



**Mary Taylor, CPA**  
Auditor of State



**OTTOVILLE LOCAL SCHOOL DISTRICT  
PUTNAM COUNTY**

TABLE OF CONTENTS

TITLE	PAGE
Independent Accountants' Report.....	1
Combined Statement of Cash Receipts, Cash Disbursements, and Changes in Fund Cash Balances - All Governmental Fund Types for the Year Ended June 30, 2008.....	3
Combined Statement of Cash Receipts, Cash Disbursements, and Changes in Fund Cash Balances – All Proprietary and Similar Fiduciary Fund Types for the Year Ended June 30, 2008.....	4
Combined Statement of Cash Receipts, Cash Disbursements, and Changes in Fund Cash Balances - All Governmental Fund Types for the Year Ended June 30, 2007.....	5
Combined Statement of Cash Receipts, Cash Disbursements, and Changes in Fund Cash Balances – All Proprietary and Similar Fiduciary Fund Types for the Year Ended June 30, 2007.....	6
Notes to the Financial Statements.....	7
Independent Accountants' Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Required by <i>Government Auditing Standards</i> .....	29
Schedule of Findings.....	31
Schedule of Prior Audit Findings.....	34

**This page intentionally left blank.**



# Mary Taylor, CPA

Auditor of State

## INDEPENDENT ACCOUNTANTS' REPORT

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

To the Board of Education:

We have audited the accompanying financial statements of Ottoville Local School District, Putnam County, (the District) as of and for the years ended June 30, 2008 and 2007. These financial statements are the responsibility of the District's management. Our responsibility is to express an opinion on these financial statements based on our audit.

Except as discussed in paragraph 5, we conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*. Those standards require that we plan and perform the audit to reasonably assure whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

During fiscal year 2007, the District changed its financial statement presentation method to conform to presentation methods the Auditor of State prescribes or permits for entities not required to report in accordance with accounting principles Generally Accepted in the United States of America

Ohio Administrative Code Section 117-2-03 (B) requires the District to prepare its annual financial report in accordance with accounting principles generally accepted in the United States of America. However, as discussed in Note 1, the accompanying financial statements and notes have been prepared on an accounting basis not in accordance with these generally accepted accounting principles. The accompanying financial statements and notes omit entity wide statements, and assets, liabilities, fund equities, and disclosures that, while material, we cannot determine at this time.

We were unable to obtain sufficient evidence to support Food Service Revenues, Enterprise Fund stated at \$137,980 and \$150,316 at June 30, 2008 and 2007, respectively.

In our opinion, the accompanying financial statements do not present fairly the financial position, results of operations, and cash flows, where applicable, of Ottoville Local School District as of and for the years ended June 30, 2008 and 2007, in accordance with accounting principles generally accepted in the United States of America. In addition, as described in the preceding paragraph, we were unable to determine if the amounts recorded for food service revenues required adjustment.

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

In accordance with *Government Auditing Standards*, we have also issued our report dated October 30, 2008, on our consideration of the District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. While we did not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting and compliance, and the results of that testing. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*. You should read it in conjunction with this report in assessing the results of our audit.

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

**Mary Taylor, CPA**  
Auditor of State

October 30, 2008

**OTTOVILLE LOCAL SCHOOL DISTRICT  
PUTNAM COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND  
CHANGES IN FUND CASH BALANCES - ALL GOVERNMENTAL FUND TYPES  
FOR THE YEAR ENDED JUNE 30, 2008**

	Governmental Fund Types				Totals (Memorandum Only)
	General	Special Revenue	Debt Service	Capital Projects	
<b>Cash Receipts:</b>					
Property Tax and Other Local Taxes	\$1,057,339	\$20,332	\$318,837	\$72,551	\$1,469,059
Intergovernmental	2,807,122	208,802	64,155	19,748	3,099,827
Tuition	140,361				140,361
Earnings on Investments	63,493	5,047		13,870	82,410
Transportation Fees	23,432				23,432
Extracurricular Activities		162,268			162,268
Classroom Materials and Fees	37,607				37,607
Revenue in Lieu of Taxes	51,909				51,909
Miscellaneous	11,195	10,275		1,500	22,970
<b>Total Cash Receipts</b>	<b>4,192,458</b>	<b>406,724</b>	<b>382,992</b>	<b>107,669</b>	<b>5,089,843</b>
<b>Cash Disbursements:</b>					
Instruction					
Regular	2,329,212	142,505			2,471,717
Special	203,598	1,450			205,048
Other Instruction	17,881				17,881
Supporting Services					
Pupils	86,764	7,238			94,002
Instructional Staff	159,234	27,890			187,124
Board of Education	22,829				22,829
Administration	364,831				364,831
Fiscal Services	186,027	651	10,140	2,318	199,136
Operation and Maintenance of Plant	376,051	8,124			384,175
Pupil Transportation	172,218				172,218
Central	313	4,827			5,140
Non-Instructional Services		1,000			1,000
Extracurricular Activities	99,956	141,116			241,072
Facilities Acquisition and Construction	3,031			10,036	13,067
Debt Service			336,053	63,265	399,318
<b>Total Cash Disbursements</b>	<b>4,021,945</b>	<b>334,801</b>	<b>346,193</b>	<b>75,619</b>	<b>4,778,558</b>
<b>Total Cash Receipts Over Cash Disbursements</b>	<b>170,513</b>	<b>71,923</b>	<b>36,799</b>	<b>32,050</b>	<b>311,285</b>
<b>Other Financing Receipts/Disbursements:</b>					
Sale of Fixed Assets				1,000	1,000
Transfers-In		293,141			293,141
Transfers-Out	(300)			(292,841)	(293,141)
Refund of Prior Year Receipts				(46,323)	(46,323)
<b>Total Other Financing Receipts/(Disbursements)</b>	<b>(300)</b>	<b>293,141</b>		<b>(338,164)</b>	<b>(45,323)</b>
Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements					
	170,213	365,064	36,799	(306,114)	265,962
Fund Cash Balances, July 1	923,093	210,386	361,745	378,162	1,873,386
Fund Cash Balances, June 30	<u>\$1,093,306</u>	<u>\$575,450</u>	<u>\$398,544</u>	<u>\$72,048</u>	<u>\$2,139,348</u>
Reserve for Encumbrances, June 30	<u>\$52,572</u>	<u>\$21,736</u>			<u>\$74,308</u>

