



**OTSEGO LOCAL SCHOOL DISTRICT  
WOOD COUNTY**

**SINGLE AUDIT**

**FOR THE YEAR ENDED JUNE 30, 2008**



**Mary Taylor, CPA**  
Auditor of State



**OTSEGO LOCAL SCHOOL DISTRICT  
WOOD COUNTY**

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# Mary Taylor, CPA

Auditor of State

## INDEPENDENT ACCOUNTANTS' REPORT

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

To the Board of Education:

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Otsego Local School District, Wood County, Ohio (the District), as of and for the year ended June 30, 2008, which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the District's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*. Those standards require that we plan and perform the audit to reasonably assure 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 our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Otsego Local School District, Wood County, Ohio, as of June 30, 2008, and the respective changes in financial position thereof and the budgetary comparison for the General 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 February 17, 2009, 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 grant agreements and other matters. While we did not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting and compliance and the results of that testing. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*. You should read it in conjunction with this report in assessing the results of our audit.

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Management's Discussion and Analysis is not a required part of the basic financial statements but is supplementary information accounting principles generally accepted in the United States of America requires. We have applied certain limited procedures, consisting principally of inquiries of management regarding the methods of measuring and presenting the required supplementary information. However, we did not audit the information and express no opinion on it.

We conducted our audit to opine on the financial statements that collectively comprise the District's basic financial statements. The schedule of federal awards receipts and expenditures is required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the basic financial statements. We subjected the schedule of federal awards receipts and expenditures to the auditing procedures applied in the audit of the basic financial statements. In our opinion, this information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

A handwritten signature in black ink that reads "Mary Taylor". The signature is written in a cursive, flowing style.

**Mary Taylor, CPA**  
Auditor of State

February 17, 2009

**OTSEGO LOCAL SCHOOL DISTRICT  
WOOD COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2008  
UNAUDITED**

The discussion and analysis of Otsego Local School District's financial performance provides an overall review of the School District's financial activities for the fiscal year ended June 30, 2008. The intent of this discussion and analysis is to look at the School District's financial performance as a whole; readers should also review the basic financial statements and notes to enhance their understanding of the School District's financial performance.

**Highlights**

Highlights for fiscal year 2008 were as follows:

- Net assets decreased \$694,586, or approximately 10 percent. For fiscal year 2008, revenues decreased by 5 percent while expenses increased 7 percent. The decrease in revenues is primarily the result of decreases in property taxes and interest revenue. Expenses increased due to retroactive salary payments to staff members, salary increases, employee buyouts, and increased utility costs.
- General revenues were \$13,815,013, or 84 percent of all governmental activities revenues, and demonstrate the School District's significant dependence on property and income taxes as well as State funding.

**Using the Basic Financial Statements**

This annual report consists of a series of financial statements and notes to those statements. The statements are organized so the reader can understand Otsego Local School District as a financial whole, or as an entire operating entity.

The statement of net assets and the statement of activities provide information about the activities of the whole School District, presenting both an aggregate view of the School District's finances and a longer-term view of those finances.

Fund financial statements provide a greater level of detail. For governmental funds, these statements tell how services were financed in the short-term as well as what remains for future spending. The fund financial statements also look at the School District's most significant funds with all other nonmajor funds presented in total in a single column.

**Reporting the School District as a Whole**

The statement of net assets and the statement of activities reflect how the School District did financially during fiscal year 2008. These statements include all assets and liabilities using the accrual basis of accounting similar to that which is used by most private-sector companies. This basis of accounting considers all of the current fiscal years' revenues and expenses regardless of when cash is received or paid.

**OTSEGO LOCAL SCHOOL DISTRICT  
WOOD COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2008  
UNAUDITED  
(Continued)**

These statements report the School District's net assets and changes in those assets. This change in net assets is important because it tells the reader whether the financial position of the School District as a whole has increased or decreased from the prior fiscal year. Over time, these increases and/or decreases are one indicator of whether the financial position is improving or deteriorating. Causes for these changes may be the result of many factors, some financial, some not. Non-financial factors include the School District's property tax base, current property tax laws in Ohio restricting revenue growth, facility conditions, required educational programs, and other factors. In the statement of net assets and the statement of activities, all of the School District's activities are reflected as governmental activities. The programs and services reported here include instruction, support services, non-instructional services, and extracurricular activities. These services are primarily funded by property and income tax revenues as well as unrestricted State entitlements.

**Reporting the School District's Most Significant Funds**

Fund financial statements provide detailed information about the School District's major funds. While the School District uses many funds to account for its financial transactions, the fund financial statements focus on the School District's most significant funds. The School District's major funds are the General Fund, the Bond Retirement Fund, and the Building Fund.

Governmental Funds - All of the School District's activities are reported in governmental funds, which focus on how monies flow into and out of those funds and the balances left at fiscal year end for spending in future periods. These funds are reported using modified accrual accounting, which measures cash and all other financial assets that can readily be converted to cash. The governmental fund statements provide a detailed short-term view of the School District's general government operations and the basic services it provides. Governmental fund information helps determine whether there are more or less financial resources that can be spent in the near future to finance educational programs.

Fiduciary Funds - Fiduciary funds are used to account for resources held for the benefit of parties outside the School District. Fiduciary funds are not reflected on the government-wide financial statements because the resources from these funds are not available to support the School District's programs. These funds use the accrual basis of accounting.



**OTSEGO LOCAL SCHOOL DISTRICT  
WOOD COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2008  
UNAUDITED  
(Continued)**

**The School District as a Whole**

Table 1 provides a summary of the School District's net assets for fiscal year 2008 and fiscal year 2007:

Table 1 Net Assets		Governmental Activities	
	2008	2007	Change
<u>Assets</u>			
Current and Other Assets	\$8,870,188	\$10,493,462	(\$1,623,274)
Capital Assets, Net	22,545,801	22,842,223	(296,422)
Total Assets	31,415,989	33,335,685	(1,919,696)
<u>Liabilities</u>			
Current and Other Liabilities	\$6,044,903	\$6,742,936	\$698,033
Long-Term Liabilities	19,395,599	19,922,676	527,077
Total Liabilities	25,440,502	26,665,612	1,225,110
<u>Net Assets</u>			
Invested in Capital Assets, Net of Related Debt	4,823,846	4,596,359	227,487
Restricted	1,160,603	1,224,938	(64,335)
Unrestricted (Deficit)	(8,962)	848,776	(857,738)
Total Net Assets	\$5,975,487	\$6,670,073	(\$694,586)

A review of the above table reveals several significant changes in assets and liabilities from the prior fiscal year. The decrease in current and other assets primarily resulted from cash resources being spent to complete construction on the new high school and making final payments to contractors. In addition, cash resources were spent to provide for a retroactive pay agreement made to employees as well as incremental pay increases and some employee buyouts. The effect of these cash payments is also demonstrated in the decrease in unrestricted net assets. Current and other liabilities decreased largely from paying contracts and final retainage amounts to contractors related to the school construction.

**OTSEGO LOCAL SCHOOL DISTRICT  
WOOD COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2008  
UNAUDITED  
(Continued)**

Table 2 reflects the change in net assets for fiscal year 2008 and fiscal year 2007:

Table 2  
Change in Net Assets

	Governmental Activities		
	2008	2007	Change
<u>Revenues</u>			
Program Revenues			
Charges for Services	\$1,212,027	\$1,151,416	\$60,611
Operating Grants, Contributions, and Interest	1,476,142	1,461,719	14,423
Capital Grants and Contributions	18,242	36,824	(18,582)
Total Program Revenues	<u>2,706,411</u>	<u>2,649,959</u>	<u>56,452</u>
General Revenues			
Property Taxes	\$5,069,907	\$5,831,077	(\$761,170)
Income Taxes	2,490,691	2,455,986	34,705
Grants and Entitlements	5,995,681	5,974,496	21,185
Interest	153,785	360,750	(206,965)
Gifts and Donations	1,980		1,980
Miscellaneous	102,969	149,831	(46,862)
Total General Revenues	<u>13,815,013</u>	<u>14,772,140</u>	<u>(957,127)</u>
Total Revenues	<u>16,521,424</u>	<u>17,422,099</u>	<u>(900,675)</u>
<u>Expenses</u>			
Instruction:			
Regular	7,727,519	7,000,754	(726,765)
Special	2,291,845	2,220,841	(71,004)
Vocational	378,582	446,924	68,342
Support Services:			
Pupils	574,841	592,075	17,234
Instructional Staff	654,056	693,024	38,968
Board of Education	45,176	27,074	(18,102)
Administration	1,306,356	1,237,845	(68,511)
Fiscal	410,236	373,841	(36,395)
Business	7,183	469	(6,714)
Operation and Maintenance of Plant	1,082,815	945,355	(137,460)
Pupil Transportation	810,259	902,678	92,419
Non-Instructional Services	663,498	611,278	(52,220)
Extracurricular Activities	466,242	409,349	(56,893)
Interest and Fiscal Charges	797,402	657,175	(140,227)
Total Expenses	<u>17,216,010</u>	<u>16,118,682</u>	<u>(1,097,328)</u>
Increase (Decrease) in Net Assets	(694,586)	1,303,417	(1,998,003)
Net Assets at Beginning of Year	<u>6,670,073</u>	<u>5,366,656</u>	<u>1,303,417</u>
Net Assets at End of Year	<u>\$5,975,487</u>	<u>\$6,670,073</u>	<u>(\$694,586)</u>

**OTSEGO LOCAL SCHOOL DISTRICT  
WOOD COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2008  
UNAUDITED  
(Continued)**

Although program revenues remained comparable to the prior fiscal year, general revenues decreased over 6 percent resulting in a 5 percent decrease in overall revenues. For general revenues, property taxes reflect a decrease of over \$761,000 (13 percent) and can be attributed to a high rate of property foreclosures and less resources available as an advance at June 30. There was also a sizable decrease in interest revenues as interest rates continued to decline. However, general revenues continue to make up 84 percent of the School District's revenues.

Overall, expenses increased 7 percent, of which, the largest increase is reflected in the instruction program. This is due to a retrospective salary payment made to employees as well as incremental pay increases and some employee buyouts. As is to be expected, instruction programs are the School District's largest expense, accounting for 60 percent of all governmental activities expenses. Combined with the support services related to instruction, such as pupils, instructional staff, operation and maintenance of plant, and pupil transportation, 78 percent of all of the School District's expenses are related directly to the functions of delivering education and maintaining facilities.

Governmental Activities

Table 3 indicates the total cost of services and the net cost of services for governmental activities. The statement of activities reflects the cost of program services and the charges for services, grants, and contributions offsetting those services. The net cost of services identifies the cost of those services supported primarily from tax revenues.

