



**OTTOVILLE LOCAL SCHOOL DISTRICT  
PUTNAM COUNTY**

**REGULAR AUDIT**

**FOR THE YEARS ENDED JUNE 30, 2009 AND 2010**



**Mary Taylor, CPA**  
Auditor of State



**OTTOVILLE LOCAL SCHOOL DISTRICT  
PUTNAM COUNTY**

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# Mary Taylor, CPA

Auditor of State

## INDEPENDENT ACCOUNTANTS' REPORT

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

To the Board of Education:

We have audited the accompanying financial statements of Ottoville Local School District, Putnam County, (the District) as of and for the years ended June 30, 2010 and 2009. These financial statements are the responsibility of the District's management. Our responsibility is to express an opinion on these financial statements based on our audit.

Except as discussed in paragraph 4, 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 that our audit provides a reasonable basis for our opinion.

Ohio Administrative Code Section 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 1, the accompanying financial statements and notes have been prepared on an accounting basis not in accordance with these generally accepted accounting principles. The accompanying financial statements and notes omit entity wide statements, and assets, liabilities, fund equities, and disclosures that, while material, we cannot determine at this time.

We were unable to obtain sufficient evidence to support completeness of the Food Service Revenue, Enterprise Fund in fiscal year 2009. Food Service Revenue represents 84 percent of the total revenue in the Enterprise Fund in 2009.

In our opinion, the accompanying financial statements do not present fairly the financial position, results of operations, and cash flows, where applicable, of Ottoville Local School District, Putnam County, as of and for the years ended June 30, 2010 and 2009, in accordance with accounting principles generally accepted in the United States of America. In addition, as described in the preceding paragraph, we were unable to determine the effects of such adjustments, if any, as might have been determined to be

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necessary had we been able to obtain sufficient evidential matter for the Food Service Revenue Enterprise Fund in 2009.

The District has not presented Management's Discussion and Analysis, which accounting principles generally accepted in the United States of America has determined is necessary to supplement, although not required to be part of, the financial statements.

In accordance with *Government Auditing Standards*, we have also issued our report dated November 17, 2010, 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.

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

**Mary Taylor, CPA**  
Auditor of State

November 17, 2010

**OTTOVILLE LOCAL SCHOOL DISTRICT  
PUTNAM COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND  
CHANGES IN FUND CASH BALANCES - ALL GOVERNMENTAL FUND TYPES  
FOR THE YEAR ENDED JUNE 30, 2010**

	Governmental Fund Types				Totals (Memorandum Only)
	General	Special Revenue	Debt Service	Capital Projects	
<b>Cash Receipts:</b>					
Property Tax and Other Local Taxes	\$1,141,834	\$19,692	\$317,449	\$70,446	\$1,549,421
Intergovernmental	2,702,204	330,060	70,140	27,296	3,129,700
Tuition	184,359				184,359
Earnings on Investments	24,141	86		1,598	25,825
Transportation Fees	10,353				10,353
Extracurricular Activities	14,170	178,287			192,457
Classroom Materials and Fees	58,259				58,259
Revenue in Lieu of Taxes	33,237				33,237
Miscellaneous	26,745	4,136		1,500	32,381
<b>Total Cash Receipts</b>	<b>4,195,302</b>	<b>532,261</b>	<b>387,589</b>	<b>100,840</b>	<b>5,215,992</b>
<b>Cash Disbursements:</b>					
Instruction					
Regular	2,386,484	175,778			2,562,262
Special	153,440				153,440
Other Instruction	12,178				12,178
Supporting Services					
Pupils	87,833	5,611			93,444
Instructional Staff	114,725	26,482			141,207
Board of Education	19,020				19,020
Administration	302,475				302,475
Fiscal Services	170,631	592	9,582	2,119	182,924
Operation and Maintenance of Plant	272,896	162,054			434,950
Pupil Transportation	144,952	12,510			157,462
Central	405	5,058			5,463
Non-Instructional Services		2,000			2,000
Extracurricular Activities	103,572	159,927			263,499
Facilities Acquisition and Construction		2,653			2,653
Debt Service			331,553	68,705	400,258
<b>Total Cash Disbursements</b>	<b>3,768,611</b>	<b>552,665</b>	<b>341,135</b>	<b>70,824</b>	<b>4,733,235</b>
Total Cash Receipts Over/(Under) Cash Disbursements	426,691	(20,404)	46,454	30,016	482,757
<b>Other Financing Receipts/(Disbursements):</b>					
Insurance Proceeds	11,535				11,535
Transfers-In		144			144
Transfers-Out		(144)			(144)
Refund of Prior Year Receipts	(448)				(448)
<b>Total Other Financing Receipts/(Disbursements)</b>	<b>11,087</b>				<b>11,087</b>
Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements	437,778	(20,404)	46,454	30,016	493,844
Fund Cash Balances, July 1	1,331,534	597,351	445,202	100,905	2,474,992
Fund Cash Balances, June 30	<u>\$1,769,312</u>	<u>\$576,947</u>	<u>\$491,656</u>	<u>\$130,921</u>	<u>\$2,968,836</u>
Reserve for Encumbrances, June 30	<u>\$73,672</u>	<u>\$31,052</u>			<u>\$104,724</u>

THE NOTES TO THE FINANCIAL STATEMENTS ARE AN INTEGRAL PART OF THIS STATEMENT.

