



**Auditor of State
Betty Montgomery**

**OTTOVILLE LOCAL SCHOOL DISTRICT
PUTNAM COUNTY**

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**Auditor of State
Betty Montgomery**

INDEPENDENT ACCOUNTANTS' REPORT

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

To the Board of Education:

We have audited the accompanying financial statements of the Ottoville Local School District, Putnam County, (the District) as of and for the year ended June 30, 2004. 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 *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. 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 § 117-2-03(B) requires the District to prepare its annual financial report in accordance with accounting principles generally accepted in the United States of America. However, as discussed in Note 2, the accompanying financial statements and notes have been prepared on a basis of accounting in accordance with standards established by the Auditor of State for governmental entities that are 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 that, while material, cannot be determined at this time.

In our opinion, the financial statements referred to above, present fairly, in all material respects, the combined cash and cash equivalents, and combined fund cash balances of the Ottoville Local School District, Putnam County, as of June 30, 2004, and its combined cash receipts and disbursements and its combined budgeted and actual receipts and budgeted and actual disbursements and encumbrances, for the year then ended on the basis of accounting described in Note 2.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 16, 2004 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 grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

This report is intended for the information and use of the audit committee, management, and 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 black ink that reads "Betty Montgomery". The signature is written in a cursive, flowing style.

Betty Montgomery
Ohio Auditor of State

December 16, 2004

**OTTOVILLE LOCAL SCHOOL DISTRICT
PUTNAM COUNTY**

COMBINED STATEMENT OF CASH AND CASH EQUIVALENTS
AND FUND CASH BALANCES
ALL FUND TYPES
AS OF JUNE 30, 2004

Cash and Cash Equivalents	<u><u>\$ 2,273,441</u></u>
 Cash Balances by Fund Type	
Governmental Fund Types:	
General Fund	\$ 1,003,728
Special Revenue Funds	136,485
Debt Service Funds	249,647
Capital Projects Funds	848,056
Proprietary Fund Type:	
Enterprise Funds	19,338
Fiduciary Fund Types:	
Agency Funds	<u>16,187</u>
 Total	 <u><u>\$ 2,273,441</u></u>

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

**OTTOVILLE LOCAL SCHOOL DISTRICT
PUTNAM COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES - ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED JUNE 30, 2004**

	Governmental Fund Types	
	General	Special Revenue
Cash receipts:		
Property tax and other local taxes	\$ 998,728	\$ 20,139
Intergovernmental	2,792,988	66,584
Intermediate Sources/Restricted Grant in Aid		2,833
Tuition	81,126	
Transportation Fees	4,542	
Earnings on investments	14,042	
Extracurricular Activities		135,033
Classroom Materials and Fees	46,708	
Payment in Lieu of Taxes	71,599	
Heating System Rebates		
Pepsi Contract Revenue		
Miscellaneous	46,333	7,567
Total cash receipts	<u>4,056,066</u>	<u>232,156</u>
Cash disbursements:		
Instruction		
Regular	2,241,375	38,187
Special	262,588	2,535
Other Instruction	186	
Supporting Services		
Pupils	89,569	11,987
Instructional Staff	191,707	18,322
Board of Education	20,136	
Administration	354,453	1,739
Fiscal Services	153,233	2,370
Operation and Maintenance of Plant	302,479	8,550
Pupil Transportation	151,777	
Central	1,217	3,920
Extracurricular Activities	130,233	130,838
Facilities Acquisition and Construction	127,615	
Debt Service:		
Repayment of Debt		
Total cash disbursements	<u>4,026,568</u>	<u>218,448</u>
Total receipts over/(under) disbursements	<u>29,498</u>	<u>13,708</u>
Other financing receipts and (disbursements):		
Sale of Fixed Assets	75	
Transfers-In		
Transfers-Out	(71,598)	
Advances-In	3,859	
Advances-Out		
Refund of Prior Year Expenditures	72	
Total other financing receipts/(disbursements)	<u>(67,592)</u>	
Excess of cash receipts and other financing receipts over/(under) cash disbursements and other financing disbursements	(38,094)	13,708
Fund cash balances, July 1	1,041,822	122,777
Fund cash balances, June 30	<u><u>\$ 1,003,728</u></u>	<u><u>\$ 136,485</u></u>