Table 3  
Governmental Activities

	Total Cost of Services		Net Cost of Services	
	2008	2007	2008	2007
Instruction:				
Regular	\$7,727,519	\$7,000,754	\$7,127,064	\$6,347,141
Special	2,291,845	2,220,841	1,216,833	1,200,425
Vocational	378,582	446,924	320,877	379,078
Support Services:				
Pupils	574,841	592,075	564,299	581,500
Instructional Staff	654,056	693,024	654,056	693,024
Board of Education	45,176	27,074	45,176	27,074
Administration	1,306,356	1,237,845	1,306,356	1,237,845
Fiscal	410,236	373,841	410,236	373,841
Business	7,183	469	7,183	469
Operation and Maintenance of Plant	1,082,815	945,355	1,082,815	945,355
Pupil Transportation	810,259	902,678	765,971	863,131
Non-Instructional Services	663,498	611,278	(105,811)	(79,430)
Extracurricular Activities	466,242	409,349	317,142	242,095
Interest and Fiscal Charges	797,402	657,175	797,402	657,175
Total Expenses	<u>\$17,216,010</u>	<u>\$16,118,682</u>	<u>\$14,509,599</u>	<u>\$13,468,723</u>

**OTSEGO LOCAL SCHOOL DISTRICT  
WOOD COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2008  
UNAUDITED  
(Continued)**

As demonstrated in the above table, the total cost of services and the net costs of services were fairly comparable for both fiscal years (with increases in fiscal year 2008 expenses as noted previously). The table also demonstrates that several of the School District's programs are substantially provided for through program revenues. For instance, 47 percent of the special instruction program costs were provided for through program revenues, those primarily being operating grants restricted for special instruction purposes. For fiscal year 2008, all of the cost of the non-instructional program was paid for through cafeteria sales and state and federal subsidies and donated commodities for food service operations. Extracurricular activities costs are largely supported by music and athletic fees, ticket sales, and gate receipts at musical and athletic events.

**The School District's Funds**

The School District's governmental funds are accounted for using the modified accrual basis of accounting. For the General Fund, expenditures exceeded revenues by \$711,873, a combination of the decrease in property taxes and the salary related increases for the retroactive salary payment and the incremental salary increases. Fund balance decreased in the Bond Retirement Fund due to debt requirements being greater than tax collections. Fund balance also decreased in the Building Fund as building construction was completed and contractors were paid.

**General Fund Budgeting Highlights**

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

During fiscal year 2008, the School District amended its General Fund budget as needed. Changes from the original budget to the final budget and from the final budget to actual revenues received were not significant. The same can be said for expenditures.

**Capital Assets and Debt Administration**

**Capital Assets**

At the end of fiscal year 2008, the School District had \$22,545,801 invested in capital assets (net of accumulated depreciation) for governmental activities, which was not a significant change from the prior fiscal year; however, school construction was completed during the fiscal year resulting in a large decrease in construction in progress and increase in buildings and improvements. For further information regarding the School District's capital assets, refer to Note 10 to the basic financial statements.

**Debt**

At June 30, 2008, the School District had outstanding general obligation bonds, in the amount of \$18,551,789. In addition, the School District's long-term obligations include compensated absences. For further information regarding the School District's long-term obligations, refer to Note 15 to the basic financial statements.

**OTSEGO LOCAL SCHOOL DISTRICT  
WOOD COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2008  
UNAUDITED  
(Continued)**

**Current Issues**

Otsego Local School District is a rural school district located in Wood County and relies heavily on the local taxpayer's for General Fund revenues. Approximately 8 percent of the School District's local revenue came from tangible personal property taxes. The systematic elimination of this tax under HB 66 and the State's temporary reimbursement of the loss is quite concerning to the School District. Regardless of the amount compared to the overall local revenue, it is still a loss that most likely will be passed on to the local taxpayer.

The School District's enrollment remained approximately the same as the prior fiscal year. The School District served 1728 students (1730 in fiscal year 2007) and employs one hundred two teachers.

Current projections of the School District's financial status indicate the need for additional revenues as early as fiscal year 2010. The School District's income tax collections continue to come in below original estimates which impacts this shortfall in revenue significantly. Although the School District continues to spend as prudently as possible to provide an outstanding education to the youth in the School District, it may no longer be possible in the near future to educate within the current revenue flows projected. This may make it necessary to ask residents for additional financial support. A pay-to-participate fee has been implemented and \$900,000 in cuts has been made in fiscal year 2009 in an attempt to keep the School District from financial crisis.

**Contacting the School District's Financial Management**

This financial report is designed to provide our citizens, taxpayers, investors, and creditors with a general overview of the School District's finances and to reflect the School District's accountability for the monies it receives. Questions concerning any of the information in this report or requests for additional information should be directed to Pamela Harrington, Treasurer, Otsego Local School District, 18505 Tontogany Creek Road, PO Box 290, Tontogany, Ohio 43565-0290.

**OTSEGO LOCAL SCHOOL DISTRICT  
WOOD COUNTY**

**Statement of Net Assets  
June 30, 2008**

	Governmental Activities
<u>Assets:</u>	
Equity in Pooled Cash and Cash Equivalents	\$2,082,406
Cash and Cash Equivalents with Fiscal Agents	71
Accounts Receivable	21,511
Accrued Interest Receivable	8,420
Intergovernmental Receivable	455
Income Taxes Receivable	1,121,968
Prepaid Items	38,575
Inventory Held for Resale	9,078
Materials and Supplies Inventory	2,426
Property Taxes Receivable	5,324,471
Unamortized Issuance Cost	260,807
Nondepreciable Capital Assets	143,659
Depreciable Capital Assets, Net	22,402,142
Total Assets	31,415,989
 <u>Liabilities:</u>	
Accounts Payable	30,315
Contracts Payable	24,606
Accrued Wages and Benefits Payable	1,067,734
Intergovernmental Payable	343,553
Matured Compensated Absences Payable	27,904
Retainage Payable	8,973
Deferred Revenue	4,486,926
Accrued Interest Payable	54,892
Long-Term Liabilities:	
Due Within One Year	568,044
Due in More Than One Year	18,827,555
Total Liabilities	25,440,502
 <u>Net Assets:</u>	
Invested in Capital Assets, Net of Related Debt	4,823,846
Restricted For:	
Debt Service	389,367
Capital Projects	686,763
Athletics and Music	24,874
Other Purposes	59,599
Unrestricted (Deficit)	(8,962)
Total Net Assets	\$5,975,487

See Accompanying Notes to Basic Financial Statements

**OTSEGO LOCAL SCHOOL DISTRICT  
WOOD COUNTY**

**Statement of Activities  
For the Fiscal Year Ended June 30, 2008**

	Program Revenues			Net (Expense) Revenue and Change in Net Assets	
	Expenses	Charges for Services	Operating Grants, Contributions, and Interest	Capital Grants and Contributions	Governmental Activities
<u>Governmental Activities:</u>					
Instruction:					
Regular	\$7,727,519	\$485,999	\$107,112	\$7,344	(\$7,127,064)
Special	2,291,845	25,002	1,050,010		(1,216,833)
Vocational	378,582		57,705		(320,877)
Support Services:					
Pupils	574,841		10,542		(564,299)
Instructional Staff	654,056				(654,056)
Board of Education	45,176				(45,176)
Administration	1,306,356				(1,306,356)
Fiscal	410,236				(410,236)
Business	7,183				(7,183)
Operation and Maintenance of Plant	1,082,815				(1,082,815)
Pupil Transportation	810,259		33,390	10,898	(765,971)
Non-Instructional Services	663,498	571,682	197,627		105,811
Extracurricular Activities	466,242	129,344	19,756		(317,142)
Interest and Fiscal Charges	797,402				(797,402)
Total Governmental Activities	<u>\$17,216,010</u>	<u>\$1,212,027</u>	<u>\$1,476,142</u>	<u>\$18,242</u>	<u>(14,509,599)</u>
 <u>General Revenues:</u>					
Property Taxes Levied for General Purposes					3,885,625
Property Taxes Levied for Debt Service					1,030,311
Property Taxes Levied for Permanent Improvements					153,971
Income Taxes Levied for General Purposes					2,490,691
Grants and Entitlements not Restricted to Specific Programs					5,995,681
Interest					153,785
Gifts and Donations					1,980
Miscellaneous					102,969
Total General Revenues					<u>13,815,013</u>
Change in Net Assets					(694,586)
Net Assets at Beginning of Year					6,670,073
Net Assets at End of Year					<u>\$5,975,487</u>

See Accompanying Notes to the Basic Financial Statements

**OTSEGO LOCAL SCHOOL DISTRICT  
WOOD COUNTY**

**Balance Sheet  
Governmental Funds  
June 30, 2008**

	General	Bond Retirement	Building	Other Governmental	Total Governmental Funds
<u>Assets:</u>					
Equity in Pooled Cash and Cash Equivalents	\$764,228	\$493,835	\$429,787	\$366,435	\$2,054,285
Cash and Cash Equivalents with Fiscal Agents				71	71
Accounts Receivable	21,461			50	21,511
Accrued Interest Receivable	8,116		304		8,420
Intergovernmental Receivable	455				455
Income Taxes Receivable	1,121,968				1,121,968
Prepaid Items	38,575				38,575
Inventory Held for Resale				9,078	9,078
Materials and Supplies Inventory				2,426	2,426
<u>Restricted Assets:</u>					
Equity in Pooled Cash and Cash Equivalents	28,121				28,121
Property Taxes Receivable	4,087,617	1,067,902		168,952	5,324,471
<b>Total Assets</b>	<b>\$6,070,541</b>	<b>\$1,561,737</b>	<b>\$430,091</b>	<b>\$547,012</b>	<b>\$8,609,381</b>
<u>Liabilities and Fund Balances:</u>					
<u>Liabilities</u>					
Accounts Payable	\$27,295			\$3,020	\$30,315
Contracts Payable			\$24,606		24,606
Accrued Wages and Benefits Payable	1,015,271			52,463	1,067,734
Intergovernmental Payable	315,561			27,992	343,553
Matured Compensated Absences Payable	27,904				27,904
Retainage Payable			2,342	6,631	8,973
Deferred Revenue	3,694,580	\$916,326		147,173	4,758,079
<b>Total Liabilities</b>	<b>5,080,611</b>	<b>916,326</b>	<b>26,948</b>	<b>237,279</b>	<b>6,261,164</b>
<u>Fund Balances:</u>					
Reserved for Property Taxes	549,752	151,369		21,719	722,840
Reserve for Bus Purchase	28,121				28,121
Reserved for Encumbrances	61,300		8,633	6,186	76,119
<u>Unreserved, Reported in:</u>					
General Fund	350,757				350,757
Special Revenue Funds				24,421	24,421
Debt Service Fund		494,042			494,042
Capital Projects Funds			394,510	257,407	651,917
<b>Total Fund Balances</b>	<b>989,930</b>	<b>645,411</b>	<b>403,143</b>	<b>309,733</b>	<b>2,348,217</b>
<b>Total Liabilities and Fund Balances</b>	<b>\$6,070,541</b>	<b>\$1,561,737</b>	<b>\$430,091</b>	<b>\$547,012</b>	<b>\$8,609,381</b>

See Accompanying Notes to the Basic Financial Statements



**OTSEGO LOCAL SCHOOL DISTRICT  
WOOD COUNTY**

**Reconciliation of Total Governmental Fund Balances  
to Net Assets of Governmental Activities  
June 30, 2008**

Total Governmental Fund Balances		\$2,348,217
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Amounts reported for governmental activities on the statement of net assets are different because of the following:

Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.		22,545,801
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Other long-term assets are not available to pay for current period expenditures and, therefore, are deferred in the funds:

Accounts Receivable	\$19,396	
Income Taxes Receivable	138,875	
Property Taxes Receivable	112,882	
		271,153

Unamortized issuance costs represent deferred charges which do not provide current financial resources and, therefore, are not reported in the funds.		260,807
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Some liabilities are not due and payable in the current period and, therefore, are not reported in the funds:

Accrued Interest Payable	(54,892)	
General Obligation Bonds Payable	(18,551,789)	
Compensated Absences Payable	(843,810)	
		(19,450,491)

Net Assets of Governmental Activities		<u><u>\$5,975,487</u></u>
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See Accompanying Notes to the Basic Financial Statements

