



Dave Yost • Auditor of State

**COLUMBUS GROVE LOCAL SCHOOL DISTRICT
PUTNAM COUNTY**

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INDEPENDENT ACCOUNTANTS' REPORT

Columbus Grove Local School District
Putnam County
201 West Cross Street
Columbus Grove, Ohio 45830-1237

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 Columbus Grove Local School District, Putnam County, Ohio (the District), as of and for the year ended June 30, 2010, 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 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.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective cash financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Columbus Grove Local School District, Putnam County, Ohio, as of June 30, 2010, and the respective changes in cash financial position, and the budgetary comparison for the General fund 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 February 4, 2011, 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.

Accounting principles generally accepted in the United States of America require this presentation to include *Management's discussion and analysis*, as listed in the table of contents, to supplement the basic financial statements. Although this information is not part of the basic financial statements, the Governmental Accounting Standards Board considers it essential for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any other assurance.

We conducted our audit to opine on the financial statements that collectively comprise the District's basic financial statements taken as a whole. The federal awards receipts and expenditures schedule provides additional information required by the U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is also not a required part of the basic financial statements. The federal awards receipts and expenditures schedule is management's responsibility, and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. This schedule was subject to the auditing procedures we applied to the basic financial statements. We also applied certain additional procedures, including comparing and reconciling this information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, in accordance with auditing standards generally accepted in the United States of America. In our opinion, this information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.



Dave Yost
Auditor of State

February 4, 2011

**COLUMBUS GROVE LOCAL SCHOOL DISTRICT
PUTNAM COUNTY**

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010
UNAUDITED
(Continued)

This discussion and analysis of the Columbus Grove Local School District's ("the District") financial performance provides an overall review of the District's financial activities for the year ended June 30, 2010, within the limitations of the District's cash basis of accounting. Readers should also review the basic financial statements and notes to enhance their understanding of the District's financial performance.

Financial Highlights

Key highlights for 2010 are as follows:

Net assets of governmental activities increased \$10,710,090, or 242 percent, from the prior year. This increase was mostly due to the issuance of \$9,299,387 in general obligation bonds and \$2,617,427 in Ohio School Facilities revenues for a school construction project.

The District's general governmental receipts were \$17,387,170. The majority of these receipts were primarily property taxes, unrestricted state entitlements, and bond proceeds. Program specific revenues in the form of charges for services, operating grants and contributions, and capital grants and contributions accounted for \$3,753,454.

The District had \$10,430,534 in expenses related to governmental activities. Only \$3,753,454 of these expenses were offset by program specific charges for services, grants and contributions. General revenues supporting governmental activities (primarily taxes, unrestricted grants and entitlements, and bond proceeds) of \$17,387,170 were adequate to provide for these programs.

The District's major governmental funds were the General Fund, Bond Retirement Fund, Building Fund, and Ohio School Facilities Commission (OSFC) Construction Fund. The General Fund had \$7,186,140 in revenues and \$7,108,134 in expenditures and other uses. The Bond Retirement Fund had \$479,341 in revenues and other sources and \$213,566 in expenditures. The Building Fund had \$9,518,812 in revenues and other sources and \$6,013,638 in expenditures and other uses. The OSFC Construction Fund had \$8,280,041 in revenues and other sources and \$1,471,343 in expenditures. During fiscal year 2010, the General Fund balance increased \$78,006 from \$3,824,705 to \$3,902,711. The Bond Retirement Fund balance increased \$265,775 from \$233,497 to \$499,272. The Building fund balance and the OSFC Construction Fund, which did not have financial activity until 2010, had ending balances of \$3,505,174 and \$6,808,698, respectively.

Using this Annual Report

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 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.

Fund financial statements provide a greater level of detail. For governmental and business type 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

**COLUMBUS GROVE LOCAL SCHOOL DISTRICT
PUTNAM COUNTY**

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010
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(Continued)

non-major funds presented in total in a single column. For the District, the General fund, Bond Retirement fund, Building fund, and OSFC Construction fund are the major 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

Basis of accounting is a reference to when financial events are recorded, such as the timing for recognizing revenues, expenses, and the related assets and liabilities. The District has elected to present its financial statements on the cash basis of accounting. Under the District's cash basis of accounting, receipts and disbursements and the related assets and liabilities are recorded when they result in cash transactions. This basis of accounting is a basis of accounting other than generally accepted accounting principles.

As a result of using the other comprehensive 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 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 fiscal year 2010, within the limitations of the cash basis of accounting. The statement of net assets presents the cash balances and investments of the governmental activities of the District at fiscal year end. The statement of activities compares cash disbursements with program receipts for each function or program of the District's governmental activities. 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 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. Factors which contribute to these changes may include, but not limited to, the District's property tax base, current property tax laws in Ohio restricting revenue growth, facility conditions, and required educational programs.

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, capital outlay disbursements, and debt service.

Reporting the 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.

**COLUMBUS GROVE LOCAL SCHOOL DISTRICT
PUTNAM COUNTY**

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010
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(Continued)

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, Building fund, and OSFC Construction fund.

Governmental Funds – Most of the District 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 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.

The District as a Whole

Table 1 provides a summary of the District's net assets for fiscal year 2010 compared to fiscal year 2009 on another comprehensive basis of accounting.

Table 1		
Net Assets		
	Governmental Activities 2010	Governmental Activities 2009
Assets:		
Cash and Cash Equivalents	\$15,143,946	\$4,433,856
Net Assets:		
Restricted	\$11,348,712	\$795,444
Unrestricted	3,795,234	3,638,412
Total Net Assets	\$15,143,946	\$4,433,856

Over time, net assets can serve as a useful indicator of a government's financial position. At year end, net assets were \$15,143,946 for governmental activities.

A portion of the District's net assets, \$11,348,712, represents resources that are subject to external restriction on how they may be used. The remaining balance of unrestricted net assets of \$3,795,234 may be used to meet the District's ongoing obligations to the students and creditors.

The increase in cash was attributed to the issuance of debt and the receipt of OSFC grant monies for the District's building project.

Table 2 reflects the changes in net assets from the prior year:

**COLUMBUS GROVE LOCAL SCHOOL DISTRICT
PUTNAM COUNTY**

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010
UNAUDITED
(Continued)

**Table 2
Change in Net Assets**

	Governmental Activities 2010	Governmental Activities 2009
Revenues:		
Program Revenues:		
Charges for Services and Sales	\$627,086	\$699,316
Operating Grants and Contributions	489,860	285,904
Capital Grants and Contributions	2,636,508	10,307
Total Program Revenues	<u>3,753,454</u>	<u>995,527</u>
General Revenues:		
Property and Other Local Taxes	1,973,132	1,929,425
Income Taxes	694,334	734,638
Grants and Entitlements Not Restricted to Specific Programs	4,944,900	4,607,646
Gifts and Donations	16,566	
Interest	29,570	64,412
Customer Sales and Services	3,750	
Rent	3,292	
Miscellaneous	183,364	96,180
General Obligation Bonds Issued	9,299,387	
Premium on Bonds Issued	238,873	
Refund of Prior Year Expenditures	2	
Total General Revenues	<u>17,387,170</u>	<u>7,432,300</u>
Total Revenues	<u>21,140,624</u>	<u>8,427,827</u>
Expenditures:		
Instruction:		
Regular	4,083,290	3,952,434
Special	1,046,491	728,263
Vocational	94,690	117,208
Student Intervention	86	
Support Services:		
Pupil	274,299	277,183
Instructional Staff	127,867	124,393
Board of Education	41,014	21,874
Administration	524,173	506,545
Fiscal	259,502	223,804
Operation and Maintenance of Plant	540,622	523,380
Pupil Transportation	276,902	428,512
Central	78,350	75,352
Operation of Non-Instructional Services	404,964	403,313
Extracurricular Activities	398,001	461,384

**COLUMBUS GROVE LOCAL SCHOOL DISTRICT
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MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010
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(Continued)

	Governmental Activities 2010	Governmental Activities 2009
Capital Outlay	2,076,688	\$724,806
Debt Service	203,595	139,500
Total Expenditures	10,430,534	8,707,951
 Increase (Decrease) in Net Assets	 10,710,090	 (280,124)
 Net Assets, July 1	 4,433,856	 4,713,980
Net Assets, June 30	\$15,143,946	\$4,433,856

Net assets of the District's governmental activities increased \$10,710,090. Total governmental expenses of \$10,430,534 were offset by program revenues of \$3,753,454 and general revenues of \$17,387,170. Program revenues supported 35.99 percent of the total governmental expenses.

The primary sources of revenue for the governmental activities were bond proceeds which represents 43.99 percent of total governmental revenue. Property taxes, income taxes and grant and entitlements not restricted to specific programs represent 36.01 percent of total governmental revenue. Real estate property is reappraised every six years.

Overall revenues increased \$12,712,797 (150.8%) primarily due to the issuance of debt and receipt of Ohio School Facilities Commission (OSFC) grant monies to be used for the construction of the District's new school building. Overall expenditures increased \$1,722,583 (19.8%) primarily due to an increase in capital expenditures related to the construction of the District's new school building.

Governmental Activities

The Statement of Activities shows the cost of program services and the charges for services, grants and contributions off-setting those services. The following table shows the total cost of these services and the net cost of services. That is, it identifies the cost of these services supported by tax revenue and unrestricted State grants and entitlements.

**COLUMBUS GROVE LOCAL SCHOOL DISTRICT
PUTNAM COUNTY**

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010
UNAUDITED
(Continued)

**Table 3
Governmental Activities**

	Total Cost of Services 2010	Net Cost of Services 2010	Total Cost of Services 2009	Net Cost of Services 2009
Current:				
Instruction:				
Regular	\$4,083,290	\$3,834,844	\$3,952,434	\$3,700,196
Special	1,046,491	661,628	728,263	618,399
Vocational	94,690	94,690	117,208	117,208
Student Intervention	86	86		
Support Services:				
Pupil	274,299	274,299	277,183	277,183
Instructional Staff	127,867	127,867	124,393	124,393
Board of Education	41,014	41,014	21,874	21,874
Administration	524,173	524,173	506,545	506,545
Fiscal	259,502	259,502	223,804	223,804
Operation and Maintenance of Plant	540,622	540,622	523,380	523,380
Pupil Transportation	276,902	276,902	428,512	418,205
Central	78,350	78,350	75,352	75,352
Operation of Non-Instructional Services	404,964	90,804	403,313	4,856
Extracurricular Activities	398,001	228,524	461,384	236,723
Capital Outlay	2,076,688	(559,820)	724,806	724,806
Debt Service	203,595	203,595	139,500	139,500
Total Disbursements	<u>\$10,430,534</u>	<u>\$6,677,080</u>	<u>\$8,707,951</u>	<u>\$7,712,414</u>

The dependence upon tax receipts and unrestricted state entitlements is apparent as a majority of instructional activities are supported through these general receipts. For all governmental activities, general revenue support is 64 percent. The remaining 36 percent are derived from charges for services, operating grants and contributions, and capital grants and contributions.