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

Governmental Fund Types		Totals (Memorandum Only)
Debt Service	Capital Projects	
\$ 338,324	\$ 103,366	\$ 1,460,557
43,301	210,453	3,113,326
		2,833
		81,126
		4,542
	18,540	32,582
		135,033
		46,708
		71,599
	104,400	104,400
	27,500	27,500
		53,900
<u>381,625</u>	<u>464,259</u>	<u>5,134,106</u>
	541,451	2,821,013
		265,123
		186
		101,556
	6,933	216,962
		20,136
		356,192
8,778	11,309	175,690
		311,029
		151,777
		5,137
	3,190	264,261
	3,545,180	3,672,795
<u>357,338</u>		<u>357,338</u>
<u>366,116</u>	<u>4,108,063</u>	<u>8,719,195</u>
<u>15,509</u>	<u>(3,643,804)</u>	<u>(3,585,089)</u>
	63,672	63,747
	71,598	71,598
		(71,598)
		3,859
(3,859)		(3,859)
		72
<u>(3,859)</u>	<u>135,270</u>	<u>63,819</u>
11,650	(3,508,534)	(3,521,270)
<u>237,997</u>	<u>4,356,590</u>	<u>5,759,186</u>
<u>\$ 249,647</u>	<u>\$ 848,056</u>	<u>\$ 2,237,916</u>

**OTTOVILLE LOCAL SCHOOL DISTRICT
PUTNAM COUNTY**

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, 2004

	<u>Proprietary</u>	<u>Fiduciary Fund Type</u>	Totals (Memorandum Only)
	<u>Enterprise</u>	<u>Agency</u>	
Operating cash receipts:			
Food Services	\$ 167,469		\$ 167,469
Extracurricular Activities		\$ 61,576	61,576
	<u>167,469</u>	<u>61,576</u>	<u>229,045</u>
Operating cash disbursements:			
Personal Services	75,410	89	75,499
Employees Retirement and Insurance	26,421	13	26,434
Purchased Services	8,338		8,338
Supplies and Materials	82,814		82,814
Other operating expenses		63,817	63,817
	<u>192,983</u>	<u>63,919</u>	<u>256,902</u>
Operating loss	<u>(25,514)</u>	<u>(2,343)</u>	<u>(27,857)</u>
Non-operating cash receipts:			
Intergovernmental receipts	24,045		24,045
Earnings on Investments	242		242
Other Non-Operating Receipts		2,122	2,122
	<u>24,287</u>	<u>2,122</u>	<u>26,409</u>
Non-operating cash disbursements:			
Refund of Prior Year Receipts		11	11
Net disbursements over receipts	(1,227)	(232)	(1,459)
Fund cash balances, July 1	<u>20,565</u>	<u>16,419</u>	<u>36,984</u>
Fund cash balances, June 30	<u><u>\$ 19,338</u></u>	<u><u>\$ 16,187</u></u>	<u><u>\$ 35,525</u></u>

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

**OTTOVILLE LOCAL SCHOOL DISTRICT
PUTNAM COUNTY**

COMBINED STATEMENT OF RECEIPTS
BUDGET AND ACTUAL COMPARISON
ALL GOVERNMENTAL AND PROPRIETARY FUND TYPES
FOR THE YEAR ENDED JUNE 30, 2004

	<u>Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
Governmental Fund Types:			
General Fund	\$ 3,971,447	\$ 4,056,213	\$ 84,766
Special Revenue Funds	254,252	232,156	(22,096)
Debt Service Funds	366,515	381,625	15,110
Capital Projects Funds	605,348	599,529	(5,819)
 Proprietary Fund Type:			
Enterprise Funds	186,300	191,756	5,456
 Total (Memorandum Only)	 <u>\$ 5,383,862</u>	 <u>\$ 5,461,279</u>	 <u>\$ 77,417</u>

