



**Auditor of State
Betty Montgomery**

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

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**Auditor of State
Betty Montgomery**

INDEPENDENT ACCOUNTANTS' REPORT

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

To the Board of Education:

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Ottawa-Glandorf Local School District, Putnam County, (the District), as of and for the year ended June 30, 2003, which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the District's management. Our responsibility is to express opinions on these 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 opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Ottawa-Glandorf Local School District, Putnam County as of June 30, 2003, and the respective changes in financial position, and the respective budgetary comparison for the General fund thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

As described in Note 3, during the year ended June 30, 2003, the District implemented a new financial reporting model, as required by the provisions of the Governmental Accounting Standards Board Statement number 34, *Basic Financial Statements and Managements Discussion and Analysis for State and Local Governments* and as described in Note 8, changed its method of accounting for fixed assets.

In accordance with *Government Auditing Standards*, we have also issued our report dated March 15, 2004, 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.

Management's Discussion and Analysis is not a required part of the basic financial statements, but is supplementary information the Governmental Accounting Standards Board requires. We applied certain limited procedures, consisting principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. We did not audit the information and express no opinion on it.

The accompanying federal awards receipts and expenditures schedule is presented for 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 basic financial statements. We subjected this information to the auditing procedures applied in the audit of the basic financial statements. In our opinion, it is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.



Betty Montgomery
Auditor of State

March 15, 2004

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2003**

The discussion and analysis of the Ottawa-Glandorf Local School District's (the District) financial performance provides an overall review of the District's financial activities for the fiscal year ended June 30, 2003. The intent of this discussion and analysis is to look at the District's financial performance as a whole; readers should also review the notes to the basic financial statements and financial statements to enhance their understanding of the District's financial performance.

Financial Highlights

Key financial highlights for 2003 are as follows:

- In total, net assets of governmental activities increased \$237,147 which represents a 3.5 percent increase from 2002.
- General revenues accounted for \$11,370,067 in revenue or 84.47 percent of all revenues. Program specific revenues in the form of charges for services and sales, grants and contributions accounted for \$2,089,886 or 15.53 percent of total revenues of \$13,459,953.
- The District had \$13,222,806 in expenses related to governmental activities; only \$2,089,886 of these expenses was offset by program specific charges for services, grants or contributions. General revenues supporting governmental activities (primarily taxes and unrestricted grants and entitlements) of \$11,370,067 were adequate to provide for these programs.
- The District's major governmental funds are the general fund, bond retirement fund and building fund. The general fund had \$10,643,773 in revenues and other financing sources and \$10,677,259 in expenditures and other financing uses. During fiscal 2003, the general fund's fund balance, decreased \$33,057 from \$2,288,461 to \$2,255,404.
- The bond retirement fund had \$14,717,363 in revenues and other financing sources and \$14,470,500 in expenditures. During fiscal 2003, the bond retirement fund's fund balance increased \$246,863 from \$260,809 to \$507,672.
- The building fund had \$339,514 in revenues and \$1,182,020 in expenditures. During fiscal 2003, the building fund's fund balance decreased \$842,506 from \$13,500,667 to \$12,658,161.

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2003
(Continued)**

Using the Basic Financial Statements

This annual report consists of a series of financial statements and notes to those statements. These statements are organized so the reader can understand the District as a financial whole, an entire operating entity. The statements then proceed to provide an increasingly detailed look at specific financial activities.

The *Statement of Net Assets* and *Statement of Activities* provide information about the activities of the whole District, presenting both an aggregate view of the District's finances and a longer-term view of those finances. Fund financial statements provide the next level of detail. For governmental funds, these statements tell how services were financed in the short-term as well as what remains for future spending. The fund financial statements also look at the District's most significant funds with all other nonmajor funds presented in total in one column. In the case of the District, the general fund, bond retirement fund and building fund are by far the most significant funds, and the only governmental funds reported as major funds.

Reporting the District as a Whole

Statement of Net Assets and the Statement of Activities

While this document contains the large number of funds used by the District to provide programs and activities, the view of the District as a whole looks at all financial transactions and asks the question, "How did we do financially during 2003?" The Statement of Net Assets and the Statement of Activities answer this question. These statements include *all assets* and *liabilities* using the *accrual basis of accounting* similar to the accounting used by most private-sector companies. This basis of accounting takes into account all of the current year's revenues and expenses regardless of when cash is received or paid.

These two statements report the District's *net assets* and changes in those assets. This change in net assets is important because it tells the reader that, for the District as a whole, the *financial position* of the District has improved or diminished. The causes of this change may be the result of many factors, some financial, some not. Non-financial factors include the District's property tax base, current property tax laws in Ohio restricting revenue growth, facility conditions, required educational programs and other factors.

In the Statement of Net Assets and the Statement of Activities, the Governmental Activities include the District's programs and services, including instruction, support services, operation and maintenance of plant, pupil transportation, extracurricular activities, and food service operations.

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2003
(Continued)**

Reporting the District's Most Significant Funds

Fund Financial Statements

The analysis of the District's major governmental funds begins on page 10. Fund financial reports provide detailed information about the District's major funds. The District uses many funds to account for a multitude of financial transactions. However, these fund financial statements focus on the District's most significant funds. The District's major governmental funds are the general fund, bond retirement fund and building fund.

Governmental Funds

Most of the District's activities are reported in governmental funds, which focus on how money flows into and out of those funds and the balances left at year-end available for spending in future periods. These funds are reported using an accounting method called *modified accrual* accounting, which measures cash and all other *financial assets* that can readily be converted to cash. The governmental fund financial statements provide a detailed *short-term* view of the District's general government operations and the basic services it provides. Governmental fund information helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance educational programs. The relationship (or differences) between governmental *activities* (reported in the Statement of Net Assets and the Statement of Activities) and governmental *funds* is reconciled in the basic financial statements.

Reporting the District's Fiduciary Responsibilities

The District is the trustee, or fiduciary, for its scholarship programs. This activity is presented as a private purpose trust fund. The District also acts in a trustee capacity as an agent for individuals. These activities are reported in an agency fund. All of the District's fiduciary activities are reported in separate Statements of Fiduciary Net Assets and Changes in Fiduciary Net Assets on pages 24 and 25. These activities are excluded from the District's other financial statements because the assets cannot be utilized by the District to finance its operations.

The District as a Whole

Recall that the Statement of Net Assets provides the perspective of the District as a whole. This is the first year for government-wide financial statements using the full accrual basis of accounting therefore a comparison with prior years is not available. A comparative analysis will be provided in future years when prior year information is available.

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2003
(Continued)**

The table below provides a summary of the District's net assets for 2003.

	Governmental Activities 2003
Assets	
Current and other assets	\$ 23,635,470
Capital assets	<u>4,492,189</u>
<i>Total assets</i>	<u><u>28,127,659</u></u>
Liabilities	
Current liabilities	5,584,312
Long-term liabilities	<u>15,627,524</u>
<i>Total liabilities</i>	<u><u>21,211,836</u></u>
Net Assets	
Invested in capital assets, net of related debt	2,919,521
Restricted	2,174,174
Unrestricted	<u>1,822,128</u>
<i>Total net assets</i>	<u><u>\$ 6,915,823</u></u>

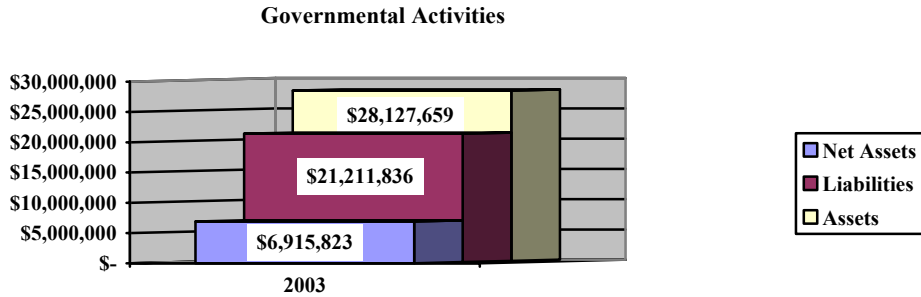
Over time, net assets can serve as a useful indicator of a government's financial position. At June 30, 2003, the District's assets exceeded liabilities by \$6,915,823. At year-end, unrestricted net assets were \$1,822,128.

At year-end, capital assets represented 15.97 percent of total assets. Capital assets include land, land improvements, buildings and improvements, furniture and equipment, vehicles and construction in progress. Capital assets, net of related debt to acquire the assets at June 30, 2003, were \$2,919,521. These capital assets are used to provide services to the students and are not available for future spending. Although the District's investment in capital assets is reported net of related debt, it should be noted that the resources to repay the debt must be provided from other sources, since capital assets may not be used to liquidate these liabilities.

A portion of the District's net assets, \$2,174,174, represents resources that are subject to external restriction on how they may be used. The remaining balance of unrestricted net assets of \$1,822,128 may be used to meet the District's ongoing obligations to the students and creditors.

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2003
(Continued)**



The table below shows the change in net assets for fiscal year 2003. Since this is the first year the District has prepared government-wide financial statements using the full accrual basis of accounting, revenue and expense comparisons to fiscal year 2002 are not available. A comparative analysis will be provided in future years when prior year information is available.

Change in Net Assets

	Governmental Activities 2003
Revenues	
Program revenues:	
Charges for services and sales	\$ 1,289,168
Operating grants and contributions	799,518
Capital grants and contributions	1,200
General revenues:	
Property taxes	5,076,843
Grants and entitlements	5,440,968
Investment earnings	637,304
Gain on sale of capital assets	201,514
Other	13,438
<i>Total revenues</i>	13,459,953

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2003
(Continued)**

Expenses	
Program expenses:	
Instruction:	
Regular	5,997,666
Special	1,162,171
Vocational	159,224
Other	192,600
Support services:	
Pupil	448,004
Instructional staff	431,792
Board of education	41,719
Administration	959,864
Fiscal	300,088
Business	336
Operations and maintenance	691,263
Pupil transportation	549,241
Central	44,676
Operations of non-instructional services	305,872
Food service operations	524,495
Extracurricular activities	482,320
Interest and fiscal charges	931,475
<i>Total expenses</i>	<u>13,222,806</u>
Increase in net assets	<u>\$ 237,147</u>

Governmental Activities

Net assets of the District's governmental activities increased by \$237,147. Total governmental expenses of \$13,222,806 were offset by program revenues of \$2,089,886 and general revenues of \$11,370,067. Program revenues supported 15.81 percent of the total governmental expenses.

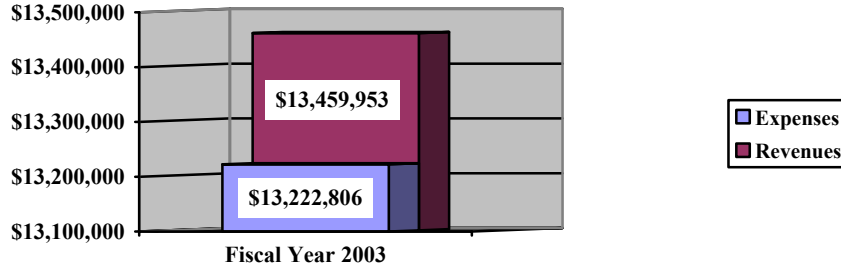
The primary sources of revenue for governmental activities are derived from property taxes and grants and entitlements. These revenue sources represent 78.14 percent of total governmental revenue. Real estate property is reappraised every six years

The graph below presents the District's governmental activities revenue and expenses for fiscal year 2003.