**OTTOVILLE LOCAL SCHOOL DISTRICT  
PUTNAM COUNTY**

COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS,  
AND CHANGES IN FUND CASH BALANCES  
PROPRIETARY AND SIMILAR FIDUCIARY FUND TYPES  
FOR THE YEAR ENDED JUNE 30, 2010

	Proprietary Fund Type	Fiduciary Fund Type	Totals (Memorandum Only)
	Enterprise	Agency	
<b>Operating Cash Receipts:</b>			
Food Services	\$168,961		\$168,961
Extracurricular Activities		\$57,069	57,069
Total Operating Cash Receipts	<u>168,961</u>	<u>57,069</u>	<u>226,030</u>
<b>Operating Cash Disbursements:</b>			
Personal Services	67,776		67,776
Employees Retirement and Insurance	32,112		32,112
Purchased Services	12,014		12,014
Supplies and Materials	89,138		89,138
Other Operating Expenses		58,874	58,874
Total Operating Cash Disbursements	<u>201,040</u>	<u>58,874</u>	<u>259,914</u>
Operating Loss	<u>(32,079)</u>	<u>(1,805)</u>	<u>(33,884)</u>
<b>Non-Operating Cash Receipts:</b>			
Intergovernmental Receipts	36,112		36,112
Earnings on Investments	558		558
Total Non-Operating Cash Receipts	<u>36,670</u>		<u>36,670</u>
Net Cash Receipts Over/(Under) Cash Disbursements	4,591	(1,805)	2,786
Fund Cash Balances, July 1	<u>30,263</u>	<u>16,542</u>	<u>46,805</u>
Fund Cash Balances, June 30	<u><u>\$34,854</u></u>	<u><u>\$14,737</u></u>	<u><u>\$49,591</u></u>
Reserve for Encumbrances, June 30	<u><u>\$1,647</u></u>	<u><u>\$90</u></u>	<u><u>\$1,737</u></u>

THE NOTES TO THE FINANCIAL STATEMENTS ARE AN INTEGRAL PART OF THIS STATEMENT.



**OTTOVILLE LOCAL SCHOOL DISTRICT  
PUTNAM COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND  
CHANGES IN FUND CASH BALANCES - ALL GOVERNMENTAL FUND TYPES  
FOR THE YEAR ENDED JUNE 30, 2009**

	Governmental Fund Types				Totals (Memorandum Only)
	General	Special Revenue	Debt Service	Capital Projects	
<b>Cash Receipts:</b>					
Property Tax and Other Local Taxes	\$1,069,888	\$19,618	\$321,385	\$70,113	\$1,481,004
Intergovernmental	2,864,834	127,854	70,075	24,238	3,087,001
Tuition	135,898				135,898
Earnings on Investments	26,661	5,550		1,841	34,052
Transportation Fees	19,582				19,582
Extracurricular Activities	8,530	146,757			155,287
Classroom Materials and Fees	51,457				51,457
Revenue in Lieu of Taxes	39,840				39,840
Donations				22,400	22,400
Miscellaneous	14,947	3,270		1,500	19,717
<b>Total Cash Receipts</b>	<b>4,231,637</b>	<b>303,049</b>	<b>391,460</b>	<b>120,092</b>	<b>5,046,238</b>
<b>Cash Disbursements:</b>					
Instruction					
Regular	2,502,715	87,709			2,590,424
Special	153,383	1,350			154,733
Other Instruction	19,281				19,281
Supporting Services					
Pupils	87,396	7,593			94,989
Instructional Staff	131,918	17,212			149,130
Board of Education	17,459				17,459
Administration	305,443				305,443
Fiscal Services	186,083	655	10,729	2,349	199,816
Operation and Maintenance of Plant	370,468	28,531			398,999
Pupil Transportation	137,275				137,275
Central	345	5,000			5,345
Non-Instructional Services		1,000			1,000
Extracurricular Activities	99,550	135,083			234,633
Facilities Acquisition and Construction	268			22,806	23,074
Debt Service			334,073	66,080	400,153
<b>Total Cash Disbursements</b>	<b>4,011,584</b>	<b>284,133</b>	<b>344,802</b>	<b>91,235</b>	<b>4,731,754</b>
Total Cash Receipts Over Cash Disbursements	220,053	18,916	46,658	28,857	314,484
<b>Other Financing Receipts/(Disbursements):</b>					
Insurance Proceeds	18,175	3,175			21,350
Refund of Prior Year Receipts		(190)			(190)
<b>Total Other Financing Receipts/(Disbursements)</b>	<b>18,175</b>	<b>2,985</b>			<b>21,160</b>
Excess of Cash Receipts and Other Financing Receipts Over Cash Disbursements and Other Financing Disbursements					
	238,228	21,901	46,658	28,857	335,644
Fund Cash Balances, July 1	1,093,306	575,450	398,544	72,048	2,139,348
Fund Cash Balances, June 30	<u>\$1,331,534</u>	<u>\$597,351</u>	<u>\$445,202</u>	<u>\$100,905</u>	<u>\$2,474,992</u>
Reserve for Encumbrances, June 30	<u>\$90,963</u>	<u>\$42,850</u>			<u>\$133,813</u>

THE NOTES TO THE FINANCIAL STATEMENTS ARE AN INTEGRAL PART OF THIS STATEMENT.

**OTTOVILLE LOCAL SCHOOL DISTRICT  
PUTNAM COUNTY**

COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS,  
AND CHANGES IN FUND CASH BALANCES  
PROPRIETARY AND SIMILAR FIDUCIARY FUND TYPES  
FOR THE YEAR ENDED JUNE 30, 2009

	Proprietary Fund Type	Fiduciary Fund Type	Totals (Memorandum Only)
	Enterprise	Agency	
<b>Operating Cash Receipts:</b>			
Food Services	\$169,275		\$169,275
Extracurricular Activities		\$76,494	76,494
Total Operating Cash Receipts	<u>169,275</u>	<u>76,494</u>	<u>245,769</u>
<b>Operating Cash Disbursements:</b>			
Personal Services	68,009		68,009
Employees Retirement and Insurance	27,605		27,605
Purchased Services	10,283		10,283
Supplies and Materials	89,459		89,459
Other Operating Expenses		76,498	76,498
Total Operating Cash Disbursements	<u>195,356</u>	<u>76,498</u>	<u>271,854</u>
Operating Loss	<u>(26,081)</u>	<u>(4)</u>	<u>(26,085)</u>
<b>Non-Operating Cash Receipts:</b>			
Intergovernmental Receipts	32,128		32,128
Insurance Proceeds	1,008		1,008
Earnings on Investments	247		247
Total Non-Operating Cash Receipts	<u>33,383</u>		<u>33,383</u>
Net Cash Receipts Over/(Under) Cash Disbursements	7,302	(4)	7,298
Fund Cash Balances, July 1	<u>22,961</u>	<u>16,546</u>	<u>39,507</u>
Fund Cash Balances, June 30	<u>\$30,263</u>	<u>\$16,542</u>	<u>\$46,805</u>
Reserve for Encumbrances, June 30	<u>\$3,646</u>		<u>\$3,646</u>

THE NOTES TO THE FINANCIAL STATEMENTS ARE AN INTEGRAL PART OF THIS STATEMENT.

