



JIM PETRO
AUDITOR OF STATE

STATE OF OHIO

**OTTOVILLE LOCAL SCHOOL DISTRICT
PUTNAM COUNTY**

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REPORT OF INDEPENDENT ACCOUNTANTS

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

To the Board of Education:

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

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

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

In accordance with *Government Auditing Standards*, we have also issued our report dated December 11, 2002 on our consideration of the District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

A handwritten signature in black ink, appearing to read "Jim Petro".

Jim Petro
Auditor of State

December 11, 2002

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**OTTOVILLE LOCAL SCHOOL DISTRICT
PUTNAM COUNTY**

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

	Governmental Fund Types			
	General	Special Revenue	Debt Service	Capital Projects
ASSETS AND OTHER DEBITS				
Assets:				
Equity in Pooled Cash and Cash Equivalents	\$923,124	\$85,971	\$141,484	\$679,658
Cash and Cash Equivalents with Fiscal Agent		136		
Investments				3,021,118
Receivables:				
Property Taxes	1,008,185	10,382	249,030	106,172
Accounts	48			
Intergovernmental	8,244	376		14,313,260
Accrued Interest				21,956
Inventory Held for Resale	18,569			
Materials and Supplies Inventory	28,910			
Prepaid Items	17,952	919		
Restricted Assets:				
Equity in Pooled Cash and Cash Equivalents	23,706			
Fixed Assets (net, where applicable, of accumulated depreciation)				
Other Debits:				
Amount Available in Debt Service				
Fund for Retirement of General				
Long-Term Obligations				
Amount to be Provided from				
General Governmental Resources				
Total Assets and Other Debits	\$2,028,738	\$97,784	\$390,514	\$18,142,164

Proprietary Fund Type	Fiduciary Fund Types	Account Groups		Totals (Memorandum Only)
		General Fixed Assets	General Long-Term Obligations	
Enterprise	Trust and Agency			
				\$1,866,639
\$26,835	\$9,567			136
				3,021,118
				1,373,769
	94			142
				14,321,880
				21,956
9,274				27,843
2,199				31,109
14				18,885
				23,706
68,559		\$5,713,620		5,782,179
			\$148,403	148,403
			4,640,042	4,640,042
\$106,881	\$9,661	\$5,713,620	\$4,788,445	\$31,277,807

(Continued)

**OTTOVILLE LOCAL SCHOOL DISTRICT
PUTNAM COUNTY**

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

	Governmental Fund Types			
	General	Special Revenue	Debt Service	Capital Projects
LIABILITIES, FUND EQUITY, AND OTHER CREDITS				
Liabilities:				
Accounts Payable	\$36,780	\$11,525		\$6,120
Accrued Wages and Benefits	290,711			
Compensated Absences Payable	4,290			
Intergovernmental Payable	61,628	480		73
Due to Students				
Deferred Revenue	956,202	10,382	\$242,111	14,436,013
Notes Payable				
Capital Lease Payable				
General Obligation Bonds Payable				
Total Liabilities	1,349,611	22,387	242,111	14,442,206
Fund Equity and Other Credits:				
Investment in General Fixed Assets				
Retained Earnings:				
Unreserved				
Fund Balance:				
Reserved for Property Taxes	51,983		6,919	5,375
Reserved for Inventory	47,479			
Reserved for Bus Purchases	23,706			
Reserved for Encumbrances	40,244	7,030		828,908
Unreserved (Deficit)	515,715	68,367	141,484	2,865,675
Total Fund Equity and Other Credits	679,127	75,397	148,403	3,699,958
Total Liabilities, Fund Equity, and Other Credits	\$2,028,738	\$97,784	\$390,514	\$18,142,164

See Accompanying Notes to the General-Purpose Financial Statements

Proprietary Fund Type	Fiduciary Fund Types	Account Groups		Totals (Memorandum Only)
		General Fixed Assets	General Long-Term Obligations	
Enterprise	Trust and Agency			
	\$91			\$54,516
\$8,005				298,716
34			\$209,053	213,377
10,135			25,392	97,708
	9,570			9,570
5,215				15,649,923
			3,035,000	3,035,000
			279,000	279,000
			1,240,000	1,240,000
23,389	9,661		4,788,445	20,877,810
		\$5,713,620		5,713,620
83,492				83,492
				64,277
				47,479
				23,706
				876,182
				3,591,241
83,492		5,713,620		10,399,997
\$106,881	\$9,661	\$5,713,620	\$4,788,445	\$31,277,807

**OTTOVILLE LOCAL SCHOOL DISTRICT
PUTNAM COUNTY**

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

	<u>Governmental Fund Types</u>	
	<u>General</u>	<u>Special Revenue</u>
Revenues:		
Property Taxes	\$913,261	
Payment in Lieu of Taxes	69,238	
Intergovernmental	2,342,795	\$78,583
Interest	90,523	
Tuition and Fees	51,117	
Extracurricular Activities		87,416
Gifts and Donations	27,652	1,166
Miscellaneous	16,126	
Total Revenues	<u>3,510,712</u>	<u>167,165</u>
Expenditures:		
Current:		
Instruction:		
Regular	1,937,652	21,209
Special	206,273	46,022
Other	29,504	2,175
Support Services:		
Pupils	56,883	3,660
Instructional Staff	165,210	9,567
Board of Education	12,486	
Administration	364,762	137
Fiscal	143,452	
Operation and Maintenance of Plant	221,645	
Pupil Transportation	155,735	
Central		18
Non-Instructional Services	1,885	39
Extracurricular Activities	77,546	92,076
Capital Outlay	7,277	
Debt Service:		
Principal Retirement		
Interest and Fiscal Charges		
Total Expenditures	<u>3,380,310</u>	<u>174,903</u>
Excess of Revenues Over (Under) Expenditures	<u>130,402</u>	<u>(7,738)</u>
Other Financing Sources (Uses):		
Proceeds from Sale of Fixed Assets	800	
Proceeds from Sale of Notes		
Inception of Capital Lease		
Operating Transfers In		5,588
Operating Transfers Out	(144,135)	
Total Other Financing Sources (Uses)	<u>(143,335)</u>	<u>5,588</u>
Excess of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	(12,933)	(2,150)
Fund Balances at Beginning of Year	689,674	77,547
Increase in Reserve for Inventory	2,386	
Fund Balances at End of Year	<u>\$679,127</u>	<u>\$75,397</u>

