



**Auditor of State
Betty Montgomery**

**OLD FORT LOCAL SCHOOL DISTRICT
SENECA COUNTY**

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**Auditor of State
Betty Montgomery**

INDEPENDENT ACCOUNTANTS' REPORT

Old Fort Local School District
Seneca County
7635 N. County Road 51, P.O. Box 64
Old Fort, Ohio 44861-0064

To the Board of Education:

We have audited the accompanying financial statements of the Old Fort Local School District, Seneca 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 includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

During fiscal year 2004 the District changed its method of accounting from generally accepted accounting principals to an other comprehensive basis of accounting. Ohio Administrative Code § 117-2-3(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 and 3, 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 entity wide information on governmental activities and business type activities, major fund disclosures, assets, liabilities, fund equities, and disclosures that, while material, cannot be determined at this time.

In our opinion, because of the effects of the matters discussed in the preceding paragraph, the financial statements referred to above do not present fairly, in conformity with accounting principles generally accepted in the United States, the financial position of the Old Fort Local School District, as of June 30, 2004, or the results of its operations or its cash flows for the year then ended.

In accordance with *Government Auditing Standards*, we have also issued our report dated January 28, 2005 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
Auditor of State

January 28, 2005

**OLD FORT LOCAL SCHOOL DISTRICT
SENECA COUNTY**

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

| | |
|---------------------------------|--------------------------|
| Cash and Investments | <u>\$ 562,687</u> |
| | |
| Governmental Fund Types: | |
| General Fund | \$ 344,327 |
| Special Revenue Funds | 39,837 |
| Capital Projects Funds | 105,193 |
| | |
| Proprietary Fund Types: | |
| Enterprise Funds | 36,008 |
| Internal Service Fund | 7 |
| | |
| Fiduciary Fund Types: | |
| Expendable Trust Funds | 6,967 |
| Agency Funds | <u>30,358</u> |
| | |
| Total | <u>\$ 562,697</u> |

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

**OLD FORT LOCAL SCHOOL DISTRICT
SENECA COUNTY**

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

| | <u>Governmental Fund Types</u> | |
|--|--------------------------------|----------------------------|
| | <u>General</u> | <u>Special Revenue</u> |
| Cash Receipts | | |
| Local Sources: | | |
| Taxes | \$ 1,153,179 | |
| Tuition | 668,284 | |
| Transportation | 873 | |
| Earnings on Investment | 6,283 | |
| Miscellaneous Receipts | 53,824 | \$ 14,342 |
| Extracurricular Activities | 500 | 73,571 |
| Classroom Materials and Fees | 24,284 | |
| Restricted Grants - Intermediate Sources | | 15,448 |
| Intergovernmental - State | 1,847,164 | 23,511 |
| Intergovernmental - Federal | | 218,346 |
| Total Cash Receipts | <u>3,754,391</u> | <u>345,218</u> |
| Cash Disbursements | | |
| Instruction: | | |
| Regular | 1,929,984 | 82,676 |
| Special | 165,644 | 135,458 |
| Vocational Education | 17,970 | |
| Other | 1,088 | |
| Support Services: | | |
| Pupils | 150,398 | 1,531 |
| Instructional Staff | 230,953 | 25,983 |
| Board of Education | 15,869 | |
| Administration | 354,427 | 2,715 |
| Fiscal | 137,662 | |
| Operation and Maintenance - Plant | 371,931 | 625 |
| Pupil Transportation | 198,536 | 12,278 |
| Central | 20,148 | 5,000 |
| Extracurricular Activities | 112,782 | 77,821 |
| Facilities Acquisition and Construction Services | | |
| Building Improvement Services | 4,077 | |
| Debt Service: | | |
| Repayment of Debt | 17,869 | |
| Total Cash Disbursements | <u>3,729,338</u> | <u>344,087</u> |
| Excess of Cash Receipts Over (Under) Cash Disbursements | <u>25,053</u> | <u>1,131</u> |
| Other Financing Sources (Uses) | | |
| Sale and Loss of Assets | | |
| Advance-in | 89,721 | 94,894 |
| Refund of Prior Year Expenditures | 7,442 | |
| Transfer-out | (1,201) | |
| Advance-out | (94,894) | (89,721) |
| Pass Through Payments | | |
| Other Miscellaneous Use of Funds | | |
| Total Other Financing Sources (Uses) | <u>1,068</u> | <u>5,173</u> |
| Excess of Cash Receipts and Other Financing Sources Over (Under) Disbursements and Other Financing Uses | 26,121 | 6,304 |
| Fund Cash Balances at July 1, 2003 | 318,206 | 33,533 |
| Fund Cash Balances at June 30, 2004 | <u>\$ 344,327</u> | <u>\$ 39,837</u> |
| Reserves for Encumbrances, June 30, 2004 | <u>\$ 40,602</u> | <u>\$ 7,383</u> |