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2003
(Continued)**

Governmental Activities - Revenues and Expenses



The Statement of Activities shows the cost of program services and the charges for services and grants offsetting those services. The following table shows, for governmental activities, the total cost of services and the net cost of services. That is, it identifies the cost of these services supported by tax revenue and unrestricted State grants and entitlements. Comparisons to 2002 have not been presented since they are not available.

Governmental Activities

	Total Cost of Services 2003	Net Cost of Services 2003
Program expenses		
Instruction:		
Regular	\$ 5,997,666	\$ 5,489,696
Special	1,162,171	997,688
Vocational	159,224	159,224
Other	192,600	192,600
Support services:		
Pupil	448,004	397,235
Instructional staff	431,792	314,362
Board of education	41,719	41,719
Administration	959,864	823,615
Fiscal	300,088	300,088
Business	336	336
Operations and maintenance	691,263	691,263
Pupil transportation	549,241	544,564
Central	44,676	30,841

(Continued)

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2003
(Continued)**

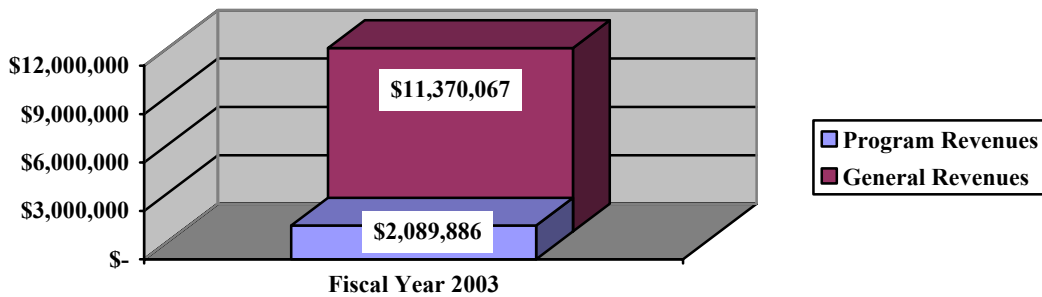
Governmental Activities (Continued)

	Total Cost of Services 2003	Net Cost of Services 2003
Operations of non-instructional services	305,872	63,057
Food service operations	524,495	5,162
Extracurricular activities	482,320	149,995
Interest and fiscal charges	931,475	931,475
Total expenses	\$ 13,222,806	\$ 11,132,920

The dependence upon tax and other general revenues for governmental activities is apparent, 91.04 percent of instruction activities are supported through taxes and other general revenues. For all governmental activities, general revenue support is 84.13 percent. The District's taxpayers, as a whole, are by far the primary support for District's students.

The graph below presents the District's governmental activities revenue for fiscal year 2003.

Governmental Activities - General and Program Revenues



The District's Funds

The District's governmental funds (as presented on the balance sheet on page 17) reported a combined fund balance of \$18,048,673, which is lower than last year's total of \$18,599,272. The June 30, 2002 fund balances have been restated as described in Note 3.A to the basic financial statements. The schedule below indicates the fund balance and the total change in fund balance as of June 30, 2003 and 2002.

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2003
(Continued)**

	<u>Fund Balance</u> <u>June 30, 2003</u>	<u>Fund Balance</u> <u>June 30, 2002</u>	<u>Increase</u> <u>(Decrease)</u>
General	\$ 2,255,404	\$ 2,288,461	\$ (33,057)
Bond Retirement	507,672	260,809	246,863
Building	12,658,161	13,500,667	(842,506)
Other Governmental	<u>2,627,436</u>	<u>2,549,335</u>	<u>78,101</u>
Total	<u>\$ 18,048,673</u>	<u>\$ 18,599,272</u>	<u>\$ (550,599)</u>

General Fund

The District's general fund's fund balance decreased by \$33,057 (after a restatement to the June 30, 2002, fund balance which is detailed in Note 3.A. to the basic financial statement). The decrease in fund balance can be attributed to expenses increasing slightly more than revenues. The table that follows assists in illustrating the financial activities and fund balance of the general fund.

	<u>2003</u> <u>Amount</u>	<u>Restated</u> <u>2002</u> <u>Amount</u>	<u>Percentage</u> <u>Change</u>
Revenues			
Taxes	\$ 4,317,867	\$ 4,318,062	(0.00) %
Tuition	215,880	2,730	7,807.69 %
Earnings on investments	173,395	140,898	23.06 %
Intergovernmental	5,374,996	5,414,043	(0.72) %
Other revenues	<u>248,802</u>	<u>159,444</u>	56.04 %
Total	<u>\$ 10,330,940</u>	<u>\$ 10,035,177</u>	2.95 %

(Continued)

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2003
(Continued)**

	2003 Amount	Restated 2002 Amount	Percentage Change
Expenditures			
Instruction	\$ 6,792,150	\$ 6,325,765	7.37 %
Support services	3,177,759	3,103,134	2.40 %
Operation of non-instructional services	827	1,777	(53.46) %
Extracurricular activities	230,723	231,314	(0.26) %
Facilities acquisition and construction	50,398	48,358	4.22 %
Capital outlay	312,525	-	100.00 %
Debt service	56,877	-	100.00 %
Total	\$ 10,621,259	\$ 9,710,348	9.38 %

Bond Retirement Fund

The District's bond retirement fund's fund balance increased by \$246,863 (after a restatement to the June 30, 2002, fund balance which is detailed in Note 3.A. to the basic financial statement). The increase in fund balance can be attributed to the issuing and sale of bonds.

Building Fund

The District's building fund's fund balance decreased by \$842,506 (after a restatement to the June 30, 2002, fund balance which is detailed in Note 3.A. to the basic financial statement). The decrease in fund balance can be attributed to an increase in facilities acquisition and construction expense.

General Fund Budgeting Highlights

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

During the course of fiscal 2003, the District amended its general fund budget numerous times. For the general fund, final budgeted revenues were \$10,494,368, which approximates the original budgeted revenues estimate of \$10,469,338. Actual revenues and other financing sources for fiscal 2003 was \$10,136,856. This represents a \$357,512 decrease from final budgeted revenues.

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2003
(Continued)**

General fund original and final budgeted appropriations (appropriated expenditures plus other financing uses) were \$10,894,110. The actual budget basis expenditures and other financing uses for fiscal year 2003 totaled \$10,447,169, which was \$446,941 less than the final budget appropriations.

Capital Assets and Debt Administration

Capital Assets

At the end of fiscal 2003, the District had \$4,492,189 invested in land, land improvements, buildings and improvements, furniture and equipment, vehicles and construction in progress (CIP). This entire amount is reported in governmental activities. The following table shows fiscal 2003 balances compared to 2002:

Capital Assets at June 30 (Net of Depreciation)		
	Governmental Activities	
	2003	2002
Land	\$ 428,945	\$ 367,166
Land improvements	124,491	140,591
Building and improvements	1,336,092	1,425,612
Furniture and equipment	871,797	679,538
Vehicles	539,677	418,093
Construction in progress	1,191,187	-
Total	\$ 4,492,189	\$ 3,031,000

Total additions to capital assets for 2003 were \$582,024 and total disposals were \$1,810 (net of accumulated depreciation). The District recorded \$358,549 in depreciation expense for fiscal 2003.

Debt Administration

At June 30, 2003, the District had \$14,476,571 in general obligation bonds and asbestos removal loans outstanding. Of this total, \$327,000 is due within one year and \$14,149,571 is due within greater than one year. The following table summarizes the bonds and loans outstanding.

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2003
(Continued)**

Outstanding Debt, at Year End

	Governmental Activities	
	2003	2002
General obligation bonds:		
1986 Issue	\$ 400,000	\$ 450,000
2003 Issue	14,068,556	-
Asbestos removal loans	8,015	51,515
Total	\$ 14,476,571	\$ 501,515

The asbestos removal loans are scheduled to mature in fiscal year 2008 and are interest free providing payment remains current.

In 1986, the District issued general obligation bonds, which are scheduled to mature in fiscal year 2010 and bear an interest rate of 7.50 percent. Payment of principal and interest on the general obligation bonds is being made from the debt service fund.

The District issued new general obligation bonds in fiscal year 2003, see the notes to the basic financial statements for details.

Current Financial Related Activities

The District faces many challenges in the future. As the preceding information shows, the District relies heavily upon grants and entitlements, property taxes and income taxes. Real property tax collections are expected to increase slightly due to an increase in the Districts assessed valuation. Personal tangible property tax collections are expected to continue to decline due to the departure of Philips Electronic NA and to provisions of House Bill 95 which will accelerate of the elimination of the inventory tax and eliminate the filing requirement of personal property tax returns for business with less than \$10,000 in personal property. Income tax collections are expected to decline in fiscal year 2004. Fluctuations in income tax after that will depend on the national, state and local economy. On November 30, 2003, the District, along with the Village of Ottawa, Ottawa Township Trustees and Putnam County Commissioners agreed to a settlement and release agreement with Philips Electronic North America. This settlement agreement will result in payments totaling \$1.5 million to be distributed to the District over the next four years. This settlement will help carry the District through the next three years. Prior to the inclusion of the settlement agreement, the District's expenses exceed revenue. The District will have to work to bring expenses in line with revenue prior to fiscal year 2007 when the last settlement payment is to be received.

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2003
(Continued)**

Since the District relies on the State for approximately 50 percent of the general operating revenues, one of the largest challenges facing the District is that of state funding. The State of Ohio was found by the Supreme Court in March 1997 to be operating unconstitutional educational system, one that was neither adequate nor equitable. Since 1997, the State has directed its tax revenue growth toward school districts with little property tax wealth. 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. At this time, the District is unable to determine what effect, if any, this decision will have on its future State funding and on its financial operations.

Another challenge facing the District is the decline in enrollment over the past several years, especially if these declines continue. The District has lost over 200 students over the last five years. When these students leave, the State funding is also decreased. In addition, House Bill 95 eliminated the three year average which allowed the District to manage a decline in enrollment.

The final challenge for the District's Management is to continue to provide the resources necessary to meet student needs and be able to stay within the five-year forecast. The five-year forecast is utilized by management in order to effectively and efficiently manage the District's resources to their fullest.

Contacting the District's Financial Management

This financial report is designed to provide our citizen's taxpayers, and investors and creditors with a general overview of the District's finances and to show the District's accountability for the money it receives. If you have questions about this report or need additional financial information contact Mrs. Michelle Ellerbrock, Treasurer, Ottawa-Glandorf Local School District, 360 N. Locust Street, Ottawa, Ohio 45875-1432.

