



**OTTOVILLE LOCAL SCHOOL DISTRICT  
PUTNAM COUNTY**

**REGULAR AUDIT**

**FOR THE YEAR ENDED JUNE 30, 2005**



**Mary Taylor, CPA**  
Auditor of State



**OTTOVILLE LOCAL SCHOOL DISTRICT  
PUTNAM COUNTY**

TABLE OF CONTENTS

| TITLE   | PAGE |
|---|------|
| Independent Accountants' Report.....  | 1    |
| Management's Discussion and Analysis.....   | 3    |
| Basic Financial Statements:   |      |
| Government-Wide Financial Statements:   |      |
| Statement of Net Assets – Modified Cash Basis .....   | 11   |
| Statement of Activities – Modified Cash Basis .....   | 12   |
| Fund Financial Statements:  |      |
| Statement of Assets and Fund Balances – Modified Cash Basis<br>Governmental Funds.....  | 13   |
| Statement of Cash Receipts, Disbursements and Changes in<br>Fund Balances – Modified Cash Basis - Governmental Funds .....  | 14   |
| Statement of Receipts, Disbursements, and Changes in<br>Fund Balance – Budget and Actual - Budget Basis – General Fund.....   | 15   |
| Statement of Fiduciary Net Assets – Modified Cash Basis – Fiduciary Funds.....  | 16   |
| Notes to the Basic Financial Statements .....   | 17   |
| Independent Accountants' Report on Internal Control Over<br>Financial Reporting and on Compliance and Other Matters<br>Required by <i>Government Auditing Standards</i> ..... | 39   |
| Schedule of Findings.....   | 41   |
| Schedule of Prior Audit Findings.....   | 42   |

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# Mary Taylor, CPA

Auditor of State

## INDEPENDENT ACCOUNTANTS' REPORT

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

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 Ottoville Local School District, Putnam County, Ohio (the District), as of and for the year ended June 30, 2005, 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.

Ohio Administrative Code § 117-2-03 (B) requires the District to prepare its annual financial report in accordance with accounting principles generally accepted in the United States of America. However, as discussed in Note 2, the accompanying financial statements and notes follow the modified cash accounting basis. This is a comprehensive accounting basis other than generally accepted accounting principles. The accompanying financial statements and notes omit assets, liabilities, fund equities, and disclosures that, while material, we cannot determine at this time.

For the year ended June 30, 2005, the District revised its financial presentation comparable to the requirements of Governmental Accounting Standard No. 34, *Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments*.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective modified cash financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Ottoville Local School District, Putnam County, Ohio, as of June 30, 2005, and the respective changes in modified cash financial position and the budgetary comparison for the General Fund, thereof for the year then ended in conformity with the basis of accounting Note 2 describes.

In accordance with *Government Auditing Standards*, we have also issued our report dated April 3, 2007, 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 the Governmental Accounting Standards Board 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.



**Mary Taylor, CPA**  
Auditor of State

April 3, 2007

**OTTOVILLE LOCAL SCHOOL DISTRICT  
PUTNAM COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2005  
UNAUDITED**

This discussion and analysis of the Ottoville Local School District's (the "District") financial performance provides an overall review of the District's financial activities for the year ended June 30, 2005. The intent of this discussion and analysis is to look at the District's financial performance as a whole; readers should also review the basic financial statements and notes to the basic financial statements to enhance their understanding of the District's financial performance.

**Highlights**

Key highlights for 2005 are as follows:

- Net assets of governmental activities decreased \$191,839, or 8.5 percent, a significant change from the prior year. The funds most affected by the decrease in cash and cash equivalents were the General Fund and the Permanent Improvement Fund. The decrease in net assets in the General Fund were due to increases in payroll and health care costs, while the decrease in net assets in the Permanent Improvement Fund were due to completed construction of the bus garage and the beginning of construction for an outdoor athletic facility.
- The District's general receipts are primarily property taxes and unrestricted state entitlements. These receipts represent respectively, \$4,295,849 or 69.94 percent of the total cash received for governmental activities during the year. Dependence on these two revenue sources is significant. An additional \$1,090,822 or 17.76 percent in receipts was due to the advanced refunding of the General Obligation Bonds originally issued in 1995.
- During 2005, the District began construction on an outdoor athletic facility. The project consists of two phases; the first phase is the construction of an eight lane all weather track encompassing a soccer field, a main bleacher section capable of holding 800 guests, and a fieldhouse consisting of a concession stand, restrooms, locker rooms, coaches offices and storage. A press box sits atop the bleachers/fieldhouse. The cost of phase I will be in excess of \$1,000,000 with funds coming from the District's Permanent Improvement Fund and from donations from the District's athletic booster group. Phase II will be the construction of baseball and softball fields. Construction of Phase II has yet to begin. Preliminary costs associated with Phase II are approximately \$250,000, with funds coming from the Permanent Improvement Fund and the District's athletic booster group.
- In November of 2004, the District passed a five year, 1.7 mill Permanent Improvement Levy as a replacement with a decrease with collections beginning in calendar year 2006. This levy replaced a 3.5 mill levy.

**Using the Basic Financial Statements**

This annual report is presented in a format consistent with the presentation requirements of Governmental Accounting Standards Board Statement No. 34, as applicable to the District's modified cash basis of accounting.

**Report Components**

The statement of net assets and the statement of activities provide information about the cash activities of the District as a whole.

**OTTOVILLE LOCAL SCHOOL DISTRICT  
PUTNAM COUNTY**

MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2005  
UNAUDITED  
(Continued)

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 District's most significant funds, with all other non-major funds presented in total in a single column. The District's most significant funds are the General Fund, Bond Retirement Fund, Permanent Improvement Fund, and Ohio School Facilities Construction (OSFC) Fund, with all other non-major funds presented as Other Governmental Funds.

The notes to the financial statements are an integral part of the government-wide and fund financial statements and provide expanded explanation and detail regarding the information reported in the statements.

**Basis of Accounting**

The basis of accounting is a set of guidelines that determine when financial events are recorded. The District has elected to present its financial statements on a modified cash basis of accounting. Under the District's modified cash basis of accounting, receipts and disbursements are recorded when cash is received or paid. This basis of accounting is a basis of accounting other than generally accepted accounting principles.

As a result of using the modified cash basis of accounting, certain assets and their related revenues (such as accounts receivable) and certain liabilities and their related expenses (such as accounts payable) are not recorded in the financial statements. Therefore, when reviewing the financial information and discussion within this report, the reader must keep in mind the limitations resulting from the use of the modified cash basis of accounting.

**Reporting the District as a Whole**

The statement of net assets and the statement of activities reflect how the District did financially during 2005, within the limitations of the modified cash basis of accounting. The statement of net assets presents the cash balances and investments of the governmental activities of the District at year end. The statement of activities compares cash disbursements with program receipts for each program of the District's governmental activities. Program receipts include charges paid by the recipient of the program's goods or services and grants and contributions restricted to meeting the operational or capital requirements of a particular program. General receipts are all receipts not classified as program receipts. The comparison of cash disbursements with program receipts identifies how each governmental function draws from the District's general receipts.

These statements report the District's cash position and the changes in cash position. Keeping in mind the limitations of the modified cash basis of accounting, you can think of these changes as one way to measure the District's financial health. Over time, increases or decreases in the District's cash position is one indicator of whether the District's financial health is improving or deteriorating. When evaluating the District's financial condition, you should also consider other nonfinancial factors as well such as the District's property tax base, the condition of the District's capital assets and infrastructure, the extent of the District's debt obligations, the reliance on non-local financial resources for operations and the need for continued growth in the major local revenue sources such as property and income taxes.

In the statement of net assets and the statement of activities, the Governmental Activities include the District's programs and services including instruction, support services, non-instructional services, extracurricular activities, and capital outlay disbursements.



**OTTOVILLE LOCAL SCHOOL DISTRICT  
PUTNAM COUNTY**

MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2005  
UNAUDITED  
(Continued)

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

Fund financial statements provide detailed information about the District's major funds – not the District as a whole. The District establishes separate funds to better manage its many activities and to help demonstrate that money that is restricted as to how it may be used is being spent for the intended purpose.

The funds of the District are split into two categories: governmental and fiduciary. While the District uses many funds to account for its financial transactions, the fund financial statements focus on the District's most significant funds. The District's major governmental funds are the General Fund, Bond Retirement Fund, Permanent Improvement Fund, and the OSFC Building Fund.

**Governmental Funds** - Most of the District's activities are reported in governmental funds. The governmental fund financial statements provide a detailed view of the District's governmental operations and the basic services it provides. Governmental fund information helps determine whether there are more or less financial resources that can be spent to finance the District's programs. The District's significant governmental funds are presented on the financial statements in separate columns. The information for non-major funds (funds whose activity or balances are not large enough to warrant separate reporting) is combined and presented in total in a single column. The District's major governmental funds are the General Fund, Bond Retirement Fund, Permanent Improvement Fund, and the OSFC Building Fund. The programs reported in governmental funds are closely related to those reported in the governmental activities section of the entity-wide statements.