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

| <u>Governmental Fund Type</u> | <u>Fiduciary Fund Type</u> | <u>Totals (Memorandum Only)</u> |
|-----------------------------------|--------------------------------|---|
| <u>Capital Project</u> | <u>Expendable Trust</u> | |
| \$ 71,776 | | \$ 1,224,955 |
| | | 668,284 |
| | | 873 |
| | | 6,283 |
| | \$ 4,439 | 72,605 |
| | | 74,071 |
| | | 24,284 |
| | | 15,448 |
| \$24,314 | | 1,894,989 |
| | | 218,346 |
| <u>96,090</u> | <u>4,439</u> | <u>4,200,138</u> |
| | | 151,929 |
| 1,089 | 299 | 2,014,048 |
| | | 301,102 |
| | | 17,970 |
| | | 1,088 |
| | | 266,069 |
| 7,607 | 1,526 | 15,869 |
| | | 357,142 |
| 1,689 | | 139,351 |
| 13,309 | 4,906 | 390,771 |
| | | 210,814 |
| 900 | | 26,048 |
| | 2,000 | 192,603 |
| 15,483 | | 15,483 |
| 67,455 | | 71,532 |
| | | 17,869 |
| <u>107,532</u> | <u>8,731</u> | <u>4,189,688</u> |
| <u>(11,442)</u> | <u>(4,292)</u> | <u>10,450</u> |
| | | 33,500 |
| 33,500 | | 184,615 |
| | | 7,442 |
| | | (1,201) |
| | | (184,615) |
| | (4,000) | (4,000) |
| | (185) | (185) |
| <u>33,500</u> | <u>(4,185)</u> | <u>35,556</u> |
| | | 46,006 |
| 22,058 | (8,477) | 450,318 |
| 83,135 | 15,444 | |
| <u>\$ 105,193</u> | <u>\$ 6,967</u> | <u>\$ 496,324</u> |
| | <u>\$ 53</u> | <u>\$ 48,038</u> |

**OLD FORT LOCAL SCHOOL DISTRICT
SENECA 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 Fund Types</u> | | <u>Fiduciary Fund</u> | <u>Totals (Memorandum Only)</u> |
|--|-------------------------------|-------------------------|-----------------------|-------------------------------------|
| | <u>Enterprise</u> | <u>Internal Service</u> | <u>Agency</u> | |
| Operating Receipts | | | | |
| Extracurricular Activities | | | \$ 74,265 | \$ 74,265 |
| Food Service | \$ 116,164 | | | 116,164 |
| Total Operating Receipts | 116,164 | | 74,265 | 190,429 |
| Operating Expenses | | | | |
| Employees Salaries and Wages | 62,728 | | 241 | 62,969 |
| Employees Retirement and Insurance | 29,248 | | 36 | 29,284 |
| Purchased Services | 2,274 | | 8,926 | 11,200 |
| Supplies and Materials | 67,931 | | 23 | 67,954 |
| Other Objects | 173 | \$ 6,744 | 71,071 | 77,988 |
| Total Operating Disbursements | 162,354 | 6,744 | 80,297 | 249,395 |
| Excess of Operating Receipts (Under) Operating Disbursements | (46,190) | (6,744) | (6,032) | (58,966) |
| Nonoperating Receipts | | | | |
| Earnings on Investments | 314 | | | 314 |
| State Sources | 1,651 | | | 1,651 |
| Federal Sources | 39,796 | | | 39,796 |
| Refund of Prior Years Expenditures | | | 10 | 10 |
| Miscellaneous | 20 | 6,749 | 4,148 | 10,917 |
| Total Nonoperating Receipts | 41,781 | 6,749 | 4,158 | 52,688 |
| Excess of Receipts Over/(Under) Disbursements Before Interfund Transfers and Advances | (4,409) | 5 | (1,874) | (6,278) |
| Transfer-in | | | 1,201 | 1,201 |
| Net Receipts Over (Under) Disbursements | (4,409) | 5 | (673) | (5,077) |
| Fund Cash Balances at July 1, 2003 | 40,417 | 2 | 31,031 | 71,450 |
| Fund Cash Balances at June 30, 2004 | \$ 36,008 | \$ 7 | \$ 30,358 | \$ 66,373 |
| Reserves for Encumbrances, June 30, 2004 | \$ 7,499 | | \$ 2,418 | \$ 9,917 |