**OTSEGO LOCAL SCHOOL DISTRICT  
WOOD COUNTY**

**Statement of Revenues, Expenditures, and Changes in Fund Balances  
Governmental Funds  
For the Fiscal Year Ended June 30, 2008**

	General	Bond Retirement	Building	Other Governmental	Total Governmental Funds
<u>Revenues:</u>					
Property Taxes	\$3,888,845	\$1,032,416		\$154,159	\$5,075,420
Income Taxes	2,509,647				2,509,647
Intergovernmental	6,365,754	140,793		963,522	7,470,069
Interest	139,173		\$13,409	129	152,711
Tuition and Fees	643,945				643,945
Extracurricular Activities	8,430			120,914	129,344
Charges for Services				431,260	431,260
Gifts and Donations	1,680			20,056	21,736
Miscellaneous	68,135			34,834	102,969
Total Revenues	<u>13,625,609</u>	<u>1,173,209</u>	<u>13,409</u>	<u>1,724,874</u>	<u>16,537,101</u>
<u>Expenditures:</u>					
Current:					
Instruction:					
Regular	7,386,022			46,155	7,432,177
Special	1,585,629			670,305	2,255,934
Vocational	362,956				362,956
Support Services:					
Pupils	546,496			19,977	566,473
Instructional Staff	597,520			34,779	632,299
Board of Education	45,176				45,176
Administration	1,242,915			64,850	1,307,765
Fiscal	390,397	11,773		3,434	405,604
Business	7,183				7,183
Operation and Maintenance of Plant	1,008,009		10,001	6,359	1,024,369
Pupil Transportation	892,072				892,072
Non-Instructional Services				644,945	644,945
Extracurricular Activities	243,667			167,209	410,876
Capital Outlay	29,440		123,646	62,467	215,553
Debt Service:					
Principal Retirement		530,000			530,000
Interest and Fiscal Charges		700,004			700,004
Total Expenditures	<u>14,337,482</u>	<u>1,241,777</u>	<u>133,647</u>	<u>1,720,480</u>	<u>17,433,386</u>
Excess of Revenues Over (Under) Expenditures	<u>(711,873)</u>	<u>(68,568)</u>	<u>(120,238)</u>	<u>4,394</u>	<u>(896,285)</u>
<u>Other Financing Sources (Uses):</u>					
Transfers In				60,000	60,000
Transfers Out	(60,000)				(60,000)
Total Other Financing Sources (Uses)	<u>(60,000)</u>			<u>60,000</u>	
Changes in Fund Balances	(771,873)	(68,568)	(120,238)	64,394	(896,285)
Fund Balances at Beginning of Year	<u>1,761,803</u>	<u>713,979</u>	<u>523,381</u>	<u>245,339</u>	<u>3,244,502</u>
Fund Balances at End of Year	<u>\$989,930</u>	<u>\$645,411</u>	<u>\$403,143</u>	<u>\$309,733</u>	<u>\$2,348,217</u>

See Accompanying Notes to the Basic Financial Statements

**OTSEGO LOCAL SCHOOL DISTRICT  
WOOD COUNTY**

**Reconciliation of Statement of Revenues, Expenditures, and Changes in Fund Balances  
of Governmental Funds to Statement of Activities  
For the Fiscal Year Ended June 30, 2008**

Changes in Fund Balances - Total Governmental Funds (\$896,285)

Amounts reported for governmental activities on the statement of activities are different because of the following:

Governmental funds report capital outlays as expenditures. However, on the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which depreciation exceeds capital outlay in the current year:

Capital Outlay - Nondepreciable Capital Assets	\$90,731	
Capital Outlay - Depreciable Capital Assets	199,383	
Capital Contributions	7,344	
Depreciation	(579,957)	(282,499)

The book value of capital assets is removed from the capital asset account on the statement of net assets when disposed of resulting in a loss on disposal of capital assets on the statement of activities. (13,923)

Revenues on the statement of activities that do not provide current financial resources are not reported as revenues in governmental funds:

Property Taxes	(5,513)	
Income Taxes	(18,956)	
Intergovernmental	(7,233)	
Interest	1,203	
Tuition and Fees	7,478	(23,021)

Repayment of principal is an expenditure in the governmental funds but the repayment reduces long-term liabilities on the statement of net assets. 530,000

Interest is reported as an expenditure when due in the governmental funds but is accrued on outstanding debt on the statement of net assets. Premiums and discounts are reported as revenues/expenditures when the debt is first issued; however, these amounts are deferred and amortized on the statement of activities. Accounting losses are amortized over the life of the debt on the statement of activities.

Accrued Interest Payable	1,450	
Annual Accretion on Capital Appreciation Bonds	(146,443)	
Amortization of Premium	73,394	
Amortization of Discount	(2,913)	
Amortization of Accounting Loss	(15,501)	(90,013)

Issuance costs are reported as an expenditure when paid in the governmental funds but are amortized over the life of the debt on the statement of activities. (7,385)

Compensated absences reported on the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds. 88,540

Change in Net Assets of Governmental Activities (\$694,586)

See Accompanying Notes to the Basic Financial Statements

**OTSEGO LOCAL SCHOOL DISTRICT  
WOOD COUNTY**

**Statement of Revenues, Expenditures, and Changes in Fund Balance  
Budget (Non-GAAP Basis) and Actual  
General Fund  
For the Fiscal Year Ended June 30, 2008**

	Budgeted Amounts		Actual	Variance with Final Budget Over (Under)
	Original	Final		
<u>Revenues:</u>				
Property Taxes	\$3,992,166	\$4,090,337	\$4,015,929	(\$74,408)
Income Taxes	2,027,163	2,508,739	2,511,504	2,765
Intergovernmental	6,199,039	6,319,154	6,363,965	44,811
Interest	146,790	147,470	139,343	(8,127)
Tuition and Fees	631,760	604,268	643,874	39,606
Extracurricular Activities	9,000	9,000	8,430	(570)
Gifts and Donations	6,000	1,680	1,680	
Miscellaneous	42,071	4,696	58,479	53,783
Total Revenues	<u>13,053,989</u>	<u>13,685,344</u>	<u>13,743,204</u>	<u>57,860</u>
<u>Expenditures:</u>				
<u>Current:</u>				
<u>Instruction:</u>				
Regular	7,295,338	7,195,896	7,364,549	(168,653)
Special	1,596,479	1,596,895	1,584,302	12,593
Vocational	14,800	418,987	400,999	17,988
<u>Support Services:</u>				
Pupils	560,018	560,020	547,140	12,880
Instructional Staff	578,741	580,252	596,895	(16,643)
Board of Education	48,782	48,782	45,176	3,606
Administration	1,322,117	1,319,875	1,236,512	83,363
Fiscal	388,614	399,115	393,635	5,480
Business	940	940	732	208
Operation and Maintenance of Plant	1,121,225	1,009,695	1,052,732	(43,037)
Pupil Transportation	939,741	1,077,723	975,156	102,567
Extracurricular Activities	241,818	249,972	250,363	(391)
Capital Outlay	15,000	43,615	37,465	6,150
Total Expenditures	<u>14,123,613</u>	<u>14,501,767</u>	<u>14,485,656</u>	<u>16,111</u>
Excess of Revenues				
Under Expenditures	<u>(1,069,624)</u>	<u>(816,423)</u>	<u>(742,452)</u>	<u>73,971</u>
<u>Other Financing Sources (Uses):</u>				
Refund of Prior Year Expenditures	37,547	36,800	39,918	3,118
Transfers Out	(60,000)	(60,000)	(60,000)	
Total Other Financing Sources (Uses)	<u>(22,453)</u>	<u>(23,200)</u>	<u>(20,082)</u>	<u>3,118</u>
Changes in Fund Balance	(1,092,077)	(839,623)	(762,534)	77,089
Fund Balance at Beginning of Year	1,270,734	1,270,734	1,270,734	
Prior Year Encumbrances Appropriated	195,444	195,444	195,444	
Fund Balance at End of Year	<u>\$374,101</u>	<u>\$626,555</u>	<u>\$703,644</u>	<u>\$77,089</u>

See Accompanying Notes to the Basic Financial Statements

**OTSEGO LOCAL SCHOOL DISTRICT  
WOOD COUNTY**

**Statement of Fiduciary Assets and Liabilities  
Fiduciary Funds  
June 30, 2008**

	<b>Private Purpose</b>	
	Trust	Agency
	<hr/>	<hr/>
<u>Assets:</u>		
Equity in Pooled Cash and Cash Equivalents	\$65,892	\$48,018
Accrued Interest Receivable	65	
	<hr/>	<hr/>
	65,957	
 <u>Liabilities:</u>		
Due to Students		\$48,018
	<hr/>	<hr/>
 <u>Net Assets:</u>		
Held in Trust for Scholarships	37,977	
Endowment	27,980	
	<hr/>	
Total Net Assets	<hr/>	
	\$65,957	
	<hr/>	

See Accompanying Notes to the Basic Financial Statements

**OTSEGO LOCAL SCHOOL DISTRICT  
WOOD COUNTY**

**Statement of Change in Fiduciary Net Assets  
Private Purpose Trust Fund  
June 30, 2008**

	<u>Private Purpose Trust</u>
<u>Additions:</u>	
Interest	\$2,537
Gifts and Donations	978
Total Additions	<u>3,515</u>
<u>Deductions:</u>	
Non-Instructional	<u>4,452</u>
Change in Net Assets	(937)
Net Assets at Beginning of Year	<u>66,894</u>
Net Assets at End of Year	<u><u>\$65,957</u></u>

See Accompanying Notes to the Basic Financial Statements

**OTSEGO LOCAL SCHOOL DISTRICT  
WOOD COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2008**

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

Otsego 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 and federal guidelines.

The School District serves an area of approximately one hundred forty-four square miles. It is located in portions of Wood, Lucas, and Henry Counties, including the villages of Tontogany, Haskins, Grand Rapids, and Weston, and portions of surrounding townships. The School District is the 327th largest in the State of Ohio (among 612 school districts) in terms of enrollment. It is staffed by forty-nine classified employees, one hundred two certified teaching personnel, and nine administrative employees who provide services to one thousand seven hundred twenty-eight students and other community members. The School District currently operates three elementary schools, one middle school, and one comprehensive high school.

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 Otsego 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. There are no component units of the Otsego Local School District.

The School District participates in four jointly governed organizations, a related organization, and two insurance pools. These organizations are the Northwest Ohio Computer Association, Northern Buckeye Education Council, Penta Career Center, Northwestern Ohio Educational Research Council, Inc., Weston Public Library, Wood County Schools Benefit Plan Association, and the Ohio School Boards Association Workers' Compensation Group Rating Plan. These organizations are presented in Notes 19, 20, and 21 to the basic financial statements.

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

The basic financial statements of Otsego 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 governmental activities provided they do not conflict with or contradict GASB pronouncements. Following are the more significant of the School District's accounting policies.

**OTSEGO LOCAL SCHOOL DISTRICT  
WOOD COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2008  
(Continued)**

**NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – (CONTINUED)**

**A. Basis of Presentation**

The School District's basic financial statements consist of government-wide financial statements, including a statement of net assets and a statement of activities, and fund financial statements which provide a more detailed level of financial information.

**Government-Wide Financial Statements**

The statement of net assets and the statement of activities display information about the School District as a whole. These statements include the financial activities of the primary government, except for fiduciary funds. These statements usually distinguish between those activities of the School District that are governmental activities (primarily supported by taxes and intergovernmental revenues) and those that are considered business-type activities (primarily supported by fees and charges). However, the School District has no business-type activities.

