



**COLUMBUS GROVE LOCAL SCHOOL DISTRICT
PUTNAM COUNTY**

REGULAR AUDIT

FOR THE YEAR ENDED JUNE 30, 2004



**Auditor of State
Betty Montgomery**

**COLUMBUS GROVE LOCAL SCHOOL DISTRICT
PUTNAM COUNTY**

TABLE OF CONTENTS

TITLE	PAGE
Independent Accountants' Report.....	1
Management's Discussion and Analysis.....	3
Basic Financial Statements:	
Government-Wide Financial Statements:	
Statement of Net Assets	11
Statement of Activities.....	12
Fund Financial Statements:	
Statement of Assets and Fund Balances Modified Cash Basis - Governmental Funds	13
Statement of Cash Receipts, Disbursements and Changes in Fund Balances - Modified Cash Basis - Governmental Funds.....	14
Statement of Receipts, Disbursements, and Changes in Fund Balances - Budget and Actual - Budget Basis – General Fund.....	15
Statement of Fund Net Assets Modified Cash Basis – Food Service Fund.....	16
Statement of Cash Receipts, Disbursements and Changes in Fund Net Assets - Modified Cash Basis – Food Service Fund.....	17
Statement of Fiduciary Net Assets.....	18
Notes to the Basic Financial Statements.....	19
Independent Accountants' Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Required by <i>Government Auditing Standards</i>	35
Schedule of Findings.....	37
Schedule of Prior Audit Findings.....	39

This page intentionally left blank.



**Auditor of State
Betty Montgomery**

INDEPENDENT ACCOUNTANTS' REPORT

Columbus Grove Local School District
Putnam County
201 West Cross Street
Columbus Grove, Ohio 45830-1299

To the Board of Education:

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Columbus Grove Local School District, Putnam County, (the District), as of and for the year ended June 30, 2004, which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the District's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

Ohio Administrative Code § 117-2-03 (B) requires the District to prepare its annual financial report in accordance with accounting principles generally accepted in the United States of America. However, as discussed in Note 1, the accompanying financial statements and notes follow the modified cash accounting basis. This is a comprehensive accounting basis other than generally accepted accounting principles. The accompanying financial statements and notes omit assets, liabilities, net assets/fund balances, and disclosures that, while material, we cannot determine at this time.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective modified cash financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Columbus Grove Local School District, Putnam County, as of June 30, 2004, and the respective changes in modified cash financial position and the respective budgetary comparison for the General Fund, thereof for the year then ended in conformity with the basis of accounting Note 1 describes.

As described in note 3 to the financial statements the District changed its method of accounting during fiscal year 2004.

In accordance with *Government Auditing Standards*, we have also issued our report dated February 6, 2006, 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.

Management's discussion and analysis is not a required part of the basic financial statements but is supplementary information the Governmental Accounting Standards Board requires. We have applied certain limited procedures, consisting principally of inquiries of management regarding the methods of measuring and presenting the required supplementary information. However, we did not audit the information and express no opinion on it.

A handwritten signature in black ink that reads "Betty Montgomery". The signature is written in a cursive, flowing style.

Betty Montgomery
Auditor of State

February 6, 2006

**COLUMBUS GROVE LOCAL SCHOOL DISTRICT
PUTNAM COUNTY**

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2004
UNAUDITED

This discussion and analysis of the Columbus Grove Local School District's ("the District") financial performance provides an overall review of the District's financial activities for the year ended June 30, 2004, within the limitations of the District's Other Comprehensive Basis of Accounting. Readers should also review the basic financial statements and notes to enhance their understanding of the District's financial performance.

Financial Highlights

Key highlights for 2004 are as follows:

- Net assets of governmental activities decreased \$180,614, or 6.06 percent, from the prior year.
- Net assets of business type activities increased \$6,379, or 16.03 percent, from the prior year.
- The District's governmental general receipts were \$5,576,754 or 85.67 percent of all revenue. Those being primarily property taxes and unrestricted state entitlements. Program specific revenues in the form of charges for services and operating grants and contributions accounted for \$932,793 or 14.33 percent of total revenues of \$6,509,547.
- The District's business type general receipts were \$2,476 or 1.06 percent of all revenue. Those being primarily interest and miscellaneous receipts. Program specific revenues in the form of charges for services and operating grants accounted for \$230,208 or 98.94 percent of total revenues of \$232,684.
- The District had \$6,690,161 in expense related to governmental activities: only \$932,793 of these expenses were offset by program specific charges for services, grants and contributions. General revenues supporting governmental activities (primarily taxes and unrestricted grants and entitlements) of \$5,576,754 were not adequate to provide for these programs.
- The District had \$226,305 in expense related to business type activities: all of which were offset by program specific charges for services and operating grants. The District also had \$2,476 in general revenues supporting business type activities.
- The District's major governmental funds were the general and bond retirement fund. The general fund had \$5,703,673 in revenues and other financing sources and \$5,925,880 in expenditures. The bond retirement fund had \$166,346 in revenues, and \$187,914 in expenditures. During fiscal year 2004, the general funds fund balance, decreased \$222,207 from \$2,395,243 to \$2,173,036, primarily due to construction of a new bus garage contracted and paid for at a sum of \$274,199. The bond retirement fund balance decreased \$21,568 from \$437,414 to 415,576.
- The Districts business type food service fund had \$232,684 in revenue and \$226,305 in expenses. During fiscal year 2004 the food service fund balance increased \$6,379 from \$39,796 to \$46,175.

Using this Annual Report

This annual report is presented in a format consistent with the presentation requirements of Governmental Accounting Standards Board Statement No. 34, as applicable to the District's Other Comprehensive Basis of Accounting

**COLUMBUS GROVE LOCAL SCHOOL DISTRICT
PUTNAM COUNTY**

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2004
UNAUDITED
(Continued)

Report Components

The statement of net assets and the statement of activities provide information about the cash activities of the District as a whole.

Fund financial statements provide a greater level of detail. For governmental and business type funds, these statements tell how services were financed in the short-term as well as what remains for future spending. The fund financial statements also look at the District's most significant funds, with all other non-major funds presented in total in a single column. For Columbus Grove Local School District, the General Fund, Bond Retirement Fund, and Food Service Fund are the most significant funds.

The notes to the financial statements are an integral part of the government-wide and fund financial statements and provide expanded explanation and detail regarding the information reported in the statements.

Basis of Accounting

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

As a result of using the other comprehensive basis of accounting, certain assets and their related revenues (such as accounts receivable) and certain liabilities and their related expenses (such as accounts payable) are not recorded in the financial statements. Therefore, when reviewing the financial information and discussion within this report, the reader must keep in mind the limitations resulting from the use of the other comprehensive basis of accounting.

Reporting the District as a Whole

The statement of net assets and the statement of activities reflect how the District did financially during fiscal year 2004, within the limitations of the other comprehensive basis of accounting. The statement of net assets presents the cash balances and investments of the governmental activities of the District at fiscal year end. The statement of activities compares cash disbursements with program receipts for each function or program of the District's governmental activities. A function is a group of related activities designed to accomplish a major service or regulatory program for which the District is responsible. Program receipts include charges paid by the recipient of the program's goods or services and grants and contributions restricted to meeting the operational or capital requirements of a particular program. General receipts are all receipts not classified as program receipts. The comparison of cash disbursements with program receipts identifies how each governmental function draws from the District's general receipts.

