

**OTTAWA-GLANDORF LOCAL SCHOOL DISTRICT
PUTNAM COUNTY**

SINGLE AUDIT

FOR THE YEAR ENDED JUNE 30, 2005



**Auditor of State
Betty Montgomery**

**OTTAWA-GLANDORF LOCAL SCHOOL DISTRICT
PUTNAM COUNTY**

TABLE OF CONTENTS

TITLE	PAGE
Independent Accountant's Report.....	1
Management's Discussion and Analysis.....	3
Basic Financial Statements:	
Government-Wide Financial Statements:	
Statement of Net Assets	15
Statement of Activities	16
Fund Financial Statements:	
Balance Sheet - Governmental Funds	17
Reconciliation of Total Governmental Fund Balances to Net Assets of Governmental Activities.....	18
Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds.....	19
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities.....	20
Statement of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual (Non GAAP Budgetary Basis) - General Fund	21
Statement of Fiduciary Net Assets - Fiduciary Fund	22
Statement of Changes in Fiduciary Net Assets - Fiduciary Fund.....	23
Notes to the Basic Financial Statements	25
Schedule of Federal Awards Receipts and Expenditures.....	52
Notes to the Schedule of Federal Awards Receipts and Expenditures	55
Independent Accountants' Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Required by <i>Government Auditing Standards</i>	57
Independent Accountants' Report on Compliance With Requirements Applicable to Each Major Federal Program and on Internal Control Over Compliance in Accordance With OMB Circular A-133	59
Schedule of Findings.....	61

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**Auditor of State
Betty Montgomery**

INDEPENDENT ACCOUNTANTS' REPORT

Ottawa-Glandorf Local School District
Putnam County
630 Glendale Ave
Ottawa, Ohio 45875-1162

To the Board of Education:

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Ottawa-Glandorf Local School District, Putnam County, (the District), as of and for the year ended June 30, 2005, 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.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Ottawa-Glandorf Local School District, Putnam County, as of June 30, 2005, and the respective changes in financial position, thereof and the budgetary comparison for the General Fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated March 16, 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.

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Management's Discussion and Analysis is not a required part of the basic financial statements but is supplementary information accounting principles generally accepted in the United States of America 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.

We conducted our audit to opine on the financial statements that collectively comprise the District's basic financial statements. The federal awards expenditure schedule is required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is also not a required part of the basic financial statements. We subjected the federal awards expenditure schedule to the auditing procedures applied in the audit of the basic financial statements. In our opinion, this information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.



Betty Montgomery
Auditor of State

March 16, 2006

**OTTAWA-GLANDORF LOCAL SCHOOL DISTRICT
PUTNAM COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2005
UNAUDITED**

The discussion and analysis of the Ottawa-Glandorf Local School District's ("the District") financial performance provides an overall review of the District's financial activities for the fiscal year ended June 30, 2005. The intent of this discussion and analysis is to look at the District's financial performance as a whole; readers should also review the basic financial statements and the notes to the basic financial statements to enhance their understanding of the District's financial performance.

Financial Highlights

Key financial highlights for 2005 are as follows:

- In total, net assets of governmental activities increased \$1,270,066 which represents a 17.08% increase from 2004.
- General revenues accounted for \$12,075,336 in revenue or 82.81% of all revenues. Program specific revenues in the form of charges for services and sales, grants and contributions accounted for \$2,505,930 or 17.19% of total revenues of \$14,581,266.
- The District had \$13,311,200 in expenses related to governmental activities; only \$2,505,930 of these expenses was offset by program specific charges for services, grants or contributions. General revenues supporting governmental activities (primarily taxes and unrestricted grants and entitlements) of \$12,075,336 were adequate to provide for these programs.
- The District's major governmental funds are the general fund, bond retirement fund, permanent improvement fund and building fund. The general fund had \$11,499,663 in revenues and other financing sources and \$10,615,363 in expenditures and other financing uses. During fiscal 2005, the general fund's fund balance, increased \$884,321 from \$2,200,037 to \$3,084,358.
- The bond retirement fund had \$978,727 in revenues and \$991,474 in expenditures. During fiscal 2005, the bond retirement fund's fund balance decreased \$12,747 from \$473,516 to \$460,769.
- The permanent improvement fund had \$187,206 in revenues and \$376,488 in expenditures. During fiscal 2005, the permanent improvement fund's fund balance decreased \$189,282 from \$1,929,683 to \$1,740,401.
- The building fund had \$75,892 in revenues and \$2,266,679 in expenditures. During fiscal 2005, the building fund's fund balance decreased \$2,190,787 from \$4,913,768 to \$2,722,981.

Using the Basic Financial Statements

This annual report consists of a series of financial statements and notes to those statements. These statements are organized so the reader can understand the District as a financial whole, an entire operating entity. The statements then proceed to provide an increasingly detailed look at specific financial activities.

The Statement of Net Assets and Statement of Activities provide information about the activities of the whole District, presenting both an aggregate view of the District's finances and a longer-term view of those finances. Fund financial statements provide the next level of detail. For governmental 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 nonmajor funds presented in total in one column. In the case of the District, the general fund, bond retirement fund, permanent improvement fund and building fund are by far the most significant funds, and the only governmental funds reported as major funds.

**OTTAWA-GLANDORF LOCAL SCHOOL DISTRICT
PUTNAM COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2005
UNAUDITED
(Continued)**

Reporting the District as a Whole

Statement of Net Assets and the Statement of Activities

While this document contains the large number of funds used by the District to provide programs and activities, the view of the District as a whole looks at all financial transactions and asks the question, "How did we do financially during 2005?" The Statement of Net Assets and the Statement of Activities answer this question. These statements include all assets, liabilities, revenues and expenses using the accrual basis of accounting similar to the accounting used by most private-sector companies. This basis of accounting will take into account all of the current year's revenues and expenses regardless of when cash is received or paid.

These two statements report the District's net assets and changes in those assets. This change in net assets is important because it tells the reader that, for the District as a whole, the financial position of the District has improved or diminished. The causes of this change may be the result of many factors, some financial, some not. Non-financial factors include the District's property tax base, current property tax laws in Ohio restricting revenue growth, facility conditions, required educational programs and other factors.

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, operation and maintenance of plant, pupil transportation, extracurricular activities, and food service operations.

Reporting the District's Most Significant Funds

Fund Financial Statements

Fund financial reports provide detailed information about the District's major funds. The District uses many funds to account for a multitude of financial transactions. However, these fund financial statements focus on the District's most significant funds. The District's major governmental funds are the general fund, bond retirement fund, permanent improvement fund and building fund.

Governmental Funds

Most of the District's activities are reported in governmental funds, which focus on how money flows into and out of those funds and the balances left at year-end available for spending in future periods. These funds are reported using an accounting method called modified accrual accounting, which measures cash and all other financial assets that can readily be converted to cash. The governmental fund financial statements provide a detailed short-term view of the District's general government operations and the basic services it provides. Governmental fund information helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance educational programs. The relationship (or differences) between governmental activities (reported in the Statement of Net Assets and the Statement of Activities) and governmental funds is reconciled in the basic financial statements.

**OTTAWA-GLANDORF LOCAL SCHOOL DISTRICT
PUTNAM COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2005
UNAUDITED
(Continued)**

Reporting the District's Fiduciary Responsibilities

The District is the trustee, or fiduciary, for its scholarship programs. This activity is presented as a private-purpose trust fund. The District also acts in a trustee capacity as an agent for individuals. These activities are reported in an agency fund. These activities are excluded from the District's other financial statements because the assets cannot be utilized by the District to finance its operations.

Notes to the Basic Financial Statements

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements.

The District as a Whole

Recall that the Statement of Net Assets provides the perspective of the District as a whole.

The table below provides a summary of the District's net assets for 2005 and 2004.

	Net Assets	
	Governmental Activities 2005	Governmental Activities 2004
<u>Assets</u>		
Current and other assets	\$ 14,642,916	\$ 16,748,955
Capital assets	<u>14,484,149</u>	<u>11,948,435</u>
Total assets	<u>29,127,065</u>	<u>28,697,390</u>
<u>Liabilities</u>		
Current liabilities	5,479,801	6,101,020
Long-term liabilities	<u>14,940,565</u>	<u>15,159,737</u>
Total liabilities	<u>20,420,366</u>	<u>21,260,757</u>
<u>Net Assets</u>		
Invested in capital assets, net of related debt	700,121	2,554,574
Restricted	4,989,530	2,613,475
Unrestricted	<u>3,017,048</u>	<u>2,268,584</u>
Total net assets	<u>\$ 8,706,699</u>	<u>\$ 7,436,633</u>

**OTTAWA-GLANDORF LOCAL SCHOOL DISTRICT
PUTNAM COUNTY**

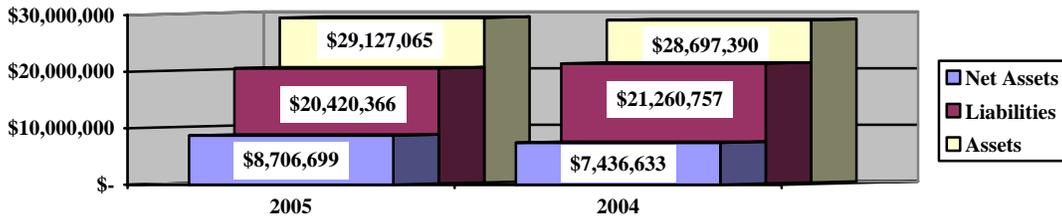
**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2005
UNAUDITED
(Continued)**

Over time, net assets can serve as a useful indicator of a government's financial position. At June 30, 2005, the District's assets exceeded liabilities by \$8,706,699. At year-end, unrestricted net assets were \$3,017,048.

At year-end, capital assets represented 49.73% of total assets. Capital assets include land, land improvements, buildings and improvements, furniture and equipment, vehicles and construction in progress. Capital assets, net of related debt to acquire the assets at June 30, 2005, were \$700,121. These capital assets are used to provide services to the students and are not available for future spending. Although the District's investment in capital assets is reported net of related debt, it should be noted that the resources to repay the debt must be provided from other sources, since capital assets may not be used to liquidate these liabilities.

A portion of the District's net assets, \$4,989,530, represents resources that are subject to external restriction on how they may be used. The remaining balance of unrestricted net assets of \$3,017,048 may be used to meet the District's ongoing obligations to the students and creditors.

Governmental Activities



The table below shows the change in net assets for fiscal years 2005 and 2004.

Change in Net Assets

	Governmental Activities 2005	Governmental Activities 2004
Revenues		
Program revenues:		
Charges for services and sales	\$ 1,185,438	\$ 1,071,825
Operating grants and contributions	1,309,782	1,150,122
Capital grants and contributions	10,710	
General revenues:		
Property taxes	4,415,576	4,507,337
School district income taxes	821,577	797,917
Payment in lieu of taxes	54,555	
Grants and entitlements	5,519,225	5,389,048
Investment earnings	300,432	352,741
Gain on sale of capital assets	17,157	55,045
Other	946,814	519,215
Total revenues	14,581,266	13,843,250

**OTTAWA-GLANDORF LOCAL SCHOOL DISTRICT
PUTNAM COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2005
UNAUDITED
(Continued)**

	<u>Governmental Activities 2005</u>	<u>Governmental Activities 2004</u>
<u>Expenses</u>		
Program expenses:		
Instruction:		
Regular	6,147,109	5,978,052
Special	999,679	1,215,841
Vocational	162,107	172,077
Other	253,387	313,865
Support services:		
Pupil	634,296	466,964
Instructional staff	375,376	345,105
Board of education	40,728	42,513
Administration	908,000	994,878
Fiscal	291,106	329,450
Business	830	273
Operations and maintenance	941,281	775,225
Pupil transportation	644,978	634,191
Central	32,981	46,551
Operations of non-instructional services	283,917	237,304
Food service operations	602,086	556,305
Extracurricular activities	343,008	538,104
Interest and fiscal charges	650,331	675,742
 Total expenses	 <u>13,311,200</u>	 <u>13,322,440</u>
 Change in net assets	 1,270,066	 520,810
Net assets at beginning of year	<u>7,436,633</u>	<u>6,915,823</u>
Net assets at end of year	<u>\$ 8,706,699</u>	<u>\$ 7,436,633</u>

Governmental Activities

Net assets of the District's governmental activities increased \$1,270,066. Total governmental expenses of \$13,311,200 were offset by program revenues of \$2,505,930 and general revenues of \$12,075,336. Program revenues supported 18.83% of the total governmental expenses.