The statement of net assets presents the financial condition of the governmental activities of the School District at fiscal year end. The statement of activities presents a comparison between direct expenses and program revenues for each program or function of the School District's governmental activities. Direct expenses are those that are specifically associated with a service, program, or department and, therefore, clearly identifiable to a particular function. Program revenues include charges paid by the recipient of the goods or services offered by the program and grants, contributions, and interest that are restricted to meeting the operational or capital requirements of a particular program. Revenues which are not classified as program revenues are presented as general revenues of the School District, with certain limited exceptions. The comparison of direct expenses with program revenues identifies the extent to which each governmental function is self-financing or draws from the general revenues of the School District.

**Fund Financial Statements**

During the fiscal year, the School District segregates transactions related to certain School District functions or activities in separate funds in order to aid financial management and to demonstrate legal compliance. Fund financial statements are designed to present financial information of the School District at this more detailed level. The focus of governmental fund financial statements is on major funds. Each major fund is presented in a separate column. Nonmajor funds are aggregated and presented in a single column. Fiduciary funds are reported by type.

**B. Fund Accounting**

The School District uses funds to maintain its financial records during the fiscal year. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts. The funds of the School District are reported in two categories, governmental and fiduciary.



**OTSEGO LOCAL SCHOOL DISTRICT  
WOOD COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2008  
(Continued)**

**NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – (CONTINUED)**

Governmental Funds

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

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

Bond Retirement Fund - The Bond Retirement Fund is used to account for the accumulation of resources for, and the payment of, principal, interest, and related costs on general obligation bonds.

Building Fund - The Building Fund is used to account for the construction of new school buildings.

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

Fiduciary Funds

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

**C. Measurement Focus**

Government-Wide Financial Statements

The government-wide financial statements are prepared using a flow of economic resources measurement focus. All assets and all liabilities associated with the operation of the School District are included on the statement of net assets. The statement of activities presents increases (e.g. revenues) and decreases (e.g. expenses) in total net assets.

**OTSEGO LOCAL SCHOOL DISTRICT  
WOOD COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2008  
(Continued)**

**NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – (CONTINUED)**

Fund Financial Statements

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

The private purpose trust fund is accounted for using a flow of economic resources measurement focus.

**D. Basis of Accounting**

Basis of accounting determines when transactions are recorded in the financial records and reported on the financial statements. Government-wide financial statements are prepared using the accrual basis of accounting. Governmental funds use the modified accrual basis of accounting; fiduciary funds use the accrual basis of accounting. Differences in the accrual and modified accrual basis of accounting arise in the recognition of revenue, the recording of deferred revenue, and in the presentation of expenses versus expenditures.

Revenues - Exchange and Nonexchange Transactions

Revenue resulting from exchange transactions, in which each party gives and receives essentially equal value, is recorded on the accrual basis when the exchange takes place. On 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.

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

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

**OTSEGO LOCAL SCHOOL DISTRICT  
WOOD COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2008  
(Continued)**

**NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – (CONTINUED)**

Deferred Revenues

Deferred revenues arise when assets are recognized before revenue recognition criteria have been satisfied.

Property taxes for which there was an enforceable legal claim as of June 30, 2008, but which were levied to finance fiscal year 2009 operations, are recorded as deferred revenue. Grants and entitlements received before the eligibility requirements are met are also recorded as deferred revenue.

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

Expenses/Expenditures

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

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

**E. Budgetary Process**

All funds, except agency funds, are legally required to be budgeted and appropriated. The major documents prepared are an alternative tax budget, the certificate of estimated resources, and the appropriations resolution, all of which are prepared on the budgetary basis of accounting. The alternative tax budget demonstrates a need for existing or increased tax rates. The certificate of estimated resources establishes a limit on the amount the Board of Education may appropriate. The appropriations resolution is the Board's authorization to spend resources and sets annual limits on expenditures plus encumbrances at the level of control selected by the Board. The legal level of control selected by the Board is at the fund level for all funds. Budgetary allocations at the function and object level for all funds are made by the School District Treasurer.

The certificate of estimated resources may be amended during the fiscal year if projected increases or decreases in revenue are identified by the Treasurer. The amounts reported as the original budgeted amounts on the budgetary statements reflect the amounts on the certificate of estimated resources when the original appropriations were adopted. The amounts reported as the final budgeted amounts on the budgetary statements reflect the amounts on the final amended certificate of estimated resources requested by the School District prior to fiscal year end.

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

**OTSEGO LOCAL SCHOOL DISTRICT  
WOOD COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2008  
(Continued)**

**NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – (CONTINUED)**

**F. 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. Interest in the pool is presented as “Equity in Pooled Cash and Cash Equivalents”.

During fiscal year 2008, investments consisted of repurchase agreements, a mutual fund, and STAR Ohio. Repurchase agreements are reported at cost. Investments are reported at fair value, which is based on quoted market price or current share price. STAR Ohio is an investment pool, managed by the State Treasurer's Office, which allows governments within the State to pool their funds for investment purposes. STAR Ohio is not registered with the SEC as an investment company, but does operate in a manner consistent with Rule 2a7 of the Investment Company Act of 1940. Investments in STAR Ohio are valued at STAR Ohio's share price, which is the price the investment could be sold for on June 30, 2008.

The School District allocates interest earnings according to State statutes. Interest revenue credited to the General Fund during fiscal year 2008 was \$139,173, which includes \$48,411 assigned from other School District funds.

Investments of the School District's cash management pool and investments with an original maturity of three months or less at the time they are purchased by the School District are presented on the financial statements as cash equivalents. Investments with an initial maturity of more than three months that were not purchased from the pool are reported as investments.

**G. Prepaid Items**

Payments made to vendors for services that will benefit periods beyond June 30, 2008, 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.

**H. Inventory**

Inventory is presented at cost on a first-in, first-out basis and is expended/expensed when used. Inventory consists of donated and purchased food.

**I. Restricted Assets**

Assets are reported as restricted when limitations on their use change the nature or normal understanding of the availability of the asset. Such constraints are either externally imposed by creditors, contributors, grantors, laws of other governments, or imposed by law through constitutional provisions or enabling legislation. Restricted assets represent unexpended revenues restricted for bus purchases.

**OTSEGO LOCAL SCHOOL DISTRICT  
WOOD COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2008  
(Continued)**

**NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – (CONTINUED)**

**J. Capital Assets**

All of the School District's capital assets are general capital assets generally resulting from expenditures in governmental funds. These assets are reported in the governmental activities column on the government-wide statement of net assets but are not reported on the fund financial statements. All capital assets are capitalized at cost and updated for additions and reductions during the fiscal year. Donated capital assets are recorded at their fair market value on the date donated. The School District maintains a capitalization threshold of two thousand dollars. Improvements are capitalized. 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.

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

<u>Description</u>	<u>Useful Lives</u>
Land Improvements	20 - 40 years
Buildings and Building Improvements	5 - 100 years
Furniture, Fixtures, and Equipment	5 - 30 years
Vehicles	15 years

**K. 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 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 twenty years of service, all employees age forty-five after fifteen years of service, and all employees age fifty after ten years of service.

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

On governmental fund financial statements, compensated absences are recognized as a liability and expenditure to the extent payments come due each period upon the occurrence of employee resignations and retirements. These amounts are recorded in the account "Matured Compensated Absences Payable" in the fund from which the employees who have accumulated unpaid leave are paid.

**OTSEGO LOCAL SCHOOL DISTRICT  
WOOD COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2008  
(Continued)**

**NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – (CONTINUED)**

**L. Accrued Liabilities and Long-Term Obligations**

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

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

**M. Unamortized Issuance Costs, Premiums, and Discounts**

On government-wide financial statements, issuance costs, premiums, and discounts are deferred and amortized over the term of the bonds using the bonds-outstanding method, which approximates the effective interest method. Issuance costs are recorded as deferred charges and are generally paid from debt proceeds. Bond premiums are presented as an addition to the face amount of bonds payable. Bond discounts are presented as a reduction of the face amount of bonds payable.

On the governmental fund financial statements, issuance costs and bond premiums and discounts are recognized in the period when the debt is issued.

**N. Net Assets**

Net assets represent the difference between assets and liabilities. Net assets invested in capital assets, net of related debt consists of capital assets, net of accumulated depreciation, reduced by the outstanding balance of any borrowing used for the acquisition, construction, or improvement of those assets. Net assets are reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the School District or through external restrictions imposed by creditors, grantors, or laws or regulations of other governments. Net assets restricted for other purposes include resources restricted for food service operations and federal and state grants restricted to expenditure for specified purposes.

The School District's policy is to first apply restricted resources when an expense is incurred for purposes for which both restricted and unrestricted net assets are available. As of June 30, 2008, there were no net assets restricted by enabling legislation.

**O. Fund Balance Reserves**

The School District reserves those portions of fund balance 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 which is available for appropriation in future periods. Fund balance reserves have been established for property taxes, bus purchase, and encumbrances.

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

**OTSEGO LOCAL SCHOOL DISTRICT  
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**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2008  
(Continued)**

**NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – (CONTINUED)**

**P. Capital Contributions**

Capital contributions arise from outside contributions of capital assets.

**Q. Interfund Transactions**

Transfers within governmental activities are eliminated on the government-wide financial statements.

Internal allocations of overhead expenses from one function to another or within the same function are eliminated on the statement of activities. Payments for interfund services provided and used are not eliminated.

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

**R. Estimates**

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

**NOTE 3 - CHANGE IN ACCOUNTING PRINCIPLES**

For fiscal year 2008, the School District has implemented Governmental Accounting Standards Board (GASB) Statement No. 45, "Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions", GASB Statement No. 48, "Sales and Pledges of Receivables and Future Revenues and Intra-Entity Transfers of Assets and Future Revenues", and GASB Statement No. 50, "Pension Disclosures".

GASB Statement No. 45 improves the relevance and usefulness of financial reporting by requiring systematic, accrual-basis measurement and recognition of OPEB costs over a period that approximates employees' years of service and providing information about actuarial accrued liabilities associated with OPEB and whether and to what extent progress is being made in funding the plan. An OPEB liability at transition was determined in accordance with this statement for both the State Teachers Retirement System and the School Employees Retirement System postemployment healthcare plans, in the amount of \$35,553 and \$10,222, respectively, which are the same as the previously reported liabilities.

GASB Statement No. 48 addresses how to account for the exchange of an interest in expected cash flows from collecting specific receivables or specific future revenues for immediate cash payments. The statement established criteria used to determine whether the transaction should be recorded as revenue or as a liability (a sale or a collateralized borrowing). The implementation of this statement did not result in any change to the financial statements.

**OTSEGO LOCAL SCHOOL DISTRICT  
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**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2008  
(Continued)**

**NOTE 3 - CHANGE IN ACCOUNTING PRINCIPLES – (CONTINUED)**

GASB Statement No. 50 requires employers contributing to defined benefit pension plans to include the legal or contractual maximum contribution rates in the notes to the financial statements. The implementation of this statement did not result in any change to the financial statements.

**NOTE 4 - ACCOUNTABILITY AND COMPLIANCE**

**A. Accountability**

At June 30, 2008, the Food Service, Title I, and Title II-A special revenue funds had deficit fund balances, in the amount of \$15,431, \$5,061, and \$6,360, respectively, resulting from adjustments for accrued liabilities. The General Fund provides transfers to cover deficit balances; however, this is done when cash is needed rather than when accruals occur.