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

**OTTOVILLE LOCAL SCHOOL DISTRICT  
PUTNAM COUNTY**

MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2005  
UNAUDITED  
(Continued)

**The School District as a Whole**

The following table provides a summary of the District's net assets for 2005 compared to 2004 on a modified cash basis:

**Net Assets**

|                           | Governmental Activities |             |
|---------------------------|-------------------------|-------------|
|                           | 2005                    | 2004        |
| <b>Assets:</b>            |                         |             |
| Cash and Cash Equivalents | \$2,065,415             | \$2,257,254 |
| <b>Net Assets:</b>        |                         |             |
| Restricted for:           |                         |             |
| Capital Projects          | 731,659                 | 848,056     |
| Debt Service              | 257,117                 | 249,647     |
| Bus Purchases             | 21,397                  |             |
| Other Purposes            | 163,532                 | 155,823     |
| Unrestricted              | 891,710                 | 1,003,728   |
| Total Net Assets          | \$2,065,415             | \$2,257,254 |

As mentioned previously, net assets of governmental activities decreased \$191,839 or 8.50 percent during 2005. The primary reasons contributing to the decreases in cash balances are as follows:

- Capital Outlay expenditures related to the construction of the bus garage and the beginning of construction of the outdoor athletic facilities.
- Increase in health benefit costs in excess of 15%. Also contributing to the decrease was the net cost to the District for open enrollment students increasing by \$45,656 in Fiscal Year 2005.

The following table reflects the changes in net assets on a modified cash basis in fiscal year 2005. Since the District did not prepare financial statements in this format for 2004, a comparative analysis of government-wide data has not been presented. In future years, when prior year information is available, a comparative analysis will be presented.

**OTTOVILLE LOCAL SCHOOL DISTRICT  
PUTNAM COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2005  
UNAUDITED  
(Continued)**

| Changes in Net Assets  | Governmental<br>Activities<br>2005 |
|--|------------------------------------|
| Receipts:  |                                    |
| Program Receipts:  |                                    |
| Charges for Services and Sales                                 | \$444,644                          |
| Operating Grants and Contributions                             | 142,526                            |
| Capital Grants and Contributions                               | 5,764                              |
| Total Program Receipts   | <u>592,934</u>                     |
| General Receipts:  |                                    |
| Property Taxes Levied for General Purposes                     | 1,045,619                          |
| Property Taxes Levied for Classroom Maintenance                | 20,283                             |
| Property Taxes Levied for Debt Service                         | 324,840                            |
| Property Taxes Levied for Capital Outlay                       | 103,705                            |
| Payments in Lieu of Taxes                                      | 70,054                             |
| Grants and Entitlements Not Restricted<br>to Specific Programs | 2,801,402                          |
| General Obligation Bonds Issued                                | 990,000                            |
| Premium on Bond Issue  | 100,822                            |
| Interest   | 49,153                             |
| Contributions and Donations                                    | 30,000                             |
| Sale of Asset  | 140                                |
| Miscellaneous  | 13,518                             |
| Total General Receipts   | <u>5,549,536</u>                   |
| Total Receipts   | <u>6,142,470</u>                   |
| Disbursements:   |                                    |
| Instruction:   |                                    |
| Regular  | 2,421,681                          |
| Special  | 235,365                            |
| Support Services:  |                                    |
| Pupil  | 104,251                            |
| Instructional Staff  | 203,379                            |
| Board of Education   | 23,666                             |
| Administration   | 370,550                            |
| Fiscal   | 194,204                            |
| Business   | 249                                |
| Operation and Maintenance of Plant                             | 348,501                            |
| Pupil Transportation   | 168,683                            |
| Central  | 6,797                              |
| Food Services  | 185,787                            |
| Extracurricular Activities                                     | 248,825                            |
| Capital Outlay   | 380,438                            |
| Debt Service:  |                                    |
| Principal Retirement   | 150,000                            |
| Interest and Fiscal Charges                                    | 204,573                            |
| Issuance Costs   | 53,142                             |
| Payment to Bond Escrow Agent                                   | 1,034,218                          |
| Total Disbursements  | <u>6,334,309</u>                   |
| Decrease in Net Assets   | (191,839)                          |
| Net Assets, July 1, 2004                                       | <u>2,257,254</u>                   |
| Net Assets, June 30, 2005                                      | <u><u>\$2,065,415</u></u>          |

**OTTOVILLE LOCAL SCHOOL DISTRICT  
PUTNAM COUNTY**

MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2005  
UNAUDITED  
(Continued)

Program receipts represent only 9.65 percent of the District's total receipts and are primarily comprised of restricted intergovernmental receipts, charges for tuition and fees and extracurricular activities, and food service sales.

General receipts represent 90.35 percent of the District's total receipts, and of this amount, over 50 percent is made up of unrestricted grants and entitlements, nearly 27 percent are local taxes, and nearly 20 percent is due to the advanced refunding of general obligation bonds. Other receipts are insignificant and somewhat unpredictable revenue sources.

The major program disbursements for governmental activities are for instruction, which accounts for 41.95 percent of all governmental disbursement. Other programs which support the instruction process, including pupils, instructional staff, and pupil transportation account for 7.52 percent of governmental disbursements. Administrative and fiscal services accounted for nearly 9.29 percent. Maintenance of the District facilities is 5.5 percent, with capital outlay of 6.01 percent. Due primarily to the advanced refunding of general obligation bonds debt service accounted for 22.76 percent of all governmental disbursements.

**Governmental Activities**

The Statement of Activities shows the major services provided by the District. The second column identifies the costs of providing these services. The major program disbursements for governmental activities are for instruction and debt service, which account for 41.95 and 22.76 percent of all governmental disbursements respectively. The next three columns of the Statement entitled Program Cash Receipts identify amounts paid by people who are directly charged for the service and grants received by the District that must be used to provide a specific service. The net Receipt (Disbursement) column compares the program receipts to the cost of the service. This "net cost" amount represents the cost of the service which ends up being paid from money provided by state unrestricted entitlements and local taxpayers. These net costs are paid from the general receipts which are presented at the bottom of the Statement. A comparison between the total cost of services and the net cost is presented in the following table. Comparisons to 2004 have not been presented since they are not available. A comparative analysis will be provided in future years when prior information is available.

**OTTOVILLE LOCAL SCHOOL DISTRICT  
PUTNAM COUNTY**

MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2005  
UNAUDITED  
(Continued)

**Governmental Activities**

|                                    | Total Cost<br>Of Services<br>2005 | Net Cost<br>of Services<br>2005 |
|------------------------------------|-----------------------------------|---------------------------------|
|                                    | <u>2005</u>                       | <u>2005</u>                     |
| Current:                           |                                   |                                 |
| Instruction:                       |                                   |                                 |
| Regular                            | \$2,421,681                       | \$2,203,860                     |
| Special                            | 235,365                           | 235,365                         |
| Vocational                         |                                   | (975)                           |
| Support Services:                  |                                   |                                 |
| Pupil                              | 104,251                           | 104,251                         |
| Instructional Staff                | 203,379                           | 184,257                         |
| Board of Education                 | 23,666                            | 23,666                          |
| Administration                     | 370,550                           | 367,297                         |
| Fiscal                             | 194,204                           | 194,204                         |
| Business                           | 249                               | 249                             |
| Operation and Maintenance of Plant | 348,501                           | 348,501                         |
| Pupil Transportation               | 168,683                           | 162,919                         |
| Central                            | 6,797                             | 1,797                           |
| Operation of Food Services         | 185,787                           | (7,433)                         |
| Extracurricular Activities         | 248,825                           | 101,046                         |
| Capital Outlay                     | 380,438                           | 380,438                         |
| Debt Service                       |                                   |                                 |
| Principal Retirement               | 150,000                           | 150,000                         |
| Interest and Fiscal Charges        | 204,573                           | 204,573                         |
| Issuance Costs                     | 53,142                            | 53,142                          |
| Payment to Bond Escrow Agent       | 1,034,218                         | 1,034,218                       |
| Total Expenses                     | <u>\$6,334,309</u>                | <u>\$5,741,375</u>              |

The dependence upon property tax receipts and unrestricted state entitlements is apparent as 90.64 percent of governmental activities are supported through these general receipts.

The Government's Funds

The District's governmental funds are accounted for using the modified cash basis of accounting. Total governmental funds had receipts and other financing sources of \$6,215,580 and disbursements and other financing uses of \$6,407,419. The greatest change within governmental funds occurred within the Permanent Improvement Fund and the General Fund with decreases in the amounts of \$117,247 and \$90,621 respectively. The Permanent Improvement Fund decreased by \$117,247 as the result of completion of construction on the bus garage, and the beginning of construction on the out-door athletic facilities; while the fund balance of the General Fund decreased by \$90,621 as the result of increased costs for salaries and benefits

**OTTOVILLE LOCAL SCHOOL DISTRICT  
PUTNAM COUNTY**

MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2005  
UNAUDITED  
(Continued)

**General Fund Budgeting Highlights**

The 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 2005, the District amended its General Fund budget as needed to reflect changing circumstances. Final budgeted receipts, in the amount of \$4,011,036, were higher than original budgeted receipts of \$3,997,573. The difference between final budgeted receipts and actual receipts and other financing sources totaling \$4,038,327, was an insignificant increase in the amount of \$27,291.

Final disbursements and other financing uses were budgeted at \$4,351,203 while actual disbursements and other financing uses were \$4,186,073. The actual disbursements and other financing uses were \$165,130 less than the final budgeted appropriations.

**Capital Assets and Debt Administration**

**Capital Assets**

The District's capital assets are not reflected in the modified cash basis of accounting statements, however the District does track capital assets through the State provided software program.

