fund	
Ohio School Facilities	5,929,515
Total Intergovernmental Receivables	<u>\$5,941,330</u>

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The \$5,929,515 receivable from Ohio School Facilities is for resources provided by the State for construction of a new building.

**NOTE 9 - FIXED ASSETS**

A summary of the enterprise funds' fixed assets at June 30, 2002, follows:

Furniture and Equipment	\$106,793
Less Accumulated Depreciation	<u>43,658</u>
Net Fixed Assets	<u><u>\$63,135</u></u>

A summary of the changes in general fixed assets during fiscal year 2002 follows:

<u>Asset Category</u>	<u>Balance at 6/30/01</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance at 6/30/02</u>
Land and Improvements	\$470,374			\$470,374
Buildings and Improvements	3,606,438			3,606,438
Furniture, Fixtures, and Equipment	1,021,766	\$322,316	\$122,985	1,221,097
Vehicles	455,575	12,500	14,500	453,575
Construction in Progress	159,467	3,123,431		3,282,898
Total Fixed Assets	<u><u>\$5,713,620</u></u>	<u><u>\$3,458,247</u></u>	<u><u>\$137,485</u></u>	<u><u>\$9,034,382</u></u>

**NOTE 10 - INTERFUND ASSETS/LIABILITIES**

At June 30, 2002, the General Fund had an interfund receivable and the Bond Retirement debt service fund had an interfund payable, in the amount of \$3,859.

**NOTE 11 - RISK MANAGEMENT**

The School District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During fiscal year 2002, the School District contracted for the following insurance coverage:

Nationwide Insurance	
Building and Contents - Replacement Cost (\$500 deductible)	\$10,771,300
Boiler and Machinery - Limit per Accident (\$1,000 deductible)	5,536,400
EDP Equipment	705,301
Automotive Liability	2,000,000
Builders Risk	12,770,200
Crime	2,500

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Ohio School Plan	
General Liability	
Per Occurrence	1,000,000
Aggregate	3,000,000
Twin City Fire Insurance	
Excess Liability Insurance	1,000,000

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

For fiscal year 2002, the School District participated in the NOACSC Workers' Compensation Group Rating Plan (Plan), an insurance purchasing pool. The intent of the Plan is to achieve the benefit of a reduced premium for the School District by virtue of its grouping and representation with other participants in the Plan. The workers' compensation experience of the participants is calculated as one experience and a common premium rate is applied to all participants 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. Total savings are then calculated and each participant's individual performance is compared to the overall savings percentage of the Plan. A participant will then either receive money from or be required to contribute to the "Equity Pooling Fund". This "equity pooling" arrangement insures that each participant shares equally in the overall performance of the Plan. Participation in the Plan is limited to participants that can meet the Plan's selection criteria. The firm of Gates McDonald and Company provides administrative, cost control, and actuarial services to the Plan.

The School District participates in the Putnam County Schools Insurance Group (PCSIG), an insurance purchasing pool consisting of nine local school districts, an educational service center, and a Board of Mental Retardation/Developmental Disabilities. The School District pays monthly premiums to Medical Mutual of Ohio for employee medical, dental, and prescription drug benefits. The PCSIG is responsible for the management and operations of the program. Upon withdrawal from the PCSIG, a participant is responsible for the payment of all PCSIG liabilities to its employees, dependents, and designated beneficiaries accruing as a result of withdrawal.

For fiscal year 2002, the School District participated in the Ohio School Plan (Plan), an insurance purchasing pool. Each participant enters into an individual agreement with the Plan for insurance coverage and pays annual premiums to the Plan based on the types and limits of coverage and deductibles selected by the participant.