**B. Compliance**

At June 30, 2008, the Food Service special revenue fund had final appropriations in excess of estimated resources plus available balances, in the amount of \$24,885. The Treasurer will review budgeted resources to ensure they are sufficient for amounts appropriated.

**NOTE 5 - BUDGETARY BASIS OF ACCOUNTING**

While the School District is reporting financial position, results of operations, and changes in fund balances 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 Statement of Revenues, Expenditures, and Changes in Fund Balance - Budget (Non-GAAP Basis) and Actual for the General Fund is presented on the budgetary basis to provide a meaningful comparison of actual results with the budget.

The major differences between the budget basis and the GAAP basis are as follows:

1. Revenues are recorded when received in cash (budget basis) as opposed to when susceptible to accrual (GAAP basis).
2. Expenditures are recorded when paid in cash (budget basis) as opposed to when the liability is incurred (GAAP basis).
3. Encumbrances are treated as expenditures (budget basis) rather than as a reservation of fund balance (GAAP basis).



**OTSEGO LOCAL SCHOOL DISTRICT  
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**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2008  
(Continued)**

**NOTE 5 - BUDGETARY BASIS OF ACCOUNTING – (CONTINUED)**

The adjustments necessary to reconcile the GAAP and budgetary basis statements for the General Fund are as follows:

Changes in Fund Balance	
GAAP Basis	(\$771,873)
<u>Increase (Decrease) Due To:</u>	
Revenue Accruals:	
Accrued FY 2007, Received in Cash FY 2008	1,702,484
Accrued FY 2008, Not Yet Received in Cash	(1,545,037)
Expenditure Accruals:	
Accrued FY 2007, Paid in Cash FY 2008	(1,407,111)
Accrued FY 2008, Not Yet Paid in Cash	1,386,031
Cash Adjustments:	
Unrecorded Activity FY 2007	109
Unrecorded Activity FY 2008	(43)
Prepaid Items	(38,432)
Encumbrances Outstanding at Fiscal Year End (Budget Basis)	(88,662)
Budget Basis	(\$762,534)

**NOTE 6 - DEPOSITS AND INVESTMENTS**

Monies held by the School District are classified by State statute into three categories.

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

Inactive deposits are public deposits the Board of Education has identified as not required for use within the current five 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.

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**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2008  
(Continued)**

**NOTE 6 - DEPOSITS AND INVESTMENTS – (CONTINUED)**

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.

Interim monies held by the School District may be deposited or invested in the following securities:

1. United States Treasury bills, bonds, notes, or any other obligation or security issued by the United States Treasury, or any other obligation guaranteed as to principal and interest by the United States;
2. Bonds, notes, debentures, or any other obligation or security issued by any federal government agency or instrumentality including, but not limited to, the Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, Government National Mortgage Association, and Student Loan Marketing Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
3. Written repurchase agreements in the securities listed above;
4. Bonds and other obligations of the State of Ohio or Ohio local governments;
5. Time certificates of deposit or savings or deposit accounts including, but not limited to, passbook accounts;
6. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2);
7. The State Treasurer's investment pool (STAR Ohio); and
8. Commercial paper and bankers' acceptances if training requirements have been met.

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.

**Deposits**

Custodial credit risk for deposits is the risk that in the event of bank failure, the School District will not be able to recover deposits or collateral securities that are in the possession of an outside party. At fiscal year end, \$1,066,354 of the School District's bank balance of \$1,266,919 was exposed to custodial credit risk because it was 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.

**OTSEGO LOCAL SCHOOL DISTRICT  
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**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2008  
(Continued)**

**NOTE 6 - DEPOSITS AND INVESTMENTS – (CONTINUED)**

The School District has no deposit policy for custodial credit risk beyond the requirements of State statute. Ohio law requires that deposits be either insured or be protected by eligible securities pledged to and deposited either with the School District or a qualified trustee by the financial institution as security for repayment, or by a collateral pool of eligible securities deposited with a qualified trustee and pledged to secure the repayment of all public monies deposited in the financial institution whose market value at all times shall be at least 105 percent of the deposits being secured.

Investments

As of June 30, 2008, the School District had the following investments:

	<u>Fair Value</u>	<u>Maturity</u>
Repurchase Agreements	\$393,463	July 1, 2008
Mutual Fund	377,370	average 53 days
STAR Ohio	609,796	average 41 days
Total Investments	<u>\$1,380,629</u>	

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. The investment policy restricts the Treasurer from investing in any securities other than those identified in the Ohio Revised Code and that all investments must mature within five years from the date of purchase unless they are matched to a specific obligation or debt of the School District.

The mutual fund carries a rating of AAA by Moodys. The securities underlying the repurchase agreement (Government National Mortgage Association Notes) carry a rating of AAA by Moodys. STAR Ohio carries a rating of AAA by Standards and Poor's. The School District has no investment policy dealing with credit risk beyond the requirements of State statute. Repurchase agreements are limited to investments listed in items 1 and 2 on page 32. Ohio law requires that mutual funds must be rated in the highest category at the time of purchase by at least one nationally recognized standard rating service and STAR Ohio maintain the highest rating provided by at least one nationally recognized standard rating service.

For an investment, custodial credit risk is the risk that, in the event of failure of the counterparty, the School District will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The repurchase agreements are exposed to custodial credit risk as they are uninsured, unregistered, and held by the counterparty's trust department or agent but not in the School District's name. The School District has no investment policy dealing with custodial credit risk beyond the requirements of the State statute.

The School District places no limit on the amount of its interim monies it may invest in a particular security. At June 30, 2008, 28.5 percent of the School District's investments were invested in repurchase agreements.

**OTSEGO LOCAL SCHOOL DISTRICT  
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**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2008  
(Continued)**

**NOTE 7 - RECEIVABLES**

Receivables at June 30, 2008, consisted of accounts (student fees and billings for user charged services), accrued interest, intergovernmental, income taxes, and property taxes. All receivables are considered collectible in full due to the ability to foreclose for the nonpayment of taxes, the stable condition of State programs, and the current year guarantee of federal funds. All receivables, except property taxes and income taxes, are expected to be collected within one year. Property taxes and income taxes, although ultimately collectible, include some portion of delinquencies that will not be collected within one year.

A summary of the principal items of intergovernmental receivables follows:

	<u>Amount</u>
Governmental Activities	
General Fund	
Wood County Educational Service Center	<u>\$455</u>

**NOTE 8 - INCOME TAXES**

The School District levies a voted tax of 1 percent for general operations on the income of residents and of estates. The tax was effective on January 1, 2003, and is for a continuing period. Employers of residents are required to withhold income tax on compensation and remit the tax to the State. Taxpayers are required to file an annual return. The State makes quarterly distributions to the School District after withholding amounts for administrative fees and estimated refunds. Income tax revenue is credited to the General Fund.

**NOTE 9 - 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 property tax revenues received in calendar year 2008 represent the collection of calendar year 2007 taxes. Real property taxes received in calendar year 2008 were levied after April 1, 2007, on the assessed values as of January 1, 2007, the lien date. Assessed values for real property taxes are established by State statute at 35 percent of appraised market value. Real property taxes are payable annually or semiannually. If paid annually, payment is due December 31; if paid semiannually, the first payment is due December 31, with the remainder payable by June 20. Under certain circumstances, State statute permits alternate payment dates to be established.

**OTSEGO LOCAL SCHOOL DISTRICT  
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**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2008  
(Continued)**

**NOTE 9 - PROPERTY TAXES – (CONTINUED)**

Public utility property tax revenues received in calendar year 2008 represent the collection of calendar year 2007 taxes. Public utility real and tangible personal property taxes received in calendar year 2008 became a lien on December 31, 2006, were levied after April 1, 2007, and are collected with real property taxes. Public utility real property is assessed at 35 percent of true value; public utility tangible personal property is currently assessed at varying percentages of true value.

Tangible personal property tax revenues received in calendar year 2008 (other than public utility property) represent the collection of calendar year 2008 taxes. Tangible personal property taxes received in calendar year 2008 were levied after April 1, 2007, on the value as of December 31, 2007. In prior years, tangible personal property was assessed at 25 percent of true value for capital assets and 23 percent for inventory. The tangible personal property tax is being phased out. The assessment percentage for all property, including inventory, for 2008 is 6.25 percent. This will be reduced to zero for 2009. 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. Tangible personal property taxes paid by April 30 are usually received by the School District prior to June 30; however, this settlement was not received by the School District within fiscal year 2008.

The School District receives property taxes from Wood, Lucas, and Henry 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, 2008, are available to finance fiscal year 2008 operations. The amount available to be advanced can vary based on the date the tax bills are sent.

Accrued property taxes receivable represents the late personal property tax settlement, real property, public utility property, and tangible personal property taxes which were measurable as of June 30, 2008, and for which there was an enforceable legal claim. Although total property tax collections for the next fiscal year are measurable, only the amount of real property taxes available as an advance at June 30 and the late personal property tax settlement were levied to finance current fiscal year operations and are reflected as revenue at fiscal year end. The portion of the receivable not levied to finance current fiscal year operations is offset by a credit to deferred revenue.

The amount available as an advance at June 30, 2008, was \$549,752 in the General Fund, \$151,369 in the Bond Retirement debt service fund, and \$21,719 in the Permanent Improvement capital projects fund. The amount available as an advance at June 30, 2007, was \$675,256 in the General Fund, \$196,168 in the Bond Retirement debt service fund, and \$26,349 in the Permanent Improvement capital projects fund.

The late tax settlement made by the counties for fiscal year 2008 was \$1,556 in the General Fund, \$207 in the Bond Retirement debt service fund, and \$60 in the Permanent Improvement capital projects fund. For fiscal year 2007, these amounts were \$3,136 in the General Fund, \$436 in the Bond Retirement debt service fund, and \$120 in the Permanent Improvement capital projects fund.

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

**OTSEGO LOCAL SCHOOL DISTRICT  
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**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2008  
(Continued)**

**NOTE 9 - PROPERTY TAXES – (CONTINUED)**

The assessed values upon which fiscal year 2008 taxes were collected are:

	2007 Second- Half Collections		2008 First- Half Collections	
	Amount	Percent	Amount	Percent
Agricultural/Residential	\$185,283,500	88.12%	\$188,691,010	88.86%
Industrial/Commercial	13,889,290	6.60	14,235,120	6.70
Public Utility	6,720,280	3.20	5,827,050	2.74
Tangible Personal	4,379,902	2.08	3,611,474	1.70
Total Assessed Value	<u>\$210,272,972</u>	<u>100.00%</u>	<u>\$212,364,654</u>	<u>100.00%</u>
Tax rate per \$1,000 of assessed valuation	\$49.10		\$48.85	

**NOTE 10 - CAPITAL ASSETS**

Capital asset activity for the fiscal year ended June 30, 2008, was as follows:

	Balance at 6/30/07	Additions	Reductions	Balance at 6/30/08
Governmental Activities				
Nondepreciable Capital Assets				
Land	\$143,659			\$143,659
Construction in Progress	18,230,005	\$90,731	(\$18,320,736)	
Total Nondepreciable Capital Assets	<u>18,373,664</u>	<u>90,731</u>	<u>(18,320,736)</u>	<u>143,659</u>
Depreciable Capital Assets				
Land Improvements	547,848			547,848
Buildings and Building Improvements	5,697,981	18,320,736	(304,855)	23,713,862
Furniture, Fixtures, and Equipment	784,958	56,635	(32,682)	808,911
Vehicles	1,206,651	150,092	(153,111)	1,203,632
Total Depreciable Capital Assets	<u>8,237,438</u>	<u>18,527,463</u>	<u>(490,648)</u>	<u>26,274,253</u>

(continued)

**OTSEGO LOCAL SCHOOL DISTRICT  
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**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2008  
(Continued)**

**NOTE 10 - CAPITAL ASSETS – (CONTINUED)**

	Balance at 6/30/07	Additions	Reductions	Balance at 6/30/08
Governmental Activities (continued)				
Less Accumulated Depreciation				
Land Improvements	(\$183,520)	(\$20,271)		(\$203,791)
Buildings and Building Improvements	(2,492,993)	(441,940)	\$302,343	(2,632,590)
Furniture, Fixtures, and Equipment	(450,431)	(51,801)	21,271	(480,961)
Vehicles	(641,935)	(65,945)	153,111	(554,769)
Total Accumulated Depreciation	<u>(3,768,879)</u>	<u>(579,957)</u>	<u>476,725</u>	<u>(3,872,111)</u>
Depreciable Capital Assets, Net	<u>4,468,559</u>	<u>17,947,506</u>	<u>(13,923)</u>	<u>22,402,142</u>
Governmental Activities Capital Assets, Net	<u>\$22,842,223</u>	<u>\$18,038,237</u>	<u>(\$18,334,659)</u>	<u>\$22,545,801</u>

The School District accepted contributions of depreciable capital assets for governmental activities with a fair value of \$7,344 during fiscal year 2008.