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

**STATEMENT OF NET ASSETS
JUNE 30, 2003**

	Governmental Activities
Assets	
Equity in pooled cash and cash equivalents	\$ 8,018,573
Investments	10,302,272
Receivables:	
Taxes	4,892,321
Accounts	5,067
Intergovernmental	31,327
Accrued interest	170,266
Prepayments	67,821
Materials and supplies inventory	6,784
Capital assets:	
Land	428,945
Depreciable assets, net	4,063,244
Restricted assets:	
Equity in pooled cash and cash equivalents	141,039
<i>Total assets</i>	28,127,659
Liabilities	
Accounts payable	318,225
Accrued wages and benefits	850,656
Pension obligation payable	274,734
Intergovernmental payable	27,956
Deferred revenue	4,059,783
Accrued interest payable	52,958
Long-term liabilities:	
Due within one year	443,952
Due within more than one year	15,183,572
<i>Total liabilities</i>	21,211,836
Net Assets	
Invested in capital assets, net of related debt	2,919,521
Restricted for:	
Capital projects	1,359,698
Debt service	468,937
Other purposes	345,539
Unrestricted	1,822,128
<i>Total net assets</i>	\$ 6,915,823

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

**STATEMENT OF ACTIVITIES
FOR THE FISCAL YEAR ENDED JUNE 30, 2003**

		Program Revenues			Net (Expense) Revenue and Changes in Net Assets
	Expenses	Charges for Services and Sales	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities
Governmental activities					
Instruction:					
Regular	\$ 5,997,666	\$ 330,181	\$ 177,789	\$ -	\$ (5,489,696)
Special	1,162,171	-	164,483	-	(997,688)
Vocational	159,224	-	-	-	(159,224)
Other	192,600	-	-	-	(192,600)
Support services:					
Pupil	448,004	-	50,769	-	(397,235)
Instructional staff	431,792	89,374	26,856	1,200	(314,362)
Board of education	41,719	-	-	-	(41,719)
Administration	959,864	96,117	40,132	-	(823,615)
Fiscal	300,088	-	-	-	(300,088)
Business	336	-	-	-	(336)
Operations and maintenance	691,263	-	-	-	(691,263)
Pupil transportation	549,241	4,293	384	-	(544,564)
Central	44,676	-	13,835	-	(30,841)
Operation of non-instructional services					
Food service operations	305,872	42,032	200,783	-	(63,057)
Extracurricular activities	524,495	394,846	124,487	-	(5,162)
Interest and fiscal charges	482,320	332,325	-	-	(149,995)
	931,475	-	-	-	(931,475)
<i>Total governmental activities</i>	\$ 13,222,806	\$ 1,289,168	\$ 799,518	\$ 1,200	(11,132,920)
 General Revenues					
Property taxes levied for:					
General purposes					4,355,488
Debt service					549,999
Capital outlay					171,356
Grants and entitlements not restricted to specific programs					5,440,968
Investment earnings					637,304
Miscellaneous					214,952
<i>Total general revenues</i>					11,370,067
Change in net assets					237,147
<i>Net assets at beginning of year</i>					6,678,676
<i>Net assets at end of year</i>					\$ 6,915,823

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

**BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2003**

	General	Bond Retirement	Building	Other Governmental Funds	Total Governmental Funds
Assets					
Equity in pooled cash and cash equivalents	\$ 2,305,979	\$ 409,133	\$ 2,633,229	\$ 2,670,232	\$ 8,018,573
Investments	-	-	10,302,272	-	10,302,272
Receivables:					
Taxes	3,842,798	890,711	-	158,812	4,892,321
Accounts	1,584	-	-	3,483	5,067
Intergovernmental	8,242	-	-	23,085	31,327
Accrued interest	160,932	-	9,332	2	170,266
Prepayments	58,654	-	9,167	-	67,821
Materials and supplies inventory	998	-	-	5,786	6,784
Restricted assets:					
Equity in pooled cash and cash equivalents	141,039	-	-	-	141,039
<i>Total assets</i>	<u>\$ 6,520,226</u>	<u>\$ 1,299,844</u>	<u>\$ 12,954,000</u>	<u>\$ 2,861,400</u>	<u>\$ 23,635,470</u>
Liabilities					
Accounts payable	\$ 13,867	\$ -	\$ 287,160	\$ 17,198	\$ 318,225
Accrued wages and benefits	773,789	-	-	76,867	850,656
Compensated absences payable	-	-	-	27,086	27,086
Pension obligation payable	162,409	-	-	11,814	174,223
Intergovernmental payable	25,284	-	-	2,672	27,956
Deferred revenue	3,289,473	792,172	8,679	98,327	4,188,651
<i>Total liabilities</i>	<u>4,264,822</u>	<u>792,172</u>	<u>295,839</u>	<u>233,964</u>	<u>5,586,797</u>
Fund Balances					
Reserved for encumbrances	109,765	-	-	71,253	181,018
Reserved for budget stabilization	32,039	-	-	-	32,039
Reserved for materials and supplies inventory	998	-	-	5,786	6,784
Reserved for prepayments	58,654	-	9,167	-	67,821
Reserved for property tax unavailable for appropriation	345,750	98,539	-	63,119	507,408
Reserved for school bus purchases	109,000	-	-	-	109,000
Reserved for termination benefits	-	-	-	194,626	194,626
Unreserved:					
Designated for budget stabilization	197,862	-	-	-	197,862
Undesignated, reported in:					
General fund	1,401,336	-	-	-	1,401,336
Special revenue funds	-	-	-	514,216	514,216
Debt service funds	-	409,133	-	-	409,133
Capital projects funds	-	-	12,648,994	1,778,436	14,427,430
<i>Total fund balances</i>	<u>2,255,404</u>	<u>507,672</u>	<u>12,658,161</u>	<u>2,627,436</u>	<u>18,048,673</u>
<i>Total liabilities and fund balances</i>	<u>\$ 6,520,226</u>	<u>\$ 1,299,844</u>	<u>\$ 12,954,000</u>	<u>\$ 2,861,400</u>	<u>\$ 23,635,470</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

RECONCILIATION OF TOTAL GOVERNMENTAL FUND BALANCES TO
NET ASSETS OF GOVERNMENTAL ACTIVITIES
JUNE 30, 2003

Total governmental fund balances \$ 18,048,673

*Amounts reported for governmental activities in the
statement of net assets are different because:*

Capital assets used in governmental activities are not financial
resources and therefore are not reported in the funds 4,492,189

Other long-term assets are not available to pay for current-
period expenditures and therefore are deferred in the funds.

Taxes	\$ 74,228
Accrued interest	52,006
Intergovernmental revenue	<u>2,634</u>

Total 128,868

Long-term liabilities, including bonds payable, are not due and
payable in the current period and therefore are not reported
in the funds.

Compensated absences	855,226
Pension obligation payable	100,511
General obligation bonds payable	14,468,556
Asbestos removal loan	8,015
Capital lease obligation	268,641
Accrued interest payable	<u>52,958</u>

Total (15,753,907)

Net assets of governmental activities \$ 6,915,823

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2003**

	General	Bond Retirement	Building	Other Governmental Funds	Total Governmental Funds
Revenues					
From local sources:					
Taxes	\$ 4,317,867	\$ 536,083	\$ -	\$ 163,602	\$ 5,017,552
Tuition	215,880	-	-	36,856	252,736
Charges for services	-	-	-	394,846	394,846
Earnings on investments	173,395	75,808	339,514	67,503	656,220
Extracurricular	-	-	-	428,442	428,442
Other local revenues	248,802	-	-	181,629	430,431
Intergovernmental - State	5,374,996	50,622	-	340,016	5,765,634
Intergovernmental - Federal	-	-	-	414,738	414,738
<i>Total revenue</i>	<u>10,330,940</u>	<u>662,513</u>	<u>339,514</u>	<u>2,027,632</u>	<u>13,360,599</u>
Expenditures					
Current:					
Instruction:					
Regular	5,440,306	-	-	223,968	5,664,274
Special	1,000,122	-	-	165,509	1,165,631
Vocational	159,122	-	-	-	159,122
Other	192,600	-	-	-	192,600
Support Services:					
Pupil	384,670	-	-	59,842	444,512
Instructional staff	318,736	-	-	81,068	399,804
Board of education	41,719	-	-	-	41,719
Administration	879,125	-	-	137,473	1,016,598
Fiscal	285,064	11,670	-	6,026	302,760
Business	336	-	-	-	336
Operations and maintenance	676,589	-	-	175,092	851,681
Pupil transportation	550,444	-	-	58,100	608,544
Central	41,076	-	-	3,600	44,676
Operation of non-instructional services	827	-	-	306,075	306,902
Extracurricular activities	230,723	-	-	275,907	506,630
Food service operations	-	-	-	446,476	446,476
Facilities acquisition and construction	50,398	-	1,182,020	69,339	1,301,757
Capital outlay	312,525	-	-	-	312,525
Debt service:					
Principal retirement	41,796	13,578,500	-	2,088	13,622,384
Interest and fiscal charges	15,081	880,330	-	754	896,165
<i>Total expenditures</i>	<u>10,621,259</u>	<u>14,470,500</u>	<u>1,182,020</u>	<u>2,011,317</u>	<u>28,285,096</u>
<i>Excess of revenues over (under) expenditures</i>	<u>(290,319)</u>	<u>(13,807,987)</u>	<u>(842,506)</u>	<u>16,315</u>	<u>(14,924,497)</u>
Other financing sources (uses):					
Transfers in	-	-	-	56,000	56,000
Transfers (out)	(56,000)	-	-	-	(56,000)
Proceeds from sale of bonds	-	13,485,000	-	-	13,485,000
Premium on sale of bonds	-	569,850	-	-	569,850
Proceeds from capital lease transaction	312,525	-	-	-	312,525
Proceeds from sale of capital assets	308	-	-	-	308
<i>Total other financing sources (uses)</i>	<u>256,833</u>	<u>14,054,850</u>	<u>-</u>	<u>56,000</u>	<u>14,367,683</u>
<i>Net change in fund balances</i>	<u>(33,486)</u>	<u>246,863</u>	<u>(842,506)</u>	<u>72,315</u>	<u>(556,814)</u>
<i>Fund balances at beginning of year (restated)</i>					
	2,288,461	260,809	13,500,667	2,549,335	18,599,272
Increase in reserve for inventory	429	-	-	5,786	6,215
<i>Fund balances at end of year</i>	<u>\$ 2,255,404</u>	<u>\$ 507,672</u>	<u>\$ 12,658,161</u>	<u>\$ 2,627,436</u>	<u>\$ 18,048,673</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES
FOR THE FISCAL YEAR ENDED JUNE 30, 2003

Net change in fund balances - total governmental funds	\$ (556,814)
 <i>Amounts reported for governmental activities in the statement of activities are different because:</i>	
Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which capital outlays exceed depreciation expense in the current period.	1,462,999
The net effect of various miscellaneous transactions involving capital assets (i.e., sales, disposals, trade-ins, and donations) is to decrease net assets.	(1,810)
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.	43,572
Proceeds of debt issues are recorded as revenue in the funds, however, in the statement of activities, they are not reported as revenues as they increase liabilities on the statement of net assets.	(14,362,538)
Repayment of bond, loan, note and capital lease principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities on the statement of net assets.	13,622,384
In the statement of activities, interest is accrued on outstanding bonds, whereas in governmental funds, an interest expenditure is reported when due.	(40,147)
Some expenses reported in the statement of activities, such as compensated absences and pension obligations, do not require the use of current financial resources and therefore are not as expenditures in governmental funds.	63,286
Governmental funds report expenditures for inventory when purchased, however, in the statement of activities they are reported as an expense when consumed.	<u>6,215</u>
<i>Change in net assets of governmental activities</i>	<u><u>\$ 237,147</u></u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

STATEMENT IN REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL COMPARISON (NON-GAAP BUDGETARY BASIS)
GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2003