**Debt Administration**

At June 30, 2005, the District's outstanding debt included \$1,040,000 in general obligation bonds issued for constructing an addition to the old K-12 school building subsequently vacated in September of 2003; and \$2,845,000 in general obligation bonds for constructing and furnishing a PreK-12 school building, with occupancy beginning in September 2003. For further information regarding the District's debt, refer to Note 12 to the basic financial statements.

**Current Issues**

The challenge for all school districts is to provide quality educational services to the public while staying within the restrictions imposed by limited funding, and in some cases shrinking funding. The District relies heavily on unrestricted state entitlements and local taxes. On May 20, 2005, the District submitted its 2005 five-year forecast predicting a deficit cash balance beginning with 2008; therefore, the Board of Education and the administration are continuing to review staffing levels and enrollment figures to determine where staffing cuts are feasible, what changes to make to health care benefits, and to continue to explore options which may provide additional revenues.

**Contacting the Government's Financial Management**

This financial report is designed to provide our citizens, taxpayers, investors, and creditors with a general overview of the District's finances and to reflect the 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 Michael Ruen, Treasurer, Ottoville Local School District, P.O. Box 248, 650 West Third Street, Ottoville, Ohio 45876-0248

**OTTOVILLE LOCAL SCHOOL DISTRICT  
PUTNAM COUNTY**

**Statement of Net Assets - Modified Cash Basis  
For the Fiscal Year Ended June 30, 2005**

|  | <u>Governmental<br/>Activities</u> |
|--|------------------------------------|
| <b>Assets</b>                              |                                    |
| Equity In Pooled Cash and Cash Equivalents | <u><u>\$2,065,415</u></u>          |
| <br>                                       |                                    |
| <b>Net Assets</b>                          |                                    |
| Restricted for:                            |                                    |
| Capital Projects                           | 731,659                            |
| Debt Service                               | 257,117                            |
| Bus Purchases                              | 21,397                             |
| Other Purposes                             | 163,532                            |
| Unrestricted                               | <u>891,710</u>                     |
| <br>                                       |                                    |
| <i>Total Net Assets</i>                    | <u><u>\$2,065,415</u></u>          |

See accompanying notes to the basic financial statements





**OTTOVILLE LOCAL SCHOOL DISTRICT  
PUTNAM COUNTY**

**Statement of Assets and Fund Balances - Modified Cash Basis  
Governmental Funds  
For the Fiscal Year Ended June 30, 2005**

|  | <u>General</u>   | <u>Bond<br/>Retirement</u> | <u>Permanent<br/>Improvement</u> | <u>OSFC</u>      | <u>Other<br/>Governmental<br/>Funds</u> | <u>Total<br/>Governmental<br/>Funds</u> |
|--|------------------|----------------------------|----------------------------------|------------------|---|---|
| <b>Assets</b>                              |                  |                            |                                  |                  |   |   |
| Cash and cash equivalents                  | \$891,710        | \$257,117                  | \$246,226                        | \$485,433        | \$163,532                               | \$2,044,018                             |
| Restricted Assets:                         |                  |                            |                                  |                  |   |   |
| Equity in pooled cash and cash equivalents | 21,397           |                            |                                  |                  |   | 21,397                                  |
| Total Assets                               | <u>\$913,107</u> | <u>\$257,117</u>           | <u>\$246,226</u>                 | <u>\$485,433</u> | <u>\$163,532</u>                        | <u>\$2,065,415</u>                      |
| <b>Fund Balances</b>                       |                  |                            |                                  |                  |   |   |
| Reserved for Encumbrances                  | 57,125           |                            | 335,694                          | 60,620           | 56,511                                  | 509,950                                 |
| Reserved for School Bus Purchase           | 21,397           |                            |                                  |                  |   | 21,397                                  |
| Unreserved:                                |                  |                            |                                  |                  |   |   |
| Undesignated, Reported in:                 |                  |                            |                                  |                  |   |   |
| General Fund                               | 834,585          |                            |                                  |                  |   | 834,585                                 |
| Special Revenue Funds                      |                  |                            |                                  |                  | 107,021                                 | 107,021                                 |
| Debt Service Fund                          |                  | 257,117                    |                                  |                  |   | 257,117                                 |
| Capital Projects Funds                     |                  |                            | (89,468)                         | 424,813          |   | 335,345                                 |
| Total Fund Balances                        | <u>\$913,107</u> | <u>\$257,117</u>           | <u>\$246,226</u>                 | <u>\$485,433</u> | <u>\$163,532</u>                        | <u>\$2,065,415</u>                      |

See accompanying notes to the basic financial statements

**OTTOVILLE LOCAL SCHOOL DISTRICT  
PUTNAM COUNTY**

**Statement of Cash Receipts, Disbursements and Changes in  
Fund Balances - Modified Cash Basis - Governmental Funds  
For the Fiscal Year Ended June 30, 2005**

|  | General          | Bond<br>Retirement | Permanent<br>Improvement | OSFC             | Other<br>Governmental<br>Funds | Total<br>Governmental<br>Funds |
|--|------------------|--------------------|--------------------------|------------------|--------------------------------|--------------------------------|
| <b>Receipts</b>                                      |                  |                    |                          |                  |                                |                                |
| Property Taxes                                       | \$1,045,619      | \$324,840          | \$103,705                |                  | \$20,283                       | \$1,494,447                    |
| Intergovernmental                                    | 2,749,992        | 42,098             | 13,447                   |                  | 144,155                        | 2,949,692                      |
| Interest   | 28,777           |                    | 9,158                    | \$10,382         | 836                            | 49,153                         |
| Tuition and Fees                                     | 132,402          |                    |                          |                  |                                | 132,402                        |
| Payments in Lieu of Taxes                            | 70,054           |                    |                          |                  |                                | 70,054                         |
| Extracurricular Activities                           |                  |                    |                          |                  | 147,779                        | 147,779                        |
| Charges for Services                                 |                  |                    |                          |                  | 164,463                        | 164,463                        |
| Contributions and Donations                          |                  |                    | 30,000                   |                  |                                | 30,000                         |
| Miscellaneous  | 11,343           |                    | 9                        |                  | 2,166                          | 13,518                         |
| <i>Total Receipts</i>                                | <u>4,038,187</u> | <u>366,938</u>     | <u>156,319</u>           | <u>10,382</u>    | <u>479,682</u>                 | <u>5,051,508</u>               |
| <b>Disbursements</b>                                 |                  |                    |                          |                  |                                |                                |
| Current:   |                  |                    |                          |                  |                                |                                |
| Instruction:   |                  |                    |                          |                  |                                |                                |
| Regular  | 2,343,419        |                    |                          |                  | 78,262                         | 2,421,681                      |
| Special  | 235,365          |                    |                          |                  |                                | 235,365                        |
| Support Services:                                    |                  |                    |                          |                  |                                |                                |
| Pupil  | 79,803           |                    |                          |                  | 24,448                         | 104,251                        |
| Instructional Staff                                  | 186,403          |                    |                          |                  | 16,976                         | 203,379                        |
| Board of Education                                   | 23,666           |                    |                          |                  |                                | 23,666                         |
| Administration                                       | 368,811          |                    |                          |                  | 1,739                          | 370,550                        |
| Fiscal   | 179,344          | 8,357              | 2,748                    |                  | 3,755                          | 194,204                        |
| Business   | 249              |                    |                          |                  |                                | 249                            |
| Operation and Maintenance of Plant                   | 347,701          |                    |                          | 350              | 450                            | 348,501                        |
| Pupil Transportation                                 | 168,683          |                    |                          |                  |                                | 168,683                        |
| Central  | 1,252            |                    |                          |                  | 5,545                          | 6,797                          |
| Operation of Food Services                           |                  |                    |                          |                  | 185,787                        | 185,787                        |
| Extracurricular Activities                           | 93,814           |                    |                          |                  | 155,011                        | 248,825                        |
| Capital Outlay                                       | 30,384           |                    | 340,872                  | 9,182            |                                | 380,438                        |
| Debt Service:  |                  |                    |                          |                  |                                |                                |
| Principal Retirement                                 |                  | 150,000            |                          |                  |                                | 150,000                        |
| Interest and Fiscal Charges                          |                  | 204,573            |                          |                  |                                | 204,573                        |
| Issuance Costs                                       |                  | 53,142             |                          |                  |                                | 53,142                         |
| <i>Total Disbursements</i>                           | <u>4,058,894</u> | <u>416,072</u>     | <u>343,620</u>           | <u>9,532</u>     | <u>471,973</u>                 | <u>5,300,091</u>               |
| <i>Excess of Receipts Over (Under) Disbursements</i> | <u>(20,707)</u>  | <u>(49,134)</u>    | <u>(187,301)</u>         | <u>850</u>       | <u>7,709</u>                   | <u>(248,583)</u>               |
| <b>Other Financing Sources (Uses)</b>                |                  |                    |                          |                  |                                |                                |
| General Obligation Bonds Issued                      |                  | 990,000            |                          |                  |                                | 990,000                        |
| Premium and Accrued Interest on Debt Issue           |                  | 100,822            |                          |                  |                                | 100,822                        |
| Payment to Bond Escrow Agent                         |                  | (1,034,218)        |                          |                  |                                | (1,034,218)                    |
| Transfers In   |                  |                    | 70,054                   |                  | 3,056                          | 73,110                         |
| Transfers Out  | (70,054)         |                    |                          |                  | (3,056)                        | (73,110)                       |
| Sale of Assets                                       | 140              |                    |                          |                  |                                | 140                            |
| <i>Total Other Financing Sources (Uses)</i>          | <u>(69,914)</u>  | <u>56,604</u>      | <u>70,054</u>            |                  |                                | <u>56,744</u>                  |
| <i>Net Change in Fund Balances</i>                   | <u>(90,621)</u>  | <u>7,470</u>       | <u>(117,247)</u>         | <u>850</u>       | <u>7,709</u>                   | <u>(191,839)</u>               |
| <i>Fund Balances Beginning of Year</i>               | <u>1,003,728</u> | <u>249,647</u>     | <u>363,473</u>           | <u>484,583</u>   | <u>155,823</u>                 | <u>2,257,254</u>               |
| <i>Fund Balances End of Year</i>                     | <u>\$913,107</u> | <u>\$257,117</u>   | <u>\$246,226</u>         | <u>\$485,433</u> | <u>\$163,532</u>               | <u>\$2,065,415</u>             |