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

**OTTOVILLE LOCAL SCHOOL DISTRICT  
PUTNAM COUNTY**

COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS,  
AND CHANGES IN FUND CASH BALANCES  
PROPRIETARY AND SIMILAR FIDUCIARY FUND TYPES  
FOR THE YEAR ENDED JUNE 30, 2008

	Proprietary Fund Type	Fiduciary Fund Type	Totals (Memorandum Only)
	Enterprise	Agency	
<b>Operating Cash Receipts:</b>			
Food Services	\$137,980		\$137,980
Extracurricular Activities		\$71,825	71,825
Total Operating Cash Receipts	<u>137,980</u>	<u>71,825</u>	<u>209,805</u>
<b>Operating Cash Disbursements:</b>			
Personal Services	66,578	119	66,697
Employees Retirement and Insurance	26,204	18	26,222
Purchased Services	7,468		7,468
Supplies and Materials	84,207		84,207
Capital Outlay	539		539
Other Operating Expenses		71,800	71,800
Total Operating Cash Disbursements	<u>184,996</u>	<u>71,937</u>	<u>256,933</u>
Operating Loss	<u>(47,016)</u>	<u>(112)</u>	<u>(47,128)</u>
<b>Non-Operating Cash Receipts:</b>			
Intergovernmental Receipts	32,602		32,602
Earnings on Investments	1,985		1,985
Total Non-Operating Cash Receipts	<u>34,587</u>		<u>34,587</u>
Net Cash Disbursements Over Cash Receipts	(12,429)	(112)	(12,541)
Fund Cash Balances, July 1	<u>35,390</u>	<u>16,658</u>	<u>52,048</u>
Fund Cash Balances, June 30	<u>\$22,961</u>	<u>\$16,546</u>	<u>\$39,507</u>
Reserve for Encumbrances, June 30	<u>\$1,340</u>		<u>\$1,340</u>

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



**OTTOVILLE LOCAL SCHOOL DISTRICT  
PUTNAM COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND  
CHANGES IN FUND CASH BALANCES - ALL GOVERNMENTAL FUND TYPES  
FOR THE YEAR ENDED JUNE 30, 2007**

	Governmental Fund Types				Totals (Memorandum Only)
	General	Special Revenue	Debt Service	Capital Projects	
<b>Cash Receipts:</b>					
Property Tax and Other Local Taxes	\$1,073,858	\$21,199	\$339,858	\$75,462	\$1,510,377
Intergovernmental	2,801,934	128,174	60,179	28,362	3,018,649
Tuition	119,131				119,131
Earnings on Investments	82,571	463		23,176	106,210
Transportation Fees	19,732				19,732
Extracurricular Activities		183,588			183,588
Classroom Materials and Fees	40,109				40,109
Revenue in Lieu of Taxes	51,910				51,910
Donations		26,000		56,203	82,203
Miscellaneous	19,398	2,641		1,500	23,539
<b>Total Cash Receipts</b>	<b>4,208,643</b>	<b>362,065</b>	<b>400,037</b>	<b>184,703</b>	<b>5,155,448</b>
<b>Cash Disbursements:</b>					
Instruction					
Regular	2,252,366	89,847		7,040	2,349,253
Special	258,416	1,506			259,922
Other Instruction	28,466				28,466
Supporting Services					
Pupils	85,971	6,395			92,366
Instructional Staff	189,926	14,699			204,625
Board of Education	24,943				24,943
Administration	459,166				459,166
Fiscal Services	199,913	549	8,719	1,946	211,127
Operation and Maintenance of Plant	340,462				340,462
Pupil Transportation	162,047				162,047
Central	380	6,973			7,353
Extracurricular Activities	100,573	181,839			282,412
Facilities Acquisition and Construction	85,566	16,329		294,218	396,113
Debt Service			357,846	65,355	423,201
<b>Total Cash Disbursements</b>	<b>4,188,195</b>	<b>318,137</b>	<b>366,565</b>	<b>368,559</b>	<b>5,241,456</b>
Total Cash Receipts Over/(Under) Cash Disbursements	20,448	43,928	33,472	(183,856)	(86,008)
<b>Other Financing Receipts/Disbursements:</b>					
Sale of Fixed Assets	3,702				3,702
Transfers-In				51,910	51,910
Transfers-Out	(51,910)				(51,910)
Refund of Prior Year Receipts				(425)	(425)
<b>Total Other Financing Receipts/(Disbursements)</b>	<b>(48,208)</b>			<b>51,485</b>	<b>3,277</b>
Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other					
Financing Disbursements	(27,760)	43,928	33,472	(132,371)	(82,731)
Fund Cash Balances, July 1	950,853	166,458	328,273	510,533	1,956,117
Fund Cash Balances, June 30	<u>\$923,093</u>	<u>\$210,386</u>	<u>\$361,745</u>	<u>\$378,162</u>	<u>\$1,873,386</u>
Reserve for Encumbrances, June 30	<u>\$97,431</u>	<u>\$60,768</u>			<u>\$158,199</u>

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

**OTTOVILLE LOCAL SCHOOL DISTRICT  
PUTNAM COUNTY**

COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS,  
AND CHANGES IN FUND CASH BALANCES  
PROPRIETARY AND SIMILAR FIDUCIARY FUND TYPES  
FOR THE YEAR ENDED JUNE 30, 2007