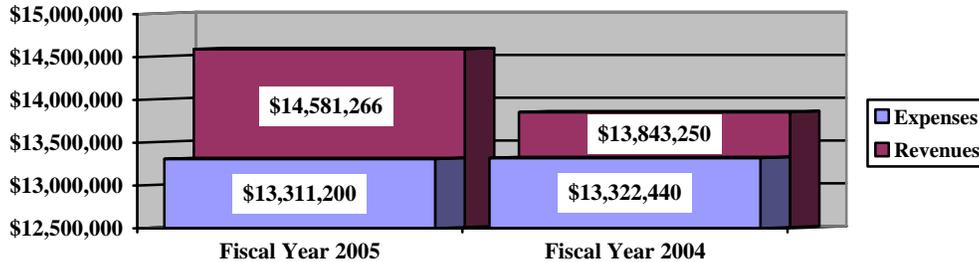
The primary sources of revenue for governmental activities are derived from property taxes, income taxes and grants and entitlements. These revenue sources represent 74.14% of total governmental revenue. Real estate property is reappraised every six years

**OTTAWA-GLANDORF LOCAL SCHOOL DISTRICT
PUTNAM COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2005
UNAUDITED
(Continued)**

The graph below presents the District's governmental activities revenue and expenses for fiscal years 2005 and 2004.

Governmental Activities - Revenues and Expenses



The Statement of Activities shows the cost of program services and the charges for services and grants offsetting those services. The following table shows, for governmental activities, the total cost of 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.

Governmental Activities

	Total Cost of Services <u>2005</u>	Net Cost of Services <u>2005</u>	Total Cost of Services <u>2004</u>	Net Cost of Services <u>2004</u>
Program expenses				
Instruction:				
Regular	\$ 6,147,109	\$ 5,614,668	\$ 5,978,052	\$ 5,506,397
Special	999,679	482,439	1,215,841	781,164
Vocational	162,107	137,859	172,077	136,559
Other	253,387	253,387	313,865	313,865
Support services:				
Pupil	634,296	570,688	466,964	410,526
Instructional staff	375,376	292,280	345,105	283,606
Board of education	40,728	40,697	42,513	42,513
Administration	908,000	768,277	994,878	938,355
Fiscal	291,106	291,057	329,450	328,857
Business	830	830	273	273
Operations and maintenance	941,281	938,861	775,225	767,726
Pupil transportation	644,978	594,550	634,191	618,710
Central	32,981	32,981	46,551	46,551
Operations of non-instructional services	283,917	44,711	237,304	5,099
Food service operations	602,086	53,184	556,305	19,836
Extracurricular activities	343,008	38,470	538,104	224,714
Interest and fiscal charges	650,331	650,331	675,742	675,742
Total expenses	\$ 13,311,200	\$ 10,805,270	\$ 13,322,440	\$ 11,100,493

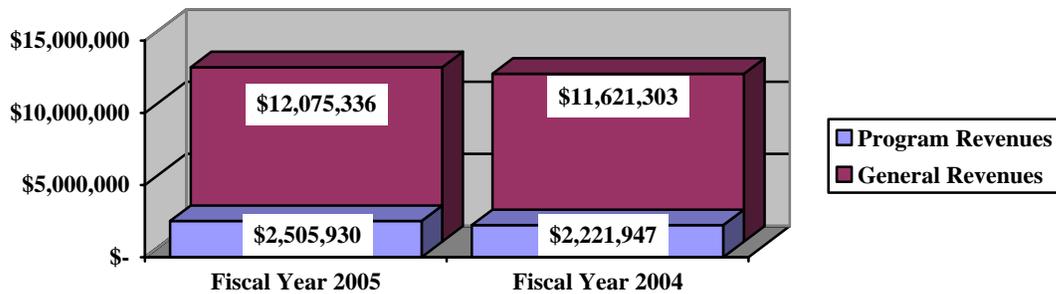
**OTTAWA-GLANDORF LOCAL SCHOOL DISTRICT
PUTNAM COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2005
UNAUDITED
(Continued)**

The dependence upon tax and other general revenues for governmental activities is apparent, 85.8% of instruction activities are supported through taxes and other general revenues. For all governmental activities, general revenue support is 81.17%. The District's taxpayers, as a whole, are by far the primary support for District's students.

The graph below presents the District's governmental activities revenue for fiscal years 2005 and 2004.

Governmental Activities - General and Program Revenues



The District's Funds

The District's governmental funds reported a combined fund balance of \$8,775,362, which is lower than last year's total of \$10,315,939. The June 30, 2004, fund balances have been restated as described in Note 3.A. to the basic financial statements. The schedule below indicates the fund balance and the total change in fund balance as of June 30, 2005 and 2004.

	Fund Balance June 30, 2005	Restated Fund Balance June 30, 2004	Increase (Decrease)
General	\$ 3,084,358	\$ 2,200,037	\$ 884,321
Bond Retirement	460,769	473,516	(12,747)
Permanent Improvement	1,740,401	1,929,683	(189,282)
Building	2,722,981	4,913,768	(2,190,787)
Other Governmental	766,853	798,935	(32,082)
Total	\$ 8,775,362	\$10,315,939	\$(1,540,577)

General Fund

The District's general fund's fund balance increased by \$884,321. The increase in fund balance can be attributed to slightly increasing revenues and slightly decreasing expenditures. The table that follows assists in illustrating the financial activities and fund balance of the general fund.

**OTTAWA-GLANDORF LOCAL SCHOOL DISTRICT
PUTNAM COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2005
UNAUDITED
(Continued)**

	2005 <u>Amount</u>	Restated 2004 <u>Amount</u>	<u>Percentage Change</u>
<u>Revenues</u>			
Taxes	\$ 4,191,401	\$ 4,159,902	0.76 %
Tuition	230,290	165,882	38.83 %
Transportation	5,359	5,718	(6.28) %
Earnings on investments	129,952	44,904	189.40 %
Classroom materials and fees	69,466	66,082	5.12 %
Intergovernmental	5,796,891	5,622,105	3.11 %
Other revenues	<u>1,060,597</u>	<u>590,030</u>	79.75 %
Total	<u>\$ 11,483,956</u>	<u>\$ 10,654,623</u>	7.78 %
<u>Expenditures</u>			
Instruction	\$ 6,946,977	\$ 7,001,991	(0.79) %
Support services	3,277,681	3,267,664	0.31 %
Operation of non-instructional services	43	-	100.00 %
Extracurricular activities	253,543	266,410	(4.83) %
Facilities acquisition and construction	27,119	60,469	(55.15) %
Debt service	<u>-</u>	<u>71,096</u>	(100.00) %
Total	<u>\$ 10,505,363</u>	<u>\$ 10,667,630</u>	(1.52) %

Bond Retirement Fund

The District's bond retirement fund's fund balance decreased by \$12,747. The decrease in fund balance can be attributed to the payment on bonds issued in the prior year.

Permanent Improvement Fund

The permanent improvement fund had \$187,206 in revenues and \$376,488 in expenditures. During fiscal 2005, the permanent improvement fund's fund balance decreased \$189,282 from \$1,929,683 to \$1,740,401.

Building Fund

The District's building fund's fund balance decreased by \$2,190,787. The decrease in fund balance can be attributed to an increase in facilities acquisition and construction expense.

General Fund Budgeting Highlights

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

**OTTAWA-GLANDORF LOCAL SCHOOL DISTRICT
PUTNAM COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2005
UNAUDITED
(Continued)**

During the course of fiscal 2005, the District amended its general fund budget numerous times. For the general fund, final budgeted revenues and other financing sources were \$11,311,624, which is higher than the original budgeted revenues estimate of \$10,316,588. Actual revenues and other financing sources for fiscal 2005 was \$11,444,960. This represents a \$133,336 increase from final budgeted revenues.

General fund original and final budgeted appropriations (appropriated expenditures plus other financing uses) totaled \$11,256,904. The actual budget basis expenditures and other financing uses for fiscal year 2005 totaled \$10,841,532, which was \$415,372 less than the final budget appropriations.

Capital Assets and Debt Administration

Capital Assets

At the end of fiscal 2005, the District had \$14,484,149 invested in land, land improvements, buildings and improvements, furniture and equipment, and vehicles. This entire amount is reported in governmental activities. The following table shows fiscal 2005 balances compared to 2004:

**Capital Assets at June 30
(Net of Depreciation)**

	Governmental Activities	
	2005	2004
Land	\$ 428,945	\$ 428,945
Land improvements	106,540	108,897
Building and improvements	12,794,577	1,243,330
Furniture and equipment	657,207	669,015
Vehicles	496,880	460,402
Construction in progress	-	9,037,846
Total	\$ 14,484,149	\$ 11,948,435

Total additions to capital assets for 2005 were \$2,989,229 (net of prior year construction in progress) and total disposals were \$9,637 (net of accumulated depreciation). The District recorded \$443,878 in depreciation expense for fiscal 2005.

See Note 8 to the basic financial statements for additional information on the District's capital assets.

Debt Administration

At June 30, 2005, the District had \$13,854,143 in general obligation bonds and \$4,015 in asbestos removal loans outstanding. Of this total, \$377,000 is due within one year and \$13,481,158 is due within greater than one year. The following table summarizes the bonds and loans outstanding.

**OTTAWA-GLANDORF LOCAL SCHOOL DISTRICT
PUTNAM COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2005
UNAUDITED
(Continued)**

Outstanding Debt, at Year End

	<u>Governmental Activities 2005</u>	<u>Governmental Activities 2004</u>
General obligation bonds:		
1986 Issue	\$ 300,000	\$ 350,000
2003 Issue	13,554,143	13,820,739
Asbestos removal loans	<u>4,015</u>	<u>6,015</u>
Total	<u>\$ 13,858,158</u>	<u>\$14,176,754</u>

See Note 9 to the basic financial statements for additional information on the District's debt administration.

Current Financial Related Activities

The District continues to face financial challenges. As the preceding information shows, the District relies heavily upon property taxes, income taxes, and grants and entitlements. Real property tax collections are expected to increase slightly due to an increase in the District's real estate valuation. 2005 is a revaluation year for the county. Historically, the District has had a 10-20% increase in revaluation years. With the passage of Ohio Substitute House Bill 66, tangible personal property taxes will begin to be eliminated beginning in tax year 2006 and will be completely eliminated by tax year 2010. The District will receive reimbursements from the state for the first five years of the phase-out. After that the reimbursements will be phased out. Income tax collections are expected to remain steady for fiscal year 2006. Putnam County continued to see its unemployment rate drop from fiscal year 2004 to fiscal year 2005. The rate was 4.5% for August, 2005, down from 6.1% in August, 2004. On November 30, 2003, the District, along with the Village of Ottawa, Ottawa Township Trustees and Putnam County Commissioners agreed to a settlement and release agreement with Philips Electronic North America. The District received the first payment of \$558,157 in January, 2004. In December 2004, Philips Electronics took advantage of the early pay option per the terms of the agreement. The District received \$910,475 in December, 2004. This settlement will help carry the District through the next three years.

Since the District relies on the State for approximately 51% of general operating revenues, one of the largest challenges facing the District is that of the state foundation formula. The State of Ohio was found by the Supreme Court in March 1997 to be operating an unconstitutional educational system, one that was neither adequate nor equitable. Since 1997, the State has directed its tax revenue growth toward school districts with little property tax wealth. 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 District is unable to determine what effect, if any, this decision will have on future State funding and financial operations. The Governor has established a Blue Ribbon Task Force on Financing Student Success. The Task Force has prepared a draft document that includes increased funding for disadvantaged students, the return of the three-year average for ADM and structural improvements in the state funding formula. Although this is encouraging, the state still needs to identify resources to fund these changes. The most recent budget bill passed by the Ohio Legislature included a 1.9% increase in funding for fiscal 2006 and no increase for fiscal 2007 for Ottawa-Glandorf.

**OTTAWA-GLANDORF LOCAL SCHOOL DISTRICT
PUTNAM COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2005
UNAUDITED
(Continued)**

Another challenge facing the District is the decline in enrollment over the past few years, especially if this decline continues. The District's enrollment for 2005-2006 is down slightly; however, open enrollment remains steady.

