



**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, 2009, 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, 2009, 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 August 19, 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.

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 cursive script that reads "Mary Taylor".

**Mary Taylor, CPA**  
Auditor of State

August 19, 2009

Otsego Local School District  
Management's Discussion and Analysis  
For the Fiscal Year Ended June 30, 2009  
Unaudited

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The discussion and analysis of Otsego Local School District's (the School District) financial performance provides an overall review of the School District's financial activities for the fiscal year ended June 30, 2009. 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 2009 were as follows:

Net assets decreased \$229,326, or approximately 4 percent. For fiscal year 2009, revenues increased less than 1 percent while expenses decreased 2 percent. However, expenses continued to be greater than revenues.

General revenues were \$13,953,525, or 84 percent of all 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 2009. 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.

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.

Otsego Local School District  
Management's Discussion and Analysis  
For the Fiscal Year Ended June 30, 2009  
Unaudited

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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.

**The School District as a Whole**

Table 1 provides a summary of the School District's net assets for fiscal year 2009 and fiscal year 2008:

Table 1 Net Assets			
	Governmental Activities		
	2009	2008	Change
<u>Assets</u>			
Current and Other Assets	\$8,443,671	\$8,870,188	(\$426,517)
Capital Assets, Net	22,097,950	22,545,801	(447,851)
Total Assets	<u>30,541,621</u>	<u>31,415,989</u>	<u>(874,368)</u>
			(continued)



Otsego Local School District  
Management's Discussion and Analysis  
For the Fiscal Year Ended June 30, 2009  
Unaudited

Table 1  
Net Assets  
(continued)

	Governmental Activities		
	2009	2008	Change
<u>Liabilities</u>			
Current and Other Liabilities	\$5,779,526	\$6,044,903	\$265,377
Long-Term Liabilities	19,015,934	19,395,599	379,665
Total Liabilities	24,795,460	25,440,502	645,042
 <u>Net Assets</u>			
Invested in Capital Assets, Net of Related Debt	4,869,222	4,823,846	45,376
Restricted	1,336,122	1,160,603	175,519
Unrestricted (Deficit)	(459,183)	(8,962)	(450,221)
Total Net Assets	\$5,746,161	\$5,975,487	(\$229,326)

A review of the above table reveals few changes of significance from the prior fiscal year. One item of note, however, was a 20 percent decrease in the receivable for income taxes, a reflection of the current economic conditions. The only significant change identified above is the decrease in unrestricted net assets, a result of expenses in excess of revenues for the second fiscal year, a factor also affected by the downturn in the economy.

Table 2 reflects the change in net assets for fiscal year 2009 and fiscal year 2008:

Table 2  
Change in Net Assets

	Governmental Activities		
	2009	2008	Change
<u>Revenues</u>			
Program Revenues			
Charges for Services	\$1,181,212	\$1,212,027	(\$30,815)
Operating Grants, Contributions, and Interest	1,451,367	1,476,142	(24,775)
Capital Grants and Contributions	22,567	18,242	4,325
Total Program Revenues	2,655,146	2,706,411	(51,265)

(continued)

Otsego Local School District  
Management's Discussion and Analysis  
For the Fiscal Year Ended June 30, 2009  
Unaudited

Table 2  
Change in Net Assets  
(continued)

	Governmental Activities		
	2009	2008	Change
General Revenues			
Property Taxes	\$5,317,311	\$5,069,907	\$247,404
Income Taxes	2,290,529	2,490,691	(200,162)
Grants and Entitlements	6,133,413	5,995,681	137,732
Interest	40,770	153,785	(113,015)
Gifts and Donations	1,900	1,980	(80)
Miscellaneous	169,602	102,969	66,633
Total General Revenues	<u>13,953,525</u>	<u>13,815,013</u>	<u>138,512</u>
Total Revenues	<u>16,608,671</u>	<u>16,521,424</u>	<u>87,247</u>
<u>Expenses</u>			
Instruction:			
Regular	7,359,184	7,727,519	368,335
Special	2,375,799	2,291,845	(83,954)
Vocational	50,174	378,582	328,408
Support Services:			
Pupils	675,162	574,841	(100,321)
Instructional Staff	731,183	654,056	(77,127)
Board of Education	20,265	45,176	24,911
Administration	1,168,869	1,306,356	137,487
Fiscal	381,398	410,236	28,838
Business	1,128	7,183	6,055
Operation and Maintenance of Plant	1,270,012	1,082,815	(187,197)
Pupil Transportation	878,227	810,259	(67,968)
Non-Instructional Services	683,810	663,498	(20,312)
Extracurricular Activities	438,657	466,242	27,585
Interest and Fiscal Charges	804,129	797,402	(6,727)
Total Expenses	<u>16,837,997</u>	<u>17,216,010</u>	<u>378,013</u>
Decrease in Net Assets	(229,326)	(694,586)	465,260
Net Assets at Beginning of Year	5,975,487	6,670,073	(694,586)
Net Assets at End of Year	<u>\$5,746,161</u>	<u>\$5,975,487</u>	<u>(\$229,326)</u>

Otsego Local School District  
Management's Discussion and Analysis  
For the Fiscal Year Ended June 30, 2009  
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With the exception of interest revenue, other revenue sources remained comparable to the prior fiscal year with an increase of less than 1 percent in total revenues. Interest revenues continue to decline as economic conditions have deteriorated.

Overall, expenses decreased 2 percent with generally the largest percentage decrease reflected in the vocational instruction program. Vocational programs are now being funded through Penta Career Center. As is to be expected, instruction programs are the School District's largest expense, accounting for 58 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, 79 percent of all of the School District's expenses are related directly to the functions of delivering education and maintaining facilities.