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

**OLD FORT LOCAL SCHOOL DISTRICT
SENECA COUNTY**

COMBINED STATEMENT OF RECEIPTS
BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2004

| | <u>Budget</u> | <u>Actual</u> | Variance: Favorable (Unfavorable) |
|---------------------------------|----------------------------|----------------------------|--|
| Governmental Fund Types: | | | |
| General Fund | \$ 3,879,205 | \$ 3,761,833 | \$ (117,372) |
| Special Revenue Funds | 394,789 | 345,217 | (49,572) |
| Capital Projects Funds | 106,350 | 129,590 | 23,240 |
| Proprietary Fund Types: | | | |
| Enterprise Funds | 149,500 | 157,945 | 8,445 |
| Internal Service Funds | 10,000 | 6,744 | (3,256) |
| Fiduciary Fund Types: | | | |
| Trust and Agency Funds | <u>12,000</u> | <u>4,439</u> | <u>(7,561)</u> |
| Total | <u>\$ 4,551,844</u> | <u>\$ 4,405,768</u> | <u>\$ (146,076)</u> |

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

**OLD FORT LOCAL SCHOOL DISTRICT
SENECA COUNTY**

COMBINED STATEMENT OF DISBURSEMENTS AND
ENCUMBRANCES COMPARED WITH EXPENDITURE AUTHORITY
FOR THE FISCAL YEAR ENDED JUNE 30, 2004

| | <u>Prior Year Carryover Appropriations</u> | <u>2004 Appropriations</u> |
|---------------------------------|--|--------------------------------|
| Governmental Fund Types: | | |
| General Fund | \$ 45,592 | \$ 4,003,244 |
| Special Revenue Funds | 3,852 | 414,488 |
| Debt Service Funds | | |
| Capital Projects Funds | 14,028 | 175,457 |
| Proprietary Fund Types: | | |
| Enterprise Funds | 2,424 | 172,593 |
| Internal Service Fund | | 10,000 |
| Fiduciary Fund Types: | | |
| Trust and Agency Funds | <u>6,905</u> | <u>20,500</u> |
| Total | <u><u>\$ 72,801</u></u> | <u><u>\$ 4,796,282</u></u> |

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

| <u>Total</u> | <u>Actual 2004 Disbursements</u> | <u>Encumbrances Outstanding at 6/30/03</u> | <u>Total</u> | <u>Variance: Favorable (Unfavorable)</u> |
|---------------------|--------------------------------------|--|---------------------|--|
| \$ 4,048,836 | \$ 3,730,539 | \$ 40,602 | \$ 3,771,141 | \$ 277,695 |
| 418,340 | 344,087 | 7,383 | 351,470 | 66,870 |
| 189,485 | 107,532 | | 107,532 | 81,953 |
| 175,017 | 162,354 | 7,499 | 169,853 | 5,164 |
| 10,000 | 6,744 | | 6,744 | 3,256 |
| 27,405 | 12,916 | 53 | 12,969 | 14,436 |
| <u>\$ 4,869,083</u> | <u>\$ 4,364,172</u> | <u>\$ 55,537</u> | <u>\$ 4,419,709</u> | <u>\$ 449,374</u> |

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**OLD FORT LOCAL SCHOOL DISTRICT
SENECA COUNTY**

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

1. DESCRIPTION OF THE ENTITY

The Old Fort Local School District (the District) is a local school district as defined by § 3311.03 of the Ohio Revised Code. The District operates under an elected Board of Education and is responsible for providing public education to the residents of the District.