**NOTE 12 - CONTRACTUAL COMMITMENTS**

As of June 30, 2002, the School District had contractual purchase commitments as follows:

Company	Project	Amount Remaining on Contract
Cardinal Bus Sales	84-Passenger School Bus	\$54,921
Beilharz	Architectural Fees	203,881
RTBM	Construction Management	458,156
Miller	Site Work	632,394

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LoopMaster	Geo Thermal	334,551
Peterson Construction	General Contractor	7,928,385
Brint Electric	Electrical	1,355,160
Slagle Mechanical	Plumbing	785,977
Fitzenrider, Inc.	HVAC	1,242,660
Arco, Inc.	Kitchen Equipment	214,999
Simplex Grinnel LP	Fire Protection	146,950

**NOTE 13 - DEFINED BENEFIT PENSION PLANS**

**A. State Teachers Retirement System**

The School District contributes to the State Teachers Retirement System of Ohio (STRS), a cost-sharing multiple employer public employee retirement system administered by the State Teachers Retirement Board. STRS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits 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. The report may be obtained by writing to the State Teachers Retirement System, 275 East Broad Street, Columbus, Ohio 43215-3771.

Plan members are required to contribute 9.3 percent of their annual covered salary and the School District is required to contribute 14 percent; 9.5 percent was the portion used to fund pension obligations for fiscal year 2002. Contribution rates are established by STRS, upon recommendation of its consulting actuary, not to exceed statutory maximum rates of 10 percent for members and 14 percent for employers. The School District's required contribution for pension obligations to STRS for the fiscal years ended June 30, 2002, 2001, and 2000, were \$176,016, \$172,150 and \$100,698, respectively; 83 percent has been contributed for fiscal year 2002 and 100 percent for fiscal years 2001 and 2000. The unpaid contribution for fiscal year 2002, in the amount of \$29,694, is recorded as a liability within the respective funds.

**B. School Employees Retirement System**

The School 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 members and beneficiaries. Authority to establish and amend benefits is provided by Chapter 3309 of the Ohio Revised Code. SERS issues a publicly available 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, Suite 100, Columbus, Ohio 43215.

Plan members are required to contribute 9 percent of their annual covered salary and the School District is required to contribute an actuarially determined rate. The current rate is 14 percent of annual covered payroll; 5.46 percent was the portion used to fund pension obligations for fiscal year 2002. The contribution requirements of plan members and employers are established and may be amended, up to statutory maximum amounts, by the SERS Retirement Board. The School District's required contribution for pension obligations to SERS for the fiscal years ended June 30, 2002, 2001, and 2000, were \$20,292, \$16,048, and \$21,563, respectively; 43 percent has been contributed for fiscal year 2002 and 100 percent

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for fiscal years 2001 and 2000. The unpaid contribution for fiscal year 2002, in the amount of \$11,541 is recorded as a liability within the respective funds and the general long-term obligations account group.

**C. Social Security System**

Effective July 1, 1991, all employees not otherwise covered by the State Teachers Retirement System or the School Employees Retirement System have an option to choose Social Security or the State Teachers Retirement System/School Employees Retirement System. As of June 30, 2002, three of the Board of Education members have elected Social Security. The Board's liability is 6.2 percent of wages paid.

**NOTE 14 - POSTEMPLOYMENT BENEFITS**

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

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 law, the cost of coverage paid from STRS funds shall be included in the employer contribution rate, currently 14 percent of covered payroll. For fiscal year 2002, the Board allocated employer contributions equal to 4.5 percent of covered payroll to the Health Care Reserve Fund. For the School District, this amount equaled \$83,376.

STRS pays health care benefits from the Health Care Reserve Fund. The balance in the Fund was \$3,256 million at June 30, 2001 (the latest information available). For the fiscal year ended June 30, 2001, net health care costs paid by STRS were \$300,772,000 and STRS had 102,132 eligible benefit recipients.

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

For the fiscal year ended June 30, 2002, employer contributions to fund health care benefits were 8.54 percent of covered payroll. In addition, SERS levies a surcharge to fund health care benefits equal to 14 percent of the difference between a minimum pay and the member's pay, pro-rated for partial service credit. For fiscal year 2002, the minimum pay was established at \$12,400. For the School District, the amount to fund health care benefits, including the surcharge, was \$39,172 for fiscal year 2002.

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. Expense for health care for the fiscal year ended June 30, 2001 (the latest information available), was \$161,439,934 and the target level was \$242.2 million. At June 30, 2001, SERS had net assets available for payment of health care benefits of \$315.7 million. SERS has approximately 50,000 participants currently receiving health care benefits.