These statements report the District's cash position and the changes in cash position. Factors which contribute to these changes may include, but not limited to, the District's property tax base, current property tax laws in Ohio restricting revenue growth, facility conditions, and required educational programs.

**COLUMBUS GROVE LOCAL SCHOOL DISTRICT
PUTNAM COUNTY**

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2004
UNAUDITED
(Continued)

In the statement of net assets and the statement of activities, the Governmental Activities include the District's programs and services including instruction, support services, non-instructional services, extracurricular activities, and capital outlay disbursements. The Business Type Activities include the District's food service operations.

Reporting the District's Most Significant Funds

Fund financial statements provide detailed information about the District's major funds – not the District as a whole. The District establishes separate funds to better manage its many activities and to help demonstrate that money that is restricted as to how it may be used is being spent for the intended purpose.

The funds of the District are split into two categories: governmental and business type. While the District uses many funds to account for its financial transactions, the fund financial statements focus on the District's most significant funds. The District's major governmental funds are the General Fund and the Bond Retirement Fund.

Governmental Funds - Most of the District activities are reported in governmental funds. The governmental fund financial statements provide a detailed view of the District's governmental operations and the basic services it provides. Governmental fund information helps determine whether there are more or less financial resources that can be spent to finance the District's programs. The District's significant governmental funds are presented on the financial statements in separate columns. The information for non-major funds (funds whose activity or balances are not large enough to warrant separate reporting) is combined and presented in total in a single column. The District's major governmental funds are the General Fund and the Bond Retirement Fund. The programs reported in governmental funds are closely related to those reported in the governmental activities section of the entity-wide statements.

Fiduciary Funds - Fiduciary funds are used to account for resources held for the benefit of parties outside the District. Fiduciary funds are not reflected on the government-wide financial statements because the resources of these funds are not available to support the District's programs.

Business Type Fund – The Business Type fund is used to account for the food service program of the District. This fund is accounted for separately on the entity wide statements.

**COLUMBUS GROVE LOCAL SCHOOL DISTRICT
PUTNAM COUNTY**

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2004
UNAUDITED
(Continued)

The District as a Whole

Table 1 provides a summary of the District's net assets for fiscal year 2004 compared to fiscal year 2003 on another comprehensive basis of accounting.

Table 1
Net Assets

	Governmental Activities 2004	Governmental Activities 2003	Business Type Activities 2004	Business Type Activities 2003	Total Activities 2004	Total Activities 2003
Assets:						
Cash and Cash Equivalents	\$2,796,505	\$2,977,119	\$46,175	\$39,796	\$2,842,680	\$3,016,915
Net Assets:						
Restricted	665,062	581,876			665,062	581,876
Unrestricted	2,131,443	2,395,243	46,175	39,796	2,177,618	2,435,039
Total Net Assets	<u>\$2,796,505</u>	<u>\$2,977,119</u>	<u>\$46,175</u>	<u>\$39,796</u>	<u>\$2,842,680</u>	<u>\$3,016,915</u>

Over time, net assets can serve as a useful indicator of a government's financial position. At year-end, net assets were \$2,796,505 for governmental activities and \$46,175 for business type activities.

A portion of the District's net assets, \$665,062, represents resources that are subject to external restriction on how they may be used. The remaining balance of unrestricted net assets of \$2,177,618 may be used to meet the District's ongoing obligations to the students and creditors.

Table 2 reflects the changes in net assets in 2004. Net assets for 2003 are not presented as this is the districts first year reporting under the Other Comprehensive Basis of Accounting that utilizes a GASB 34 cash basis financial statement resemblance presentation.

	Governmental Activities 2004	Business Type Activities 2004
Receipts:		
Program Receipts:		
Charges for Services and Sales	\$388,663	\$174,915
Operating Grants and Contributions	541,811	55,293
Capital Grants and Contributions	2,319	
Total Program Receipts	<u>932,793</u>	<u>230,208</u>
General Receipts:		
Property Taxes Levied for General Purposes	1,359,296	
Property Taxes Levied for Debt Service	146,853	
Property Taxes Levied for Capital Projects	43,282	
School District Income Taxes	659,418	
Grants and Entitlements Not Restricted to Specific Programs	3,211,201	

**COLUMBUS GROVE LOCAL SCHOOL DISTRICT
PUTNAM COUNTY**

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2004
UNAUDITED
(Continued)

Interest	\$31,449	\$973
Miscellaneous	125,255	1,503
Total General Receipts	<u>5,576,754</u>	<u>2,476</u>
Total Receipts	<u>6,509,547</u>	<u>232,684</u>
Disbursements:		
Instruction:		
Regular	3,100,913	
Special	727,964	
Vocational	114,695	
Support Services:		
Pupil	208,571	
Instructional Staff	117,283	
Board of Education	33,249	
Administration	385,918	
Fiscal	197,945	
Operation and Maintenance of Plant	520,354	
Pupil Transportation	573,624	
Central	13,361	
Operation of non-instructional services	116,989	
Food Services		226,305
Extracurricular Activities	358,228	
Capital Outlay	36,754	
Debt Service	184,313	
Total Disbursements	<u>6,690,161</u>	<u>226,305</u>
Increase/(Decrease) in Net Assets	(180,614)	6,379
Net Assets, July 1	<u>2,977,119</u>	<u>39,796</u>
Net Assets, June 30	<u><u>\$2,796,505</u></u>	<u><u>\$46,175</u></u>

Net assets of the District's governmental activities decreased \$180,614. Total governmental expenses of \$6,690,161 were offset by program revenues of \$932,793 and general revenues of \$5,576,754. Program revenues supported 13.94 percent of the total governmental expenses.

The primary sources of revenue for the governmental activities are derived from property taxes, income taxes and grant and entitlements. These revenue sources represent 85.67 percent of total governmental revenue. Real estate property is reappraised every six years.

Net assets of the District's business type activities increased \$6,379. Total business type expenses of \$226,305 were offset by program revenues of \$230,208 and general revenues of \$2,476. Program revenues supported 100 percent of the total business type expenses.

**COLUMBUS GROVE LOCAL SCHOOL DISTRICT
PUTNAM COUNTY**

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2004
UNAUDITED
(Continued)

Governmental and Business Type Activities

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

Table 3

	Governmental Activities		Business Type Activities	
	Total Cost of Services <u>2004</u>	Net Cost of Services <u>2004</u>	Total Cost of Services <u>2004</u>	Net Cost of Services <u>2004</u>
Current:				
Instruction:				
Regular	\$3,100,913	\$2,852,831		
Special	727,964	422,462		
Vocational	114,695	100,015		
Other				
Support Services:				
Pupil	208,571	203,571		
Instructional Staff	117,283	104,177		
Board of Education	33,249	33,249		
Administration	385,918	382,393		
Fiscal	197,945	196,790		
Operation and Maintenance of Plant	520,354	520,354		
Pupil Transportation	573,624	565,252		
Central	13,361	351		
Operation of non-instructional services	116,989	(8,955)		
Operation of Food Services			\$226,305	(\$3,903)
Extracurricular Activities	358,228	163,811		
Capital Outlay	36,754	36,754		
Debt Service	184,313	184,313		
Total Disbursements	<u>\$6,690,161</u>	<u>\$5,757,368</u>	<u>\$226,305</u>	<u>(\$3,903)</u>

The dependence upon tax receipts and unrestricted state entitlements is apparent 85.59 percent of instructional activities are supported through these general receipts. For all governmental activities, general revenue support is 86.06 percent. The District's taxpayers, as a whole, are by far the primary support for District students.