The District operates two instructional facilities and provides educational services to students from grades kindergarten through 12.

The District believes these financial statements present all activities for which the District is accountable.

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 statement by the District under the basis of accounting used. By virtue of Ohio law, the District is required to maintain the encumbrance method of accounting and to make appropriations.

A. Basis of Presentation – Fund Accounting

The District uses fund accounting to segregate cash and investments that are restricted as 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. It is used to account for all financial resources except those required to be accounted for in other funds.

Special Revenue Funds - Special revenue funds account for the proceeds of specific revenue sources (other than capital projects or trust funds) that are legally restricted to expenditures for specified purposes.

Capital Projects Funds - Capital project funds account for financial resources to be used for the acquisition or construction of major capital facilities.

**OLD FORT LOCAL SCHOOL DISTRICT
SENECA COUNTY**

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

PROPRIETARY FUND TYPES

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

Enterprise Funds - Enterprise funds account for operations which are financed and operated in a manner similar to private business enterprises and for which the District intends to support a material portion of the operating costs with user charges.

Internal Service Funds - The internal service fund is used to account for the financing of field trips and supplies to students of the District on a cost-reimbursement basis.

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 included expendable trust and 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 tax budget, the certificate of estimated resources, and the appropriation resolution, all of which are prepared on the budgetary basis of accounting. The certificate of estimated resources and the appropriation 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. The legal level of budgetary control is at the fund level. Any budgetary modifications at this level may only be made by resolution of the Board of Education.

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 District submits a budget of estimated cash receipts and disbursements to the Seneca County Auditor.

2. Tax Budget

Prior to January 15, the Superintendent and Treasurer submit to the Board of Education a proposed operating budget for the fiscal year commencing the following July 1. The budget includes proposed expenditures and the means of financing for all funds. Public hearings are publicized and conducted to obtain taxpayers' comments. The express purpose of this budget document is to reflect the need for existing or increased tax rates. By no later than January 20, the Board-adopted budget is filed with the County Budget Commission for rate determination.

**OLD FORT LOCAL SCHOOL DISTRICT
SENECA COUNTY**

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

3. Estimated Resources

By April 1, the Board of Education accepts, by formal resolution, the tax rates as determined by the Budget Commission and receives the commission's certificate of estimated resources which states the projected revenue of each fund. Prior to June 30, the District must revise its budget so that total contemplated expenditures from any fund during the ensuing year will not exceed the amount stated in the certificate of estimated resources. The revised budget then serves as the basis for the appropriation measure. On or about July 1, the certificate is amended to include any unencumbered cash balances from the preceding year. The certificate may be further amended during the year if projected increases or decreases in revenue are identified by the District Treasurer.

Estimated receipts reported in the budgetary statements reflect the amounts in the final amended certificate issued during fiscal year 2004 and do not include the unencumbered fund balances as of July 1, 2003. However, those fund balances are available for appropriations.

4. Appropriations

Upon receipt from the County Auditor of an amended certificate of estimated resources based on final assessed values and tax rates or a certificate saying no new certificate is necessary, the annual appropriation resolution must be legally enacted by the Board of Education at the fund level of expenditures, which are the legal levels of budgetary control. Prior to the passage of the annual appropriation measure, the Board may pass a temporary appropriation measure to meet the ordinary expenses of the District. The appropriation resolution, by fund, must be within the estimated resources as certified by the County Budget Commission.

5. Encumbrances

As part of formal budgetary control, purchase orders, contracts, and other commitments for the expenditure of monies are recorded as the equivalent of expenditures on the budgetary basis in order to reserve that portion of the applicable appropriation and to determine and maintain legal compliance. Encumbrances plus expenditures may not legally exceed appropriations at the legal level of control. In the budgetary financial statements, encumbrances are included in budgetary expenditures. The budgetary fund balance is cash minus outstanding encumbrances.