See accompanying notes to the basic financial statements

**OTTOVILLE LOCAL SCHOOL DISTRICT  
PUTNAM COUNTY**

**Statement of Receipts, Disbursements and Changes in Fund Balance  
Budget and Actual - Budget Basis  
General Fund  
For the Fiscal Year Ended June 30, 2005**

|   | Budgeted Amounts        |                         |                         | Variance with<br>Final Budget<br>Positive<br>(Negative) |
|---|-------------------------|-------------------------|-------------------------|---|
|   | Original                | Final                   | Actual                  |   |
| <b>Revenues</b>                             |                         |                         |                         |   |
| Property Taxes                              | \$985,911               | \$999,374               | \$1,045,619             | \$46,245  |
| Intergovernmental                           | 2,777,326               | 2,777,326               | 2,749,992               | (27,334)  |
| Interest                                    | 17,236                  | 17,236                  | 28,777                  | 11,541  |
| Tuition and Fees                            | 134,000                 | 134,000                 | 132,402                 | (1,598)   |
| Revenue In-Lieu-of Taxes                    | 65,000                  | 65,000                  | 70,054                  | 5,054   |
| Miscellaneous                               | 18,100                  | 18,100                  | 11,343                  | (6,757)   |
| <i>Total Revenues</i>                       | <u>3,997,573</u>        | <u>4,011,036</u>        | <u>4,038,187</u>        | <u>27,151</u>   |
| <b>Expenditures</b>                         |                         |                         |                         |   |
| Current:                                    |                         |                         |                         |   |
| Instruction:                                |                         |                         |                         |   |
| Regular                                     | 2,498,362               | 2,498,380               | 2,359,642               | 138,738   |
| Special                                     | 262,212                 | 262,212                 | 245,604                 | 16,608  |
| Vocational                                  | 250                     | 250                     |                         | 250   |
| Support Services:                           |                         |                         |                         |   |
| Pupil                                       | 103,423                 | 103,423                 | 79,989                  | 23,434  |
| Instructional Staff                         | 190,908                 | 190,908                 | 187,067                 | 3,841   |
| Board of Education                          | 24,988                  | 24,988                  | 25,594                  | (606)   |
| Administration                              | 383,941                 | 383,941                 | 371,441                 | 12,500  |
| Fiscal                                      | 192,584                 | 192,584                 | 180,627                 | 11,957  |
| Business                                    | 500                     | 500                     | 250                     | 250   |
| Operation and Maintenance of Plant          | 339,464                 | 339,464                 | 362,390                 | (22,926)  |
| Pupil Transportation                        | 164,105                 | 164,105                 | 176,222                 | (12,117)  |
| Central                                     | 1,000                   | 1,000                   | 1,252                   | (252)   |
| Extracurricular Activities                  | 101,472                 | 101,472                 | 93,881                  | 7,591   |
| Capital Outlay                              | 22,976                  | 22,976                  | 32,060                  | (9,084)   |
| <i>Total Expenditures</i>                   | <u>4,286,185</u>        | <u>4,286,203</u>        | <u>4,116,019</u>        | <u>170,184</u>  |
| <i>Excess of Expenditures Over Receipts</i> | <u>(288,612)</u>        | <u>(275,167)</u>        | <u>(77,832)</u>         | <u>197,335</u>  |
| <b>Other Financing Sources (Uses)</b>       |                         |                         |                         |   |
| Transfers Out                               | (65,000)                | (65,000)                | (70,054)                | (5,054)   |
| Sale of Assets                              |                         |                         | 140                     | 140   |
| <i>Total Other Financing Sources (Uses)</i> | <u>(65,000)</u>         | <u>(65,000)</u>         | <u>(69,914)</u>         | <u>(4,914)</u>  |
| <i>Net Change in Fund Balance</i>           | <u>(353,612)</u>        | <u>(340,167)</u>        | <u>(147,746)</u>        | <u>192,421</u>  |
| <i>Fund Balance Beginning of Year</i>       | 864,109                 | 864,109                 | 864,109                 |   |
| <i>Prior Year Encumbrances Appropriated</i> | <u>139,619</u>          | <u>139,619</u>          | <u>139,619</u>          |   |
| <i>Fund Balance End of Year</i>             | <u><u>\$650,116</u></u> | <u><u>\$663,561</u></u> | <u><u>\$855,982</u></u> | <u><u>\$192,421</u></u>                                 |

See accompanying notes to the basic financial statements

**OTTOVILLE LOCAL SCHOOL DISTRICT  
PUTNAM COUNTY**

**Statement of Fiduciary Net Assets - Modified Cash Basis  
Fiduciary Funds  
For the Fiscal Year Ended June 30, 2005**

|  | <u>Agency</u>          |
|--|------------------------|
| <b>Assets</b>                              |                        |
| Equity in Pooled Cash and Cash Equivalents | <u><u>\$17,081</u></u> |
| <b>Net Assets</b>                          |                        |
| Held for Student Activities                | <u><u>\$17,081</u></u> |

See accompanying notes to the basic financial statements

**OTTOVILLE LOCAL SCHOOL DISTRICT  
PUTNAM COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2005**

**NOTE 1 - REPORTING ENTITY**

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

The District was established in 1917 through the consolidation of existing land areas and school districts. The District serves an area of approximately 40 square miles. It is located in Putnam and Paulding Counties and includes the entire Village of Ottoville, all of Monterey Township, and portions of Jackson, Jennings and Perry Townships in Putnam County and portions of Washington Township in Paulding County. The District is staffed by 21 classified employees, 40 certified teaching personnel, and 5 administrative employees who provide services to 590 students and other community members. The District currently operates one instructional/support facility.

The reporting entity is composed of the primary government and other organizations that are included to insure the financial statements are not misleading.

**A. Primary Government**

The primary government of the District consists of all funds, departments, boards, and agencies that are not legally separate from the District. For the District, this includes general operations, food service, and student related activities of the District.

**B. Component Units**

Component units are legally separate organizations for which the District is financially accountable. The District is financially accountable for an organization if the District appoints a voting majority of the organization's governing board and (1) the District is able to significantly influence the programs or services performed or provided by the organization; or (2) the District is legally entitled to or can otherwise access the organization's resources; the District is legally obligated or has otherwise assumed the responsibility to finance the deficits of, or provide financial support to, the organization; or the District is obligated for the debt of the organization. The District is also financially accountable for any organizations that are fiscally dependent on the District in that the District approves the budget, the issuance of debt, or the levying of taxes. Component units also include legally separate, tax-exempt entities whose resources are for the direct benefit of the District, are accessible to the District and are significant in amount to the District. The District has no component units.

**C. Joint Venture**

The District participates in five jointly governed organizations and three public entity risk pools. These organizations are:

Jointly Governed Organizations:

Northwest Ohio Area Computer Services Cooperative;  
Vantage Career Center;  
West Central Regional Professional Development Center;  
Northwest Ohio Special Education Regional Resource Center;  
Northwestern Ohio Educational Research Council, Inc.

**OTTOVILLE LOCAL SCHOOL DISTRICT  
PUTNAM COUNTY**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2005  
(Continued)

**NOTE 1 - REPORTING ENTITY – (CONTINUED)**

Public Entity Risk Pool:  
Schools of Ohio Risk Sharing Authority  
Ohio School Board Association Workers' Compensation Group Rating Program  
Putnam County School Insurance Group

These organizations are presented in Notes 9 and 16 to the basic financial statements.

The District's management believes these financial statements present all activities for which the District is financially accountable.

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

As discussed further in Note 2.C, these financial statements are presented on a modified cash basis of accounting. This modified cash basis of accounting differs from accounting principles generally accepted in the United States of America (GAAP). Generally accepted accounting principles include all relevant Governmental Accounting Standards Board (GASB) pronouncements, which have been applied to the extent they are applicable to the modified cash basis of accounting. In the government-wide financial statements, Financial Accounting Standards Board (FASB) pronouncements and Accounting Principles Board (APB) opinions issued on or before November 30, 1989, have been applied, to the extent they are applicable to the modified cash basis of accounting, unless those pronouncements conflict with or contradict GASB pronouncements, in which case GASB prevails. Following are the more significant of the District's accounting policies.