	Budgeted Amounts			Variance with Final Budget Positive (Negative)
	Original	Final	Actual	
Revenues				
From local sources:				
Taxes	\$ 4,634,570	\$ 4,393,414	\$ 4,231,055	\$ (162,359)
Tuition	-	224,164	215,880	(8,284)
Earnings on investments	328,341	91,063	87,698	(3,365)
Other local revenues	-	213,034	205,161	(7,873)
Intergovernmental - State	5,506,427	5,572,693	5,366,754	(205,939)
<i>Total revenue</i>	<u>10,469,338</u>	<u>10,494,368</u>	<u>10,106,548</u>	<u>(387,820)</u>
Expenditures				
Current:				
Instruction:				
Regular	5,795,627	5,795,627	5,461,162	334,465
Special	1,044,572	1,044,572	997,163	47,409
Vocational	181,550	181,550	161,622	19,928
Other	55,000	55,000	194,377	(139,377)
Support Services:				
Pupil	411,480	411,480	388,497	22,983
Instructional staff	337,962	337,962	313,058	24,904
Board of education	59,741	59,741	44,550	15,191
Administration	890,452	890,452	892,926	(2,474)
Fiscal	304,093	304,093	288,439	15,654
Business	309	309	335	(26)
Operations and maintenance	738,808	738,808	731,206	7,602
Pupil transportation	717,757	717,757	567,333	150,424
Central	60,284	60,284	43,356	16,928
Operation of non-instructional services	-	-	827	(827)
Extracurricular activities	228,975	228,975	238,420	(9,445)
Facilities acquisition and construction	67,500	67,500	67,898	(398)
<i>Total expenditures</i>	<u>10,894,110</u>	<u>10,894,110</u>	<u>10,391,169</u>	<u>502,941</u>
<i>Excess of expenditures over revenues</i>	<u>(424,772)</u>	<u>(399,742)</u>	<u>(284,621)</u>	<u>115,121</u>
Other financing sources (uses):				
Transfers (out)	-	-	(56,000)	(56,000)
Advances in	-	-	30,000	30,000
Proceeds from sale of capital assets	-	-	308	308
<i>Total other financing sources (uses)</i>	<u>-</u>	<u>-</u>	<u>(25,692)</u>	<u>(25,692)</u>
<i>Net change in fund balance</i>	<u>(424,772)</u>	<u>(399,742)</u>	<u>(310,313)</u>	<u>89,429</u>
<i>Fund balance at beginning of year (restated)</i>	2,335,810	2,355,810	2,355,810	-
Prior year encumbrances appropriated	272,925	272,925	272,925	-
<i>Fund balance at end of year</i>	<u>\$ 2,183,963</u>	<u>\$ 2,228,993</u>	<u>\$ 2,318,422</u>	<u>\$ 89,429</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

**STATEMENT OF FIDUCIARY NET ASSETS
FIDUCIARY FUNDS
JUNE 30, 2003**

	Private Purpose Trust	
	Scholarship	Agency
Assets		
Equity in pooled cash and cash equivalents	\$ 14,382	\$ 39,423
Receivables:		
Loans	19,711	-
<i>Total assets</i>	34,093	39,423
Liabilities		
Accounts payable	-	103
Intergovernmental payable	-	3,353
Due to students	-	35,967
<i>Total liabilities</i>	-	\$ 39,423
Net Assets		
Held in trust for scholarships	34,093	
<i>Total net assets</i>	\$ 34,093	

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

**STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS
FIDUCIARY FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2003**

	<u>Private Purpose Trust</u>	<u>Scholarship</u>
Additions		
Interest	\$	<u>56</u>
Deductions		
Scholarships awarded		<u>1,867</u>
<i>Change in net assets</i>		(1,811)
<i>Net assets at beginning of year</i>		<u>35,904</u>
<i>Net assets at end of year</i>	<u>\$</u>	<u><u>34,093</u></u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2003**

1. DESCRIPTION OF THE SCHOOL DISTRICT

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

The District was organized in 1962, in accordance with Sections 2 and 3, Article VI of the Constitution of the State of Ohio. Under such laws, there is no authority for a school district to have a charter or adopt local laws. The legislative power of the District is vested in the Board of Education, consisting of five members elected at large for staggered four-year terms.

The District currently operates 2 elementary schools and 1 comprehensive high school. The District employs 78 non-certified and 120 certified (including administrative) full-time and part-time employees to provide services to approximately 1,762 students in grades K through 12 and various community groups, which ranks it 319th out of approximately 740 public and community school districts in the State.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

A. Reporting Entity

The reporting entity has been defined in accordance with GASB Statement No. 14, "The Financial Reporting Entity". The reporting entity is composed of the primary government, component units and other organizations that are included to ensure the basic financial statements of the District are not misleading. The primary government consists of all funds, departments, boards and agencies that are not legally separate from the District. For the District, this includes general operations, foods service, preschool and student related activities of the District.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2003
(Continued)

Component units are legally separate organizations for which the District is financially accountable. The District is financially accountable for an organization if the District appoints a voting majority of the organizations' government board and (1) the District is able to significantly influence the programs or services performed or provided by the organization; or (2) the District is legally entitled to or can otherwise have access to the organizations resources; or (3) the District is legally obligated or has otherwise assumed the responsibility to finance the deficits of, or provide financial support to, the organization; or (4) the District is obligated for the debt of the organization. Component units may also include organizations that are fiscally dependent on the District in that the District approves the budget, the issuance of debt or the levying of taxes. Based upon the application of these criteria, the District has no component units. The basic financial statements of the reporting entity include only those of the District (the primary government). The following organizations are described due to their relationship to the District:

JOINTLY GOVERNED ORGANIZATIONS

Northwest Ohio Area Computer Services Cooperative

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

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

Millstream Cooperative Career Center

The Millstream Cooperative Career Center is a distinct political subdivision of the State of Ohio established under § 3313.90. The Career Center operates under the direction of an Advisory Council consisting of the superintendent of each participating school district and one additional representative appointed by the Findlay City School District. The Putnam and Hancock Counties Educational Service Centers serve in an

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2003
(Continued)

ex-officio capacity for all meetings. To obtain financial information write to the Findlay City School District, Pamela Barber, Treasurer, at 227 South West Street, Findlay, Ohio 45840-3377.

The District also participates in two insurance group purchasing pools, described in Note 11.

B. Fund Accounting

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

GOVERNMENTAL FUNDS

Governmental funds are those through which most governmental functions typically are financed. Governmental fund reporting focuses on the sources, uses and balances of current financial resources. Expendable assets are assigned to the various governmental funds according to the purposes for which they may or must be used. Current liabilities are assigned to the fund from which they will be paid. The difference between governmental fund assets and liabilities is reported as fund balance. The following are the District's major governmental funds:

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

Bond Retirement Fund – A fund provided for the retirement of serial bonds and short term loans. All revenue derived from general or special levies, either within or exceeding the ten-mill limitation which is levied for debt charges on bonds or loans, shall be paid into this fund.

Building Fund – A fund used to account for the receipts and expenditures related to all special bond funds in the District. All proceeds from the sale of bonds, notes or certificates of indebtedness, except premium and accrued interest, must be paid into this fund. Expenditures recorded here represent the costs of acquiring capital facilities including real property.

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2003
(Continued)**

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

PROPRIETARY FUNDS

Proprietary funds are used to account for the District's ongoing activities which are similar to those often found in the private sector. The District has no enterprise or internal service funds.

FIDUCIARY FUNDS

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

C. Basis of Presentation and Measurement Focus

Government-wide Financial Statements

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

The government-wide statement of activities presents a comparison between direct expenses and program revenues for each function or program of the governmental activities of the District. Direct expenses are those that are specifically associated with a service, program or department and therefore clearly identifiable to a particular function. Program revenues include amounts paid by the recipient of goods or services offered by the program and grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues not classified as program revenues are presented as general revenues of the District.

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2003
(Continued)**

The government-wide financial statements are prepared using the economic resources measurement focus. All assets and all liabilities associated with the operation of the District are included on the statement of net assets.

Fund Financial Statements

Fund financial statements report detailed information about the District. The focus of governmental fund financial statements is on major funds rather than reporting funds by type. Each major fund is presented in a separate column, and all nonmajor funds are aggregated into one column. Fiduciary funds are reported by fund type.

All governmental funds are accounted for using a flow of current financial resources measurement focus. With this measurement focus, only current assets and current liabilities generally are included on the balance sheet. The statement of revenues, expenditures and changes in fund balances reports on the sources (i.e., revenues and other financing sources) and uses (i.e., expenditures and other financing uses) of current financial resources. This approach differs from the manner in which the governmental activities of the government-wide financial statements are prepared. Governmental fund financial statements therefore include a reconciliation with brief explanations to better identify the relationship between the government-wide statements and the statements for governmental funds.

The private purpose trust is reported using the economic resources measurement focus. Agency funds do not report a measurement focus as they do not report operations.

D. Basis of Accounting

Basis of accounting determines when transactions are recorded in the financial records and reported on the financial statements. Government-wide financial statements are prepared using the accrual basis of accounting. Governmental funds use the modified accrual basis of accounting. Fiduciary funds also use the accrual basis of accounting.

Revenues - Exchange and Non-exchange Transactions

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 a modified accrual basis, revenue is recorded in the fiscal year in which the resources are measurable and become available. Available means that the resources will be collected within the current fiscal year or are expected to be collected soon

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2003
(Continued)**

enough thereafter to be used to pay liabilities of the current fiscal year. For the District, available means expected to be received within sixty days of fiscal year-end.

Nonexchange transactions, in which the District receives value without directly giving equal value in return, include property taxes, income taxes, grants, entitlements and donation. On an accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied (See Note 6).

Revenue from income taxes is recognized in the fiscal year in which the underlying exchange transaction occurred (See Note 16). 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 year when the resources are required to be used or the fiscal year when use is first permitted, matching requirements, in which the District must provide local resources to be used for a specified purpose, and expenditure requirements, in which the resources are provided to the District on a reimbursement basis. On a 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 to be both measurable and available at fiscal year-end: property taxes available as an advance, income taxes, interest, tuition, grants, student fees and rentals.

Deferred Revenue

Deferred revenue arises when assets are recognized before revenue recognition criteria have been satisfied. Property taxes for which there is an enforceable legal claim as of June 30, 2003, but which were levied to finance fiscal year 2004 operation, have been recorded as deferred revenue. Grants and entitlements received before the eligibility requirements are met are also recorded as deferred revenue.

On governmental fund financial statements, receivables that will not be collected within the available period have also been reported as deferred revenue.

Expenses/Expenditures

On the accrual basis of accounting, expenses are recognized at the time they are incurred. The fair value of donated commodities received during the year is reported in the Statement of Revenues, Expenditures and Changes in Fund Balances as an expenditure with a like amount reported as intergovernmental revenue.

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NOTES TO THE BASIC FINANCIAL STATEMENTS
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(Continued)

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. Allocation of cost, such as depreciation and amortization, are not recognized in governmental funds.

E. Budgets

The budgetary process is prescribed by provisions of the Ohio Revised Code and entails the preparation of budgetary documents within an established timetable. The major documents prepared are the tax budget, the certificate of estimated resources, and the appropriation resolution, all of which are prepared on the budgetary basis of accounting. The Certificate of Estimated Resources and the Appropriations 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 fund level for all funds. Any budgetary modifications at this level may only be made by resolution of the Board of Education.

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 Putnam County Budget Commission for rate determination.