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	
	2009	2008	2009	2008
Instruction:				
Regular	\$7,359,184	\$7,727,519	\$6,793,182	\$7,127,064
Special	2,375,799	2,291,845	1,274,596	1,216,833
Vocational	50,174	378,582	46,169	320,877
Support Services:				
Pupils	675,162	574,841	666,200	564,299
Instructional Staff	731,183	654,056	731,183	654,056
Board of Education	20,265	45,176	20,265	45,176
Administration	1,168,869	1,306,356	1,168,869	1,306,356
Fiscal	381,398	410,236	381,398	410,236
Business	1,128	7,183	1,128	7,183
Operation and Maintenance of Plant	1,270,012	1,082,815	1,270,012	1,082,815
Pupil Transportation	878,227	810,259	824,177	765,971
Non-Instructional Services	683,810	663,498	(86,455)	(105,811)
Extracurricular Activities	438,657	466,242	287,998	317,142
Interest and Fiscal Charges	804,129	797,402	804,129	797,402
<b>Total Expenses</b>	<b>\$16,837,997</b>	<b>\$17,216,010</b>	<b>\$14,182,851</b>	<b>\$14,509,599</b>

Otsego Local School District  
Management's Discussion and Analysis  
For the Fiscal Year Ended June 30, 2009  
Unaudited

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As demonstrated in the above table, the total cost of services and the net costs of services were fairly comparable for both fiscal years. The table also demonstrates that several of the School District's programs are substantially provided for through program revenues. For instance, 46 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 2009, all of the costs 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, there was a 23 percent decrease in fund balance. Although revenues remained very comparable to the prior fiscal year and expenditures decreased slightly, expenditures continue to exceed revenues causing the decrease in fund balance. The change in fund balance for the Bond Retirement Fund was not significant. The Building Fund expenditures exceeded revenues by \$91,590 due to payments made for the demolition of the old middle school.

### **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 2009, 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 2009, the School District had \$22,097,950 invested in capital assets (net of accumulated depreciation), a change of less than 2 percent from the prior fiscal year. For further information regarding the School District's capital assets, refer to Note 10 to the basic financial statements.

#### **Debt**

At June 30, 2009, the School District had outstanding general obligation bonds, in the amount of \$18,167,768. 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  
Management's Discussion and Analysis  
For the Fiscal Year Ended June 30, 2009  
Unaudited

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**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.

The School District's enrollment remained approximately the same as the prior fiscal year. The School District served 1,737 students (1,728 in fiscal year 2008) 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 2012. 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 and there will be cuts in non-payroll expenditures of 10 percent, there are significant challenges in being able to continue to provide an outstanding education to the youth of the School District in the near future given the current revenue flows projected. Even with the closing of Weston Elementary for the fiscal year 2010, it will be necessary to ask residents for additional financial support.

**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  
Statement of Net Assets  
June 30, 2009

	Governmental Activities
<u>Assets:</u>	
Equity in Pooled Cash and Cash Equivalents	\$1,889,167
Cash and Cash Equivalents with Fiscal Agents	470
Accounts Receivable	28,109
Accrued Interest Receivable	7,306
Intergovernmental Receivable	14,823
Income Taxes Receivable	892,232
Prepaid Items	39,199
Inventory Held for Resale	8,662
Materials and Supplies Inventory	1,697
Property Taxes Receivable	5,308,234
Unamortized Issuance Cost	253,772
Nondepreciable Capital Assets	143,659
Depreciable Capital Assets, Net	21,954,291
Total Assets	30,541,621
 <u>Liabilities:</u>	
Accounts Payable	6,635
Accrued Wages and Benefits Payable	1,034,772
Intergovernmental Payable	366,298
Matured Compensated Absences Payable	25,091
Deferred Revenue	4,293,177
Accrued Interest Payable	53,553
Long-Term Liabilities:	
Due Within One Year	606,945
Due in More Than One Year	18,408,989
Total Liabilities	24,795,460
 <u>Net Assets:</u>	
Invested in Capital Assets, Net of Related Debt	4,869,222
Restricted For:	
Debt Service	474,584
Capital Projects	746,404
Athletics and Music	28,476
Other Purposes	86,658
Unrestricted (Deficit)	(459,183)
Total Net Assets	\$5,746,161

See Accompanying Notes to Basic Financial Statements

Otsego Local School District  
Statement of Activities  
For the Fiscal Year Ended June 30, 2009

	Program Revenues			Net (Expense) Revenue and Change in Net Assets	
	Expenses	Charges for Services	Operating Grants, Contributions, and Interest		Capital Grants and Contributions
<u>Governmental Activities:</u>					
Instruction:					
Regular	\$7,359,184	\$469,008	\$96,994		(\$6,793,182)
Special	2,375,799	35,762	1,065,441		(1,274,596)
Vocational	50,174		4,005		(46,169)
Support Services:					
Pupils	675,162		8,962		(666,200)
Instructional Staff	731,183				(731,183)
Board of Education	20,265				(20,265)
Administration	1,168,869				(1,168,869)
Fiscal	381,398				(381,398)
Business	1,128				(1,128)
Operation and Maintenance of Plant	1,270,012				(1,270,012)
Pupil Transportation	878,227		31,483	\$22,567	(824,177)
Non-Instructional Services	683,810	530,657	239,608		86,455
Extracurricular Activities	438,657	145,785	4,874		(287,998)
Interest and Fiscal Charges	804,129				(804,129)
Total Governmental Activities	<u>\$16,837,997</u>	<u>\$1,181,212</u>	<u>\$1,451,367</u>	<u>\$22,567</u>	<u>(14,182,851)</u>
<u>General Revenues:</u>					
Property Taxes Levied for General Purposes					4,095,209
Property Taxes Levied for Debt Service					1,063,009
Property Taxes Levied for Permanent Improvements					159,093
Income Taxes Levied for General Purposes					2,290,529
Grants and Entitlements not Restricted to Specific Programs					6,133,413
Interest					40,770
Gifts and Donations					1,900
Miscellaneous					169,602
Total General Revenues					<u>13,953,525</u>
Change in Net Assets					(229,326)
Net Assets at Beginning of Year					<u>5,975,487</u>
Net Assets at End of Year					<u>\$5,746,161</u>