The Government's Funds

The District's funds are accounted for using the cash basis of accounting. Total combined fund balance of \$15,143,946, which is higher than last year's total of \$4,433,856. The schedule below indicates fund balance and the total change in fund balance as of June 30, 2010 and 2009.

**COLUMBUS GROVE LOCAL SCHOOL DISTRICT
PUTNAM COUNTY**

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010
UNAUDITED
(Continued)

**Table 4
Fund Balance**

	June 30, 2010	June 30, 2009	Increase (Decrease)
General	\$3,902,711	\$3,824,705	\$78,006
Bond Retirement	499,272	233,497	265,775
Building	3,505,174		3,505,174
OSFC Construction	6,808,698		6,808,698
Other Governmental	428,091	375,654	52,437
Total Fund Balance	\$15,143,946	\$4,433,856	\$10,710,090

The net positive change of \$10,710,090 in fund balance for the year was primarily attributed to bond proceeds and Ohio School Facilities Commission (OSFC) grant monies received for the construction of the District's new school building.

General Fund

The District's general fund's balance increased by \$78,006

The table that follows assists in illustrating the financial activities of the General fund.

**Table 5
General Fund**

	2010 Amount	2009 Amount
Revenues:		
Taxes	\$2,250,308	\$2,508,903
Tuition	245,795	250,863
Interest	19,710	61,125
Intergovernmental	4,622,832	4,553,338
Other Revenues	47,495	47,573
Total Revenues	\$7,186,140	\$7,421,802
Expenditures:		
Instruction	\$4,719,268	\$4,686,648
Support Services	1,906,876	2,147,739
Operation of Non-Instructional Services	2,515	2,610
Extracurricular Activities	236,528	215,549
Capital Outlay	206,027	650,877
Total Expenditures	\$7,071,214	\$7,703,423

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.

**COLUMBUS GROVE LOCAL SCHOOL DISTRICT
PUTNAM COUNTY**

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010
UNAUDITED
(Continued)

During fiscal year 2010, the District amended its General fund budget as needed to reflect changing circumstances.

Final estimated revenues and other financing sources exceed original amounts by \$1,142,513 (15.1%). The variance was primarily a result of advances budgeted later in the year. Actual revenues and other financing sources for fiscal year 2010 were \$640,495 less than the final estimated revenues and other financing sources. The variance was primarily a result of the uncertainty as to the amount and reporting of stimulus funding.

General Fund original budgeted appropriations (appropriated expenditures plus other financing uses) of \$8,001,081 were increased to \$9,296,313 in the final budget. The increase of 16.2% was primarily a result of advances budgeted later in the year. Actual budget basis expenditures and other financing uses for fiscal year 2010 totaled \$8,118,428 which was \$1,177,885 (12.7%) less than the final budget appropriations. The variance is primarily due to a conservative "worst case scenario" approach. The District over-appropriates in case significant, unexpected expenditures arise during the fiscal year.

Capital Assets and Debt Administration

Capital Assets

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

Debt

At June 30, 2010, the District's outstanding debt included general obligation (G.O.) bonds in the amount of \$3,671,617 and Qualified School Construction Bond debt of \$5,747,770. Of this total \$202,770 is due within one year and \$9,216,617 is due in more than one year.

The bonds are being retired through the Bond Retirement fund.

For further information regarding the District's debt, see the notes to the basic financial statements.

Current Issues

The challenge for all 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. The District's five year forecast predicts no deficits in the near future.

Contacting the District's Financial Management

This financial report is designed to provide our citizens, taxpayers, investors, and creditors with a general overview of the Government'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 Mark Ellerbrock, Treasurer, Columbus Grove Local School District, 201 West Cross Street, Columbus Grove, Ohio 45830-1237.

**COLUMBUS GROVE LOCAL SCHOOL DISTRICT
PUTNAM COUNTY**

Statement of Net Assets - Cash Basis
June 30, 2010

	Governmental Activities
Assets:	
Equity in Pooled Cash and Cash Equivalents	\$14,874,366
Restricted Assets:	
Cash and Cash Equivalents with Fiscal Agent	269,580
<i>Total Assets</i>	\$15,143,946
 Net Assets:	
Restricted for:	
Capital Projects	\$10,367,213
Debt Service	499,272
Set Asides	77,819
Other Purposes	404,408
Unrestricted	3,795,234
<i>Total Net Assets</i>	\$15,143,946

See accompanying notes to the basic financial statements

**COLUMBUS GROVE LOCAL SCHOOL DISTRICT
PUTNAM COUNTY**

Statement of Activities - Cash Basis
For the Fiscal Year Ended June 30, 2010

	Program Revenues			Net (Disbursements) Receipts and Changes in Net Assets
	Cash Disbursements	Charges for Services and Sales	Operating Grants and Contributions	Capital Grants and Contributions
				Governmental Activities
Governmental Activities:				
Instruction:				
Regular	\$4,083,290	\$245,794	\$2,652	(\$3,834,844)
Special	1,046,491		384,863	(661,628)
Vocational	94,690			(94,690)
Student Intervention	86			(86)
Support Services:				
Pupil	274,299			(274,299)
Instructional Staff	127,867			(127,867)
Board of Education	41,014			(41,014)
Administration	524,173			(524,173)
Fiscal	259,502			(259,502)
Operation and Maintenance of Plant	540,622			(540,622)
Pupil Transportation	276,902			(276,902)
Central	78,350			(78,350)
Operation of Non-Instructional Services	404,964	211,815	102,345	(90,804)
Extracurricular Activities	398,001	169,477		(228,524)
Capital Outlay	2,076,688			559,820
Debt Service	203,595			(203,595)
Totals	\$10,430,534	\$627,086	\$489,860	\$2,636,508
				(6,677,080)
General Revenues:				
Property Taxes				1,973,132
Income Taxes				694,334
Grants and Entitlements not Restricted to Specific Programs				4,944,900
Gifts and Donations				16,566
Interest				29,570
Customer Sales and Services				3,750
Rent				3,292
Miscellaneous				183,364
General Obligation Bonds Issued				9,299,387
Premium on Bonds Issued				238,873
Refund of Prior Year Expenditures				2
Total General Revenues				17,387,170
Change in Net Assets				10,710,090
Net Assets Beginning of Year				4,433,856
Net Assets End of Year				\$15,143,946

See accompanying notes to the basic financial statements

**COLUMBUS GROVE LOCAL SCHOOL DISTRICT
PUTNAM COUNTY**

Statement of Cash Basis Assets and Fund Cash Balances -
Governmental Funds
For the Fiscal Year Ended June 30, 2010

	General	Bond Retirement	Building Fund	OSFC Construction Fund	Other Governmental Funds	Total Government Funds
Assets:						
Equity in Pooled Cash and Cash Equivalents	\$3,795,234	\$229,692	\$3,505,174	\$6,808,698	\$428,091	\$14,766,889
Restricted Assets:						
Cash and Cash Equivalents with Fiscal Agent		269,580				269,580
Equity in Pooled Cash and Cash Equivalents	107,477					107,477
<i>Total Assets</i>	<u>\$3,902,711</u>	<u>\$499,272</u>	<u>\$3,505,174</u>	<u>\$6,808,698</u>	<u>\$428,091</u>	<u>\$15,143,946</u>
Fund Balances:						
Reserved for:						
Encumbrances	\$144,416		\$56,295	\$861,454	\$16,370	\$1,078,535
Bus Purchases	29,658					29,658
Textbooks	77,819					77,819
Debt Service		\$269,580				269,580
Unreserved:						
Undesignated, Reported in General Fund	3,650,818					3,650,818
Special Revenue Funds					358,380	358,380
Debt Service Fund		229,692				229,692
Capital Projects Funds			3,448,879	5,947,244	53,341	9,449,464
<i>Total Fund Balances</i>	<u>\$3,902,711</u>	<u>\$499,272</u>	<u>\$3,505,174</u>	<u>\$6,808,698</u>	<u>\$428,091</u>	<u>\$15,143,946</u>

See accompanying notes to the basic financial statements

**COLUMBUS GROVE LOCAL SCHOOL DISTRICT
PUTNAM COUNTY**

Statement of Cash Basis Receipts, Disbursements and Changes
in Fund Cash Balances - Governmental Funds
For the Fiscal Year Ended June 30, 2010

	General	Bond Retirement	Building Fund	OSFC Construction Fund	Other Governmental Funds	Total Governmental Funds
Revenues:						
Property Taxes	\$1,555,974	\$363,771			\$53,387	\$1,973,132
Income Taxes	694,334					694,334
Intergovernmental	4,622,832	56,556		\$2,617,427	918,789	8,215,604
Interest	19,710		\$2,646	6,486	728	29,570
Tuition and Fees	245,795					245,795
Customer Sales and Services	3,750				211,815	215,565
Extracurricular Activities					169,477	169,477
Contributions and Donations	14,070				2,496	16,566
Rentals	3,292					3,292
Miscellaneous	26,383				12,644	39,027
Total Revenues	7,186,140	420,327	2,646	2,623,913	1,369,336	11,602,362
Expenditures:						
Current:						
Instruction:						
Regular	3,933,190				150,100	4,083,290
Special	691,302				355,189	1,046,491
Vocational	94,690					94,690
Student Intervention	86					86
Support Services:						
Pupil	221,879				52,420	274,299
Instructional Staff	127,867					127,867
Board of Education	41,014					41,014
Administration	444,925				79,248	524,173
Fiscal	247,931	9,971			1,600	259,502
Operation and Maintenance of Plan	524,568				16,054	540,622
Pupil Transportation	264,242				12,660	276,902
Central	34,450				43,900	78,350
Operation of Non-Instructional Services	2,515				402,449	404,964
Extracurricular Activities	236,528				161,473	398,001
Capital Outlay	206,027		357,510	1,471,343	41,808	2,076,688
Debt Service:						
Principal Retirement		120,000				120,000
Interest and Fiscal Charges		83,595				83,595
Total Expenditures	7,071,214	213,566	357,510	1,471,343	1,316,901	10,430,534
Excess of Revenues Over (Under) Expenditures	114,926	206,761	(354,864)	1,152,570	52,435	1,171,828
Other Financing Sources and (Uses):						
Transfers In		36,920		5,656,128		5,693,048
General Obligation Bonds Issued			9,299,387			9,299,387
Premium on Bonds Issued		22,094	216,779			238,873
Refund of Prior Year Expenditure					2	2
Transfers Out	(36,920)		(5,656,128)			(5,693,048)
Total Other Financing Sources and (Uses)	(36,920)	59,014	3,860,038	5,656,128	2	9,538,262
Net Change in Fund Balances	78,006	265,775	3,505,174	6,808,698	52,437	10,710,090
Fund Balances at Beginning of Year	3,824,705	233,497			375,654	4,433,856
Fund Balances at End of Year	\$3,902,711	\$499,272	\$3,505,174	\$6,808,698	\$428,091	\$15,143,946