6. Lapsing of Appropriations

At the close of each year, the unencumbered balance of each appropriation reverts to the respective fund from which it was appropriated and becomes subject to future appropriation. Encumbered appropriations are carried forward to the succeeding fiscal year and are not reappropriated.

C. Property, Plant, and Equipment

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

**OLD FORT LOCAL SCHOOL DISTRICT
SENECA COUNTY**

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

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

During Fiscal Year 2004, investments were limited to the State Treasury Assets Reserve of Ohio (STAR Ohio) and certificates of deposit. Investments are stated at cost. Investment earnings are allocated as authorized by State Statute and Board resolution. All investments had a maturity of two years or less.

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.

3. ACCOUNTING CHANGE

During fiscal year 2004, the District changed its method of accounting from generally accepted accounting principles to a basis in accordance with standards established by the Auditor of State for governmental entities no required to prepare annual reports in accordance with generally accepted accounting principles. The affect on the excess of revenues over/(under) disbursements/expenditures as previously reported, although potentially material, cannot be determined at this time. This change had the following affect on fund balances as previously reported:

| <u>Fund Type</u> | <u>At 6/30/03</u> | <u>Adjustments</u> | <u>At 7/1/03</u> |
|------------------|-------------------|--------------------|------------------|
| General | \$ 71,343 | \$ 246,863 | \$ 318,206 |
| Special Revenue | 50,201 | (16,668) | 33,533 |
| Capital Projects | 88,247 | (5,112) | 83,135 |
| Expendable Trust | 14,444 | 1,000 | 15,444 |
| Entereprise | 46,319 | (5,902) | 40,417 |
| Internal Service | 2 | - | 2 |
| Agency | | 31,031 | 31,031 |

4. EQUITY IN POOLED 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 two year period of designation of depositories. Inactive deposits must either be

**OLD FORT LOCAL SCHOOL DISTRICT
SENECA COUNTY**

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

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 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 pass book 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.

State Statute permits interim monies to 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 2 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) of this section 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 and eighty days in an amount not to exceed 25 percent of the interim moneys available for investment at any one time; and,
8. Under limited circumstances, corporate 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 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 upon delivery of the securities representing the

**OLD FORT LOCAL SCHOOL DISTRICT
SENECA COUNTY**

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

investments to the treasurer 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 \$75 in undeposited cash on hand.

The District maintains a cash and investment pool used by all funds. The Ohio Revised Code prescribes allowable deposits and investments.

The carrying amount of cash and investments at June 30, 2004 was as follows:

| | 2004 |
|---|------------|
| Demand Deposits | \$ (3,776) |
| Cash On Hand | 75 |
| Certificates of deposit | 100,000 |
| Total deposits and cash on hand | 96,299 |
| STAR Ohio | 466,398 |
| Total investments | 466,398 |
| Total deposits, cash on hand, and investments | \$ 562,697 |

The following information classifies deposits and investments by categories of risk.

A. Deposits

At year-end, the carrying amount of the District's deposits was \$96,224 as shown above and the bank balance was \$127,035. The bank balance was covered by federal depository insurance and by eligible securities pledged by the financial institution as security for repayment.

B. Investments

The District's investment in STAR Ohio, an investment pool operated by the Ohio State Treasurer, is not evidenced by securities that exist in physical or book entry form.

5. PROPERTY TAX

Property taxes are levied and assessed on a calendar year basis. Second half distributions occur in a new fiscal year. Property taxes include amounts levied against all real, public utility, and tangible personal (used in business) property located in the District. Real property taxes are levied after April 1 on the assessed value listed as of the prior January 1, the lien date. Public utility property taxes, attached as a lien on December 31 of the prior year, are levied April 1 and are collected with real property taxes. Assessed values for real property taxes are established by State law at 35 percent of appraised market value. All property is required to be revalued every six years.

Public utility property taxes are assessed on tangible personal property at 88 percent of true value (with certain exceptions) and on real property at thirty-five percent of true value. Tangible personal property taxes are levied after April 1 on the value listed as of December 31 of the current year. Tangible personal property assessments are twenty-five percent of true value.