See Accompanying Notes to the General-Purpose Financial Statements

Governmental Fund Types		Totals
Debt Service	Capital Projects	(Memorandum Only)
\$136,624	\$96,740	\$1,146,625
		69,238
17,723	578,761	3,017,862
	14,098	104,621
		51,117
		87,416
		28,818
	32,424	48,550
<u>154,347</u>	<u>722,023</u>	<u>4,554,247</u>
	19,564	1,978,425
		252,295
	73	31,752
		60,543
		174,777
		12,486
		364,899
3,679	3,637	150,768
		221,645
		155,735
		18
		1,924
		169,622
	627,459	634,736
50,000	150,000	200,000
71,772	25,457	97,229
<u>125,451</u>	<u>826,190</u>	<u>4,506,854</u>
<u>28,896</u>	<u>(104,167)</u>	<u>47,393</u>
		800
	3,035,000	3,035,000
	429,000	429,000
	138,547	144,135
		(144,135)
	<u>3,602,547</u>	<u>3,464,800</u>
28,896	3,498,380	3,512,193
119,507	201,578	1,088,306
		2,386
<u>\$148,403</u>	<u>\$3,699,958</u>	<u>\$4,602,885</u>

**OTTOVILLE LOCAL SCHOOL DISTRICT
PUTNAM COUNTY**

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

	General Fund		
	Revised Budget	Actual	Variance Favorable (Unfavorable)
Revenues:			
Property Taxes	\$883,559	\$908,788	\$25,229
Intergovernmental	2,280,744	2,342,529	61,785
Interest	75,000	90,523	15,523
Tuition and Fees	51,500	47,089	(4,411)
Extracurricular Activities			
Gifts and Donations	28,150	27,652	(498)
Miscellaneous	2,600	15,185	12,585
Total Revenues	3,321,553	3,431,766	110,213
Expenditures:			
Current:			
Instruction:			
Regular	2,150,723	1,952,448	198,275
Special	201,350	204,540	(3,190)
Other	42,556	29,258	13,298
Support Services:			
Pupils	61,595	56,827	4,768
Instructional Staff	173,441	167,793	5,648
Board of Education	16,280	11,709	4,571
Administration	404,203	372,773	31,430
Fiscal	147,000	145,371	1,629
Operation and Maintenance of Plant	239,393	230,658	8,735
Pupil Transportation	172,582	165,291	7,291
Central			
Non-Instructional Services	1,585	1,879	(294)
Extracurricular Activities	84,201	76,937	7,264
Capital Outlay	9,000	8,871	129
Debt Service:			
Principal Retirement			
Interest and Fiscal Charges			
Total Expenditures	3,703,909	3,424,355	279,554
Excess of Revenues Over (Under) Expenditures	(382,356)	7,411	389,767
Other Financing Sources (Uses):			
Proceeds from Sale of Notes			
Proceeds from Sale of Fixed Assets		800	800
Refund of Prior Year Expenditures	500	1,019	519
Refund of Prior Year Receipts			
Other Financing Sources	69,388	69,362	(26)
Operating Transfers In			
Operating Transfers Out	(148,996)	(148,996)	
Total Other Financing Sources (Uses)	(79,108)	(77,815)	1,293
Excess of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	(461,464)	(70,404)	391,060
Fund Balances at Beginning of Year	902,643	902,643	
Prior Year Encumbrances Appropriated	40,626	40,626	
Fund Balances at End of Year	\$481,805	\$872,865	\$391,060

Special Revenue Funds			Debt Service Fund		
Revised Budget	Actual	Variance Favorable (Unfavorable)	Revised Budget	Actual	Variance Favorable (Unfavorable)
\$43,139	\$41,591	(\$1,548)	\$116,862 15,662	\$137,990 17,723	\$21,128 2,061
86,130 1,000	87,385 1,166	1,255 166			
130,269	130,142	(127)	132,524	155,713	23,189
20,922 14,113 3,000	20,922 13,687 3,000	426			
4,586 12,833	3,538 10,025	1,048 2,808			
1,034	1,034		4,000	3,679	321
18 500 110,742	18 39 100,364	461 10,378			
			50,000 71,775	50,000 71,772	3
167,748	152,627	15,121	125,775	125,451	324
(37,479)	(22,485)	14,994	6,749	30,262	23,513
10,449	10,449				
10,449	10,449				
(27,030) 71,680 8,576	(12,036) 71,680 8,576	14,994	6,749 111,222	30,262 111,222	23,513
\$53,226	\$68,220	\$14,994	\$117,971	\$141,484	\$23,513

(Continued)

**OTTOVILLE LOCAL SCHOOL DISTRICT
PUTNAM COUNTY**

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

	Capital Projects Funds		
	Revised Budget	Actual	Variance Favorable (Unfavorable)
Revenues:			
Property Taxes	\$93,405	\$96,313	\$2,908
Intergovernmental	14,893,896	578,761	(14,315,135)
Interest	50,000	13,101	(36,899)
Tuition and Fees			
Extracurricular Activities			
Gifts and Donations			
Miscellaneous	6,967	6,967	
Total Revenues	<u>15,044,268</u>	<u>695,142</u>	<u>(14,349,126)</u>
Expenditures:			
Current:			
Instruction:			
Regular	68,681	67,270	1,411
Special			
Other			
Support Services:			
Pupils			
Instructional Staff	630	315	315
Board of Education			
Administration			
Fiscal	4,300	3,911	389
Operation and Maintenance of Plant			
Pupil Transportation			
Central			
Non-Instructional Services			
Extracurricular Activities			
Capital Outlay	1,198,000	1,130,382	67,618
Debt Service:			
Principal Retirement			
Interest and Fiscal Charges		25,457	(25,457)
Total Expenditures	<u>1,271,611</u>	<u>1,227,335</u>	<u>44,276</u>
Excess of Revenues Over (Under) Expenditures	<u>13,772,657</u>	<u>(532,193)</u>	<u>(14,304,850)</u>
Other Financing Sources (Uses):			
Proceeds from Sale of Notes	3,035,000	3,035,000	
Proceeds from Sale of Fixed Assets			
Refund of Prior Year Expenditures			
Refund of Prior Year Receipts			
Other Financing Sources		25,457	25,457
Operating Transfers In	138,547	138,547	
Operating Transfers Out			
Total Other Financing Sources (Uses)	<u>3,173,547</u>	<u>3,199,004</u>	<u>25,457</u>
Excess of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	16,946,204	2,666,811	(14,279,393)
Fund Balances at Beginning of Year	191,294	191,294	
Prior Year Encumbrances Appropriated	6,646	6,646	
Fund Balances at End of Year	<u>\$17,144,144</u>	<u>\$2,864,751</u>	<u>(\$14,279,393)</u>