The Government's Funds

The District's funds are accounted for using the other comprehensive basis of accounting. Total combined fund balance of \$2,812,680, which is lower than last year's total of \$3,016,915. The schedule below indicates that fund balance and the total change in fund balance as of June 30, 2004 and 2003.

**COLUMBUS GROVE LOCAL SCHOOL DISTRICT
PUTNAM COUNTY**

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2004
UNAUDITED
(Continued)

Table 4

	Fund Balance June 30, 2004	Fund Balance June 30, 2003	Increase (Decrease)
General	\$2,173,036	\$2,395,243	(\$222,207)
Bond Retirement	415,576	437,144	(21,568)
Other Governmental	207,893	144,732	63,161
Food Service	46,175	39,796	6,379
Total Fund Balance	<u>\$2,842,680</u>	<u>\$3,016,915</u>	<u>(\$174,235)</u>

General Fund

The District's general fund's balance decreased by \$222,207. The decrease in fund balance can be attributed mostly to building and expensing of a new bus garage during fiscal year 2004.

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

Table 5

Revenues

Taxes	\$2,018,714
Tuition	194,246
Earnings on Investments	31,125
Intergovernmental	3,414,938
Other Revenues	44,650
Total Revenue	<u>5,703,673</u>

Expenditures

Instruction	3,782,759
Support Services	1,980,635
Extracurricular activities	154,746
Facilities acquisition and construction	7,740
Total Expenditures	<u>\$5,925,880</u>

General Fund Budgeting Highlights

The District's budget is prepared according to Ohio law and is based upon accounting for certain transactions on a basis of cash receipts, disbursements, and encumbrances. The most significant budgeted fund is the General Fund.

During fiscal year 2004, the District amended its General Fund budget as needed to reflect changing circumstances. Final budgeted receipts, in the amount of \$5,993,488, which is higher than the original budgeted revenue estimate of \$5,900,000. Actual revenues and other financing sources for fiscal year 2004 was \$5,734,886. This represents a \$258,602 decrease from final budgeted revenues.

**COLUMBUS GROVE LOCAL SCHOOL DISTRICT
PUTNAM COUNTY**

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2004
UNAUDITED
(Continued)

General Fund original budgeted appropriations (appropriated expenditures plus other financing uses) of \$6,068,180 were raised to \$6,145,892 in the final budget. The actual budget basis expenditures and other financing uses for fiscal year 2004 totaled \$6,069,149 which was \$76,743 less than the final budget appropriations.

Capital Assets and Debt Administration

Capital Assets

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

Debt

At June 30, 2004, the District's outstanding debt included general obligation bonds, in the amount of \$850,000 of this total \$125,000 is due within one year and \$725,000 is due in more than one year. The following table summarizes the bonds outstanding.

Table 6

General Obligation Bonds	<u>Balance June 30, 2004</u>	<u>Balance June 30, 2003</u>	<u>(Decrease)</u>
1987 Issue	\$850,000	\$975,000	(\$125,000)

Current Issues

The challenge for all districts is to provide quality educational services to the public while staying within the restrictions imposed by limited funding, and in some cases shrinking funding. The District relies heavily on unrestricted state entitlements and local taxes. The District's five year forecast predicts no deficits in the near future.

Contacting the District's Financial Management

This financial report is designed to provide our citizens, taxpayers, investors, and creditors with a general overview of the Government's finances and to reflect the District's accountability for the monies it receives. Questions concerning any of the information in this report or requests for additional information should be directed to Mark Ellerbrock, Treasurer, Columbus Grove Local School District, 201 West Cross Street, Columbus Grove, Ohio 45830.

**COLUMBUS GROVE LOCAL SCHOOL DISTRICT
PUTNAM COUNTY**

Statement of Net Assets - Modified Cash Basis
For the Fiscal Year Ended June 30, 2004

	Governmental Activities	Business-Type Activities	Total
Assets			
Equity in Pooled Cash and Cash Equivalents	<u>\$2,796,505</u>	<u>\$46,175</u>	<u>\$2,842,680</u>
Net Assets			
Restricted for:			
Capital Projects	\$28,234		\$28,234
Debt Service	415,576		415,576
Set Asides	41,593		41,593
Other Purposes	179,659		179,659
Unrestricted	<u>2,131,443</u>	<u>\$46,175</u>	<u>2,177,618</u>
<i>Total Net Assets</i>	<u>\$2,796,505</u>	<u>\$46,175</u>	<u>\$2,842,680</u>

See accompanying notes to the basic financial statements

**COLUMBUS GROVE LOCAL SCHOOL DISTRICT
PUTNAM COUNTY**

Statement of Activities - Modified Cash Basis
For the Fiscal Year Ended June 30, 2004

	Program Cash Receipts			Net (Disbursements) Receipts and Changes in Net Assets			
	Cash Disbursements	Charges for Services and Sales	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-Type Activities	Total
Governmental Activities							
Current:							
Instruction:							
Regular	\$3,100,913	\$194,246	\$53,836		(\$2,852,831)		(\$2,852,831)
Special	727,964		305,502		(422,462)		(422,462)
Vocational	114,695		14,680		(100,015)		(100,015)
Support Services:							
Pupil	208,571		5,000		(203,571)		(203,571)
Instructional Staff	117,283		13,106		(104,177)		(104,177)
Board of Education	33,249				(33,249)		(33,249)
Administration	385,918		3,525		(382,393)		(382,393)
Fiscal	197,945		1,155		(196,790)		(196,790)
Operation and Maintenance of Plant	520,354				(520,354)		(520,354)
Pupil Transportation	573,624		8,372		(565,252)		(565,252)
Central	13,361		13,010		(351)		(351)
Operation of Non-Instructional Services	116,989		123,625	\$2,319	8,955		8,955
Extracurricular Activities	358,228	194,417			(163,811)		(163,811)
Capital Outlay	36,754				(36,754)		(36,754)
Debt Service	184,313				(184,313)		(184,313)
<i>Total Governmental Activities</i>	<u>6,690,161</u>	<u>388,663</u>	<u>541,811</u>	<u>2,319</u>	<u>(5,757,368)</u>		<u>(5,757,368)</u>
Business-Type Activity							
Food Service	226,305	174,915	55,293			3,903	3,903
Total	<u>\$6,916,466</u>	<u>\$563,578</u>	<u>\$597,104</u>	<u>\$2,319</u>	<u>(5,757,368)</u>	<u>3,903</u>	<u>(5,753,465)</u>
General Receipts							
Property Taxes Levied for:							
General Purposes					1,359,296		1,359,296
Debt Service					146,853		146,853
Capital Outlay					43,282		43,282
Income Taxes					659,418		659,418
Grants and Entitlements not Restricted to Specific Programs					3,211,201		3,211,201
Interest					31,449	973	32,422
Miscellaneous					125,255	1,503	126,758
<i>Total General Receipts</i>					<u>5,576,754</u>	<u>2,476</u>	<u>5,579,230</u>
Change in Net Assets					(180,614)	6,379	(174,235)
<i>Net Assets Beginning of Year</i>					<u>2,977,119</u>	<u>39,796</u>	<u>3,016,915</u>
<i>Net Assets End of Year</i>					<u>\$2,796,505</u>	<u>\$46,175</u>	<u>\$2,842,680</u>