	Proprietary Fund Type	Fiduciary Fund Type	Totals (Memorandum Only)
	Enterprise	Agency	
<b>Operating Cash Receipts:</b>			
Food Services	\$150,316		\$150,316
Extracurricular Activities		\$76,807	76,807
Total Operating Cash Receipts	<u>150,316</u>	<u>76,807</u>	<u>227,123</u>
<b>Operating Cash Disbursements:</b>			
Personal Services	65,460	119	65,579
Employees Retirement and Insurance	24,999	19	25,018
Purchased Services	7,564		7,564
Supplies and Materials	82,097		82,097
Capital Outlay	899		899
Other Operating Expenses		76,573	76,573
Total Operating Cash Disbursements	<u>181,019</u>	<u>76,711</u>	<u>257,730</u>
Operating Income/(Loss)	<u>(30,703)</u>	<u>96</u>	<u>(30,607)</u>
<b>Non-Operating Cash Receipts:</b>			
Intergovernmental Receipts	29,090		29,090
Earnings on Investments	3,105		3,105
Total Non-Operating Cash Receipts	<u>32,195</u>		<u>32,195</u>
Net Cash Receipts Over Cash Disbursements	1,492	96	1,588
Fund Cash Balances, July 1	<u>33,898</u>	<u>16,562</u>	<u>50,460</u>
Fund Cash Balances, June 30	<u>\$35,390</u>	<u>\$16,658</u>	<u>\$52,048</u>
Reserve for Encumbrances, June 30	<u>\$847</u>		<u>\$847</u>

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

**OTTOVILLE LOCAL SCHOOL DISTRICT  
PUTNAM COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE FISCAL YEARS ENDED JUNE 30, 2008 AND 2007**

**NOTE 1 – DESCRIPTION OF THE DISTRICT**

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

The District was established in 1917 through the consolidation of existing land areas and Districts. The District serves an area of approximately 40 square miles. It is located in Putnam and Paulding counties and includes the entire Village of Ottoville, all of Monterey Township, and portions of Jackson, Jennings and Perry Townships in Putnam County and portions of Washington Township in Paulding County. The District is staffed by 18 classified employees, 39 certified teaching personnel, and four administrative employees who provide services to approximately 520 students and other community members. The District currently operates one instructional/support facility.

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

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

**A. The Reporting Entity**

The District's reporting entity has been defined in accordance with GASB Statement No. 14, "The Financial Reporting Entity". A reporting entity is comprised of the primary government, component units, and other organizations that are included to insure that the financial statements of the District are not misleading. The primary government consists of all funds, departments, boards, and agencies that are not legally separate from the District. For the District, this includes general operations, food service, and student related activities of the District. Component units are legally separate organizations for which the District is financially accountable. The District is financially accountable for an organization if the District appoints a voting majority of the organization's governing board and (1) the District is able to significantly influence the programs or services performed or provided by the organization; or (2) the District is legally entitled to or can otherwise access the organization's resources; the District is legally obligated or has otherwise assumed the responsibility to finance the deficits of, or provide financial support to, the organization or the District is obligated for the debt of the organization. Component units may also include organizations that are fiscally dependent on the District in that the District approves the budget, the issuance of debt, or the levying of taxes for the organization. The financial statements of the reporting entity include only those of the District (the primary government). The District has no component units.

**OTTOVILLE LOCAL SCHOOL DISTRICT  
PUTNAM COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE FISCAL YEARS ENDED JUNE 30, 2008 AND 2007  
(Continued)**

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

The District participates in five jointly governed organizations and three public entity risk pools. The financial statements exclude these entities which perform activities within the District's boundaries for the benefit of its residents because the District is not financially accountable for these entities, nor are these entities fiscally dependent on the District. Notes 8 and 13 to the financial statements provide additional information for these entities. These organizations are:

Jointly Governed Organizations:

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

Public Entity Risk Pool:

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

**B. Fund Accounting**

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

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

**GOVERNMENTAL FUND TYPES**

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

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

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

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

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

**OTTOVILLE LOCAL SCHOOL DISTRICT  
PUTNAM COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE FISCAL YEARS ENDED JUNE 30, 2008 AND 2007  
(Continued)**

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

**PROPRIETARY FUND TYPE**

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

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

**FIDUCIARY FUND TYPES**

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

**C. Basis of Accounting**

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

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

**D. Budgetary Process**

All funds, except agency funds, are legally required to be budgeted and appropriated. The major documents prepared are the certificate of estimated resources and the appropriations resolution, both of which are prepared on the budgetary basis of accounting. The certificate of estimated resources establishes a limit on the amount the Board of Education may appropriate. The appropriations resolution is the Board's authorization to spend resources and sets annual limits on cash disbursements plus encumbrances at the level of control selected by the Board. The legal level of control has been established by the Board at the fund level for all funds. Budgetary allocations at the fund level are made by the Treasurer.

The certificate of estimated resources may be amended during the fiscal year if projected increases or decreases in receipts are identified by the Treasurer.

The appropriation resolution is subject to amendment throughout the year with the restriction that appropriations cannot exceed estimated resources.

**OTTOVILLE LOCAL SCHOOL DISTRICT  
PUTNAM COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE FISCAL YEARS ENDED JUNE 30, 2008 AND 2007  
(Continued)**

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

**E. Cash and Investments**

To improve cash management, cash received by the District is pooled and invested. Monies for all funds are maintained in this pool. Individual fund integrity is maintained through District records. Interest in the pool is included in the cash balances reported by fund type.

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

During fiscal year 2008 and 2007, the District invested in STAR Ohio. The District's repurchase agreement is recorded at the amount reported by the Ottoville Bank as of June 30, 2008 and 2007. The District reports its investment in STAR Ohio at share values the mutual fund report.

Following Ohio statutes, the Board of Education has, by resolution, specified the funds to receive an allocation of interest earnings. During fiscal year 2007, interest receipts were credited to the General Fund of \$82,571, Permanent Improvement Fund of \$5,218, Ohio School Facilities Commission Building Fund of \$17,958, Lunchroom Fund of \$3,105 and Miller Scholarship Fund of \$463. During fiscal year 2008 interest receipts were credited to the General Fund of \$63,493. Permanent Improvement Fund of \$4,726, Ohio School Facilities Commission Building Fund of \$9,144, Lunchroom Fund of \$1,985, Miller Scholarship Fund of \$1,107, and Classroom Maintenance Fund of \$3,940.

**F. Restricted Assets**

Assets are reported as restricted when limitations on their use change the nature or normal understanding of the availability of the asset. Such constraints are either imposed by creditors, contributors, grantors, or laws of other governments, or imposed by law through constitutional provisions or enabling legislation. The District reported no restricted assets in the accompanying financial statements.