See Accompanying Notes to the General-Purpose Financial Statements

Totals (Memorandum Only)

Revised Budget	Actual	Variance Favorable (Unfavorable)
\$1,093,826	\$1,143,091	\$49,265
17,233,441	2,980,604	(14,252,837)
125,000	103,624	(21,376)
51,500	47,089	(4,411)
86,130	87,385	1,255
29,150	28,818	(332)
9,567	22,152	12,585
<u>18,628,614</u>	<u>4,412,763</u>	<u>(14,215,851)</u>
2,240,326	2,040,640	199,686
215,463	218,227	(2,764)
45,556	32,258	13,298
66,181	60,365	5,816
186,904	178,133	8,771
16,280	11,709	4,571
405,237	373,807	31,430
155,300	152,961	2,339
239,393	230,658	8,735
172,582	165,291	7,291
18	18	
2,085	1,918	167
194,943	177,301	17,642
1,207,000	1,139,253	67,747
50,000	50,000	
71,775	97,229	(25,454)
<u>5,269,043</u>	<u>4,929,768</u>	<u>339,275</u>
<u>13,359,571</u>	<u>(517,005)</u>	<u>(13,876,576)</u>
500	800	800
	1,019	519
69,388	94,819	25,431
148,996	148,996	
(148,996)	(148,996)	
<u>69,888</u>	<u>96,638</u>	<u>26,750</u>
13,429,459	(420,367)	(13,849,826)
1,276,839	1,276,839	
55,848	55,848	
<u>\$14,762,146</u>	<u>\$912,320</u>	<u>(\$13,849,826)</u>

**OTTOVILLE LOCAL SCHOOL DISTRICT
PUTNAM COUNTY**

**Statement of Revenues, Expenses,
and Changes in Retained Earnings
Enterprise Fund
For the Fiscal Year Ended June 30, 2001**

Operating Revenues:	
Sales	<u>\$143,811</u>
Operating Expenses:	
Salaries	59,732
Fringe Benefits	20,951
Purchased Services	7,503
Materials and Supplies	8,083
Cost of Sales	92,132
Depreciation	<u>1,510</u>
Total Operating Expenses	<u>189,911</u>
Operating Loss	<u>(46,100)</u>
Non-Operating Revenues:	
Federal Donated Commodities	15,361
Interest	2,882
Operating Grants	<u>21,019</u>
Total Non-Operating Revenues	<u>39,262</u>
Net Loss	(6,838)
Retained Earnings at Beginning of Year	<u>90,330</u>
Retained Earnings at End of Year	<u><u>\$83,492</u></u>

See Accompanying Notes to the General-Purpose Financial Statements

**OTTOVILLE LOCAL SCHOOL DISTRICT
PUTNAM COUNTY**

**Combined Statement of Revenues, Expenditures, and Changes in Fund Balances
Budget and Actual Comparison (Budget Basis)
Enterprise Fund
For the Fiscal Year Ended June 30, 2001**

	<u>Lunch Room</u>		
	<u>Revised Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
Revenues:			
Sales	\$131,250	\$143,811	\$12,561
Interest	2,500	2,882	382
Operating Grants	21,250	21,122	(128)
Total Revenues	<u>155,000</u>	<u>167,815</u>	<u>12,815</u>
Expenses:			
Salaries	64,595	62,373	2,222
Fringe Benefits	21,450	20,403	1,047
Purchased Services	9,913	7,835	2,078
Materials and Supplies	86,750	84,043	2,707
Total Expenses	<u>182,708</u>	<u>174,654</u>	<u>8,054</u>
Excess of Revenues Under Expenses	(27,708)	(6,839)	20,869
Fund Balances at Beginning of Year	32,287	32,287	
Prior Year Encumbrances Appropriated	914	914	
Fund Balances at End of Year	<u><u>\$5,493</u></u>	<u><u>\$26,362</u></u>	<u><u>\$20,869</u></u>

See Accompanying Notes to the General-Purpose Financial Statements

**OTTOVILLE LOCAL SCHOOL DISTRICT
PUTNAM COUNTY**

**Statement of Cash Flows
Enterprise Fund
For the Fiscal Year Ended June 30, 2001**

INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS:

Cash Flows from Operating Activities:

Cash Received from Customers	\$143,811
Cash Payments for Salaries	(62,373)
Cash Payments for Fringe Benefits	(20,403)
Cash Payments for Goods and Services	(91,405)
Net Cash Used for Operating Activities	(30,370)

Cash Flows from Noncapital Financing Activities:

Cash Received from Operating Grants	21,122

Cash Flows from Investing Activities:

Cash Received from Interest	2,882

Net Decrease in Cash and Cash Equivalents	(6,366)
Cash and Cash Equivalents at Beginning of Year	33,201

Cash and Cash Equivalents at End of Year	\$26,835
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**RECONCILIATION OF OPERATING LOSS TO NET CASH
USED FOR OPERATING ACTIVITIES**

Operating Loss	(\$46,100)

**Adjustments to Reconcile Operating Loss to Net Cash
Used for Operating Activities:**

Depreciation	1,510
Donated Commodities Used During Year	15,361
Changes in Assets and Liabilities:	
Decrease in Inventory Held for Resale	603
Decrease in Materials and Supplies Inventory	208
Decrease in Prepaid Items	39
Decrease in Accounts Payable	(34)
Increase in Accrued Wages and Benefits	234
Decrease in Compensated Absences Payable	(2,694)
Increase in Intergovernmental Payable	503
Total Adjustments	15,730

Net Cash Used for Operating Activities	(\$30,370)
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NON-CASH INVESTING, CAPITAL AND FINANCING ACTIVITIES

During fiscal year 1999, the general fixed assets account group contributed furniture and equipment with a fair value of \$48,542 to the enterprise funds.

See Accompanying Notes to the General-Purpose Financial Statements

**OTTOVILLE LOCAL SCHOOL DISTRICT
PUTNAM COUNTY**

**Notes to the General-Purpose Financial Statements
For the Fiscal Year Ended June 30, 2001**

NOTE 1 - DESCRIPTION OF THE SCHOOL DISTRICT AND REPORTING ENTITY

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

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

Reporting Entity:

A reporting entity is composed of the primary government, component units, and other organizations that are included to insure the financial statements are not misleading. The primary government of the School District consists of all funds, departments, boards, and agencies that are not legally separate from the School District.