Depreciation expense was charged to governmental functions as follows:

Instruction:	
Regular	\$272,329
Special	29,354
Vocational	28,567
Support Services:	
Instructional Staff	21,043
Administration	23,919
Fiscal	1,081
Operation and Maintenance of Plant	63,416
Pupil Transportation	62,214
Non-Instructional Services	22,668
Extracurricular Activities	55,366
Total Depreciation Expense	<u>\$579,957</u>

**OTSEGO LOCAL SCHOOL DISTRICT  
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**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2008  
(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 2008, the School District contracted for the following insurance coverage:

Coverage provided by Indiana Insurance is as follows:

General School District Liability	
Per Occurrence	\$1,000,000
Aggregate	2,000,000
Building and Contents	24,416,673
Umbrella Liability	1,000,000
Automobile Liability	1,000,000
Uninsured Motorists	1,000,000

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

The School District participates in the Wood County Schools Benefit Plan Association (Association), a public entity shared risk pool consisting of six local school districts, two exempted village school districts, a city school district, a joint vocational school, and the Educational Service Center. The School District pays monthly premiums to the Association for employee medical and dental benefits. The Association is responsible for the management and operations of the program and the payment of all claims. Upon withdrawal from the Association, a participant is responsible for the payment of all liabilities to its employees, dependents, and designated beneficiaries accruing as a result of withdrawal.

For fiscal year 2008, the School District participated in the Ohio School Boards Association Workers' Compensation Group Rating Plan (GRP), an insurance purchasing pool. The intent of the GRP 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 GRP. The workers' compensation experience of the participants is calculated as one experience and a common premium rate is applied to all participants in the GRP. Each participant pays its workers' compensation premium to the State based on the rate for the GRP rather than its individual rate. Participation in the GRP is limited to participants that can meet the GRP's selection criteria. The firm of Gates McDonald & Co. provides administrative, cost control, and actuarial services to the GRP.

**NOTE 12 - DEFINED BENEFIT PENSION PLANS**

**A. State Teachers Retirement System**

Plan Description - The School District contributes to the State Teachers Retirement System of Ohio (STRS Ohio), a cost-sharing multiple-employer public employee retirement plan. STRS Ohio provides retirement and disability benefits to members and death and survivor benefits to beneficiaries. STRS Ohio issues a stand-alone financial report that may be obtained by writing to the State Teachers Retirement System of Ohio, 275 East Broad Street, Columbus, Ohio 43215-3771, by calling (888) 227-7877, or by visiting the STRS Ohio Web site at [www.strsoh.org](http://www.strsoh.org).



**OTSEGO LOCAL SCHOOL DISTRICT  
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**NOTES TO THE BASIC FINANCIAL STATEMENTS  
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(Continued)**

**NOTE 12 - DEFINED BENEFIT PENSION PLANS – (CONTINUED)**

New members have a choice of three retirement plans, a Defined Benefit Plan (DBP), a Defined Contribution Plan (DCP), and a Combined Plan (CP). The DBP offers an annual retirement allowance based on final average salary multiplied by a percentage that varies based on years of service or on an allowance based on a member's lifetime contributions and earned interest matched by STRS Ohio funds divided by an actuarially determined annuity factor. The DCP allows members to place all their member contributions and employer contributions equal to 10.5 percent of earned compensation into an investment account. Investment decisions are made by the member. A member is eligible to receive a retirement benefit at age fifty and termination of employment. The member may elect to receive a lifetime monthly annuity or a lump sum withdrawal. The CP offers features of both the DBP and the DCP. In the CP, member contributions are invested by the member and employer contributions are used to fund the defined benefit payment at a reduced level from the regular DBP. The DBP portion of the CP payment is payable to a member on or after age sixty; the DCP portion of the account may be taken as a lump sum payment or converted to a lifetime monthly annuity at age fifty. Benefits are established by Chapter 3307 of the Ohio Revised Code.

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

Funding Policy - For the fiscal year ended June 30, 2008, plan members were required to contribute 10 percent of their annual covered salary. The School District was required to contribute 14 percent; 13 percent was the portion used to fund pension obligations. For fiscal year 2007, the portion used to fund pension obligations was also 13 percent. Contribution rates are established by the STRS Ohio Board upon recommendations of its consulting actuary, not to exceed statutory maximum rates of 10 percent for members and 14 percent for employers. Chapter 3307 of the Ohio Revised Code provides statutory authority for member and employer contributions.

The School District's required contribution for pension obligations to STRS Ohio for the fiscal years ended June 30, 2008, 2007, and 2006, was \$811,825, \$764,894, and \$774,564 respectively; 84 percent has been contributed for fiscal year 2008 and 100 percent for fiscal years 2007 and 2006. Contributions to the DCP and CP for fiscal year 2008 were \$4,256 made by the School District and \$10,176 made by the plan members.

**B. School Employees Retirement System**

Plan Description - The School District contributes to the School Employees Retirement System (SERS), a cost-sharing multiple-employer public employee retirement plan. SERS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Authority to establish and amend benefits is provided by Chapter 3309 of the Ohio Revised Code. SERS issues a stand-alone financial report that may be obtained by writing to the School Employees Retirement System, 300 East Broad Street, Suite 100, Columbus, Ohio 43215-3746.

**OTSEGO LOCAL SCHOOL DISTRICT  
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**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2008  
(Continued)**

**NOTE 12 - DEFINED BENEFIT PENSION PLANS – (CONTINUED)**

Funding Policy - For the fiscal year ended June 30, 2008, plan members were required to contribute 10 percent of their annual covered salary and the School District was required to contribute at an actuarially determined rate. The current School District rate is 14 percent of annual covered payroll. A portion of the School District's contribution is used to fund pension obligations with the remainder being used to fund health care benefits. For fiscal year 2008, 9.16 percent of annual covered salary was the portion used to fund pension obligations. The contribution requirements of plan members and employers are established and may be amended by the SERS Retirement Board up to a statutory maximum amount of 10 percent for plan members and 14 percent for employers. Chapter 3309 of the Ohio Revised Code provides statutory authority for member and employer contributions. The School District's required contribution for pension obligations to SERS for the fiscal years ended June 30, 2008, 2007, and 2006, was \$146,724, \$135,571, and \$131,032 respectively; 47 percent has been contributed for fiscal year 2008 and 100 percent for fiscal years 2007 and 2006.

**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, 2008, two of the Board of Education members have elected Social Security. The Board's liability is 6.2 percent of wages paid.

**NOTE 13 - POSTEMPLOYMENT BENEFITS**

**A. State Teachers Retirement System**

Plan Description - The School District contributes to a cost-sharing multiple-employer defined benefit Health Care Plan administered by the State Teachers Retirement System of Ohio (STRS Ohio) for eligible retirees who participated in the Defined Benefit or Combined pension plans offered by STRS Ohio. Benefits include hospitalization, physicians' fees, prescription drugs, and reimbursement of monthly Medicare Part B premiums. The Plan is included in STRS Ohio's financial report which may be obtained by calling (888) 227-7877 or by visiting the STRS Ohio Web site at [www.strsoh.org](http://www.strsoh.org).

Funding Policy - Ohio law authorizes STRS Ohio to offer the Health Care Plan and gives the Retirement Board authority over how much, if any, of the health care costs will be absorbed by STRS Ohio. Active employee members do not contribute to the Health Care Plan. All benefit recipients pay a monthly premium. Under Ohio law, funding for postemployment health care may be deducted from employer contributions. For fiscal year 2008, STRS Ohio allocated employer contributions equal to 1 percent of covered payroll to the Health Care Stabilization Fund. The School District's contribution for health care for the fiscal years ended June 30, 2008, 2007, and 2006, was \$62,775, \$59,142, and \$59,886 respectively; 84 percent has been contributed for fiscal year 2008 and 100 percent for fiscal years 2007 and 2006.

**OTSEGO LOCAL SCHOOL DISTRICT  
WOOD COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2008  
(Continued)**

**NOTE 13 - POSTEMPLOYMENT BENEFITS – (CONTINUED)**

**B. School Employees Retirement System**

Plan Description - The School District contributes to two cost-sharing multiple-employer defined benefit OPEB plans administered by the School Employees Retirement System (SERS) for classified retirees and their beneficiaries, a Health Care Plan, and a Medicare Part B Plan. The Health Care Plan includes hospitalization and physicians fees through several types of plans including HMO's, PPO's, and traditional indemnity plans as well as a prescription drug program. The Medicare Part B Plan reimburses Medicare Part B premiums paid by eligible retirees and beneficiaries up to a statutory limit. Benefit provisions and the obligations to contribute are established by SERS based on authority granted by State statute. The financial reports of both Plans are included in the SERS Comprehensive Annual Financial Report which is available by contacting the School Employees Retirement System, 300 East Broad Street, Suite 100, Columbus, Ohio 43215-3746.

Funding Policy - State statute permits SERS to fund the health care benefits through employer contributions. Each fiscal year, after the allocation for statutorily required benefits, the Retirement Board allocates the remainder of the employer contribution of 14 percent of covered payroll to the Health Care Fund. The Health Care Fund was established and is administered in accordance with Internal Revenue Code Section 401h. For fiscal year 2008, 4.18 percent of covered payroll was allocated to health care. In addition, employers pay a surcharge for employees earning less than an actuarially determined amount. For fiscal year 2008, this amount was \$98,991.

Active employee members do not contribute to the Health Care Plan. Retirees and their beneficiaries are required to pay a health care premium that varies depending on the plan selected, the number of qualified years of service, Medicare eligibility, and retirement status.

The School District's contribution for health care for the fiscal years ended June 30, 2008, 2007, and 2006, was \$66,955, \$45,010, and \$45,727 respectively; 47 percent has been contributed for fiscal year 2008 and 100 percent for fiscal years 2007 and 2006.

The Retirement Board, acting with advice of the actuary, allocates a portion of the employer contribution to the Medicare Part B Fund. For fiscal year 2008, this actuarially required allocation was .66 percent of covered payroll. The School District's contribution for Medicare Part B for the fiscal years ended June 30, 2008, 2007, and 2006, was \$10,572, \$9,219, and \$10,429 respectively; 47 percent has been contributed for fiscal year 2008 and 100 percent for fiscal years 2007 and 2006.