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

**OTTOVILLE LOCAL SCHOOL DISTRICT
PUTNAM COUNTY**

COMBINED STATEMENT OF DISBURSEMENTS AND
ENCUMBRANCES COMPARED WITH EXPENDITURE AUTHORITY
ALL GOVERNMENTAL AND PROPRIETARY FUND TYPES
FOR THE YEAR ENDED JUNE 30, 2004

	Prior Year Carryover <u>Appropriations</u>	2004 <u>Appropriations</u>
Governmental Fund Types:		
General Fund	\$ 198,614	\$ 4,162,337
Special Revenue Funds	33,789	253,355
Debt Service Fund		371,340
Capital Projects Funds	3,576,374	1,319,973
Proprietary Fund Type:		
Enterprise Funds	<u>1,176</u>	<u>205,500</u>
Total (Memorandum Only)	<u>\$ 3,809,953</u>	<u>\$ 6,312,505</u>

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

<u>Total</u>	Actual 2004 Disbursements	Encumbrances Outstanding at 6/30/2004	<u>Total</u>	Variance Favorable (Unfavorable)
\$ 4,360,951	\$ 4,098,166	\$ 139,619	\$ 4,237,785	\$ 123,166
287,144	218,448	24,463	242,911	44,233
371,340	366,116		366,116	5,224
4,896,347	4,108,063	238,099	4,346,162	550,185
<u>206,676</u>	<u>192,983</u>	<u>1,448</u>	<u>194,431</u>	<u>12,245</u>
<u><u>\$ 10,122,458</u></u>	<u><u>\$ 8,983,776</u></u>	<u><u>\$ 403,629</u></u>	<u><u>\$ 9,387,405</u></u>	<u><u>\$ 735,053</u></u>

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**OTTOVILLE LOCAL SCHOOL DISTRICT
PUTNAM COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2004**

NOTE 1 – DESCRIPTION OF THE ENTITY

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

The School District was established in 1917 through the consolidation of existing land areas and school districts. The School District serves an area of approximately forty square miles. It is located in Putnam and Paulding Counties, and includes all of the Village of Ottoville and portions of surrounding townships. It is staffed by twenty-three classified employees, forty-one certified full-time teaching personnel, and five administrative employees who provide services to six hundred twenty-three students and other community members. The School District currently operates one instructional building.

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

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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 general fixed asset group and general long-term debt obligation group of accounts is not recorded on the financial statements by the District under the basis of accounting used.

A. Basis of Presentation – 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.

**OTTOVILLE LOCAL SCHOOL DISTRICT
PUTNAM COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2004
(Continued)**

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 other than that accounted for in the propriety fund.

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 Funds – The Enterprise Funds are 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.

**OTTOVILLE LOCAL SCHOOL DISTRICT
PUTNAM COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2004
(Continued)**

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 funds include agency funds.

B. Budgetary Process

The budgetary process is prescribed by provisions of the Ohio Revised Code and entails the preparation of budgetary documents within an established timetable. 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 and the appropriations resolution are subject to amendment throughout the year with the legal restriction that appropriations cannot exceed estimated resources, as certified.

All funds, other than agency funds, are legally required to be budgeted and appropriated.

Advances in and Advances out are not required to be budgeted since they represent a temporary cash flow resource and are intended to be repaid.

1. Budget

The Putnam County Auditor has waived the requirement for filing a budget with the County Budget Commission.

2. Estimated Resources

The County Budget Commission certifies its actions to the District by April 1. As part of this certification, the District receives the official certificate of estimated resources which states the projected receipts of each fund. On or about July 1 this certificate is amended to include any unencumbered balances from the preceding year. Prior to June 30 the District must revise its budget so that the total contemplated expenditures from a fund during the ensuing fiscal year will not exceed the amount stated in the certificate of estimated resources. The revised budget then serves as the basis for the annual appropriation measure. Budget receipts as shown in the accompanying financial statements do not include July 1, 2003, unencumbered fund balances. However, those fund balances are available for appropriations.