**OTTOVILLE LOCAL SCHOOL DISTRICT  
PUTNAM COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEARS ENDED JUNE 30, 2010 AND 2009**

**NOTE 1 – DESCRIPTION OF THE SCHOOL DISTRICT**

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/or 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 18 classified employees, 35 certified teaching personnel, and 4 administrative employees who provide services to approximately 485 students and other community members. The District currently operates one instructional/support facility.

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

Although required by Ohio Administrative Code § 117-2-03(B) to prepare its annual financial report in accordance with accounting principles generally accepted in the United States of America, the District chooses to prepare its financial statements and notes in accordance with standards established by the Auditor of State for governmental entities that are not required to prepare reports in accordance with generally accepted accounting principles. This basis of accounting is similar to the cash receipts and disbursements basis of accounting. Receipts are recognized when received in cash rather than when earned, and disbursements are recognized when paid rather than when a liability is incurred. Budgetary presentations report budgetary expenditures when a commitment is made (i.e. when an encumbrance is approved).

**A. The Reporting Entity**

The District's reporting entity has been defined in accordance with GASB Statement No. 14, "The Financial Reporting Entity". A reporting entity is comprised of the primary government, component units, and other organizations that are included to insure that the financial statements of the District are not misleading. The primary government consists of all funds, departments, boards, and agencies that are not legally separate from the District. For the District, this includes general operations, food service, and student related activities of the District. 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. Component units may also include organizations that are fiscally dependent on the District in that the District approves the budget, the issuance of debt, or the levying of taxes for the organization. The financial statements of the reporting entity include only those of the District (the primary government). The District has no component units.

**OTTOVILLE LOCAL SCHOOL DISTRICT  
PUTNAM COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEARS ENDED JUNE 30, 2010 AND 2009  
(Continued)**

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

The District participates in 5 jointly governed organizations and 3 public entity risk pools. The financial statements exclude these entities which perform activities within the District's boundaries for the benefit of its residents because the District is not financially accountable for these entities nor are these entities fiscally dependent on the District. Notes 9 and 14 to the financial statements provide additional information for these entities. These organizations are:

Jointly Governed Organizations:

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

Public Entity Risk Pool:

Schools of Ohio Risk Sharing Authority  
Putnam County School Insurance Group  
Ohio School Boards Association (OSBA) Workers' Compensation Group Rating Program

**B. Fund Accounting**

The District uses fund accounting to segregate cash and investments which are restricted to use. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain District functions or activities.

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

**GOVERNMENTAL FUND TYPES**

Governmental funds are those through which most governmental functions of the District are financed. The following are the District's governmental fund types:

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

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

Debt Service Fund – This fund is used for the accumulation of resources for, and the payment of, general obligation long-term debt principal and interest.

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

**OTTOVILLE LOCAL SCHOOL DISTRICT  
PUTNAM COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEARS ENDED JUNE 30, 2010 AND 2009  
(Continued)**

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

PROPRIETARY FUND TYPE

Proprietary funds are used to account for the District's ongoing activities which are similar to those found in the private sector.

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

FIDUCIARY FUND TYPES

Fiduciary funds are used to account for assets held by the District in a trustee capacity or as an agent for individuals, private organizations, other governmental units, and/or other funds. The District's fiduciary fund includes an agency fund.

**C. Basis of Accounting**

The District's financial statements are prepared using the 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 cash basis of accounting, certain assets and their related revenues (such as accounts receivable and revenue for billed or provided services not yet collected) and certain liabilities and their related expenses (such as accounts payable and expenses for goods or services received but not yet paid, and accrued expenses 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 certificate of estimated resources and the appropriations resolution, both of which are prepared on the budgetary basis of accounting. 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 fund level 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 appropriation resolution is subject to amendment throughout the year with the restriction that appropriations cannot exceed estimated resources.

**OTTOVILLE LOCAL SCHOOL DISTRICT  
PUTNAM COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEARS ENDED JUNE 30, 2010 AND 2009  
(Continued)**

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

**E. Cash and Investments**

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 included in the cash balances reported by fund type.

The District's basis of accounting includes investments as assets. Accordingly, purchases of investments are not recorded as disbursements, and sales of investments are not recorded as receipts. Gains or losses at the time of sale are recorded as receipts or negative receipts (contra revenue), respectively.

During fiscal year 2010 and 2009, the District invested in STAR Ohio and certificates of deposit. The District reports its investment in STAR Ohio at share values the mutual fund reports. The District values certificates of deposit at cost.

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 2009 was \$26,661. Interest receipts credited to the Permanent Improvement Fund during fiscal year 2009 was \$1,841, Classroom Facilities Maintenance Fund was \$5,103, Lunchroom Fund was \$247, and Miller Scholarship Fund was \$447. Interest receipts credited to the General Fund during fiscal year 2010 was \$24,141. Interest receipts credited to the Permanent Improvement Fund during fiscal year 2010 was \$1,598, Lunchroom Fund was \$558, Miller Scholarship Fund was \$42, and Ottoville Staff Scholarship Fund was \$44.

**F. Capital Assets**

Acquisitions of capital assets are recorded as disbursements when paid. These items are not reflected as assets in the accompanying financial statements.

**G. 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 cash basis of accounting.

**H. 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.

**I. Long-Term Obligations**

The District's cash basis does 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 another financing source nor capital outlay expenditure is reported at inception. Lease payments are reported when paid.

