



Dave Yost • Auditor of State

**OTTOVILLE LOCAL SCHOOL DISTRICT
PUTNAM COUNTY**

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Dave Yost • 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, Ohio (the District), as of and for the years ended June 30, 2012 and 2011. 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.

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

Ohio Administrative Code Section 117-2-03 (B) requires the District to prepare its annual financial report in accordance with accounting principles generally accepted in the United States of America. However, as discussed in Note 1, the accompanying financial statements and notes have been prepared on an accounting basis not in accordance with these generally accepted accounting principles. The accompanying financial statements and notes omit entity wide statements, and assets, liabilities, fund equities, and disclosures that, while material, we cannot determine at this time. In addition, during fiscal years 2012 and 2011, the District failed to adopt the provisions of Governmental Accounting Standards Board Statement No. 54 *Fund Balance Reporting and Governmental Fund Type Definitions* as mandated by Auditor of State Bulletin 2011-004 for regulatory financial statements.

In our opinion, because of the departure from generally accepted accounting principles described in the preceding paragraph, the accompanying financial statements do not present fairly the financial position, results of operations, and cash flows, where applicable, of Ottoville Local School District, Putnam County, Ohio as of and for the years ended June 30, 2012 and 2011 in accordance with accounting principles generally accepted in the United States of America.

The District also 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 January 8, 2013, 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 black ink that reads "Dave Yost". The signature is written in a cursive style with a large, looping initial "D".

Dave Yost
Auditor of State

January 8, 2013

**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 FISCAL YEAR ENDED JUNE 30, 2012

	Governmental Fund Types			Totals (Memorandum Only)
	General	Special Revenue	Debt Service	
Cash Receipts:				
Property Tax and Other Local Taxes	\$1,796,433	\$20,915	\$314,612	\$2,131,960
Intergovernmental	2,647,169	332,670	66,160	3,045,999
Tuition	177,962			177,962
Earnings on Investments	10,672	2,825		13,915
Transportation Fees	18,714			18,714
Extracurricular Activities		150,801		150,801
Classroom Materials and Fees	47,484			47,484
Revenue in Lieu of Taxes	11,054			11,054
Donations				7,795
Miscellaneous	19,732	7,453		27,185
Total Cash Receipts	<u>4,729,220</u>	<u>514,664</u>	<u>380,772</u>	<u>5,632,869</u>
Cash Disbursements:				
Instruction				
Regular	2,320,322	248,030		2,568,352
Special	184,681			184,681
Other Instruction	9,783			9,783
Supporting Services				
Pupils	88,993	2,862		91,855
Instructional Staff	114,631	36,056		150,687
Board of Education	21,062			21,062
Administration	318,578	35,877		354,455
Fiscal Services	196,782	673	10,151	207,606
Operation and Maintenance of Plant	412,994	62,374		475,368
Pupil Transportation	189,021			235,103
Central	325			325
Non-Instructional Services		3,000		3,000
Extracurricular Activities	98,018	134,954		233,738
School and Public Service Co-Curriculum	7,264	1,191		8,455
Site Improvement Services				15,292
Debt Service			329,903	329,903
Total Cash Disbursements	<u>3,962,454</u>	<u>525,017</u>	<u>340,054</u>	<u>4,889,665</u>
Total Cash Receipts Over/(Under) Cash Disbursement	766,766	(10,353)	40,718	(53,927)
Other Financing Receipts/(Disbursements):				
Insurance Proceeds	4,884			4,884
Transfers-In		159		159
Transfers-Out		(159)		(159)
Total Other Financing Receipts	<u>4,884</u>			<u>4,884</u>
Net Change in Fund Cash Balances	771,650	(10,353)	40,718	(53,927)
Fund Cash Balances, July 1	<u>2,437,153</u>	<u>589,189</u>	<u>513,421</u>	<u>3,653,979</u>
Fund Cash Balances, June 30	<u>\$3,208,803</u>	<u>\$578,836</u>	<u>\$554,139</u>	<u>\$4,402,067</u>
Reserve for Encumbrances, June 30	<u>\$91,119</u>	<u>\$20,963</u>	<u>\$1,902</u>	<u>\$113,984</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 FISCAL YEAR ENDED JUNE 30, 2012