**OTTOVILLE LOCAL SCHOOL DISTRICT
PUTNAM COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2004
(Continued)**

3. Appropriations

A temporary appropriation measure to control cash disbursements may be passed on or about July 1 of each year for the period July 1 to September 30. An annual appropriation measure must be passed by October 1 of each year for the period July 1 to June 30. The appropriation measure may be amended or supplemented during the year as new information becomes available. Appropriations may not exceed estimated resources.

The budget figures which appear in the statements of budgetary comparisons represent the final appropriation amounts, including all supplemental appropriations. Formal budgetary integration is employed as a management control device during the year for all funds other than agency funds, consistent with statutory provisions.

4. Encumbrances

The District is required to use the encumbrance method of accounting by virtue of Ohio law. Under this system, purchase orders, contracts, and other commitments for the expenditure of funds are recorded in order to reserve the portion of the applicable appropriation. At the close of each fiscal year, the unencumbered balance of each appropriation reverts to the respective fund from which it was appropriated and becomes subject to future appropriations. The encumbered appropriation balance is carried over and need not be reappropriated.

C. Property, Plant, and Equipment

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

D. Unpaid Vacation and Sick Leave

Employees are entitled to cash payments for unused vacation and sick leave in certain circumstances, such as upon leaving employment. Unpaid vacation and sick leave are not reflected as liabilities under the basis of accounting used by the District.

E. Cash and Investments

The District maintains a cash and investment pool which is available for all funds. Individual fund integrity is maintained through District records. Each fund's interest in the pool is presented as "Cash and Cash Equivalents" on the Combined Statement of Cash and

**OTTOVILLE LOCAL SCHOOL DISTRICT
PUTNAM COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2004
(Continued)**

Cash Equivalents and Fund Cash Balances. During fiscal year 2004, investments were limited to repurchase agreements, savings accounts, no load money market mutual funds, and federal agency securities. All investments of the District had a maturity of three years or less. Investments are stated at cost. Investment earnings are allocated as authorized by State statute and Board resolution.

F. 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 – CASH AND INVESTMENTS

State statutes classify monies held by the District into three categories.

Active deposits are public deposits necessary to meet current demands on the treasury. Such 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 of Education has identified as not required for use within the current 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.

Protection of District’s deposits is provided by the Federal Deposit Insurance Corporation (FDIC), by eligible securities pledged by the financial institution as security for repayment, by surety company bonds deposited with the treasurer by the financial institution or by a single collateral pool established by the financial institution to secure the repayment of all public monies deposited with the institution.

**OTTOVILLE LOCAL SCHOOL DISTRICT
PUTNAM COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2004
(Continued)**

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

1. United States Treasury Notes, Bills, Bonds, 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 obligations or securities 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 that 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 that the term of the agreement must not exceed thirty days;
4. Bonds and other obligations of the State of Ohio;
5. 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;
6. The State Treasurer's investment pool (STAR Ohio);
7. Certain bankers' acceptances and commercial paper notes for a period not to exceed one hundred eighty days in an amount not to exceed twenty-five percent of the interim monies available for investment at any one time; and
8. Under limited circumstances, debt interests rated in either of the two highest rating classifications by at least two nationally recognized rating agencies.

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 School District, and must be purchased with the expectation that it will be held to maturity. Investments may only be made through specified dealers and institutions. Payment for investments may be made only

**OTTOVILLE LOCAL SCHOOL DISTRICT
PUTNAM COUNTY**

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2004
(Continued)

upon delivery of the securities representing the investments to the treasurer or qualified trustee or, if the securities are not represented by a certificate, upon receipt of confirmation of transfer from the custodian.

Cash on Hand: At year end, the District had \$50 in undeposited cash on hand.

The following information classifies deposits and investments by categories of risk as defined in GASB Statement 3, "Deposits with Financial Institutions, Investments, and Reverse Repurchase Agreements".

Deposits: At fiscal year end, the carrying amount of the District's deposits was \$234,560 and the bank balance was \$325,846. Of the bank balance, \$159,996 was covered by federal depository insurance and \$165,850 was collateralized by the financial institution's public entity deposit pool.