**G. Inventory and Prepaid Items**

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

**H. Capital Assets**

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

**I. Interfund Receivables/Payables**

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

**OTTOVILLE LOCAL SCHOOL DISTRICT  
PUTNAM COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE FISCAL YEARS ENDED JUNE 30, 2008 AND 2007  
(Continued)**

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

**J. Accumulated Leave**

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

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

The District recognizes the disbursement for employer contributions to cost-sharing pension plans when they are paid. As described in Notes 9 and 10, the employer contributions include portions for pension benefits and for postretirement health care benefits.

**L. Long-Term Obligations**

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

**M. Interfund Transactions**

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

**N. Total Columns on Financial Statements**

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

**NOTE 3 – COMPLIANCE**

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

**OTTOVILLE LOCAL SCHOOL DISTRICT  
PUTNAM COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE FISCAL YEARS ENDED JUNE 30, 2008 AND 2007  
(Continued)**

**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 may be deposited or invested in the following securities:

1. United States Treasury bills, bonds, notes, or any other obligation or security issued by the United States Treasury, or any other obligation guaranteed as to principal and interest by the United States;
2. Bonds, notes, debentures, or any other obligation or security issued by any federal government agency or instrumentality including, but not limited to, the Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, Government National Mortgage Association, and Student Loan Marketing Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
3. Written repurchase agreements in the securities listed above provided the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least two percent and be marked to market daily, and the term of the agreement must not exceed 30 days;
4. Bonds and other obligations of the State of Ohio or Ohio local governments;
5. Time certificates of deposit or savings or deposit accounts including, but not limited to, passbook accounts;
6. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2) and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions;
7. The State Treasurer's investment pool (STAR Ohio).

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



**OTTOVILLE LOCAL SCHOOL DISTRICT  
PUTNAM COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE FISCAL YEARS ENDED JUNE 30, 2008 AND 2007  
(Continued)**

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

The carrying amount of cash and investments at June 30, 2008 and 2007 was as follows:

	2008	2007
Demand deposits	\$2,143,760	\$1,898,971
STAR Ohio	35,095	26,463
Total deposits and investments	\$2,178,855	\$1,925,434

**Deposits:** Deposits are insured by the Federal Depository Insurance Corporation or collateralized by the financial institution's public entity deposit pool.

**Investments:**

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

**NOTE 5 – BUDGETARY ACTIVITY**

Budgetary activity for the years ending June 30, 2008 and June 30, 2007 follows:

2008 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$4,128,944	\$4,192,458	\$63,514
Special Revenue	753,134	699,865	(53,269)
Debt Service	378,984	382,992	4,008
Capital Projects	115,072	108,669	(6,403)
Enterprise	180,900	172,567	(8,333)
Fiduciary	78,250	71,825	(6,425)
Total	\$5,635,284	\$5,628,376	(\$6,908)

2008 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$4,443,916	\$4,074,817	\$369,099
Special Revenue	435,981	356,537	79,444
Debt Service	346,825	346,193	632
Capital Projects	429,929	414,783	15,146
Enterprise	198,297	186,336	11,961
Fiduciary	76,650	71,937	4,713
Total	\$5,931,598	\$5,450,603	\$480,995

**OTTOVILLE LOCAL SCHOOL DISTRICT  
PUTNAM COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE FISCAL YEARS ENDED JUNE 30, 2008 AND 2007  
(Continued)**

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

2007 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$4,156,144	\$4,212,345	\$56,201
Special Revenue	452,546	362,065	(90,481)
Debt Service	456,008	400,037	(55,971)
Capital Projects	397,604	236,613	(160,991)
Enterprise	190,000	182,511	(7,489)
Fiduciary	56,365	76,807	20,442
Total	\$5,708,667	\$5,470,378	(\$238,289)

2007 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$4,515,155	\$4,337,536	\$177,619
Special Revenue	414,860	378,905	35,955
Debt Service	432,115	366,565	65,550
Capital Projects	602,893	368,984	233,909
Enterprise	199,589	181,866	17,723
Fiduciary	56,365	76,711	(20,346)
Total	\$6,220,977	\$5,710,567	\$510,410

**NOTE 6 - PROPERTY TAXES**

Property taxes are levied and assessed on a calendar year basis, while the District's fiscal year runs from July through June. First-half tax distributions are received by the District in the second half of the fiscal year. Second-half tax distributions are received in the first half of the following fiscal year.

Property taxes include amounts levied against all real property, public utility property, and tangible personal (used in business) property located in the District. Real property tax receipts received in calendar years 2008 and 2007 represent the collection of calendar years 2007 and 2006 taxes. Real property taxes received in calendar years 2008 and 2007 were levied after April 1, 2007 and 2006, on the assessed values as of January 1, 2007 and 2006, respectively, the lien date. Assessed values for real property taxes are established by State statute at 35 percent of appraised market value. Real property taxes are payable annually or semiannually. If paid annually, payment is due December 31; if paid semiannually, the first payment is due December 31, with the remainder payable by June 20. Under certain circumstances, State statute permits alternate payment dates to be established.

Public utility property tax receipts received in calendar years 2008 and 2007 represent the collection of calendar years 2007 and 2006 taxes, respectively. Public utility real and tangible personal property taxes received in calendar years 2008 and 2007 became a lien on December 31, 2006 and 2005, respectively, were levied after April 1, 2007 and 2006, 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.

**OTTOVILLE LOCAL SCHOOL DISTRICT  
PUTNAM COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE FISCAL YEARS ENDED JUNE 30, 2008 AND 2007  
(Continued)**

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

Tangible personal property tax receipts received in calendar years 2008 and 2007 (other than public utility property) represent the collection of calendar years 2008 and 2007 taxes, respectively. Tangible personal property taxes received in calendar years 2008 and 2007 were levied after April 1, 2007 and 2006, respectively, on the value as of December 31, 2007 and 2006, respectively. Tangible personal property is currently assessed at 25 percent of true value for capital assets and 23 percent for inventory. Amounts paid by multi-county taxpayers are due September 20. Single county taxpayers may pay annually or semiannually. If paid annually, payment is due April 30; if paid semiannually, the first payment is due April 30, with the remainder payable by September 20. Tangible personal property taxes paid by April 30 are usually received by the District prior to June 30.