**NOTE 14 - OTHER EMPLOYEE BENEFITS**

**A. Compensated Absences**

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

**OTSEGO LOCAL SCHOOL DISTRICT  
WOOD COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2008  
(Continued)**

**NOTE 14 - OTHER EMPLOYEE BENEFITS – (CONTINUED)**

Teachers, administrators, and classified employees earn sick leave at a rate of one and one-fourth days per month. Sick leave may be accumulated to an unlimited amount for certified employees and administrators and up to a maximum of two hundred eighty-five days for classified employees. Upon retirement, payment is made for one-fourth of their accrued but unused sick leave credit to a maximum of seventy days for both certified and classified employees.

**B. Health Care Benefits**

The School District offers medical and dental benefits to full-time employees through the Wood County Schools Benefit Plan Association. Vision benefits are available through Vision Service Plan. The School District also offers life insurance to all employees through either Madison National Life Insurance Company or the Northern Buckeye Educational Council (NBEC) Life Insurance Program.

**NOTE 15 - LONG-TERM OBLIGATIONS**

Changes in the School District's long-term obligations during fiscal year 2008 were as follows:

	<u>Balance at 6/30/07</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance at 6/30/08</u>	<u>Amounts Due Within One Year</u>
General Obligation Bonds					
FY 2007 School Facilities Construction and Improvement Refunding					
Serial Bonds 4 - 4.125%	\$6,785,000		\$90,000	\$6,695,000	\$75,000
Term Bonds 4%	2,135,000			2,135,000	
Capital Appreciation Bonds	45,000			45,000	
Accretion on Capital Appreciation Bonds	9,731	\$24,231		33,962	
Premium	900,872		9,044	891,828	
Discount	(32,861)		(330)	(32,531)	
Accounting Loss	(734,024)		(7,369)	(726,655)	
FY 2007 School Facilities Construction and Improvement Refunding					
Serial Bonds 4 - 4.125%	5,215,000		105,000	5,110,000	70,000
Term Bonds 4%	985,000			985,000	
Capital Appreciation Bonds	220,000			220,000	
Accretion on Capital Appreciation Bonds	15,550	41,418		56,968	
Premium	652,031		10,664	641,367	
Discount	(43,005)		(703)	(42,302)	
Accounting Loss	(497,230)		(8,132)	(489,098)	

(Continued)

**OTSEGO LOCAL SCHOOL DISTRICT  
WOOD COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2008  
(Continued)**

**NOTE 15 - LONG-TERM OBLIGATIONS – (CONTINUED)**

	Balance at 6/30/07	Additions	Reductions	Balance at 6/30/08	Amounts Due Within One Year
FY 2004 School Facilities Construction and Improvement					
Serial Bonds 5.0233%	\$2,405,000		\$315,000	\$2,090,000	\$335,000
Capital Appreciation Bonds	235,000			235,000	
Accretion on Capital Appreciation Bonds	172,436	\$80,794		253,230	
Premium	278,553		53,686	224,867	
Discount	(11,727)		(1,880)	(9,847)	
FY 1994 School Facilities Improvement 5.0983%	255,000		20,000	235,000	20,000
Total General Obligation Bonds	18,990,326	146,443	584,980	18,551,789	500,000
Compensated Absences Payable	932,350	54,443	142,983	843,810	68,044
Total Governmental Activities Long-Term Liabilities	<u>\$19,922,676</u>	<u>\$200,886</u>	<u>\$727,963</u>	<u>\$19,395,599</u>	<u>\$568,044</u>

FY 2007 School Facilities Construction and Improvement Refunding Bonds - On December 21, 2006, the School District issued bonds, in the amount of \$8,965,000, to partially refund bonds previously issued in fiscal year 2004 for buildings and other improvements. The refunding bond issue includes serial, term, and capital appreciation bonds, in the amount of \$6,785,000, \$2,135,000 and \$45,000, respectively. The bonds were issued for a twenty-six year period, with final maturity during fiscal year 2033. The bonds will be retired through the Bond Retirement debt service fund.

The serial bonds are subject to optional redemption, by and at the sole option of the School District, either in whole or in part and in integral multiples of \$5,000, on any date on or after December 1, 2017, at a redemption price of 100 percent of the principal amount redeemed plus accrued interest to the redemption date.

The capital appreciation bonds are not subject to prior redemption. The capital appreciation bonds will mature on December 1, 2014, December 1, 2015, and December 1, 2016, in the amount of \$95,000, \$620,000, and \$630,000, respectively. For fiscal year 2008, \$24,231 was accreted on the capital appreciation bonds for a total bond value of \$78,962 at fiscal year end.

At June 30, 2008, \$8,965,000 of the refunded bonds was still outstanding.

FY 2007 School Facilities Construction and Improvement Refunding Bonds - On January 30, 2007, the School District issued bonds, in the amount of \$6,420,000, to partially refund bonds previously issued in fiscal year 2004 for buildings and other improvements. The refunding bond issue includes serial, term, and capital appreciation bonds, in the amount of \$5,215,000, \$985,000 and \$220,000, respectively. The bonds were issued for a twenty-two year period, with final maturity during fiscal year 2029. The bonds will be retired through the Bond Retirement debt service fund.

**OTSEGO LOCAL SCHOOL DISTRICT  
WOOD COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2008  
(Continued)**

**NOTE 15 - LONG-TERM OBLIGATIONS – (CONTINUED)**

The serial bonds are subject to optional redemption, by and at the sole option of the School District, either in whole or in part and in integral multiples of \$5,000, on any date on or after December 1, 2028, at a redemption price of 100 percent of the principal amount redeemed plus accrued interest to the redemption date.

The capital appreciation bonds are not subject to prior redemption. The capital appreciation bonds will mature on December 1, 2017, and December 1, 2018, in the amount of \$690,000, and \$685,000, respectively. For fiscal year 2008, \$41,418 was accreted on the capital appreciation bonds for a total bond value of \$276,968 at fiscal year end.

At June 30, 2008, \$6,420,000 of the refunded bonds was still outstanding.

FY 2004 School Facilities Construction and Improvement Bonds - On June 17, 2004, the School District issued \$18,400,000 in voted general obligation bonds for constructing a new high school building. The bond issue included serial, term, and capital appreciation bonds, in the amount of \$3,865,000, \$14,300,000, and \$235,000, respectively. The bonds were issued for a twenty-eight year period, with final maturity in fiscal year 2032. During fiscal year 2007, a portion of the serial bonds, in the amount of \$1,085,000, and a portion of the term bonds, in the amount of \$14,300,000, were advance refunded. The bonds are being retired through the Bond Retirement debt service fund.

The capital appreciation bonds are not subject to redemption prior to maturity. The capital appreciation bonds will mature on December 1, 2010, and December 1, 2011, in the amount of \$405,000 and \$420,000, respectively. For fiscal year 2008, \$80,794 was accreted on the capital appreciation bonds for a total bond value of \$488,230 at fiscal year end.

FY 1994 School Facilities Improvement Bonds - On February 1, 1994, the School District issued \$425,000 in voted general obligation bonds for improvements to an existing building. The bonds were issued for a twenty-three year period, with final maturity in fiscal year 2017. The bonds are being retired through the Bond Retirement debt service fund.

Compensated absences will be paid from the General Fund and the Food Service special revenue fund.

The School District's overall debt margin was \$1,169,145 with an unvoted debt margin of \$203,041 at June 30, 2008.

**OTSEGO LOCAL SCHOOL DISTRICT  
WOOD COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2008  
(Continued)**

**NOTE 15 - LONG-TERM OBLIGATIONS – (CONTINUED)**

Principal and interest requirements to retire the general obligation bonds outstanding at June 30, 2008, were as follows:

Fiscal Year Ending June 30,	General Obligation Bonds			Interest	Total
	Serial	Term	Capital		
2009	\$500,000			\$682,453	\$1,182,453
2010	535,000			664,524	1,199,524
2011	180,000		\$125,976	930,318	1,236,294
2012	190,000		109,024	954,620	1,253,644
2013	620,000			627,193	1,247,193
2014-2018	1,565,000		164,273	4,715,724	6,444,997
2019-2023	2,215,000	\$965,000	100,727	3,084,537	6,365,264
2024-2028	3,670,000	1,015,000		1,650,151	6,335,151
2029-2033	4,655,000	1,140,000		599,347	6,394,347
	<u>\$14,130,000</u>	<u>\$3,120,000</u>	<u>\$500,000</u>	<u>\$13,908,867</u>	<u>\$31,658,867</u>

**NOTE 16 - SET ASIDES**

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 the end of the fiscal year or offset by similarly restricted resources received during the fiscal year must be held in cash at fiscal year end. These amounts must be carried forward and used for the same purposes in future years.

The following cash basis information identifies the changes in the fund balance reserves for textbooks and capital improvements during fiscal year 2008.

	Textbooks	Capital Improvements
Balance June 30, 2007	(\$590,985)	
Current Year Set Aside Requirement	230,435	\$230,435
Current Year Offsets		(184,182)
Qualifying Expenditures	(389,618)	(143,425)
Reserve Balance June 30, 2008	<u>(\$750,168)</u>	<u>(\$97,172)</u>
Amount Carried Forward to Fiscal Year 2009	<u>(\$750,168)</u>	

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

**OTSEGO LOCAL SCHOOL DISTRICT  
WOOD COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2008  
(Continued)**

**NOTE 17 - INTERFUND TRANSFERS**

During fiscal year 2008, the General Fund made transfers to other governmental funds, in the amount of \$60,000, to subsidize various programs in other funds.

**NOTE 18 - DONOR RESTRICTED ENDOWMENTS**

The School District's private purpose trust fund includes donor restricted endowments. Endowment, in the amount of \$27,980, represents the principal portion. The amount of net appreciation in donor restricted investments that is available for expenditures by the School District is \$37,977 and is included as held in trust for scholarships. State law permits the School District to appropriate, for purposes consistent with the endowment's intent, net appreciation, realized and unrealized, unless the endowment terms specify otherwise. The endowment indicates that the interest should be used to provide a scholarship each year.

**NOTE 19 - JOINTLY GOVERNED ORGANIZATIONS**

**A. Northwest Ohio Computer Association**

The School District is a participant in the Northwest Ohio Computer Association (NWOCA), which is a computer consortium. NWOCA is an association of educational entities within the boundaries of Defiance, Fulton, Henry, Lucas, Williams, and Wood Counties. 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 NWOCA Assembly consists of the superintendent from each participating educational entity and a representative from the fiscal agent. The Assembly elects the governing Council of two representatives from each of the six counties in which member educational entities are located and the representative from the member educational entity serving as fiscal agent for NWOCA. The degree of control exercised by any participating educational entity is limited to its representation on the Board. During fiscal year 2008, the School District paid \$67,243 to NWOCA for various services. Financial information can be obtained from the Northwest Ohio Computer Association, 22-900 State Route 34, Archbold, Ohio 43502.

**B. Northern Buckeye Education Council**

The Northern Buckeye Education Council (NBEC) was established in 1979 to foster cooperation among educational entities located in Defiance, Fulton, Henry, Lucas, Williams, and Wood Counties. NBEC is organized under Ohio laws as a regional council of governments pursuant to a written agreement entered into by its member educational entities and bylaws adopted by the representatives of the member educational entities. NBEC is governed by an elected Board consisting of two representatives from each of the six counties in which the member educational entities are located. The Board is elected from an Assembly consisting of a representative from each participating educational entity. Financial information can be obtained from the Northern Buckeye Education Council, 22-900 State Route 34, Archbold, Ohio 43502.