**A. Basis of Presentation**

The 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 District as a whole. These statements include the financial activities of the primary government, except for fiduciary funds. Governmental activities generally are financed through taxes, intergovernmental receipts or other nonexchange transactions.

The statement of net assets presents the cash balance of the governmental activities of the District at fiscal year end. The statement of activities compares disbursements with program receipts for each function or program of the District's governmental activities. Disbursements are reported by function. A function is a group of related activities designed to accomplish a major service or regulatory program for which the District is responsible. Program receipts include charges paid by the recipient of the program's goods or services, grants and contributions restricted to meeting the operational or capital requirements of a particular program, and receipts of interest earned on grants that are required to be used to support a particular program. General receipts are all receipts not classified as program receipts, with certain limited exceptions. The comparison of direct disbursements with program receipts identifies the extent to which each governmental function is self-financing on a modified cash basis or draws from the District's general receipts.

**OTTOVILLE LOCAL SCHOOL DISTRICT  
PUTNAM COUNTY**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2005  
(Continued)

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

Fund Financial Statements

During the fiscal year, the District segregates transactions related to certain 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 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 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 District are divided into two categories, governmental and fiduciary.

Governmental Funds

The District classifies funds financed primarily from taxes, intergovernmental receipts (e.g. grants), and other nonexchange transactions as governmental funds. The following are the District's major governmental funds:

General Fund – The General Fund is used to account for all financial resources, except those required to be accounted for in another fund. The General Fund balance is available for any purpose provided it is disbursed or transferred according to Ohio law.

Bond Retirement Fund – The Bond Retirement Fund is used to account for the accumulation of resources for, and the payment of, general obligation long-term debt principal and interest.

Permanent Improvement Fund - The Permanent Improvement Fund is used to account for financial resources to be used for the acquisition or construction of major capital facilities and personal property.

Ohio School Facilities Construction (OSFC) Fund - The OSFC Fund is used to account for financial resources to be used for the construction and equipping of a new PreK-12 building.

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

Fiduciary Funds

The fiduciary fund category is split into four classifications: pension trust funds, investment trust funds, private purpose trust funds, and agency funds. Trust funds are used to account for assets held by the District under a trust agreement for individuals, private organizations, or other governments and are not available to support the District's own programs. Agency funds are custodial in nature. The District's agency fund accounts for various student-managed activities.

**OTTOVILLE LOCAL SCHOOL DISTRICT  
PUTNAM COUNTY**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2005  
(Continued)

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

**C. Basis of Accounting**

The District's financial statements are prepared using the modified cash basis of accounting. Receipts are recorded in the District's financial records and reported in the financial statements when cash is received rather than when earned and disbursements are recorded when cash is paid rather than when a liability is incurred.

As a result of the use of this modified cash basis of accounting, certain assets and their related receipts (such as accounts receivable and revenue for billed or provided services not yet collected) and certain liabilities and their related disbursements (such as accounts payable and disbursements for goods or services received but not yet paid, and accrued disbursements and liabilities) are not recorded in these financial statements.

**D. 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 cash disbursements plus encumbrances at the level of control selected by the Board. The legal level of control has been established by the Board at the fund level for all funds. Budgetary allocations at the function and object level within all funds are made by the Treasurer.

The certificate of estimated resources may be amended during the fiscal year if projected increases or decreases in receipts 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 appropriation resolution is subject to amendment throughout the year with the restriction that appropriations cannot exceed estimated resources. The amounts reported as the original budgeted amounts reflect the first appropriation 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.

**E. Cash**

To improve cash management, cash received by the District is pooled and invested. Monies for all funds are maintained in this pool. Individual fund integrity is maintained through District records. Interest in the pool is presented as "Equity in Pooled Cash and Cash Equivalents".

Following Ohio statutes, the Board of Education has, by resolution, specified the funds to receive an allocation of interest earnings. Interest receipts credited to the General Fund during fiscal year 2005 was \$28,777 which included \$16,016 assigned from other District funds.



**OTTOVILLE LOCAL SCHOOL DISTRICT  
PUTNAM COUNTY**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2005  
(Continued)

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

**F. 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 imposed by creditors, contributors, grantors, or laws of other governments, or imposed by law through constitutional provisions or enabling legislation. Restricted assets represent amounts required by state statute to be set aside for acquisition of school buses.

**G. Inventory and Prepaid Items**

The District reports disbursements for inventory and prepaid items when paid. These items are not reflected as assets in the accompanying financial statements.

**H. Capital Assets**

Acquisitions of property, plant and equipment are recorded as disbursements when paid. These items are not reflected as assets in the accompanying financial statements.

**I. Interfund Receivables/Payables**

The District reports advances-in and advances-out for interfund loans. These items are not reflected as assets and liabilities in the accompanying financial statements.

**J. Accumulated Leave**

In certain circumstances, such as upon leaving employment or retirement, employees are entitled to cash payments for unused leave. Unpaid leave is not reflected as a liability under the District's modified cash basis of accounting.

**K. Employer Contributions to Cost-Sharing Pension Plans**

The District recognizes the disbursement for employer contributions to cost-sharing pension plans when they are paid. As described in Notes 10 and 11, the employer contributions include portions for pension benefits and for postretirement health care benefits.

**L. Long-Term Obligations**

The District's modified cash basis financial statements do not report liabilities for bonds and other long-term obligations. Proceeds of debt are reported when cash is received and principal and interest payments are reported when paid. Since recording a capital asset when entering into a capital lease is not the result of a cash transaction, neither an other financing source nor capital outlay expenditure are reported at inception. Lease payments are reported when paid.

**OTTOVILLE LOCAL SCHOOL DISTRICT  
PUTNAM COUNTY**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2005  
(Continued)

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

M. Net Assets

Net assets are reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the 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, music and athletic programs, and federal and state grants restricted to cash disbursement for specified purposes.

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

N. Fund Balance Reserves

The District reserves any portion of fund balances which is not available for appropriation or which is legally segregated for a specific future use. A designation of fund balance represents a self-imposed limitation on the use of available expendable resources by the Board of Education. Unreserved and undesignated fund balance indicates that portion of fund balance which is available for appropriation in future periods. Fund balance reserves have been established for encumbrances and school bus purchases.

**NOTE 3 – CHANGE IN BASIS OF ACCOUNTING AND RESTATEMENT OF FUND EQUITY**

A. Change in Basis of Accounting

Last year the District reported fund financial statements by fund type using the cash basis of accounting. In implementing the other comprehensive basis of accounting described in note 2, the fund financial statements now present each major fund in a separate column with nonmajor funds aggregated and presented in a single column, rather than a column for each fund type.

B. Restatement of Fund Equity

Pursuant to the GASB34 format the Enterprise fund balances have been reclassified to conform to the current-year presentation to Special Revenue funds as follows:

|                              | Other<br>Governmental<br>Funds | Enterprise<br>Fund |
|------------------------------|--------------------------------|--------------------|
| Fund Equity June 30, 2004    | \$136,485                      | \$19,338           |
| GASB Statement 34 Adjustment |                                |                    |
| Change in Fund Structure     | 19,338                         | (19,338)           |
| Net Assets at June 30, 2004  | \$155,823                      |                    |

**OTTOVILLE LOCAL SCHOOL DISTRICT  
PUTNAM COUNTY**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2005  
(Continued)

**NOTE 4 – COMPLIANCE**

Ohio Administrative Code, Section 117-2-03 (B), requires the District to prepare its annual financial report in accordance with generally accepted accounting principles. However, the District prepared its financial statements on a modified cash basis, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. The accompanying financial statements omit assets, liabilities, net assets/fund balances, and disclosures that, while material, cannot be determined at this time. The District can be fined and various other administrative remedies may be taken against the District.

**NOTE 5 - BUDGETARY BASIS OF ACCOUNTING**

The budgetary basis as provided by law is based upon accounting for certain transactions on the basis of cash receipts, disbursements, and encumbrances. The Statement of Receipts, Disbursements and Changes in Fund Balance – Budget and Actual – Budgetary Basis presented for the general fund is prepared on the budgetary basis to provide a meaningful comparison of actual results with the budget. The difference between the budgetary basis and the modified cash basis is outstanding year end encumbrances are treated as cash disbursements (budgetary basis) rather than as a reservation of fund balance (modified cash basis).

The encumbrances outstanding at year end (budgetary basis) amounted to \$57,125 in the General Fund.

**NOTE 6 - DEPOSITS AND INVESTMENTS**

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

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

Inactive deposits are public deposits that the Board 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 District can 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;

**OTTOVILLE LOCAL SCHOOL DISTRICT  
PUTNAM COUNTY**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2005  
(Continued)

**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 provided the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least 2 percent and be marked to market daily, and the term of the agreement must not exceed thirty days;
4. Bonds and other obligations of the State of Ohio 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) and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions;
7. The State Treasurer's investment pool (STAR Ohio).

Investments in stripped principal or interest obligations reverse repurchase agreements, and derivatives are prohibited. The issuance of taxable notes for the purpose of arbitrage, the use of leverage, and short selling are also prohibited. An investment must mature within five years from the date of purchase, unless matched to a specific obligation or debt of the District, and must be purchased with the expectation that it will be held to maturity. Investments may only be made through specified dealers and institutions.

At year end, the District had \$5,000 in undeposited cash on hand which is included as part of "Equity in Pooled Cash and Cash Equivalents."