See accompanying notes to the basic financial statements

**COLUMBUS GROVE LOCAL SCHOOL DISTRICT
PUTNAM COUNTY**

Statement of Cash Receipts, Cash Disbursements and Changes
in Cash Fund Balances (Budgetary Basis) - General Fund
For the Fiscal Year Ended June 30, 2010

	Budgeted Amounts			Variance with Final Budget Positive (Negative)
	Original	Final	Actual	
Revenues:				
Property Taxes	\$1,568,210	\$1,539,528	\$1,555,974	\$16,446
Income Taxes	787,606	787,606	694,334	(93,272)
Intergovernmental	4,831,089	5,122,563	4,622,832	(499,731)
Interest	64,992	48,717	19,710	(29,007)
Tuition and Fees	252,118	303,210	245,795	(57,415)
Rent	717	717	3,292	2,575
Contributions and Donations	402	402	14,070	13,668
Customer Sales and Services	4,565	4,565	3,750	(815)
Miscellaneous	40,301	35,525	26,383	(9,142)
<i>Total Revenues</i>	<u>7,550,000</u>	<u>7,842,833</u>	<u>7,186,140</u>	<u>(656,693)</u>
Expenditures:				
Current:				
Instruction:				
Regular	4,008,905	4,045,471	3,967,476	77,995
Special	637,084	637,934	694,215	(56,281)
Vocational	120,128	120,156	94,690	25,466
Other	27,092	27,092	86	27,006
Support Services:				
Pupil	279,890	280,807	223,506	57,301
Instructional Staff	129,171	133,836	132,809	1,027
Board of Education	13,662	40,155	60,478	(20,323)
Administration	526,878	529,343	452,832	76,511
Fiscal	234,235	234,585	247,931	(13,346)
Operation and Maintenance of Plant	526,372	553,385	562,164	(8,779)
Pupil Transportation	455,011	467,011	283,476	183,535
Central	68,780	68,780	34,450	34,330
Food Service Operations	1,723	1,723	2,515	(792)
Extracurricular Activities	243,016	234,453	236,955	(2,502)
Capital Outlay	700,069	734,809	222,047	512,762
<i>Total Expenditures</i>	<u>7,972,016</u>	<u>8,109,540</u>	<u>7,215,630</u>	<u>893,910</u>
<i>Excess of Disbursements Over Receipts</i>	<u>(422,016)</u>	<u>(266,707)</u>	<u>(29,490)</u>	<u>237,217</u>
Other Financing Sources and (Uses):				
Advances In		846,378	865,878	19,500
Advances Out		(846,378)	(865,878)	(19,500)
Transfers Out		(26,903)	(36,920)	(10,017)
Refund of Prior Year Receipts	(1,081)	(1,081)		1,081
Other Financing Sources		3,302		(3,302)
Other Financing Uses	(27,984)	(312,411)		312,411
<i>Total Other Financing Sources and (Uses)</i>	<u>(29,065)</u>	<u>(337,093)</u>	<u>(36,920)</u>	<u>300,173</u>
<i>Net Change in Fund Balance</i>	(451,081)	(603,800)	(66,410)	537,390
<i>Fund Balance at Beginning of Year</i>	3,670,907	3,670,907	3,670,907	
<i>Prior Year Encumbrances Appropriated</i>	<u>153,798</u>	<u>153,798</u>	<u>153,798</u>	
<i>Fund Balance at End of Year</i>	<u><u>\$3,373,624</u></u>	<u><u>\$3,220,905</u></u>	<u><u>\$3,758,295</u></u>	<u><u>\$537,390</u></u>

See accompanying notes to the basic financial statements

**COLUMBUS GROVE LOCAL SCHOOL DISTRICT
PUTNAM COUNTY**

Statement of Fiduciary Net Assets - Cash Basis
For the Fiscal Year Ended June 30, 2010

	<u>Agency</u>
Assets:	
Equity in Pooled Cash and Cash Equivalents	<u><u>\$37,439</u></u>
Liabilities:	
Undistributed Monies	<u><u>\$37,439</u></u>

See accompanying notes to the basic financial statements

**COLUMBUS GROVE LOCAL SCHOOL DISTRICT
PUTNAM COUNTY**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010
(Continued)

NOTE 1 - DESCRIPTION OF THE SCHOOL DISTRICT AND REPORTING ENTITY

The Columbus Grove Local School District (the District) is a body politic and corporate established to exercise the rights and privileges the constitution and laws of the State of Ohio convey to it.

A locally-elected five-member Board governs the District, which provides educational services mandated by the State and federal agencies. This Board of Education controls the District's one instructional/support facility staffed by 35 classified employees, 67 certificated full-time personnel, and 4 administrators who provide services to 940 students and other community members.

Reporting Entity

A reporting entity is comprised of the primary government, component units and other organizations included ensuring that the basic financial statements are not misleading. 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, community services, and student-related activities.

Component units are legally separate organizations for which the District can "impose its will," such as by appointing a voting majority of the component unit's governing body. Component units may also include organizations fiscally dependent on the District in that the District approves their budget, the issuance of their debt or the levying of their 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.

The District has no joint ventures.

The District participates in 3 public entity risk pools and 4 jointly governed organizations. 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 7 and 13 to the financial statements provide additional information for these entities. These organizations are:

Public Entity Risk Pool:

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

Jointly Governed Organizations:

Northwest Ohio Area Computer Services Cooperative
Apollo Career Center
West Central Regional Professional Development Center
Northwest Ohio Special Education Regional Resource Center

**COLUMBUS GROVE LOCAL SCHOOL DISTRICT
PUTNAM COUNTY**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010
(Continued)

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Basis of Accounting

Although Ohio Administrative Code Section 117-2-03 (B) requires the District's financial report to follow generally accepted accounting principles, the District chooses to prepare its financial statements and notes in accordance with the cash basis of accounting. This is a comprehensive basis of accounting other than generally accepted accounting principles.

The cash basis of accounting differs from accounting principles generally accepted in the United States of America (GAAP). The District recognizes receipts when received in cash rather than when earned and recognizes disbursements 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). Differences between disbursements reported in the fund and entity wide statements versus budgetary expenditures result from encumbrances outstanding at the beginning and end of the fiscal year.

B. Fund Accounting

The District uses funds to maintain its financial records during the fiscal year. Fund accounting is designed to demonstrate legal compliance and to aid management by segregating transactions related to certain functions or activities. A fund is a fiscal and accounting entity with a self-balancing set of accounts. The District classifies each fund as either governmental or fiduciary.

Governmental: 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 accounts for all financial resources except for restricted resources requiring a separate accounting. 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 accounts for resources received from property taxes to pay school improvement general obligation bond principal, interest and related costs.

Building Fund The Building fund is used to account for the receipts and disbursements related to the construction of locally funded initiatives related to the Ohio School Facilities Commission (OSFC) building project.

OSFC Construction Fund The OSFC Construction fund is used to account for state and local shares of the receipts and disbursements related to the 2009 OSFC building project.

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

**COLUMBUS GROVE LOCAL SCHOOL DISTRICT
PUTNAM COUNTY**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010
(Continued)

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Fiduciary: 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.

C. Basis of Presentation

The District's basic financial statements consist of a government-wide statement of activities and fund financial statements providing more detailed financial information.

Government-wide Financial Statement of Activities: This statement displays information about the District as a whole, except for fiduciary funds.

The government-wide 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 government is responsible. 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, with certain limited exceptions. The comparison of direct disbursements with program receipts identifies the extent to which each governmental function is self-financing on the cash basis or draws from the District's general receipts.

Fund Financial Statements: Fund financial statements report more detailed information about the District. The focus of governmental fund financial statements is on major funds. Fund statements present each major fund in a separate column and aggregate nonmajor funds in a single column. Fiduciary funds are reported by type.

D. Cash, Cash Equivalents 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 as "Equity in Pooled Cash and Cash Equivalents". Cash and cash equivalents that are held separately in an account at a financial institution for debt service are reported as "Cash and Cash Equivalents with Fiscal Agent".

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

Investments are reported 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.

**COLUMBUS GROVE LOCAL SCHOOL DISTRICT
PUTNAM COUNTY**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010
(Continued)

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

During 2010, the District invested in STAR Ohio and certificates of deposit. STAR Ohio is an investment pool, managed by the State Treasurer's Office, which allows governments within the State to pool their funds for investment purposes. STAR Ohio is not registered with the SEC as an investment company, but does operate in a manner consistent with Rule 2a7 of the Investment Company Act of 1940. Investments in STAR Ohio are valued at STAR Ohio's share price, which is the price the investment could be sold for on June 30, 2010. Non-participating investment contracts, such as non-negotiable certificates of deposit are valued at cost.

Following Ohio statutes, the Board of Education specified the funds to receive an allocation of interest earnings. Interest revenue credited to the General fund during fiscal year 2010 amounted to \$19,710, which includes \$9,398 assigned from other District funds.

E. Restricted Assets

The financial statements classify cash, cash equivalents and investments as restricted when external limitations change the nature or normal understanding of their use. Creditors, contributors, grantors, laws of other governments or enabling legislation are the sources of the restrictions. Restricted cash and cash equivalents in the General Fund include amounts State statute requires to be set aside for textbooks and instructional materials and bus purchases.

F. 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.

G. 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.

H. Compensated Absences

In certain circumstances, such as upon leaving employment, 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.

I. Long-term Obligations

The District's 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.

J. Fund Balance Reserves

The District reserves those portions of fund balances legally segregated for a specific future use or which are not available for appropriation or disbursement. The District has fund balance reserves for encumbrances, school bus purchases, instructional materials and textbooks and debt service.

**COLUMBUS GROVE LOCAL SCHOOL DISTRICT
PUTNAM COUNTY**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010
(Continued)

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

K. Net Assets

The statements report restricted net assets when enabling legislation or creditors, grantors or laws or regulations of other governments have imposed limitations on their use.

The District first applies restricted resources when incurring a disbursement for which it may use either restricted or unrestricted resources.

L. Interfund Activity

The statements report exchange transactions between funds as receipts in the seller funds and as disbursements in the purchasing funds. Nonexchange flows of cash from one fund to another are reported as interfund transfers. Governmental funds report interfund transfers as other financing sources/uses. The statements do not report repayments from funds responsible for particular disbursements to the funds initially paying the costs.

The statements report interfund loans as advances when made or repaid. There were no unpaid advances as of June 30, 2010.

M. Extraordinary and Special Items

Extraordinary items are transactions or events that are both unusual in nature and infrequent in occurrence. Special items are transactions or events within the Board of Education's control that are either unusual in nature or infrequent in occurrence. Neither type of transactions occurred during fiscal 2010.