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**NOTE 15 - OTHER EMPLOYEE BENEFITS**

**A. Compensated Absences**

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

Teachers, administrators, and classified employees earn sick leave at a rate of one and one-fourth days per month. Sick leave may be accumulated up to a maximum of two hundred days for all employees. Upon retirement, payment is made for twenty-two percent of accrued, but unused sick leave credit.

**B. Health Care Benefits**

The School District provides medical, dental, and prescription drug benefits to employees through the Putnam County Schools Insurance Group. The premium varies with each employee depending on marital and family status.

**NOTE 16 - LONG-TERM OBLIGATIONS**

The changes in the School District's long-term obligations during fiscal year 2002 were as follows:

	<u>Balance at 6/30/01</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance at 6/30/02</u>
<u>Bond Anticipation Notes</u>				
Ohio School Facilities Commission Note 4.125%	\$2,162,000		\$2,162,000	
Ohio School Facilities Commission Note 4.73%	873,000		873,000	
<b>Total Bond Anticipation Notes</b>	<b>3,035,000</b>		<b>3,035,000</b>	
<u>General Long-Term Obligations</u>				
1995 School Improvement Bonds 5.9 - 18%	1,240,000		50,000	\$1,190,000
2002 School Facilities Bonds 2.45 - 5.75%		\$3,035,000		3,035,000
<b>Total General Obligation Bonds</b>	<b>1,240,000</b>	<b>3,035,000</b>	<b>50,000</b>	<b>4,225,000</b>
Compensated Absences Payable	209,053	13,887		222,940
Intergovernmental Payable	25,392	22,678	25,392	22,678
Capital Lease Payable	279,000	81,913	122,159	238,754
<b>Total General Long-Term Obligations</b>	<b>\$4,788,445</b>	<b>\$3,153,478</b>	<b>\$3,232,551</b>	<b>\$4,709,372</b>

*Bond Anticipation Notes* - During fiscal year 2001, the School District issued \$3,035,000 in bond anticipation notes for the construction of a new instructional building. The notes matured on March 19, 2002, and were repaid from the proceeds of the School Facilities General Obligation Bonds issued on December 1, 2001.

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*School Improvement General Obligation Bonds* - On November 1, 1995, the School District issued \$1,490,000 in voted general obligation bonds for constructing a building addition. The bonds were issued for a twenty-five year period, with final maturity at December 1, 2021. The bonds are being retired from the Bond Retirement debt service fund, with the proceeds of a 2.83 mill voted property tax levy.

*School Facilities General Obligation Bonds* - On December 1, 2001, the School District issued voted general obligation bonds for the construction of a new instructional building. The bond issue included serial and term bonds, in the amount of \$940,000 and \$2,095,000, respectively. The bonds are being retired from the Bond Retirement debt service fund, with the proceeds of a 5.57 mill voted property tax levy.

The term bonds maturing on December 1, 2023, are subject to mandatory sinking fund redemption, in part by lot, pursuant to the terms of the mandatory sinking fund redemption requirements of the School District. The mandatory redemption is to occur on December 1 in each of the years 2012 through 2022 (with the balance of \$235,000 to be paid at stated maturity on December 1, 2023) at a redemption price equal to 100 percent of the principal amount redeemed, plus accrued interest to the redemption date, according to the following schedule:

Year	Amount
2012	\$125,000
2013	135,000
2014	140,000
2015	150,000
2016	160,000
2017	165,000
2018	175,000
2019	185,000
2020	195,000
2021	210,000
2022	220,000

The serial bonds maturing after December 1, 2011, are subject to optional redemption, in whole or in part, on any date in inverse order of maturity and by lot within a maturity, in integral multiples of \$5,000, at the option of the School District on or after December 1, 2011, at the redemption price (expressed as percentages of the principal amount redeemed), plus accrued interest to the redemption date as follows:

Redemption Dates (Dates Inclusive)	Redemption Prices
December 1, 2011 through November 30, 2012	101%
December 1, 2012 and thereafter	100

Compensated absences and intergovernmental payables, representing the School District's contractually required pension contributions, will be paid from the fund from which the employees' salaries are paid. Capital leases will be paid from the General Fund and the Permanent Improvement capital projects fund.