**OTTOVILLE LOCAL SCHOOL DISTRICT  
PUTNAM COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEARS ENDED JUNE 30, 2010 AND 2009  
(Continued)**

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

**J. Interfund Transactions**

Exchange transactions between funds are reported as receipts in the seller funds and as disbursements in the purchaser funds. Subsidies from one fund to another fund without a requirement for repayment are reported as interfund transfers. Interfund transfers are reported as other financing sources/uses in governmental funds and after nonoperating receipts/cash disbursements in proprietary funds. Repayments from funds responsible for particular cash disbursements to the funds that initially paid for them are not presented in the financial statements.

**K. Total Columns on Financial Statements**

Total columns on the financial statements are captioned “Total – (Memorandum Only)” to indicate that they are presented only to facilitate financial analysis. This data is not comparable to a consolidation. Interfund-type eliminations have not been made in the aggregate of this data.

**NOTE 3 – 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 the regulatory 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 4 - 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.

**OTTOVILLE LOCAL SCHOOL DISTRICT  
PUTNAM COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEARS ENDED JUNE 30, 2010 AND 2009  
(Continued)**

**NOTE 4 - DEPOSITS AND INVESTMENTS – (Continued)**

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

1. United States Treasury bills, bonds, notes, or any other obligation or security issued by the United States Treasury, or any other obligation guaranteed as to principal and interest by the United States;
2. Bonds, notes, debentures, or any other obligation or security issued by any federal government agency or instrumentality including, but not limited to, the Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, Government National Mortgage Association, and Student Loan Marketing Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
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 30 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.

The carrying amount of deposits and investments at June 30, 2010 and 2009, was as follows:

	2010	2009
Demand deposits	\$982,343	\$1,486,754
Certificates of deposit	2,000,000	1,000,000
Total deposits	2,982,343	2,486,754
STAR Ohio	36,084	35,043
Total deposits and investments	\$3,018,427	\$2,521,797



**OTTOVILLE LOCAL SCHOOL DISTRICT  
PUTNAM COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEARS ENDED JUNE 30, 2010 AND 2009  
(Continued)**

**NOTE 4 - DEPOSITS AND INVESTMENTS – (Continued)**

**Deposits:** Deposits are insured by the Federal Depository Insurance Corporation or collateralized by securities specifically pledged by the financial institution to the District.

**Investments:** Investments in STAR Ohio are not evidenced by securities that exist in physical or book-entry form.

**NOTE 5 – BUDGETARY ACTIVITY**

Budgetary activity for the years ending June 30, 2010 and 2009 follows:

2010 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$4,246,091	\$4,206,837	(\$39,254)
Special Revenue	639,696	532,405	(107,291)
Debt Service	388,028	387,589	(439)
Capital Projects	106,011	100,840	(5,171)
Enterprise	219,500	205,631	(13,869)
Fiduciary	58,870	57,069	(1,801)
Total	\$5,658,196	\$5,490,371	(\$167,825)

2010 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$3,983,384	\$3,842,731	\$140,653
Special Revenue	669,006	583,861	85,145
Debt Service	343,753	341,135	2,618
Capital Projects	121,705	70,824	50,881
Enterprise	218,646	202,687	15,959
Fiduciary	59,599	58,964	635
Total	\$5,396,093	\$5,100,202	\$295,891

2009 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$4,195,789	\$4,249,812	\$54,023
Special Revenue	340,528	306,224	(34,304)
Debt Service	385,822	391,460	5,638
Capital Projects	120,791	120,092	(699)
Enterprise	205,000	202,658	(2,342)
Fiduciary	87,100	76,494	(10,606)
Total	\$5,335,030	\$5,346,740	\$11,710

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

**NOTE 5 – BUDGETARY ACTIVITY – (Continued)**

2009 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$4,405,013	\$4,102,547	\$302,466
Special Revenue	406,908	327,173	79,735
Debt Service	345,073	344,802	271
Capital Projects	99,080	91,235	7,845
Enterprise	201,040	199,002	2,038
Fiduciary	85,499	76,498	9,001
Total	\$5,542,613	\$5,141,257	\$401,356

**NOTE 6 - 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 years 2010 and 2009 represent the collection of calendar years 2009 and 2008 taxes. Real property taxes received in calendar years 2010 and 2009 were levied after April 1, 2009 and 2008, on the assessed values as of January 1, 2009 and 2008, respectively, 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 years 2010 and 2009 represent the collection of calendar years 2009 and 2008 taxes, respectively. Public utility real and tangible personal property taxes received in calendar years 2010 and 2009 became a lien on December 31, 2008 and 2007, respectively, were levied after April 1, 2009 and 2008, and are collected with real property taxes. Public utility real property is assessed at 35 percent of true value; public utility tangible personal property is currently assessed at varying percentages of true value.

Tangible personal property tax revenues received in calendar year 2010 (other than public utility property) represent the collection of calendar year 2010 taxes levied against local and inter-exchange telephone companies. Tangible personal property tax on business inventory, manufacturing machinery and equipment, and furniture and fixtures is no longer levied and collected. The October 2008 tangible personal property tax settlement was the last property tax settlement for general personal property taxes. Tangible personal property taxes received from telephone companies in calendar year 2010 were levied after October 1, 2009, on the value as of December 31, 2009. Amounts paid by multi-county taxpayers are due September 20. Single county taxpayers may pay annually or semiannually. If paid annually, payment is due April 30; if paid semiannually, the first payment is due April 30, with the remainder payable by September 20. Tangible personal property taxes paid by April 30 are usually received by the School District prior to June 30.

**OTTOVILLE LOCAL SCHOOL DISTRICT  
PUTNAM COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEARS ENDED JUNE 30, 2010 AND 2009  
(Continued)**

**NOTE 6 - PROPERTY TAXES – (Continued)**

The District receives property taxes from Putnam and Paulding Counties. The 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, 2010 and 2009, are available to finance fiscal years 2010 and 2009 operations, respectively. The amount available to be advanced can vary based on the date the tax bills are sent.