**Deposits**

Custodial credit risk for deposits is the risk that in the event of bank failure, the District will not be able to recover deposits or collateral securities that are in the possession of an outside party. At year end, \$1,912,648 of the District's bank balance of \$2,112,648 was exposed to custodial credit risk because it was uninsured and collateralized with securities held by the pledging financial institution's trust department or agent, but not in the District's name.

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

**OTTOVILLE LOCAL SCHOOL DISTRICT  
PUTNAM COUNTY**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2005  
(Continued)

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

Investments

As of June 31, 2005, the District had no investments.

**NOTE 7 - PROPERTY TAXES**

Property taxes are levied and assessed on a calendar year basis, while the District's fiscal year runs from July through June. First-half tax distributions are received by the 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 District. Real property tax receipts received in calendar year 2005 represent the collection of calendar year 2004 taxes. Real property taxes received in calendar year 2005 were levied after April 1, 2004, on the assessed values as of January 1, 2004, 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 receipts received in calendar year 2005 represent the collection of calendar year 2004 taxes. Public utility real and tangible personal property taxes received in calendar year 2005 became a lien on December 31, 2003, were levied after April 1, 2004, and are collected in 2005 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 receipts received in calendar year 2005 (other than public utility property) represents the collection of calendar year 2005 taxes. Tangible personal property taxes received in calendar year 2005 were levied after April 1, 2004, on the value as of December 31, 2004. Tangible personal property is currently assessed at 25 percent of true value for capital assets and 23 percent for inventory. 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 District prior to June 30.

The District receives property taxes from Putnam and Paulding counties. The Putnam County Auditor periodically advances to the District its portion of the taxes collected. Second-half real property tax payments collected by the counties by June 30, 2005, are available to finance fiscal year 2005 operations. The amount available to be advanced can vary based on the date the tax bills are sent.

**OTTOVILLE LOCAL SCHOOL DISTRICT  
PUTNAM COUNTY**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2005  
(Continued)

**NOTE 7 - PROPERTY TAXES – (CONTINUED)**

The assessed values upon which fiscal year 2005 taxes were collected are:

|   | 2004 Second-<br>Half Collections |                | 2005 First-<br>Half Collections |                |
|---|----------------------------------|----------------|---------------------------------|----------------|
|   | Amount                           | Percent        | Amount                          | Percent        |
| Real Property:                                |                                  |                |                                 |                |
| Agricultural/Residential                      | \$40,974,740                     | 87.00%         | \$41,724,760                    | 86.05%         |
| Public Utility Property                       | 1,558,360                        | 3.31           | 1,636,250                       | 3.37           |
| Tangible Personal Property                    | 4,563,402                        | 9.69           | 5,129,650                       | 10.58          |
| Total Assessed Value                          | <u>\$47,096,502</u>              | <u>100.00%</u> | <u>\$48,490,660</u>             | <u>100.00%</u> |
| Tax rate per \$1,000 of<br>assessed valuation | \$38.07                          |                | \$37.47                         |                |

**NOTE 8 – PAYMENT IN LIEU OF TAXES**

As provided by State Law, the District has entered into agreements with a number of property owners under which the District has granted property tax abatements to those property owners. The property owners have agreed to make payments to the District which reflect all or a portion of the property taxes which the property owners would have paid if their taxes had not been abated. The property owners' contractual agreements to make these payments in lieu of taxes generally continue until the agreement expires. Payments in lieu of taxes for 2005 were \$70,054.

**NOTE 9- RISK MANAGEMENT**

**A. Schools of Ohio Risk Sharing Authority**

The District is exposed to various risks of loss related to torts; theft, or damage to, and destruction of assets; errors and omissions; injuries to employees and natural disaster. During fiscal year 2005, the District contracted for the following insurance coverage.

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

|  | <u>Coverage</u> |
|--|-----------------|
| Property including inland marine – replacement cost (\$1,000 deductible) | \$17,896,768    |
| Employee Dishonesty Liability  | 50,000          |
| Automobile Liability   | 3,000,000       |
| Uninsured Motorists  | 50,000          |
| Medical Payments - per occurrence  | 5,000           |
| Educator's Legal Liability – errors or omissions                         | 3,000,000       |
| General District Liability   |                 |
| Per Occurrence   | 3,000,000       |
| Total per year   | 5,000,000       |

**OTTOVILLE LOCAL SCHOOL DISTRICT  
PUTNAM COUNTY**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2005  
(Continued)

**NOTE 9- RISK MANAGEMENT – (CONTINUED)**

Settled claims have none exceeded this commercial coverage in any of the past three years.

SORSA financial statements are available by contacting Patrick Shaver, Schools of Ohio Risk Sharing Authority, 8050 North High St., Columbus, Ohio 43235.

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

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

**C. Putnam County Schools Insurance Group**

The District participates as a member of the Putnam County School Insurance Group, a public entity risk pool, administered by Sky Trust. The District converted its fully-insured medical insured program to partial self insurance through participation in this public entity risk pool. Medical Mutual of Ohio provides claim review and processing. The District maintains stop-loss coverage for its medical insurance program. Aggregate stop loss is maintained for expected claims.

Post employment health care is provided to plan participants or their beneficiaries through the respective retirement systems discussed in Note 11. As such, no funding provisions are required by the District.

**NOTE 10 - DEFINED BENEFIT PENSION PLANS**

**A. School Employees Retirement System**

The District contributes to the School Employees Retirement System (SERS), a cost-sharing multiple-employer defined benefit pension plan. SERS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Authority to establish and amend benefits is provided by Chapter 3309 of the Ohio Revised Code. SERS issues a publicly available, stand-alone financial report that includes financial statements and required supplementary information. That report may be obtained by writing to the School Employees Retirement System, 300 East Broad Street, Suite 100, Columbus, Ohio 43215-3746, by calling (800) 878-5853 or by visiting the SERS website at [ohsers.org](http://ohsers.org).

**OTTOVILLE LOCAL SCHOOL DISTRICT  
PUTNAM COUNTY**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2005  
(Continued)

**NOTE 10 - DEFINED BENEFIT PENSION PLANS – (CONTINUED)**

Plan members are required to contribute 10 percent of their annual covered salary and the District is required to contribute at an actuarially determined rate. The current District rate is 14 percent of annual covered payroll. A portion of the District's contribution is used to fund pension obligations with the remainder being used to fund health care benefits; for fiscal year 2005, 10.57 percent of annual covered salary was the portion used to fund pension obligations. The contribution requirements of plan members and employers are established and may be amended, up to a statutory maximum amount, by the SERS' Retirement Board. The District's required contributions for pension obligations to SERS for the fiscal years ended June 30, 2005, 2004, and 2003 were \$54,350, \$42,644, and \$33,540, respectively; 44.61 percent has been contributed for fiscal year 2005 and 100 percent for fiscal years 2004 and 2003.

**B. State Teachers Retirement System of Ohio**

The District participates in the State Teachers Retirement System of Ohio (STRS Ohio), a cost-sharing, multiple-employer public employee retirement system. 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 STRS Ohio, 275 E. Broad St., Columbus, OH 43215-3371, by calling (614) 227-4090, 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 (DB) Plan, a Defined Contribution (DC) Plan and a Combined Plan. The DB plan offers an annual retirement allowance based on final average salary times a percentage that varies based on years of service, or an allowance based on member contributions and earned interest matched by STRS Ohio funds divided by an actuarially determined annuity factor. The DC Plan allows members to place all their member contributions and employer contributions equal to 10.5 percent of earned compensation into an investment account. Investment decisions are made by the member. A member is eligible to receive a retirement benefit at age 50 and termination of employment. The Combined Plan offers features of both the DC Plan and the DB Plan. In the Combined Plan, member contributions are invested by the member, and employer contributions are used to fund the defined benefit payment at a reduced level from the regular DB Plan. DC and Combined Plan members will transfer to the Defined Benefit Plan during their fifth year of membership unless they permanently select the DC or Combined Plan. Existing members with less than five years of service credit as of June 30, 2001, were given the option of making a one time irrevocable decision to transfer their account balances from the existing DB Plan into the DC Plan or the Combined Plan. This option expired on December 31, 2001. Benefits are established by Chapter 3307 of the Ohio Revised Code.

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

For the fiscal year ended June 30, 2005, plan members were required to contribute 10 percent of their annual covered salaries. The District was required to contribute 14 percent; 13 percent was the portion used to fund pension obligations. For fiscal year 2005, the portion used to fund pension obligations was also 13 percent. Contribution rates are established by the State Teachers Retirement 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.



**OTTOVILLE LOCAL SCHOOL DISTRICT  
PUTNAM COUNTY**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2005  
(Continued)

**NOTE 10 - DEFINED BENEFIT PENSION PLANS – (CONTINUED)**

The District's required contributions for pension obligations to STRS Ohio for the fiscal years ended June 30, 2005, 2004, and 2003, were \$266,546, \$255,769 and \$246,463, respectively; 83.48 percent has been contributed for fiscal year 2005 and 100 percent for fiscal years 2004 and 2003.

**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, 2005, three of the Board of Education members have elected Social Security. The Board's liability is 6.2 percent of wages paid.