	Proprietary Fund Type	Fiduciary Fund Type	Totals (Memorandum Only)
	Enterprise	Agency	
Operating Cash Receipts:			
Food Services	\$157,859		\$157,859
Extracurricular Activities		\$71,758	71,758
Total Operating Cash Receipts	<u>157,859</u>	<u>71,758</u>	<u>229,617</u>
Operating Cash Disbursements:			
Personal Services	67,244		67,244
Employees Retirement and Insurance	36,178		36,178
Purchased Services	10,653	423	11,076
Supplies and Materials	92,647	4,830	97,477
Other Operating Expenses		64,592	64,592
Total Operating Cash Disbursements	<u>206,722</u>	<u>69,845</u>	<u>276,567</u>
Operating Income (Loss)	<u>(48,863)</u>	<u>1,913</u>	<u>(46,950)</u>
Non-Operating Cash Receipts:			
Intergovernmental Receipts	41,158		41,158
Earnings on Investments	159		159
Total Non-Operating Cash Receipts	<u>41,317</u>		<u>41,317</u>
Net Change in Fund Cash Balances	(7,546)	1,913	(5,633)
Fund Cash Balances, July 1	<u>37,293</u>	<u>16,177</u>	<u>53,470</u>
Fund Cash Balances, June 30	<u>\$29,747</u>	<u>\$18,090</u>	<u>\$47,837</u>
Reserve for Encumbrances, June 30	<u>\$713</u>	<u>\$50</u>	<u>\$763</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 FISCAL YEAR ENDED JUNE 30, 2011

	Governmental Fund Types				Totals (Memorandum Only)
	General	Special Revenue	Debt Service	Capital Projects	
Cash Receipts:					
Property Tax and Other Local Taxes	\$1,525,441	\$20,197	\$298,253	\$29,497	\$1,873,388
Intergovernmental	2,626,172	450,907	66,313	21,738	3,165,130
Tuition	179,097				179,097
Earnings on Investments	21,240	4,690		1,338	27,268
Transportation Fees	9,548				9,548
Extracurricular Activities	3,099	135,284			138,383
Classroom Materials and Fees	64,192				64,192
Revenue in Lieu of Taxes	32,724				32,724
Miscellaneous	28,521	6,711		1,500	36,732
Total Cash Receipts	<u>4,490,034</u>	<u>617,789</u>	<u>364,566</u>	<u>54,073</u>	<u>5,526,462</u>
Cash Disbursements:					
Instruction					
Regular	2,349,460	191,327			2,540,787
Special	149,630	10,000			159,630
Other Instruction	8,764				8,764
Supporting Services					
Pupils	97,488	3,332			100,820
Instructional Staff	129,314	29,180			158,494
Board of Education	18,096				18,096
Administration	311,239	17,273			328,512
Fiscal Services	203,446	626	9,275	915	214,262
Operation and Maintenance of Plant	293,670	155,794			449,464
Pupil Transportation	155,682	52,800			208,482
Central	331	5,115			5,446
Non-Instructional Services		2,000			2,000
Extracurricular Activities	99,011	125,456			224,467
School and Public Service Co-Curriculum	7,613	12,894			20,507
Site Improvement Services				3,628	3,628
Debt Service			333,526	66,235	399,761
Total Cash Disbursements	<u>3,823,744</u>	<u>605,797</u>	<u>342,801</u>	<u>70,778</u>	<u>4,843,120</u>
Total Cash Receipts Over/(Under) Cash Disbursements	666,290	11,992	21,765	(16,705)	683,342
Other Financing Receipts/(Disbursements):					
Insurance Proceeds	1,551				1,551
Transfers-In		120			120
Transfers-Out		(120)			(120)
Refunds		250			250
Total Other Financing Receipts	<u>1,551</u>	<u>250</u>			<u>1,801</u>
Net Change in Fund Cash Balances	667,841	12,242	21,765	(16,705)	685,143
Fund Cash Balances, July 1	1,769,312	576,947	491,656	130,921	2,968,836
Fund Cash Balances, June 30	<u>\$2,437,153</u>	<u>\$589,189</u>	<u>\$513,421</u>	<u>\$114,216</u>	<u>\$3,653,979</u>
Reserve for Encumbrances, June 30	<u>\$90,503</u>	<u>\$51,263</u>		<u>\$400</u>	<u>\$142,166</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 FISCAL YEAR ENDED JUNE 30, 2011

	Proprietary Fund Type	Fiduciary Fund Type	Totals (Memorandum Only)
	Enterprise	Agency	
Operating Cash Receipts:			
Food Services	\$162,613		\$162,613
Extracurricular Activities		\$63,552	63,552
Total Operating Cash Receipts	<u>162,613</u>	<u>63,552</u>	<u>226,165</u>
Operating Cash Disbursements:			
Personal Services	65,932		65,932
Employees Retirement and Insurance	34,544		34,544
Purchased Services	7,096		7,096
Supplies and Materials	90,224		90,224
Other Operating Expenses		62,112	62,112
Total Operating Cash Disbursements	<u>197,796</u>	<u>62,112</u>	<u>259,908</u>
Operating Income (Loss)	<u>(35,183)</u>	<u>1,440</u>	<u>(33,743)</u>
Non-Operating Cash Receipts:			
Intergovernmental Receipts	37,194		37,194
Earnings on Investments	428		428
Total Non-Operating Cash Receipts	<u>37,622</u>		<u>37,622</u>
Net Change in Fund Cash Balances	2,439	1,440	3,879
Fund Cash Balances, July 1	<u>34,854</u>	<u>14,737</u>	<u>49,591</u>
Fund Cash Balances, June 30	<u>\$37,293</u>	<u>\$16,177</u>	<u>\$53,470</u>
Reserve for Encumbrances, June 30	<u>\$1,201</u>		<u>\$1,201</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, 2012 AND 2011**