For Ottoville Local School District, this includes general operations, food service, and student related activities of the School District.

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

The School District participates in four jointly governed organizations and two insurance pools. These organizations are the Northwest Ohio Area Computer Services Cooperative, Vantage Joint Vocational School, West Central Ohio Regional Professional Development Center, Northwestern Ohio Educational Research Council, Inc., Northwest Ohio Area Computer Services Cooperative Workers' Compensation Group Rating Plan, and the Putnam County Schools Insurance Group. These organizations are presented in Notes 19 and 20 to the general purpose financial statements.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of Ottoville Local School District have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The School District also applies Financial Accounting Standards Board (FASB) statements and interpretations issued on or before November 30, 1989, to its enterprise fund provided they do not conflict with or contradict GASB pronouncements. Following are the more significant of the School District's accounting policies.

**OTTOVILLE LOCAL SCHOOL DISTRICT
PUTNAM COUNTY**

**Notes to the General-Purpose Financial Statements
For the Fiscal Year Ended June 30, 2001
(Continued)**

A. Basis of Presentation - Fund Accounting

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

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

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

Governmental Fund Types:

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

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

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

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

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

Proprietary Fund Types:

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

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

**OTTOVILLE LOCAL SCHOOL DISTRICT
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**Notes to the General-Purpose Financial Statements
For the Fiscal Year Ended June 30, 2001
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Fiduciary Fund Types:

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

Account Groups:

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

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

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

B. Measurement Focus and Basis of Accounting

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

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

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

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

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

Non-exchange transactions, in which the School District receives value without directly giving equal value in return, include property taxes, grants, entitlements, and donations. On the accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied. Revenue from grants, entitlements, and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the fiscal year when the resources are required to be used or the fiscal year when use is first permitted; matching requirements, in

**OTTOVILLE LOCAL SCHOOL DISTRICT
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**Notes to the General-Purpose Financial Statements
For the Fiscal Year Ended June 30, 2001
(Continued)**

which the School District must provide local resources to be used for a specified purpose; and expenditure requirements, in which the resources are provided to the School District on a reimbursement basis. On the modified accrual basis, revenue from non-exchange transactions must also be available before it can be recognized.

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

Deferred revenues arise when assets are recognized before revenue recognition criteria have been satisfied. Property taxes for which there is an enforceable legal claim as of June 30, 2001, but which were levied to finance fiscal year 2002 operations, are recorded as deferred revenue. Grants and entitlements received before the eligibility requirements are met are also recorded as deferred revenue. On the modified accrual basis, revenues that are not collected within the available period are recorded as deferred revenue.

On the accrual basis of accounting, expenses are recognized at the time they are incurred. The fair value of donated commodities used during the year is reported on the operating statement as an expense with a like amount reported as donated commodities revenue. Unused donated commodities are reported as deferred revenue.

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

C. Budgetary Process

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

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

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

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.

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**Notes to the General-Purpose Financial Statements
For the Fiscal Year Ended June 30, 2001
(Continued)**

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

Estimated Resources:

Prior to April 1, the Board of Education accepts, by formal resolution, the tax rates, as determined by the County Budget Commission, and receives the commission's certificate of estimated resources, which states the projected revenue of each fund. Prior to June 30, the School District must revise its budget so that total contemplated expenditures from any fund during the ensuing fiscal year will not exceed the amount stated in the certificate of estimated resources. The revised budget then serves as the basis for the appropriation measure. On or about July 1, the certificate of estimated resources is amended to include any unencumbered cash balances from the preceding fiscal year. The certificate of estimated resources may be further amended during the year if projected increases or decreases in revenue are identified by the School District Treasurer. The amounts reported in the budgetary statements reflect the amounts in the final amended certificate of estimated resources issued during fiscal year 2001.

Appropriations:

Upon receipt from the County Auditor of an amended certificate of estimated resources, based on final assessed values and tax rates, or a certificate saying no new certificate is necessary, the annual appropriation resolution is legally enacted by the Board of Education at the object level of expenditures within each fund, which is the legal level of budgetary control. Prior to the passage of the annual appropriation measure, the Board may pass a temporary appropriation measure to meet the ordinary expenses of the School District. The appropriation resolution, by fund, must be within the estimated resources as certified by the County Budget Commission and the total of expenditures and encumbrances may not exceed the appropriation totals at any level of control.

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

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

Encumbrances:

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

Lapsing of Appropriations:

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

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**Notes to the General-Purpose Financial Statements
For the Fiscal Year Ended June 30, 2001
(Continued)**

D. Cash and Investments

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

Cash and cash equivalents held for the School District by the Putnam County Educational Service Center are included on the combined balance sheet and "Cash and Cash Equivalents with Fiscal Agent".

Investments are reported at fair value, except for non-negotiable certificates of deposit and repurchase agreements which are reported at cost. Fair value is based on quoted market prices.

The School District allocates interest according to State statutes. Interest revenue credited to the General Fund during fiscal year 2001 was \$90,523, which included approximately \$26,000 assigned from other School District funds.

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

E. Inventory

Inventory in the governmental funds is stated at cost while inventory in the enterprise fund is stated at the lower of cost or market. For all funds, cost is determined on a first-in, first-out basis. Inventory in the governmental funds consists of expendable supplies held for consumption. The costs of inventory items are recorded as expenditures in the governmental fund types when purchased. Reported materials and supplies inventory is equally offset by a fund balance reserve in the governmental funds which indicates that it does not constitute available expendable resources even though it is a component of net current assets. Inventory in the enterprise fund consists of donated and purchased food and is expensed when used.

F. Prepaid Items

Payments made to vendors for services that will benefit periods beyond June 30, 2001, are recorded as prepaid items using the consumption method. A current asset for the prepaid amount is recorded at the time of purchase and an expenditure/expense is reported in the year in which services are consumed.

G. Restricted Assets

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

H. Fixed Assets and Depreciation

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

**OTTOVILLE LOCAL SCHOOL DISTRICT
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**Notes to the General-Purpose Financial Statements
For the Fiscal Year Ended June 30, 2001
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items, two hundred fifty dollars for grouped items, and ten thousand dollars for land improvements, building improvements, and improvements other than buildings. The School District does not have any infrastructure.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not capitalized. Improvements are capitalized. Improvements to enterprise fund fixed assets are depreciated over the remaining useful lives of the related fixed assets.