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

	2008 Second- Half Collections		2009 First- Half Collections	
	Amount	Percent	Amount	Percent
Real Property:				
Agricultural/Residential	\$43,557,160	86%	\$49,139,410	90%
Industrial/Commercial	4,189,150	8%	3,741,800	7%
Public Utility Property	1,474,700	3%	1,530,960	3%
Tangible Personal Property	1,418,720	3%	43,560	0%
Total Assessed Value	<u>\$50,639,730</u>	<u>100%</u>	<u>\$54,455,730</u>	<u>100%</u>
Tax rate per \$1,000 of assessed valuation	\$34.97		\$34.87	

The assessed values upon which fiscal year 2010 taxes were collected are:

	2009 Second- Half Collections		2010 First- Half Collections	
	Amount	Percent	Amount	Percent
Real Property:				
Agricultural/Residential	\$49,139,410	90%	\$49,598,370	90%
Industrial/Commercial	3,741,800	7%	3,763,040	7%
Public Utility Property	1,530,960	3%	1,607,790	3%
Tangible Personal Property	43,560	0%	66,715	0%
Total Assessed Value	<u>\$54,455,730</u>	<u>100%</u>	<u>\$55,035,915</u>	<u>100%</u>
Tax rate per \$1,000 of assessed valuation	\$34.87		\$34.27	

**OTTOVILLE LOCAL SCHOOL DISTRICT  
PUTNAM COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEARS ENDED JUNE 30, 2010 AND 2009  
(Continued)**

**NOTE 7 - INCOME TAXES**

On February 3, 2009, the District passed a .75 percent continuing school district income tax for general operations. The income tax was effective on January 1, 2010. Employers of residents are required to withhold income tax on compensation and remit the tax to the State. Taxpayers are required to file an annual return. The State remits quarterly distributions to the District after withholding amounts for administrative fees and estimated refunds. Income tax receipts are credited to the General Fund. Only one collection period (January 1, 2010 – March 31, 2010) was paid to the District during fiscal year 2010, which totaled \$30,233.

**NOTE 8 – PAYMENTS 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 fiscal year 2010 and 2009 were \$33,237 and \$39,840, respectively.

**NOTE 9 - RISK MANAGEMENT**

**A. Risk Pool Membership**

The District is a member of the Schools of Ohio Risk Sharing Authority (SORSA). SORSA is a member owned organization having approximately 88 members. SORSA is a joint self-insurance pool. SORSA assumes the risk of loss up to the limits of the District's policy. SORSA covers the following risks:

- General liability
- Commercial liability
- Employee Benefits Liability
- School Leaders Errors and Omissions
- Theft, Forgery, Employee Dishonesty
- Vehicle.

The District contributes to the funding, operating and maintaining of the SORSA joint self insurance pool. The District's contributions cover deductible losses, loss fund contribution, insurance costs, and administration cost.

The District paid \$23,029 in premiums to the pool for fiscal year 2009 coverage and the District paid \$22,909 in premiums to the pool for fiscal year 2010 coverage.

SORSA financial statements are available by contacting SORSA at:

Schools of Ohio Risk Sharing Authority, Inc.  
8050 North High Street  
Columbus, Ohio 43235

**OTTOVILLE LOCAL SCHOOL DISTRICT  
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**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEARS ENDED JUNE 30, 2010 AND 2009  
(Continued)**

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

**B. Employee Medical Benefits**

The District participates as a member of the Putnam County School Insurance Group, a public entity risk pool, administered by Huntington Bank. The District converted its fully-insured medical insurance 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.

**C. Workers' Compensation**

For fiscal years 2010 and 2009, the District participated in the Ohio School Boards Association Workers' Compensation Group Rating Program (GRP), an insurance purchasing pool. The intent of the GRP is to achieve a reduced premium for the District by virtue of its grouping and representation with other participants in the GRP. 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. GRP then calculates total savings and each participant's individual performance is compared to the overall Plan's savings percentage. A participant then either receives money from or contributes to GRP's equity pooling fund. This equity pooling arrangement insures that each participant shares equally in the overall performance of the GRP. Participation in the GRP is limited to school districts that can meet the GRP's selection criteria.

**NOTE 10 - DEFINED BENEFIT PENSION PLANS**

**A. School Employees Retirement System**

The District contributes to the School Employees Retirement System of Ohio ("SERS"), a cost-sharing multiple-employer defined benefit pension plan. SERS provides retirement, disability and survivor benefits; annual cost-of-living adjustments; and death benefits to plan members and beneficiaries. Authority to establish and amend benefits is provided by state statute per 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 can be obtained by contacting SERS, 300 East Broad Street, Suite 100, Columbus, Ohio 43215-3746 or by calling toll free (800) 878-5853. It is also posted on SERS' website at [www.ohsers.org](http://www.ohsers.org) under Forms and Publications.

Plan members are required to contribute 10 percent of their annual covered salary and the District is required to contribute 14 percent of annual covered payroll. The contribution requirements of plan members and employers are established and may be amended, up to statutory maximum amounts, by the SERS' Retirement Board. The Retirement Board acting with the advice of the actuary, allocates the employer contribution rate among four of the funds (Pension Trust Fund, Death Benefit Fund, Medicare B Fund, and Health Care Fund) of the System. For fiscal year 2009 (latest information available), the allocation to pension and death benefits is 9.09 percent. The remaining 4.91 percent of the 14 percent employer contribution rate is allocated to the Health Care and Medicare B Funds.

The District's contributions to SERS for the years ended June 30, 2010, 2009 and 2008 were \$56,552, \$55,513 and \$55,783, respectively; 51 percent has been contributed for fiscal year 2010 and 100 percent for the fiscal years 2009 and 2008.

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

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

**B. State Teachers Retirement System**

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

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

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

Funding Policy - For the fiscal year ended June 30, 2009 (latest information available), plan members were required to contribute 10 percent of their annual covered salary. The District was required to contribute 14 percent; 13 percent was the portion used to fund pension obligations. Contribution rates are established by the STRS Ohio Board upon recommendations of its consulting actuary, not to exceed statutory maximum rates of 10 percent for members and 14 percent for employers. Chapter 3307 of the Ohio Revised Code provides statutory authority for member and employer contributions.