**NOTE 11 – POST-EMPLOYMENT BENEFITS**

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

All STRS Ohio retirees who participated in the DB or Combined Plans and their dependents are eligible for health care coverage. The STRS Ohio Board has statutory authority over how much, if any, of the health care costs will be absorbed by STRS Ohio. All benefit recipients pay a portion of the health care cost in the form of a monthly premium. By law, the cost of coverage paid from STRS Ohio funds is included in the employer contribution rate, currently 14 percent of covered payroll. For the fiscal year ended June 30, 2005, the STRS Ohio Board allocated employer contributions equal to one percent of covered payroll to the Health Care Stabilization Fund. For the District, this amount equaled \$20,504 for fiscal year 2005.

STRS Ohio pays health care benefits from the Health Care Stabilization Fund. At June 30, 2005, the balance in the Fund was \$3.3 billion. For the fiscal year ended June 30, 2005, net health care costs paid by STRS Ohio were \$254,780,000 and STRS Ohio had 115,395 eligible benefit recipients.

For SERS, coverage is made available to service retirees with ten or more years of qualifying service credit, and to disability and survivor benefit recipients. All retirees and beneficiaries are required to pay a portion of their health care premium. The portion is based on years of service, Medicare eligibility, and retirement status.

After the allocation for basic benefits, the remainder of the employer's 14 percent contribution is allocated to providing health care benefits. For the fiscal year ended June 30, 2005, employer contributions to fund health care benefits were 3.43 percent of covered payroll, compared to 4.91 percent of covered payroll for fiscal year 2004. In addition, SERS levies a surcharge to fund health care benefits equal to 14 percent of the difference between a minimum pay and the member's pay, pro-rated for partial service credit. For fiscal year 2005, the minimum pay was established at \$27,400. However, the surcharge is capped at two percent of each employer's SERS salaries. For the District, the amount contributed to fund health care benefits, including the surcharge, during the 2005 fiscal year equaled \$24,942.

**OTTOVILLE LOCAL SCHOOL DISTRICT  
PUTNAM COUNTY**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2005  
(Continued)

**NOTE 11 – POST-EMPLOYMENT BENEFITS – (CONTINUED)**

The surcharge, added to the unallocated portion of the 14 percent employer contribution rate, provides for maintenance of the asset target level for the health care fund. The target level for the health care reserve is 150 percent of the projected claims less premium contributions for the next fiscal year. Expenses for health care for the fiscal year ended June 30, 2005, were \$178,221,113. At June 30, 2005, SERS had net assets available for payment of health care benefits of \$267.5 million. SERS has 58,123 participants eligible to receive health care benefits.

**NOTE 12 – DEBT**

The changes in the District's long-term obligations during fiscal year 2005 were as follows:

|  | Principal<br>Outstanding<br>6/30/04 | Additions        | Reductions         | Principal<br>Outstanding<br>6/30/05 | Amounts<br>Due in<br>One Year |
|--|-------------------------------------|------------------|--------------------|-------------------------------------|-------------------------------|
| <u>General Obligation Bonds:</u>                           |                                     |                  |                    |                                     |                               |
| 1995 School Improvement Bonds                              |                                     |                  |                    |                                     |                               |
| Current Interest Bonds                                     | \$1,090,000                         |                  | \$1,040,000        | \$50,000                            | \$50,000                      |
| 2001 School Facilities Construction                        |                                     |                  |                    |                                     |                               |
| Current Interest Bonds                                     | 2,945,000                           |                  | 100,000            | 2,845,000                           | 100,000                       |
| 2005 Advance Refunding of 1995<br>School Improvement Bonds |                                     |                  |                    |                                     |                               |
| Current Interest Bonds                                     |                                     | \$975,000        |                    | 975,000                             | 15,000                        |
| Capital Appreciation Bonds                                 |                                     | 15,000           |                    | 15,000                              |                               |
| Total General Obligation Bonds                             | <u>\$4,035,000</u>                  | <u>\$990,000</u> | <u>\$1,140,000</u> | <u>\$3,885,000</u>                  | <u>\$165,000</u>              |

**School Improvement General Obligation Bonds – 1995**

On November 1, 1995, the District issued \$1,490,000 in voted general obligation bonds for constructing a building addition. During 2005 all but \$50,000 of the bonds were refunded and the remaining balance is scheduled to be paid off in 2006.

**School Facilities Construction General Obligation Bonds – 2001**

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

**OTTOVILLE LOCAL SCHOOL DISTRICT  
PUTNAM COUNTY**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2005  
(Continued)

**NOTE 12 – DEBT – (CONTINUED)**

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

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

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

| Redemption Dates<br>(Dates Inclusive)      | Redemption<br>Prices |
|--|----------------------|
| December 1, 2011 through November 30, 2012 | 101%                 |
| December 1, 2012 and thereafter            | 100%                 |

**School Improvement Bonds – 2005**

Proceeds from the outstanding bonds were used for the purpose of advance refunding a portion of general obligation bonds, dated November 1, 1995, which were issued for the purpose of constructing a school building addition. The bonds were issued on November 1, 2004. The bonds consisted of \$475,000 in current interest serial bonds and \$500,000 in term bonds and \$15,000, in capital appreciation bonds. This current refunding was undertaken to reduce total debt service payments over the next 16 years by \$59,963 and resulted in an economic gain of \$61,110.

**OTTOVILLE LOCAL SCHOOL DISTRICT  
PUTNAM COUNTY**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2005  
(Continued)

**NOTE 12 – DEBT – (CONTINUED)**

The serial bonds shall bear interest at the rates per year and will mature in the principal amounts and on the following dates:

| <u>Maturity Date</u> | <u>Principal Amount</u> | <u>Interest Rate</u> |
|----------------------|-------------------------|----------------------|
| 2006                 | \$15,000                | 2.50%                |
| 2007                 | 65,000                  | 2.50%                |
| 2008                 | 65,000                  | 2.50%                |
| 2009                 | 65,000                  | 2.75%                |
| 2010                 | 65,000                  | 3.00%                |
| 2011                 | 65,000                  | 3.00%                |
| 2012                 | 65,000                  | 3.50%                |
| 2013                 | 70,000                  | 3.50%                |

The term bond which matures on December 1, 2018, has an interest rate of 3.95 percent per year, and is subject to mandatory sinking fund redemption at a redemption price of 106.585 percent of the principal amount to be redeemed, plus accrued interest to the date of redemption, on December 1, in the year in the respective principal amounts as follows:

| <u>Fiscal Year</u> | <u>Principal Amount to be Redeemed</u> |
|--------------------|--|
| 2019               | \$280,000                              |

The term bond which matures on December 1, 2021, has an interest rate of 4.20 percent per year, and is subject to mandatory sinking fund redemption at a redemption price of 97.579 percent of the principal amount to be redeemed, plus accrued interest to the date of redemption, on December 1, in the year in the respective principal amounts as follows:

| <u>Fiscal Year</u> | <u>Principal Amount to be Redeemed</u> |
|--------------------|--|
| 2022               | \$220,000                              |

The capital appreciation bonds were issued in the aggregate original principal amount of \$15,000 and mature on December 1, in the years, have the original principal amounts and mature with the accreted values at maturity, as follows:

| <u>Maturity Date</u> | <u>Original Principal Amount</u> | <u>Accreted Value at Maturity</u> |
|----------------------|----------------------------------|-----------------------------------|
| 2014                 | \$8,375                          | \$70,000                          |
| 2015                 | 6,625                            | 70,000                            |

The bonds are being retired through the Bond Retirement Fund

**OTTOVILLE LOCAL SCHOOL DISTRICT  
PUTNAM COUNTY**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2005  
(Continued)

**NOTE 12 – DEBT – (CONTINUED)**

Principal and interest requirements to retire long-term liabilities outstanding at June 30, 2005 are as follows:

| <u>Year Ended</u> | <u>General Obligation Bonds</u> |                           |                           | <u>Capital Appreciation Bonds</u> |                         |                         |
|-------------------|---------------------------------|---------------------------|---------------------------|-----------------------------------|-------------------------|-------------------------|
|                   | <u>Principal</u>                | <u>Interest</u>           | <u>Total</u>              | <u>Principal</u>                  | <u>Interest</u>         | <u>Total</u>            |
| 2006              | \$165,000                       | 183,738                   | \$348,738                 |                                   |                         |                         |
| 2007              | 165,000                         | 179,387                   | 344,387                   |                                   |                         |                         |
| 2008              | 165,000                         | 174,138                   | 339,138                   |                                   |                         |                         |
| 2009              | 170,000                         | 168,482                   | 338,482                   |                                   |                         |                         |
| 2010              | 175,000                         | 162,313                   | 337,313                   |                                   |                         |                         |
| 2011-2015         | 835,000                         | 699,724                   | 1,534,724                 | \$8,375                           | \$61,625                | \$70,000                |
| 2016-2020         | 1,190,000                       | 441,269                   | 1,631,269                 | 6,625                             | 63,375                  | 70,000                  |
| 2021-2024         | 1,005,000                       | 108,275                   | 1,113,275                 |                                   |                         |                         |
| <b>Total</b>      | <b><u>\$3,870,000</u></b>       | <b><u>\$2,117,324</u></b> | <b><u>\$5,987,324</u></b> | <b><u>\$15,000</u></b>            | <b><u>\$125,000</u></b> | <b><u>\$140,000</u></b> |

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

The effects of these debt limitations at June 30, 2005, are a voted debt margin of \$429,159 (including available funds of \$257,117) and an unvoted debt margin of \$48,491

**NOTE 13 - SET ASIDE REQUIREMENTS**

The 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.