NOTE 1 – DESCRIPTION OF THE SCHOOL DISTRICT

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

The District was established in 1917 through the consolidation of existing land areas and school districts. The District serves an area of approximately 40 square miles. It is located in Putnam and Paulding Counties and includes the entire Village of Ottoville, all of Monterey Township, and portions of Jackson, Jennings and Perry Townships in Putnam County and portions of Washington Township in Paulding County. The District is staffed by 18 classified employees, 33 certified teaching personnel, and 4 administrative employees who provide services to approximately 477 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 with a liability is incurred. Budgetary presentations reports 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 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.

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

**OTTOVILLE LOCAL SCHOOL DISTRICT
PUTNAM COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEARS ENDED JUNE 30, 2012 AND 2011
(Continued)**

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

Jointly Governed Organizations:

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

Public Entity Risk Pool:

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

B. Fund Accounting

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

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

GOVERNMENTAL FUND TYPES

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

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

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

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

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

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

**OTTOVILLE LOCAL SCHOOL DISTRICT
PUTNAM COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEARS ENDED JUNE 30, 2012 AND 2011
(Continued)**

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

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. Fund 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.

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.

**OTTOVILLE LOCAL SCHOOL DISTRICT
PUTNAM COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEARS ENDED JUNE 30, 2012 AND 2011
(Continued)**

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

During fiscal year 2012 and 2011, the District invested in STAR Ohio and certificates of deposit. The District reports its investment in STAR Ohio at share values the mutual fund reports. The District values certificates of deposit at cost.

Following Ohio statutes, the Board of Education has, by resolution, specified the funds to receive an allocation of interest earnings. Interest receipts credited to the General Fund during fiscal year 2011 was \$21,240. Interest receipts credited to the Permanent Improvement Fund during fiscal year, 2011 was \$1,338, Classroom Facilities Maintenance Fund was \$4,641, Lunchroom Fund was \$428, Miller Scholarship Fund was \$38, and Ottoville Staff Scholarship Fund was \$11. Interest receipts credited to the General Fund during fiscal year 2012 was \$10,672. Interest receipts credited to the Permanent Improvement Fund during fiscal year 2012 was \$418, Classroom Facilities Maintenance Fund was \$2,755, Lunchroom Fund was \$159, Miller Scholarship Fund was \$60, and Ottoville Scholarship Fund was \$10.

F. Capital Assets

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

G. Accumulated Leave

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

H. Employer Contributions to Cost-Sharing Pension Plans

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

I. Long-Term Obligations

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

J. Interfund Transactions

Exchange transactions between funds are reported as receipts in the seller funds and as disbursements in the purchaser funds. Subsidies from one fund to another fund without a requirement for repayment are reported as interfund transfers. Interfund transfers are reported as other financing sources/uses in governmental funds and after non-operating 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.

**OTTOVILLE LOCAL SCHOOL DISTRICT
PUTNAM COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEARS ENDED JUNE 30, 2012 AND 2011
(Continued)**

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

K. Total Columns on Financial Statements

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

NOTE 3 – COMPLIANCE

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

NOTE 4 – DEPOSITS AND INVESTMENTS

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

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

Inactive deposits are public deposits that the Board has identified as not required for use within the current five year period of designation of depositories. Inactive deposits must either be evidenced by certificates of deposit maturing not later than the end of the current period of designation of depositories, or by savings or deposit accounts including, but not limited to, passbook accounts.

Interim deposits are deposits of interim monies. Interim monies are those monies which are not needed for immediate use but which will be needed before the end of the current period of designation of depositories. Interim deposits must be evidenced by time certificates of deposit 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 instrumentally including, but not limited to, the Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, Government National Mortgage Association, and Student Loan Marketing Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
3. Written repurchase agreements in the securities listed above provided the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least 2 percent and be marked to market daily, and the term of the agreement must not exceed 30 days;
4. Bonds and other obligations of the State of Ohio or Ohio local governments;

**OTTOVILLE LOCAL SCHOOL DISTRICT
PUTNAM COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEARS ENDED JUNE 30, 2012 AND 2011
(Continued)**

NOTE 4 – DEPOSITS AND INVESTMENTS – (Continued)

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, STAR Plus).