The District's required contributions for pension obligations to the DB Plan for the fiscal years ended June 30, 2010, 2009 and 2008 were \$286,089, \$291,424 and \$297,158, respectively; 85 percent has been contributed for fiscal year 2010 and 100 percent for the fiscal years 2009 and 2008.

**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, 2010, three of the Board of Education members have elected Social Security.

**OTTOVILLE LOCAL SCHOOL DISTRICT  
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**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEARS ENDED JUNE 30, 2010 AND 2009  
(Continued)**

**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 reimbursement of monthly Medicare Part B 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.

**State Teachers Retirement System**

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. Of the 14 percent employer contribution rate, 1 percent of covered payroll was allocated to post-employment health care for the years ended June 30, 2009, 2008 and 2007. The 14 percent employer contribution rate is the maximum rate established under Ohio law. The District's contributions for post employment health care for fiscal years ended June 30, 2010, 2009 and 2008 were \$22,007, \$22,417 and \$22,858, respectively; 82 percent has been contributed for fiscal year 2009 and 100 percent for fiscal years 2008 and 2007.

**School Employees Retirement System**

***Medicare Part B Plan***

In addition to a cost-sharing multiple-employer defined benefit pension plan, SERS administers two postemployment benefit plans, the Medicare Part B Plan and the Health Care Plan. The Medicare B plan reimburses Medicare Part B premiums paid by eligible retirees and beneficiaries as set forth in Ohio Revised Code (ORC) 3309.69. Qualified benefit recipients who pay Medicare Part B premiums may apply for and receive a monthly reimbursement from SERS. The reimbursement amount is limited by statute to the lesser of the January 1, 1999 Medicare Part B premium or the current premium. The Medicare Part B premium for calendar year 2009 was \$96.40; SERS' reimbursement to retirees was \$45.50.

The Retirement Board, acting with the advice of the actuary, allocates a portion of the current employer contribution rate to the Medicare B Fund. For fiscal year 2009 (latest information available), the actuarially required allocation was 0.75 percent. The District's contributions for the fiscal years ended June 30, 2010 and 2009 were \$641 and \$653, which equaled the required contributions each year.

***Health Care Plan***

ORC 3309.375 and 3309.69 permit SERS to offer health care benefits to eligible retirees and beneficiaries. SERS' Retirement Board reserves the right to change or discontinue any health plan or program. SERS offers several types of health plans from various vendors, including HMO's, PPO's and traditional indemnity plans. A prescription drug program is also available to those who elect health coverage. SERS employs two third-party administrators and a pharmacy benefit manager to manage the self-insurance and prescription drug plans, respectively.

The ORC provides the statutory authority to fund SERS' postemployment benefits through employer contributions. Active members do not make contributions to the postemployment benefit plans.

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

**NOTE 11 – POST EMPLOYMENT BENEFITS – (Continued)**

The Health Care Fund was established under, and is administered in accordance with Internal Revenue Code 105(e). Each year after the allocation for statutorily required benefits, the Retirement Board allocates the remainder of the employer 14 percent contribution to the Health Care Fund. For the year ended June 30, 2009, the health care allocation was 4.16 percent. An additional health care surcharge on employers is collected for employees earning less than an actuarially determined minimum compensation amount, pro-rated according to service credit earned. Statutes provide that no employer shall pay a health care surcharge greater than 2 percent of that employer's SERS-covered payroll; nor may SERS collect in aggregate more than 1.5 percent of the total statewide SERS-covered payroll for the health care surcharge. For fiscal year 2009 (latest information available), the minimum compensation level was established at \$35,800. The surcharge added to the unallocated portion of the 14 percent employer contribution is the total amount assigned to the Health Care Fund. The District's contributions assigned to health care fund for the fiscal years ended June 30, 2010 and 2009 were \$55,416 and \$55,483, respectively.

The SERS Retirement Board establishes the rules for the premiums paid by the retirees for health care coverage for themselves and their dependents or for their surviving beneficiaries. Premiums vary depending on the plan selected, qualified years of service, Medicare eligibility and retirement status.

The financial reports of SERS' Health Care and Medicare B plans are included in its Comprehensive Annual Financial Report. The report can be obtained by contacting SERS, 300 East Broad Street, Suite 100, Columbus, Ohio 43215-3746 or by calling toll free (800) 878-5853. It is also posted on SERS' website at [www.ohsers.org](http://www.ohsers.org) under Employers/Audit Resources.

**NOTE 12 – DEBT**

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

	Principal Outstanding 7/1/08	Reductions	Principal Outstanding 6/30/09
<u>Tax Anticipation Note</u>			
2006 Issue	\$190,000	\$60,000	\$130,000
<u>General Obligation Bonds</u>			
2001 School Facilities Construction			
Current Interest Bonds	450,000	105,000	345,000
2004 Advance Refunding of 1995			
School Improvement Bonds:			
Current Interest Bonds	830,000	65,000	765,000
Capital Appreciation Bonds	15,000		15,000
2006 Advance Refunding of 2001			
School Construction Bonds:			
Current Interest Bonds	1,920,000	40,000	1,880,000
Capital Appreciation Bonds	79,996		79,996
Total Long Term Obligations	<u>\$3,484,996</u>	<u>\$270,000</u>	<u>\$3,214,996</u>



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

**NOTE 12 – DEBT – (Continued)**

The changes in the District's long-term obligations during fiscal year 2010 were as follows:

	<u>Principal Outstanding 7/1/09</u>	<u>Reductions</u>	<u>Principal Outstanding 6/30/10</u>
<u>Tax Anticipation Note</u>			
2006 Issue	\$130,000	\$65,000	\$65,000
<u>General Obligation Bonds</u>			
2001 School Facilities Construction			
Current Interest Bonds	345,000	110,000	235,000
2004 Advance Refunding of 1995 School Improvement Bonds:			
Current Interest Bonds	765,000	65,000	700,000
Capital Appreciation Bonds	15,000		15,000
2006 Advance Refunding of 2001 School Construction Bonds:			
Current Interest Bonds	1,880,000	40,000	1,840,000
Capital Appreciation Bonds	79,996		79,996
Total Long Term Obligations	<u>\$3,214,996</u>	<u>\$280,000</u>	<u>\$2,934,996</u>

**Tax Anticipation Note - 2006**

The District issued Permanent Improvement Levy Tax Anticipation Notes in the amount of \$300,000 in December 2005 for the construction of outdoor athletic facilities. The tax anticipation note is backed by the full faith and credit of the District and matures within five years.