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

I. Compensated Absences

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

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

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

J. Accrued Liabilities and Long-Term Obligations

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

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

K. Fund Balance Reserves

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

**OTTOVILLE LOCAL SCHOOL DISTRICT
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**Notes to the General-Purpose Financial Statements
For the Fiscal Year Ended June 30, 2001
(Continued)**

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

L. Interfund Transactions

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

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

M. Use of Estimates

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

N. Total Columns on General Purpose Financial Statements

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

NOTE 3 - CHANGE IN ACCOUNTING PRINCIPLES

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

NOTE 4 - ACCOUNTABILITY AND COMPLIANCE

A. Accountability

The Goals 2000 special revenue fund had a deficit fund balance at June 30, 2001, in the amount of \$13. The General Fund provides transfers to cover deficit balances; however, this is done when cash is needed rather than when accruals occur.

**OTTOVILLE LOCAL SCHOOL DISTRICT
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**Notes to the General-Purpose Financial Statements
For the Fiscal Year Ended June 30, 2001
(Continued)**

B. Compliance

The School Facilities Commission capital projects fund had expenditures in excess of appropriations for the fiscal year ended June 30, 2001, in the amount of \$25,457.

NOTE 5 - BUDGETARY BASIS OF ACCOUNTING

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

1. Revenues are recorded when received in cash (budget basis) as opposed to when susceptible to accrual (GAAP basis).
2. Expenditures/expenses are recorded when paid in cash (budget basis) as opposed to when the liability is incurred (GAAP basis).
3. Encumbrances are treated as expenditures/expenses for all funds (budget basis) rather than as a reservation of fund balance for governmental fund types and as note disclosure in the enterprise fund (GAAP basis).
4. Proceeds from and principal payments on short-term note obligations are reported on the operating statement (budget basis) rather than as balance sheet transactions (GAAP basis).

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

	<u>General</u>	<u>Special Revenue</u>	<u>Debt Service</u>	<u>Capital Projects</u>
GAAP Basis	(\$12,933)	(\$2,150)	\$28,896	\$3,498,380
Revenue Accruals	(8,565)	4,830	1,366	(427)
Expenditure Accruals	38,726	1,477		4,883
Change in Fair Value				(997)
Prepaid Items	(13,667)	(97)		
Nonbudgeted Cash Activity		1,655		
Encumbrances Outstanding at Fiscal Year End	<u>(73,965)</u>	<u>(17,751)</u>		<u>(835,028)</u>
Budget Basis	<u>(\$70,404)</u>	<u>(\$12,036)</u>	<u>\$30,262</u>	<u>\$2,666,811</u>

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**Notes to the General-Purpose Financial Statements
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Net Loss /Excess of Revenues Under Expenses	
Enterprise Fund	
GAAP Basis	(\$6,838)
Revenue Accruals	103
Expense Accruals	(1,991)
Inventory Held for Resale	603
Materials and Supplies Inventory	208
Prepaid Items	39
Depreciation Expense	1,510
Encumbrances Outstanding at Fiscal Year End	(473)
Budget Basis	(\$6,839)

NOTE 6 - DEPOSITS AND INVESTMENTS

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

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

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

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

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

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

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

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

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

At fiscal year end, the School District had \$1,344 in undeposited cash on hand which is included on the combined balance sheet of the School District as part of "Equity in Pooled Cash and Cash Equivalents." The School District also had \$136 in cash and cash equivalents held by the Putnam County Educational Service Center. This amount is included on the balance sheet as "Cash and Cash Equivalents with Fiscal Agent". The Educational Service Center holds this flow through grant money for the School District together with that of other school districts, and therefore, the School District cannot classify this money by risk under GASB Statement No.3.

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

At fiscal year end, the carrying amount of the School District's deposits was \$321,425 and the bank balance was \$536,803. Of the bank balance, \$200,000 was covered by federal depository insurance. The remaining amounts were uninsured and uncollateralized. Although all State statutory requirements for the deposit of money had been followed, noncompliance with federal requirements could potentially subject the School District to a successful claim by the FDIC.

The School District's investments are categorized to give an indication of the level of risk assumed by the School District at fiscal year end. Category 1 includes investments that are insured or registered for which the securities are held by the School District or its agent in the School District's name. Category 2 includes uninsured and unregistered investments for which the securities are held by the counterparty's trust department or agent in the School District's name. Category 3 includes uninsured and unregistered

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**Notes to the General-Purpose Financial Statements
For the Fiscal Year Ended June 30, 2001
(Continued)**

investments for which the securities are held by the counterparty, or by its trust department or agent but not in the School District's name. Mutual funds are an unclassified investment since they are not evidenced by securities that exist in physical or book entry form.

	Category 2	Category 3	Carrying Value	Fair Value
Repurchase Agreement		\$1,946,975	\$1,946,975	\$1,946,975
Federal Home Loan Mortgage Notes	\$599,260		599,260	599,260
Federal Home Loan Bank Notes	904,845		904,845	904,845
Federal Farm Credit Bank Notes	519,620		519,620	519,620
Federal National Mortgage Association Notes	597,393		597,393	597,393
	<u>\$2,621,118</u>	<u>\$1,946,975</u>	4,568,093	4,568,093
Mutual Funds			20,601	20,601
Totals			<u>\$4,588,694</u>	<u>\$4,588,694</u>

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

	Cash and Cash Equivalents/ Deposits	Investments
GASB Statement No. 9	\$1,890,481	\$3,021,118
Cash on Hand	(1,344)	
Educational Service Center	(136)	
Investments:		
Certificates of Deposit	400,000	(400,000)
Repurchase Agreement	(1,946,975)	1,946,975
Mutual Funds	(20,601)	20,601
GASB Statement No. 3	<u>\$321,425</u>	<u>\$4,588,694</u>

NOTE 7 - PROPERTY TAXES

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

Property taxes include amounts levied against all real property, public utility property, and tangible personal (used in business) property located in the School District. Real and public utility property tax revenues received in calendar year 2001 represent the collection of calendar year 2000 taxes. Real property taxes received in calendar year 2001 are levied after April 1, 2000, on the assessed values as of January 1, 2000, the lien date. Assessed values for real property taxes are established by State statute at 35 percent of appraised market value. Real property taxes are payable annually or semiannually. If paid annually, payment

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

Public utility real and tangible personal property taxes received in calendar year 2001 were levied after April 1, 2000, on the assessed values as of December 31, 1999, the lien date. Public utility real property is assessed at 35 percent of true value; tangible personal property is currently assessed at varying percentages of true value. Public utility property taxes are payable on the same dates as real property taxes described previously.