See Accompanying Notes to the Basic Financial Statements

Otsego Local School District  
Balance Sheet  
Governmental Funds  
June 30, 2009

	General	Bond Retirement	Building	Other Governmental	Total Governmental Funds
<u>Assets:</u>					
Equity in Pooled Cash and Cash Equivalents	\$560,042	\$480,918	\$311,553	\$485,966	\$1,838,479
Cash and Cash Equivalents with Fiscal Agents				470	470
Accounts Receivable	26,982			1,127	28,109
Accrued Interest Receivable	7,306				7,306
Intergovernmental Receivable	1,361	21		13,441	14,823
Income Taxes Receivable	892,232				892,232
Prepaid Items	39,199				39,199
Inventory Held for Resale				8,662	8,662
Materials and Supplies Inventory				1,697	1,697
<u>Restricted Assets:</u>					
Equity in Pooled Cash and Cash Equivalents	50,688				50,688
Property Taxes Receivable	4,103,061	1,046,600		158,573	5,308,234
<b>Total Assets</b>	<u>\$5,680,871</u>	<u>\$1,527,539</u>	<u>\$311,553</u>	<u>\$669,936</u>	<u>\$8,189,899</u>
<u>Liabilities and Fund Balances:</u>					
<u>Liabilities</u>					
Accounts Payable	\$4,961			\$1,674	\$6,635
Accrued Wages and Benefits Payable	990,662			44,110	1,034,772
Intergovernmental Payable	336,325			29,973	366,298
Matured Compensated Absences Payable	25,091				25,091
Deferred Revenue	3,567,123	\$862,237		132,008	4,561,368
<b>Total Liabilities</b>	<u>4,924,162</u>	<u>862,237</u>		<u>207,765</u>	<u>5,994,164</u>
<u>Fund Balances:</u>					
Reserved for Property Taxes	689,466	184,259		26,535	900,260
Reserve for Bus Purchase	50,688				50,688
Reserved for Encumbrances	89,236			6,319	95,555
Unreserved, Reported in:					
General Fund (Deficit)	(72,681)				(72,681)
Special Revenue Funds				24,359	24,359
Debt Service Fund		481,043			481,043
Capital Projects Funds			311,553	404,958	716,511
<b>Total Fund Balances</b>	<u>756,709</u>	<u>665,302</u>	<u>311,553</u>	<u>462,171</u>	<u>2,195,735</u>
<b>Total Liabilities and Fund Balances</b>	<u>\$5,680,871</u>	<u>\$1,527,539</u>	<u>\$311,553</u>	<u>\$669,936</u>	<u>\$8,189,899</u>

See Accompanying Notes to the Basic Financial Statements



Otsego Local School District  
 Reconciliation of Total Governmental Fund Balances  
 to Net Assets of Governmental Activities  
 June 30, 2009

Total Governmental Fund Balances		\$2,195,735
<p>Amounts reported for governmental activities on the statement of net assets are different because of the following:</p>		
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.		22,097,950
Other long-term assets are not available to pay for current period expenditures and, therefore, are deferred in the funds:		
Accounts Receivable	26,982	
Income Taxes Receivable	127,324	
Property Taxes Receivable	113,885	
		268,191
Unamortized issuance costs represent deferred charges which do not provide current financial resources and, therefore, are not reported in the funds.		253,772
Some liabilities are not due and payable in the current period and, therefore, are not reported in the funds:		
Accrued Interest Payable	(53,553)	
General Obligation Bonds Payable	(18,167,768)	
Compensated Absences Payable	(848,166)	
		(19,069,487)
Net Assets of Governmental Activities		\$5,746,161

See Accompanying Notes to the Basic Financial Statements

Otsego Local School District  
Statement of Revenues, Expenditures, and Changes in Fund Balances  
Governmental Funds  
For the Fiscal Year Ended June 30, 2009