**OLD FORT LOCAL SCHOOL DISTRICT
SENECA COUNTY**

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

Real property taxes are payable annually or semi-annually. If paid annually, payment is due December 31; if paid semi-annually, 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. Tangible personal property taxes 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 semi-annually, the first payment is due April 30, with the remainder payable by September 20.

The District receives property taxes from Seneca County. The Seneca County Treasurer collects property taxes on behalf of the District. The Seneca County Auditor periodically remits to the District its portion of the taxes collected. These tax "advances" are based on statutory cash flow collection rates. Final "settlements" are made each February and August.

The County is responsible for assessing property, and for billing, collecting, and distributing all property taxes on behalf of the District.

6. RISK MANAGEMENT

The District has obtained commercial insurance for the following risks:

| <u>Coverage</u> | <u>Insurer</u> | <u>Limits of Coverage</u> | <u>Deductible</u> |
|----------------------|----------------------|---------------------------|-------------------|
| General liability: | | | |
| Aggregate | Auto Owners | \$ 2,000,000 | \$ 0 |
| Each occurrence | Auto Owners | 1,000,000 | 0 |
| Excess liability: | | | |
| Each occurrence | Cincinnati Insurance | 3,000,000 | 0 |
| Property | Indiana Insurance | 12,420,606 | 1,000 |
| Fleet: | | | |
| Comprehensive | Auto Owners | Actual cash value | 0 |
| Collision | Auto Owners | Actual cash value | 250 |
| Boiler and machinery | Cincinnati Insurance | 500,000 | 500 |

7. PUBLIC ENTITY RISK POOL

A. Health Insurance

The District joined together with other area school districts to form the North Central Ohio Joint-Self Insurance Association, a public entity risk pool for serve member school districts. The risk of loss transfers entirely to the pool. The pool is self-sustaining through member premiums. The District has paid a monthly premium to the pool for health insurance. The agreement for formation of the pool provided that is will be self-sustaining through member premiums and the pool will purchase stop-loss insurance policies through commercial companies to cover claims in excess of \$50,000 for any employee.

**OLD FORT LOCAL SCHOOL DISTRICT
SENECA COUNTY**

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

B. Workers' Compensation

The District participates in the Ohio School Boards Association Workers' Compensation Group Rating Program (GRP), an insurance purchasing pool. The GRP's business and affairs are conducted by a three-member Board of directors consisting of the President, the President-Elect, and the Immediate Past President of the OSBA. The Executive Director of the OSBA, or his designee, serves as coordinator of the program. Each year, the participating school districts pay an enrollment fee to the GRP to cover the costs of administering the program.

8. 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 public employee retirement system administered by the School Employees Retirement Board. SERS provides basic retirement benefits, disability, survivor, and health care benefits based on eligible service credit to members and beneficiaries. Benefits are established by Chapter 3309 of the Ohio Revised Code. SERS issues a publicly available financial report that includes financial statements and required supplementary information for SERS. That report may be obtained by writing to the School Employees Retirement System, 45 North Fourth Street, Columbus, Ohio 43215-3634.

Contribution rates are also prescribed by the Ohio Revised Code. For fiscal year 2004, plan members contributed 10 percent of their annual-covered salary and the District contributed 14 percent. The District has paid all contributions required through June 30, 2004.

B. State Teachers Retirement System

The District contributes to the State Teachers Retirement System of Ohio (STRS), a cost-sharing multiple employer public employee retirement system administered by the State Teachers Retirement Board. STRS provides basic retirement benefits, disability, survivor, and health care benefits based on eligible service credit to members and beneficiaries. Benefits are established by Chapter 3307 of the Ohio Revised Code. STRS issues a publicly available financial report that includes financial statements and required supplementary information for STRS. That report may be obtained by writing to the State Teachers Retirement System, 275 East Broad Street, Columbus, Ohio 43215-3771.

Contribution rates are also prescribed by the Ohio Revised Code. For fiscal year 2004, members of STRS contributed 10 percent of their wages to the STRS. The District contributed an amount equal to 14 percent of their wages. The District has paid all contributions required through June 30, 2004.