Tangible personal property tax revenues received in calendar year 2001 (other than public utility property) represent the collection of calendar year 2001 taxes. Tangible personal property taxes received in calendar year 2001 were levied after April 1, 2000, on the value as of December 31, 2000. Tangible personal property is currently assessed at 25 percent of true value. Amounts paid by multi-county taxpayers are due September 20. Single county taxpayers may pay annually or semiannually. If paid annually, payment is due April 30; if paid semiannually, the first payment is due April 30, with the remainder payable by September 20.

The School District receives property taxes from Putnam and Paulding Counties. The County Auditors periodically advance to the School District its portion of the taxes collected. Second-half real property tax payments collected by the Counties by June 30, 2001, are available to finance fiscal year 2001 operations. The amount available to be advanced can vary based on the date the tax bills are sent.

Accrued property taxes receivable represents delinquent taxes outstanding and real property, public utility property, and tangible personal property taxes which were measurable as of June 30, 2001, and for which there is an enforceable legal claim. Although total property tax collections for the next fiscal year are measurable, only the amount available as an advance at June 30 is intended to finance current fiscal year operations and is recognized as revenue at fiscal year end. The receivable is offset by a credit to deferred revenue for that portion not intended to finance current year operations. The amount available as an advance at June 30, 2001, was \$51,983 in the General Fund, \$6,919 in the Bond Retirement debt service fund, and \$5,375 in the Permanent Improvement capital projects fund. The amount available as an advance at June 30, 2000, was \$47,510 in the General Fund, \$8,285 in the Bond Retirement debt service fund, and \$4,948 in the Permanent Improvement capital projects fund.

The assessed values upon which the fiscal year 2001 taxes were collected are:

	2000 Second-Half Collections		2001 First-Half Collections	
	Amount	Percent	Amount	Percent
Agricultural/ Residential and Other Real Estate	\$35,002,370	86.80%	\$35,775,670	86.15%
Public Utility	1,658,670	4.11%	2,041,610	4.92%
Tangible Personal Property	3,664,001	9.09%	3,711,021	8.93%
Total Assessed Value	\$40,325,041	100.00%	\$41,528,301	100.00%
 Tax rate per \$1,000 of assessed valuation	 \$34.30		 \$33.30	

NOTE 8 - PAYMENT IN LIEU OF TAXES

As provided by State law, the School District has entered into agreements with a number of property owners under which the School District has granted property tax abatements to those property owners. The property owners have agreed to make payments to the School District which reflect all or a portion of the property taxes

**OTTOVILLE LOCAL SCHOOL DISTRICT
PUTNAM COUNTY**

**Notes to the General-Purpose Financial Statements
For the Fiscal Year Ended June 30, 2001
(Continued)**

which the property owners would have paid if their taxes had not been abated. The property owner's contractual promises to make these payments in lieu of taxes generally continue until the agreement expires. Payments in lieu of taxes for fiscal year 2001 were \$69,238.

NOTE 9 - RECEIVABLES

Receivables at June 30, 2001, consisted of property taxes, accounts (rent, billings for user charged services, and student fees), intergovernmental, and accrued interest. All receivables are considered collectible in full due to the ability to foreclose for the nonpayment of taxes, the stable condition of State programs, the current year guarantee of federal funds, and the School District's policy on collecting student fees.

A summary of the principal items of intergovernmental receivables follows:

	Amounts
General Fund:	
Reimbursements	\$7,978
E-rate	266
Total General Fund	8,244
Special Revenue Fund	
Athletic	376
Capital Projects Fund	
Ohio School Facilities	14,313,260
Total Intergovernmental Receivables	\$14,321,880

NOTE 10 - FIXED ASSETS

A summary of the enterprise funds' fixed assets at June 30, 2001, follows:

Furniture and Equipment	\$106,793
Less Accumulated Depreciation	(38,234)
Net Fixed Assets	\$68,559

A summary of the changes in general fixed assets during fiscal year 2001 follows:

Asset Category	Balance at 6/30/2000	Additions	Reductions	Balance at 6/30/2001
Land and Improvements	\$41,374	\$429,000		\$470,374
Buildings and Improvements	3,606,438			3,606,438
Furniture, Fixtures, and Equipment	1,035,742	117,408	\$131,384	1,021,766
Vehicles	465,575		10,000	455,575
Construction in Progress		159,467		159,467
Total Fixed Assets	\$5,149,129	\$705,875	\$141,384	\$5,713,620

**OTTOVILLE LOCAL SCHOOL DISTRICT
PUTNAM COUNTY**

**Notes to the General-Purpose Financial Statements
For the Fiscal Year Ended June 30, 2001
(Continued)**

NOTE 11 - RISK MANAGEMENT

The School District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During fiscal year 2001, the School District contracted with Nationwide Insurance for the following insurance coverage:

Building and Contents - Replacement Cost (\$500 deductible)	\$10,543,800
Boiler and Machinery - Limit per Accident (\$500 deductible)	5,536,400
EDP Coverage	
Equipment	610,500
Automotive Liability	2,000,000
General Liability	
Per Occurrence	2,000,000
Aggregate	5,000,000
Crime	2,500

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

For fiscal year 2001, the School District participated in the Northwest Ohio Area Computer Services Cooperative Workers' Compensation Group Rating Plan (the Plan), an insurance purchasing pool. The intent of the Plan is to achieve the benefit of a reduced premium for the School District by virtue of its grouping and representation with other participants in the Plan. The workers' compensation experience of the participants is calculated as one experience and a common premium rate is applied to all participants in the Plan. Each participant pays its workers' compensation premium to the State based on the rate for the Plan rather than its individual rate. Total savings are then calculated and each participant's individual performance is compared to the overall savings percentage of the Plan.

A participant will then either receive money from or be required to contribute to the "Equity Pooling Fund". This "equity pooling" arrangement insures that each participant shares equally in the overall performance of the Plan. Participation in the Plan is limited to participants that can meet the Plan's selection criteria. The firm of Gates McDonald and Company provides administrative, cost control and actuarial services to the Plan.

The School District participates in the Putnam County Schools Insurance Group (PCSIG), an insurance purchasing pool consisting of nine local school districts, an educational service center, and a Board of Mental Retardation/Developmental Disabilities. The experience of the participating schools districts is calculated as one experience and a common premium rate is applied to all school districts in the PCSIG. The School District pays monthly premiums to the Medical Mutual of Ohio for employee benefits.