Estimated Resources

By April 1, the Board of Education accepts, by formal resolution, the tax rates as determined by the Budget Commission and receives the Commissions' Certificate of Estimated Resources, which states the projected revenue of each fund. Prior to June 30, the District must revise its budget so that total contemplated expenditures from any fund during the ensuing year will not exceed the amount stated in the Certificate of Estimated Resources. The revised budget then serves as the basis for the appropriation measure. On or about July 1, the Certificate is amended to include any unencumbered cash balances from the preceding year. The Certificate may be further amended during the year if projected increases or decreases in revenue are identified by

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(Continued)**

the District Treasurer. The amounts reported in the budgetary statements reflect the amounts in the final amended Certificate issued during the fiscal year.

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 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 District. The appropriation resolution, by fund, must be within the estimated resources as certified by the County Budget Commission and the total of expenditures may not exceed the appropriation totals at any level of control. Any revisions that alter the fund level of any fund must be approved by the Board of Education.

The Board may pass supplemental fund appropriations so 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, all supplemental appropriations were legally enacted.

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

F. Cash and Investments

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

During fiscal year 2003, investments were limited to nonnegotiable certificates of deposits, federal agency securities, and money market mutual funds. Except for nonparticipating investment contracts, investments are reported at fair value, which is based on quoted market prices. Nonparticipating investment contracts, such as nonnegotiable certificates of deposit, are reported at cost.

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(Continued)**

Under existing Ohio statutes all investment earnings are assigned to the general fund unless statutorily required to be credited to a specific fund. The Board of Education has, by resolution, specified the funds to receive an allocation of interest earnings. Interest revenue credited to the general fund during fiscal year 2003 amounted to \$173,395, which includes \$84,907 assigned from other District funds.

For presentation on the basic financial statements, investments of the cash management pool and investments with original maturities of three months or less at the time they are purchased by the District are considered to be cash equivalents. Investments with an initial maturity of more than three months are reported as investments.

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

G. Inventory

On government-wide financial statements, inventories are presented at the lower of cost or market on a first-in, first-out basis and are expensed when used.

On fund financial statements, inventories of governmental funds are stated at the lower of cost or market. For all funds, cost is determined on a first-in, first-out basis. The cost of inventory items is recorded as an expenditure in the governmental fund types when purchased. Inventories for governmental funds are accounted for using the purchase method on the fund financial statements and using the consumption method on the government-wide financial statements.

H. Capital Assets

General capital assets are those assets not specifically related to activities reported in the proprietary fund. These assets generally result from expenditures in the governmental funds. These assets are reported in the governmental activities column of the government-wide statement of net assets but are not reported in the fund financial statements.

All capital assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the year. Donated fixed assets are recorded at their fair market values as of the date received. During fiscal 2003, the District increased its capitalization threshold from \$500 to \$1,500. The District does not possess any infrastructure. Improvements are capitalized; the costs of normal maintenance and

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NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2003
(Continued)

repairs that do not add to the value of the asset or materially extend an asset's life are not.

All reported capital assets except land are depreciated. Improvements are depreciated over the remaining useful lives of the related capital assets. Depreciation is computed using the straight-line method over the following useful lives:

Description	Governmental Activities Estimated Lives
Land improvements	20 years
Buildings and improvements	25 - 50 years
Furniture and equipment	5 - 20 years
Vehicles	5 - 10 years

I. Interfund Balances

On fund financial statements, receivables and payables resulting from short-term interfund loans are classified as "interfund receivables/payables." The District has no interfund receivables/payables as of June 30, 2003.

J. Compensated Absences

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

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

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(Continued)**

employees with at least ten years of service were considered expected to become eligible to retire in accordance with GASB Statement No. 16.

The total liability for vacation and severance payments has been calculated using pay rates in effect at June 30, 2003, and reduced to the maximum payment allowed by labor contract and/or statute, plus any additional salary related payments.

The entire compensated absence liability is reported on the government-wide financial statements.

For governmental fund financial statements, compensated absences are recognized as liabilities and expenditures as payments come due each period upon the occurrence of employee resignations and retirements.

K. Accrued Liabilities and Long-Term Obligations

All payables, accrued liabilities and long-term obligations are reported in the government-wide financial statements.

In general, governmental fund payables and accrued liabilities that, once incurred, are paid in a timely manner and in full from current financial resources are reported as obligations of the funds. However, claims and judgments, compensated absences, and contractually required pension contributions that will be paid from governmental funds are reported as a liability in the fund financial statements only to the extent that they are due for payment during the current year. Bonds are recognized as a liability on the fund financial statements when due.

L. Fund Balance Reserves and Designations

The District reserves those portions of fund equity which are legally segregated for a specific future use or which do not represent available expendable resources and therefore are not available for appropriation or expenditure. Unreserved fund balance indicates that portion of fund equity which is available for appropriation in future periods. Fund equity reserves have been established for encumbrances, budget stabilization, materials and supplies inventory, prepayments, property tax unavailable for appropriation, school bus purchases, and termination benefits. The reserve for property taxes unavailable for appropriation represents taxes recognized as revenue under GAAP but not available for appropriation under state statute.

**OTTAWA-GLANDORF LOCAL SCHOOL DISTRICT
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(Continued)**

The amount set-aside by the School Board for budget stabilization is reported as a designation of fund balance in the general fund.

M. Net Assets

Net assets represent the difference between assets and liabilities. Net assets invested in capital assets, net of related debt consist of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction or improvement of those assets. Net assets are reported as restricted when there are limitations imposed on their use either through the enabling legislation or through external restrictions imposed by creditors, grantors or laws or regulations of other governments.

The District applies restricted resources when an expense is incurred for purposes for which both restricted and unrestricted net assets are available.

N. Prepayments

Certain payments to vendors reflect the costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements. These items are reported as assets on the balance sheet using the consumption method. A current asset for the prepaid amounts is recorded at the time of the purchase and the expenditure/expense is reported in the year in which services are consumed.

O. Estimates

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

P. Restricted Assets

Assets are reported as restricted assets when limitations on their use change the normal understanding of the availability of the asset. Such constraints are either imposed by creditors, contributors, grantors, or laws of other governments or imposed by enabling legislation. Restricted assets include the amount required by state statute to be set-aside for budget stabilization. In addition, the District reports restricted assets for school bus purchases. See Note 17 for details.

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NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2003
(Continued)

Q. Interfund Activity

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

R. Extraordinary and Special Items

Extraordinary items are transactions or events that are both unusual in nature and infrequent in occurrence. Special items are transactions or events that are within the control of the Board of Education and that are either unusual in nature or infrequent in occurrence. Neither type of transaction occurred during fiscal 2003.

3. ACCOUNTABILITY AND COMPLIANCE

A. Changes in Accounting Principles and Restatement of Fund Balance

For fiscal year 2003, the District has implemented GASB Statement No. 34, "*Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments*", GASB Statement No. 37, "*Basic Financial Statements for State and Local Governments: Omnibus*", GASB Statement No. 38, "*Certain Financial Statement Note Disclosures*", GASB Statement No. 41, "*Budgetary Comparison Schedule - Perspective Differences*", and GASB Interpretation No. 6, "*Recognition and Measurement of Certain Liabilities and Expenditures in Governmental Fund Financial Statements*". At June 30, 2002, there was no effect on fund balance as a result of implementing GASB Statements 37, 38 and 41.

GASB No. 34 creates new basic financial statements for reporting on the District's financial activities. The basic financial statements now include government-wide financial statements prepared on an accrual basis of accounting and fund financial statements which present information for individual major funds rather than by fund type. Nonmajor funds are presented in total in one column.

GASB Statement No. 37 clarifies certain provisions of Statement No. 34, including the required content of the Management Discussion and Analysis, the classification of

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**NOTES TO THE BASIC FINANCIAL STATEMENTS
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(Continued)**

program revenues and the criteria for determining major funds. GASB Statement No. 38, modifies, establishes and rescinds certain financial statement note disclosures.

GASB Statement No. 41 allows the presentation of budgetary schedules as required supplementary information based on the fund, organization or program structure that the government uses for its legally adopted budget when significant budgetary perspective differences result in the District not being able to present budgetary comparisons for the general fund.

GASB Interpretation No. 6 clarifies the application of standards for modified accrual recognition of certain liabilities and expenditures in areas where differences have arisen, or potentially could arise, in interpretation and practice.

The government-wide financial statements show the District's programs for governmental activities. The beginning net asset amount for governmental activities reflects the change in fund balance for governmental funds at June 30, 2002, caused by the conversion to the accrual basis of accounting.

Governmental Activities - Fund Reclassification and Restatement of Fund Balance

Certain funds have been reclassified to properly reflect their intended purpose in accordance with the Standards of GASB Statement No. 34. Certain funds previously reported as enterprise funds and expendable trust funds have been reclassified and are now included as a component of other nonmajor governmental funds and as a private purpose trust fund. It was also determined that GASB Interpretation No. 6 had an effect on fund balance as previously reported at June 30, 2002.

The fund reclassifications and the implementation of GASB Interpretation No. 6 had the following effect on the District's governmental fund balances as previously reported:

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**NOTES TO THE BASIC FINANCIAL STATEMENTS
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(Continued)**

	Bond				Total
	General	Retirement	Building	Nonmajor	
Fund balance					
June 30, 2002	\$ 2,282,534	\$ 260,809	\$ 13,500,667	\$ 2,180,364	\$ 18,224,374
Fund reclassifications	1,344	-	-	388,369	389,713
Implementation of GASB Interpretation No. 6	4,583	-	-	(19,398)	(14,815)
Adjusted fund balance, June 30, 2002	<u>\$ 2,288,461</u>	<u>\$ 260,809</u>	<u>\$ 13,500,667</u>	<u>\$ 2,549,335</u>	<u>\$ 18,599,272</u>

The transition from governmental fund balance to net assets of the governmental activities is presented as follows:

	<u>Total</u>
Adjusted fund balance, June 30, 2002	\$ 18,599,272
GASB 34 adjustments:	
Long-term (deferred) assets	85,296
Capital assets	3,031,000
Accrued interest payable	(31,354)
Long-term liabilities	<u>(15,005,538)</u>
Governmental activities net assets, June 30, 2002	<u>\$ 6,678,676</u>

B. Deficit Fund Balances

Fund balances at June 30, 2003 included the following individual fund deficits:

	<u>Deficit</u>
Nonmajor Funds:	
Public School Preschool	\$ 7,187
IDEA Part B Grants	9,867
Title VI	1,463
EHA Preschool Grants/Handicapped	2,502

These funds complied with Ohio state law, which does not permit a cash basis deficit at year-end. The general fund is liable for any deficits in these funds and provides transfers when cash is required, not when accruals occur. The deficit fund balances results from adjustments for accrued liabilities.

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(Continued)**

4. EQUITY IN POOLED CASH AND CASH EQUIVALENTS

Statutes require the classification of monies held by the District into three categories.

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

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

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

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

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

1. United States Treasury Notes, Bills, Bonds, or any other obligation or security issued by the United States Treasury or any other obligation guaranteed as to principal or interest by the United States;
2. Bonds, Notes, Debentures, or any other obligations or securities issued by any federal government agency or instrumentality, including but not limited to, the Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, Government National Mortgage Association, and Student Loan Marketing Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;

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**NOTES TO THE BASIC FINANCIAL STATEMENTS
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(Continued)**

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

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

Cash on hand: At fiscal year-end, the District had \$375 in undeposited cash on hand which is included on the combined balance sheet of the District as part of "Equity in Pooled Cash and Investments", but is not included in the total amount of deposits reported below.