	General	Bond Retirement	Building	Other Governmental	Total Governmental Funds
<b>Revenues:</b>					
Property Taxes	\$4,093,929	\$1,063,257		\$159,122	\$5,316,308
Income Taxes	2,301,665				2,301,665
Intergovernmental	6,535,008	150,971		916,469	7,602,448
Interest	39,864		\$1,321	13	41,198
Tuition and Fees	620,481				620,481
Extracurricular Activities	24,965			120,820	145,785
Charges for Services				408,374	408,374
Gifts and Donations	1,612			5,174	6,786
Miscellaneous	57,418	21		80,309	137,748
Total Revenues	<u>13,674,942</u>	<u>1,214,249</u>	<u>1,321</u>	<u>1,690,281</u>	<u>16,580,793</u>
<b>Expenditures:</b>					
Current:					
Instruction:					
Regular	7,001,181			19,134	7,020,315
Special	1,846,139			522,976	2,369,115
Vocational	43,860				43,860
Support Services:					
Pupils	644,397			22,814	667,211
Instructional Staff	635,793			66,570	702,363
Board of Education	20,265				20,265
Administration	1,105,388			57,010	1,162,398
Fiscal	370,527	11,904		2,736	385,167
Business	1,128				1,128
Operation and Maintenance of Plant	1,103,971		92,475	6,502	1,202,948
Pupil Transportation	839,913				839,913
Non-Instructional Services				661,288	661,288
Extracurricular Activities	259,366			124,086	383,452
Capital Outlay	1,235		436	89,727	91,398
Debt Service:					
Principal Retirement		500,000			500,000
Interest and Fiscal Charges		682,454			682,454
Total Expenditures	<u>13,873,163</u>	<u>1,194,358</u>	<u>92,911</u>	<u>1,572,843</u>	<u>16,733,275</u>
Excess of Revenues Over (Under) Expenditures	<u>(198,221)</u>	<u>19,891</u>	<u>(91,590)</u>	<u>117,438</u>	<u>(152,482)</u>
<b>Other Financing Sources (Uses):</b>					
Transfers In				35,000	35,000
Transfers Out	(35,000)				(35,000)
Total Other Financing Sources (Uses)	<u>(35,000)</u>			<u>35,000</u>	
Changes in Fund Balances	(233,221)	19,891	(91,590)	152,438	(152,482)
Fund Balances at Beginning of Year	<u>989,930</u>	<u>645,411</u>	<u>403,143</u>	<u>309,733</u>	<u>2,348,217</u>
Fund Balances at End of Year	<u>\$756,709</u>	<u>\$665,302</u>	<u>\$311,553</u>	<u>\$462,171</u>	<u>\$2,195,735</u>

See Accompanying Notes to the Basic Financial Statements

Otsego Local School District  
 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, 2009

Changes in Fund Balances - Total Governmental Funds (\$152,482)

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 - Depreciable Capital Assets	177,030	
Depreciation	<u>(590,177)</u>	(413,147)

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. (34,704)

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

Property Taxes	1,003	
Income Taxes	(11,136)	
Interest	(415)	
Tuition and Fees	6,572	
Miscellaneous	<u>1,014</u>	(2,962)

Repayment of principal is an expenditure in the governmental funds but the repayment reduces long-term liabilities on the statement of net assets. 500,000

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	1,339	
Annual Accretion on Capital Appreciation Bonds	(180,476)	
Amortization of Premium	78,880	
Amortization of Discount	(2,820)	
Amortization of Accounting Loss	<u>(11,563)</u>	(114,640)

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. (7,035)

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. (4,356)

Change in Net Assets of Governmental Activities (\$229,326)

See Accompanying Notes to the Basic Financial Statements

Otsego Local School District  
Statement of Revenues, Expenditures, and Changes in Fund Balance  
Budget (Non-GAAP Basis) and Actual  
General Fund  
For the Fiscal Year Ended June 30, 2009

	Budgeted Amounts		Actual	Variance with Final Budget Over (Under)
	Original	Final		(Under)
<u>Revenues:</u>				
Property Taxes	\$3,946,531	\$3,937,904	\$3,954,993	\$17,089
Income Taxes	2,457,219	2,457,219	2,520,265	63,046
Intergovernmental	6,364,126	6,378,959	6,535,008	156,049
Interest	127,931	127,931	40,302	(87,629)
Tuition and Fees	616,052	581,030	620,552	39,522
Extracurricular Activities	8,500	28,500	24,965	(3,535)
Gifts and Donations	1,600	1,600	1,612	12
Miscellaneous	30,707	54,575	25,874	(28,701)
Total Revenues	<u>13,552,666</u>	<u>13,567,718</u>	<u>13,723,571</u>	<u>155,853</u>
<u>Expenditures:</u>				
Current:				
Instruction:				
Regular	7,033,977	7,201,926	7,112,983	88,943
Special	1,659,477	1,707,146	1,824,818	(117,672)
Vocational	46,712	33,044	43,860	(10,816)
Adult/Continuing		1,507		1,507
Support Services:				
Pupils	588,821	614,786	630,941	(16,155)
Instructional Staff	661,555	611,934	644,243	(32,309)
Board of Education	39,264	52,420	53,915	(1,495)
Administration	1,172,804	1,184,883	1,115,860	69,023
Fiscal	322,577	348,478	388,937	(40,459)
Business	4,470	4,470	4,667	(197)
Operation and Maintenance of Plant	1,023,031	1,071,230	1,101,292	(30,062)
Pupil Transportation	1,017,186	904,406	824,331	80,075
Extracurricular Activities	273,892	273,892	249,038	24,854
Capital Outlay	33,587	10,580	1,235	9,345
Total Expenditures	<u>13,877,353</u>	<u>14,020,702</u>	<u>13,996,120</u>	<u>24,582</u>
Excess of Revenues				
Under Expenditures	<u>(324,687)</u>	<u>(452,984)</u>	<u>(272,549)</u>	<u>180,435</u>
<u>Other Financing Sources (Uses):</u>				
Refund of Prior Year Expenditures	40,000	40,000	32,632	(7,368)
Transfers Out	<u>(45,000)</u>	<u>(35,000)</u>	<u>(35,000)</u>	
Total Other Financing Sources (Uses)	<u>(5,000)</u>	<u>5,000</u>	<u>(2,368)</u>	<u>(7,368)</u>
Changes in Fund Balance	(329,687)	(447,984)	(274,917)	173,067
Fund Balance at Beginning of Year	703,644	703,644	703,644	
Prior Year Encumbrances Appropriated	<u>88,662</u>	<u>88,662</u>	<u>88,662</u>	
Fund Balance at End of Year	<u>\$462,619</u>	<u>\$344,322</u>	<u>\$517,389</u>	<u>\$173,067</u>