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

The carrying amount of deposits and investments at June 30, 2012 and 2011, was as follows:

	2012	2011
Demand deposits	\$666,122	\$1,672,827
Certificate of deposit	3,774,726	2,000,000
Other savings deposits	9,056	
Total deposits	4,449,904	3,672,827
STAR Ohio		34,622
Total deposits and investments	\$4,449,904	\$3,707,449

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

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

NOTE 5 – BUDGETARY ACTIVITY

Budgetary activity for the years ending June 30, 2012 and 2011 follows:

Fund Type	2012 Budgeted vs. Actual Receipts		
	Budgeted Receipts	Actual Receipts	Variance
General	\$4,786,785	\$4,734,104	(\$52,681)
Special Revenue	591,913	514,823	(77,090)
Debt Service	384,104	380,772	(3,332)
Capital Projects	15,300	8,213	(7,087)
Enterprise	225,000	199,176	(25,824)
Fiduciary	81,714	71,758	(9,956)
Totals	\$6,084,816	\$5,908,846	(\$175,970)

**OTTOVILLE LOCAL SCHOOL DISTRICT
PUTNAM COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEARS ENDED JUNE 30, 2012 AND 2011
(Continued)**

NOTE 5 – BUDGETARY ACTIVITY – (Continued)

2012 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$4,493,503	\$4,053,573	\$439,930
Special Revenue	627,128	546,139	80,989
Debt Service	344,903	340,054	4,849
Capital Projects	66,900	64,042	2,858
Enterprise	224,601	207,435	17,166
Fiduciary	81,113	69,895	11,218
Totals	<u>\$5,838,148</u>	<u>\$5,281,138</u>	<u>\$557,010</u>

2011 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$4,577,040	\$4,491,585	(\$85,455)
Special Revenue	739,569	618,159	(121,410)
Debt Service	364,877	364,566	(311)
Capital Projects	55,724	54,073	(1,651)
Enterprise	226,750	200,235	(26,515)
Fiduciary	75,050	63,552	(11,498)
Totals	<u>\$6,039,010</u>	<u>\$5,792,170</u>	<u>(\$246,840)</u>

2011 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$4,139,394	\$3,914,247	\$225,147
Special Revenue	785,818	657,180	128,638
Debt Service	345,026	342,801	2,225
Capital Projects	118,435	71,178	47,257
Enterprise	223,189	198,997	24,192
Fiduciary	76,452	62,112	14,340
Totals	<u>\$5,688,314</u>	<u>\$5,246,515</u>	<u>\$441,799</u>

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 2012 and 2011 represent the collection of calendar years 2011 and 2010 taxes. Real property taxes received in calendar years 2012 and 2011 were levied after April 1, 2011 and 2010 on the

**OTTOVILLE LOCAL SCHOOL DISTRICT
PUTNAM COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEARS ENDED JUNE 30, 2012 AND 2011
(Continued)**

NOTE 6 – PROPERTY TAXES – (Continued)

assessed values as of January 1 2011 and 2010, 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 2012 and 2011 represent the collection of calendar years 2011 and 2010 taxes, respectively. Public utility real and tangible personal property taxes received in calendar years 2012 and 2011 became a lien on December 31, 2010 and 2009, respectively, were levied after April 1, 2011, and 2010 and are collected with real property taxes. Public utility real property is assessed at 35 percent of true value; public utility tangible personal property is currently assessed at varying percentages of true value.

Tangible personal property tax revenues received in calendar year 2012 (other than public utility property) represent the collection of calendar year 2012 taxes levied against local and inter-exchange telephone companies. Tangible personal property tax on business inventory, manufacturing machinery and equipment, and furniture and fixtures is no longer levied and collected. Tangible personal property taxes received from telephone companies in calendar year 2012 were levied after October 1, 2011, on the value as of December 31, 2011. Amounts paid by multi-county taxpayers are due September 20. Single county taxpayers may pay annually or semi-annually. If paid annually, payment is due April 30; if paid semiannually, the first payment is due April 30, with the remainder payable by September 20. Tangible personal property taxes paid by April 30 are usually received by the School District prior to June 30.

The District receives property taxes from Putnam and Paulding Counties. The County Auditors periodically advance to the District its portion of the taxes collected. Second-half real property tax payments collected by the Counties by June 30, 2012 and 2011 are available to finance fiscal years 2012 and 2011 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 2011 taxes were collected are:

	2010 Second - Half Collections		2011 First - Half Collections	
	Amount	Percent	Amount	Percent
Real Property:				
Agricultural/Residential	\$49,598,370	90%	\$50,342,870	87%
Industrial/Commercial	3,763,040	7%	5,504,550	10%
Public Utility Property	1,607,790	3%	1,762,850	3%
Tangible Personal Property	66,715	0%		
Total Assessed Value	\$55,035,915	100%	\$57,610,270	100%

**OTTOVILLE LOCAL SCHOOL DISTRICT
PUTNAM COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEARS ENDED JUNE 30, 2012 AND 2011
(Continued)**

NOTE 6 – PROPERTY TAXES – (Continued)

The assessed values upon which fiscal year 2012 taxes were collected are:

	2011 Second - Half Collections		2012 First - Half Collections	
	Amount	Percent	Amount	Percent
Real Property:				
Agricultural/Residential	\$50,342,870	87%	\$56,579,460	89%
Industrial/Commercial	5,504,550	10%	5,199,200	8%
Public Utility Property	1,762,850	3%	1,867,450	3%
Total Assessed Value	<u>\$57,610,270</u>	<u>100%</u>	<u>\$63,646,110</u>	<u>100%</u>

NOTE 7 – INCOME TAXES

On February 3, 2009, the District passed a .75 percent continuing school district income tax for general operations. The income tax was effective on January 1, 2010. Employers of residents are required to withhold income tax on compensation and remit the tax to the State. Taxpayers are required to file an annual return. The State remits quarterly distributions to the District after withholding amounts for administrative fees and estimated refunds. Income tax receipts are credited to the General Fund. School district income tax receipts for fiscal year 2012 and 2011 were \$561,082 and \$391,407, respectively.

NOTE 8 – PAYMENTS IN LIEU OF TAXES

As provided by State Law, the District has entered into agreements with a number of property owners under which the District has granted property tax abatements to those property owners. The property owners have agreed to make payments to the District which reflect all or a portion of the property taxes which the property owners would have paid if their taxes had not been abated. The property owners' contractual agreements to make these payments in lieu of taxes generally continue until the agreement expires. Payments in lieu of taxes for fiscal year 2012 and 2011 were \$11,054 and \$32,724, respectively.

NOTE 9 – RISK MANAGEMENT

A. Risk Pool Membership

The District is a member of the Schools of Ohio Risk Sharing Authority (SORSA). SORSA is a member owned organization having approximately 97 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

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**NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEARS ENDED JUNE 30, 2012 AND 2011
(Continued)**

NOTE 9 – RISK MANAGEMENT – (Continued)

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 \$25,589 in premiums to the pool for fiscal year 2011 coverage and the District paid \$29,120 in premiums to the pool for fiscal year 2012 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.

C. Workers' Compensation

For fiscal years 2012 and 2011, the District participated in the Ohio School Boards Association Workers' Compensation Group Rating Program (GRP), an insurance purchasing pool. The intent of the GRP is to achieve a reduced premium for the District by virtue of its grouping and representation with other participants in the GRP. The workers' compensation experience of the participating school districts is calculated as one experience and a common premium rate is applied to all school districts in the GRP. Each participant pays its workers' compensation premium to the State based on the rate for the GRP rather than its individual rate. GRP then calculates total savings and each participant's individual performance are compared to the overall Plan's savings percentage. A participant then either receives money from or contributes to GRP's equity pooling fund. The equity pooling arrangement insures that each participant shares equally in the overall performance of the GRP. Participation in the GRP is limited to school districts that can meet the GRP's selection criteria.

NOTE 10 – DEFINED BENEFIT PENSION PLANS

A. School Employees Retirement System

The District contributes to the School Employees Retirement System of Ohio ("SERS"), a cost-sharing multiple-employer defined benefit pension plan. SERS provides retirement, disability and survivor benefits; annual cost-of-living adjustments; and death benefits to plan members and beneficiaries. Authority to establish and amend benefits is provided by state statute per Chapter 3309 of the Ohio Revised Code. SERS issues a publicly available, stand-alone financial report that includes financial statements and required supplementary information. That report can be obtained by contacting SERS, 300 East Broad Street, Suite 100, Columbus, Ohio 43215-3746 or by calling toll free (800) 878-5853. It is also posted on SERS' website at www.ohsers.org under Forms and Publications.

**OTTOVILLE LOCAL SCHOOL DISTRICT
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**NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEARS ENDED JUNE 30, 2012 AND 2011
(Continued)**

NOTE 10 – DEFINED BENEFIT PENSION PLANS – (Continued)

Plan members are required to contribute 10 percent of their annual covered salary and the District is required to contribute 14 percent of annual covered payroll. The contribution requirements of plan members and employers are established and may be amended, up to statutory maximum amounts, by the SERS' Retirement Board. The retirement Board acting with advice of the actuary, allocates the employer contribution rate among four of the funds (Pension Trust Fund, Death Benefit Fund, Medicare B Fund, and Health Care Fund) of the system. For fiscal year 2012 (latest information available), the allocation to pension and death benefits is 12.70 percent. The remaining 1.30 percent of the 14 percent employer contribution rate is allocated to the Health Care and Medicare B funds.

The District's contributions to SERS for the years ended June 30, 2012, 2011 and 2010 were \$56,800, \$51,275 and \$56,552, respectively; 79 percent has been contributed for fiscal year 2012 and 100 percent for the fiscal years 2011 and 2010.