N. Budgetary Data

Ohio law requires the Board of Education to budget and appropriate all funds, other than agency funds. The major documents prepared are the appropriation resolution and the certificate of estimated resources, which use the budgetary basis of accounting. The budgetary basis reports expenditures when a commitment is made (i.e., when an encumbrance is approved). The certificate of estimated resources establishes a limit on the amounts the Board of Education may appropriate. The appropriation resolution is the Board's authorization to spend resources and sets annual limits on expenditures plus encumbrances at a level of control the Board selects. The Board of Education uses the fund as its legal level of control. Although the legal level of budgetary control was established at the fund level of expenditures, the District has elected to present the General fund budgetary statement comparison at the fund and function level.

The certificate of estimated resources may be amended during the year if the District Treasurer projects increases or decreases in receipts. The amounts reported as the original budget in the budgetary statements reflect the amounts in the certificate when the Board adopted the original appropriations. The amounts reported as the final budget in the budgetary statements reflect the amounts in the amended certificate in effect at the time the final appropriations were passed.

**COLUMBUS GROVE LOCAL SCHOOL DISTRICT
PUTNAM COUNTY**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010
(Continued)

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

The Board may amend appropriations throughout the year with the restriction that appropriations may not exceed estimated resources. The amounts reported as the original budget reflect the first appropriation for a fund covering the entire fiscal year, including amounts automatically carried over from prior years. The amounts reported as the final budget represent the final appropriation the Board passed during the year.

NOTE 3 - BUDGETARY BASIS OF ACCOUNTING

Budgetary

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 cash basis is outstanding year end encumbrances are treated as cash disbursements (budgetary basis) rather than as a reservation of fund balance (cash basis). The encumbrances outstanding at year end (budgetary basis) amounted to \$144,416 in the General fund.

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.

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;

**COLUMBUS GROVE LOCAL SCHOOL DISTRICT
PUTNAM COUNTY**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010
(Continued)

NOTE 4 - 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).
8. Commercial paper and bankers acceptances if training requirements have been met.

Investments in stripped principal or interest obligations reverse repurchase agreements, and derivatives are prohibited. The issuance of taxable notes for the purpose of arbitrage, the use of leverage, and short selling are also prohibited. An investment must mature within five years from the date of purchase, unless matched to a specific obligation or debt of the 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.

Undeposited Cash: At year end, the District had \$500 in undeposited cash on hand, included as part of equity in pooled cash and cash equivalents.

Cash with Fiscal Agent: At year end, the District had \$269,580 in debt sinking fund deposits, included as part of cash and cash equivalents with fiscal agent.

Deposits with Financial Institutions: At June 30, 2010, the carrying amount of all District deposits was \$14,219,044. Based on the criteria described in GASB Statement No. 40, "Deposits and Investment Risk Disclosures", as of June 30, 2010, none of the District's bank accounts were exposed to custodial risk. Custodial credit risk otherwise is discussed in the next paragraph.

Custodial credit risk is the risk that, in the event of bank failure, the District's deposits may not be returned. All deposits are collateralized with eligible securities in amounts equal to at least 105% of the carrying value of the deposits. Such collateral, as permitted by the Ohio Revised Code, is held in single financial institution collateral pools at Federal Reserve Banks, or at member banks of the federal reserve system, in the name of the respective depository bank and pledged as a pool of collateral against all of the public deposits it holds or as specific collateral held at the Federal Reserve Bank in the name of the

**COLUMBUS GROVE LOCAL SCHOOL DISTRICT
PUTNAM COUNTY**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010
(Continued)

NOTE 4 - DEPOSITS AND INVESTMENTS (Continued)

District. The District has no deposit policy for custodial credit risk beyond the requirements of State statute.

Investments: At June 30, 2010, the District had investments with STAR Ohio with a carrying value of \$692,261.

Credit Risk: STAR Ohio carries a rating of AAAM by Standard and Poor's. The District has no investment policy dealing with investment credit risk beyond the requirements in state statutes. Ohio law requires that STAR Ohio maintain the highest rating provided by at least one nationally recognized standard rating service.

NOTE 5 - PROPERTY TAXES

House Bill No. 66 was signed into law on June 30, 2005. House Bill No. 66 phases out the tax on tangible personal property of general businesses, telephone and telecommunications companies, and railroads. The tax on general business and railroad property was eliminated in calendar year 2009, and tax on telephone and telecommunications property will be eliminated by calendar year 2011. The tax is phased out by reducing the assessment rate on the property each year. The bill replaces the revenue lost by the District due to the phasing out of the tax. In calendar years through 2010, the District will be fully reimbursed for the lost revenue. In calendar years 2011-2017, the reimbursements will be phased out.

Property taxes are levied and assessed on a calendar year basis while the District fiscal year runs from July through June. First half tax collections are received by the District in the second half of the fiscal year. Second half tax distributions occur 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 revenues received in calendar year 2010 represent the collection of calendar year 2009 taxes. Real property taxes received in calendar year 2010 were levied after April 1, 2009, on the assessed values as of January 1, 2009, the lien date. Assessed values for real property taxes are established by State statute at 35 percent of appraised market value. Real property taxes are payable annually or semiannually. If paid annually, payment is due December 31; if paid semiannually, the first payment is due December 31, with the remainder payable by June 20. Under certain circumstances, State statute permits alternate payment dates to be established. Public utility property tax revenues received in calendar year 2010 represent the collection of calendar year 2009 taxes.

Public utility real and tangible personal property taxes received in calendar year 2010 became a lien on December 31, 2008, were levied after April 1, 2009, 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. Public utility property taxes are payable on the same dates as real property taxes described previously.

Tangible personal property tax revenues received in calendar year 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 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

**COLUMBUS GROVE LOCAL SCHOOL DISTRICT
PUTNAM COUNTY**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010
(Continued)

NOTE 5 - PROPERTY TAXES (Continued)

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 County and Allen County. The County Auditors periodically advance to the District its portion of the taxes collected. Second-half real property tax payments collected by the County by June 30, 2010, are available to finance fiscal year 2010 operations. The amount available as an advance at June 30, 2010 was \$114,900 in the General fund, \$43,451 in the Bond Retirement fund, and \$2,562 in the Classroom Facilities Maintenance fund. The amount available for advance at June 30, 2009 was \$141,319 in the General fund, \$127,999 in the Bond Retirement fund. The amount of second-half real property taxes available for advance at fiscal year end can vary based on the date the tax bills are sent.

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

	2009 First Half Collections		2010 Second Half Collections	
	<u>Amount</u>	<u>Percent</u>	<u>Amount</u>	<u>Percent</u>
Residential/Agricultural	\$ 80,549,140	92.53	\$ 82,853,840	92.74
Commercial/Industrial	2,962,970	3.40	2,999,180	3.36
Public Utility	3,302,600	3.79	3,353,550	3.75
Tangible Personal	<u>244,180</u>	<u>0.28</u>	<u>132,200</u>	<u>0.15</u>
Total	<u>\$ 87,058,890</u>	<u>100.00</u>	<u>\$ 89,338,770</u>	<u>100.00</u>
Tax rate per \$1,000 of assessed valuation	\$30.65		\$36.07	

NOTE 6 - SCHOOL DISTRICT INCOME TAX

The district levies a voted tax of 1.00 percent for general operations on the income of residents and of estates. .75 of the tax was effective January 1, 1996 and expires on December 31, 2010, but was renewed until December 31, 2015. .25 of the tax was effective January 1, 2010 and expires December 31, 2032. Employers of residents are required to withhold income tax on compensation and remit the tax to the state. Taxpayers are required to file an annual return. The state makes quarterly distributions to the district after withholding amounts for administrative fees and estimated refunds. Income tax revenue is credited to the general fund and totaled \$694,334 for fiscal year 2010.

**COLUMBUS GROVE LOCAL SCHOOL DISTRICT
PUTNAM COUNTY**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010
(Continued)

NOTE 7 - 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 87 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
- Automobile Liability
- School Officials Errors and Omissions
- Property
- Crime

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 contributions, insurance costs, and administration costs.

The District paid \$41,440 in premiums to the pool during fiscal year 2010 for coverage during fiscal year 2010. The District paid \$41,400 in premiums during fiscal year 2009 for coverage in fiscal year 2009.

SORSA financial statements are available by contacting SORSA at:
Schools of Ohio Risk Sharing Authority, Inc.
OSBA Building
8050 North High Street
Columbus, Ohio 43235-6483

Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three years. There has been no significant reduction in amounts of insurance coverage from 2008.

B. Employee Medical Benefits

The District participates as a member of the Putnam County School Insurance Group (the Group), a public entity risk pool, administered by Huntington Trust. 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. In 2010, the District contributed \$690,450 for employees' medical and dental coverage thru the Group.

C. Workers' Compensation

For fiscal year 2010 the District participated in the Ohio School Boards Association (OSBA) 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

**COLUMBUS GROVE LOCAL SCHOOL DISTRICT
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NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010
(Continued)

NOTE 7 - RISK MANAGEMENT (Continued)

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. The District paid an enrollment fee of \$1,753 to the GRP to cover costs of administering the program.

NOTE 8 - PENSION PLANS

A. School Employees Retirement System

Plan Description - 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. It is also posted on the SERS' Ohio website, www.ohsers.org, under *Forms and Publications*.

Funding Policy - 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 2010, 12.78 percent of annual covered salary was the portion used to fund pension obligations. The contribution requirements of plan members and employers are established and may be amended by the SERS' Retirement Board up to a statutory maximum amount of 10 percent for plan members and 14 percent for employers. Chapter 3309 of the Ohio Revised Code provides statutory authority for member and employer contributions. The District's required contributions for pension obligations to SERS for the fiscal years ended June 30, 2010, 2009, and 2008 were \$137,426, \$79,578, and \$73,092, respectively; 48.20 percent has been contributed for fiscal year 2010 and 100 percent for fiscal years 2009 and 2008.

B. State Teachers Retirement System of Ohio

Plan Description - The District participates in 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 STRS Ohio, 275 East Broad Street, Columbus, Ohio 43215-3771, by calling (888) 227-7877, or by visiting the STRS Ohio website at 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 a member's lifetime 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 member may elect to receive a lifetime

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FOR THE FISCAL YEAR ENDED JUNE 30, 2010
(Continued)

NOTE 8 - PENSION PLANS (Continued)

monthly annuity or a lump sum withdrawal. 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. The DB portion of the Combined Plan payment is payable to a member on or after age 60; the DC portion of the account may be taken as a lump sum or converted to a lifetime monthly annuity at age 50. Benefits are established by Chapter 3307 of the Ohio Revised Code.

A DB or Combined Plan 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 DC Plan who become disabled are entitled only to their account balance. If a member of the DC Plan dies before retirement benefits begin, the member's designated beneficiary is entitled to receive the member's account balance.

Funding Policy - For fiscal year 2009, 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. 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.

The District's required contributions for pension obligations to STRS Ohio for the fiscal years ended June 30, 2010, 2009, and 2008 were \$475,972, \$445,764, and \$442,388, respectively; 84.21 percent has been contributed for fiscal year 2010 and 100 percent for fiscal years 2009 and 2008.