See accompanying notes to the basic financial statements

**COLUMBUS GROVE LOCAL SCHOOL DISTRICT
PUTNAM COUNTY**

Statement of Assets and Fund Balances - Modified Cash Basis
Governmental Funds
For the Fiscal Year Ended June 30, 2004

	<u>General</u>	<u>Bond Retirement</u>	<u>Other Governmental Funds</u>	<u>Total Government Funds</u>
Assets				
Equity in Pooled Cash and Cash Equivalents	<u>\$2,173,036</u>	<u>\$415,576</u>	<u>\$207,893</u>	<u>\$2,796,505</u>
Fund Balances				
Reserved for:				
Encumbrances	\$112,055		\$37,526	\$149,581
Bus Purchases	7,611			7,611
Textbooks	18,675			18,675
Capital Outlay	22,918			22,918
Unreserved:				
Undesignated, Reported in				
General Fund	2,011,777			2,011,777
Special Revenue Funds			165,933	165,933
Debt Service Fund		\$415,576		415,576
Capital Projects Funds			4,434	4,434
<i>Total Fund Balances</i>	<u><u>\$2,173,036</u></u>	<u><u>\$415,576</u></u>	<u><u>\$207,893</u></u>	<u><u>\$2,796,505</u></u>

See accompanying notes to the basic financial statements

**COLUMBUS GROVE LOCAL SCHOOL DISTRICT
PUTNAM COUNTY**

Statement of Cash Receipts, Disbursements and Changes in
Fund Balances - Modified Cash Basis - Governmental Funds
For the Fiscal Year Ended June 30, 2004

	General	Bond Retirement	Other Governmental Funds	Total Governmental Funds
Receipts				
Property Taxes	\$1,359,296	\$146,853	\$43,282	\$1,549,431
Income Taxes	659,418			659,418
Intergovernmental	3,414,938	19,493	320,900	3,755,331
Interest	31,125		324	31,449
Tuition and Fees	194,246			194,246
Extracurricular Activities			194,417	194,417
Contributions and Donations	212			212
Rentals	10,146			10,146
Miscellaneous	9,791		80,605	90,396
<i>Total Receipts</i>	<u>5,679,172</u>	<u>166,346</u>	<u>639,528</u>	<u>6,485,046</u>
Disbursements				
Current:				
Instruction:				
Regular	3,017,143		83,770	3,100,913
Special	650,921		77,043	727,964
Vocational	114,695			114,695
Support Services:				
Pupil	199,169		9,402	208,571
Instructional Staff	104,177		13,106	117,283
Board of Education	33,249			33,249
Administration	382,393		3,525	385,918
Fiscal	192,116	3,601	2,228	197,945
Operation and Maintenance of Plant	495,556		24,798	520,354
Pupil Transportation	573,624			573,624
Central	351		13,010	13,361
Operation of Non-Instructional Services			116,989	116,989
Extracurricular Activities	154,746		203,482	358,228
Capital Outlay	7,740		29,014	36,754
Debt Service:				
Principal Retirement		125,000		125,000
Interest and Fiscal Charges		59,313		59,313
<i>Total Disbursements</i>	<u>5,925,880</u>	<u>187,914</u>	<u>576,367</u>	<u>6,690,161</u>
<i>Excess of Revenues Over (Under) Expenditures</i>	<u>(246,708)</u>	<u>(21,568)</u>	<u>63,161</u>	<u>(205,115)</u>
Other Financing Sources				
Other Financing Sources	24,501			24,501
<i>Net Change in Fund Balances</i>	<u>(222,207)</u>	<u>(21,568)</u>	<u>63,161</u>	<u>(180,614)</u>
<i>Fund Balances Beginning of Year</i>	<u>2,395,243</u>	<u>437,144</u>	<u>144,732</u>	<u>2,977,119</u>
<i>Fund Balances End of Year</i>	<u>\$2,173,036</u>	<u>\$415,576</u>	<u>\$207,893</u>	<u>\$2,796,505</u>

See accompanying notes to the basic financial statements

**COLUMBUS GROVE LOCAL SCHOOL DISTRICT
PUTNAM COUNTY**

Statement of Receipts, Disbursements and Changes in Fund Balance
Budget and Actual Comparison -Budget Basis
General Fund
For the Fiscal Year Ended June 30, 2004

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Receipts				
Property Taxes	\$1,400,000	\$1,360,145	\$1,359,296	(\$849)
Income Taxes	700,000	755,631	659,418	(96,213)
Intergovernmental	3,675,000	3,675,000	3,414,938	(260,062)
Interest	50,000	50,000	31,125	(18,875)
Tuition and Fees	61,500	106,500	194,246	87,746
Contributions and Donations	1,000	1,000	212	(788)
Rentals	5,000	5,000	10,146	5,146
Miscellaneous	7,500	7,500	9,791	2,291
<i>Total receipts</i>	<u>5,900,000</u>	<u>5,960,776</u>	<u>5,679,172</u>	<u>(281,604)</u>
Disbursements				
Current:				
Instruction:				
Regular	2,883,106	2,928,106	3,106,538	(178,432)
Special	539,078	538,488	651,728	(113,240)
Vocational	109,873	109,873	114,963	(5,090)
Support Services:				
Pupil	220,970	220,970	199,401	21,569
Instructional Staff	113,630	113,630	112,283	1,347
Board of Education	45,112	45,112	33,949	11,163
Administration	378,229	378,229	383,593	(5,364)
Fiscal	221,013	221,013	192,309	28,704
Operation and Maintenance of Plant	469,298	469,298	502,011	(32,713)
Pupil Transportation	652,361	652,361	578,274	74,087
Central	7,914	7,914	351	7,563
Extracurricular Activities	157,407	157,407	154,796	2,611
Capital Outlay	220,189	220,189	7,740	212,449
<i>Total Disbursements</i>	<u>6,018,180</u>	<u>6,062,590</u>	<u>6,037,936</u>	<u>24,654</u>
<i>Excess of Disbursements Over Receipts</i>	<u>(118,180)</u>	<u>(101,814)</u>	<u>(358,764)</u>	<u>(256,950)</u>
Other Financing Sources (Uses)				
Advances In		32,712	31,213	(1,499)
Advances Out		(33,302)	(31,213)	2,089
Other Financing Sources			24,501	24,501
Other Financing Uses	(50,000)	(50,000)		50,000
<i>Total Other Financing Sources (Uses)</i>	<u>(50,000)</u>	<u>(50,590)</u>	<u>24,501</u>	<u>75,091</u>
<i>Net Change in Fund Balance</i>	(168,180)	(152,404)	(334,263)	(181,859)
<i>Fund Balance Beginning of Year</i>	2,077,065	2,077,065	2,077,065	
Prior Year Encumbrances Appropriated	318,179	318,179	318,179	
<i>Fund Balance End of Year</i>	<u>\$2,227,064</u>	<u>\$2,242,840</u>	<u>\$2,060,981</u>	<u>(\$181,859)</u>

See accompanying notes to the basic financial statements

**COLUMBUS GROVE LOCAL SCHOOL DISTRICT
PUTNAM COUNTY**

Statement of Fund Net Assets - Modified Cash Basis
Proprietary Funds
For the Fiscal Year Ended June 30, 2004