See Accompanying Notes to the Basic Financial Statements

Otsego Local School District  
Statement of Fiduciary Assets and Liabilities  
Fiduciary Funds  
June 30, 2009

	Private Purpose Trust	Agency
<u>Assets:</u>		
Equity in Pooled Cash and Cash Equivalents	\$66,840	\$56,345
Accrued Interest Receivable	75	
	66,915	
 <u>Liabilities:</u>		
Due to Students		\$56,345
 <u>Net Assets:</u>		
Held in Trust for Scholarships	38,935	
Endowment	27,980	
Total Net Assets	\$66,915	

See Accompanying Notes to the Basic Financial Statements

Otsego Local School District  
Statement of Change in Fiduciary Net Assets  
Private Purpose Trust Fund  
June 30, 2009

	Private Purpose Trust
<u>Additions:</u>	
Interest	\$955
Gifts and Donations	1,011
Total Additions	1,966
 <u>Deductions:</u>	
Non-Instructional Services	1,008
Change in Net Assets	958
Net Assets at Beginning of Year	65,957
Net Assets at End of Year	\$66,915

See Accompanying Notes to the Basic Financial Statements

**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 338th largest in the State of Ohio (among 611 school districts) in terms of enrollment. It is staffed by sixty-six classified employees, one hundred two certified teaching personnel, and seven administrative employees who provide services to 1,737 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 the 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.

**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.



**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.

**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 year end: property taxes available as an advance, income taxes, grants, interest, tuition, student fees, and charges for services.

**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, 2009, but which were levied to finance fiscal year 2010 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 the tax budget, the certificate of estimated resources, and the appropriations resolution, all of which are prepared on the budgetary basis of accounting. The 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 amended certificate of estimated resources in effect at the time final appropriations were passed by the Board.

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.

**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 2009, investments consisted of a mutual fund and STAROhio. Investments are reported at fair value, which is based on current share price. STAROhio is an investment pool, managed by the State Treasurer's Office, which allows governments within the State to pool their funds for investment purposes. STAROhio 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 STAROhio are valued at STAROhio's share price, which is the price the investment could be sold for on June 30, 2009.

The School District allocates interest earnings according to State statutes. Interest revenue credited to the General Fund during fiscal year 2009 was \$39,864, which includes \$15,919 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, 2009, 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.

**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.

**Note 2 - Summary of Significant Accounting Policies** (continued)

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, 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.

**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.

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.

**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.

**Note 2 - Summary of Significant Accounting Policies** (continued)

**P. 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.

**Q. 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 2009, the School District has implemented Governmental Accounting Standards Board (GASB) Statement No. 49, "Accounting and Financial Reporting for Pollution Remediation Obligations", Statement No. 51, "Accounting and Financial Reporting for Intangible Assets" and Statement No. 52, "Land and Other Real Estate Held as Investments by Endowments".

GASB Statement No. 49 establishes accounting and financial reporting requirements for pollution remediation obligations by requiring more timely and complete reporting of the obligations and by requiring all governments to account for pollution remediation obligations in the same manner. The implementation of this statement did not result in any changes to the financial statements.

GASB Statement No. 51 establishes accounting and financial reporting requirements for intangible assets to reduce inconsistencies thereby enhancing the comparability of the accounting and financial reporting of such assets among state and local governments. The implementation of this statement did not result in any changes to the financial statements.

GASB Statement No. 52 establishes consistent standards for reporting land and other real estate held as investments. It requires endowments to report land and other real estate investments at fair value, to report the changes in fair value as investment income, and to disclose the methods and significant assumptions used to determine fair value. The implementation of this statement did not result in any changes to the financial statements.

**Note 4 - Accountability and Compliance**

**A. Accountability**

At June 30, 2009, the Food Service and Title I special revenue funds had deficit fund balances, in the amount of \$32,376 and \$1,392, 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, 2009, the Public School Support, District Managed Student Activity, EMIS, and Title I special revenue funds had final appropriations in excess of estimated resources plus available balances, in the amount of \$4,213, \$5,048, \$3,122, and \$1,001, respectively. The Treasurer will monitor appropriations to ensure they are within estimated resources.

**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).

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

Changes in Fund Balance	
GAAP Basis	(\$233,221)
<u>Increase (Decrease) Due To:</u>	
Revenue Accruals:	
Accrued FY 2008, Received in Cash FY 2009	1,545,037
Accrued FY 2009, Not Yet Received in Cash	(1,463,819)
	(continued)



Otsego Local School District  
Notes to the Basic Financial Statements  
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**Note 5 - Budgetary Basis of Accounting** (continued)

Changes in Fund Balance  
(continued)

Expenditure Accruals:	
Accrued FY 2008, Paid in Cash FY 2009	(\$1,386,031)
Accrued FY 2009, Not Yet Paid in Cash	1,357,039
Cash Adjustments:	
Unrecorded Activity FY 2008	43
Prepaid Items	(624)
Encumbrances Outstanding at Fiscal Year End (Budget Basis)	(93,341)
Budget Basis	(\$274,917)

**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.

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;

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**Note 6 - Deposits and Investments** (continued)

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 (STAROhio); 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.