In addition, like many businesses and schools throughout the country, the District continues to try to face double digit annual increases in health care premiums. Ottawa-Glandorf Schools is a member of the Putnam County Health Insurance Consortium. The consortium is made up of Superintendents and teacher representatives from the member schools. The consortium meets regularly to study ways to curb health care costs.

The final challenge for the District's management is to continue to provide the resources necessary to meet student needs and be able to stay within the five-year forecast. The five-year forecast is utilized by management to effectively and efficiently manage the District's resources. During the 2004-2005 school year, the Superintendent formed a Superintendent Advisory Committee. The committee is made up of District residents with a wide variety of backgrounds. The committee's purpose is to provide input and feedback to the Superintendent on the various programs offered by the District and also to assist with the District's continuous improvement efforts.

Contacting the District's Financial Management

This financial report is designed to provide our citizen's taxpayers, and investors and creditors with a general overview of the District's finances and to show the District's accountability for the money it receives. If you have questions about this report or need additional financial information contact Mrs. Michelle Ellerbrock, Treasurer, Ottawa-Glandorf Local School District, 630 Glendale Avenue, Ottawa, Ohio 45875.

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**OTTAWA-GLANDORF LOCAL SCHOOL DISTRICT
PUTNAM COUNTY**

STATEMENT OF NET ASSETS
JUNE 30, 2005

	Governmental Activities
Assets:	
Equity in pooled cash and cash equivalents.	\$ 6,565,281
Investments	2,708,964
Receivables:	
Taxes	4,986,585
Accounts	14,330
Intergovernmental	53,227
Accrued interest	214,351
Prepayments	95,536
Materials and supplies inventory.	4,642
Capital assets:	
Land	428,945
Depreciable capital assets, net	14,055,204
Total capital assets, net	14,484,149
 Total assets.	 29,127,065
 Liabilities:	
Accounts payable.	128,890
Accrued wages and benefits	991,629
Pension obligation payable.	252,153
Intergovernmental payable	13,884
Deferred revenue	4,042,125
Accrued interest payable	51,120
Long-term liabilities:	
Due within one year.	404,331
Due within more than one year	14,536,234
 Total liabilities	 20,420,366
 Net Assets:	
Invested in capital assets, net of related debt.	700,121
Restricted for:	
Capital projects	4,505,140
Debt service.	469,156
State funded programs	10,753
Federally funded programs	4,481
Unrestricted	3,017,048
 Total net assets	 \$ 8,706,699

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**OTTAWA-GLANDORF LOCAL SCHOOL DISTRICT
PUTNAM COUNTY**

**STATEMENT OF ACTIVITIES
FOR THE FISCAL YEAR ENDED JUNE 30, 2005**

	Expenses	Program Revenues			Net (Expense)
		Charges for Services and Sales	Operating Grants and Contributions	Capital Grants and Contributions	Revenue and Changes in Net Assets
					Governmental Activities
Governmental activities:					
Instruction:					
Regular	\$ 6,147,109	\$ 388,722	\$ 143,719		\$ (5,614,668)
Special	999,679		517,240		(482,439)
Vocational	162,107		24,248		(137,859)
Other	253,387				(253,387)
Support services:					
Pupil	634,296		63,608		(570,688)
Instructional staff	375,376	29,410	42,976	\$ 10,710	(292,280)
Board of education	40,728	31			(40,697)
Administration	908,000	64,876	74,847		(768,277)
Fiscal	291,106		49		(291,057)
Business	830				(830)
Operations and maintenance	941,281		2,420		(938,861)
Pupil transportation	644,978	5,359	45,069		(594,550)
Central	32,981				(32,981)
Operation of non-instructional					
services	283,917		239,206		(44,711)
Food service operations	602,086	392,502	156,400		(53,184)
Extracurricular activities	343,008	304,538			(38,470)
Interest and fiscal charges	650,331				(650,331)
Total governmental activities	\$ 13,311,200	\$ 1,185,438	\$ 1,309,782	\$ 10,710	(10,805,270)

General Revenues:

Property taxes levied for:	
General purposes	3,396,834
Debt service	880,471
Capital outlay	138,271
Income taxes levied for:	
General purposes	821,577
Payment in lieu of taxes	54,555
Grants and entitlements not restricted to specific programs	5,519,225
Investment earnings	300,432
Gain on sale of capital assets	17,157
Miscellaneous	946,814
Total general revenues	12,075,336
Change in net assets	1,270,066
Net assets at beginning of year	7,436,633
Net assets at end of year	\$ 8,706,699

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**OTTAWA-GLANDORF LOCAL SCHOOL DISTRICT
PUTNAM COUNTY**

**BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2005**

	<u>General</u>	<u>Bond Retirement</u>	<u>Permanent Improvement</u>	<u>Building</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
Assets:						
Equity in pooled cash and cash equivalents	\$ 3,444,202	\$ 388,709	\$ 1,702,016	\$ 12,875	\$ 864,703	\$ 6,412,505
Investments				2,708,964		2,708,964
Receivables:						
Taxes	3,848,824	959,997	177,764			4,986,585
Accounts	14,284				46	14,330
Intergovernmental					53,227	53,227
Accrued interest	212,683			1,667	1	214,351
Prepayments	95,536					95,536
Materials and supplies inventory	867				3,775	4,642
Restricted assets:						
Equity in pooled cash and cash equivalents	152,776					152,776
Total assets	\$ 7,769,172	\$ 1,348,706	\$ 1,879,780	\$ 2,723,506	\$ 921,752	\$ 14,642,916
Liabilities:						
Accounts payable	\$ 78,438		\$ 5,597	\$ 525	\$ 44,330	\$ 128,890
Accrued wages and benefits	916,996				74,633	991,629
Pension obligation payable	217,555				34,598	252,153
Intergovernmental payable	12,546				1,338	13,884
Deferred revenue	3,459,279	\$ 887,937	133,782			4,480,998
Total liabilities	4,684,814	887,937	139,379	525	154,899	5,867,554
Fund Balances:						
Reserved for encumbrances	125,976		70,937	122,236	56,881	376,030
Reserved for BWC refunds	32,039					32,039
Reserved for materials and supplies inventory	867				3,775	4,642
Reserved for prepayments	95,536					95,536
Reserved for property tax unavailable for appropriation	241,003	72,060	43,982			357,045
Reserved for school bus purchases	66,935					66,935
Reserved for capital maintenance	53,802					53,802
Unreserved:						
Designated for budget stabilization	197,862					197,862
Designated for termination benefits					299,738	299,738
Undesignated, reported in:						
General fund	2,270,338					2,270,338
Special revenue funds					406,459	406,459
Debt Service funds		388,709				388,709
Capital projects funds			1,625,482	2,600,745		4,226,227
Total fund balances	3,084,358	460,769	1,740,401	2,722,981	766,853	8,775,362
Total liabilities and fund balances	\$ 7,769,172	\$ 1,348,706	\$ 1,879,780	\$ 2,723,506	\$ 921,752	\$ 14,642,916

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**OTTAWA-GLANDORF LOCAL SCHOOL DISTRICT
PUTNAM COUNTY**

RECONCILIATION OF TOTAL GOVERNMENTAL FUND BALANCES TO
NET ASSETS OF GOVERNMENTAL ACTIVITIES
JUNE 30, 2005

Total governmental fund balances \$ 8,775,362

*Amounts reported for governmental activities in the
statement of net assets are different because:*

Capital assets used in governmental activities are not financial
resources and therefore are not reported in the funds. 14,484,149

Other long-term assets are not available to pay for current-
period expenditures and therefore are deferred in the funds.

Taxes \$ 300,284

Accrued interest 138,589

Total 438,873

Long-term liabilities, including bonds and loans payable, are not
due and payable in the current period and therefore are not
reported in the funds.

General obligation bonds payable 13,854,143

Asbestos removal loan payable 4,015

Compensated absences 1,082,407

Accrued interest payable 51,120

Total (14,991,685)

Net assets of governmental activities \$ 8,706,699

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**OTTAWA-GLANDORF LOCAL SCHOOL DISTRICT
PUTNAM COUNTY**

**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2005**

	<u>General</u>	<u>Bond Retirement</u>	<u>Permanent Improvement</u>	<u>Building</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
Revenues:						
From local sources:						
Taxes	\$ 4,191,401	\$ 869,729	\$ 132,315			\$ 5,193,445
Tuition	230,290				\$ 34,032	264,322
Transportation	5,359					5,359
Earnings on investments	129,952	7,100	32,400	\$ 74,225	8,000	251,677
Charges for services					392,502	392,502
Extracurricular					376,926	376,926
Classroom materials and fees	69,466				2,325	71,791
Other local revenues	1,060,597		6,252	1,667	7,392	1,075,908
Intergovernmental - State	5,796,891	101,898	16,239		422,571	6,337,599
Intergovernmental - Federal					503,019	503,019
Total revenue	11,483,956	978,727	187,206	75,892	1,746,767	14,472,548
Expenditures:						
Current:						
Instruction:						
Regular	5,698,393		18,232		219,770	5,936,395
Special	832,851				177,990	1,010,841
Vocational	162,346					162,346
Other	253,387					253,387
Support Services:						
Pupil	561,297				64,222	625,519
Instructional staff	304,364				60,230	364,594
Board of education	40,696				32	40,728
Administration	755,277				142,576	897,853
Fiscal	264,990	21,376	3,435		49	289,850
Business	830					830
Operations and maintenance	714,504		273,593		2,569	990,666
Pupil transportation	602,742		60,518		15,458	678,718
Central	32,981					32,981
Operation of non-instructional services	43				280,240	280,283
Extracurricular activities	253,543				88,627	342,170
Food service operations					580,954	580,954
Facilities acquisition and construction	27,119		20,710	2,266,679	258,185	2,572,693
Debt service:						
Principal retirement		347,000				347,000
Interest and fiscal charges		623,098				623,098
Total expenditures	10,505,363	991,474	376,488	2,266,679	1,890,902	16,030,906
Excess of revenues over (under) expenditures	978,593	(12,747)	(189,282)	(2,190,787)	(144,135)	(1,558,358)
Other financing sources (uses):						
Transfers in					110,000	110,000
Transfers (out)	(110,000)					(110,000)
Sale of capital assets	15,707				1,450	17,157
Total other financing sources (uses)	(94,293)				111,450	17,157
Net change in fund balances	884,300	(12,747)	(189,282)	(2,190,787)	(32,685)	(1,541,201)
Fund balances at beginning of year (restated)	2,200,037	473,516	1,929,683	4,913,768	798,935	10,315,939
Increase in reserve for inventory	21				603	624
Fund balances at end of year	\$ 3,084,358	\$ 460,769	\$ 1,740,401	\$ 2,722,981	\$ 766,853	\$ 8,775,362

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**OTTAWA-GLANDORF LOCAL SCHOOL DISTRICT
PUTNAM COUNTY**

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES
FOR THE FISCAL YEAR ENDED JUNE 30, 2005

Net change in fund balances - total governmental funds	\$	(1,541,201)
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Amounts reported for governmental activities in the statement of activities are different because:

Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which capital outlays (\$2,989,229) exceed depreciation expense (\$443,878) in the current period.		2,545,351
The net effect of various miscellaneous transactions involving capital assets (i.e., sales, disposals, trade-ins, and donations) is to decrease net assets.		(9,637)
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.		91,561
Repayment of principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities on the statement of net assets.		347,000
In the statement of activities, interest is accrued on outstanding bonds, whereas in governmental funds, an interest expenditure is reported when due.		(27,233)
Some expenses reported in the statement of activities, such as compensated absences and pension obligations, do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds.		(136,399)
Governmental funds report expenditures for inventory when purchased, however, in the statement of activities they are reported as an expense when consumed.		624
Change in net assets of governmental activities	\$	1,270,066

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**OTTAWA-GLANDORF LOCAL SCHOOL DISTRICT
PUTNAM COUNTY**

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCE - BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)
GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2005