	<u>Business-Type Activity</u>
Assets	
Equity in Pooled Cash and Cash Equivalents	<u><u>\$46,175</u></u>
Net Assets	
Unrestricted	<u>46,175</u>
<i>Total Net Assets</i>	<u><u>\$46,175</u></u>

See accompanying notes to the basic financial statements

**COLUMBUS GROVE LOCAL SCHOOL DISTRICT
PUTNAM COUNTY**

Statement of Cash Receipts, Disbursements and Changes in
Fund Net Assets - Modified Cash Basis - Proprietary Funds
For the Fiscal Year Ended June 30, 2004

	Business-Type Activities
Operating Receipts	
Charges for Services	\$174,915
Operating Disbursements	
Personal Services	117,155
Materials and Supplies	102,822
Contract Services	3,955
Capital Outlay	2,373
<i>Total Operating Disbursements</i>	226,305
<i>Operating Loss</i>	(51,390)
Non-Operating Receipts	
Interest	973
Intergovernmental Revenue	55,293
Other Non-Operating Revenue	1,503
<i>Total Non-Operating Revenues/(Disbursements)</i>	57,769
<i>Changes in Net Assets</i>	6,379
Net Assets - Beginning of Year	39,796
<i>Net Assets - End of Year</i>	\$ 46,175

See accompanying notes to the basic financial statements

**COLUMBUS GROVE LOCAL SCHOOL DISTRICT
PUTNAM COUNTY**

Statement of Fiduciary Net Assets - Modified Cash Basis
Fiduciary Funds
For the Fiscal Year Ended June 30, 2004

	<u>Agency</u>
Assets	
Equity in Pooled Cash and Cash Equivalents	<u>\$34,156</u>
Net Assets	
Held for Student Activities	<u>\$34,156</u>

See accompanying notes to the basic financial statements

**COLUMBUS GROVE LOCAL SCHOOL DISTRICT
PUTNAM COUNTY**

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

NOTE 1 - DESCRIPTION OF THE SCHOOL DISTRICT AND REPORTING ENTITY

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

A locally-elected five-member Board governs the District, which provides educational services mandated by the State and federal agencies. This Board of Education controls the District's one instructional/support facility staffed by 34 classified employees, 60 certificated full-time personnel, and 4 administrators who provide services to 860 students and other community members.

Reporting Entity

A reporting entity is comprised of the primary government, component units and other organizations included ensuring that the basic financial statements are not misleading. The primary government of the District consists of all funds, departments, boards and agencies that are not legally separate from the District. For Columbus Grove Local School District, this includes general operations, food service, community services, and student-related activities.

Component units are legally separate organizations for which the District can "impose its will," such as by appointing a voting majority of the component unit's governing body. Component units may also include organizations fiscally dependent on the District in that the District approves their budget, the issuance of their debt or the levying of their taxes. The District has no component units.

Under the modified-cash basis of accounting, the Government does not report assets for equity interests in joint ventures. The District has no joint ventures.

The District participates in 4 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 8 and 15 to the financial statements provide additional information for these entities. These organizations are:

Jointly Governed Organizations:

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

Public Entity Risk Pool:

Putnam County Sky Trust Health Insurance Pool
OSBA Workers Compensation Group Rating Program
Schools of Ohio Risk Sharing Authority

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

**COLUMBUS GROVE LOCAL SCHOOL DISTRICT
PUTNAM COUNTY**

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

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

This basis of accounting is similar to the cash receipts and disbursements basis. The District recognizes receipts when received in cash rather than when earned and recognizes disbursements when paid rather than when a liability is incurred.

The District also reports long-term investments as assets, valued at cost.

Budgetary presentations report budgetary expenditures when a commitment is made (i.e., when an encumbrance is approved). Differences between disbursements reported in the fund and entity wide statements versus budgetary expenditures result from encumbrances outstanding at the beginning and end of the fiscal year.

A. Fund Accounting

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

Governmental: The District classifies funds financed primarily from taxes, intergovernmental receipts (e.g. grants) and other nonexchange transactions as governmental funds. The following are the District's major governmental funds:

General Fund The general fund accounts for all financial resources except for restricted resources requiring a separate accounting. The general fund balance is available for any purpose provided it is disbursed or transferred according to Ohio law.

Debt Service Fund The debt service fund accounts for resources received from property taxes to pay school improvement general obligation bond principal, interest and related costs.

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

Proprietary: The District's Food Service Fund accounts for food service operations and operates similar to a business enterprise, where user charges (i.e. charges for services) provide significant resources for the activity. The District classifies this fund as a major Enterprise fund.

Fiduciary: The fiduciary fund category is split into four classifications: pension trust funds, investment trust funds, private purpose trust funds, and agency funds. Trust funds are used to account for assets held by the District under a trust agreement for individuals, private organizations, or other governments and are not available to support the District's own programs. Agency funds are custodial in nature. The District's agency fund accounts for various student-managed activities.

B. Basis of Presentation

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

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

**COLUMBUS GROVE LOCAL SCHOOL DISTRICT
PUTNAM COUNTY**

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

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

The government-wide statement of activities compares disbursements with program receipts for each function or program of the District's governmental activities. Disbursements are reported by function. A function is a group of related activities designed to accomplish a major service or regulatory program for which the government is responsible. Program receipts include charges paid by the recipient of the program's goods or services and grants and contributions restricted to meeting the operational or capital requirements of a particular program. General receipts are all receipts not classified as program receipts, with certain limited exceptions. The comparison of direct disbursements with program receipts identifies the extent to which each governmental function is self-financing on the modified-cash basis or draws from the District's general receipts.

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

Proprietary fund statements distinguish operating transactions from nonoperating transactions. Operating receipts generally result from exchange transactions such as charges for services directly relating to the funds' principal services. Operating disbursements include costs of sales and services and administrative costs. The fund statements report all other receipts and disbursements as nonoperating.

C. Cash, Cash Equivalents and Investments

To improve cash management, cash received by the District is pooled and invested. Monies for all funds are maintained in this pool. Individual fund integrity is maintained through District records. Interest in the pool is presented as "Equity in Pooled Cash and Cash Equivalents".

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

Investments are reported as assets. Accordingly, purchases of investments are not recorded as disbursements, and sales of investments are not recorded as receipts. Gains or losses at the time of sale are recorded as receipts or negative receipts (contra revenue), respectively.

During 2004, the School District invested in STAR Ohio. STAR Ohio is an investment pool, managed by the State Treasurer's Office, which allows governments within the State to pool their funds for investment purposes. STAR Ohio is not registered with the SEC as an investment company, but does operate in a manner consistent with Rule 2a7 of the Investment Company Act of 1940. Investments in STAR Ohio are valued at STAR Ohio's share price, which is the price the investment could be sold for on June 30, 2004.

Following Ohio statutes, the Board of Education specified the funds to receive an allocation of interest earnings. Interest receipts credited during fiscal year 2004 was as follows: General Fund \$31,125, Auxiliary Service Fund \$324, and Food Service Fund \$973.

**COLUMBUS GROVE LOCAL SCHOOL DISTRICT
PUTNAM COUNTY**

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

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

D. Restricted Assets

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

E. Inventory and Prepaid Items

On the modified cash-basis of accounting, inventories of supplies and food service items are reported as disbursements when purchased.