The District also had \$31,893 on deposit in escrow accounts at June 30, 2004, for amounts retained from payments to contractors for a constructions project. These amounts have been recorded as expenditures in the accompanying financial statements and are not included in the June 30, 2004 fund cash balances.

Investments: The District's investments are categorized below to give an indication of the level of risk assumed by the District at fiscal year end. Category 1 includes investments that are insured or registered or for which the securities are held by the District or its agent in the District's name. Category 2 includes uninsured and unregistered investments which are held by the counterparty's trust department or agent in the District's name. Category 3 includes uninsured and unregistered investments for which the securities are held by the counterparty, or by its trust department or agent but not in the District's name. The money market mutual fund is not categorized because it is not evidenced by securities that exist in physical or book entry form.

	Risk Category	Carrying Amount
Repurchase Agreement	3	\$ 1,785,000
Mutual Funds	Not Categorized	253,831
Total Investments		\$ 2,038,831

NOTE 4 – PROPERTY TAXES

Real property taxes are levied on assessed values which equal 35 percent of appraised value. The County Auditor reappraises all real property every six years with a triennial update. The last update was completed for tax year 2002.

**OTTOVILLE LOCAL SCHOOL DISTRICT
PUTNAM COUNTY**

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2004
(Continued)

Real property taxes become a lien on all nonexempt real property located in the District on January 1. 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 of the following year. Under certain circumstances, State statute permits later payment dates to be established.

The full tax rate applied to real property, for the fiscal year ended June 30, 2004, was \$38.07 per \$1,000 of assessed valuation. After adjustment of the rate for inflationary increases in property values, the effective tax rate was \$33.97 per \$1,000 of assessed valuation for real property classified as residential/agricultural and \$34.56 per \$1,000 of assessed valuation for all other real property. Real property owners' tax bills are further reduced by homestead and rollback deductions, when applicable. The amount of these homestead and rollback reductions is reimbursed to the District by the State of Ohio.

Owners of tangible personal property are required to file a list of such property including costs, by April 30 of each year. The property is assessed for tax purposes at varying statutory percentages of cost. The tax rate applied to tangible personal property, for the fiscal year ended June 30, 2004, was \$38.07 per \$1,000 of assessed valuation.

The assessed values upon which fiscal year 2004 taxes were collected are:

	2003 Second Half Collections		2004 First Half Collections	
	Amount	Percent	Amount	Percent
Agricultural/Residential and Other Real Estate	\$ 39,376,230	86.96%	\$ 40,974,740	87.00%
Public Utility	1,581,400	3.49%	1,558,360	3.31%
Tangible Personal Property	4,322,603	9.55%	4,563,402	9.69%
Total Assessed Value	<u>\$ 45,280,233</u>	<u>100.00%</u>	<u>\$ 47,096,502</u>	<u>100.00%</u>
Tax rate per \$1,000 of assessed valuation	\$38.26		\$38.07	

The Putnam County Treasurer collects property tax on behalf of all taxing districts within the District. The Putnam County Auditor periodically remits to the taxing districts their portions of the taxes collected. Collections of the taxes and remittance of them to the taxing districts are accounted for in various agency funds of the District.

**OTTOVILLE LOCAL SCHOOL DISTRICT
PUTNAM COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2004
(Continued)**

NOTE 5 – PAYMENT IN LIEU OF TAXES

As provided by State law, the School District has entered into agreements with a number of property owners under which the School District has granted property tax abatements to those property owners. The property owners have agreed to make payments to the School 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 2004 were \$71,599.