	<u>Budgeted Amounts</u>		<u>Actual</u>	Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>		<u>Actual</u>
Revenues:				
From local sources:				
Taxes	\$ 3,798,187	\$ 4,164,522	\$ 4,200,016	\$ 35,494
Tuition.	207,032	227,000	230,290	3,290
Transportation fees	5,472	6,000	5,359	(641)
Earnings on investments.	69,579	76,290	69,589	(6,701)
Classroom materials and fees	59,282	65,000	69,466	4,466
Other local revenues.	918,693	1,007,301	1,051,064	43,763
Intergovernmental - State	5,251,606	5,758,124	5,796,891	38,767
Total revenue	<u>10,309,851</u>	<u>11,304,237</u>	<u>11,422,675</u>	<u>118,438</u>
Expenditures:				
Current:				
Instruction:				
Regular	5,664,090	5,664,090	5,690,831	(26,741)
Special.	1,077,113	1,077,113	827,261	249,852
Vocational.	215,485	215,485	155,490	59,995
Other.	354,438	354,438	294,708	59,730
Support Services:				
Pupil.	366,889	366,889	572,850	(205,961)
Instructional staff	612,834	612,834	299,833	313,001
Board of education	45,672	45,672	79,603	(33,931)
Administration.	853,818	853,818	786,155	67,663
Fiscal	288,680	288,680	266,430	22,250
Business	263	263	829	(566)
Operations and maintenance.	753,689	753,689	775,447	(21,758)
Pupil transportation	646,392	646,392	657,616	(11,224)
Operation of non-instructional services			43	(43)
Extracurricular activities.	273,391	273,391	260,667	12,724
Facilities acquisition and construction.	54,150	54,150	63,769	(9,619)
Total expenditures	<u>11,206,904</u>	<u>11,206,904</u>	<u>10,731,532</u>	<u>475,372</u>
Excess of revenues over (under) expenditures.	<u>(897,053)</u>	<u>97,333</u>	<u>691,143</u>	<u>593,810</u>
Other financing sources (uses):				
Transfers (out)	(50,000)	(50,000)	(110,000)	(60,000)
Advances in.	5,999	6,578	6,578	
Sale of capital assets.	738	809	15,707	14,898
Total other financing sources (uses)	<u>(43,263)</u>	<u>(42,613)</u>	<u>(87,715)</u>	<u>(45,102)</u>
Net change in fund balance	(940,316)	54,720	603,428	548,708
Fund balance at beginning of year.	2,618,444	2,618,444	2,618,444	
Prior year encumbrances appropriated	221,904	221,904	221,904	
Fund balance at end of year	<u>\$ 1,900,032</u>	<u>\$ 2,895,068</u>	<u>\$ 3,443,776</u>	<u>\$ 548,708</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**OTTAWA-GLANDORF LOCAL SCHOOL DISTRICT
PUTNAM COUNTY**

STATEMENT OF FIDUCIARY NET ASSETS
FIDUCIARY FUNDS
JUNE 30, 2005

	<u>Private-Purpose Trust</u>	
	<u>Scholarship</u>	<u>Agency</u>
Assets:		
Equity in pooled cash and cash equivalents	\$ 17,188	\$ 36,461
Receivables:		
Loans.	<u>15,919</u>	<u> </u>
Total assets	<u>33,107</u>	<u>\$ 36,461</u>
Liabilities:		
Accounts payable.		\$ 192
Intergovernmental payable.		3,566
Due to students.		<u>32,703</u>
Total liabilities		<u>\$ 36,461</u>
Net Assets:		
Held in trust for scholarships	<u>33,107</u>	
Total net assets	<u>\$ 33,107</u>	

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**OTTAWA-GLANDORF LOCAL SCHOOL DISTRICT
PUTNAM COUNTY**

STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS
FIDUCIARY FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2005

	Private-Purpose Trust
	Scholarship
Additions:	
Interest	\$ 5,348
Total additions.	5,348
Deductions:	
Scholarships awarded	3,706
Change in net assets	1,642
Net assets at beginning of year	31,465
Net assets at end of year.	\$ 33,107

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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**OTTAWA-GLANDORF LOCAL SCHOOL DISTRICT
PUTNAM COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2005**

NOTE 1 - DESCRIPTION OF THE SCHOOL DISTRICT

The Ottawa-Glandorf Local School District (the "District") is located in Putnam County and includes all of the Villages of Ottawa and Glandorf, and portions of surrounding townships. The District serves an area of approximately 66 square miles.

The District was organized in 1962, in accordance with Sections 2 and 3, Article VI of the Constitution of the State of Ohio. Under such laws, there is no authority for a school district to have a charter or adopt local laws. The legislative power of the District is vested in the Board of Education, consisting of five members elected at large for staggered four-year terms.

The District currently operates 2 elementary schools and 1 comprehensive high school. The District employs 69 non-certified and 104 certified (including administrative) full-time and part-time employees to provide services to approximately 1,705 students in grades K through 12 and various community groups, which ranks it 333rd out of approximately 614 public and community school districts in the State.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The basic financial statements of the District have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The District also applies Financial Accounting Standards Board (FASB) Statements and Interpretations issued on or before November 30, 1989, to its governmental activities provided they do not conflict with or contradict GASB pronouncements. The District's significant accounting policies are described below.

A. Reporting Entity

The reporting entity has been defined in accordance with GASB Statement No. 14, "The Financial Reporting Entity". The reporting entity is composed of the primary government, component units and other organizations that are included to ensure that the basic financial statements of the District are not misleading. The primary government consists of all funds, departments, boards and agencies that are not legally separate from the District. For the District, this includes general operations, foods service, preschool and student related activities of the District.

Component units are legally separate organizations for which the District is financially accountable. The District is financially accountable for an organization if the District appoints a voting majority of the organizations' governing board and (1) the District is able to significantly influence the programs or services performed or provided by the organization; or (2) the District is legally entitled to or can otherwise have access to the organizations resources; or (3) the District is legally obligated or has otherwise assumed the responsibility to finance the deficits of, or provide financial support to, the organization; or (4) the District is obligated for the debt of the organization. Component units may also include organizations that are fiscally dependent on the District in that the District approves the budget, the issuance of debt or the levying of taxes. Based upon the application of this criterion, the District has no component units. The basic financial statements of the reporting entity include only those of the District (the primary government). The following organizations are described due to their relationship to the District:

**OTTAWA-GLANDORF LOCAL SCHOOL DISTRICT
PUTNAM COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2005
(Continued)**

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

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.

Millstream Cooperative Career Center

The Millstream Cooperative Career Center is a distinct political subdivision of the State of Ohio established under Section 3313.90. The Career Center operates under the direction of an Advisory Council consisting of the superintendent of each participating school district and one additional representative appointed by the Findlay City School District. The Putnam and Hancock Counties Educational Service Centers serve in an ex-officio capacity for all meetings. To obtain financial information write to the Findlay City School District, Michael Barnhart, Treasurer, at 227 South West Street, Findlay, Ohio 45840-3377.

The District also participates in two insurance group purchasing pools, described in Note 10.

Northwestern Ohio Educational Research Council, Inc.

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

B. Fund Accounting

The District uses funds to maintain its financial records during the year. A fund is defined as a fiscal and accounting entity with a self balancing set of accounts. There are three categories of funds: governmental, proprietary and fiduciary.

**OTTAWA-GLANDORF LOCAL SCHOOL DISTRICT
PUTNAM COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2005
(Continued)**

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

GOVERNMENTAL FUNDS

Governmental funds are those through which most governmental functions typically are financed. Governmental fund reporting focuses on the sources, uses and balances of current financial resources. Expendable assets are assigned to the various governmental funds according to the purposes for which they may or must be used. Current liabilities are assigned to the fund from which they will be paid. The difference between governmental fund assets and liabilities is reported as fund balance.

The following are the District's major governmental funds:

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

Bond Retirement Fund - A fund provided for the retirement of serial bonds and short term loans. All revenue derived from general or special levies, either within or exceeding the ten-mill limitation which is levied for debt charges on bonds or loans shall be paid into this fund.

Permanent Improvement Fund - A fund provided to account for all transactions related to the acquiring, constructing, or improving of permanent improvements.

Building Fund - A fund used to account for the receipts and expenditures related to all special bond funds in the District. All proceeds from the sale of bonds, notes or certificates of indebtedness, except premium and accrued interest, must be paid into this fund. Expenditures recorded here represent the costs of acquiring capital facilities including real property.

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

FIDUCIARY FUNDS

Fiduciary fund reporting focuses on net assets and changes in net assets. 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 therefore not available to support the District's own programs. The District's only trust fund is a private-purpose trust which accounts for scholarship programs for students. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. The District has two agency funds to account for District agency services and student activities.

C. Basis of Presentation and Measurement Focus

Government-wide Financial Statements - The statement of net assets and the statement of activities display information about the District as a whole. These statements include the financial activities of the primary government, except for fiduciary funds.

**OTTAWA-GLANDORF LOCAL SCHOOL DISTRICT
PUTNAM COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2005
(Continued)**

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

The government-wide statement of activities presents a comparison between direct expenses and program revenues for each function or program of the governmental activities of the District. Direct expenses are those that are specifically associated with a service, program or department and therefore clearly identifiable to a particular function. Program revenues include amounts paid by the recipient of goods or services offered by the program and grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues not classified as program revenues are presented as general revenues of the District.

The government-wide financial statements are prepared using the economic resources measurement focus. All assets and all liabilities associated with the operation of the District are included on the statement of net assets.

Fund Financial Statements - Fund financial statements report detailed information about the District. The focus of governmental fund financial statements is on major funds rather than reporting funds by type. Each major fund is presented in a separate column, and all nonmajor funds are aggregated into one column. Fiduciary funds are reported by fund type.

All governmental funds are accounted for using a flow of current financial resources measurement focus. With this measurement focus, only current assets and current liabilities generally are included on the balance sheet. The statement of revenues, expenditures and changes in fund balances reports on the sources (i.e., revenues and other financing sources) and uses (i.e., expenditures and other financing uses) of current financial resources. This approach differs from the manner in which the governmental activities of the government-wide financial statements are prepared. Governmental fund financial statements therefore include a reconciliation with brief explanations to better identify the relationship between the government-wide statements and the statements for governmental funds.

The private-purpose trust is reported using the economic resources measurement focus. Agency funds do not report a measurement focus as they do not report operations.

D. Basis of Accounting

Basis of accounting determines when transactions are recorded in the financial records and reported on the financial statements. Government-wide financial statements are prepared using the accrual basis of accounting. Governmental funds use the modified accrual basis of accounting. Fiduciary funds also use the accrual basis of accounting.

Revenues - Exchange and Non-exchange Transactions - Revenue resulting from exchange transactions, in which each party gives and receives essentially equal value, is recorded on the accrual basis when the exchange takes place. On a modified accrual basis, revenue is recorded in the fiscal year in which the resources are measurable and become available. Available means that the resources will be collected within the current fiscal year or are expected to be collected soon enough thereafter to be used to pay liabilities of the current fiscal year. For the District, available means expected to be received within sixty days of fiscal year-end.

**OTTAWA-GLANDORF LOCAL SCHOOL DISTRICT
PUTNAM COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2005
(Continued)**

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

Nonexchange transactions, in which the District receives value without directly giving equal value in return, include property taxes, income taxes, grants, entitlements and donations. On an accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied (See Note 6).

Revenue from income taxes is recognized in the fiscal year in which the underlying exchange transaction occurred (See Note 16). Revenue from grants, entitlements and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the fiscal year when use is first permitted, matching requirements, in which the District must provide local resources to be used for a specified purpose, and expenditure requirements, in which the resources are provided to the District on a reimbursement basis. On a modified accrual basis, revenue from nonexchange transactions must also be available before it can be recognized.

Under the modified accrual basis, the following revenue sources are considered to be both measurable and available at fiscal year-end: property taxes available as an advance, income taxes, interest, tuition, grants, student fees and rentals.

Deferred Revenue - Deferred revenue arises when assets are recognized before revenue recognition criteria have been satisfied. Property taxes for which there is an enforceable legal claim as of June 30, 2005, but which were levied to finance fiscal year 2006 operations, have been recorded as deferred revenue. Grants and entitlements received before the eligibility requirements are met are also recorded as deferred revenue.

On governmental fund financial statements, receivables that will not be collected within the available period have also been reported as deferred revenue.

Expenses/Expenditures - On the accrual basis of accounting, expenses are recognized at the time they are incurred. The fair value of donated commodities received during the year is reported in the Statement of Revenues, Expenditures and Changes in Fund Balances as an expenditure with a like amount reported as intergovernmental revenue.

The measurement focus of governmental fund accounting is on decreases in net financial resources (expenditures) rather than expenses. Expenditures are generally recognized in the accounting period in which the related fund liability is incurred, if measurable. Allocation of cost, such as depreciation and amortization, are not recognized in governmental funds.