The District receives property taxes from Putnam County. The County Auditor periodically advances to the District its portion of the taxes collected. Second-half real property tax payments collected by the counties by June 30, 2008 and 2007, are available to finance fiscal years 2008 and 2007 operations, respectively. The amount available to be advanced can vary based on the date the tax bills are sent.

The assessed values upon which fiscal year 2007 taxes were collected are:

	2006 Second- Half Collections		2007 First- Half Collections	
	Amount	Percent	Amount	Percent
Real Property:				
Agricultural/Residential	\$41,673,690	81%	\$42,715,180	84%
Industrial/Commercial	4,010,710	8%	3,994,300	8%
Public Utility Property	1,724,790	3%	1,726,960	3%
Tangible Personal Property	4,179,934	8%	2,698,070	5%
Total Assessed Value	\$51,589,124	100%	\$51,134,510	100%
Tax rate per \$1,000 of assessed valuation	35.37		35.07	

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

	2007 Second- Half Collections		2008 First- Half Collections	
	Amount	Percent	Amount	Percent
Real Property:				
Agricultural/Residential	\$42,715,180	84%	\$43,557,160	86%
Industrial/Commercial	3,994,320	8%	4,189,150	8%
Public Utility Property	1,726,960	3%	1,474,700	3%
Tangible Personal Property	2,698,070	5%	1,418,720	3%
Total Assessed Value	\$51,134,530	100%	\$50,639,730	100%
Tax rate per \$1,000 of assessed valuation	35.07		34.97	

**OTTOVILLE LOCAL SCHOOL DISTRICT  
PUTNAM COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE FISCAL YEARS ENDED JUNE 30, 2008 AND 2007  
(Continued)**

**NOTE 7 – PAYMENTS IN LIEU OF TAXES**

As provided by State Law, the District has entered into agreements with a number of property owners under which the District has granted property tax abatements to those property owners. The property owners have agreed to make payments to the District which reflect all or a portion of the property taxes which the property owners would have paid if their taxes had not been abated. The property owners' contractual agreements to make these payments in lieu of taxes generally continue until the agreement expires. Payments in lieu of taxes for fiscal year 2008 and 2007 were \$51,909 and \$51,910, respectively.

**NOTE 8 - 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 75 members. SORSA is a joint self-insurance pool. SORSA assumes the risk of loss up to the limits of the District's policy. SORSA covers the following risks:

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

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

The District paid \$26,722 in premiums to the pool for fiscal year 2007 coverage and The District paid \$24,072 in premiums to the pool for fiscal year 2008 coverage.

SORSA financial statements are available by contacting SORSA at:

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

**B. Employee Medical Benefits**

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

**OTTOVILLE LOCAL SCHOOL DISTRICT  
PUTNAM COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE FISCAL YEARS ENDED JUNE 30, 2008 AND 2007  
(Continued)**

**NOTE 8 - RISK MANAGEMENT – (CONTINUED)**

**C. Workers' Compensation**

For fiscal years 2008 and 2007, the District participated in the Ohio School Boards Association Workers' Compensation Group Rating Program (GRP), an insurance purchasing pool. The intent of the GRP is to achieve a reduced premium for the District by virtue of its grouping and representation with other participants in the GRP. The workers' compensation experience of the participating Districts is calculated as one experience and a common premium rate is applied to all Districts in the GRP. Each participant pays its workers' compensation premium to the State based on the rate for the GRP rather than its individual rate. GRP then calculates total savings and each participant's individual performance is compared to the overall Plan's savings percentage. A participant then either receives money from or contributes to GRP's equity pooling fund. This equity pooling arrangement insures that each participant shares equally in the overall performance of the GRP. Participation in the GRP is limited to Districts that can meet the GRP's selection criteria.

**NOTE 9 - DEFINED BENEFIT PENSION PLANS**

**A. School Employee Retirement System**

Plan Description - The District contributes to the School Employees Retirement System (SERS), a cost-sharing multiple employer 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.

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 2008, 9.16 percent of annual covered salary was the portion used to fund pension obligations. The contribution requirements of plan members and employers are established and may be amended by the SERS' Retirement Board up to a statutory maximum amount of 10 percent for plan members and 14 percent for employers. Chapter 3309 of the Ohio Revised Code provides statutory authority for member and employer contributions. The District's required contributions for pension obligations to SERS for the fiscal years ended June 30, 2008, 2007 and 2006 were \$55,783, \$63,096 and \$47,045 respectively; 53.69 percent has been contributed for fiscal year 2008 and 100 percent for fiscal years 2007 and 2006.

**B. State Teachers Retirement System**

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 E. Broad St., Columbus, OH 43215-3771, by calling (888) 227-7877, or by visiting the STRS Ohio Web site at [www.strsoh.org](http://www.strsoh.org).

**OTTOVILLE LOCAL SCHOOL DISTRICT  
PUTNAM COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE FISCAL YEARS ENDED JUNE 30, 2008 AND 2007  
(Continued)**

**NOTE 9 - DEFINED BENEFIT PENSION PLANS – (CONTINUED)**

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

The District's required contributions for pension obligations to STRS Ohio for the fiscal years ended June 30, 2008, 2007, and 2006, were \$297,158, \$303,454, and \$277,971 respectively; 84.71 percent has been contributed for fiscal year 2008 and 100 percent for fiscal years 2007 and 2006.

**C. Social Security System**

Effective July 1, 1991, all employees not otherwise covered by the School Employees Retirement System or the State Teachers Retirement System of Ohio have an option to choose Social Security or the School Retirement System. As of June 30, 2008, five members of the Board of Education have elected Social Security. The contribution rate is 6.2 percent of wages.