The School District's overall debt margin was (\$226,509) with an unvoted debt margin of \$42,665 at June 30, 2002. The School District has been authorized by the Ohio Superintendent of Public Instruction to exceed its voted limitation because it has been designated as a "special needs" school district.



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Principal and interest requirements to retire general obligation debt outstanding at June 30, 2002, were as follows:

Fiscal year Ending June 30,	Principal	Interest	Total
2003	\$50,000	\$221,053	\$271,053
2004	140,000	217,337	357,337
2005	150,000	212,173	362,173
2006	150,000	206,485	356,485
2007	150,000	200,522	350,522
2008-2012	805,000	900,853	1,705,853
2013-2017	1,030,000	661,487	1,691,487
2018-2022	1,295,000	325,548	1,620,548
2023-2025	455,000	26,593	481,593
Total	<u>\$4,225,000</u>	<u>\$2,972,051</u>	<u>\$7,197,051</u>

**NOTE 17 - CAPITALIZED LEASES - LESSEE DISCLOSURE**

The School District has entered into capitalized leases for the purchase of land and computers. The leases meet the criteria of a capital lease as defined by Statement of Financial Accounting Standards No. 13, "Accounting for Leases", which defines a capital lease generally as one which transfers benefits and risks of ownership to the lessee. New capital leases are reflected in the accounts "Capital Outlay" and "Inception of Capital Lease" in the funds which will be making the lease payments. Capital lease payments are reflected as debt service expenditures on the combined financial statements for governmental funds. These expenditures are reported as function expenditures on the budgetary statements.

General fixed assets acquired by lease have been capitalized in the general fixed assets account group, in the amount of \$510,913. This amount represents the present value of the minimum lease payments at the time of acquisition. A corresponding liability was recorded in the general long-term obligations account group. Principal payments in fiscal year 2002 were \$122,159 in the governmental funds.

The following is a schedule of the future long-term minimum lease payments required under the capital leases and the present value of the minimum lease payments as of June 30, 2002.

Fiscal Year Ending June 30,	GLTOAG
2003	\$129,948
2004	126,228
Total	256,176
Less Amount Representing Interest	(17,422)
Present Value of Net Minimum Lease Payments	<u>\$238,754</u>

**NOTE 18 - SET ASIDE REQUIREMENTS**

The School District is required by State statute to annually set aside, in the General Fund, an amount based on a statutory formula for the purchase of textbooks and other instructional materials, and an equal

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amount for the acquisition and construction of capital improvements. Amounts not spent by fiscal year end or offset by similarly restricted resources received during the fiscal year must be held in cash at fiscal year end. These amounts must be carried forward to be used for the same purposes in future years.

The following cash basis information identifies the changes in the fund balance reserves for textbooks and capital improvements during fiscal year 2002.

	Textbooks	Capital Improvements
Balance June 30, 2001	(\$23,699)	
Current Year Set Aside Requirement	88,891	\$88,891
Current Year Offsets		(88,891)
Qualifying Expenditures	(101,105)	
Amount Carried Forward to Fiscal Year 2002	(\$35,913)	
Set Aside Reserve Balance June 30, 2002		

The School District had qualifying expenditures during the fiscal year that reduced the textbook set aside amount below zero. This amount may be used to reduce the set aside requirement in future fiscal years.

**NOTE 19 - JOINTLY GOVERNED ORGANIZATIONS**

*Northwest Ohio Area Computer Services Cooperative* - The School District is a participant in the Northwest Ohio Area Computer Services Cooperative (NOACSC), which is a computer consortium. NOACSC is an association of educational entities within the boundaries of Allen, Hancock, Mercer, 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 educational entities. The governing board of NOACSC consists of two representatives from each county elected by majority vote of all charter member educational entities within each county. During fiscal year 2002, the School District paid \$11,906 to the NOACSC for various services. Financial information can be obtained from Michael Wildermuth, who serves as Director, 645 South Main Street, Lima, Ohio 45804.

*Vantage Joint Vocational School* - The Vantage Joint Vocational School (JVS) is a distinct political subdivision of the State of Ohio which provides vocational education. The JVS operates under the direction of a Board consisting of one representative from each of the twelve participating school districts' Board of Education. The degree of control exercised by the School District is limited to its representation on the Board. The Board possesses its own budgeting and taxing authority. Financial information can be obtained from JVS Treasurer, 818 North Franklin Street, Van Wert, Ohio 45891-1304.