Investments

As of June 30, 2009, the School District had the following investments:

	Fair Value	Maturity
Mutual Fund	\$259,069	average 54 days
STAROhio	988,471	average 58 days
Total Investments	\$1,247,540	

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.

**Note 6 - Deposits and Investments** (continued)

The mutual fund carries a rating of AAA by Moodys. STAROhio carries a rating of AAA by Standard and Poor's. The School District has no investment policy dealing with credit risk beyond the requirements of State statute. 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 STAROhio maintain the highest rating provided by at least one nationally recognized standard rating service.

**Note 7 - Receivables**

Receivables at June 30, 2009, 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:

	Amount
Governmental Activities	
General Fund	
Putnam County Educational Service Center	\$1,200
Lucas County	161
Total General Fund	1,361
Bond Retirement Fund	
Lucas County	21
Other Governmental Funds	
Title II-A	13,435
Permanent Improvement	6
Total Intergovernmental Receivables	\$14,823

**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 2009 represent the collection of calendar year 2008 taxes. Real property taxes received in calendar year 2009 were levied after April 1, 2008, on the assessed values as of January 1, 2008, the lien date. Assessed values for real property taxes are established by State statute at 35 percent of appraised market value. Real property taxes are payable annually or semiannually. If paid annually, payment is due December 31; if paid semiannually, the first payment is due December 31, with the remainder payable by June 20. Under certain circumstances, State statute permits alternate payment dates to be established.

Public utility property tax revenues received in calendar year 2009 represent the collection of calendar year 2008 taxes. Public utility real and tangible personal property taxes received in calendar year 2009 became a lien on December 31, 2007, were levied after April 1, 2008, 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 2009 (other than public utility property) represent the collection of calendar year 2009 taxes levied against local and inter-exchange telephone companies. Tangible personal property tax on business inventory, manufacturing machinery and equipment, and furniture and fixtures is no longer levied and collected. The October 2008 tangible personal property tax settlement was the last property tax settlement for general personal property taxes. Tangible personal property taxes received from telephone companies in calendar year 2009 were levied after October 1, 2008, on the value as of December 31, 2008. 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 2009.

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, 2009, are available to finance fiscal year 2009 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, 2009, 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.

Otsego Local School District  
Notes to the Basic Financial Statements  
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**Note 9 - Property Taxes** (continued)

The amount available as an advance at June 30, 2009, was \$689,466 in the General Fund, \$184,259 in the Bond Retirement Debt Service Fund, and \$26,535 in the Permanent Improvement Capital Projects Fund. 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 late tax settlement made by the counties for fiscal year 2009 was \$778 in the General Fund, \$104 in the Bond Retirement Debt Service Fund, and \$30 in the Permanent Improvement Capital Projects Fund. For fiscal year 2008, these amounts were \$1,556 in the General Fund, \$207 in the Bond Retirement Debt Service Fund, and \$60 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.

The assessed values upon which fiscal year 2009 taxes were collected are:

	2008 Second- Half Collections		2009 First- Half Collections	
	Amount	Percent	Amount	Percent
Agricultural/Residential	\$188,691,010	89.90%	\$196,322,970	93.17%
Industrial/Commercial	14,235,120	6.78	14,256,940	6.77
Public Utility	5,827,050	2.78	130,820	.06
Tangible Personal	1,130,974	.54		
Total Assessed Value	<u>\$209,884,154</u>	<u>100.00%</u>	<u>\$210,710,730</u>	<u>100.00%</u>
Tax rate per \$1,000 of assessed valuation	\$48.85		\$48.65	

Otsego Local School District  
Notes to the Basic Financial Statements  
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**Note 10 - Capital Assets**

Capital asset activity for the fiscal year ended June 30, 2009, was as follows:

	Balance at 6/30/08	Additions	Reductions	Balance at 6/30/09
Governmental Activities				
Nondepreciable Capital Assets				
Land	\$143,659			\$143,659
Depreciable Capital Assets				
Land Improvements	547,848			547,848
Buildings and Building Improvements	23,713,862			23,713,862
Furniture, Fixtures, and Equipment	808,911	\$64,930	(\$7,477)	866,364
Vehicles	1,203,632	112,100	(231,411)	1,084,321
Total Depreciable Capital Assets	26,274,253	177,030	(238,888)	26,212,395
Less Accumulated Depreciation				
Land Improvements	(203,791)	(20,271)		(224,062)
Buildings and Building Improvements	(2,632,590)	(441,940)		(3,074,530)
Furniture, Fixtures, and Equipment	(480,961)	(59,298)	7,477	(532,782)
Vehicles	(554,769)	(68,668)	196,707	(426,730)
Total Accumulated Depreciation	(3,872,111)	(590,177)	204,184	(4,258,104)
Depreciable Capital Assets, Net	22,402,142	(413,147)	(34,704)	21,954,291
Governmental Activities Capital Assets, Net	\$22,545,801	(\$413,147)	(\$34,704)	\$22,097,950

Otsego Local School District  
Notes to the Basic Financial Statements  
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**Note 10 - Capital Assets** (continued)

Depreciation expense was charged to governmental functions as follows:

Instruction:	
Regular	\$271,399
Special	26,702
Vocational	28,498
Support Services:	
Instructional Staff	21,255
Administration	23,963
Fiscal	797
Operation and Maintenance of Plant	66,493
Pupil Transportation	70,009
Non-Instructional Services	25,856
Extracurricular Activities	55,205
Total Depreciation Expense	<u>\$590,177</u>

**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 2009, 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	47,230,246
Umbrella Liability	2,000,000
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.