Principal and interest requirements to retire tax anticipation notes outstanding at June 30, 2010, were as follows:

<u>Maturity Date</u>	<u>Principal</u>	<u>Interest Rate</u>
2011	\$65,000	3.80%

**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. During 2006 the term bonds were refunded. The bonds are being retired from the Bond Retirement Fund, with the proceeds of a 5.57 mill voted property tax levy.

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 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:

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

**NOTE 12 – DEBT – (Continued)**

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

**School Improvement Bonds – 2004**

On November 1, 2004, the District issued General Obligation Advance Refunding Bonds in the amount of \$990,000 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 consisted of \$475,000 in current interest serial bonds and \$500,000 in term bonds and \$15,000, in capital appreciation bonds.

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

<b>Maturity Date</b>	<b>Principal</b>	<b>Interest Rate</b>
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 amount as follows:

<b>Fiscal Year</b>	<b>Principal Amount to be Redeemed</b>
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 amount as follows:

<b>Fiscal Year</b>	<b>Principal Amount to be Redeemed</b>
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:

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

**NOTE 12 – DEBT – (Continued)**

<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.

**School Construction General Obligation Bonds – 2006**

Proceeds from the outstanding bonds were used for the purpose of advance refunding a portion of general obligation bonds, dated December 1, 2001, which were issued for the purpose of constructing a new instructional building. The bonds were issued on January 31, 2006. The bonds consisted of \$435,000 in current interest serial bonds and \$1,580,000 in term bonds and \$79,996, in capital appreciation bonds. This current refunding was undertaken to reduce total debt service payments over the next 18 years by \$76,753 and resulted in an economic gain of \$80,217.

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</u>	<u>Interest Rate</u>
2011	\$45,000	3.50%
2012	45,000	3.50%
2013	170,000	3.75%

The term bond which matures on December 1, 2017, has an interest rate of 4.25 percent per year, and is subject to mandatory sinking fund redemption at a redemption price of 103.729 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 amount as follows:

<u>Fiscal Year</u>	<u>Principal Amount to be Redeemed</u>
2018	\$365,000

The term bond which matures on December 1, 2019, has an interest rate of 4.00 percent per year, and is subject to mandatory sinking fund redemption at a redemption price of 100.559 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 amount as follows:

<u>Fiscal Year</u>	<u>Principal Amount to be Redeemed</u>
2020	\$395,000

The term bond which matures on December 1, 2021, has an interest rate of 4.00 percent per year, and is subject to mandatory sinking fund redemption at a redemption price of 99.415 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 amount as follows:

**OTTOVILLE LOCAL SCHOOL DISTRICT  
PUTNAM COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEARS ENDED JUNE 30, 2010 AND 2009  
(Continued)**

**NOTE 12 – DEBT – (Continued)**

<b>Fiscal Year</b>	<b>Principal Amount to be Redeemed</b>
2022	\$430,000

The term bond which matures on December 1, 2023, has an interest rate of 4.10 percent per year, and is subject to mandatory sinking fund redemption at a redemption price of 99.370 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 amount as follows:

<b>Fiscal Year</b>	<b>Principal Amount to be Redeemed</b>
2024	\$390,000

The capital appreciation bonds were issued in the aggregate original principal amount of \$79,996 and mature on December 1, in the years, have the original principal amounts and mature with the accreted values at maturity, as follows:

<b>Maturity Date</b>	<b>Original Principal Amount</b>	<b>Accreted Value at Maturity</b>
2014	\$32,668	\$180,000
2015	26,244	180,000
2016	21,084	180,000

The bonds are being retired through the Bond Retirement Fund.

Principal and interest requirements to retire general obligation bonds outstanding at June 30, 2010, were as follows:

<b>Year Ended</b>	<b>General Obligations Bonds</b>			<b>Capital Appreciation Bonds</b>		
	<b>Principal</b>	<b>Interest</b>	<b>Total</b>	<b>Principal</b>	<b>Interest</b>	<b>Total</b>
2011	\$225,000	\$110,793	\$335,793			
2012	230,000	102,453	332,453			
2013	240,000	91,015	331,015			
2014		86,603	86,603	\$41,043	\$208,956	\$249,999
2015		86,603	86,603	32,869	217,130	249,999
2016-2020	1,115,000	329,481	1,444,481	21,084	158,916	180,000
2021-2024	965,000	69,840	1,034,840			
Total	<b>\$2,775,000</b>	<b>\$876,788</b>	<b>\$3,651,788</b>	<b>\$94,996</b>	<b>\$585,002</b>	<b>\$679,998</b>

**OTTOVILLE LOCAL SCHOOL DISTRICT  
PUTNAM COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEARS ENDED JUNE 30, 2010 AND 2009  
(Continued)**

**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.

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

	Textbooks	Capital Improvements
Set Aside Reserve Balance June 30, 2008	\$15,349	
Current Year Set Aside Requirement	81,453	\$81,453
Current Year Qualifying Expenditures	(76,885)	
Current Year Offsets		(117,881 )
Total	\$19,917	(\$36,428)
Balance Carried Forward to Fiscal Year 2010	\$19,917	

The following cash basis information identifies the changes in the fund balance reserves for textbooks and capital improvements during fiscal year 2010.

	Textbooks	Capital Improvements
Set Aside Reserve Balance June 30, 2009	\$19,917	
Current Year Set Aside Requirement	84,283	\$84,283
Current Year Qualifying Expenditures	(73,493)	
Current Year Offsets		(122,780)
Total	\$30,707	(\$38,497)
Balance Carried Forward to Fiscal Year 2011	\$30,707	

The District had current year offsets during both 2009 and 2010 that reduced the capital improvements set aside amount to below zero. However, this excess amount over the required current year capital improvements set aside amount cannot be carried forward to reduce future set aside requirements, and therefore, is not reflected in the balance to be carried forward to the next fiscal year.