C. Social Security System

Effective July 1, 1991, all employees not otherwise covered by the SERS/STRS Ohio have an option to choose Social Security or the SERS/STRS Ohio. As of June 30, 2010, no members of the Board of Education have elected Social Security. The contribution rate is 6.2 percent of wages paid.

NOTE 9 - POSTEMPLOYMENT BENEFITS

A. School Employees Retirement System

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

Funding Policy - State statute permits SERS to fund the health care benefits through employer contributions. Each year, after the allocation for statutorily required benefits, the Retirement Board allocates the remainder of the employer contribution of 14 percent of covered payroll to the Health Care

**COLUMBUS GROVE LOCAL SCHOOL DISTRICT
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NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010
(Continued)

NOTE 9 - POSTEMPLOYMENT BENEFITS (Continued)

Fund. The Health Care Fund was established and is administered in accordance with Internal Revenue Code Section 105(e). For 2010, 0.46 percent of covered payroll was allocated to health care. In addition, employers pay a surcharge for employees earning less than an actuarially determined amount; for 2010, the actuarially determined amount was \$35,800.

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

The District's contributions for health care (including surcharge) for the fiscal years ended June 30, 2010, 2009, and 2008 were \$15,953, \$47,319, and \$43,720, respectively; 13.00 percent has been contributed for fiscal year 2009 and 100 percent for fiscal years 2009 and 2008.

The Retirement Board, acting with advice of the actuary, allocates a portion of the employer contribution to the Medicare B Fund. For fiscal year 2010, this actuarially required allocation was 0.76 percent of covered payroll. The District's contributions for Medicare Part B for the fiscal years ended June 30, 2010, 2009, and 2008 were \$8,172, \$6,566, and \$5,266, respectively; 48.20 percent has been contributed for fiscal year 2009 and 100 percent for fiscal years 2009 and 2008.

B. State Teachers Retirement System of Ohio

Plan Description - The District contributes to the cost sharing, multiple employer defined benefit Health Plan (the "Plan") administered by the State Teachers Retirement System of Ohio (STRS Ohio) for eligible retirees who participated in the defined benefit or combined pension plans offered by STRS Ohio. Benefits include hospitalization, physicians' fees, prescription drugs and reimbursement of monthly Medicare Part B premiums. The Plan is included in the report of STRS Ohio which may be obtained by visiting www.strsoh.org or by calling (888) 227-7877.

Funding Policy - Ohio law authorizes STRS Ohio to offer the Plan and gives the Retirement Board authority over how much, if any, of the health care costs will be absorbed by STRS Ohio. Active employee members do not contribute to the Plan. All benefit recipients pay a monthly premium. Under Ohio law, funding for post-employment health care may be deducted from employer contributions. For 2010, STRS Ohio allocated employer contributions equal to 1 percent of covered payroll to the Health Care Stabilization Fund. The District's contributions for health care for the fiscal years ended June 30, 2010, 2009, and 2008 were \$36,613, \$34,290, and \$34,030, respectively; 84.21 percent has been contributed for fiscal year 2010 and 100 percent for fiscal years 2009 and 2008.

**COLUMBUS GROVE LOCAL SCHOOL DISTRICT
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NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010
(Continued)

NOTE 10 - DEBT

The changes in the District's debt obligations during the year consist of the following:

	<u>Balance at 06/30/09</u>	<u>Increase</u>	<u>Decrease</u>	<u>Balance at 06/30/10</u>	<u>Amount Due In one Year</u>
1987 Construction and Improvement Bonds:					
- General Obligation Bonds	\$240,000		\$120,000	\$120,000	\$120,000
2009 Construction and Improvement Bonds:					
- Qualified School Construction Bonds – Series 2009A		\$5,000,000		5,000,000	
- General Obligation Bonds – Series 2009B		3,551,617		3,551,617	35,000
- Qualified School Construction Bonds – Series 2009C		747,770		747,770	47,770
Total Long-Term Obligations	<u>\$240,000</u>	<u>\$9,299,387</u>	<u>\$120,000</u>	<u>\$9,419,387</u>	<u>\$202,770</u>

Total expenditures for interest for the above debt for the period ended June 30, 2010 was \$83,595.

1987 Construction and Improvement Bonds: These bonds were issued at a rate of 6.50 percent during 1987, with final maturity in fiscal year 2011. The bonds were issued for the acquisition and construction of equipment and facilities. The full faith and credit of the District is pledged for repayment and will be repaid with taxes assessed on all property within the District.

2009 Construction and Improvement Bond, Qualified School Construction Bonds, Series 2009A: These bonds were entered into in October 2009 for the amount of \$5,000,000. The bonds were issued for the acquisition and construction of equipment and facilities. The bond issue consists of a term bond with an interest rate of 1.64 percent maturing on July 15, 2024. The bonds will be retired with voted property tax and income tax levies from the Bond Retirement fund.

No Optional Mandatory Sinking Fund Redemption

The Bonds are not subject to optional or mandatory sinking fund redemption prior to their stated maturity.

Extraordinary Mandatory Redemption

The Bonds are subject to mandatory redemption under certain extraordinary circumstances as described below. In connection with the redemption of the Bonds as described below, certain capitalized terms used herein have the following meanings:

The term "Accountable Event of Loss of Qualified School Construction Bond Status" means (a) any act or failure to act on the part of the District, which act or failure to act is a breach of a covenant or agreement of the District contained in the Bond Resolution, the Bond Registrar Agreement, the Tax Certificate regarding the issuance of the Bonds, or the Tax Credit Certificates and which act or failure to act causes the Tax Credit Certificates to lose their status, or fail to qualify, as Qualified School Construction Bonds, or (b) the making by the District of any representation contained in the Bond Resolution, the Bond Registrar Agreement, said Tax Credit Certificate or Bond, which representation was untrue when made and the untruth of which representation at such time causes the Bonds to lose their status, or fail to qualify, as Qualified School Construction Bonds under the Code.

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NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010
(Continued)

NOTE 10 – DEBT (Continued)

The term "Comparable Treasury Issue" means the U.S. Treasury security or securities selected by the Designated Investment Banker which has an actual or interpolated maturity comparable to the remaining average life, as of the redemption date, of the Bonds to be redeemed, and that would be utilized in accordance with customary financial practice in pricing new issues of debt securities of comparable maturity to the remaining average life, as of the redemption date, of the Bonds to be redeemed.

The term "Comparable Treasury Price" means (a) if the Designated Investment Banker receives at least four Reference Treasury Dealer Quotations, the average of such quotations for the date on which such Bonds are to be redeemed, after excluding the highest and the lowest Reference Treasury Dealer Quotations, or (b) if the Designated Investment Banker obtains fewer than four Reference Treasury Dealer Quotations, the average of all such quotations.

The term "Date of Loss of Qualified School Construction Bond Status" means the date specified in a Determination of Loss of Qualified School Construction Bond Status as the date from and after which the Bonds lost their status, or failed to qualify, as Qualified School Construction Bonds as a result of an Accountable Event of Loss of Qualified School Construction Bond Status, which date could be as early as the date of issuance of the Bonds.

The term "Designated Investment Banker" means one of the Reference Treasury Dealers designated by the District.

The term "Determination of Loss of Qualified School Construction Bond Status" means (a) a final determination by the Internal Revenue Service (after the School District has exhausted all administrative appeal remedies) determining that an Accountable Event of Loss of Qualified School Construction Bond Status has occurred and specifying the Date of Loss of Qualified School Construction Bond Status, or (b) a non-appealable holding by a court of competent jurisdiction holding that an Accountable Event of Loss of Qualified School Construction Bond Status has occurred and specifying the Date of Loss of Qualified School Construction Bond Status.

The term "Redemption Premium" means, as calculated by the School District (or, at the District's option, by its Designated Investment Banker), the greater of (x) zero and (y) an amount calculated as (a) the sum of the present values of the remaining scheduled payments of principal of, interest on and Tax Credits related to the Bonds called for redemption (exclusive of interest accrued to the date of redemption), discounted to the date of redemption on a semiannual basis (assuming a 360-day year, consisting of 12 months of 30 days each) at a rate per annum equal to the Treasury Rate, minus (b) the principal amount of the Tax Credit Certificates called for redemption.

The term "Reference Treasury Dealer" means the original underwriters of the Tax Credit Certificates, their successors and other firms, as specified by the District from time to time, that are primary U.S. government securities dealers in the City of New York, New York; provided, however, that if any such firm ceases to be such a primary treasury dealer, the District will substitute another primary treasury dealer for such firm.

The term "Reference Treasury Dealer Quotations" means with respect to each Reference Treasury Dealer, the average, as determined by the Designated Investment Banker, of the bid and asked prices for the Comparable Treasury Issue (expressed in each case as a percentage of its principal amount), quoted in writing to the Designated Investment Banker by such Reference Treasury Dealer at 3:30 p.m., New

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NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010
(Continued)

NOTE 10 – DEBT (Continued)

York City time, on the third business day preceding the date on which the Tax Credit Certificates are to be redeemed.

The term "Treasury Rate" means the rate per annum, expressed as a percentage of the principal amount of Tax Credit Certificates to be redeemed, equal to the semiannual equivalent yield to maturity or interpolated maturity of the Comparable Treasury Issue, assuming that the Comparable Treasury Issue is purchased on the redemption date for a price equal to the Comparable Treasury Price, as calculated by the Designated Investment Banker.

Excess Proceeds – The Bonds are subject to extraordinary mandatory redemption, in whole or in part, on July 15, 2012, or such later date as may be permitted by the Internal Revue Service, at a redemption price equal to (i) the sale proceeds of the Bonds and any earnings thereon that have been allocated to expenditures as of October 8, 2012, and (ii) interest on the principal amount to be redeemed.

Loss of Status – Upon a Determination of Loss of Qualified School Construction Bond Status, the Bonds are subject to extraordinary mandatory redemption prior to their fixed maturity date, in whole, on the date designated by the District, which date shall be a date on or prior to the January 15 following the next succeeding August 1 after a Determination of Loss of Qualified School Construction Bond Status, at a redemption price equal to (i) the principal amount of the Bonds to be redeemed, plus (ii) if the Redemption Premium is a positive number, the Redemption Premium, plus (iii) accrued interest on the principal amount of the Bonds called for redemption (calculated at the Tax Credit Rate plus the cash coupon) from the credit allowance date immediately preceding the redemption date, to the date of redemption.

In addition, in the event that any Tax Credits recognized prior to the Determination of Loss of Qualified School Construction Bond Status are determined to be ineligible as Tax Credits as a result of the Determination of Loss of Qualified School Construction Bond Status, the redemption price shall include an additional amount payable to the owners of the Bonds for such Tax Credits as of the applicable credit allowance date to the date of redemption, at a rate equal to the large corporate underpayment rate determined from time to time by the Internal Revenue Service.