**Note 11 - Risk Management** (continued)

The School District participates in the Wood County Schools Benefit Plan Association (the 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 2009, 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).

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.



**Note 12 - Defined Benefit Pension Plans** (continued)

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, 2009, 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. 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, 2009, 2008, and 2007 was \$752,359, \$811,825, and \$764,894 respectively; 84 percent has been contributed for fiscal year 2009 and 100 percent for fiscal years 2008 and 2007. Contributions to the DCP and CP for fiscal year 2009 are not yet available.

**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.

Funding Policy - For the fiscal year ended June 30, 2009, 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 2009, 9.09 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, 2009, 2008, and 2007 was \$140,318, \$146,724, and \$135,571 respectively; 45 percent has been contributed for fiscal year 2009 and 100 percent for fiscal years 2008 and 2007.

**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, 2009, 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 2009, 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, 2009, 2008, and 2007 was \$57,874, \$62,775, and \$59,142 respectively; 84 percent has been contributed for fiscal year 2009 and 100 percent for fiscal years 2008 and 2007.

**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 2009, 4.16 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 2009, the surcharge amount was \$30,268.

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, 2009, 2008, and 2007 was \$64,216, \$66,955, and \$45,010 respectively; 45 percent has been contributed for fiscal year 2009 and 100 percent for fiscal years 2008 and 2007.

**Note 13 - Postemployment Benefits** (continued)

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 2009, this actuarially required allocation was .75 percent of covered payroll. The School District's contribution for Medicare Part B for the fiscal years ended June 30, 2009, 2008, and 2007 was \$11,577, \$10,572, and \$9,219 respectively; 45 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.

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 ninety days for classified employees. Upon retirement, payment is made for one-fourth of 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.

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**Note 15 - Long-Term Obligations**

Changes in the School District's long-term obligations during fiscal year 2009 were as follows:

	Balance at 6/30/08	Additions	Reductions	Balance at 6/30/09	Amounts Due Within One Year
<b>General Obligation Bonds</b>					
FY 2007 School Facilities Construction and Improvement Refunding					
Serial Bonds 4 - 4.125%	\$6,695,000		\$75,000	\$6,620,000	\$75,000
Term Bonds 4%	2,135,000			2,135,000	
Capital Appreciation Bonds	45,000			45,000	
Accretion on Capital Appreciation Bonds	33,962	\$34,960		68,922	
Premium	891,828		7,536	884,292	
Discount	(32,531)		(275)	(32,256)	
Accounting Loss	(726,655)		(6,141)	(720,514)	
FY 2007 School Facilities Construction and Improvement Refunding					
Serial Bonds 4 - 4.125%	5,110,000		70,000	5,040,000	70,000
Term Bonds 4%	985,000			985,000	
Capital Appreciation Bonds	220,000			220,000	
Accretion on Capital Appreciation Bonds	56,968	48,704		105,672	
Premium	641,367		7,109	634,258	
Discount	(42,302)		(469)	(41,833)	
Accounting Loss	(489,098)		(5,422)	(483,676)	
FY 2004 School Facilities Construction and Improvement					
Serial Bonds 5.0233%	2,090,000		335,000	1,755,000	370,000
Capital Appreciation Bonds	235,000			235,000	
Accretion on Capital Appreciation Bonds	253,230	96,812		350,042	
Premium	224,867		64,235	160,632	
Discount	(9,847)		(2,076)	(7,771)	
FY 1994 School Facilities Improvement 5.0983%					
	235,000		20,000	215,000	20,000
<b>Total General Obligation Bonds</b>	<b>18,551,789</b>	<b>180,476</b>	<b>564,497</b>	<b>18,167,768</b>	<b>535,000</b>
Compensated Absences Payable	843,810	122,258	117,902	848,166	71,945
<b>Total Governmental Activities Long-Term Liabilities</b>	<b>\$19,395,599</b>	<b>\$302,734</b>	<b>\$682,399</b>	<b>\$19,015,934</b>	<b>\$606,945</b>

**Note 15 - Long-Term Obligations** (continued)

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 included 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 2009, \$34,960 was accreted on the capital appreciation bonds for a total bond value of \$113,922 at fiscal year end.

At June 30, 2009, \$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 included 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.

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 2009, \$48,704 was accreted on the capital appreciation bonds for a total bond value of \$325,672 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.

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**Note 15 - Long-Term Obligations** (continued)

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 2009, \$96,812 was accreted on the capital appreciation bonds for a total bond value of \$585,042 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 \$2,379,268 with an unvoted debt margin of \$210,711 at June 30, 2009.

Principal and interest requirements to retire the general obligation bonds outstanding at June 30, 2009, were as follows:

Fiscal Year Ending June 30,	General Obligation Bonds			Interest	Total
	Serial	Term	Capital		
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	660,000			601,344	1,261,344
2015-2019	905,000	\$50,000	265,000	5,248,547	6,468,547
2020-2024	3,065,000	935,000		2,355,095	6,355,095
2025-2029	3,855,000	1,020,000		1,456,673	6,331,673
2030-2033	3,620,000	1,115,000		388,100	5,123,100
	<u>\$13,630,000</u>	<u>\$3,120,000</u>	<u>\$500,000</u>	<u>\$13,226,414</u>	<u>\$30,476,414</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.

Otsego Local School District  
Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2009

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**Note 16 - Set Asides** (continued)

The following cash basis information identifies the changes in the fund balance reserves for textbooks and capital improvements during fiscal year 2009.