**OTTOVILLE LOCAL SCHOOL DISTRICT  
PUTNAM COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEARS ENDED JUNE 30, 2010 AND 2009  
(Continued)**

**NOTE 14 - 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 Michael Wildermuth, 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, OH 45891-1304.

**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

**OTTOVILLE LOCAL SCHOOL DISTRICT  
PUTNAM COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEARS ENDED JUNE 30, 2010 AND 2009  
(Continued)**

**NOTE 14 - JOINTLY GOVERNED ORGANIZATIONS – (Continued)**

**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.

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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  
P.O. Box 248  
Ottoville, Ohio 45876-0248

To the Board of Education:

We have audited the financial statements of Ottoville Local School District, Putnam County, (the District) as of and for the years ended June 30, 2010 and 2009, and have issued our report thereon dated November 17, 2010, wherein we issued an adverse opinion on the District's financial statements because the District prepared its financial statements using accounting practices the Auditor of State prescribes or permits for governments not required to report using accounting principles generally accepted in the United States of America and indicated our inability to obtain sufficient evidential matter supporting food service revenue in fiscal year 2009. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*.

### **Internal Control Over Financial Reporting**

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

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. Therefore, we cannot assure that we have identified all deficiencies, significant deficiencies or material weaknesses. However, as described in the accompanying schedule of findings we identified a certain deficiency in internal control over financial reporting, that we consider a material weakness.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, when performing their assigned functions, to prevent, or detect and timely correct misstatements. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and timely corrected. We consider finding 2010-002 described in the accompanying schedule of findings to be a material weakness.

### **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 we must report under *Government Auditing Standards* which is described in the accompanying schedule of findings as item 2010-001.

We also noted certain matters not requiring inclusion in this report that we reported to the District's management in a separate letter dated November 17, 2010.

The District's responses to the findings identified in our audit are described in the accompanying schedule of findings. We did not audit the District's responses and, accordingly, we express no opinion on them.

We intend this report solely for the information and use of management, the audit committee, the Board of Education, and others within the District. We intend it for no one other than these specified parties.



**Mary Taylor, CPA**  
Auditor of State

November 17, 2010

**OTTOVILLE LOCAL SCHOOL DISTRICT  
PUTNAM COUNTY**

**SCHEDULE OF FINDINGS  
JUNE 30, 2010, AND 2009**

<b>FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS</b>
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<i>Finding Number</i>	2010-001
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**Noncompliance Citation**

**Ohio Revised Code § 117.38** provides 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(B)**, which further clarifies the requirements of Ohio Revised Code § 117.38, requires the District to file annual financial reports which are prepared using accounting principles generally accepted in the United States of America.

The District prepares its financial statements in accordance with standards established by the Auditor of State for governmental entities not required to prepare annual reports in accordance with generally accepted accounting principles. The accompanying financial statements and notes omit assets, liabilities, fund equities, and disclosures, while material, cannot be determined at this time. The District can be fined and various other administrative remedies may be taken against the District.

We recommend the District prepare its statements in accordance with accounting principles generally accepted in the United States of America.

**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. On August 18, 2008, the Ottoville Local School District Board of Education discussed and approved the school reporting our financial statements on a cash basis format.

<i>Finding Number</i>	2010-002
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**Material Weakness – Cafeteria Revenues**

The cafeteria utilized tickets to keep track of pre-sale student lunches, pre-sales student milk, and pre-sale adult sales and tally sheets for single student lunches, milk and single adult sales until April 2009. The ticket sequence for these sales was indicated on a daily cash proof sheet; however there was no supporting documentation for ala carte sales. Ala carte sales on the manual system amounted to \$15,893 for fiscal year 2009. For the year ended June 30, 2009, this represented 9.4 percent of total cafeteria sales. The lack of supporting documentation could result in revenues not being deposited, which could affect the completeness, accuracy and reliability of the revenue reported on the financial statements.

We recommend the District implement controls to ensure all lunch sales including ala carte sales are appropriately documented and reconciled to the revenue received. We further recommend the Treasurer monitor daily food service revenue reports to help ensure their accuracy.

On April 9, 2009 the District implemented the Meal Plus electronic cafeteria system which is able to document a la carte receipts.

**Officials' Response:**

Ottoville Local Schools, based on the recommendation from our previous audit, implemented a debit card system called Meals Plus for our cafeteria. The system started up in fiscal year 2009 and has been used ever since. All reporting and cash reconciling is now automated and reports are shared between the cafeteria manager and the Treasurer.

**OTTOVILLE LOCAL SCHOOL DISTRICT  
PUTNAM COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS  
JUNE 30, 2010 AND 2009**

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>
2008-001	Ohio Revised Code § 117.38 for not filing GAAP statements	No	Reissued as finding 2010-001 in this report.
2008-002	Recommendation regarding cafeteria revenue collections and supporting documentation procedures	No	Partially corrected - reissued as finding 2010-002 in this report.
2008-003	Recommendation regarding the monitoring of financial activity by the governing board	Yes	

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# Mary Taylor, CPA

Auditor of State

## INDEPENDENT ACCOUNTANTS' REPORT ON APPLYING AGREED-UPON PROCEDURES

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

To the Board of Education:

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

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

1. We noted the Board adopted an anti-harassment policy at its meeting on May 19, 2008.
2. We read the policy, noting it included the following requirements from Ohio Rev. Code Section 3313.666(B):
  - (1) A statement prohibiting harassment, intimidation, or bullying of any student on school property or at school-sponsored events;
  - (2) A definition of harassment, intimidation, or bullying that includes the definition in division (A) of Ohio Rev. Code Section 3313.666;
  - (3) A procedure for reporting prohibited incidents;
  - (4) A requirement that school personnel report prohibited incidents of which they are aware to the school principal or other administrator designated by the principal;

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

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

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



**Mary Taylor, CPA**  
Auditor of State

November 17, 2010





**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  
DECEMBER 7, 2010**