In the event that the ownership of the Tax Credit Certificates affixed to the Bonds has been separated from the ownership of the Bonds and registered separately, the Tax Credit Strips related to the redeemed Principal Strips will be called for redemption in the same manner as the Bonds pursuant to the foregoing, and the redemption price therefore will be allocated to the Principal Strips and the Tax Credit Strips in the proportions and values established by the market at that time.

If any of the Bonds are called for extraordinary mandatory redemption, the associated Tax Credits will expire on the date the associated Bonds are so redeemed.

Partial Redemption – The Bond Registrar will effect each mandatory redemption of the Bonds by redeeming *pro rata* from each person who is the Owner of a Bond to be redeemed on a redemption date, an amount of such Bond determined by multiplying the principal amount of the Bonds to be redeemed on said redemption date by a fraction, the numerator of which is the principal amount of all the Bonds outstanding immediately prior to the date of redemption, and then rounding the product down to the next lower integral multiple of Authorized Denominations. The Bond Registrar will apply, to the extent possible, any remaining amount of proceeds to redeem such Bonds in Authorized Denominations and will select,

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NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010
(Continued)

NOTE 10 – DEBT (Continued)

by lot, the units to be redeemed from all such Owners, which selection shall be conclusive. The Tax Credit Certificates related to the Bonds called for redemption shall also be called for redemption.

Redemption shall be effected in Authorized Denominations, so that any Bond redeemed in part shall have a remaining notional amount in an Authorized Denomination.

Notice of Redemption – The notice of the call for redemption of the Bonds shall identify (i) by designation, letters, numbers or other distinguishing marks, such Bonds or portions thereof to be redeemed, (ii) the redemption price to be paid, (iii) the date fixed for redemption, (iv) the dates of maturity of the Bonds to be redeemed, (v) in the case of Bonds redeemed in part only, the respective maturities or portions of the principal amount of the Bonds of each maturity to be redeemed, (vi) the CUSIP number, if any, of each maturity of Bonds or Principal Strips to be redeemed and (vii) a statement that such Bonds, or, if separated, such Principal Strips and Tax Credit Certificates, must be surrendered by the Owners at the main office of the Paying Agent, or at such place or other places designated by the Paying Agent.

The actual receipt by any owner of any Bond, or, if separated, any Principal Strips and Tax Credit Certificates, of notice of such redemption will not be a condition precedent to redemption, and failure to receive such notice, or any defect in the notice given, will not affect the validity of the proceedings for the redemption of such Bonds.

When notice of redemption has been given, substantially as described above, and when the amount necessary for the payment of principal of and premium, if any, is set aside for such purpose, the Bonds designated for redemption will become due and payable on the date fixed for redemption thereof, and upon presentation and surrender of said Bonds, or, if separated, said Principal Strips and Tax Credit Certificates, at the place specified in the notice of redemption, such Bonds or, if separated, said Principal Strips and Tax Credit Certificates, will be redeemed and paid at the redemption price thereof out of the money provided therefore.

From and after the specified redemption date, interest on such Bonds (or portions thereof) called for redemption shall cease to accrue. Such notice shall be sent by first class mail to each such registered holder at the address shown in the Bond registration records at least 30 days prior to the redemption date. Failure to receive such notice or any defect therein shall not affect the validity of the proceedings for the redemption of any such Bond.

Rescission of Notice of Redemption – Upon notice from the District that the District has cured the conditions that caused the Bonds to be subject to extraordinary mandatory redemption, the call for redemption may be rescinded on any date prior to the date fixed for redemption by causing written notice of the rescission to be given to the Owners of the Bonds, any Principal Strips and any Tax Credit Certificates so called for redemption. Notice of rescission will be given in the same manner in which notice of redemption was originally given.

Mandatory Sinking Fund Deposits

The Series 2009A bonds are subject to mandatory sinking fund redemption. The District has covenanted that it will make equal annual deposits of \$269,580.26 to an account maintained with the Bond Registrar on each July 15 until the Bonds mature, commencing July 15, 2010. Such amounts, together with the interest thereon are expected by the District to be sufficient to retire the Bonds upon their final maturity. The sinking fund deposits will be made as follows:

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NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010
(Continued)

NOTE 10 – DEBT (Continued)

<u>Period</u>	<u>Deposit</u>
07/15/11	\$269,580
07/15/12	269,580
07/15/13	269,580
07/15/14	269,580
07/15/15	269,580
07/15/16	269,580
07/15/17	269,580
07/15/18	269,580
07/15/19	269,580
07/15/20	269,580
07/15/21	269,580
07/15/22	269,580
07/15/23	269,580
07/15/24	269,580

2009 Construction and Improvement Bond, General Obligation Bonds, Series 2009B: These bonds were entered into in December 2009 for the amount of \$3,551,617. The bonds were issued for the acquisition and construction of equipment and facilities. The bond issue included current interest serial, capital appreciation, and current interest term bonds of \$325,000, \$56,617 and \$3,170,000, respectively, and had interest rates ranging from 2.00 to 4.75 percent. The bonds will be retired with voted property tax and income tax levies from the Bond Retirement fund.

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

<u>Maturity Date (January 15)</u>	<u>Principal Amount</u>	<u>Interest Rate</u>
2011	\$35,000	2.000%
2012	65,000	2.000%
2013	75,000	2.000%
2014	75,000	2.250%
2015	75,000	2.625%

The capital appreciation bonds were issued in the aggregate original principal amount of \$56,617 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 BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010
(Continued)

NOTE 10 – DEBT (Continued)

Maturity Date (January 15)	Original Principal Amount	Accreted Value at Maturity
2016	\$17,391	\$90,000
2017	14,032	95,000
2018	10,727	95,000
2019	8,199	95,000
2020	6,268	95,000

Capital Appreciation Bonds are not subject to redemption prior to maturity.

Mandatory Sinking Fund Redemption

The Current Interest Term Bonds maturing on January 15, 2022 are subject to mandatory sinking fund redemption at a redemption price of 100% of the principal amount to be redeemed, plus accrued interest to the date of redemption, on January 15 in the years and in the respective principal amounts as follows:

Year	Principal Amount to be Redeemed
2021	\$95,000

The remaining principal amount of such Current Interest Term Bonds (\$100,000.00) will be paid at stated maturity on January 15, 2022.

The Current Interest Term Bonds maturing on January 15, 2025 are subject to mandatory sinking fund redemption at a redemption price of 100% of the principal amount to be redeemed, plus accrued interest to the date of redemption, on January 15 in the years and in the respective principal amounts as follows:

Year	Principal Amount to be Redeemed
2023	\$105,000
2024	110,000

The remaining principal amount of such Current Interest Term Bonds (\$115,000.00) will be paid at stated maturity on January 15, 2025.

The Current Interest Term Bonds maturing on January 15, 2029 are subject to mandatory sinking fund redemption at a redemption price of 100% of the principal amount to be redeemed, plus accrued interest to the date of redemption, on January 15 in the years and in the respective principal amounts as follows:

Year	Principal Amount to be Redeemed
2026	\$170,000
2027	180,000
2028	185,000

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NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010
(Continued)

NOTE 10 – DEBT (Continued)

The remaining principal amount of such Current Interest Term Bonds (\$195,000.00) will be paid at stated maturity on January 15, 2029.

The Current Interest Term Bonds maturing on January 15, 2034 are subject to mandatory sinking fund redemption at a redemption price of 100% of the principal amount to be redeemed, plus accrued interest to the date of redemption, on January 15 in the years and in the respective principal amounts as follows:

<u>Year</u>	<u>Principal Amount to be Redeemed</u>
2030	\$205,000
2031	215,000
2032	220,000
2033	230,000

The remaining principal amount of such Current Interest Term Bonds (\$245,000.00) will be paid at stated maturity on January 15, 2034.

The Current Interest Term Bonds maturing on January 15, 2037 are subject to mandatory sinking fund redemption at a redemption price of 100% of the principal amount to be redeemed, plus accrued interest to the date of redemption, on January 15 in the years and in the respective principal amounts as follows:

<u>Year</u>	<u>Principal Amount to be Redeemed</u>
2035	\$255,000
2036	265,000

The remaining principal amount of such Current Interest Term Bonds (\$280,000.00) will be paid at stated maturity on January 15, 2037.

Optional Redemption

The Current Interest Bonds maturing after January 15, 2019 are subject to redemption at the option of the District, either in whole, or in part, in such order as the District shall determine, on any date on or after January 15, 2019, at a redemption price equal to 100% of the principal amount redeemed plus, in each case, accrued interest to the date fixed for redemption.

When partial redemption is authorized, the Current Interest Bonds or portions thereof will be selected by lot within a maturity in such manner as the Bond Registrar may determine, provided, however, that the portion of any such Bond so selected will be in the amount of \$5,000 or any integral multiple thereof.

The notice of the call for redemption of Current Interest Bonds shall identify (i) by designation, letters, numbers or other distinguishing marks, such Bonds or portions thereof to be redeemed, (ii) the redemption price to be paid, (iii) the date fixed for redemption, and (iv) the place or places where the amounts due upon redemption are payable. From and after the specified redemption date, interest on such Bonds (or portions thereof) called for redemption shall cease to accrue. Such notice shall be sent by first class mail to each such registered holder at the address shown in the Bond registration records at

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NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010
(Continued)

NOTE 10 – DEBT (Continued)

least 30 days prior to the redemption date. Failure to receive such notice or any defect therein shall not affect the validity of the proceedings for the redemption of any such Bond.

2009 Construction and Improvement Bond, Qualified School Construction Bonds, Series 2009C: These bonds were entered into in December 2009 for the amount of \$747,770. The bonds were issued for the acquisition and construction of equipment and facilities. The bond issue consists of a term bond with an interest rate of 1.90 percent maturing on January 15, 2025. The bonds will be retired with voted property tax and income tax levies from the Bond Retirement fund.

Optional Redemption

The Bonds are not subject to optional or mandatory sinking fund redemption prior to stated maturity.

Mandatory Sinking Fund Redemption

The Bonds maturing on January 15, 2025 are subject to mandatory sinking fund redemption at a redemption price of 100% of the principal amount to be redeemed, plus accrued interest to the date of redemption, on January 15 in the years and in the respective principal amounts as follows:

<u>Year</u>	<u>Principal Amount to be Redeemed</u>
2011	\$47,770
2012	50,000
2013	50,000
2014	50,000
2015	50,000
2016	50,000
2017	50,000
2018	50,000
2019	50,000
2020	50,000
2021	50,000
2022	50,000
2023	50,000
2024	50,000

The remaining principal amount of such Current Interest Term Bonds (\$50,000) will be paid at stated maturity on January 15, 2025.