NOTE 6 – RISK MANAGEMENT

The School District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During fiscal year 2004, the School District contracted for the following insurance coverage:

Utica National Insurance Group	
Building and Contents/Boiler and Machinery -	
Replacement Cost (\$5,000 deductible)	\$ 17,277,635
EDP Equipment	883,103
General Liability	
Per Occurrence	1,000,000
Aggregate	2,000,000
Educators Legal Liability	
Per Occurrence	1,000,000
Aggregate	3,000,000
Abuse or Molestation Liability	
Per Occurrence	1,000,000
Aggregate	3,000,000
Employers Liability	1,000,000
Employee Benefit Programs Liability	
Per Occurrence	1,000,000
Aggregate	3,000,000

**OTTOVILLE LOCAL SCHOOL DISTRICT
PUTNAM COUNTY**

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2004
(Continued)

Automotive Liability	1,000,000
Umbrella Liability	
Per Occurrence	2,000,000
Aggregate	2,000,000
Builders Risk	464,538
Crime	
Money and Securities Theft	25,000
Forgery or Alteration of	100,000
Employee Dishonesty	100,000

NOTE 7 – RETIREMENT SYSTEMS

Certified teachers employed by the District participate in the State Teachers Retirement System of Ohio (STRS). The District’s official and all other employees belong to the School Employees Retirement System of Ohio (SERS). STRS and SERS are cost-sharing, multiple-employer plans. These plans provide retirement benefits, including postretirement healthcare, and survivor and disability benefits to participants as prescribed by the Ohio Revised Code.

Contribution rates are also prescribed by the Ohio Revised Code. STRS members contributed 10.00 percent of their wages and the District contributed an amount equal to 14.00 percent of participants’ gross salaries. SERS members contributed 10.00 percent of their wages and the District contributed an amount equal to 14.00 percent for of participants’ gross salaries. The District has paid all contributions required through June 30, 2004.

NOTE 8 – DEBT OBLIGATIONS

Debt outstanding at June 30, 2004 was as follows:

	Principal	Interest Rate
General Obligation Bonds		
1995 School Improvement Bonds	\$ 1,090,000	5.9 - 18%
2002 School Facilities Bonds	2,945,000	2.45 - 5.75%
Total	\$ 4,035,000	

School Improvement General Obligation Bonds - On November 1, 1995, the School District issued \$1,490,000 in voted general obligation bonds for constructing a building addition. The bonds were issued for a twenty-five year period, with final maturity at December 1, 2021. The

**OTTOVILLE LOCAL SCHOOL DISTRICT
PUTNAM COUNTY**

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2004
(Continued)

bonds are being retired from the Bond Retirement debt service fund, with the proceeds of a 2.83 mill voted property tax levy.

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

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

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

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

**OTTOVILLE LOCAL SCHOOL DISTRICT
PUTNAM COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2004
(Continued)**

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

Amortization of the above debt, including interest, is scheduled as follows:

Year ending June 30:	Principal	Interest	General Obligation Bond Total
2005	\$ 150,000	\$ 212,173	\$ 362,173
2006	150,000	206,485	356,485
2007	150,000	200,522	350,522
2008	150,000	194,323	344,323
2009	155,000	187,748	342,748
2010-2014	880,000	818,792	1,698,792
2015-2019	1,130,000	536,297	1,666,297
2020-2024	1,270,000	177,319	1,447,319
Total	\$ 4,035,000	\$ 2,533,659	\$ 6,568,659

NOTE 9 – CAPITAL LEASES

The School District has entered into capital leases for land and computers. Capital lease payments are reflected as function payments within the general fund. Principal payments for fiscal year 2004 were \$120,428. Total principal and interest remaining due on these agreements at June 30, 2004 totaled \$33,522, with final payments due in fiscal year 2005.

NOTE 10 – CONTRACTUALLY ASSUMED OBLIGATIONS

At June 30, 2004, the District had the following contractual commitments in the Capital Project Fund for construction projects associated with the Classroom Facilities Project, a bus garage, and outdoor athletic facilities:

**OTTOVILLE LOCAL SCHOOL DISTRICT
PUTNAM COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2004
(Continued)**

Company	Project	Amount Remaining on Contract
RTBM	Construction Management	\$ 24,731
Miller Contracting Group	Site Work	86,569
Northwest Ohio Security	Security Equipment	4,484
ACI Construction Company, Inc.	Site Work	4,698
Miller Contracting Group	Bus Garage	20,000
Gym Corp	Project Manager, Athletic Fields	40,000
Athletic Design Build Group	Architectural Fees, Athletic Fields	14,711
Total outstanding commitment as of June 30, 2004		\$ 195,193

NOTE 11 – SET ASIDE REQUIREMENTS

The School 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 to be 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 2004.