E. Budgets

The budgetary process is prescribed by provisions of the Ohio Revised Code and entails the preparation of budgetary documents within an established timetable. The major documents prepared are the certificate of estimated resources and the appropriation resolution, all of which are prepared on the budgetary basis of accounting. The Certificate of Estimated Resources and the Appropriations Resolution are subject to amendment throughout the year with the legal restriction that appropriations cannot exceed estimated resources, as certified. All funds, other than agency funds, are legally required to be budgeted and appropriated. The legal level of budgetary control is at the fund level for all funds. Any budgetary modifications at this level may only be made by resolution of the Board of Education.

**OTTAWA-GLANDORF LOCAL SCHOOL DISTRICT
PUTNAM COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2005
(Continued)**

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

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 Commissions' 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. The amounts reported as the original budgeted amounts in the budgetary statements reflect the amounts in the amended certificate when the original appropriations were adopted. The amounts reported as the final budgeted amounts in the budgetary statements reflect the amounts in the final amended certificate issued during fiscal year 2005. Prior to year-end, the District requested and received an amended certificate of estimated resources that reflects actual revenue for the fiscal year.

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 is enacted by the Board of Education at the fund level, which is the legal level of 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 and the total of expenditures and encumbrances may not exceed the appropriation totals at any level of control. Any revisions that alter the fund level of any fund must be approved by the Board of Education. The Board has authorized the treasurer to allocate appropriations among function and object level within each fund.

The Board may pass supplemental fund appropriations so long as the total appropriations by fund do not exceed the amounts set forth in the most recent Certificate of Estimated Resources. During the year, all supplemental appropriations were legally enacted.

The appropriation resolution is subject to amendment by the Board throughout the year with the restriction that appropriations may not exceed estimated revenues. The amounts reported as the original budget amounts on the budgetary statement reflect the first appropriation for that fund that covered the entire fiscal year, including amounts automatically carried over from prior year. The amounts reported as the final budgeted amounts on the budgetary statement represent the final appropriation amounts passed by the Board during the year.

**OTTAWA-GLANDORF LOCAL SCHOOL DISTRICT
PUTNAM COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2005
(Continued)**

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

F. Cash and Investments

To improve cash management, cash received by the District is pooled. Monies for all funds are maintained in this pool. Individual fund integrity is maintained through the District's records. Each fund's interest in the pool is presented as "Equity in Pooled Cash and Cash Equivalents" on the basic financial statements.

During fiscal year 2005, investments were limited to federal agency securities and a U.S. Government money market mutual fund. Except for nonparticipating investment contracts, investments are reported at fair value, which is based on quoted market prices. Nonparticipating investment contracts, such as repurchase agreements and nonnegotiable certificates of deposit, are reported at cost.

Under existing Ohio statutes all investment earning are assigned to the general fund unless statutorily required to be credited to a specific fund. The Board of Education has, by resolution, specified the funds to receive an allocation of interest earnings. Interest revenue credited to the general fund during fiscal year 2005 amounted to \$129,952, which includes \$91,919 assigned from other District funds.

For presentation on the basic financial statements, investments of the cash management pool and investments with original maturities of three months or less at the time they are purchased by the District are considered to be cash equivalents. Investments with an initial maturity of more than three months are reported as investments.

An analysis of the Treasurer's investment account at fiscal year-end is provided in Note 4.

G. Inventory

On government-wide financial statements, inventories are presented at the lower of cost or market on a first-in, first-out basis and are expensed when used.

On fund financial statements, inventories of governmental funds are stated at the lower of cost or market. For all funds, cost is determined on a first-in, first-out basis. The cost of inventory items is recorded as an expenditure in the governmental fund types when purchased. Inventories for governmental funds are accounted for using the purchase method on the fund financial statements and using the consumption method on the government-wide financial statements.

H. Capital Assets

General capital assets are those assets specifically related to governmental activities. These assets generally result from expenditures in the governmental funds. These assets are reported in the governmental activities column of the government-wide statement of net assets, but are not reported in the fund financial statements.

All capital assets are capitalized at cost (or estimated historical cost) and updated for additions and deletions during the year. Donated capital assets are recorded at their fair market values as of the date received. The District maintains a capitalization threshold of \$1,500 for its general capital assets. Improvements are capitalized, but the costs of normal maintenance and repairs that do not add to the value of an asset or materially extend an asset's life are not capitalized. The District does not possess any infrastructure.

**OTTAWA-GLANDORF LOCAL SCHOOL DISTRICT
PUTNAM COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2005
(Continued)**

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

All reported capital assets except land and construction in progress are depreciated. Improvements are depreciated over the remaining useful lives of the related capital assets. Depreciation is computed using the straight-line method over the following useful lives:

Description	Governmental Activities Estimated Lives
Land improvements	20 years
Buildings and improvements	25 - 50 years
Furniture and equipment	5 - 20 years
Vehicles	5 - 10 years

I. Interfund Balances

On the fund financial statements, receivables and payables resulting from short-term interfund loans are classified as "interfund receivables/payables." These amounts are eliminated on the Statement of Net Assets for governmental activities. The District had no interfund receivables/payables as of June 30, 2005.

J. Compensated Absences

Compensated absences of the District consist of vacation leave and severance liability to the extent that payments to the employee for these absences are attributable to services already rendered and are not contingent on a specific event that is outside the control of the District and the employee.

In accordance with the provisions of GASB Statement No. 16, "Accounting for Compensated Absences", a liability for vacation leave is accrued if a) the employees' rights to payment are attributable to services already rendered; and b) it is probable that the employer will compensate the employees for the benefits through paid time off or other means, such as cash payment at termination or retirement. A liability for severance is accrued using the vesting method; i.e., the liability is based on the sick leave accumulated at the balance sheet date by those employees who are currently eligible to receive termination (severance) payments, as well as those employees expected to become eligible in the future. For purposes of establishing a liability for severance on employees expected to become eligible to retire in the future, all employees with at least ten years of service were considered expected to become eligible to retire in accordance with GASB Statement No. 16.

The total liability for vacation and severance payments has been calculated using pay rates in effect at June 30, 2005, and reduced to the maximum payment allowed by labor contract and/or statute, plus any additional salary related payments.

The entire compensated absence liability is reported on the government-wide financial statements.

For governmental fund financial statements, compensated absences are recognized as liabilities and expenditures as payments come due each period upon the occurrence of employee resignations and retirements.

**OTTAWA-GLANDORF LOCAL SCHOOL DISTRICT
PUTNAM COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2005
(Continued)**

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

K. Accrued Liabilities and Long-Term Obligations

All payables, accrued liabilities and long-term obligations are reported in the government-wide financial statements.

In general, governmental fund payables and accrued liabilities that, once incurred, are paid in a timely manner and in full from current financial resources are reported as obligations of the funds. However, claims and judgments, compensated absences, and contractually required pension contributions that will be paid from governmental funds are reported as a liability in the fund financial statements only to the extent that they are due for payment during the current year. Bonds are recognized as a liability on the fund financial statements when due.

L. Fund Balance Reserves and Designations

The District reserves those portions of fund equity which are legally segregated for a specific future use or which do not represent available expendable resources and therefore are not available for appropriation or expenditure. Unreserved fund balance indicates that portion of fund equity which is available for appropriation in future periods. Fund equity reserves have been established for encumbrances, materials and supplies inventory, prepayments, property tax revenue unavailable for appropriation, BWC refunds, school bus purchases, and capital maintenance. The reserve for property tax revenue unavailable for appropriation represents taxes recognized as revenue under GAAP but not available for appropriation under state statute.

A designation of fund balance represents a self-imposed limitation on the use of available expendable resources by the Board of Education. The designation for termination benefits represents monies set aside by the Board for future payment of termination benefits. The amount set-aside by the Board for budget stabilization is reported as a designation of fund balance in the general fund.

M. Net Assets

Net assets represent the difference between assets and liabilities. Net assets invested in capital assets, net of related debt consist of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction or improvement of those assets. Net assets are reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the District or through external restrictions imposed by creditors, grantors or laws or regulations of other governments.

The District applies restricted resources when an expense is incurred for purposes for which both restricted and unrestricted net assets are available.

N. Prepayments

Certain payments to vendors reflect the costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements. These items are reported as assets on the balance sheet using the consumption method. A current asset for the prepaid amounts is recorded at the time of the purchase and the expenditure/expense is reported in the year in which services are consumed.

**OTTAWA-GLANDORF LOCAL SCHOOL DISTRICT
PUTNAM COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2005
(Continued)**

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

O. Estimates

The preparation of the basic financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the amounts reported in the basic financial statements and accompanying notes. Actual results may differ from those estimates.

P. Restricted Assets

Assets are reported as restricted assets when limitations on their use change the normal understanding of the availability of the asset. Such constraints are either imposed by creditors, contributors, grantors, or laws of other governments or imposed by enabling legislation. Restricted assets include the amount required by state statute to be set-aside for Bureau of Workers' Compensation (BWC) refunds. In addition, the District reports restricted assets for school bus purchases. See Note 16 for details.

Q. Interfund Activity

Exchange transactions between funds are reported as revenues in the seller funds and as expenditures/expenses in the purchaser funds. Flows of cash or goods from one fund to another without a requirement for repayment are reported as interfund transfers. Interfund transfers are reported as other financing sources/uses in governmental funds. Repayments from funds responsible for particular expenditures/expenses to the funds that initially paid for them are not presented on the basic financial statements.

R. 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 that are within the control of the Board of Education and that are either unusual in nature or infrequent in occurrence. Neither type of transaction occurred during fiscal 2005.

NOTE 3 - ACCOUNTABILITY AND COMPLIANCE

A. Prior Period Adjustment

For fiscal year 2005, the District has implemented GASB Statement No. 40, "Deposit and Investment Risk Disclosures" and GASB Technical Bulletin 2004-2, "Recognition of Pension and Other Postemployment Benefit Expenditures/Expenses and Liabilities by Cost-Sharing Employers".

GASB Statement No. 40 establishes and modified disclosure requirements related to investment risks: credit risk (including custodial credit risk and concentrations of credit risk) and interest rate risk. This statement also establishes and modified disclosure requirements for custodial credit risk on deposits.

GASB Technical Bulletin No. 2004-2 addresses the amount that should be recognized as expenditure/expense and as a liability each period by employers participating in a cost-sharing multiple-employer pension and other postemployment benefit (OPEB) plans.

**OTTAWA-GLANDORF LOCAL SCHOOL DISTRICT
PUTNAM COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2005
(Continued)**

NOTE 3 - ACCOUNTABILITY AND COMPLIANCE - (Continued)

The implementation of GASB Statement No. 40 did not have any effect on financial statements of the District, however additional note disclosure can be found in Note 4. The implementation of GASB Technical Bulletin No. 2004-2 had the following effect on the fund balances of the major and non-major funds of the District as they were previously reported as of June 30, 2004:

	<u>General</u>	<u>Nonmajor</u>
Fund Balances, June 30, 2004	\$ 2,270,520	\$ 820,154
GASB Technical Bulletin No. 2004-2	<u>(70,483)</u>	<u>(21,219)</u>
Restated Fund Balance, June 30, 2004	<u>\$ 2,200,037</u>	<u>\$ 798,935</u>

B. Deficit Fund Balances

Fund balances at June 30, 2005 included the following individual fund deficit:

	<u>Deficit</u>
<u>Nonmajor Funds</u>	
Auxiliary Services	\$ 842

These funds complied with Ohio state law, which does not permit a cash basis deficit at year-end. The general fund is liable for any deficits in these funds and provides transfers when cash is required, not when accruals occur. The deficit fund balances results from adjustments for accrued liabilities.

NOTE 4 - DEPOSITS 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 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 moneys 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.

**OTTAWA-GLANDORF LOCAL SCHOOL DISTRICT
PUTNAM COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2005
(Continued)**

NOTE 4 - DEPOSITS AND INVESTMENTS - (Continued)

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.

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 two percent and be marked to market daily, and that the term of the agreement must not exceed thirty days;
4. Bonds and other obligations of the State of Ohio;
5. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2) 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 banker's acceptance and commercial paper notes for a period not to exceed one hundred eighty days from the purchase date in an amount not to exceed twenty-five percent of the interim monies available for investment at any one time: and,
8. Under limited circumstances, corporate debt interests rated in either of the two highest classifications by at least two nationally recognized rating agencies.