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

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NOTES TO THE BASIC FINANCIAL STATEMENTS
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(Continued)

Deposits: At fiscal year-end, the carrying amount of the District's deposits was \$8,657,130 and the bank balance was \$8,996,740. These balances included \$8,000,000 in nonnegotiable certificates of deposit. Of the bank balance:

1. \$174,368 was covered by federal depository insurance; and
2. \$8,822,372 was uninsured and uncollateralized as defined by GASB although it was secured by collateral held by third party trustees, pursuant to § 135.181 Ohio Revised Code, in collateralized pools securing all public funds on deposit with specific depository institutions; these securities not being in the name of the District. Although all State statutory requirements for the deposit of money had been followed, noncompliance with federal requirements would potentially subject the District to a successful claim by the FDIC.

Investments: The District's investments are categorized below to give an indication of the level of custodial credit risk assumed by the entity at fiscal year-end. Category 1 includes investments that are insured or registered or securities held by the District. Category 2 includes uninsured and unregistered investments for which the securities are held by the counterparty's trust department or agent in the District's name. Category 3 includes uninsured and unregistered investments for which the securities are held by the counterparty or by its trust department, but not in the District's name. Investments in U.S. government money market mutual funds are not categorized as they are not evidenced by securities that exist in physical or book entry form.

	Category of Risk 3	Fair Value
U.S. government securities	\$ 6,526,416	\$ 6,526,416
Money market mutual fund	Unclassified	3,331,768
Total		\$ 9,858,184

The classification of cash and cash equivalents and investments on the basic financial statements is based on criteria set forth in GASB Statement No. 9. A reconciliation between the classifications of cash and investments on the basic financial statements and the classification per GASB Statement No. 3 is as follows:

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(Continued)

	Cash and Cash Equivalents/ Deposits	Investments
GASB Statement No. 9	\$ 8,213,417	\$ 10,302,272
Investments of the cash management pool:		
U.S. government money market mutual fund	(3,331,768)	3,331,768
Federal agency securities	(4,224,144)	4,224,144
Certificates of Deposits	8,000,000	(8,000,000)
Cash on hand	(375)	-
GASB Statement No. 3	\$ 8,657,130	\$ 9,858,184

5. INTERFUND TRANSACTIONS

Interfund transfers for the year ended June 30, 2003, consisted of the following, as reported on the fund financial statements:

	Amount
Transfers from general fund to:	
Nonmajor Governmental Funds	\$ 56,000

Transfers are used to (1) move revenues from the fund that statute or budget requires to collect them to the fund that statute or budget requires to expend them, and (2) use unrestricted revenues collected in the general fund to finance various programs accounted for in other funds in accordance with budgetary authorizations. Transfers between governmental funds are eliminated on the government-wide financials.

6. PROPERTY TAXES

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

Property taxes include amounts levied against all real, public utility and tangible personal property (used in business) located in the District. Real property tax revenue received in calendar 2003 represents collections of calendar year 2002 taxes. Real property taxes received in calendar year 2003 were levied after April 1, 2002, on the assessed value listed as of January 1, 2002, the lien date. Assessed values for real property taxes are established by State law at thirty-five percent of appraised market value. Real property taxes are

**OTTAWA-GLANDORF LOCAL SCHOOL DISTRICT
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**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2003
(Continued)**

payable annually or semi-annually. If paid annually, payment is due December 31; if paid semi-annually, the first payment is due December 31 with the remainder payable by June 20. Under certain circumstances, State statute permits alternate payment dates to be established.

Public utility property tax revenue received in calendar 2003 represents collections of calendar year 2002 taxes. Public utility real and tangible personal property taxes received in calendar year 2003 became a lien December 31, 2001, were levied after April 1, 2002 and are collected in 2003 with real property taxes. Public utility real property is assessed at thirty-five percent of true value; public utility tangible personal property currently is assessed at varying percentages of true value.

Tangible personal property tax revenue received during calendar 2003 (other than public utility property) represents the collection of 2003 taxes. Tangible personal property taxes received in calendar year 2003 were levied after April 1, 2002, on the value as of December 31, 2001. Tangible personal property is currently assessed at twenty-five percent of true value for capital assets and twenty-four percent of true value for inventory. Payments by multi-county taxpayers are due September 20. Single county taxpayers may pay annually or semi-annually. If paid annually, payment is due April 30; if paid semi-annually, the first payment is due April 30, with the remainder payable by September 20. Tangible personal property taxes paid by April 30 are usually received by the District prior to June 30.

The District receives property taxes from Putnam County. The County Auditor periodically advances to the District its portion of the taxes collected. Second-half real property tax payments collected by the County by June 30, 2003, are available to finance fiscal year 2003 operations. The amount available as an advance at June 30, 2003 was \$345,750 in the general fund, \$98,539 in the debt service fund and \$63,119 in the Permanent Improvement capital projects fund (a nonmajor governmental fund). The amount available for advance at June 30, 2002 was \$227,758 in the general fund, \$5,694 in the debt service fund and \$43,299 in the Permanent Improvement capital projects fund (a nonmajor governmental fund). The amount of second-half real property taxes available for advance at fiscal year-end can vary depending upon when the tax bills are sent by the County Auditor.

Accrued property taxes receivable includes real property, public utility property and tangible personal property taxes which are measurable as of June 30, 2003 and for which there is an enforceable legal claim. Although total property tax collections for the next fiscal year are measurable, only the amount of real property taxes available as an advance at June 30 was levied to finance current fiscal year operations and is reported as revenue at

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(Continued)**

fiscal year end. The portion of the receivable not levied to finance current fiscal year operations is offset by a credit to deterred revenue.

On a full accrual basis, collectible delinquent property taxes have been recorded as a receivable and revenue, while on a modified accrual basis the revenue has been deferred.

The assessed values upon which the fiscal year 2003 taxes were collected are:

	2002 Second Half Collections		2003 First Half Collections	
	Amount	Percent	Amount	Percent
Agricultural/residential and other real estate	\$ 130,704,060	76.80%	\$ 138,936,530	80.18%
Public utility personal property	5,746,200	3.38%	6,173,970	3.56%
Tangible personal property	33,722,946	19.82%	28,170,359	16.26%
Total	\$ 170,173,206	100.00%	\$ 173,280,859	100.00%
Tax rate per \$1,000 of assessed valuation:				
Operations	\$ 22.80		\$ 22.68	
Debt service	0.50		5.70	
Permanent improvement	1.50		1.50	

7. RECEIVABLES

Receivables at June 30, 2003 consisted of taxes, accounts (billings for user charged services and student fees), accrued interest, and intergovernmental grants and entitlements. All receivables are considered collectible in full due to the ability to foreclose for the nonpayment of taxes, the stable condition of state programs and the current year guarantee of Federal funds. A summary of the principal items of receivables reported on the Statement of Net Assets follows:

Governmental Activities:	
Taxes	\$ 4,892,321
Accounts	5,067
Intergovernmental	31,327
Accrued interest	170,266
Total	\$ 5,098,981

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NOTES TO THE BASIC FINANCIAL STATEMENTS
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(Continued)

Receivables have been disaggregated on the face of the basic finance statements. All receivables are expected to be collected within subsequent years.

8. CAPITAL ASSETS

A. The capital asset balances of the governmental activities have been restated due to changes in the District's capital asset policy (see Note 2.H.), due to the inclusion of food services capital assets as government activities and to depreciate capital assets in accordance with GASB Statement No. 34.

	Balance 6/30/02	Adjustments	Restated Balance 6/30/02
<u>Governmental Activities</u>			
Capital assets, not being depreciated:			
Land	\$ 367,166	\$ -	\$ 367,166
Total capital assets, not being depreciated	367,166	-	367,166
Capital assets, being depreciated:			
Land improvements	234,594	-	234,594
Buildings and improvements	5,102,615	(1,018)	5,101,597
Furniture and equipment	2,759,304	(965,593)	1,793,711
Vehicles	1,205,721	-	1,205,721
Total capital assets, being depreciated	9,302,234	(966,611)	8,335,623
Less: accumulated depreciation	-	(5,671,789)	(5,671,789)
Governmental activities capital assets, net	<u>\$ 9,669,400</u>	<u>\$ (6,638,400)</u>	<u>\$ 3,031,000</u>

**OTTAWA-GLANDORF LOCAL SCHOOL DISTRICT
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FOR THE FISCAL YEAR ENDED JUNE 30, 2003
(Continued)

B. Capital asset activity for the fiscal year ended June 30, 2003, was as follows:

	Restated Balance 06/30/02	Additions	Deductions	Balance 06/30/03
Capital assets, not being depreciated:				
Land	\$ 367,166	\$ 61,779	\$ -	\$ 428,945
Capital assets, being depreciated:				
Land improvements	234,594	-	-	234,594
Buildings and improvements	5,101,597	8,199	-	5,109,796
Furniture and equipment	1,793,711	379,592	(4,920)	2,168,383
Vehicles	1,205,721	180,791	(84,330)	1,302,182
Construction-in-progress	-	1,191,187	-	1,191,187
Total capital assets, being depreciated	<u>8,335,623</u>	<u>1,759,769</u>	<u>(89,250)</u>	<u>10,006,142</u>
Less: accumulated depreciation				
Land improvements	(94,003)	(16,100)	-	(110,103)
Buildings and improvements	(3,675,985)	(97,719)	-	(3,773,704)
Furniture and equipment	(1,114,173)	(185,523)	3,110	(1,296,586)
Vehicles	(787,628)	(59,207)	84,330	(762,505)
Total accumulated depreciation	<u>(5,671,789)</u>	<u>(358,549)</u>	<u>87,440</u>	<u>(5,942,898)</u>
Capital assets, net of accumulated depreciation	<u>\$ 3,031,000</u>	<u>\$ 1,462,999</u>	<u>\$ (1,810)</u>	<u>\$ 4,492,189</u>

**OTTAWA-GLANDORF LOCAL SCHOOL DISTRICT
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(Continued)

Depreciation expense was charged to governmental functions as follows:

Instruction:	
Regular	\$ 213,629
Special	12,817
Vocational	6,546
Support Services:	
Pupil	1,859
Instructional staff	16,761
Administration	7,653
Fiscal	1,061
Operations and maintenance	17,402
Pupil transportation	45,823
Extracurricular activities	15,088
Food service operation	19,910
Total depreciation expense	\$ 358,549

9. CAPITALIZED LEASES - LESSEE DISCLOSURE

During fiscal year 2003, the District entered into a capitalized lease for copiers and equipment. This lease agreement met the criteria of a capital lease as defined by FASB Statement No. 13, *Accounting for Leases*, which defines a capital lease generally as one which transfers benefits and risks of ownership to the lessee. Capital lease payments have been reclassified and are reflected as debt service expenditures in the financial statements for the governmental funds. These expenditures are reported as function expenditures on the budgetary statements.

Capital assets consisting of copiers and equipment have been capitalized in the amount of \$312,525. This amount represents the present value of the minimum lease payments at the time of acquisition. A corresponding liability is recorded in the government-wide financial statements. Principal payments in fiscal year 2003 totaled \$43,884 paid by the general fund, and nonmajor governmental funds.