9. LONG-TERM OBLIGATIONS

The District had the following long term debt obligation at June 30, 2004:

Energy Conservation Loan

On June 12, 2000, the District obtained a line of credit with a maximum credit amount of \$471,000. The District will request amounts as needed for the implementation of school building energy

**OLD FORT LOCAL SCHOOL DISTRICT
SENECA COUNTY**

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

§§ 133.06 and 3313.322. This line of credit bears a variable interest rate which was subject to adjustment on June 12, 2003 and every thirty-six months thereafter. The interest rate as of June 30, 2003 was 2.98 percent and matures on June 12, 2015. The primary source of repayment of this note is through energy savings as a result of the improvements. Payments of principal and interest relating to this liability are recorded as expenditures in the general fund.

The following is a description of the District's general obligation debt outstanding as of June 30, 2004:

| | Interest Rate | Outstanding 7/1/03 | Retired | Outstanding 6/30/04 |
|--------------------------|------------------|-----------------------|-----------|------------------------|
| Energy Conservation Loan | 2.98% | \$ 178,671 | \$ 12,635 | \$ 166,036 |

The following is a summary of the District's future annual debt service requirements to maturity for the general obligation debt:

| Fiscal Year Ending | Principal | Interest | Total |
|-----------------------|------------|-----------|------------|
| 2005 | \$ 12,930 | \$ 4,842 | \$17,772 |
| 2006 | 13,327 | 4,446 | 17,773 |
| 2007 | 13,735 | 4,038 | 17,773 |
| 2008 | 14,146 | 3,627 | 17,773 |
| 2009 | 14,589 | 3,183 | 17,772 |
| 2010-2014 | 79,928 | 8,952 | 88,880 |
| 2015 | 17,484 | 288 | 17,772 |
| Total | \$ 166,139 | \$ 29,376 | \$ 195,515 |

10. SET-ASIDE CALCULATIONS AND FUND RESERVES

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. The amount set-aside may be reduced by offset credits, which are monies received and restricted for the same specific purpose. Amounts not spent by year-end or reduced by offset credits must be held in cash at year-end and carried forward to be used for the same purposes in future years.

The following cash basis information describes the change in the year-end set-aside amounts for textbooks, capital maintenance, and budget stabilization. Disclosure of this information is required by State statute.

**OLD FORT LOCAL SCHOOL DISTRICT
SENECA COUNTY**

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

| | Textbooks | Capital Acquisitions | Budget Stabilization |
|---|-----------|-------------------------|-------------------------|
| Set-aside Cash balance as of June 30, 2003 | \$ 1,606 | | \$ 4,077 |
| Current Year Set-aside | \$79,160 | \$ 79,160 | |
| Current Year Offsets | | | |
| Qualifying Disbursements | (50,724) | (113,640) | (4,077) |
| Total | \$ 30,042 | \$ (34,480) | \$ - |
| Cash Balance Carried Forward to Fiscal Year 2005 | \$ 30,042 | | \$ - |

11. 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 District is currently unable to determine what effect, if any, this decision will have on its future state funding and its financial operations.



**Auditor of State
Betty Montgomery**

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

Old Fort Local School District
Seneca County
7635 N. County Road 51, P.O. Box 64
Old Fort, Ohio 44861-0064

To the Board of Education:

We have audited the financial statements of Old Fort Local School District, Seneca County, (the District) as of and for the year ended June 30, 2004, and have issued our report thereon dated January 28, 2005 in which we disclosed the District's financial statements followed an other 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 tested its compliance with certain provisions of laws, regulations, contracts, and grants, noncompliance with which could directly and materially affect 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 we must report under *Government Auditing Standards* which is described in the accompanying schedule of findings as item 2004-001. We also noted certain immaterial instances of noncompliance that we have reported to the District's management in a separate letter dated January 28, 2005.

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

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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 January 28, 2005.

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
Auditor of State

January 28, 2005

**OLD FORT LOCAL SCHOOL DISTRICT
SENECA 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 entity wide information on governmental activities and business type activities, major fund disclosures, 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.



**Auditor of State
Betty Montgomery**

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**OLD FORT LOCAL SCHOOL DISTRICT
SENECA COUNTY**

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
FEBRUARY 22, 2005**