**OTTAWA-GLANDORF LOCAL SCHOOL DISTRICT
PUTNAM COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2005
(Continued)**

NOTE 4 - DEPOSITS AND INVESTMENTS - (Continued)

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 investments to the Treasurer or, if the securities are not represented by a certificate, upon receipt of confirmation of transfer from the custodian.

A. Deposits with Financial Institutions

At June 30, 2005, the carrying amount of all District deposits was \$3,700,747. Based on the criteria described in GASB Statement No. 40, "Deposits and Investment Risk Disclosures", as of June 30, 2005, \$3,570,685 of the District's bank balance of \$3,745,918 was exposed to custodial risk as discussed below, while \$175,233 was covered by Federal Deposit Insurance Corporation.

Custodial credit risk is the risk that, in the event of bank failure, the District's deposits may not be returned. All deposits are collateralized with eligible securities in amounts equal to at least 105% of the carrying value of the deposits. Such collateral, as permitted by the Ohio revised Code, is held in single financial institution collateral pools at Federal Reserve Banks, or at member banks of the federal reserve system, in the name of the respective depository bank and pledged as a pool of collateral against all of the public deposits it holds or as specific collateral held at the Federal Reserve Bank in the name of the District.

B. Investments

As of June 30, 2005, the District had the following investments and maturities:

<u>Investment type</u>	<u>Balance at Fair Value</u>	<u>6 months or less</u>	<u>7 to 12 months</u>	<u>13 to 18 months</u>	<u>19 to 24 months</u>	<u>over 24 months</u>
FHLMC	\$ 793,236	\$ 198,814	\$ 347,152			\$ 247,270
FHLB	1,515,744	1,018,243		\$ 247,110		250,391
FFCB	248,478				\$ 248,478	
FNMA	2,731,904		989,923		297,188	1,444,793
U.S. Government money market	<u>337,642</u>	<u>337,642</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
	<u>\$ 5,627,004</u>	<u>\$ 1,554,699</u>	<u>\$ 1,337,075</u>	<u>\$ 247,110</u>	<u>\$ 545,666</u>	<u>\$ 1,942,454</u>

The weighted average maturity of investments is 1.3 years.

Interest Rate Risk: As a means of limiting its exposure to fair value losses arising from rising interest rates and according to state law, the District's investment policy limits investment portfolio maturities to five years or less.

Credit Risk: The District's investments were rated AAA and Aaa by Standard & Poor's and Moody's Investor Services, respectively.

**OTTAWA-GLANDORF LOCAL SCHOOL DISTRICT
PUTNAM COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2005
(Continued)**

NOTE 4 - DEPOSITS AND INVESTMENTS - (Continued)

Concentration of Credit Risk: The District places no limit on the amount that may be invested in any one issuer. The following table includes the percentage of each investment type held by the District at June 30, 2005:

<u>Investment type</u>	<u>Fair Value</u>	<u>% to Total</u>
FHLMC	\$ 793,236	14.10
FHLB	1,515,744	26.94
FFCB	248,478	4.42
FNMA	2,731,904	48.55
U.S. Government money market	<u>337,642</u>	<u>6.00</u>
	<u>\$5,627,004</u>	<u>100.01</u>

D. Reconciliation of Cash and Investment to the Statement of Net Assets

The following is a reconciliation of cash and investments as reported in the footnote above to cash and investments as reported on the statement of net assets as of June 30, 2005:

	<u>Amount</u>
<u>Cash and Investments per footnote</u>	
Carrying amount of deposits	\$ 3,700,417
Investments	5,627,004
Cash on hand	<u>473</u>
Total	<u>\$ 9,327,894</u>
	<u>Amount</u>
<u>Cash and Investments per Financial Statements</u>	
Governmental activities	\$ 9,274,245
Private-purpose trust funds	17,188
Agency funds	<u>36,461</u>
Total	<u>\$ 9,327,894</u>

NOTE 5 - INTERFUND TRANSACTIONS

Interfund transfers for the year ended June 30, 2005, consisted of the following, as reported on the fund financial statements:

	<u>Amount</u>
Transfers from general fund to:	
Nonmajor governmental funds	<u>\$ 110,000</u>

**OTTAWA-GLANDORF LOCAL SCHOOL DISTRICT
PUTNAM COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2005
(Continued)**

NOTE 5 - INTERFUND TRANSACTIONS – (Continued)

Transfers are used to (1) move revenues from the fund that statute or budget requires to collect them to the fund that statute or budget requires to expend them, and (2) use unrestricted revenues collected in the general fund to finance various programs accounted for in other funds in accordance with budgetary authorizations. Transfers between governmental funds are eliminated on the government-wide financial statements; therefore, no transfers are reported on the statement of activities.

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 2005 represents collections of calendar year 2004 taxes. Real property taxes received in calendar year 2005 were levied after April 1, 2004, on the assessed value listed as of January 1, 2004, 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.

Public utility property tax revenue received in calendar 2005 represents collections of calendar year 2004 taxes. Public utility real and tangible personal property taxes received in calendar year 2005 became a lien December 31, 2003, were levied after April 1, 2004, and are collected in 2005 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 2005 (other than public utility property) represents the collection of 2005 taxes. Tangible personal property taxes received in calendar year 2005 were levied after April 1, 2004, 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.

**OTTAWA-GLANDORF LOCAL SCHOOL DISTRICT
PUTNAM COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2005
(Continued)**

NOTE 6 - PROPERTY TAXES - (Continued)

The District receives property taxes from Putnam County. The County Auditor periodically advances to the District its portion of the taxes collected. Second-half real property tax payments collected by the County by June 30, 2005, are available to finance fiscal year 2005 operations. The amount available as an advance at June 30, 2005, was \$241,003 in the general fund, \$72,060 in the Bond Retirement debt service fund, and \$43,982 in the Permanent Improvement capital projects fund. The amount available for advance at June 30, 2004, was \$246,501 in the general fund, \$69,883 in the Bond Retirement debt service fund, and \$44,815 in the Permanent Improvement capital projects fund. The amount of second-half real property taxes available for advance at fiscal year-end can vary depending upon when the tax bills are sent by the County Auditor.

Accrued property taxes receivable includes real property, public utility property and tangible personal property taxes which are measurable as of June 30, 2005, and for which there is an enforceable legal claim. Although total property tax collections for the next fiscal year are measurable, only the amount of real property taxes available as an advance at June 30 was levied to finance current fiscal year operations and is reported as revenue at fiscal year end. The portion of the receivable not levied to finance current fiscal year operations is offset by a credit to deferred revenue.

On the full accrual basis, collectible delinquent property taxes have been recorded as a receivable and revenue, while on the modified accrual basis the revenue has been deferred.

The assessed values upon which the fiscal year 2005 taxes were collected are:

	2004 Second Half Collections		2005 First Half Collections	
	<u>Amount</u>	<u>Percent</u>	<u>Amount</u>	<u>Percent</u>
Agricultural/residential and other real estate	\$ 143,328,390	85.93	\$ 144,462,540	87.06
Public utility personal property	5,798,820	3.48	6,113,680	3.68
Tangible personal property	<u>17,664,688</u>	<u>10.59</u>	<u>15,342,572</u>	<u>9.26</u>
Total	<u>\$ 166,791,898</u>	<u>100.00</u>	<u>\$ 165,918,792</u>	<u>100.00</u>
Tax rate per \$1,000 of assessed valuation:				
Operations	\$ 22.71		\$ 22.40	
Debt service	5.67		5.98	
Permanent improvement	1.50		1.50	

NOTE 7 - RECEIVABLES

Receivables at June 30, 2005, consisted of taxes, accounts (billings for user charged services and student fees), accrued interest, and intergovernmental grants and entitlements. All receivables are considered collectible in full due to the ability to foreclose for the nonpayment of taxes, the stable condition of state programs and the current year guarantee of federal funds. A summary of the receivables reported on the Statement of Net Assets follows:

**OTTAWA-GLANDORF LOCAL SCHOOL DISTRICT
PUTNAM COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2005
(Continued)**

NOTE 7 – RECEIVABLES – (Continued)

Governmental Activities	
Taxes	\$ 4,986,585
Accounts	14,330
Intergovernmental	53,227
Accrued interest	<u>214,351</u>
Total	<u>\$ 5,268,493</u>

Receivables have been disaggregated on the face of the basic financial statements. All receivables are expected to be collected within the subsequent year.

NOTE 8 - CAPITAL ASSETS

A. Capital asset activity for the fiscal year ended June 30, 2005, was as follows:

	Balance 06/30/04	Additions	Deductions	Balance 06/30/05
<i>Capital assets, not being depreciated:</i>				
Land	\$ 428,945	\$ -	\$ -	\$ 428,945
Construction-in-progress	<u>9,037,846</u>	<u>-</u>	<u>(9,037,846)</u>	<u>-</u>
Total capital assets, not being depreciated	<u>9,466,791</u>	<u>-</u>	<u>(9,037,846)</u>	<u>428,945</u>
<i>Capital assets, being depreciated:</i>				
Land improvements	234,594	23,237	-	257,831
Buidlings and improvements	5,109,796	11,690,371	-	16,800,167
Furniture and equipment	2,022,555	188,982	(84,150)	2,127,387
Vehicles	<u>1,302,182</u>	<u>124,485</u>	<u>(58,120)</u>	<u>1,368,547</u>
Total capital assets, being depreciated	<u>8,669,127</u>	<u>12,027,075</u>	<u>(142,270)</u>	<u>20,553,932</u>
<i>Less: accumulated depreciation</i>				
Land improvements	(125,697)	(25,594)	-	(151,291)
Buidlings and improvements	(3,866,466)	(139,124)	-	(4,005,590)
Furniture and equipment	(1,353,540)	(191,153)	74,513	(1,470,180)
Vehicles	<u>(841,780)</u>	<u>(88,007)</u>	<u>58,120</u>	<u>(871,667)</u>
Total accumulated depreciation	<u>(6,187,483)</u>	<u>(443,878)</u>	<u>132,633</u>	<u>(6,498,728)</u>
Capital assets, net of accumulated depreciation	<u>\$ 11,948,435</u>	<u>\$ 11,583,197</u>	<u>\$ (9,047,483)</u>	<u>\$ 14,484,149</u>

**OTTAWA-GLANDORF LOCAL SCHOOL DISTRICT
PUTNAM COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2005
(Continued)**

NOTE 8 - CAPITAL ASSETS – (Continued)

Depreciation expense was charged to governmental functions as follows:

<u>Instruction:</u>	
Regular	\$ 263,050
Special	10,999
Vocational	1,647
 <u>Support Services:</u>	
Pupil	1,693
Instructional staff	7,443
Administration	8,412
Fiscal	1,579
Operations and maintenance	27,700
Pupil transportation	74,990
Operation of non-instructional	6,236
Extracurricular activities	25,604
Food service operations	<u>14,525</u>
Total depreciation expense	<u>\$ 443,878</u>

NOTE 9 - LONG-TERM OBLIGATIONS

A. During fiscal year 2005, the following changes occurred in governmental activities long-term obligations:

	Balance Outstanding <u>06/30/04</u>	<u>Additions</u>	<u>Reductions</u>	Balance Outstanding <u>06/30/05</u>	Amounts Due in <u>One Year</u>
Governmental Activities:					
<u>General Obligation Bonds:</u>					
General obligation bonds-1986 Issue	\$ 350,000	\$ -	\$ (50,000)	\$ 300,000	\$ 50,000
General obligation bonds-2003 Issue	13,190,000	-	(295,000)	12,895,000	325,000
Capital appreciation bonds	<u>630,739</u>	<u>28,404</u>	<u>-</u>	<u>659,143</u>	<u>-</u>
Total general obligation bonds payable	<u>14,170,739</u>	<u>28,404</u>	<u>(345,000)</u>	<u>13,854,143</u>	<u>375,000</u>
<u>Loans Payable:</u>					
Asbestos removal loans	<u>6,015</u>	<u>-</u>	<u>(2,000)</u>	<u>4,015</u>	<u>2,000</u>
Total loans payable	<u>6,015</u>	<u>-</u>	<u>(2,000)</u>	<u>4,015</u>	<u>2,000</u>
<u>Other Long-Term Obligations:</u>					
Compensated absences	<u>982,983</u>	<u>149,340</u>	<u>(49,916)</u>	<u>1,082,407</u>	<u>27,331</u>
Total other long-term obligations	<u>982,983</u>	<u>149,340</u>	<u>(49,916)</u>	<u>1,082,407</u>	<u>27,331</u>
Total governmental activities	<u>\$ 15,159,737</u>	<u>\$ 177,744</u>	<u>\$ (396,916)</u>	<u>\$ 14,940,565</u>	<u>\$ 404,331</u>

**OTTAWA-GLANDORF LOCAL SCHOOL DISTRICT
PUTNAM COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2005
(Continued)**

NOTE 9 - LONG-TERM OBLIGATIONS – (Continued)

Series 2003 School Improvement General Obligation Bonds – Interest Rates 1.55-5.375%: During fiscal year 2003, the voters of the District authorized the issuance of \$13,485,000 in general obligation bonds, for the purpose of renovating and otherwise improving school facilities. These bonds will be retired from proceeds of an additional bonded debt tax levy and will be paid from the Bond Retirement Fund.