Extraordinary Mandatory Redemption

The Bonds are subject to mandatory redemption under certain extraordinary circumstances as described below. In connection with the redemption of the Bonds as described below, certain capitalized terms used herein have the following meanings:

The term "Accountable Event of Loss of Qualified School Construction Bond Status" means (a) any act or failure to act on the part of the District, which act or failure to act is a breach of a covenant or agreement of the District contained in the Bond Resolution, the Bond Registrar Agreement, the Tax Certificate

**COLUMBUS GROVE LOCAL SCHOOL DISTRICT
PUTNAM COUNTY**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010
(Continued)

NOTE 10 – DEBT (Continued)

regarding the issuance of the Bonds, or the Tax Credit Certificates and which act or failure to act causes the Tax Credit Certificates to lose their status, or fail to qualify, as Qualified School Construction Bonds, or (b) the making by the District of any representation contained in the Bond Resolution, the Bond Registrar Agreement, said Tax Credit Certificate or the Bond, which representation was untrue when made and the untruth of which representation at such time causes the Bonds to lose their status, or fail to qualify, as Qualified School Construction Bonds under the Code.

The term "Comparable Treasury Issue" means the U.S. Treasury security or securities selected by the Designated Investment Banker which has an actual or interpolated maturity comparable to the remaining average life, as of the redemption date, of the Bonds to be redeemed, and that would be utilized in accordance with customary financial practice in pricing new issues of debt securities of comparable maturity to the remaining average life, as of the redemption date, of the Bonds to be redeemed.

The term "Comparable Treasury Price" means (a) if the Designated Investment Banker receives at least four Reference Treasury Dealer Quotations, the average of such quotations for the date on which such Bonds are to be redeemed, after excluding the highest and the lowest Reference Treasury Dealer Quotations, or (b) if the Designated Investment Banker obtains fewer than four Reference Treasury Dealer Quotations, the average of all such quotations.

The term "Date of Loss of Qualified School Construction Bond Status" means the date specified in a Determination of Loss of Qualified School Construction Bond Status as the date from and after which the Bonds lost their status, or failed to qualify, as Qualified School Construction Bonds as a result of an Accountable Event of Loss of Qualified School Construction Bond Status, which date could be as early as the date of issuance of the Bonds.

The term "Designated Investment Banker" means one of the Reference Treasury Dealers designated by the District.

The term "Determination of Loss of Qualified School Construction Bond Status" means (a) a final determination by the IRS (after the District has exhausted all administrative appeal remedies) determining that an Accountable Event of Loss of Qualified School Construction Bond Status has occurred and specifying the Date of Loss of Qualified School Construction Bond Status, or (b) a nonappealable holding by a court of competent jurisdiction holding that an Accountable Event of Loss of Qualified School Construction Bond Status has occurred and specifying the Date of Loss of Qualified School Construction Bond Status.

The term "Reference Treasury Dealer" means the original underwriters of the Tax Credit Certificates, their successors and other firms, as specified by the District from time to time, that are primary U.S. government securities dealers in the City of New York, New York; provided, however, that if any such firm ceases to be such a primary treasury dealer, the District will substitute another primary treasury dealer for such firm.

The term "Reference Treasury Dealer Quotations" means with respect to each Reference Treasury Dealer, the average, as determined by the Designated Investment Banker, of the bid and asked prices for the Comparable Treasury Issue (expressed in each case as a percentage of its principal amount), quoted in writing to the Designated Investment Banker by such Reference Treasury Dealer at 3:30 p.m., New

**COLUMBUS GROVE LOCAL SCHOOL DISTRICT
PUTNAM COUNTY**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010
(Continued)

NOTE 10 – DEBT (Continued)

York City time, on the third business day preceding the date on which the Tax Credit Certificates are to be redeemed.

The term "Treasury Rate" means the rate per annum, expressed as a percentage of the principal amount of Tax Credit Certificates to be redeemed, equal to the semiannual equivalent yield to maturity or interpolated maturity of the Comparable Treasury Issue, assuming that the Comparable Treasury Issue is purchased on the redemption date for a price equal to the Comparable Treasury Price, as calculated by the Designated Investment Banker.

Excess Proceeds – To the extent the District fails to expend all of the proceeds of the Bonds within the three-year period beginning the date of delivery of the Bonds (or if an extension of that expenditure period has been received by the School District from the Secretary of the Treasury, at the close of the extended period), the Bonds are subject to extraordinary mandatory redemption, in whole or in part, on March 1, 2013, or such later date as may be permitted by the IRS at a redemption price equal to (i) the sale proceeds of the Bonds and any earnings thereon that have been allocated to expenditures as of December 2, 2012, and (ii) interest on the principal amount to be redeemed.

Loss of Status – Upon a Determination of Loss of Qualified School Construction Bond Status, the Bonds are subject to extraordinary mandatory redemption prior to their fixed maturity date, in whole, on the date designated by the District, at a redemption price equal to 100% of the principal amount redeemed, plus any interest accrued to the redemption date on the principal amount of the Bonds called for redemption calculated from the date of Determination of Loss of Qualified School Construction Bonds Status, to the date of redemption.

In addition, in the event that any Tax Credits recognized prior to the Determination of Loss of Qualified School Construction Bond Status are determined to be ineligible as Tax Credits as a result of the Determination of Loss of Qualified School Construction Bond Status, the redemption price shall include an additional amount payable to the owners of the Bonds for such Tax Credits as of the applicable credit allowance date to the date of redemption, at a rate equal to the large corporate underpayment rate determined from time to time by the IRS.

In the event that the ownership of the Tax Credit Certificates affixed to the Tax Credit Bonds has been separated from the ownership of the Bonds and registered separately, the Tax Credit Strips related to the redeemed Principal Strips will be called for redemption in the same manner as the Tax Credit Bonds pursuant to the foregoing, and the redemption price therefore will be allocated to the Principal Strips and the Tax Credit Strips in the proportions and values established by the market at that time.

If any of the Tax Credit Bonds are called for extraordinary mandatory redemption, the associated Tax Credits will expire on the date the associated Tax Credit Bonds are so redeemed.

Partial Redemption – The Bond Registrar will effect each mandatory redemption of the Tax Credit Bonds by redeeming *pro rata* from each person who is the Owner of a Tax Credit Bond to be redeemed on a redemption date, an amount of such Bond determined by multiplying the principal amount of the Bonds to be redeemed on said redemption date by a fraction, the numerator of which is the principal amount of all the Bonds outstanding immediately prior to the date of redemption, and then rounding the product down to the next lower integral multiple of Authorized Denominations. The Bond Registrar will apply, to the extent possible, any remaining amount of proceeds to redeem such Bonds in Authorized Denominations

**COLUMBUS GROVE LOCAL SCHOOL DISTRICT
PUTNAM COUNTY**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010
(Continued)

NOTE 10 – DEBT (Continued)

and will select, by lot, the units to be redeemed from all such Owners, which selection shall be conclusive. The Tax Credit Certificates related to the Bonds called for redemption shall also be called for redemption.

Redemption shall be effected in Authorized Denominations, so that any Bond redeemed in part shall have a remaining notional amount in an Authorized Denomination.

Notice of Redemption – The notice of the call for redemption of the Bonds shall identify (i) by designation, letters, numbers or other distinguishing marks, such Bonds or portions thereof to be redeemed, (ii) the redemption price to be paid, (iii) the date fixed for redemption, (iv) the dates of maturity of the Bonds to be redeemed, (v) in the case of Bonds redeemed in part only, the respective maturities or portions of the principal amount of the Bonds of each maturity to be redeemed, (vi) the CUSIP number, if any, of each maturity of Bonds or Principal Strips to be redeemed and (vii) a statement that such Bonds, or, if separated, such Principal Strips and Tax Credit Certificates, must be surrendered by the Owners at the main office of the Paying Agent, or at such place or other places designated by the Paying Agent.

The actual receipt by any owner of any Bond, or, if separated, any Principal Strips and Tax Credit Certificates, of notice of such redemption will not be a condition precedent to redemption, and failure to receive such notice, or any defect in the notice given, will not affect the validity of the proceedings for the redemption of such Bonds.

When notice of redemption has been given, substantially as described above, and when the amount necessary for the payment of principal of and premium, if any, is set aside for such purpose, the Bonds designated for redemption will become due and payable on the date fixed for redemption thereof, and upon presentation and surrender of said Bonds, or, if separated, said Principal Strips and Tax Credit Certificates, at the place specified in the notice of redemption, such Bonds or, if separated, said Principal Strips and Tax Credit Certificates, will be redeemed and paid at the redemption price thereof out of the money provided therefore.

From and after the specified redemption date, interest on such Bonds (or portions thereof) called for redemption shall cease to accrue. Such notice shall be sent by first class mail to each such registered holder at the address shown in the Bond registration records at least 30 days prior to the redemption date. Failure to receive such notice or any defect therein shall not affect the validity of the proceedings for the redemption of any such Bond.

Rescission of Notice of Redemption – Upon notice from the District that the District has cured the conditions that caused the Bonds to be subject to extraordinary mandatory redemption, the call for redemption may be rescinded on any date prior to the date fixed for redemption by causing written notice of the rescission to be given to the Owners of the Bonds, any Principal Strips and any Tax Credit Certificates so called for redemption. Notice of rescission will be given in the same manner in which notice of redemption was originally given.

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

**COLUMBUS GROVE LOCAL SCHOOL DISTRICT
PUTNAM COUNTY**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010
(Continued)

NOTE 10 – DEBT (Continued)

Year Ending June 30,	Principal	Interest	Total
2011	\$202,770	\$130,343	\$333,113
2012	115,000	241,549	356,549
2013	125,000	239,199	364,199
2014	125,000	236,655	361,655
2015	125,000	233,877	358,877
2016-2020	306,617	1,563,595	1,870,212
2021-2025	5,775,000	1,036,906	6,811,906
2026-2030	935,000	501,512	1,436,512
2031-2035	1,165,000	268,094	1,433,094
2036-2037	545,000	26,244	571,244
Total	<u>\$9,419,387</u>	<u>\$4,477,974</u>	<u>\$13,897,361</u>

The District exceeded its overall debt margin by \$1,404,159 and its unvoted debt margin of \$89,058. Ohio Revised Code 133.06 (1) allows a district to pass a levy in excess of the legal debt margin for the purpose of participating in the Ohio School Facilities Construction program.

NOTE 11 - SET-ASIDE CALCULATIONS

State statute annually requires the District to set aside in the general fund an amount based on a statutory formula to purchase textbooks and other instructional materials and an equal amount to acquire and construct capital improvements. Amounts not spent by year end or offset by similarly restricted resources received during the year must be held in cash at year end and carried forward for the same uses in future years.

The following cash basis information describes the change in the year-end set-aside amounts for textbooks and capital acquisition. State statute requires disclosing this information.