	Textbooks	Capital Improvements
Set-Aside Cash Balance as of June 30, 2003	\$ (34,638)	
Current Year Set-Aside Requirement	87,170	\$ 87,170
Current Year Offsets		(87,170)
Qualifying Disbursements	(110,131)	
Amount Carried Forward to Fiscal Year 2005	\$ (57,599)	\$ -
Set-Aside Reserve Balance June 30, 2004	\$ -	\$ -

The School District had qualifying expenditures during the fiscal year that reduced the textbook set aside amount below zero. This amount may be used to reduce the set aside requirement in

**OTTOVILLE LOCAL SCHOOL DISTRICT
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**NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2004
(Continued)**

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

NOTE 12 – STATE SCHOOL FUNDING DECISION

On December 11, 2002, the Ohio Supreme Court issued its latest opinion regarding the State's school funding plan. The decision reaffirmed earlier decisions that Ohio's current school-funding plan is unconstitutional.

The Supreme Court relinquished jurisdiction over the case and directed "...the Ohio General Assembly to enact a school-funding scheme that is thorough and efficient..." The School District is currently unable to determine what effect, if any, this decision will have on its future State funding and its financial operations.

NOTE 13- SUBSEQUENT EVENTS

On November 10, 2004 the District issued general obligation bonds in the amount of \$1,090,000 to provide for an advance refunding of the District's general obligation school improvement bonds issued in 1995.



**Auditor of State
Betty Montgomery**

**INDEPENDENT ACCOUNTANTS' REPORT ON COMPLIANCE AND ON INTERNAL
CONTROL REQUIRED BY *GOVERNMENT AUDITING STANDARDS***

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

To the Board of Education:

We have audited the financial statements of the Ottoville Local School District, Putnam County, (the District) as of and for the year ended June 30, 2004, and have issued our report thereon dated December 16, 2004 in which we disclosed the District's financial statements followed another comprehensive basis of accounting and were not prepared in accordance with accounting principles generally accepted in the United States of America. 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 *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, 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 such an opinion. The results of our tests disclosed an instance of noncompliance that is required to be reported under *Government Auditing Standards* which is described in the accompanying schedule of findings as item 2004-001. We also noted a certain immaterial instance of noncompliance that we have reported to the District's management in a separate letter dated December 16, 2004.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the District's internal control over financial reporting to determine our auditing procedures for the purpose of expressing our opinion on the

financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses. However, we noted other matters involving the internal control over financial reporting that do not require inclusion in this report, that we have reported to the District's management in a separate letter dated December 16, 2004.

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



Betty Montgomery
Ohio Auditor of State

December 16, 2004

**OTTOVILLE LOCAL SCHOOL DISTRICT
PUTNAM COUNTY**

SCHEDULE OF FINDINGS
JUNE 30, 2004

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

FINDING NUMBER 2004-001

Noncompliance Citation

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

Ohio Administrative Code § 117-2-03(B) requires the District to prepare its annual financial report in accordance with accounting principles generally accepted in the United States of America. However, the District prepares its financial statements in accordance with 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 that, while material, cannot be determined at this time. Pursuant to Ohio Revised Code § 117.38 the District may be fined and subject to various other administrative remedies for its failure to file the required financial report.

We recommend the District take the necessary steps to ensure the annual financial report is prepared on a generally accepted accounting principles basis.

**OTTOVILLE LOCAL SCHOOL DISTRICT
PUTNAM COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS
JUNE 30, 2004**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain:</i>
2003-001	OAC §117-2-3(B) financial statements were not prepared in accordance with GAAP	No	This finding has not been corrected and is repeated in this report as finding number 2004-001.



**Auditor of State
Betty Montgomery**

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**OTTOVILLE LOCAL SCHOOL DISTRICT
PUTNAM COUNTY**

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
DECEMBER 30, 2004**