The Series 2003 school improvement general obligation bond issue is comprised of both current interest bonds, par value \$13,465,000, and capital appreciation bonds, par value \$1,005,000. The capital appreciation bonds mature on December 1, 2013-2015 at a redemption price equal to 100% of the principal, plus accrued interest to the redemption date. The present value (as of issue date) reported in the statement of net assets at June 30, 2005, was \$585,013. Total accreted interest of \$74,130 has been included in the statement of net assets at June 30, 2005. The current interest bonds maturing on or after December 1, 2012, are subject to early redemption at the sole option of the District, at the following redemption prices, plus accrued interest:

<u>Redemption Dates</u>	<u>Redemption Price</u>
December 1, 2012 and thereafter	100% of par

Interest payments on the current interest bonds are due on June 1 and December 1 of each year. The final maturity stated in the issue is December 1, 2030.

Series 1986 School Improvement General Obligation Bonds – Interest Rate 7.5%: The 1986 G.O. bonds have been issued to provide funds for the acquisition and construction of equipment and facilities and are general obligations of the District for which the full faith and credit of the District is pledged for repayment. Accordingly, such unmaturing obligations of the District are accounted for on the statement of net assets. Payments of principal and interest relating to these bonds are recorded as expenditures in the debt service fund. The source of payment is derived from a current .80 mill bonded debt tax levy.

Asbestos Removal Loan: The outstanding loan is a general obligation of the District, for which the District's full faith and credit are pledged for repayment. Accordingly, this obligation is accounted for on the statement of net assets. Payments of principal relating to this obligation are recorded as expenditures in the debt service fund. The asbestos removal loan is interest-free, providing repayment remains current.

- B.** Principal and interest requirements to retire the long-term obligations outstanding at June 30, 2005, are as follows:

**OTTAWA-GLANDORF LOCAL SCHOOL DISTRICT
PUTNAM COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2005
(Continued)**

NOTE 9 - LONG-TERM OBLIGATIONS - (Continued)

Year Ended	General Obligation Bonds - 1986 Issue			Asbestos Removal Loans		
	Principal	Interest	Total	Principal	Interest	Total
2006	50,000	20,625	70,625	2,000		2,000
2007	50,000	16,875	66,875	2,015		2,015
2008	50,000	13,125	63,125			
2009	50,000	9,375	59,375			
2010	50,000	5,625	55,625			
2011 - 2013	<u>50,000</u>	<u>1,875</u>	<u>51,875</u>	-	-	-
Total	<u>\$ 300,000</u>	<u>\$ 67,500</u>	<u>\$ 367,500</u>	<u>\$ 4,015</u>	<u>\$ -</u>	<u>\$ 4,015</u>

Year Ended	General Obligation Bonds - 2003 Issue			Capital Appreciation Bonds - 2003 Issue		
	Principal	Interest	Total	Principal	Interest	Total
2006	\$ 325,000	\$ 592,804	\$ 917,804		\$ -	\$ -
2007	400,000	584,391	984,391			
2008	430,000	573,371	1,003,371			
2009	465,000	560,144	1,025,144			
2010	125,000	550,843	675,843			
2011 - 2015	660,000	3,278,569	3,938,569	\$ 625,000		625,000
2016 - 2020	2,015,000	2,792,979	4,807,979	380,000		380,000
2021 - 2025	3,485,000	1,616,507	5,101,507			
2026 - 2030	4,445,000	691,007	5,136,007			
2031	<u>545,000</u>	<u>12,944</u>	<u>557,944</u>	-	-	-
Total	<u>\$ 12,895,000</u>	<u>\$ 11,253,559</u>	<u>\$ 24,148,559</u>	<u>\$ 1,005,000</u>	<u>\$ -</u>	<u>\$ 1,005,000</u>

C. Legal Debt Margin

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

The effects of these debt limitations at June 30, 2005 are a voted debt margin of \$1,539,317 (including available funds of \$460,769) and an unvoted debt margin of \$165,919.

**OTTAWA-GLANDORF LOCAL SCHOOL DISTRICT
PUTNAM COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2005
(Continued)**

NOTE 10 - RISK MANAGEMENT

The District is exposed to various risks of loss related to torts; theft, or damage to, and destruction of assets; errors and omissions; injuries to employees and natural disaster. During fiscal year 2005, the District contracted for the following insurance coverage.

Coverage provided through the Ohio Schools Risk Sharing Authority (OSRSA) is as follows:

	<u>Coverage</u>
Property including inland marine - replacement cost (\$1,000 deductible)	\$34,098,348
Employee Dishonesty Liability	50,000
Automobile Liability	4,000,000
Uninsured Motorists	50,000
Medical payments - per occurrence	1,000
Educator's Legal Liability - errors or omissions	4,000,000
General School District Liability	
Per occurrence	4,000,000
Total per year	4,000,000
Umbrella Liability	6,000,000

Settled claims have not exceeded this commercial coverage in any of the past three years.

The District participates in the Northwest Ohio Area Computer Services Cooperative Workers' Compensation Group Rating Program (the "Plan"), an insurance purchasing pool. The Plan is intended to reduce premiums for the participants. 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 Plan. Each participant pays its workers' compensation premium to the State based on the rate for the Plan rather than its individual rate. Participation in the Plan is limited to educational entities that can meet the Plan's selection criteria. Each participant must apply annually. The Plan provides the participants with a centralized program for processing, analysis and management of workers' compensation claims and a risk management program to assist in developing safer work environments. Each participant must pay its premiums, enrollment or other fees, and perform its obligations in accordance with the terms of the agreement. The GRP's business and affairs are conducted by a 25 member Board of Directors consisting of two representatives from each county elected by a majority vote of all charter member schools within each county plus one representative from the fiscal agency A-site. The Treasurer of Findlay City Schools 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.

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.

**OTTAWA-GLANDORF LOCAL SCHOOL DISTRICT
PUTNAM COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2005
(Continued)**

NOTE 10 - RISK MANAGEMENT - (Continued)

The District provides prescription drug insurance benefits to employees through a self-insurance program. The premiums and related expenses are accounted for in the General fund. All claims are paid by the District with the request for reimbursement submitted by the employee on behalf of the District. The District has no stop loss insurance and has not set a maximum amount payable per beneficiary. However, the District's liability is limited to the employees' unpaid deductible and maximum out of pocket expense.

Post employment health care is provided to plan participants or their beneficiaries through the respective retirement systems discussed in Note 12. As such, no funding provisions are required by the District.

NOTE 11 - DEFINED BENEFIT PENSION PLAN

A. School Employees Retirement System

The District contributes to the School Employees Retirement System of Ohio (SERS), a cost-sharing, multiple-employer defined benefit pension plan. SERS provides retirement 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. The report may be obtained by writing to the School Employees Retirement System, 300 East Broad Street, Suite 100, Columbus, Ohio 43215-3746, or by calling (614) 222-5853.

Plan members are required to contribute 10% of their annual covered salary and the District is required to contribute at an actuarially determined rate. The current District rate is 14% 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 2005, 10.57% of annual covered salary was the portion used to fund pension obligations. For fiscal year 2004, 9.09% 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 a statutory maximum amount, by the SERS' Retirement Board. The adequacy of the contribution rates is determined annually. The District's required contributions for pension obligations to SERS for the fiscal years ended June 30, 2005, 2004, and 2003 were \$143,729, \$126,060 and \$106,196, respectively; 44.08% has been contributed for fiscal year 2005 and 100% for the fiscal years 2004 and 2003. \$80,371 represents the unpaid contribution for fiscal year 2005 and is recorded as a liability within the respective funds.

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 retirement and disability benefits, annual cost-of-living adjustments, and death and survivor benefits to plan members and beneficiaries. Authority to establish and amend benefits is provided by Chapter 3307 of the Ohio Revised Code. STRS issues a publicly available, stand-alone financial report that includes financial statements and required supplementary information. The report may be obtained by writing to the State Teachers Retirement System, 275 East Broad Street, Columbus, Ohio 43215-3371, by calling (614) 227-4090, or by visiting the STRS website at www.strsoh.org.

**OTTAWA-GLANDORF LOCAL SCHOOL DISTRICT
PUTNAM COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2005
(Continued)**

NOTE 11 - DEFINED BENEFIT PENSION PLAN - (Continued)

New members have a choice of three retirement plans, a Defined Benefit (DB) Plan, a Defined Contribution (DC) Plan and a Combined Plan. The DB Plan offers an annual retirement allowance based on final average salary times a percentage that varies based on years of service, or an allowance based on 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% 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. Benefits are established by Chapter 3307 of the Ohio Revised Code.

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

Plan members are required to contribute 10% of their annual covered salary and the District is required to contribute at an actuarially determined rate. The current District rate is 14% 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 years 2005 and 2004, 13% of annual covered salary 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% for members and 14% for employers. Chapter 3307 of the Ohio Revised Code provides statutory authority for member and employee contributions. The District's required contributions for pension obligations to the DB plan for the fiscal years ended June 30, 2005, 2004, and 2003, were 695,213, \$692,536, and \$702,527, respectively; 84.07% has been contributed for fiscal year 2005 and 100% for the fiscal years 2004 and 2003. \$110,719 represents the unpaid contribution for fiscal year 2005 and is recorded as a liability within the respective funds. Contributions to the DC and Combined Plans for fiscal 2005 were \$1,288 made by the District and \$1,335 made by plan members.

NOTE 12 - POSTEMPLOYMENT BENEFITS

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

**OTTAWA-GLANDORF LOCAL SCHOOL DISTRICT
PUTNAM COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2005
(Continued)**

NOTE 12 - POSTEMPLOYMENT BENEFITS – (Continued)

The State Teachers Retirement Board has statutory authority over how much, if any, of the health care costs will be absorbed by STRS. Most benefit recipients pay a portion of the health care cost in the form of a monthly premium. By Ohio law, the cost of coverage paid from STRS funds shall be included in the employer contribution rate, currently 14% of covered payroll. For fiscal year 2005, the State Teachers Retirement Board allocated employer contributions equal to 1% of covered payroll to the Health Care Stabilization Fund. For the District, this amount equaled \$53,478 during fiscal year 2005.

STRS pays health care benefits from the Health Care Stabilization Fund. The balance in the Health Care Stabilization Fund was \$3.3 billion at June 30, 2005. For the fiscal year ended June 30, 2005, net health care costs paid by STRS were \$254,780,000 and STRS had 115,395 eligible benefit recipients.

For SERS, coverage is made available to service retirees with 10 or more years of qualifying service credit, and disability and survivor benefit recipients. Effective January 1, 2004, all retirees and beneficiaries are required to pay a portion of their health care premium. The portion is based on years of service, Medicare eligibility and retirement status.

After the allocation for basic benefits, the remainder of the employer's 14% contribution is allocated to providing health care benefits. At June 30, 2005, the healthcare allocation is 3.43%. In addition, SERS levies a surcharge to fund health care benefits equal to 14% of the difference between a minimum pay and the member's pay, pro-rated for partial service credit. For fiscal year 2005, the minimum pay has been established as \$27,400. The surcharge, added to the unallocated portion of the 14% employer contribution rate, provides for maintenance of the asset target level for the health care fund. For the 2005 fiscal year, the District paid \$74,041 to fund health care benefits, including the surcharge.

Health care benefits are financed on a pay-as-you-go basis. Net health care costs for the year ending June 30, 2005, were \$178,221,113. The target level for the health care fund is 150% of the projected claims less premium contributions for the next fiscal year. As of June 30, 2005, the value of the health care fund was \$267.5 million, which is about 168% of the next year's projected net health care costs of \$158,776,151. On the basis of actuarial projections, the allocated contributions will be insufficient, in the long term, to provide for a health care reserve equal to at least 150% of estimated annual net claim costs. The number of participants eligible to receive benefits is 58,123.