B. State Teachers Retirement System

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

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

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

Funding Policy – For the fiscal year ended June 30, 2012 (latest information available), plan members were required to contribute 10 percent of their annual covered salary. The District was required to contribute 14 percent; 13 percent was the portion used to fund pension obligations. Contribution rates are established by the STRS Ohio Board upon recommendations of its consulting actuary, not to exceed

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**NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEARS ENDED JUNE 30, 2012 AND 2011
(Continued)**

NOTE 10 – DEFINED BENEFIT PENSION PLANS – (Continued)

statutory maximum rates of 10 percent for members and 14 percent for employers. Chapter 3307 of the Ohio Revised Code provides statutory authority for member and employer contributions.

The District's required contributions for pension obligations to the DB Plan for the fiscal years ended June 30, 2012, 2011 and 2010 were \$254,342, \$253,662, and \$286,089, respectively; 84 percent has been contributed for fiscal year 2012 and 100 percent for the fiscal years 2011 and 2010.

C. Social Security System

Effective July 1, 1991, all employees not otherwise covered by the State Teachers Retirement System or the School Employees Retirement System have an option to choose Social Security or the State Teachers Retirement System/School Employees Retirement System. As of June 30, 2012, 3 of the Board of Education members have elected Social Security.

NOTE 11 – POST EMPLOYMENT BENEFITS

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

State Teachers Retirement System

All STRS Ohio retirees who participated in the DB or Combined Plans and their dependents are eligible for health care coverage. The STRS Ohio Board has statutory authority over how much, if any, of the health care costs will be absorbed by STRS Ohio. All benefit recipients pay a portion of the health care cost in the form of a monthly premium. Of the 14 percent employer contribution rate, 1 percent of covered payroll was allocated to post-employment health care for the years ended June 30, 2011, 2010, 2009. The 14 percent employer contribution rate is the maximum rate established under Ohio law. The District's contributions for post-employment health care for fiscal years ended June 30, 2012, 2011, and 2010 were \$19,565, \$19,512, and \$22,007, respectively; 84 percent has been contributed for fiscal year 2012 and 100 percent for fiscal years 2011 and 2010.

School Employees Retirement System

Medicare Part B Plan

In addition to a cost-sharing multiple-employer defined benefit pension plan, SERS administers two postemployment benefit plans, the Medicare Part B Plan and the Health Care Plan. The Medicare B plan reimburses Medicare Part B premiums paid by eligible retirees and beneficiaries as set forth in Ohio Revised Code (ORC) 3309.69. Qualified benefit recipients who pay Medicare B premiums may apply for and receive a monthly reimbursement from SERS. The reimbursement amount is limited by statute. The Medicare Part B premium for calendar year 2011 was \$96.40; SERS' reimbursement to retirees was \$45.50.

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

NOTE 11 – POST EMPLOYMENT BENEFITS – (Continued)

The Retirement Board, acting with the advice of the actuary, allocates a portion of the current employer contribution rate to the Medicare B Fund. For fiscal year 2011 (latest information available), the actuarially required allocation was 0.76 percent. The District's contributions for the fiscal years ended June 30, 2012 and 2011 were \$3,354 and \$3,300, which equaled the required contributions each year.

Health Care Plan

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

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

The Health Care Fund was established under, and is administered in accordance with Internal Revenue Code 105(e). Each year after the allocation for statutorily required benefits, the Retirement Board allocates the remainder of the employer 14 percent contribution to the Health Care Fund. For the year ended June 30, 2012, the health care allocation was .55 percent. An additional health care surcharge on employers is collected for employees earning less than an actuarially determined minimum compensation amount, pro-rated according to service credit earned. Statutes provide that no employer shall pay a health care surcharge greater than 2 percent of that employer's SERS-covered payroll for the health care surcharge. For fiscal year 2011 (latest information available), the minimum compensation level was established at \$35,800. The surcharge added to the unallocated portion of the 14 percent employer contribution is the total amount assigned to the Health Care Fund. The District's contributions assigned to health care fund for the fiscal years ended June 20, 2012 and 2011 were \$70,634 and \$75,121, respectively.

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

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

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PUTNAM COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEARS ENDED JUNE 30, 2012 AND 2011
(Continued)**

NOTE 12 – DEBT

The changes in the District's long-term obligations during fiscal year 2011 were as follows:

	<u>Principal Outstanding 7/1/2010</u>	<u>Reductions</u>	<u>Principal Outstanding 6/30/2011</u>
<u>Tax Anticipation Note</u>			
2006 Issue	\$65,000	\$65,000	
<u>General Obligation Bonds</u>			
2001 School Facilities Construction	235,000	115,000	\$120,000
Current Interest Bonds			
2004 Advance Refunding of 1995			
School Improvement Bonds:			
Current Interest Bonds	700,000	65,000	635,000
Capital Appreciation Bonds	15,000		15,000
2006 Advance Refunding of 2001			
School Construction Bonds:			
Current Interest Bonds	1,840,000	45,000	1,795,000
Capital Appreciation Bonds	79,996		79,996
Total Long Term Obligations	<u>\$2,934,996</u>	<u>\$290,000</u>	<u>\$2,644,996</u>