F. Capital Assets

Acquisitions of property, plant and equipment are recorded as disbursements when paid. The financial statements do not report these assets.

G. Compensated Absences

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

H. Long-term Obligations

These modified-cash basis financial statements do not report liabilities for bonds and other long-term obligations. These statements report proceeds of debt when cash is received and debt service disbursements for debt principal payments.

I. Fund Balance Reserves

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

J. Net Assets

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

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

**COLUMBUS GROVE LOCAL SCHOOL DISTRICT
PUTNAM COUNTY**

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

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

K. Interfund Activity

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

The statements report interfund loans as advances when made or repaid. There were no unpaid advances as of June 30, 2004.

L. Extraordinary and Special Items

Extraordinary items are transactions or events that are both unusual in nature and infrequent in occurrence. Special items are transactions or events within the Board of Education's control that are either unusual in nature or infrequent in occurrence. Neither type of transactions occurred during fiscal 2004.

M. Budgetary Data

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

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

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

**COLUMBUS GROVE LOCAL SCHOOL DISTRICT
PUTNAM COUNTY**

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

NOTE 3 – ACCOUNTING CHANGE AND COMPLIANCE

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 not required to prepare annual reports in accordance with generally accepted accounting principles. The combined affect on the excess of revenues over/(under) disbursements/expenditures as previously reported, although potentially material, cannot be determined at this time. These changes had the following affect on fund balances as previously reported:

<u>Fund Type</u>	<u>Fund Balance/Equity as Previously Reported at 6/30/03</u>	<u>Adjustments</u>	<u>Adjusted Balances at 7/1/2003</u>
General	\$ 2,070,430	\$ 324,813	\$ 2,395,243
Bond Retirement	449,346	(12,202)	437,144
Other Governmental	123,057	21,675	144,732
Enterprise	66,156	(26,360)	39,796

Compliance

Ohio Administrative Code, Section 117-2-03 (B), requires the School District to prepare its annual financial report in accordance with generally accepted accounting principles. However, the School District prepared its financial statements on a modified 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 School District can be fined and various other administrative remedies may be taken against the School District.

NOTE 4 – BUDGETARY BASIS OF ACCOUNTING

The budgetary basis as provided by law is based upon accounting for certain transactions on the basis of cash receipts, disbursements, and encumbrances. The Statement of Receipts, Disbursements and Changes in Fund Balance – Budget and Actual – Budgetary Basis presented for the general fund is prepared on the budgetary basis to provide a meaningful comparison of actual results with the budget. The difference between the budgetary basis and the modified cash basis is outstanding year end encumbrances are treated as cash disbursements (budgetary basis) rather than as a reservation of fund balance (modified cash basis).

The encumbrances outstanding at year end (budgetary basis) amounted to \$112,055 in the general fund.

NOTE 5 - 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.

**COLUMBUS GROVE LOCAL SCHOOL DISTRICT
PUTNAM COUNTY**

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

NOTE 5 - DEPOSITS AND INVESTMENTS – (Continued)

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

Interim deposits are deposits of interim monies. Interim monies are those monies which are not needed for immediate use but which will be needed before the end of the current period of designation of depositories. Interim deposits must be evidenced by time certificates of deposit maturing not more than one year from the date of deposit or by savings or deposit accounts, including passbook accounts.

Interim monies held by the District can be deposited or invested in the following securities:

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

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.

At year-end, the District's had \$500 in undeposited cash on hand, included as part of *Equity in pooled cash and cash equivalents*.

**COLUMBUS GROVE LOCAL SCHOOL DISTRICT
PUTNAM COUNTY**

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

NOTE 5 - DEPOSITS AND INVESTMENTS – (Continued)

The following information classifies deposits and investments by categories of risk as defined by GASB Statement No. 3, "Deposits with Financial Institutions, Investments (including Repurchase Agreements), and Reverse Repurchase Agreements".

At fiscal year-end, the carrying amount of the School District's deposits was \$6,666 and the bank balance was \$37,490. Of the bank balance, all \$37,490 was covered by federal depository insurance.

The School District's investments are categorized to give an indication of the level of risk assumed by the School District at fiscal year end. Category 1 includes investments that are insured or registered for which the securities are held by the School District or its agent in the School District's name. Category 2 includes uninsured and unregistered investments for which the securities are held by the counterparty's trust department or agent in the School 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 School District's name. The School District's investment in STAR Ohio is unclassified since it is not evidenced by securities that exist in physical or book entry form. At June 30, 2004, the fair value of funds on deposit with STAR Ohio was \$2,869,670.

The classification of cash and cash equivalents and investments on the financial statements is based on the criteria set forth in GASB Statement No.9, "Reporting Cash Flows of Proprietary and Nonexpendable Trust Funds and Governmental Entities That Use Proprietary Fund Accounting". A reconciliation between the classification of cash and cash equivalents and investments on the financial statements and the classification of deposits and investments according to GASB Statement No. 3 is as follows:

	Cash and Cash Equivalents/Deposits	Investments
GASB Statement No. 9	\$2,876,836	
Cash on Hand	(500)	
Investments:		
STAR Ohio	(2,869,670)	\$2,869,670
GASB Statement No. 3	\$6,666	\$2,869,670

NOTE 6 - PROPERTY TAXES

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

Property taxes include amounts levied against all real, public utility and tangible personal property (used in business) located in the District. Real property tax revenue received in calendar 2004 represents collections of calendar year 2003 taxes. Real property taxes received in calendar year 2004 were levied after April 1, 2003, on the assessed value listed as of January 1, 2003, the lien date. Assessed values for real property taxes are established by State law at thirty-five percent of appraised market value. 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.

**COLUMBUS GROVE LOCAL SCHOOL DISTRICT
PUTNAM COUNTY**

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

NOTE 6 - PROPERTY TAXES – (Continued)

Public utility property tax revenue received in calendar 2004 represents collections of calendar year 2003 taxes. Public utility real and tangible personal property taxes received in calendar year 2004 became a lien December 31, 2002, were levied after April 1, 2003 and are collected in 2004 with real property taxes. Public utility real property is assessed at thirty-five percent of true value; public utility tangible personal property currently is assessed at varying percentages of true value.

Tangible personal property tax revenue received during calendar 2004 (other than public utility property) represents the collection of 2004 taxes. Tangible personal property taxes received in calendar year 2004 were levied after April 1, 2003, on the value as of December 31, 2003. Tangible personal property is currently assessed at twenty-five percent of true value for capital assets and twenty-four percent of true value for inventory. Payments 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. Tangible personal property taxes paid by April 30 are usually received by the District prior to June 30.

The District receives property taxes from Putnam and Allen County. The County Auditors periodically advances to the District its portion of the taxes collected. Second-half real property tax payments collected by the Counties by June 30, 2004, are available to finance fiscal year 2004 operations. The amount available to be advanced can vary based on the date the tax bills are sent.

The amount available as an advance at June 30, 2004, was \$97,311 in the general fund, \$10,826 in the debt service fund, and \$3,040 in the permanent improvement capital projects fund.