**OTTOVILLE LOCAL SCHOOL DISTRICT  
PUTNAM COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE FISCAL YEARS ENDED JUNE 30, 2008 AND 2007  
(Continued)**

**NOTE 10 - POSTEMPLOYMENT BENEFITS**

**A. School Employee Retirement System**

Plan Description – The District participates in two cost-sharing multiple employer defined benefit OPEB plans administered by the School Employees Retirement System 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 St., 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 Fund. The Health Care Fund was established and is administered in accordance with Internal Revenue Code Section 401h. For 2008, 4.18 percent of covered payroll was allocated to health care. In addition, employers pay a surcharge for employees earning less than an actuarially determined amount; for 2008, this amount was \$95,552.

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.

**B. State Teachers Retirement System**

Plan Description – The District contributes to the cost sharing multiple employer defined benefit Health 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](http://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 2008, 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, 2008, 2007, and 2006, were \$22,858, \$23,343, and \$21,382 respectively.

**OTTOVILLE LOCAL SCHOOL DISTRICT  
PUTNAM COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE FISCAL YEARS ENDED JUNE 30, 2008 AND 2007  
(Continued)**

**NOTE 11 – DEBT**

The changes in the District's long-term obligations during fiscal year 2007 were as follows:

	Principal Outstanding 7/1/06	Reductions	Principal Outstanding 6/30/07
<u>Tax Anticipation Note</u>			
2006 Issue	\$300,000	\$55,000	\$245,000
<u>General Obligation Bonds</u>			
2001 School Facilities Construction			
Current Interest Bonds	650,000	100,000	550,000
2004 Advance Refunding of 1995 School Improvement Bonds:			
Current Interest Bonds	960,000	65,000	895,000
Capital Appreciation Bonds	15,000		15,000
2006 Advance Refunding of 2001 School Construction Bonds:			
Current Interest Bonds	2,015,000	55,000	1,960,000
Capital Appreciation Bonds	79,996		79,996
<b>Total Long Term Obligations</b>	<b><u>\$4,019,996</u></b>	<b><u>\$275,000</u></b>	<b><u>\$3,744,996</u></b>

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

	Principal Outstanding 7/1/07	Reductions	Principal Outstanding 6/30/08
<u>Tax Anticipation Note</u>			
2006 Issue	\$245,000	\$55,000	\$190,000
<u>General Obligation Bonds</u>			
2001 School Facilities Construction			
Current Interest Bonds	550,000	100,000	450,000
2004 Advance Refunding of 1995 School Improvement Bonds:			
Current Interest Bonds	895,000	65,000	830,000
Capital Appreciation Bonds	15,000		15,000
2006 Advance Refunding of 2001 School Construction Bonds:			
Current Interest Bonds	1,960,000	40,000	1,920,000
Capital Appreciation Bonds	79,996		79,996
<b>Total Long Term Obligations</b>	<b><u>\$3,744,996</u></b>	<b><u>\$260,000</u></b>	<b><u>\$3,484,996</u></b>



**OTTOVILLE LOCAL SCHOOL DISTRICT  
PUTNAM COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE FISCAL YEARS ENDED JUNE 30, 2008 AND 2007  
(Continued)**

**NOTE 11 – DEBT – (CONTINUED)**

**Tax Anticipation Note - 2006**

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

Principal and interest requirements to retire tax anticipation notes outstanding at June 30, 2008, were as follows:

<u>Maturity Date</u>	<u>Principal</u>	<u>Interest Rate</u>
2009	\$60,000	3.80%
2010	65,000	3.80%
2011	<u>65,000</u>	3.80%
Total	<u>\$190,000</u>	

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

On December 1, 2001, the District issued voted general obligation bonds for the construction of a new instructional building. The bond issue included serial and term bonds, in the amount of \$940,000 and \$2,095,000, respectively. During 2006 the term bonds were refunded. The bonds are being retired from the Bond Retirement Fund, with the proceeds of a 5.57 mill voted property tax levy.

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

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

**School Improvement Bonds – 2004**

On November 1, 2004 the District issued General Obligation Advance Refunding Bonds in the amount of \$990,000 for the purpose of advance refunding a portion of general obligation bonds, dated November 1, 1995, which were issued for the purpose of constructing a school building addition. The bonds consisted of \$475,000 in current interest serial bonds and \$500,000 in term bonds and \$15,000, in capital appreciation bonds.

**OTTOVILLE LOCAL SCHOOL DISTRICT  
PUTNAM COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE FISCAL YEARS ENDED JUNE 30, 2008 AND 2007  
(Continued)**

**NOTE 11 – DEBT – (CONTINUED)**

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

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

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

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

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

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

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

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

The bonds are being retired through the Bond Retirement Fund.

**OTTOVILLE LOCAL SCHOOL DISTRICT  
PUTNAM COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE FISCAL YEARS ENDED JUNE 30, 2008 AND 2007  
(Continued)**

**NOTE 11 – DEBT – (CONTINUED)**

**School Construction General Obligation Bonds – 2006**

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

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

<u>Maturity Date</u>	<u>Principal Amount</u>	<u>Interest Rate</u>
2008	\$40,000	3.25%
2009	40,000	3.375%
2010	40,000	3.375%
2011	45,000	3.50%
2012	45,000	3.50%
2013	170,000	3.750%

The term bond which matures on December 1, 2017, has an interest rate of 4.25 percent per year, and is subject to mandatory sinking fund redemption at a redemption price of 103.729 percent of the principal amount to be redeemed, plus accrued interest to the date of redemption, on December 1, in the year in the respective principal amounts as follows:

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

The term bond which matures on December 1, 2019, has an interest rate of 4.00 percent per year, and is subject to mandatory sinking fund redemption at a redemption price of 100.559 percent of the principal amount to be redeemed, plus accrued interest to the date of redemption, on December 1, in the year in the respective principal amounts as follows:

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

The term bond which matures on December 1, 2021, has an interest rate of 4.00 percent per year, and is subject to mandatory sinking fund redemption at a redemption price of 99.415 percent of the principal amount to be redeemed, plus accrued interest to the date of redemption, on December 1, in the year in the respective principal amounts as follows:

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

**OTTOVILLE LOCAL SCHOOL DISTRICT  
PUTNAM COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE FISCAL YEARS ENDED JUNE 30, 2008 AND 2007  
(Continued)**

The term bond which matures on December 1, 2023, has an interest rate of 4.10 percent per year, and is subject to mandatory sinking fund redemption at a redemption price of 99.370 percent of the principal amount to be redeemed, plus accrued interest to the date of redemption, on December 1, in the year in the respective principal amounts as follows:

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

The capital appreciation bonds were issued in the aggregate original principal amount of \$79,997 and mature on December 1, in the years, have the original principal amounts and mature with the accreted values at maturity, as follows:

<u>Maturity Date</u>	<u>Original Principal Amount</u>	<u>Accreted Value at Maturity</u>
2014	\$32,668	\$180,000
2015	26,224	180,000
2016	21,084	180,000

The bonds are being retired through the Bond Retirement Fund.