**OTTOVILLE LOCAL SCHOOL DISTRICT  
PUTNAM COUNTY**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2005  
(Continued)

**NOTE 13 - SET ASIDE REQUIREMENTS – (CONTINUED)**

The following cash basis information identifies the changes in the fund balance reserves for textbooks and capital improvements during 2005.

|                                    | Textbooks/<br>Instructional<br>Materials | Capital<br>Maintenance |
|------------------------------------|--|------------------------|
| Balance at June 30, 2004           | \$(57,599)                               |                        |
| Current Year Set Aside Requirement | 87,170                                   | \$87,170               |
| Qualifying Cash Disbursements      | (74,522)                                 |                        |
| Offsets                            |  | (87,170)               |
| Balance at June 30, 2005           | \$(44,951)                               |                        |

The District had qualifying expenditures during the fiscal year that reduced the textbook set aside amount below zero. This amount may be used to reduce the set aside requirement in future fiscal years. The District also had current year offsets during the fiscal year that reduced the capital improvements set aside amount to below zero. However, this amount can not be carried forward to reduce future set aside requirements, and therefore is not reflected in this schedule.

In addition to the above statutory reserves, the District also received monies restricted for school bus purchases. The District had \$21,397 restricted for bus purchases at June 30, 2005.

**NOTE 14 - INTERFUND TRANSFERS**

During 2005, the General Fund transferred \$70,054 to the Permanent Improvement Fund to subsidize permanent improvement operations. The amount of transfer is the equivalent of the amount of proceeds received from payments in-lieu-of taxes. Also, \$1,157 was transferred in the Title I Fund from the 2004 grant to the 2005 grant. The Public School Support Fund transferred \$1,899 from the High School account to the Elementary account.

**OTTOVILLE LOCAL SCHOOL DISTRICT  
PUTNAM COUNTY**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2005  
(Continued)

**NOTE 15 - CONSTRUCTION AND CONTRACTUAL COMMITMENTS**

At June 30, 2005, the District had the following contractual commitments for construction projects associated with the Classroom Facilities Project, outdoor athletic facilities, and a marquee message center:

| Company                      | Project   | Amount<br>Remaining on<br>Contract |
|------------------------------|---|------------------------------------|
| Miller Contracting Group     | Site Work - Classroom facilities Project            | \$60,620                           |
| Bluffton Paving              | Track   | 65,740                             |
| Track Surfaces Company       | Track   | 43,125                             |
| VonSossan Contracting        | Fieldhouse  | 30,701                             |
| Reliable Plumbing & Heating  | Fieldhouse  | 29,364                             |
| Wannemacher Construction Co. | Fieldhouse  | 140,695                            |
| Wehri Farm Drainage, Inc.    | Athletic Complex                                    | 15,954                             |
| County Electric              | Athletic Complex, Fieldhouse                        | 103,931                            |
| Corporate Signs & Graphics   | Marquee Message Center                              | 21,620                             |
|                              | Total outstanding commitment as of<br>June 30, 2005 | <u>\$503,835</u>                   |

**NOTE 16 - JOINTLY GOVERNED ORGANIZATIONS**

A. Northwest Ohio Area Computer Services Cooperative

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

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

B. Vantage Career Center

The Vantage Career Center is a distinct political subdivision of the State of Ohio operated under the direction of a Board consisting of one representative from each participating Districts' elected boards, which possesses its own budgeting and taxing authority. To obtain financial information contact the Vantage Career Center, Lori Davis, Treasurer, 818 N. Franklin St., Van Wert, Ohio 45891-1304.

**OTTOVILLE LOCAL SCHOOL DISTRICT  
PUTNAM COUNTY**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2005  
(Continued)

**NOTE 16 - JOINTLY GOVERNED ORGANIZATIONS – (CONTINUED)**

C. West Central Regional Professional Development Center

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

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

D. Northwest Ohio Special Education Regional Resource Center

The Northwest Ohio Special Education Regional Resource Center (SERRC) is a jointly governed organization formed to initiate, expand, and improve special education programs and services for children with disabilities and their parents. The SERRC is made up of school districts from Defiance, Fulton, Hancock, Henry, Lucas, Ottawa, Paulding, Putnam, Sandusky, Seneca, Van Wert, Williams, and Wood counties. The SERRC is governed by a thirty-three member board consisting of twenty-six superintendents, one director of student services, one parent representative, one representative from a community school, one representative from a mental health board, one representative from a parent advisory council, one representative from Bowling Green State University, and one representative from the University of Toledo. The degree of control exercised by any participating school district is limited to its representation on the Board. Financial information can be obtained from David Michel, Eastwood Local Schools, 4800 Sugar Ridge Road, Pemberville, Ohio 43450.

E. 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 representative 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.



**OTTOVILLE LOCAL SCHOOL DISTRICT  
PUTNAM COUNTY**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2005  
(Continued)

**NOTE 17 – SUBSEQUENT EVENTS**

In November 2005, the District suffered the defeat of a 1% income tax levy.

In December 2005, the District borrowed \$300,000 against Permanent Improvement Tax Levy Anticipation Notes to be used for the construction of outdoor athletic facilities.

In February 2006, the District Advance Refunded \$2,094,996 of General Obligation Bonds, Series 2006 of the original \$3,035,000, Series 2001 bond issue for the construction and furnishing of the K-12 facility.

**NOTE 18 – CONTINGENT LIABILITIES**

A lawsuit has been filed by the Columbia Gas Transmission Corporation arguing that the Corporation's public utility property tax assessment rate should be 25% of true value rather than the 88% used by the Tax Commissioner. The Board of Tax Appeals has agreed with the Corporation and the case has been appealed by the Tax Commissioner to the Ohio Supreme Court. The District receives a significant amount of property tax from the Corporation. Should the Corporation prevail in the Supreme Court, it may be entitled to a refund from the District based on the lower assessment rate beginning from tax year 2001. The amount of the refund is estimated to be approximately \$7,103 per year. A portion of the refund may be recovered from additional State entitlement payments.

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# 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***

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

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 Ottoville Local School District, Putnam County, Ohio (the District) as of and for the year ended June 30, 2005, which collectively comprise the District's basic financial statements and have issued our report thereon dated April 3, 2007, wherein, we noted the District uses a comprehensive basis of accounting other than generally accepted accounting principles. 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 to determine our auditing procedures to express our opinions on the financial statements and not to opine on the internal control over financial reporting. Our consideration of the internal control would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts material to the financial statements we audited may occur and not be timely detected by employees when performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider material weaknesses. In a separate letter to the District's management dated April 3, 2007, we reported other matters involving internal control over financial reporting we did not deem reportable conditions.

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

### **Compliance and Other Matters**

As part of reasonably assuring whether the District's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express an opinion. The results of our tests disclosed an instance of noncompliance or other matter that we must report under *Government Auditing Standards* which is described in the accompanying schedule of findings as item 2005-001. In a separate letter to the District's management dated April 3, 2007, we reported other matters related to noncompliance we deemed immaterial.

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



**Mary Taylor, CPA**  
Auditor of State

April 3, 2007

**OTTOVILLE LOCAL SCHOOL DISTRICT  
PUTNAM COUNTY**

**SCHEDULE OF FINDINGS  
JUNE 30, 2005**

|  |
|--|
| <b>FINDINGS RELATED TO THE FINANCIAL STATEMENTS<br/>REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS</b> |
|--|

**FINDING NUMBER 2005-001**

**Noncompliance Citation**

Ohio Revised Code § 117.38 provides that each public office shall file a financial report for each fiscal year. The auditor of state may prescribe forms by rule or may issue guidelines, or both, for such reports. If the auditor of state has not prescribed a rule regarding the form for the report, the public office shall submit its report on the form utilized by the public office. Ohio Administrative Code § 117-2-03 further clarifies the requirements of Ohio Revised Code § 117.38.

Ohio Administrative Code §117-2-03(B) requires the District to prepare its annual financial report in accordance with accounting principles generally accepted in the United States of America. However, the District prepares its financial statements in accordance with another comprehensive accounting basis. The accompanying financial statements and notes omit assets, liabilities, fund equities, and disclosures that, while material, cannot be determined at this time. The District can be fined and various other administrative remedies may be taken against the District.

**Officials' Response**

On February 16, 2005 the Ottoville Local School District Board of Education unanimously voted to discontinue Generally Accepted Accounting Principal reporting as it was determined the cost outweighs the benefits.

OTTOVILLE LOCAL SCHOOL DISTRICT  
PUTNAM COUNTY

SCHEDULE OF PRIOR AUDIT FINDINGS  
JUNE 30, 2005

| Finding Number | Finding Summary   | Fully Corrected? | Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <b><i>Explain</i></b> |
|----------------|---|------------------|--|
| 2004-001       | Ohio Revised Code 117.38 for not filing GAAP statements | No               | Repeated as finding 2005-001   |



**Mary Taylor, CPA**  
Auditor of State

**OTTOVILLE LOCAL SCHOOL DISTRICT**

**PUTNAM COUNTY**

**CLERK'S CERTIFICATION**

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

*Susan Babbitt*

**CLERK OF THE BUREAU**

**CERTIFIED  
MAY 10, 2007**