NOTE 12 - CONTRACTUAL COMMITMENTS

As of June 30, 2001, the School District had an outstanding contractual obligation for architectural fees related to the construction of the new instructional building. The outstanding balance to Beilharz Architects, Inc. was \$823,315.

NOTE 13 - DEFINED BENEFIT PENSION PLANS

A. State Teachers Retirement System

The School District contributes to the State Teachers Retirement System of Ohio (STRS), a cost-sharing multiple employer public employee retirement system administered by the State Teachers Retirement Board.

**OTTOVILLE LOCAL SCHOOL DISTRICT
PUTNAM COUNTY**

**Notes to the General-Purpose Financial Statements
For the Fiscal Year Ended June 30, 2001
(Continued)**

STRS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to members and beneficiaries. Benefits are established by Chapter 3307 of the Ohio Revised Code. STRS issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by writing to the State Teachers Retirement System, 275 East Broad Street, Columbus, Ohio 43215-3771.

Plan members are required to contribute 9.3 percent of their annual covered salary and the School District is required to contribute 14 percent; 9.5 percent was the portion used to fund pension obligations for fiscal year 2001. For fiscal year 2000, 6 percent was the portion used to fund pension obligations. Contribution rates are established by STRS, upon recommendation of its consulting actuary, not to exceed statutory maximum rates of 10 percent for members and 14 percent for employers. The School District's required contribution for pension obligations to STRS for the fiscal years ended June 30, 2001, 2000, and 1999, were \$172,150, \$100,698 and \$89,991, respectively; 83 percent has been contributed for fiscal year 2001 and 100 percent for fiscal years 2000 and 1999. The unpaid contribution for fiscal year 2001, in the amount of \$28,921, is recorded as a liability within the respective funds.

B. School Employees Retirement System

The School District contributes to the School Employees Retirement System of Ohio (SERS), a cost-sharing multiple employer defined benefit pension plan administered by the School Employees Retirement Board. SERS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to members and beneficiaries. Authority to establish and amend benefits is provided by Chapter 3309 of the Ohio Revised Code. SERS issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by writing to the School Employees Retirement System, 300 East Broad Street, Columbus, Ohio 43215-3746.

Plan members are required to contribute 9 percent of their annual covered salary and the School District is required to contribute an actuarially determined rate. The current rate is 14 percent of annual covered payroll; 4.2 percent was the portion used to fund pension obligations for fiscal year 2001. For fiscal year 2000, 5.5 percent was the portion used to fund pension obligations. The contribution requirements of plan members and employers are established and may be amended, up to statutory maximum amounts, by the SERS Retirement Board. The School District's required contribution for pension obligations to SERS for the fiscal years ended June 30, 2001, 2000, and 1999, were \$16,048, \$21,563, and \$27,294, respectively; 37 percent has been contributed for fiscal year 2001 and 100 percent for fiscal years 2000 and 1999. The unpaid contribution for fiscal year 2001, in the amount of \$10,109, is recorded as a liability within the respective funds and the general long-term obligations account group.

C. Social Security System

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

NOTE 14 - POSTEMPLOYMENT BENEFITS

The School District provides comprehensive health care benefits to retired teachers and their dependents through the State Teachers Retirement System (STRS), and to retired classified employees and their dependents through the School Employees Retirement System (SERS). Benefits include hospitalization, physicians' fees, prescription drugs, and reimbursement of monthly Medicare premiums. Benefit provisions

**OTTOVILLE LOCAL SCHOOL DISTRICT
PUTNAM COUNTY**

**Notes to the General-Purpose Financial Statements
For the Fiscal Year Ended June 30, 2001
(Continued)**

and the obligation to contribute are established by the Systems based on authority granted by State statute. Both systems are funded on a pay-as-you-go basis.

The State Teachers Retirement Board has statutory authority over how much, if any, of the health care costs will be absorbed by STRS. Most benefit recipients pay a portion of the health care cost in the form of a monthly premium. By law, the cost of coverage paid from STRS funds shall be included in the employer contribution rate, currently 14 percent of covered payroll. For fiscal year 2001, the Board allocated employer contributions equal to 4.5 percent of covered payroll to the Health Care Reserve Fund. For the School District, this amount equaled \$81,545.

STRS pays health care benefits from the Health Care Reserve Fund. The balance in the Fund was \$3,419 million at June 30, 2000 (the latest information available). For the fiscal year ended June 30, 2000, net health care costs paid by STRS were \$283,137,000, and STRS had 99,011 eligible benefit recipients.

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

For the fiscal year ended June 30, 2001, employer contributions to fund health care benefits were 9.8 percent of covered payroll, an increase of 1.3 percent from fiscal year 2000. 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 2001, the minimum pay was established at \$12,400. For the School District, the amount to fund health care benefits, including the surcharge, was \$48,218 for fiscal year 2001.

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 for the fiscal year ended June 30, 2000 (the latest information available), were \$140,696,340, and the target level was \$211 million. At June 30, 2000, SERS had net assets available for payment of health care benefits of \$252.3 million. SERS has approximately 50,000 participants currently receiving health care benefits.

NOTE 15 - OTHER EMPLOYEE BENEFITS

A. Compensated Absences

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

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

**OTTOVILLE LOCAL SCHOOL DISTRICT
PUTNAM COUNTY**

**Notes to the General-Purpose Financial Statements
For the Fiscal Year Ended June 30, 2001
(Continued)**

B. Health Care Benefits

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

NOTE 16 - LONG-TERM OBLIGATIONS

The changes in the School District's long-term obligations during fiscal year 2001 were as follows:

	Balance at 6/30/2000	Additions	Reductions	Balance at 6/30/2001
<u>General Long-Term Obligations</u>				
Compensated Absences Payable	\$226,842		\$17,789	\$209,053
Intergovernmental Payable	24,684	\$25,392	24,684	25,392
Capital Lease Payable		429,000	150,000	279,000
Ohio School Facilities Commission Note 4.125%		2,162,000		2,162,000
Ohio School Facilities Commission Note 4.73%		873,000		873,000
1995 Variable Rate School Improvement Bonds 5.9 - 18%	1,290,000		50,000	1,240,000
Total General Long-Term Obligations	<u>\$1,541,526</u>	<u>\$3,489,392</u>	<u>\$242,473</u>	<u>\$4,788,445</u>

Ohio School Facilities Commission Notes - The bond anticipation notes are backed by the full faith and credit of the School District. The notes were issued in anticipation of long-term bond financing, and were refinanced with bonds on December 1, 2001.