The following is a schedule of the future long-term minimum lease payments required under the capital lease and the present value of the future minimum lease payments as of June 30, 2003:

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(Continued)

Fiscal Year Ending June 30,	Amount
2004	\$ 74,649
2005	74,649
2006	74,649
2007	74,650
2008	14,930
Total minimum lease payments	313,527
Less amount representing interest	(44,886)
Total	\$ 268,641

10. LONG-TERM OBLIGATIONS

- A.** The balance of the District's governmental activities long-term obligations at June 30, 2002 has been restated. The compensated absences liability decreased \$14,815 from \$913,550 to \$898,735 due to the implementation of GASB Interpretation No. 6 and fund reclassifications described in Note 3.A. In addition, pension obligations of \$73,797 at June 30, 2002 are not reported as a component of governmental activities long-term obligations as they are paid within one year of fiscal year-end. Pension obligations are reported separately on the statement of net assets. The effect on the total governmental activities long-term obligations at July 1, 2002 was a decrease of \$88,612 from \$14,973,862 to \$14,885,250. During the fiscal year 2003, the following changes occurred in governmental activities long-term obligations:

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**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2003
(Continued)**

	Restated Balance Outstanding 06/30/02	Additions	Reductions	Balance Outstanding 06/30/03	Amounts Due in One Year
<u>Governmental Activities:</u>					
General Obligation Bonds:					
General obligation bonds-1986 Issue	\$ 450,000	\$ -	\$ (50,000)	\$ 400,000	\$ 50,000
General obligation bonds-2003 Issue	-	13,465,000	-	13,465,000	275,000
Capital appreciation bonds	-	603,556	-	603,556	-
Energy conservation bonds	41,500	-	(41,500)	-	-
Total general obligation bonds payable	491,500	14,068,556	(91,500)	14,468,556	325,000
Loans Payable:					
Asbestos removal loans	10,015	-	(2,000)	8,015	2,000
Total loans payable	10,015	-	(2,000)	8,015	2,000
Notes Payable:					
Bond anticipation notes	13,485,000	-	(13,485,000)	-	-
Total loans payable	13,485,000	-	(13,485,000)	-	-
Other Long-Term Obligations:					
Capital lease obligation	-	312,525	(43,884)	268,641	56,910
Compensated absences	898,735	-	(16,423)	882,312	60,042
Total other long-term obligations	898,735	312,525	(60,307)	1,150,953	116,952
Total governmental activities	\$ 14,885,250	\$ 14,381,081	\$ (13,638,807)	\$ 15,627,524	\$ 443,952

Series 2003 School Improvement General Obligation Bonds

During fiscal 2003, the voters of the District authorized the issuance of \$13,485,000 in general obligation bonds, for the purpose of renovating and otherwise improving school facilities. These bonds will be retired from proceeds of an additional bonded debt tax levy.

The Series 2003 school improvement general obligation bond issue is comprised of both current interest bonds, par value \$13,465,000, and capital appreciation bonds, par value \$1,005,000. The capital appreciation bonds mature on December 1, 2013-2015 at a redemption price equal to 100 percent of the principal, plus accrued interest to the redemption date. The present value (as of issue date) reported in the statement of net assets at June 30, 2003 was \$585,013. Total accreted interest of \$18,543 has been included in the statement of net assets at June 30, 2003. The current interest bonds maturing on or after December 1, 2012 are subject to early redemption at the sole option of the District, at the following redemption prices, plus accrued interest:

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**NOTES TO THE BASIC FINANCIAL STATEMENTS
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(Continued)**

<u>Redemption Dates</u>	<u>Redemption Price</u>
December 1, 2012 and thereafter	100% of par

Interest payments on the current interest bonds are due on June 1 and December 1 of each year. The final maturity stated in the issue is December 1, 2030.

Series 1986 School Improvement General Obligation Bonds- 1986 Issue

The 1986 G.O. bonds have been issued to provide funds for the acquisition and construction of equipment and facilities and are general obligations of the District for which the full faith and credit of the District is pledged for repayment. Accordingly, such unmatured obligations of the District are accounted for on the statement of net assets. Payments of principal and interest relating to these bonds are recorded as expenditures in the debt service fund. The source of payment is derived from a current .80 mill bonded debt tax levy.

Bond Anticipation Notes

On June 12, 2002, the District issued \$13,485,000 in bond anticipation notes in order to renovate and add to the high school. These bond anticipation notes matured on December 12, 2002 and were retired by the District.

Energy Conservation Bonds and Asbestos Removal Loan

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

- B.** Principal and interest requirements to retire the long-term obligations outstanding at June 30, 2003, are as follows:

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**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2003
(Continued)**

Year Ended	General Obligation Bonds - 1986 Issue			Asbestos Removal Loans		
	Principal	Interest	Total	Principal	Interest	Total
2004	\$ 50,000	\$ 28,125	\$ 78,125	\$ 2,000	\$ -	\$ 2,000
2005	50,000	24,375	74,375	2,000	-	2,000
2006	50,000	20,625	70,625	2,000	-	2,000
2007	50,000	16,875	66,875	2,000	-	2,000
2008	50,000	13,125	63,125	15	-	15
2009 - 2013	150,000	16,875	166,875	-	-	-
Total	<u>\$ 400,000</u>	<u>\$ 120,000</u>	<u>\$ 520,000</u>	<u>\$ 8,015</u>	<u>\$ -</u>	<u>\$ 8,015</u>

Year Ended	General Obligation Bonds - 2003 Issue			Capital Appreciation Bonds - 2003 Issue		
	Principal	Interest	Total	Principal	Interest	Total
2004	\$ 275,000	\$ 603,362	\$ 878,362	\$ -	\$ -	\$ -
2005	295,000	598,724	893,724	-	-	-
2006	325,000	592,804	917,804	-	-	-
2007	400,000	584,391	984,391	-	-	-
2008	430,000	573,371	1,003,371	-	-	-
2009 - 2013	1,250,000	2,726,018	3,976,018	-	-	-
2014 - 2018	865,000	3,561,057	4,426,057	1,005,000	-	1,005,000
2019 - 2023	3,420,000	1,976,545	5,396,545	-	-	-
2024 - 2028	3,665,000	1,077,632	4,742,632	-	-	-
2029 - 2031	2,540,000	161,738	2,701,738	-	-	-
Total	<u>\$ 13,465,000</u>	<u>\$ 12,455,642</u>	<u>\$ 25,920,642</u>	<u>\$ 1,005,000</u>	<u>\$ -</u>	<u>\$ 1,005,000</u>

C. Legal Debt Margin

The Ohio Revised Code provides that voted net general obligation debt of the District shall never exceed 9 percent of the total assessed valuation of the District. The code further provides that unvoted indebtedness shall not exceed 1/10 of 1 percent of the property valuation of the District.

The effects of these debt limitations at June 30, 2003 are a voted debt margin of \$1,634,393 (including available funds of \$507,672) and an unvoted debt margin of \$173,281.

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11. RISK MANAGEMENT

The District is exposed to various risks of loss related to torts; theft, or damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disaster. During fiscal year 2003, the School District contracted for the following insurance coverage:

Coverage provided through the Ohio Schools Risk Sharing Authority (OSRSA) is as follows:

	<u>Coverage</u>
Property including inland marine - replacement cost (\$1,000 deductible)	\$ 25,631,454
Employee Dishonesty Liability	50,000
Automobile Liability	4,000,000
Uninsured Motorists	1,000,000
Medical Payments - per occurrence	1,000
Educator's Legal Liability - errors or omissions	4,000,000
General School District Liability:	
Per Occurrence	4,000,000
Total Per Year	4,000,000
Umbrella Liability	6,000,000

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

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

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(Continued)**

school districts pay an enrollment fee to the GRP to cover the costs of administering the program.

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

The District provides prescription drug insurance benefits to employees through a self-insurance program. The premiums and related expenses are accounted for in the General Fund. All claims are paid by the District with the request for reimbursement submitted by the employee on behalf of the District. The District has no stop loss insurance and has not set a maximum amount payable per beneficiary. However, the District's liability is limited to the employees' unpaid deductible and maximum out of pocket expense.

The District also participates in Putnam County Schools Insurance Group, an insurance purchasing pool among nine local school districts, the Putnam County Board of MR/DD, and the Putnam County Educational Service Center. 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. Financial information can be obtained from Michael Siebeneck, who serves as treasurer, at PO Box 190, Ottawa, Ohio 45875.

Post employment health care is provided to plan participants or their beneficiaries through the respective retirement systems discussed in Note 13. As such, no funding provisions are required by the District.

12. DEFINED BENEFIT PENSION PLANS

A. School Employees Retirement System

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

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School Employees Retirement System, 300 East Broad Street, Suite 100, Columbus, Ohio 43215-3476, or by calling (614) 222-5853.

Plan members are required to contribute 9 percent of their annual covered salary and the District is required to contribute at an actuarially determined rate. The current District rate is 14 percent of annual covered payroll. A portion of the District's contribution is used to fund pension obligations with the remainder being used to fund health care benefits. For fiscal year 2003, 8.17 percent of annual covered salary was the portion used to fund pension obligations. For fiscal year 2002, 5.46 percent of annual covered salary was the portion used to fund pension obligations. The contribution requirements of plan members and employers are established and may be amended, up to a statutory maximum amount, by the SERS' Retirement Board. The adequacy of the contribution rates is determined annually. The District's required contributions to SERS for the fiscal years ended June 30, 2003, 2002, and 2001 were \$106,196, \$75,845, and \$50,136, respectively; 44.15 percent has been contributed for fiscal year 2003 and 100 percent for the fiscal years 2002 and 2001. \$75,780 represents the unpaid contribution for fiscal year 2003.

B. State Teachers Retirement System

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

New members have a choice of three retirement plans, a Defined Benefit (DB) Plan, a Defined Contribution (DC) Plan and a Combined Plan. The DB plan offers an annual retirement allowance based on final average salary times a percentage that varies based on years of service, or an allowance based on member contributions and earned interest matched by STRS Ohio funds times an actuarially determined annuity factor. The DC Plan allows members to place all their member contributions and employer contributions equal to 10.5 percent of earned compensation into an investment account. Investment decisions are made by the member. A member is eligible to receive a retirement benefit at age 50 and termination of employment. The Combined Plan

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offers features of both the DC Plan and the DB Plan. In the Combined Plan, member contributions are invested by the member, and employer contributions are used to fund the defined benefit payment at a reduced level from the regular DB Plan. DC and Combined Plan members will transfer to the Defined Benefit Plan during their fifth year of membership unless they permanently select the DC or Combined Plan. Existing members with less than five years of service credit as of June 30, 2001, were given the option of making a one time irrevocable decision to transfer their account balances from the existing DB Plan into the DC Plan or the Combined Plan. This option expired on December 31, 2001. Benefits are established by Chapter 3307 of the Ohio Revised Code.

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

Plan members are required to contribute 9.3 percent of their annual covered salary and the District is required to contribute at an actuarially determined rate. The current District rate is 14 percent of annual covered payroll. A portion of the District's contribution is used to fund pension obligations with the remainder being used to fund health care benefits. For fiscal year 2003, 13 percent of annual covered salary was the portion used to fund pension obligations. For fiscal year 2002, 9.5 percent of annual covered salary was the portion used to fund pension obligations. Contribution rates are established by the State Teachers Retirement Board, upon recommendation of its consulting actuary, not to exceed statutory maximum rates of 10 percent for members and 14 percent for employers. Chapter 3307 of the Ohio Revised Code provides statutory authority for member and employee contributions. The District's required contributions to STRS for the fiscal years ended June 30, 2003, 2002, and 2001 were \$705,527, \$486,143, and \$471,010, respectively; 82.84 percent has been contributed for fiscal year 2003 and 100 percent for the fiscal years 2002 and 2001. \$129,814 represents the unpaid contribution for fiscal year 2003.