*West Central Ohio Regional Professional Development Center* - The West Central Ohio Regional Professional Development Center (Center) is a jointly governed organization among the school districts located in Allen, Hancock, Hardin, Mercer, Paulding, Putnam, and Van Wert Counties. The organization was formed to establish an articulated regional structure for professional development in which school districts, the business community, higher education, and other groups cooperatively plan and implement effective professional development activities than are tied directly to school improvement, and in particular, to improvements in instructional programs.

The Center is governed by a fifty-two member board made up of representatives from the participating school districts, the business community, and two institutions of higher learning. The degree of control exercised by any participating school district is limited to its representation on the Board. Financial

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For the Fiscal Year Ended June 30, 2002  
(Continued)**

information can be obtained from Brad Browne, Hancock County Educational Service Center, 7746 County Road 140, Findlay, Ohio 45840.

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

**NOTE 20 - INSURANCE POOLS**

*NOACSC Workers' Compensation Group Rating Plan* - The School District participates in a group rating plan for workers' compensation as established under Section 4123.29 of the Ohio Revised Code. The NOACSC Workers' Compensation Group Rating Plan (Plan) was established through the Northwest Ohio Area Computer Services Cooperative (NOACSC) as an insurance purchasing pool.

The Safety Coordinator, Robert Lotz of NOACSC, or his designee serves as coordinator of the Plan. Each year, the participating members pay an enrollment fee to the Plan to cover the costs of administering the program.

*Putnam County Schools Insurance Group* - The School District participates in an insurance purchasing pool consisting of nine local school districts, an educational service center, and a Board of Mental Retardation/Developmental Disabilities. The insurance group provides medical, dental, and prescription drug insurance benefits to the employees of its participants. The insurance group is governed by an advisory committee consisting of each member's superintendent, or designee, and a teacher from each participating school district. Each participant decides which plans offered by the insurance group will be extended to its employees. Participation in the insurance group is by written application subject to acceptance by the advisory committee and payment of the monthly premiums to Medical Mutual of Ohio. Financial information can be obtained from Medical Mutual of Ohio, P. O. Box 943, Toledo, Ohio 43656.

*Ohio School Plan* - The School District participates in the Ohio School Plan (Plan), an insurance purchasing pool established under Section 2744.081 of the Ohio Revised Code. The Plan is an unincorporated nonprofit association of its members which enables the participants to provide for a formalized joint insurance purchasing program for maintaining adequate insurance protection and provides risk management programs and other administrative services. The Plan's business and affairs are conducted by a fifteen member board consisting of superintendents, treasurers, the president of Harcum-Hyre Insurance Agency, Inc., and a member of the Hylant Group, Inc. The Hylant Group, Inc. is the Plan's administrator and is responsible for processing claims. Harcum-Hyre Insurance Agency serves as the sales and marketing representative which establishes agreements between the Plan and its members. Financial information can be obtained from Harcum-Hyre Insurance Agency, 246 East Sycamore Street, Columbus, Ohio 43206.

**OTTOVILLE LOCAL SCHOOL DISTRICT  
PUTNAM COUNTY**

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

**NOTE 21 - STATE 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.

**NOTE 22 - CONTINGENCIES**

**A. Grants**

The School District received financial assistance from federal and state agencies in the form of grants. The expenditure of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and is subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the General Fund or other applicable funds. However, in the opinion of management, any such disallowed claims will not have a material adverse effect on the overall financial position of the School District at June 30, 2002.