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

<u>Year Ended</u>	General Obligations Bonds			Capital Appreciation Bonds		
	Principal	Interest	Total	Principal	Interest	Total
2009	\$210,000	\$125,446	\$335,446			
2010	215,000	118,425	333,425			
2011	225,000	110,793	335,793			
2012	230,000	102,453	332,453			
2013	240,000	91,015	331,015			
2014-2018	575,000	402,644	977,644	\$94,996	\$585,004	\$680,000
2019-2023	1,340,000	166,500	1,506,500			
2024	165,000	3,383	168,383			
<b>Total</b>	<b>\$3,200,000</b>	<b>\$1,120,659</b>	<b>\$4,320,659</b>	<b>\$94,996</b>	<b>\$585,004</b>	<b>\$680,000</b>

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

The effects of these debt limitations at June 30, 2007, are a voted debt margin of \$1,102,110 (including available funds of \$361,745) and an unvoted debt margin of \$51,135. As of June 30, 2008, the District had a voted debt margin of \$1,262,580 (including available funds of \$398,544) and an unvoted debt margin of \$50,640.

**OTTOVILLE LOCAL SCHOOL DISTRICT  
PUTNAM COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE FISCAL YEARS ENDED JUNE 30, 2008 AND 2007  
(Continued)**

**NOTE 12 - SET ASIDE REQUIREMENTS**

The District is required by State statute to annually set aside, in the General Fund, an amount based on a statutory formula for the purchase of textbooks and other instructional materials, and an equal amount for the acquisition and construction of capital improvements. Amounts not spent by the end of the fiscal year or offset by similarly restricted resources received during the fiscal year must be held in cash at fiscal year end. These amounts must be carried forward and used for the same purposes in future years.

The following cash basis information identifies the changes in the fund balance reserves for textbooks and capital improvements during fiscal years 2007 and 2008.

	Textbooks	Capital Improvements
Balance June 30, 2006	(\$12,852)	
Current Year Set Aside Requirement	87,803	\$87,803
Current Year Offsets		(75,462)
Qualifying Cash Disbursements	(70,641)	(12,341)
Set Aside Reserve Balance June 30, 2007	\$4,310	
	Textbooks	Capital Improvements
Balance June 30, 2007	\$4,310	
Current Year Set Aside Requirement	85,584	\$85,584
Current Year Offsets		(85,584)
Qualifying Cash Disbursements	(74,545)	
Set Aside Reserve Balance June 30, 2008	\$15,349	

The District had current year offsets and/or qualifying expenditures during both fiscal years 2007 and 2008 that reduced the capital improvements set aside amount to below zero. However, this amount cannot be carried forward to reduce future set aside requirements, and therefore is not reflected in this schedule.

**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 Districts.

**OTTOVILLE LOCAL SCHOOL DISTRICT  
PUTNAM COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE FISCAL YEARS ENDED JUNE 30, 2008 AND 2007  
(Continued)**

**NOTE 13 - JOINTLY GOVERNED ORGANIZATIONS – (CONTINUED)**

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

B. Vantage Career Center

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

C. West Central Regional Professional Development Center

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

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

D. Northwest Ohio Special Education Regional Resource Center

The Northwest Ohio Special Education Regional Resource Center (SERRC) is a jointly governed organization formed to initiate, expand, and improve special education programs and services for children with disabilities and their parents. The SERRC is made up of school districts from Defiance, Fulton, Hancock, Henry, Lucas, Ottawa, Paulding, Putnam, Sandusky, Seneca, Van Wert, Williams, and Wood counties. The SERRC is governed by a thirty-three member board consisting of twenty-six superintendents, one director of student services, one parent representative, one representative from a community school, one representative from a mental health board, one representative from a parent advisory council, one representative from Bowling Green State University, and one representative from the University of Toledo. The degree of control exercised by any participating school districts 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.

**OTTOVILLE LOCAL SCHOOL DISTRICT  
PUTNAM COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE FISCAL YEARS ENDED JUNE 30, 2008 AND 2007  
(Continued)**

**NOTE 13 - JOINTLY GOVERNED ORGANIZATIONS – (CONTINUED)**

E. Northwestern Ohio Educational Research Council, Inc.

The Northwestern Ohio Educational Research Council, Inc. (NOERC) is a jointly governed organization formed to bring educational entities into a better understanding of their common educational problems, facilitate and conduct practical educational research, coordinate educational research among members, provide a means for evaluating and disseminating the results of research, serve as a repository for research and legislative materials, and provide opportunities for training. The NOERC serves a twenty-five county area in Northwest Ohio. The Board of Directors consists of superintendents from two educational service centers, two exempted village school districts, five local school districts, and five city school districts, as well as representative from two private or parochial schools and three institutions of higher education. Each active member is entitled to one vote on all issues addressed by the Board of Directors. Financial information can be obtained from the Northwestern Ohio Educational Research Council, Inc., Box 456, Ashland, Ohio 44805.

**This page intentionally left blank.**





# Mary Taylor, CPA

Auditor of State

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

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

To the Board of Education:

We have audited the financial statements of Ottoville Local School District, Putnam County, (the District) as of and for the years ended June 30, 2008 and 2007, and have issued our report thereon dated October 30, 2008, wherein we issued an adverse opinion on the District's financial statements because the District prepared its financial statements using accounting practices the Auditor of State prescribes or permits for governments not required to report using accounting principles generally accepted in the United States of America and indicated our inability to obtain sufficient evidential matter supporting food service revenues. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*.