C. Social Security System

Effective July 1, 1991, all employees not otherwise covered by SERS or STRS have an option to choose Social Security or SERS/STRS. As of June 30, 2003, certain members of the Board of Education have elected Social Security. The Board's liability is 6.2 percent of wages paid.

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13. POSTEMPLOYMENT BENEFITS

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

The State Teachers Retirement Board has statutory authority over how much, if any, of the health care costs will be absorbed by STRS. Most benefit recipients pay a portion of the health care cost in the form of a monthly premium. By Ohio law, the cost of coverage paid from STRS funds shall be included in the employer contribution rate, currently 14 percent of covered payroll. For this fiscal year, the State Teachers Retirement Board allocated employer contributions equal to 1 percent of covered payroll to the Health Care Reserve fund. For the District, this amount equaled \$54,041 during fiscal 2003.

STRS pays health care benefits from the Health Care Reserve fund. The balance in the Health Care Reserve fund was \$2.8 billion at June 30, 2003. For the fiscal year ended June 30, 2003, net health care costs paid by STRS were \$352.301 million and STRS had 108,294 eligible benefit recipients.

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

For this fiscal year, employer contributions to fund health care benefits were 5.83 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 2003, the minimum pay has been established at \$14,500. The surcharge, added to the unallocated portion of the 14 percent employer contribution rate, provides for maintenance of the asset target level for the health care fund.

The target level for the health care reserve is 150 percent of annual health care expenses. Expenses for health care at June 30, 2003 were \$204.931 million and the target level was \$307.4 million. At June 30, 2003, SERS had net assets available for payment of health care benefits of \$303.6 million and SERS had approximately 50,000 participants receiving

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health care benefits. For the District, the amount to fund health care benefits, including surcharge, equaled \$96,685 during the 2003 fiscal year.

14. BUDGETARY BASIS OF ACCOUNTING

While reporting financial position, results of operations, and changes in fund balance 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 and disbursements.

The Statement of Revenue, Expenditures, and Changes in Fund Balance – Budget and Actual (Non-GAAP Budgetary Basis) presented for the general fund is presented on the budgetary basis to provide a meaningful comparison of actual results with the budget. The major differences between the budget basis and the GAAP basis are that:

- (a) Revenues are recorded when received in cash (budget basis) as opposed to when susceptible to accrual (GAAP basis);
- (b) Expenditures are recorded when paid in cash (budget basis) as opposed to when the liability is incurred (GAAP basis);
- (c) In order to determine compliance with Ohio law, and to reserve that portion of the applicable appropriation, total outstanding encumbrances (budget basis) are recorded as the equivalent of an expenditure, as opposed to a reservation of fund balance for that portion of outstanding encumbrances not already recognized as an account payable (GAAP basis).

The adjustments necessary to convert the results of operations for the year on the budget basis to the GAAP basis for the general fund is as follows:

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Net Change in Fund Balance

	General Fund
Budget basis	\$ (310,313)
Net adjustment for revenue accruals	224,392
Net adjustment for expenditure accruals	(349,441)
Net adjustment for other sources/uses	282,525
Adjustment for encumbrances	119,351
GAAP basis	\$ (33,486)

15. CONTINGENCIES

A. Grants

The District receives significant financial assistance from numerous federal, state and local agencies in the form of grants. The disbursement of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and are subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the District. However in the opinion of management, any such disallowed claims will not have a material effect on the financial position of the District.

B. Litigation

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

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

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16. INCOME TAXES

The District levies a voted tax of one-half percent for general obligations on the income of residents and of estates. The tax was effective January 1, 1993, and is a continuing tax. Employers of residents are required to withhold income tax on compensation and remit the tax to the State. Taxpayers are required to file an annual return. The State makes quarterly distributions to the District after withholding amounts for administrative fees and estimated refunds. Income tax revenue is credited to the general fund and in fiscal 2003 amount to \$788,032. Taxes receivable reported on the fund financial statements includes \$250,902 in income tax receivable.

17. STATUTORY RESERVES

The District is required by state law to set-aside certain (cash basis) general fund revenue amounts, as defined by Statute, into various reserves. These reserves are calculated and presented on a cash basis. During the fiscal year ended June 30, 2003, the reserve activity was as follows:

	Textbooks/ Instructional Materials	Capital Acquisition	Budget Stabilization	
			Designated	Reserved
Set-aside cash balance as of June 30, 2002	\$ (86,966)	\$ -	\$ 197,862	\$ 32,039
Current year set-aside requirement	225,333	225,333	-	-
Qualifying disbursements	(311,239)	(81,189)	-	-
Current year offsets	-	(144,144)	-	-
Total	<u>\$ (172,872)</u>	<u>\$ -</u>	<u>\$ 197,862</u>	<u>\$ 32,039</u>
Balance carried forward to FY 2004	<u>\$ (172,872)</u>	<u>\$ -</u>	<u>\$ 197,862</u>	<u>\$ 32,039</u>

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

In addition to the above statutory reserves, the District also received monies restricted for school bus purchases.

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A schedule of the governmental fund restricted assets at June 30, 2003 follows:

Amount restricted for budget stabilization	\$ 32,039
Amount restricted for school bus purchases	<u>109,000</u>
Total restricted assets	<u><u>\$ 141,039</u></u>

18. SUBSEQUENT EVENTS

The Board of Education approved a settlement in November 2003, with Philips Electronics, concerning tax abatements. This settlement provides annual payments to the District over a period of four years totaling \$1,562,840, January 2004 through January 2007.

19. OUTSTANDING CONTRACTUAL COMMITMENTS

As of June 30, 2003, the District is participating in the School Building Assistance Expedited Local Partnership Program. Outstanding contracts for this program total \$8,993,825.

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

**SCHEDULE OF FEDERAL AWARDS RECEIPTS AND EXPENDITURES
FOR THE YEAR ENDED JUNE 30, 2003**

FEDERAL GRANTOR <i>Pass Through Grantor</i> Program Title	Pass Through Entity Number	Federal CFDA Number
UNITED STATES DEPARTMENT OF AGRICULTURE		
<i>Passed Through Ohio Department of Education</i>		
<u>Nutrition Cluster:</u>		
Food Distribution Program	-	10.550
National School Lunch Program	49379-LLP4-03	10.555
Total Department of Agriculture - Nutrition Cluster		
UNITED STATES DEPARTMENT OF EDUCATION		
<i>Passed Through Ohio Department of Education</i>		
Title I Grants to Local Educational Agencies	49379-C1S1-02 49379-C1S1-03	84.010 84.010
Total Title I Grants		
<u>Special Education Cluster:</u>		
Special Education-Grants to States	49379-6BSF-02 49379-6BSF-03	84.027 84.027
Total Special Education Grant		
Special Education-Preschool Grants	49379-PGS1-03	84.173
Total Special Education Cluster		
Safe and Drug Free Schools and Communities Grant	49379-DRS1-03	84.186
Innovative Educational Program Strategies	49379-C2S1-03	84.298
Technology Literacy Challenge Fund Grant	49379-TJS1-03 49379-TF-01	84.318 84.318
Total Technology Literacy Challenge		
School Renovation, Idea, and Technology Grants	49379-ATS1-02 49379-ATS2-02 49379-ATS3-02	84.352A 84.352A 84.352A
Total School Renovation, Idea, and Technology Grants		
Improving Teacher Quality - State Grant	49379-MSS1-02 49379-CRS1-02 49379-TRS1-03	84.367 84.367 84.367
Total Improving Teacher Quality		
Total Department of Education		
Totals		

THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THIS SCHEDULE.

Receipts	Non-Cash Receipts	Disbursements	Non-Cash Disbursements
	\$ 55,782		\$ 55,782
\$ 72,177		\$ 72,177	
<u>72,177</u>	<u>55,782</u>	<u>72,177</u>	<u>55,782</u>
		19,327	
73,049		72,715	
<u>73,049</u>		<u>92,042</u>	
		17,855	
1,440		160,674	
<u>165,320</u>		<u>178,529</u>	
166,760			
		9,885	
9,885		188,414	
<u>176,645</u>		<u>188,414</u>	
		6,975	
6,975		10,904	
10,904		632	
2,437		3,460	
<u>2,437</u>		<u>4,092</u>	
		3,012	
(432)		1,872	
1,872		3,407	
<u>3,927</u>		<u>8,291</u>	
5,367			
		(28)	
(91)		1,469	
(41)		40,930	
<u>41,143</u>		<u>42,371</u>	
41,011		<u>353,089</u>	
<u>316,388</u>			
<u>\$ 388,565</u>	<u>\$ 55,782</u>	<u>\$ 425,266</u>	<u>\$ 55,782</u>

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

**NOTES TO SCHEDULE OF FEDERAL AWARDS RECEIPTS AND EXPENDITURES
FOR THE FISCAL YEAR ENDED JUNE 30, 2003**

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 - CHILD NUTRITION CLUSTER

Program regulations do not require the Government to maintain separate inventory records for purchased food and food received from the U.S. Department of Agriculture. This nonmonetary assistance (expenditures) is reported in the Schedule at the fair market value of the commodities received.

Cash receipts from the U.S. Department of Agriculture are commingled with State grants. It is assumed federal monies are expended first.

NOTE C - REFUNDS

During the year the District returned two receipts to the Ohio Department of Education. These refunds involved the Class Size Reduction and Eisenhower Professional Development programs. On August 26 2002 and October 10, 2002 the District returned \$41 and \$91 respectively, due to the expiration of the period of availability.



**Auditor of State
Betty Montgomery**

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

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

To the Board of Education:

We have audited the financial statements of the Ottawa-Glandorf Local School District, Putnam County, (the District) as of and for the year ended June 30, 2003, and have issued our report thereon dated March 15, 2004, in which we disclosed the District implemented a new financial reporting model and changed its method of accounting for fixed assets. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*. However, we noted a certain immaterial instance of noncompliance that we have reported to management of the District in a separate letter dated March 15, 2004.

Internal Control over Financial Reporting

In planning and performing our audit, we considered the District's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses. However, we noted other matters involving the internal control over financial reporting which does not require inclusion in this report which we have reported to management of the District in a separate letter dated March 15, 2004.

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



Betty Montgomery
Auditor of State

March 15, 2004



**Auditor of State
Betty Montgomery**

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

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

To the Board of Education:

Compliance

We have audited the compliance of the Ottawa-Glandorf Local School District, Putnam County, (the District) with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133, Compliance Supplement* that are applicable to its major federal programs for the year ended June 30, 2003. The District's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings. Compliance with the requirements of laws, regulations, contracts and grants applicable to its major federal programs are 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 programs for the year ended June 30, 2003.

Internal Control over Compliance

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

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

This report is intended for the information and use of the finance committee, management, the Board of Education, and 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.



Betty Montgomery
Auditor of State

March 15, 2004

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

SCHEDULE OF FINDINGS
OMB CIRCULAR A -133 § .505
JUNE 30, 2003

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):	Special Education Cluster: Special Education Grants to States CFDA #84.027 Special Education – Preschool Grant CFDA # 84.173
(d)(1)(viii)	Dollar Threshold: Type A\B Programs	Type A: > \$300,000 Type B: All Others
(d)(1)(ix)	Low Risk Auditee?	Yes

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

None.

3. FINDINGS FOR FEDERAL AWARDS

None.



**Auditor of State
Betty Montgomery**

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

OTTAWA GLANDORF LOCAL SCHOOL DISTRICT

PUTNAM COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
APRIL 15, 2004**