NOTE 13 - BUDGETARY BASIS OF ACCOUNTING

While reporting financial position, results of operations, and changes in fund balance on the basis of generally accepted accounting principles (GAAP), the budgetary basis as provided by law is based upon accounting for certain transactions on a basis of cash receipts and disbursements.

The Statement of Revenue, Expenditures, and Changes in Fund Balance - Budget and Actual (Non-GAAP Budgetary Basis) presented for the general fund is presented on the budgetary basis to provide a meaningful comparison of actual results with the budget. The major differences between the budget basis and the GAAP basis are that:

- (a) Revenues and other financing sources are recorded when received in cash (budget basis) as opposed to when susceptible to accrual (GAAP basis);

**OTTAWA-GLANDORF LOCAL SCHOOL DISTRICT
PUTNAM COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2005
(Continued)**

NOTE 13 - BUDGETARY BASIS OF ACCOUNTING – (Continued)

- (b) Expenditures and other financing uses are recorded when paid in cash (budget basis) as opposed to when the liability is incurred (GAAP basis);
- (c) In order to determine compliance with Ohio law, and to reserve that portion of the applicable appropriation, total outstanding encumbrances (budget basis) are recorded as the equivalent of an expenditure, as opposed to a reservation of fund balance for that portion of outstanding encumbrances not already recognized as an account payable (GAAP basis).

The adjustments necessary to convert the results of operations for the year on the budget basis to the GAAP basis for the general fund is as follows:

Net Change in Fund Balance	
	<u>General Fund</u>
Budget basis	\$ 603,428
Net adjustment for revenue accruals	61,281
Net adjustment for expenditure accruals	21,755
Net adjustment for other sources/uses	(6,578)
Adjustment for encumbrances	<u>204,414</u>
GAAP basis	<u>\$ 884,300</u>

NOTE 14 - CONTINGENCIES

A. Grants

The District receives significant financial assistance from numerous federal, state and local agencies in the form of grants. The disbursement of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and are subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the District. However in the opinion of management, any such disallowed claims will not have a material effect on the financial position of the District.

B. Litigation

As of June 30, 2005, the District is involved in a lawsuit. The eventual outcome of this matter and any potential effect on the financial statements cannot be determined at this time.

NOTE 15 - INCOME TAXES

The District levies a voted tax of one-half percent for general obligations on the income of residents and of estates. The tax was effective January 1, 1993, and is a continuing tax. 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 in fiscal 2005 amount to \$821,577. Taxes receivable reported on the fund financial statements includes \$287,132 in income tax receivable.

**OTTAWA-GLANDORF LOCAL SCHOOL DISTRICT
PUTNAM COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2005
(Continued)**

NOTE 16 - STATUTORY RESERVES

The District is required by state law to set-aside certain general fund revenue amounts, as defined by Statute, into various reserves. These reserves are calculated and presented on a cash basis. During the fiscal year ended June 30, 2005, the reserve activity was as follows:

	<u>Textbooks/ Instructional Materials</u>	<u>Capital Maintenance</u>	<u>Budget Stabilization Designation</u>	<u>Reserved</u>
Balance at July 1, 2004	\$ (172,929)	\$ 55,621	\$ 197,862	\$ 32,039
FY2005 set-aside	226,728	226,728		
FY2005 qualifying expenditures	(276,856)	(81,748)		
FY2005 offsets	<u>-</u>	<u>(146,799)</u>	<u>-</u>	<u>-</u>
Balance at June 30, 2005	<u>\$ (223,057)</u>	<u>\$ 53,802</u>	<u>\$ 197,862</u>	<u>\$ 32,039</u>

The District had offsets and qualifying expenditures during the year that reduced the set-aside amount below zero for the textbooks/instructional materials reserve. This extra amount may be used to reduce the set-aside requirement for future years. The negative amount is therefore presented as being carried forward to the next fiscal year.

In addition to the above statutory reserves, the District also received monies restricted for school bus purchases.

A schedule of the governmental fund restricted assets at June 30, 2005 follows:

Amount restricted for capital acquisition	\$ 53,802
Amount restricted for BWC refunds	32,039
Amount restricted for school bus purchases	<u>66,935</u>
Total restricted assets	<u>\$ 152,776</u>

NOTE 17 – OUTSTANDING CONTRACTUAL COMMITMENTS

As of June 30, 2005, the District is participating in the School Building Assistance Expedited Local Partnership Program. Outstanding contracts for this program total \$71,142.

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**OTTAWA-GLANDORF LOCAL SCHOOL DISTRICT
PUTNAM COUNTY**

SCHEDULE OF FEDERAL AWARDS RECEIPTS AND EXPENDITURES
FOR THE YEAR ENDED JUNE 30, 2005

FEDERAL GRANTOR <i>Pass Through Grantor</i> Program Title	Pass Through Entity Number	Federal CFDA Number
UNITED STATES DEPARTMENT OF AGRICULTURE		
<i>Passed Through Ohio Department of Education</i>		
<u>Nutrition Cluster:</u>		
Food Donation		10.550
National School Lunch Program	49379-LLP4-04	10.555
	49379-LLP4-05	10.555
Total Department of Agriculture - Nutrition Cluster		
UNITED STATES DEPARTMENT OF EDUCATION		
<i>Passed Through Ohio Department of Education</i>		
<u>Special Education Cluster:</u>		
Special Education - Grants to States	49379-6BSD-04-F	84.027
	49379-6BSD-05	84.027
	49379-6BSF-04	84.027
	49379-6BSF-05	84.027
Total Special Education Grant		
Special Education - Preschool Grants	49379-PGS1-05	84.173
Total Special Education Cluster		
Safe and Drug Free Schools and Communities - State Grants	49379-DRS1-05	84.186
State Grants for Innovative Programs	49379-C2S1-04	84.298
	49379-C2S1-05	84.298
Total State Grants for Innovative Programs		
Improving Teacher Quality - State Grants	49379-TRS1-04	84.367
	49379-TRS1-05	84.367
Total Improving Teacher Quality		
Total Department of Education		
Total Federal Awards		

The accompanying notes are an intergral part of this schedule.

<u>Receipts</u>	<u>Non-Cash Receipts</u>	<u>Disbursements</u>	<u>Non-Cash Disbursements</u>
	\$ 66,061		\$ 66,061
\$ 21,298		\$ 21,298	
63,861		63,861	
<u>85,159</u>	<u>66,061</u>	<u>85,159</u>	<u>66,061</u>
16,976		20,477	
28,276		18,384	
15,243		20,288	
296,280		280,028	
<u>356,775</u>		<u>339,177</u>	
10,655		10,652	
<u>367,430</u>		<u>349,829</u>	
4,436		4,436	
(451)		291	
7,973		7,400	
<u>7,522</u>		<u>7,691</u>	
824		6,532	
38,454		33,404	
<u>39,278</u>		<u>39,936</u>	
<u>418,666</u>		<u>401,892</u>	
<u>\$ 503,825</u>	<u>\$ 66,061</u>	<u>\$ 487,051</u>	<u>\$ 66,061</u>

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**OTTAWA-GLANDORF LOCAL SCHOOL DISTRICT
PUTNAM COUNTY**

**NOTES TO SCHEDULE OF FEDERAL AWARDS RECEIPTS AND EXPENDITURES
FOR THE FISCAL YEAR ENDED JUNE 30, 2005**

NOTE A - SIGNIFICANT ACCOUNTING POLICIES

The accompanying Schedule of Federal Awards Expenditures (the Schedule) summarizes activity of the District's federal award programs. The schedule has been prepared on the cash basis of accounting.

NOTE B - CHILD NUTRITION CLUSTER

Program regulations do not require the District to maintain separate inventory records for purchased food and food received from the U.S. Department of Agriculture. This nonmonetary assistance (expenditures) is reported in the Schedule at the fair market value of the commodities received.

Cash receipts from the U.S. Department of Agriculture are commingled with State grants. It is assumed federal monies are expended first.

NOTE C – NEGATIVE RECEIPTS

CFDA #84.298 grant number C2S1-04 includes a negative receipt of \$451 due to a transfer to CFDA #84.298 grant number C2S1-05 due to carryover.

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**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***

Ottawa-Glandorf Local School District
Putnam County
630 Glendale Ave
Ottawa, Ohio 45875-1162

To the Board of Education:

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Ottawa-Glandorf Local School District, Putnam County (the District) as of and for the year ended June 30, 2005, which collectively comprise the District's basic financial statements and have issued our report thereon dated March 16, 2006. 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. Our consideration of the internal control would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. 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. We noted no matters involving the internal control over financial reporting and its operation that we consider material weaknesses. In a separate letter to the District's management dated March 16, 2006, we reported other matters involving internal control over financial reporting 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 no instances of noncompliance or other matters we must report under *Government Auditing Standards*. In a separate letter to the District's management dated March 16, 2006, we reported another matter related to noncompliance we deemed immaterial.

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Ottawa-Glandorf Local School District
Putnam County
Independent Accountant's Report on Internal Control Over
Financial Reporting and on Compliance and Other Matters
Required by *Government Auditing Standards*
Page 2

We intend this report solely for the information and use of the audit committee, management, the Board of Education, federal awarding agencies, and pass-through entities. It is not intended for 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

March 16, 2006



Auditor of State Betty Montgomery

INDEPENDENT ACCOUNTANTS' REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH MAJOR FEDERAL PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133

Ottawa-Glandorf Local School District
Putnam County
630 Glendale Ave
Ottawa, Ohio 45875-1162

To the Board of Education:

Compliance

We have audited the compliance of the Ottawa-Glandorf Local School District, Putnam County (the District) with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133, Compliance Supplement that apply to its major federal programs for the year ended June 30, 2005. The summary of auditor's results section of the accompanying schedule of findings identifies the District's major federal programs. The District's management is responsible for complying with the requirements of laws, regulations, contracts, and grants applicable to each major federal program. Our responsibility is to express an opinion on the District's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to reasonably assure whether noncompliance occurred with the types of compliance requirements referred to above that could directly and materially affect a major federal program. An audit includes examining, on a test basis, evidence about the District's compliance with those requirements and performing other procedures we considered necessary in the circumstances. We believe our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the District's compliance with those requirements.

In our opinion, the Ottawa-Glandorf Local School District, Putnam County complied, in all material respects, with the requirements referred to above that apply to its major federal programs for the year ended June 30, 2005.

Internal Control Over Compliance

The District's management is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the District's internal control over compliance with requirements that could directly and materially affect a major federal program to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133.

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. 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 noncompliance with applicable requirements of laws, regulations, contracts and grants caused by error or fraud that would be material in relation to a major federal program being audited may occur and not be timely detected by employees when performing their assigned functions. We noted no matters involving the internal control over compliance and its operation that we consider to be material weaknesses.

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



Betty Montgomery
Auditor of State

March 16, 2006

**OTTAWA-GLANDORF LOCAL SCHOOL DISTRICT
PUTNAM COUNTY**

**SCHEDULE OF FINDINGS
OMB CIRCULAR A -133 § .505
JUNE 30, 2005**

1. SUMMARY OF AUDITOR'S RESULTS

(d)(1)(i)	Type of Financial Statement Opinion	Unqualified
(d)(1)(ii)	Were there any material control weakness conditions reported at the financial statement level (GAGAS)?	No
(d)(1)(ii)	Were there any other reportable control weakness conditions reported at the financial statement level (GAGAS)?	No
(d)(1)(iii)	Was there any reported material noncompliance at the financial statement level (GAGAS)?	No
(d)(1)(iv)	Were there any material internal control weakness conditions reported for major federal programs?	No
(d)(1)(iv)	Were there any other reportable internal control weakness conditions reported for major federal programs?	No
(d)(1)(v)	Type of Major Programs' Compliance Opinion	Unqualified
(d)(1)(vi)	Are there any reportable findings under § .510?	No
(d)(1)(vii)	Major Programs (list):	Special Education Cluster: Special Education – Grants to States CFDA #84.027 Special Education – Preschool Grants CFDA #84.173
(d)(1)(viii)	Dollar Threshold: Type A\B Programs	Type A: > \$ 300,000 Type B: all others
(d)(1)(ix)	Low Risk Auditee?	No

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

None

3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS

None



**Auditor of State
Betty Montgomery**

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OTTAWA-GLANDORF 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
APRIL 6, 2006**