	Textbooks	Capital Improvements
Balance June 30, 2008	(\$750,168)	
Current Year Set Aside Requirement	243,148	\$243,148
Current Year Offsets		(237,505)
Qualifying Expenditures	(329,591)	(176,514)
Reserve Balance June 30, 2009	(\$836,611)	(\$170,871)
Amount Carried Forward to Fiscal Year 2010	(\$836,611)	

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.

**Note 17 - Interfund Transfers**

During fiscal year 2009, the General Fund made transfers to other governmental funds, in the amount of \$35,000, 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 \$38,935 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.

**Note 19 - Jointly Governed Organizations** (continued)

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 2009, the School District paid \$12,754 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.

**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.

**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, 2009.

**B. Litigation**

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

**OTSEGO LOCAL SCHOOL DISTRICT  
WOOD COUNTY**

**Schedule of Federal Awards Receipts and Expenditures  
For the Year Ended June 30, 2009**

<b>FEDERAL GRANTOR</b> <i>Pass Through Grantor</i> Program Title	Federal CFDA Number	Receipts	Disbursements
<b>U.S. DEPARTMENT OF AGRICULTURE</b>			
<i>Passed Through Ohio Department of Education:</i>			
National School Lunch Program:	10.555		
Cash Assistance		\$ 104,819	\$ 104,819
Non-Cash Assistance (Commodities)		<u>82,533</u>	<u>82,533</u>
Total U.S. Department of Agriculture		<u><b>187,352</b></u>	<u><b>187,352</b></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	137,633	143,505
Special Education Grants to States	84.027	319,128	318,128
Safe and Drug Free Schools and Communities State Grant	84.186	3,962	3,962
State Grants for Innovative Programs	84.298	1,140	1,140
Education Technology State Grants	84.318	1,289	1,289
Improving Teacher Quality State Grants	84.367	64,828	67,275
Total U.S. Department of Education		<u><b>527,980</b></u>	<u><b>535,299</b></u>
<b>Total Federal Awards Receipts and Expenditures</b>		<u><b>\$ 715,332</b></u>	<u><b>\$ 722,651</b></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, 2009**

**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 PROGRAM**

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, Ohio (the District), as of and for the year ended June 30, 2009, which collectively comprise the District's basic financial statements and have issued our report thereon dated August 19, 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 opinions 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.

### **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 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

August 19, 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, Ohio (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, 2009. 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, 2009.

### 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

August 19, 2009



**OTSEGO LOCAL SCHOOL DISTRICT  
WOOD COUNTY**

**SCHEDULE OF FINDINGS  
OMB CIRCULAR A -133 § .505  
JUNE 30, 2009**

**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

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# Mary Taylor, CPA

Auditor of State

## Independent Accountant's Report on Applying Agreed-Upon Procedures

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

To the Board of Education:

Ohio Rev. Code Section 117.53 states "the auditor of state shall identify whether the school district or community school has adopted an anti-harassment policy in accordance with Section 3313.666 of the Revised Code. This determination shall be recorded in the audit report. The Auditor of State shall not prescribe the content or operation of any anti-harassment policy adopted by a school district or community school."

Accordingly, we have performed the procedures enumerated below, which were agreed to by the Board, solely to assist the Board in evaluating whether Otsego Local School District, Wood County, Ohio has adopted an anti-harassment policy in accordance with Ohio Rev. Code Section 3313.666. Management is responsible for complying with this requirement. This agreed-upon procedures engagement was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants. The sufficiency of these procedures is solely the responsibility of the Board. Consequently, we make no representation regarding the sufficiency of the procedures described below either for the purpose for which this report has been requested or for any other purpose.

1. We noted the Board adopted an anti-harassment policy at its meeting on October 29, 2007.
2. We read the policy, noting it included the following requirements from Ohio Rev. Code Section 3313.666(B):
  - (1) A procedure for reporting prohibited incidents;
  - (2) A statement prohibiting harassment, intimidation, or bullying of any student on school property or at school-sponsored events;
  - (3) A definition of harassment, intimidation, or bullying that shall include the definition in division (A) of Ohio Rev. Code Section 3313.666;
  - (4) A requirement that school personnel report prohibited incidents of which they are aware to the school principal or other administrator designated by the principal;

- (5) A requirement that the district administration semiannually provide the president of the district board a written summary of all reported incidents and post the summary on its web site, if the district has a web site, to the extent permitted by section 3319.321 of the Revised Code and the "Family Educational Rights and Privacy Act of 1974," 88 Stat. 571, 20 U.S.C. 1232q, as amended.
  - (6) A procedure for documenting any prohibited incident that is reported.
3. We read the policy, noting it did not include the following requirements from Ohio Rev. Code Section 3313.666(B):
- (1) A requirement that parents or guardians of any student involved in a prohibited incident be notified and, to the extent permitted by Section 3319.321 of the Revised Code and the "Family Educational Rights and Privacy Act of 1974," 88 Stat. 571, 20 U.S.C. 1232q, as amended, have access to any written reports pertaining to the prohibited incident;
  - (2) A procedure for responding to and investigating any reported incident;
  - (3) A strategy for protecting a victim from additional harassment, intimidation, or bullying, and from retaliation following a report;
  - (4) A disciplinary procedure for any student guilty of harassment, intimidation, or bullying, which shall not infringe on any student's rights under the first amendment to the Constitution of the United States;

We were not engaged to and did not conduct an examination, the objective of which would be the expression of an opinion on compliance with the anti-harassment policy. Accordingly, we do not express such an opinion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

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



**Mary Taylor, CPA**  
Auditor of State

August 19, 2009



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**  
**SEPTEMBER 3, 2009**