**B. Litigation**

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

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**OTTOVILLE LOCAL SCHOOL DISTRICT  
PUTNAM COUNTY**

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

<b>FEDERAL GRANTOR</b> <i>Pass Through Grantor</i> Program Title	Federal CFDA Number	Pass Through Entity Number
<b>U.S. DEPARTMENT OF AGRICULTURE</b> <i>Passed Through Ohio Department of Education</i>		
<u>Nutrition Cluster:</u>		
Food Distribution Program	10.550	-
National School Lunch Program	10.555	49387-LL-P4-02
Special Milk Program	10.556	49387-02PU-2002
Total U.S. Department of Agriculture - Nutrition Cluster		
<b>U.S. DEPARTMENT OF EDUCATION</b> <i>Passed Through Ohio Department of Education:</i>		
Technology Literacy Challenge Fund Grant	84.318	49387-TF51-2001 49387-TF52-2001 49387-TF53-2001 49387-TFV2-2000 49387-TFVL-2000
Total Technology Literacy Challenge Fund Grant		
Class Size Reduction	84.340	49387-CR-S1-2001 49387-CR-S1-2002
Total Class Size Reduction		
Eisenhower Professional Development	84.281	49387-MS-S1-2002
Innovative Educational Program Strategies	84.298	49387-C2-S1-2002
Safe and Drug-Free Schools and Communities Grant	84.186	49387-DR-S1-2002
Total Department of Education		
<b>Totals</b>		

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

<u>Receipts</u>	<u>Non-Cash Receipts</u>	<u>Disbursements</u>	<u>Non-Cash Disbursements</u>
	\$15,514		\$14,520
\$23,109		\$23,109	
880		880	
<b>23,989</b>	<b>15,514</b>	<b>23,989</b>	<b>14,520</b>
100,000		100,000	
75,000		75,000	
25,000		4,116	
65,000		65,000	
9,000		9,000	
274,000		253,116	
		2,296	
3,184		874	
3,184		3,170	
1,981		1,981	
3,382		3,382	
2,567		2,567	
<b>285,114</b>		<b>264,216</b>	
<b>\$309,103</b>	<b>15,514</b>	<b>\$288,205</b>	<b>14,520</b>

**OTTOVILLE LOCAL SCHOOL DISTRICT  
PUTNAM COUNTY**

**Notes to the 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 AND NATIONAL SCHOOL LUNCH PROGRAM**

Non-monetary assistance, such as food received from the U.S. Department of Agriculture, is reported in the Schedule at the fair market value of the commodities received and consumed. Cash receipts from the U.S. Department of Agriculture are commingled with State grants. It is assumed federal monies are expended first. At June 2002, the District had not significant food commodities in inventory.





STATE OF OHIO  
OFFICE OF THE AUDITOR

JIM PETRO, AUDITOR OF STATE

One Government Center  
Suite 1420  
Toledo, Ohio 43604-2246  
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800-443-9276  
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**REPORT OF INDEPENDENT ACCOUNTANTS ON COMPLIANCE AND ON INTERNAL CONTROL  
REQUIRED BY GOVERNMENT AUDITING STANDARDS**

Ottoville Local School District  
Putnam County  
300 West Third Street  
P.O. Box 248  
Ottoville, Ohio 45876-0248

To the Board of Education:

We have audited the financial statements of Ottoville Local School District (the District) as of and for the year ended June 30, 2002, and have issued our report thereon dated December 11, 2002, in which we noted that the District changed its method of accounting for donated commodities. 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 11, 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 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 11, 2002.

This report is intended for the information and use of 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 fluid and cursive, with a large loop at the end.

**Jim Petro**  
Auditor of State

December 11, 2002



STATE OF OHIO  
OFFICE OF THE AUDITOR

JIM PETRO, AUDITOR OF STATE

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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**

Ottoville Local School District  
Putnam County  
300 West Third Street  
P.O. Box 248  
Ottoville, Ohio 45876-0248

To the Board of Education:

**Compliance**

We have audited the compliance of Ottoville Local School District with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133, Compliance Supplement* that are applicable to its major federal program for the year ended June 30, 2002. The District's major federal program is identified in the summary of auditor's results section of the accompanying schedule of findings. Compliance with the requirements of laws, regulations, contracts and grants applicable to its major federal program is the responsibility of the District's management. Our responsibility is to express an opinion on the District's compliance based on our audit.

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

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

**Jim Petro**  
Auditor of State

December 11, 2002

**OTTOVILLE 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
(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 AND QUESTIONED COSTS FOR FEDERAL AWARDS**

None.





STATE OF OHIO  
OFFICE OF THE AUDITOR  

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JIM PETRO, AUDITOR OF STATE

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**OTTOVILLE 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 9, 2003**