**OTSEGO LOCAL SCHOOL DISTRICT  
WOOD COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2008  
(Continued)**

**NOTE 19 - JOINTLY GOVERNED ORGANIZATIONS – (CONTINUED)**

**C. Penta Career Center**

The Penta Career Center (Career Center) is a distinct political subdivision of the State of Ohio which provides vocational education to students. The Career Center is operated under the direction of a Board consisting of eleven members from the participating School Districts' elected Boards. Board members are appointed for a term of two years to serve the sixteen participating school districts. Six members are appointed during the even number years, one each from the Lucas, Ottawa, and Wood County Educational Service Centers, one each from the Bowling Green and Maumee City School Districts, and one from the Rossford Exempted Village School District. Five members are appointed during the odd number years, one each from the Fulton, Lucas, Sandusky, and Wood County Educational Service Centers and one from the Perrysburg Exempted Village School District. The Board possesses its own budgeting and taxing authority. Financial information can be obtained from Penta Career Center, 30095 Oregon Road, Perrysburg, Ohio 43551-4594.

**D. 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 - RELATED ORGANIZATION**

The Weston Public Library is a distinct political subdivision of the State of Ohio created under Chapter 3375 of the Ohio Revised Code. The Library is governed by a Board of Trustees appointed by the Otsego Local School District Board of Education. The Board of Trustees possesses its own contracting and budgeting authority, hires, and fires personnel, and does not depend on the School District for operational subsidies. Although the School District does serve as the taxing authority and may issue tax related debt on behalf of the Library, its role is limited to a ministerial function. The determination to request approval of a tax, the rate, and the purpose are discretionary decisions made solely by the Board of Trustees. Financial information can be obtained from the Weston Public Library, PO Box 345, Weston, Ohio 43569.

**OTSEGO LOCAL SCHOOL DISTRICT  
WOOD COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2008  
(Continued)**

**NOTE 21 - INSURANCE POOLS**

**A. Wood County Schools Benefit Plan Association**

The Wood County Schools Benefit Plan Association (Association) is a public entity shared risk pool consisting of six local school districts, two exempted village school districts, a city school district, a joint vocational school, and the Educational Service Center. The Association is organized as a Voluntary Employee Benefit Association under Section 501(c) (9) of the Internal Revenue Code and provides medical, dental, and other benefits to the employees of the participating entities. Each participating entity's superintendent is appointed to an Administrative Committee which advises the Trustee, Huntington Bank, concerning aspects of the administration of the Association.

Each entity decides which plans offered by the Administrative Committee will be extended to its employees. Participation in the Association is by written application subject to acceptance by the Administrative Committee and payment of the monthly premiums. Financial information can be obtained from Medical Mutual of Ohio, P.O. Box 943, Toledo, Ohio 43656.

**B. Ohio School Boards Association Workers' Compensation Group Rating Plan**

The School District participates in a group rating plan for worker's compensation as established under Section 4123.29 of the Ohio Revised Code. The Ohio School Boards Association Workers' Compensation Group Rating Plan (GRP) was established through the Ohio School Boards Association (OSBA) as an insurance purchasing pool.

The GRP's business and affairs are conducted by a three member Board of Directors consisting of the President, the President-Elect, and the Immediate Past President of the OSBA. The Executive Director of the OSBA, or his designee, serves as coordinator of the GRP. Each year, the participants pay an enrollment fee to the GRP to cover the costs of administering the program.

**NOTE 22 - CONTINGENCIES**

**A. Grants**

The School District received financial assistance from federal and state agencies in the form of grants. The expenditure of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and is subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the General Fund or other applicable funds. However, in the opinion of management, any such disallowed claims will not have a material adverse effect on the overall financial position of the School District at June 30, 2008.

**B. Litigation**

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

**OTSEGO LOCAL SCHOOL DISTRICT  
WOOD COUNTY**

**Schedule of Federal Awards Receipts and Expenditures  
For the Year Ended June 30, 2008**

<b>FEDERAL GRANTOR</b> <i>Pass Through Grantor</i> Program Title	Federal CFDA Number	Receipts	Non-Cash Receipts	Disbursements	Non-Cash Disbursements
<b>U.S. DEPARTMENT OF AGRICULTURE</b>					
<i>Passed Through Ohio Department of Education:</i>					
Food Donation Program	10.550		\$ 65,704		\$ 65,704
National School Lunch Program	10.555	\$ 130,237		\$ 130,237	
Total U.S. Department of Agriculture		<u>130,237</u>	<u>65,704</u>	<u>130,237</u>	<u>65,704</u>
<b>U.S. DEPARTMENT OF EDUCATION</b>					
<i>Passed Through Ohio Department of Education:</i>					
Title I Grants to Local Educational Agencies	84.010	132,484		148,689	
Special Education Grants to States	84.027	390,299		390,299	
Safe and Drug Free Schools and Communities State Grant	84.186	4,936		4,936	
State Grants for Innovative Programs	84.298	3,554		3,627	
Education Technology State Grants	84.318	1,342		1,342	
Improving Teacher Quality State Grants	84.367	93,244		89,084	
Total U.S. Department of Education		<u>625,859</u>		<u>637,977</u>	
<b>Total Federal Awards Receipts and Expenditures</b>		<u>\$ 756,096</u>	<u>\$ 65,704</u>	<u>\$ 768,214</u>	<u>\$ 65,704</u>

THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THIS SCHEDULE.

**OTSEGO LOCAL SCHOOL DISTRICT  
WOOD COUNTY**

**NOTES TO THE SCHEDULE OF FEDERAL AWARDS RECEIPTS AND EXPENDITURES  
FISCAL YEAR ENDED JUNE 30, 2008**

**NOTE A - SIGNIFICANT ACCOUNTING POLICIES**

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

**NOTE B – FOOD SERVICE PROGRAMS**

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

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



# Mary Taylor, CPA

Auditor of State

## INDEPENDENT ACCOUNTANTS' REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS REQUIRED BY *GOVERNMENT AUDITING STANDARDS*

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

To the Board of Education:

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Otsego Local School District, Wood County, (the District) as of and for the year ended June 30, 2008, which collectively comprise the District's basic financial statements and have issued our report thereon dated February 17, 2009. 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 the Comptroller General of the United States' *Government Auditing Standards*.

### Internal Control Over Financial Reporting

In planning and performing our audit, we considered the District's internal control over financial reporting as a basis for designing our audit procedures for expressing our opinion on the financial statements, but not to opine on the effectiveness of the District's internal control over financial reporting. Accordingly, we have not opined on the effectiveness of the District's internal control over financial reporting.

A control deficiency exists when the design or operation of a control does not allow management or employees, in performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the District's ability to initiate, authorize, record, process, or report financial data reliably in accordance with its applicable accounting basis, such that there is more than a remote likelihood that the District's internal control will not prevent or detect a more-than-inconsequential financial statement misstatement.

A material weakness is a significant deficiency, or combination of significant deficiencies resulting in more than a remote likelihood that the District's internal control will not prevent or detect a material financial statement misstatement.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all internal control deficiencies that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider material weaknesses, as defined above.

One Government Center / Room 1420 / Toledo, OH 43604-2246  
Telephone: (419) 245-2811 (800) 443-9276 Fax: (419) 245-2484  
[www.auditor.state.oh.us](http://www.auditor.state.oh.us)

### **Compliance and Other Matters**

As part of reasonably assuring whether the District's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect 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 an opinion. The results of our tests disclosed no instances of noncompliance or other matters we must report under *Government Auditing Standards*.

We did note certain noncompliance matters that we reported to the District's management in a separate letter dated February 17, 2009.

We intend this report solely for the information and use of the audit committee, management, the Board of Education, federal awarding agencies and pass-through entities. We intend it for no one other than these specified parties.

A handwritten signature in cursive script that reads "Mary Taylor".

**Mary Taylor, CPA**  
Auditor of State

February 17, 2009



# Mary Taylor, CPA

Auditor of State

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

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

To the Board of Education:

### Compliance

We have audited the compliance of Otsego Local School District, Wood County (the District) with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133, Compliance Supplement* that apply to its major federal program for the year ended June 30, 2008. The summary of auditor's results section of the accompanying schedule of findings identifies the District's major federal program. The District's management is responsible for complying with the requirements of laws, regulations, contracts, and grants applicable to its major federal program. Our responsibility is to express an opinion on the District's compliance based on our audit.

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

In our opinion, the Otsego Local School District complied, in all material respects, with the requirements referred to above that apply to its major federal program for the year ended June 30, 2008.

### Internal Control Over Compliance

The District's management is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the District's internal control over compliance with requirements that could directly and materially affect a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the District's internal control over compliance.

A *control deficiency* in internal control over compliance exists when the design or operation of a control does not allow management or employees, when performing their assigned functions, to prevent or detect noncompliance with a federal program compliance requirement on a timely basis. A *significant deficiency* is a control deficiency, or combination of control deficiencies, that adversely affects the District's ability to administer a federal program such that there is more than a remote likelihood that the District's internal control will not prevent or detect more-than-inconsequential noncompliance with a federal program compliance requirement.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that the District's internal control will not prevent or detect material noncompliance with a federal program's compliance requirements.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

We intend this report solely for the information and use of the audit committee, management, the Board of Education, federal awarding agencies, and pass-through entities. It is not intended for anyone other than these specified parties.



**Mary Taylor, CPA**  
Auditor of State

February 17, 2009



**OTSEGO LOCAL SCHOOL DISTRICT  
WOOD COUNTY**

**SCHEDULE OF FINDINGS  
OMB CIRCULAR A -133 § .505  
JUNE 30, 2008**

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

<b>(d)(1)(i)</b>	<b>Type of Financial Statement Opinion</b>	Unqualified
<b>(d)(1)(ii)</b>	<b>Were there any material control weaknesses reported at the financial statement level (GAGAS)?</b>	No
<b>(d)(1)(ii)</b>	<b>Were there any other significant deficiencies in internal control reported at the financial statement level (GAGAS)?</b>	No
<b>(d)(1)(iii)</b>	<b>Was there any reported material noncompliance at the financial statement level (GAGAS)?</b>	No
<b>(d)(1)(iv)</b>	<b>Were there any material internal control weaknesses reported for major federal programs?</b>	No
<b>(d)(1)(iv)</b>	<b>Were there any other significant deficiencies in internal control reported for major federal programs?</b>	No
<b>(d)(1)(v)</b>	<b>Type of Major Programs' Compliance Opinion</b>	Unqualified
<b>(d)(1)(vi)</b>	<b>Are there any reportable findings under § .510?</b>	No
<b>(d)(1)(vii)</b>	<b>Major Program:</b>	Special Education Grants to States CFDA# 84.027
<b>(d)(1)(viii)</b>	<b>Dollar Threshold: Type A/B Programs</b>	Type A: > \$ 300,000 Type B: all others
<b>(d)(1)(ix)</b>	<b>Low Risk Auditee?</b>	Yes

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

None

**3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS**

None





**Mary Taylor, CPA**  
Auditor of State

**OTSEGO LOCAL SCHOOL DISTRICT**  
**WOOD COUNTY**

**CLERK'S CERTIFICATION**

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

*Susan Babbitt*

**CLERK OF THE BUREAU**

**CERTIFIED**  
**MARCH 12, 2009**