The assessed values upon which the 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	\$65,098,200	90.70%	\$67,336,970	91.42%
Public Utility	4,532,020	6.31%	4,161,970	5.65%
Tangible Personal Property	2,143,379	2.99%	2,153,241	2.93%
Total Assessed Value	<u>\$71,773,599</u>	<u>100.00%</u>	<u>\$73,652,181</u>	<u>100.00%</u>
Tax rate per \$1,000 of assessed valuation	\$31.25		\$31.25	

NOTE 7 – SCHOOL DISTRICT INCOME TAX

The district levies a voted tax of .75 percent for general operations on the income of residents and of estates. The tax was effective January 1, 1996, and expires on December 31, 2005. Employers of residents are required to withhold income tax on compensation and remit the tax to the state. Taxpayers are required to file an annual return. The state makes quarterly distributions to the district after withholding amounts for administrative fees and estimated refunds. Income tax revenue is credited to the general fund and totaled \$659,418 for fiscal year 2004.

**COLUMBUS GROVE LOCAL SCHOOL DISTRICT
PUTNAM COUNTY**

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

NOTE 8 – RISK MANAGEMENT

A. Risk Pool Membership

The District is a member of the Schools of Ohio Risk Sharing Authority (SORSA). SORSA is a member owned organization having approximately 65 members. SORSA is a joint self-insurance pool. SORSA assumes the risk of loss up to the limits of the (Columbus Grove Local District's) policy. SORSA covers the following risks:

- General Liability
- Automobile Liability
- School Officials Errors and Omissions
- Property
- Crime

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

The District paid \$72,399 in premiums to the pool for coverage during fiscal year 2004, \$24,814 of which represented premiums for coverage in fiscal year 2004, and \$47,585 representing premiums covering fiscal year 2005.

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

B. Employee Medical Benefits

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

C. Workers' Compensation

For fiscal year 2004, 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 is compared to the overall Plan's savings percentage. A participant then either receives money from or contributes to GRP's equity pooling fund. This equity pooling arrangement insures that each participant shares equally in the overall performance of the GRP. Participation in the GRP is limited to school districts that can meet the GRP's selection criteria.

**COLUMBUS GROVE LOCAL SCHOOL DISTRICT
PUTNAM COUNTY**

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

NOTE 9 – DEFINED BENEFIT PENSION PLANS

A. School Employees Retirement System

The District contributes to the School Employees Retirement System (SERS), a cost-sharing multiple employer defined benefit pension plan. SERS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Authority to establish and amend benefits is provided by Chapter 3309 of the Ohio Revised Code. SERS issues a publicly available, stand-alone financial report that includes financial statements and required supplementary information. That report may be obtained by writing to the School Employees Retirement System, 300 East Broad Street, Suite 100, Columbus, Ohio 43215-3476 or by calling (614) 222-5853.

Plan members are required to contribute 10 percent of their annual covered salary and the District is required to contribute at an actuarially determined rate. The current District rate is 14 percent of annual covered payroll. A portion of the District's contribution is used to fund pension obligations with the remainder being used to fund health care benefits; for fiscal year 2004, 9.09 percent of annual covered salary was the portion used to fund pension obligations. For fiscal year 2003, 8.17 percent of annual covered salary was the portion used to fund pension obligations. The contribution requirements of plan members and employers are established and may be amended, up to statutory maximum amounts, by the SERS Retirement Board. The District's required contributions for pension obligations to SERS for the fiscal years ended June 30, 2004, 2003, and 2002, were \$41,294, \$29,975 and \$11,238; 59.93 percent has been contributed for fiscal year 2004 and 100 percent for fiscal years 2003 and 2002.

B. State Teachers Retirement System

The District participates in the State Teachers Retirement System of Ohio (STRS Ohio), a cost-sharing, multiple-employer public employee retirement system. STRS Ohio provides retirement and disability benefits to members and death and survivor benefits to beneficiaries. STRS Ohio issues a stand-alone financial report that may be obtained by writing to STRS Ohio, 275 E. Broad St., Columbus, OH 43215-3371 or by calling (614) 227-4090.

New members have a choice of three retirement plans, a Defined Benefit (DB) Plan, a Defined Contribution (DC) Plan and a Combined Plan. The DB plan offers an annual retirement allowance based on final average salary times a percentage that varies based on years of service, or an allowance based on member contributions and earned interest matched by STRS Ohio funds times an actuarially determined annuity factor. The DC Plan allows members to place all their member contributions and employer contributions equal to 10.5 percent of earned compensation into an investment account. Investment decisions are made by the member. A member is eligible to receive a retirement benefit at age 50 and termination of employment. The Combined Plan offers features of both the DC Plan and the DB Plan. In the Combined Plan, member contributions are invested by the member, and employer contributions are used to fund the defined benefit payment at a reduced level from the regular DB Plan. DC and Combined Plan members will transfer to the Defined Benefit Plan during their fifth year of membership unless they permanently select the DC or Combined Plan. Existing members with less than five years of service credit as of June 30, 2001, were given the option of making a one time irrevocable decision to transfer their account balances from the existing DB Plan into the DC Plan or the Combined Plan. This option expired on December 31, 2001. Benefits are established by Chapter 3307 of the Ohio Revised Code.

**COLUMBUS GROVE LOCAL SCHOOL DISTRICT
PUTNAM COUNTY**

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

NOTE 9 – DEFINED BENEFIT PENSION PLANS – (Continued)

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

For the fiscal year ended June 30, 2004, plan members were required to contribute 10 percent of their annual covered salaries. The District was required to contribute 14 percent; 13 percent was the portion used to fund pension obligations. Contribution rates are established by the State Teachers Retirement Board, upon recommendation of its consulting actuary, not to exceed statutory maximum rates of 10 percent for members and 14 percent for employers. Chapter 3307 of the Ohio Revised Code provides statutory authority for member and employer contributions.

The District's required contributions for pension obligations to the DB Plan for the fiscal years ended June 30, 2004, 2003, and 2002, were \$265,932, 325,507 and \$155,917; 88.98 percent has been contributed for fiscal year 2004 and 100 percent for fiscal years 2003 and 2002. No District employees have elected to participate in the DC or Combined Plans.

NOTE 10 - POSTEMPLOYMENT BENEFITS

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

STRS retirees who participated in the DB or combined plans and their dependents are eligible for health care coverage. The STRS Board has statutory authority over how much, if any, of the health care costs will be absorbed by STRS. All benefit recipients pay a portion of health care cost in the form of a monthly premium. By law, the cost of coverage paid from STRS funds is included in the employer contribution rate, currently 14 percent of covered payroll. For the fiscal year ended June 30, 2004, the STRS Board allocated employer contributions equal to 1 percent of covered payroll to the Health Care Reserve Fund. For the District, this amount equaled \$20,456 fiscal year 2004.

STRS pays health care benefits from the Health Care Stabilization Fund. At June 30, 2004, the balance in the Fund was \$3.1 billion. For the fiscal year ended June 30, 2004, net health care costs paid by STRS were \$268,739,000 and STRS had 111,853 eligible benefit recipients.

For SERS, coverage is made available to service retirees with ten or more fiscal years of qualifying service credit, and to disability and survivor benefit recipients. All retirees and beneficiaries are required to pay a portion of their premium for health care. The portion is based on years of service, Medicare eligibility, and retirement status. Premiums may be reduced for retirees whose household income falls below the poverty level.