The changes in the District's long-term obligations during fiscal year 2012 were as follows:

	<u>Principal Outstanding 7/1/2011</u>	<u>Reductions</u>	<u>Principal Outstanding 6/30/2012</u>
<u>General Obligation Bonds</u>			
2001 School Facilities Construction			
Current Interest Bonds	\$120,000	\$120,000	
2004 Advance Refunding of 1995			
School Improvement Bonds:			
Current Interest Bonds	635,000	65,000	\$570,000
Capital Appreciation Bonds	15,000		15,000
2006 Advance Refunding of 2001			
School Construction Bonds:			
Current Interest Bonds	1,795,000	45,000	1,750,000
Capital Appreciation Bonds	79,996		79,996
Total Long Term Obligations	<u>\$2,644,996</u>	<u>\$230,000</u>	<u>\$2,414,996</u>

**OTTOVILLE LOCAL SCHOOL DISTRICT
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**NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEARS ENDED JUNE 30, 2012 AND 2011
(Continued)**

NOTE 12 – 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. The note was paid off in December 2010.

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 interest to the redemption date as follows:

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

School Improvement Bonds – 2004

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

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

<u>Maturity Date</u>	<u>Principal</u>	<u>Interest Rate</u>
2013	\$70,000	3.5%

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

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

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**NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEARS ENDED JUNE 30, 2012 AND 2011
(Continued)**

NOTE 12 – DEBT – (Continued)

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

<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.

School Construction General Obligation Bonds – 2006

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

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

<u>Maturity Date</u>	<u>Principal</u>	<u>Interest Rate</u>
2013	\$170,000	3.75%

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

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

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

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**NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEARS ENDED JUNE 30, 2012 AND 2011
(Continued)**

NOTE 12 – DEBT – (Continued)

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

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

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

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

<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 \$79,996 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	26,244	180,000
2016	21,084	180,000

The bonds are being retired through the Bond Retirement Fund.

Principal and interest requirements to retire general obligation bonds outstanding at June 30, 2012, were as follows:

**OTTOVILLE LOCAL SCHOOL DISTRICT
PUTNAM COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEARS ENDED JUNE 30, 2012 AND 2011
(Continued)**

NOTE 12 – DEBT – (Continued)

Year Ended	General Obligation Bonds			Capital Appreciation Bonds		
	Principal	Interest	Total	Principal	Interest	Total
2013	\$240,000	\$91,015	\$331,015			
2014		86,603	86,603	\$41,043	\$208,956	\$249,999
2015		86,603	86,603	32,869	217,130	249,999
2016	70,000	20,438	90,438	21,084	158,916	180,000
2017	250,000	77,790	327,790			
2018-2022	1,370,000	221,831	1,591,831			
2023-2024	390,000	14,760	404,760			
Total	<u>\$2,320,000</u>	<u>\$599,040</u>	<u>\$2,919,040</u>	<u>\$94,996</u>	<u>\$585,002</u>	<u>\$679,998</u>

NOTE 13 – SET ASIDE REQUIREMENTS

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

The following cash basis information identifies the changes in the fund balance reserves for textbooks and capital improvements during fiscal year 2011.

	Textbooks	Capital Improvement
Set Aside Reserve Balance June 30, 2011	\$30,707	
Current Year Set Aside Requirement	73,114	\$73,114
Current Year Qualifying Expenditures	(66,478)	(137,142)
Current Year Offsets		(76,746)
Total	<u>\$37,343</u>	<u>(\$140,774)</u>

The provision related to the purchase of textbooks and other instructional materials was repealed effective July 1, 2011. Therefore, the June 30, 2011 textbook set aside balance was not carried forward to fiscal year 2012. The following cash basis information identifies the changes in the fund balance reserves for capital improvements during fiscal year 2012.

**OTTOVILLE LOCAL SCHOOL DISTRICT
PUTNAM COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEARS ENDED JUNE 30, 2012 AND 2011
(Continued)**

NOTE 13 – SET ASIDE REQUIREMENTS – (Continued)

	Capital Improvements
Set Aside Reserve Balance June 30, 2012	
Current Year Set Aside Requirement	\$83,628
Current Year Qualifying Expenditures	(196,986)
Current Year Offsets	(25,638)
Total	(\$138,996)

The District had current year offsets during both 2011 and 2012 that reduced the capital improvements set aside amount to below zero. However, this excess amount over the required current year capital improvements set aside amount cannot be carried forward to reduce future set aside requirements, and therefore, is not reflected in the balance to be carried forward to the next year.

NOTE 14 – JOINTLY GOVERNED ORGANIZATIONS

A. Northwest Ohio Area Computer Services Cooperative

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

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

B. Vantage Career Center

The Vantage Career Center is a district political subdivision of the State of Ohio operated under the direction of a Board consisting of a 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 Street, Van Wert, Ohio 45891-1304.