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

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

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control over financial reporting that we consider significant deficiencies.

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

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

We consider the following deficiencies described in the accompanying schedule of findings to be significant deficiencies in internal control over financial reporting: 2008-002 and 2008-003.

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

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and accordingly, would not necessarily disclose all significant deficiencies that are also material weaknesses. However, we believe the significant deficiencies described above are also material weaknesses.

We also noted certain matters that we reported to the District's management in a separate letter dated October 30, 2008.

#### **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 that we must report under *Government Auditing Standards* which is described in the accompanying schedule of findings as item 2008-001.

We also noted certain noncompliance matters not requiring inclusion in this report that we reported to the District's management in a separate letter dated October 30, 2008.

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 the audit committee, management, and the Board of Education. We intend it for no one other than these specified parties.



**Mary Taylor, CPA**  
Auditor of State

October 30, 2008

**OTTOVILLE LOCAL SCHOOL DISTRICT  
PUTNAM COUNTY**

**SCHEDULE OF FINDINGS  
JUNE 30, 2008 AND 2007**

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

**FINDING NUMBER 2008-001**

**Noncompliance Finding**

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

Ohio Administrative Code §117-2-03(B) requires the District to prepare its annual financial report in accordance with accounting principles generally accepted in the United States of America. However, the District prepares its financial statements in accordance with standards established by the Auditor of State for governmental entities not required to prepare annual reports in accordance with generally accepted accounting principles. The accompanying financial statements and notes omit assets, liabilities, fund equities, and disclosures, while material, cannot be determined at this time. The District can be fined and various other administrative remedies may be taken against the District. We recommend the District prepare its statements in accordance with accounting principles generally accepted in the United States of America.

**Officials' Response:**

On February 16, 2005, the Ottoville Local School District Board of Education unanimously voted to discontinue Generally Accepted Accounting Principal reporting as it was determined the cost outweighs the benefits. On August 18, 2008, the Ottoville Local School District Board of Education discussed and approved the school reporting our financial statements on a cash basis format.

**FINDING NUMBER 2008-002**

**Material Weakness – Cafeteria Revenues**

The cafeteria utilized tickets to keep track of pre-sale student lunches, pre-sales student milk, and pre-sale adult sales and tally sheets for single student lunches, milk and single adult sales. The ticket sequence for these sales is indicated on a daily cash proof sheet; however there was no supporting documentation for ala carte sales. Ala carte sales amounted to \$21,364 for fiscal year 2008 and \$25,236 for fiscal year 2007. For the years ended June 30, 2008 and 2007, this represented 17 percent and 15 percent, respectively of total cafeteria sales. The lack of supporting documentation could result in revenue not being deposited, and recovery, which could affect the accuracy and reliability of the revenue reported on the financial statements.

In addition, 30 percent of the cash proof sheets for fiscal year 2008 and 2007 did not properly recalculate to the total indicated on the cash proof and the deposit amount, with the largest variance being \$16.75 short of the deposit.

**FINDING NUMBER 2008-002  
(Continued)**

Without the use of cash registers or a debit card system, there is a lack of documentation of the individual cash transactions processed by the cafeteria. This increases the risk errors or shortages could occur in the cash collections received by the cafeteria. We recommend the District implement controls to ensure all lunch sales including ala carte sales are appropriately documented and reconciled to the revenue received; this could include obtaining cash registers or a debit card system for the cafeteria which is programmed to process cash collections and food service sales. We further recommend that the Treasurer monitor daily food service revenue reports to help ensure their accuracy.

**Officials' Response:**

We received no response from Officials to this finding.

**FINDING NUMBER 2008-003**

**Material Weakness – Monitoring of Financial Activity**

Accurate financial reporting is the responsibility of the Treasurer and the Board of Education and is essential to ensure the information provided to the readers of the financial statements is correct.

We noted the following:

- The District did not prepare its financial statements in accordance with accounting principles generally accepted in the United States of America, resulting in our issuance of an adverse opinion on the District's financial statement presentation.
- In fiscal year 2007, a \$158,000 reimbursement of prior year activity was booked as a transfer from one fund to another fund within the same fund type, subsequently, overstating the "intra" fund type transfer activity for the Capital Projects fund type.
- In fiscal years 2007 and 2008, Rotary Fund revenues and expenditures totaling \$36,735 and \$4,440, respectively, were reported in the Internal Service fund. This fund activity should have been reported as Special Revenue fund type activity.

As a result, the District's financial statements did not correctly reflect the financial activity of the District for each fiscal year. The District's financial statements have been adjusted so these transactions are properly accounted for.

Inaccurate posting of transactions impedes the ability of management officials to accurately assess the financial status of the District.

**FINDING NUMBER 2008-003  
(Continued)**

To ensure the District's financial statements and notes to the statements are complete and accurate, we recommend the Treasurer post all transactions in accordance with the guidance established by the Uniform School Accounting System issued by the Auditor of State and the District prepare its financial statements in accordance with accounting principles generally accepted in the United States of America. Furthermore, the Board should adopt policies and procedures, including a final review of the statements and notes by the Treasurer and Board, to identify and correct errors and omissions.

**Officials' Response:**

We received no response from Officials to this finding.

**OTTOVILLE LOCAL SCHOOL DISTRICT  
PUTNAM COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS  
JUNE 30, 2008 AND 2007**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected, Significantly Different Corrective Action Taken, or Finding No Longer Valid; <b><i>Explain</i></b>
2006-001	Ohio Revised Code 117.38 for not filing GAPP statements	No	Repeated as finding 2008-001 in this report.



**Mary Taylor, CPA**  
Auditor of State

**OTTOVILLE LOCAL SCHOOL DISTRICT**

**PUTNAM COUNTY**

**CLERK'S CERTIFICATION**

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

*Susan Babbitt*

**CLERK OF THE BUREAU**

**CERTIFIED  
NOVEMBER 13, 2008**