School Improvement General Obligation Bonds - On November 1, 1995, the School District issued \$1,490,000 in voted general obligation bonds for constructing a building addition. The bonds were issued for a twenty-five year period, with final maturity at December 1, 2021. The bonds are being retired from the Bond Retirement debt service fund, with the proceeds of a 3.20 mill voted property tax levy.

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

The School District's overall debt margin was (\$389,050) with an unvoted debt margin of \$41,528 at June 30, 2001. On January 26, 2001, the Department of Taxation approved the School District as a Special Needs District allowing them to have a negative legal debt margin.

Principal and interest requirements to retire general obligation bonds outstanding at June 30, 2001, were as follows:

**OTTOVILLE LOCAL SCHOOL DISTRICT
PUTNAM COUNTY**

**Notes to the General-Purpose Financial Statements
For the Fiscal Year Ended June 30, 2001
(Continued)**

<u>Fiscal year ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2002	\$50,000	\$69,198	\$119,198
2003	50,000	66,610	116,610
2004	50,000	63,997	113,997
2005	50,000	61,360	111,360
2006	50,000	58,698	108,698
2007-2011	250,000	253,700	503,700
2012-2016	305,000	174,787	479,787
2017-2022	435,000	78,323	513,323
Total	<u>\$1,240,000</u>	<u>\$826,673</u>	<u>\$2,066,673</u>

NOTE 17 - CAPITALIZED LEASES - LESSEE DISCLOSURE

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

General fixed assets acquired by lease have been capitalized in the general fixed assets account group, in the amount of \$429,000. This amount represents the present value of the minimum lease payments at the time of acquisition. A corresponding liability was recorded in the general long-term obligations account group. Principal payments in fiscal year 2001 were \$150,000 in the 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 minimum lease payments as of June 30, 2001.

<u>Fiscal Year Ending June 30,</u>	<u>GLTOAG</u>
2002	\$104,160
2003	100,440
2004	<u>96,720</u>
Total	301,320
Less Amount Representing Interest	<u>(22,320)</u>
Present Value of Net Minimum Lease Payments	<u>\$279,000</u>

NOTE 18 - SET ASIDE REQUIREMENTS

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

**OTTOVILLE LOCAL SCHOOL DISTRICT
PUTNAM COUNTY**

**Notes to the General-Purpose Financial Statements
For the Fiscal Year Ended June 30, 2001
(Continued)**

The following cash basis information identifies the changes in the fund balance reserves for textbooks, capital improvements, and budget stabilization during fiscal year 2001.

	Textbooks	Capital Improvements	Budget Stabilization
Balance June 30, 2000	(\$13,123)		\$47,189
Current Year Set Aside Requirement	75,052	\$75,052	
Legislative Reduction			(47,189)
Current Year Offsets		(97,682)	
Qualifying Expenditures	(85,628)		
Amount Carried Forward to Fiscal Year 2002	(23,699)	(\$22,630)	
Set Aside Reserve Balance June 30, 2001			

The School District had qualifying expenditures during the fiscal year that reduced the textbook and capital improvements set aside amounts below zero. The textbook amount may be used to reduce the set aside requirement in future fiscal years, however, the capital improvement amount can not.

NOTE 19 - JOINTLY GOVERNED ORGANIZATIONS

Northwest Ohio Area Computer Services Cooperative - The School District is a participant in the Northwest Ohio Area Computer Services Cooperative (NOACSC), which is a computer consortium. NOACSC is an association of educational entities within the boundaries of Allen, Hancock, Mercer, Paulding, Putnam, and Van Wert Counties, and the Cities of St. Marys and Wapakoneta. The organization was formed for the purpose of applying modern technology with the aid of computers and other electronic equipment to administrative and instructional functions among member educational entities. The governing board of NOACSC consists of two representatives from each county elected by majority vote of all charter member educational entities within each county. Financial information can be obtained from Michael Wildermuth, who serves as Director, 645 South Main Street, Lima, Ohio 45804.

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

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

The Center is governed by a fifty-two member board made up of representatives from the participating school districts, the business community, and two institutions of higher learning. The degree of control exercised by any participating school district is limited to its representation on the Board. Financial information can be obtained from Brad Browne, Hancock County Educational Service Center, 7746 County Road 140, Findlay, Ohio 45840.

**OTTOVILLE LOCAL SCHOOL DISTRICT
PUTNAM COUNTY**

**Notes to the General-Purpose Financial Statements
For the Fiscal Year Ended June 30, 2001
(Continued)**

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

NOTE 20 - INSURANCE POOL

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

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

Putnam County Schools Insurance Group - The School District participates in an insurance purchasing pool consisting of nine local school districts, an educational service center, and a Board of Mental Retardation/Developmental Disabilities. The insurance group is governed by an advisory committee consisting of each member's superintendent, or designee, and a teacher from each participating school district. Premiums are paid on a monthly basis to Medical Mutual of Ohio, P. O. Box 943, Toledo, Ohio 43656.

NOTE 21 - CONTINGENCIES

A. Grants

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

B. Litigation

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

NOTE 22 - 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.

**OTTOVILLE LOCAL SCHOOL DISTRICT
PUTNAM COUNTY**

**Notes to the General-Purpose Financial Statements
For the Fiscal Year Ended June 30, 2001
(Continued)**

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

NOTE 23 – SUBSEQUENT EVENTS

On December 1, 2001 the District issued \$3,035,000 in school improvement bonds for the local share of an Ohio School Facilities project to construct a new school. Also, during fiscal year 2002 the District entered into contracts totaling \$15,559,914 for the construction of a new school.



STATE OF OHIO
OFFICE OF THE AUDITOR

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

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

To the Board of Education:

We have audited the financial statements of Ottoville Local School District (the District) as of and for the year ended June 30, 2001, and have issued our report thereon dated December 11, 2002. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*. However, we noted certain immaterial instances of noncompliance that we have reported to management of the District in a separate letter dated December 11, 2002.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the District's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses. However, we noted other matters involving the internal control over financial reporting that do not require inclusion in this report, that we have reported to management of the District in a separate letter dated December 11, 2002.

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

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

A handwritten signature in black ink, appearing to read "Jim Petro". The signature is fluid and cursive, with a large loop at the end.

Jim Petro
Auditor of State

December 11, 2002



STATE OF OHIO
OFFICE OF THE AUDITOR

JIM PETRO, AUDITOR OF STATE

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

OTTOVILLE LOCAL SCHOOL DISTRICT

PUTNAM COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
JANUARY 9, 2003**