**OTTOVILLE LOCAL SCHOOL DISTRICT
PUTNAM COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEARS ENDED JUNE 30, 2012 AND 2011
(Continued)**

NOTE 14 – JOINTLY GOVERNED ORGANIZATIONS – (Continued)

C. West Central Regional Professional Development Center

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

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

D. Northwest Ohio Special Education Regional Resource Center

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

E. Northwest Ohio Educational Research Council, Inc.

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

**OTTOVILLE LOCAL SCHOOL DISTRICT
PUTNAM COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEARS ENDED JUNE 30, 2012 AND 2011
(Continued)**

NOTE 15 – STUDENT ATTENDANCE DATA REVIEW

The Auditor of State is currently performing a statewide review of supporting documentation for student attendance data reported to the Ohio Department of Education. The results of this review are still pending and will be reported separately to the Ohio Department of Education at a later date.

The District received financial assistance from federal and State agencies in the form of grants. The expenditures received under these programs generally require compliance with terms and conditions specified in the grant agreements and is subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the General Fund or other applicable funds. This also encompasses the Auditor of State's ongoing review of student attendance data. However, the effect of any such disallowed claims on the overall financial position of the District at June 30, 2012 and 2011, if applicable, cannot be determined at this time.

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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

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, Ohio (the District), as of and for the years ended June 30, 2012 and 2011, and have issued our report thereon dated January 8, 2013, 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 we noted the District did not adopt the provisions of Governmental Accounting Standards Board Statement No. 54 *Fund Balance Reporting and Governmental Fund Type Definitions*. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*.

Internal Control Over Financial Reporting

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

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

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, when performing their assigned functions, to prevent, or detect and timely correct misstatements. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and timely corrected. We consider findings 2012-001 and 2012-002 described in the accompanying schedule of findings to be material weaknesses.

Compliance and Other Matters

As part of reasonably assuring whether the District's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and accordingly, we do not express an opinion. The results of our tests disclosed an instance of noncompliance or other matters we must report under *Government Auditing Standards* which is described in the accompanying schedule of findings as item 2012-001.

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

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

A handwritten signature in black ink that reads "Dave Yost". The signature is written in a cursive style with a large, looping "D" and "Y".

Dave Yost
Auditor of State

January 8, 2013

**OTTOVILLE LOCAL SCHOOL DISTRICT
PUTNAM COUNTY**

**SCHEDULE OF FINDINGS
JUNE 30, 2012 AND 2011**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS
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FINDING NUMBER 2012-001

Noncompliance Citation and Material Weakness

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

Ohio Administrative Code, § 117-2-03(B), which further clarifies the requirements of Ohio Revised Code § 117.38, requires the District to file annual financial reports which are prepared using accounting principles generally accepted in the United States of America.

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

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

Officials' Response:

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

FINDING NUMBER 2012-002

Material Weakness – Implementation of GASB 54

The District failed to adopt the provisions of the Governmental Accounting Standards Board Statement No. 54 *Fund Balance Reporting and Governmental Fund Type Definitions* for the years ended June 30, 2012 and 2011 as mandated by the Auditor of State Bulletin 2011-004. Under GASB No. 54, fund balance is divided into five classifications based primarily on the extent to which the District must observe constraints imposed upon the use of its governmental-fund resources. Those classifications include: Non-spendable, Restricted, Committed, Assigned, and Unassigned. In addition, GASB No. 54 provides additional clarity on how governmental funds should be classified.

By not implementing GASB No. 54, the District is not fully disclosing the constraints imposed on its fund balances. Noncompliance could also affect the fund type classification.

We recommend the District adopt the provisions of GASB No. 54 as specified in Auditor of State Bulletin 2011-004.

**FINDING NUMBER 2012-002
(Continued)**

Officials' Response:

Ottoville Local Schools will implement for their financial statements for fiscal year 2013 the required format as directed through GASB 54. All future cash financial statements will comply with GASB 54 new procedures.

OTTOVILLE LOCAL SCHOOL DISTRICT
PUTNAM COUNTY

SCHEDULE OF PRIOR AUDIT FINDINGS
JUNE 30, 2012 AND 2011

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain</i>
2010-001	Ohio Administrative Code § 117-2-03(B) for not filing GAAP financial statements.	No	Reissued as finding 2012-001 in this report.
2010-002	Recommendation regarding cafeteria revenue collections and supporting documentation procedures.	Yes	

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INDEPENDENT ACCOUNTANTS' REPORT ON APPLYING AGREED-UPON PROCEDURE

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

To the Board of Education:

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

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

We noted the Board amended its anti-harassment policy at its meeting on November 17, 2010 to include violence within a dating relationship within its definition of harassment, intimidation or bullying.

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

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

A handwritten signature in cursive script that reads "Dave Yost".

Dave Yost
Auditor of State

January 8, 2013

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Dave Yost • 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
JANUARY 24, 2013