**COLUMBUS GROVE LOCAL SCHOOL DISTRICT
PUTNAM COUNTY**

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

NOTE 10 - POSTEMPLOYMENT BENEFITS – (Continued)

After the allocation for basic benefits, the remainder of the employer’s 14 percent contribution is allocated to providing health care benefits. For the fiscal year ended June 30, 2004, employer contributions to fund health care benefits were 4.91 percent of covered payroll, a decrease of .92 percent from fiscal year 2003. In addition, SERS levies a surcharge to fund health care benefits equal to 14 percent of the difference between a minimum pay and the member’s pay, pro-rated for partial service credit. For fiscal year 2004, the minimum pay was established at \$24,500. However, the surcharge is capped at 2 percent of each employer’s SERS salaries. For the 2004 fiscal year, District paid \$76,240 to fund health care benefits, including the surcharge.

The surcharge, added to the unallocated portion of the 14 percent employer contribution rate, provides for maintenance of the asset target level for the health care fund. The target level for the health care reserve is 150 percent of annual health care expenses. Expenses for health care for the fiscal year ended June 30, 2004, were \$223,443,805 and the target level was \$335.2 million. At June 30, 2004, SERS had net assets available for payment of health care benefits of \$300.8 million. SERS has approximately 62,000 participants currently receiving health care benefits.

NOTE 11 – DEBT

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

	<u>Principal Outstanding 6/30/2003</u>	<u>Additions</u>	<u>Reductions</u>	<u>Principal Outstanding 6/30/2004</u>	<u>Amount Due in One Year</u>
Governmental Activities					
General Obligation Bonds:					
Construction and Improvement Bonds	\$975,000	\$0	\$125,000	\$850,000	\$125,000

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

At June 30, 2004, the District’s overall legal debt margin was \$6,628,696 with an unvoted debt margin of \$73,652.

**COLUMBUS GROVE LOCAL SCHOOL DISTRICT
PUTNAM COUNTY**

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

NOTE 11 – DEBT – (Continued)

Principal and interest requirements to retire long-term liabilities outstanding at June 30, 2004, are as follows:

Fiscal Year Ending June 30	General Obligation Bonds		Total
	Principal	Interest	
2005	\$125,000	\$51,188	\$176,188
2006	125,000	43,063	168,063
2007	120,000	35,100	155,100
2008	120,000	27,300	147,300
2009	120,000	19,500	139,500
2010-2011	240,000	15,600	255,600
Total	\$850,000	\$191,751	\$1,041,751

NOTE 12 – SET-ASIDE CALCULATIONS

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

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

	Capital Improvements Reserve	Textbooks Instructional Materials Reserve
Set-aside Reserve Balance as of June 30, 2003	\$2,760	\$27,595
Current year set-aside requirements	110,039	110,039
Current year off-sets	(40,000)	
Qualifying Disbursements	(49,881)	(118,959)
Total	\$22,918	\$18,675
Set-aside Reserve Balance as of June 30, 2004	\$22,918	\$18,675

NOTE 13 – CONTRACTUAL COMMITMENTS

At June 30, 2004, the District had \$23,800 in permanent improvement fund contractual commitments for paving projects within the District.

**COLUMBUS GROVE LOCAL SCHOOL DISTRICT
PUTNAM COUNTY**

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

NOTE 14 – CONTINGENCIES

A. Grants

The District receives financial assistance from Federal and State agencies in the form of grants. Disbursing grant funds generally requires compliance with terms and conditions specified in the grant agreements and are subject to audit. Any disallowed claims resulting from such audits could become a liability. However, in the opinion of management, any such disallowed claims through June 30, 2004, will not have a material adverse effect on the District.

B. Litigation

The District is not a party to any legal proceedings.

NOTE 15 – JOINTLY GOVERNED ORGANIZATIONS

Northwest Ohio Area Computer Services Cooperative

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

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

Apollo Career Center

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

West Central Regional Professional Development Center

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

**COLUMBUS GROVE LOCAL SCHOOL DISTRICT
PUTNAM COUNTY**

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

NOTE 15 – JOINTLY GOVERNED ORGANIZATIONS – (Continued)

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

Northwest Ohio Special Education Regional Resource Center

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

NOTE 16 – SUBSEQUENT EVENTS

In May 2005, the voters approved continuation of the District's .75 percent Income Tax for general operations. The levy is effective January 1, 2006, and expires on December 31, 2010.



**Auditor of State
Betty Montgomery**

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

Columbus Grove Local School District
Putnam County
201 West Cross Street
Columbus Grove, Ohio 45830-1299

To the Board of Education:

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Columbus Grove Local School District, Putnam County, (the District) as of and for the year ended June 30, 2004, which collectively comprise the District's basic financial statements and have issued our report thereon dated February 6, 2006, wherein, we noted the District uses a comprehensive basis of accounting other than generally accepted accounting principles. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the District's internal control over financial reporting to determine our auditing procedures in order to express our opinions on the financial statements and not to opine on the internal control over financial reporting. However, we noted a certain matter involving the internal control over financial reporting and its operation that we consider a reportable condition. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect the District's ability to record, process, summarize, and report financial data consistent with management's assertions in the financial statements. The reportable condition is described in the accompanying schedule of findings as item 2004-002.

A material weakness is a reportable 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 caused by error or fraud in amounts material to the financial statements we audited may occur and not be timely detected by employees when performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered material weaknesses. However, we do not believe the reportable condition described above is a material weakness. In a separate letter to the District's management dated February 6, 2006, we reported other matters involving internal control over financial reporting which we did not deem reportable conditions.

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 matter that we must report under *Government Auditing Standards* which is described in the accompanying schedule of findings as item 2004-001. In a separate letter to the District's management dated February 6, 2006, we reported another matter related to noncompliance we deemed immaterial.

We intend this report solely for the information and use of the audit committee, management, and the Board of Education. It is not intended for anyone other than these specified parties.



Betty Montgomery
Auditor of State

February 6, 2006

**COLUMBUS GROVE 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 School District prepared its financial statements on a modified 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.

FINDING NUMBER 2004-002

Reportable Condition

Athletic Season Passes

In fiscal year 2004 revenues from athletic season passes account for 21% of all athletic revenues and 15% of extracurricular activity revenues reported in the Other Governmental Funds. Season pass records included an alphabetical listing of pass purchasers detailing amount paid and check number. This list was inaccurate it apparently was pulled forward from the prior year and updated for check numbers only. New ticket prices/sale amounts for repeat customers, and all sport passes purchases were listed twice, once on the football pass section and again on the basketball pass section. In addition, there was no evidence revenues due, based on the listing of season passes sold, was reconciled to the actual revenue received and there was no evidence of any review of the season pass records for accuracy.

This limits accountability over these revenues and increases the possibility of errors or irregularities occurring and not being detected during the normal course of operations.

We recommend season pass records be kept in a manner which allows for easy monitoring of the number of passes sold by type and the amount of pass sale revenue due/collected. These records should show a reconciliation of the total amount due from season pass sales compared to the actual amount receipted by the District. In addition, season pass records should be reviewed by someone outside the season pass sale process.

This page intentionally left blank.

**COLUMBUS GROVE 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	Athletic Season Passes perform review and reconciliation of passes sold	No	Finding has not been corrected and is repeated in this report as item 2004-002.



**Auditor of State
Betty Montgomery**

88 East Broad Street
P.O. Box 1140
Columbus, Ohio 43216-1140

Telephone 614-466-4514
800-282-0370

Facsimile 614-466-4490

COLUMBUS GROVE LOCAL SCHOOL DISTRICT

PUTNAM COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
FEBRUARY 28, 2006**