	Textbooks	Capital Acquisition	Totals
Set-Aside Reserve Balance June 30, 2009	\$61,743	\$94,892	\$156,635
Current Year Set Aside Requirement	149,406	149,406	298,812
Current Year Qualifying Expenditures	(133,330)	(51,532)	(184,862)
Current Year Offsets		(192,766)	(192,766)
Total	<u>\$77,819</u>	<u>\$77,819</u>	<u>\$77,819</u>
Balance Carried Forward To Fiscal Year 2011	<u>\$77,819</u>	<u>\$77,819</u>	<u>\$77,819</u>
Set Aside Reserve Balance June 30, 2011	<u>\$77,819</u>	<u>\$77,819</u>	<u>\$77,819</u>

**COLUMBUS GROVE LOCAL SCHOOL DISTRICT
PUTNAM COUNTY**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010
(Continued)

NOTE 12 - CONTINGENCIES

A. Grants

The District receives financial assistance from Federal and State agencies in the form of grants. Disbursing grant funds generally requires compliance with terms and conditions specified in the grant agreements and are subject to audit. Any disallowed claims resulting from such audits could become a liability. However, in the opinion of management, any such disallowed claims through June 30, 2010 will not have a material adverse effect on the District.

B. Litigation

The District is not a party to any legal proceedings.

NOTE 13 - 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. The District paid \$19,942 for services rendered through NOACSC. Financial information can be obtained from Ray Burden, who serves as director, at 645 South Main Street, Lima, Ohio 45804.

B. Apollo Career Center

The Apollo Career Center (Apollo) is a distinct political subdivision of the State of Ohio established under § 3313.90. Apollo operates under the direction of a Board of Education consisting of one representative from each of the participating school district's elected boards. The Board possesses its own budgeting and taxing authority. Financial information is available from Apollo's Treasurer at 3325 Shawnee Road, Lima, Ohio 45806-1497.

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 articulated regional structure for professional development in which school districts, the business community, higher education, and other groups cooperatively plan and implement effective professional development activities that are tied directly to school improvement, and in particular, to improvements in instructional programs.

**COLUMBUS GROVE LOCAL SCHOOL DISTRICT
PUTNAM COUNTY**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010
(Continued)

NOTE 13 - JOINTLY GOVERNED ORGANIZATIONS (Continued)

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 Sandy Knudson, 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.

NOTE 14 – SUBSEQUENT EVENTS

A. Ohio School Facilities Commission Building Project

On September 29, 2010, the District awarded the following bids related to the Ohio School Facilities Commission building project:

<u>Contractor</u>	<u>Contract</u>	<u>Bid Amount</u>
Peterson Construction Company	General Trades	\$13,141,000
Vulcan Enterprises, Inc.	Fire Protection	\$236,292
Feldkamp Enterprises, Ince.	Plumbing	\$1,288,000
GM Mechanical, Inc.	HVAC	\$3,254,000
Sidney Electric, Inc.	Electrical/Technology	\$3,295,000
H.E.A.T. Total Facility Solutions, Inc.	Temperature Controls	\$295,000

The bids were subsequently approved by the Ohio School Facilities Commission.

B. Bulldog Athletic Facility Project

On October 18, 2010, the District awarded the following bids related to the Bulldog Athletic Facility project:

<u>Contractor</u>	<u>Contract</u>	<u>Bid Amount</u>
Kuhlman Builders, Inc.	General Trades	\$474,540
Dundore Plumbing, Heating & Cooling	Combined Plumbing & HVAC	\$208,200
Koester Electric, Inc.	Electrical	\$53,700

**COLUMBUS GROVE LOCAL SCHOOL DISTRICT
PUTNAM COUNTY**

**Federal Awards Receipts and Expenditures Schedule
For the Year Ended June 30, 2010**

FEDERAL GRANTOR <i>Pass Through Grantor</i> Program Title	Pass Through Entity Number	Federal CFDA Number	Receipts	Disbursements
U.S. DEPARTMENT OF AGRICULTURE				
<i>Passed Through Ohio Department of Education:</i>				
National School Lunch Program		10.555		
Cash Assistance			\$ 100,052	\$ 100,052
Non- Cash Assistance (Food Distribution)			42,600	42,600
Total U.S. Department of Agriculture			<u>142,652</u>	<u>142,652</u>
U.S. DEPARTMENT OF EDUCATION				
<i>Passed Through Ohio Department of Education:</i>				
Special Education Grants to States - ARRA	049312-STIMDJ-2010	84.391	214,375	209,194
State Fiscal Stabilization Fund (SFSF) - Education State Grants, Recovery Act - ARRA		84.394	286,275	286,275
Title II-D Technology Grant	049312-TJS1-2010	84.318	827	827
<u>Title I Cluster:</u>				
Title I Grants to Local Educational Agencies	049312-C1S1-2010	84.010	82,432	80,052
Title I Grants to Local Educational Agencies - ARRA	049312-STIMDK-2010	84.389	56,041	56,041
Total Title I Cluster			<u>138,473</u>	<u>136,093</u>
Safe and Drug-Free Schools and Communities State Grants	049312-DRS1-2010	84.186	2,415	2,415
Improving Teacher Quality State Grants	049312-TRS1-2010	84.367	28,773	28,773
Total U.S. Department of Education			<u>671,138</u>	<u>663,577</u>
Totals			<u><u>\$813,790</u></u>	<u><u>\$806,229</u></u>

**COLUMBUS GROVE LOCAL SCHOOL DISTRICT
PUTNAM COUNTY**

**NOTES TO THE FEDERAL AWARDS RECEIPTS AND EXPENDITURES SCHEDULE
FISCAL YEAR ENDED JUNE 30, 2010**

NOTE A - SIGNIFICANT ACCOUNTING POLICIES

The accompanying Federal Awards Receipts and Expenditures Schedule (the Schedule) reports the Columbus Grove Local School District's (the District's) federal award programs receipts and disbursements. The Schedule has been prepared on the cash basis of accounting.

NOTE B - CHILD NUTRITION CLUSTER

The District commingles cash receipts from the U.S. Department of Agriculture with similar State grants. When reporting expenditures on this Schedule, the District assumes it expends federal monies first.

NOTE C – FOOD DONATION PROGRAM

The District reports commodities consumed on the Schedule at the fair value. The District allocated donated food commodities to the respective program that benefitted from the use of those donated food commodities.

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Dave Yost • Auditor of State

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

Columbus Grove Local School District
Putnam County
201 West Cross Street
Columbus Grove, Ohio 45830-1237

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 Columbus Grove Local School District, Putnam County, (the District) as of and for the year ended June 30, 2010, which collectively comprise the District's basic financial statements and have issued our report thereon dated February 4, 2011, wherein, we noted the District uses a comprehensive accounting basis 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 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.

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 combination of internal control deficiencies resulting in more than a reasonable possibility that a material misstatement of the District's financial statements will not be prevented, or detected and timely corrected.

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

Compliance and Other Matters

As part of reasonably assuring whether the District's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and accordingly, we do not express an opinion. The results of our tests disclosed 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 February 4, 2011.

The District's response to the finding identified in our audit is described in the accompanying schedule of findings. We did not audit the District's response and, accordingly, we express no opinion on it.

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



Dave Yost
Auditor of State

February 4, 2011



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

Columbus Grove Local School District
Putnam County
201 West Cross Street
Columbus Grove, Ohio 45830-1237

To the Board of Education:

Compliance

We have audited the compliance of Columbus Grove Local School District, Putnam County, (the District) with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133, Compliance Supplement* that could directly and materially affect each of the District's major federal programs for the year ended June 30, 2010. The summary of auditor's results section of the accompanying schedule of findings identifies the District's major federal programs. The District's management is responsible for complying with the requirements of laws, regulations, contracts, and grants applicable to each major federal program. Our responsibility is to express an opinion on the District's compliance based on our audit.

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

In our opinion, the Columbus Grove Local School District, Putnam County, complied, in all material respects, with the requirements referred to above that could directly and materially affect each of its major federal programs for the year ended June 30, 2010.

Internal Control Over Compliance

The District's management is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the District's internal control over compliance with the requirements that could directly and materially affect a major federal program, to determine our auditing procedures for the purpose of opining on compliance, and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of opining on the effectiveness of internal control over compliance. Accordingly, we have not opined on the effectiveness of the District's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, when performing their assigned functions, to prevent, or to timely detect and correct, noncompliance with a federal program compliance requirement. A *material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a federal program compliance requirement will not be prevented, or timely detected and corrected.

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

We noted a matter involving federal compliance not requiring inclusion in this report, that we reported to the District's management in a separate letter dated February 4, 2011.

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



Dave Yost
Auditor of State

February 4, 2011

**COLUMBUS GROVE LOCAL SCHOOL DISTRICT
PUTNAM COUNTY**

**SCHEDULE OF FINDINGS
OMB CIRCULAR A -133 § .505
JUNE 30, 2010**

1. SUMMARY OF AUDITOR'S RESULTS

(d)(1)(i)	Type of Financial Statement Opinion	Unqualified
(d)(1)(ii)	Were there any material control weaknesses reported at the financial statement level (GAGAS)?	No
(d)(1)(ii)	Were there any significant deficiencies in internal control reported at the financial statement level (GAGAS)?	No
(d)(1)(iii)	Was there any reported material noncompliance at the financial statement level (GAGAS)?	Yes
(d)(1)(iv)	Were there any material internal control weaknesses reported for major federal programs?	No
(d)(1)(iv)	Were there any significant deficiencies in internal control reported for major federal programs?	No
(d)(1)(v)	Type of Major Programs' Compliance Opinion	Unqualified
(d)(1)(vi)	Are there any reportable findings under § .510(a)?	No
(d)(1)(vii)	Major Programs (list):	National School Lunch Program – CFDA #10.555 State Fiscal Stabilization Fund (SFSF) – Education State Grants, Recovery Act – CFDA #84.394
(d)(1)(viii)	Dollar Threshold: Type A/B Programs	Type A: > \$ 300,000 Type B: all others
(d)(1)(ix)	Low Risk Auditee?	No

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

FINDING NUMBER 2010-001

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

For 2010, the District prepared financial statements that, although formatted similar to financial statements prescribed by Governmental Accounting Standards Board Statement No. 34, report on the cash basis of accounting. This presentation differs from accounting principles generally accepted in the United States of America (GAAP). There would be variances on the financial statements between the District's accounting practice and GAAP that, while presumably material, cannot be reasonably determined at this time. The District can be fined and various other administrative remedies may be taken against the District.

We recommend the District take the necessary steps to ensure the financial report is prepared in accordance with generally accepted accounting principles

Officials' Response:

Management believes reporting on a basis of accounting other than generally accepted accounting principles (GAAP) is more cost efficient.

3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS

None

**COLUMBUS GROVE LOCAL SCHOOL DISTRICT
PUTNAM COUNTY**

SCHEDULE OF PRIOR AUDIT FINDINGS
OMB CIRCULAR A -133 § .315 (b)
JUNE 30, 2010

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain</i>
2009-CGLSD-001	Ohio Revised Code § 117.38 and Ohio Administrative Code § 117-2-03 (B) – requires the District to prepare its annual financial report in accordance with generally accepted accounting principles.	No	Not Corrected. Reissued as finding 2010-001 in this report.

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COLUMBUS GROVE 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
FEBRUARY 22, 2011**