



Dave Yost • Auditor of State

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

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Dave Yost • Auditor of State

INDEPENDENT ACCOUNTANTS' REPORT

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

To the Board of Education:

We have audited the accompanying financial statements of Ottawa-Glandorf Local School District, Putnam County, Ohio (the District), as of and for the year ended June 30, 2011. These financial statements are the responsibility of the District's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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

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

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

The District has not presented Management's Discussion and Analysis, which accounting principles generally accepted in the United States of America has determined is necessary to supplement, although not required to be part of, the financial statements.

In accordance with *Government Auditing Standards*, we have also issued our report dated January 4, 2012, 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.

We conducted our audit to opine on the District's financial statements taken as a whole. The federal awards receipts and expenditures schedule provides additional information required by the U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations* and is not a required part of the financial statements. The federal awards receipts and expenditures schedule is management's responsibility, and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. This schedule was subject to the auditing procedures we applied to the basic financial statements. We also applied certain additional procedures, including comparing and reconciling this information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, in accordance with auditing standards generally accepted in the United States of America. For reasons stated in the third paragraph, the financial statements do not present fairly, in conformity with accounting principles generally accepted in the United States of America, the financial position of the District, as of June 30, 2011, or its changes in financial position or its cash flows for the year then ended. Therefore we are unable to express, and we do not express, an opinion on the federal awards receipts and expenditures schedule.



Dave Yost
Auditor of State

January 4, 2012

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

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES - ALL GOVERNMENTAL FUND TYPES
FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

	Governmental Fund Types				Totals (Memorandum Only)
	General	Special Revenue	Debt Service	Capital Projects	
Cash receipts:					
Property tax and other local taxes	\$4,646,771	\$78,681	\$904,417	\$123,995	\$5,753,864
Intergovernmental	5,910,167	1,342,373	165,109	8,143,735	15,561,384
Tuition	488,456				488,456
Earnings on investments	37,050	420	4,738	45,929	88,137
Transportation Fees	16,387				16,387
Extracurricular Activities		425,007			425,007
Classroom Materials and Fees	68,089				68,089
Donations	11,241	1,125			12,366
Miscellaneous	62,702	8,424			71,126
Total cash receipts	<u>11,240,863</u>	<u>1,856,030</u>	<u>1,074,264</u>	<u>8,313,659</u>	<u>22,484,816</u>
Cash disbursements:					
Instruction:					
Regular	5,893,434	369,267		28,032	6,290,733
Special	1,063,671	284,553			1,348,224
Vocational Education	273,785				273,785
Other Instruction	51,808	111,420			163,228
Supporting Services:					
Pupils	492,603	67,362			559,965
Instructional Staff	337,167	32,920			370,087
Board of Education	62,185				62,185
Administration	870,418	125,188			995,606
Fiscal Services	349,095	2,408	27,664	4,085	383,252
Business	1,363				1,363
Operation and Maintenance of Plant	808,080	229,130		64,683	1,101,893
Pupil Transportation	699,002	7,697			706,699
Non-Instructional Services	1,866	294,076			295,942
Extracurricular Activities	362,707	285,820		4,000	652,527
Facilities Acquisition and Construction	5,266			16,682,518	16,687,784
Debt Service:					
Principal Retirement			6,505,000		6,505,000
Interest and Fiscal Charges			483,797		483,797
Total cash disbursements	<u>11,272,450</u>	<u>1,809,841</u>	<u>7,016,461</u>	<u>16,783,318</u>	<u>36,882,070</u>
Total cash receipts over/(under) cash disbursements	(31,587)	46,189	(5,942,197)	(8,469,659)	(14,397,254)
Other financing receipts/disbursements:					
Sale of Bonds			5,999,994		5,999,994
Premium on Sale of Bonds			480,323		480,323
Capitalized Interest to Escrow (Sale of Bonds)			(341,851)		(341,851)
Debt Issuance Costs			(135,923)		(135,923)
Sale of Fixed Assets	9,427				9,427
Insurance Proceeds	4,065	7,896		19,567	31,528
Transfers-In	5,545	85,545			91,090
Transfers-Out	(85,545)				(85,545)
Total other financing receipts/(disbursements)	<u>(66,508)</u>	<u>93,441</u>	<u>6,002,543</u>	<u>19,567</u>	<u>6,049,043</u>
Excess of cash receipts and other financing receipts over/ (under) cash disbursements and other financing disbursements	(98,095)	139,630	60,346	(8,450,092)	(8,348,211)
Fund cash balances, July 1	4,324,732	651,622	532,053	18,513,096	24,021,503
Fund cash balances, June 30	<u>\$4,226,637</u>	<u>\$791,252</u>	<u>\$592,399</u>	<u>\$10,063,004</u>	<u>\$15,673,292</u>
Reserves for encumbrances, June 30	<u>\$260,980</u>	<u>\$52,364</u>	<u>\$4,570,284</u>	<u>\$4,883,628</u>	

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

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

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS,
AND CHANGES IN FUND CASH BALANCES
ALL PROPRIETARY AND SIMILAR FIDUCIARY FUND TYPES
FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

	Proprietary Fund Type	Fiduciary Fund Type	Totals (Memorandum Only)
	Enterprise	Agency	
Operating cash receipts:			
Food Services	\$402,411		\$402,411
Extracurricular Activities		\$109,701	109,701
Charges for Services	40,086		40,086
Total operating cash receipts	<u>442,497</u>	<u>109,701</u>	<u>552,198</u>
Operating cash disbursements:			
Personal Services	261,494	311	261,805
Employees Retirement and Insurance	95,205	48	95,253
Purchased Services	14,789		14,789
Supplies and Materials	320,471	1,099	321,570
Capital Outlay	576		576
Other Operating Expenses	1,103	113,677	114,780
Total operating cash disbursements	<u>693,638</u>	<u>115,135</u>	<u>808,773</u>
Operating loss	<u>(251,141)</u>	<u>(5,434)</u>	<u>(256,575)</u>
Non-operating cash receipts:			
Intergovernmental receipts	156,350		156,350
Earnings on Investments	2,839		2,839
Miscellaneous	779	2,481	3,260
Total non-operating cash receipts	<u>159,968</u>	<u>2,481</u>	<u>162,449</u>
Excess of expenditures over receipts before interfund transfers	(91,173)	(2,953)	(94,126)
Transfers-Out		(5,545)	(5,545)
Net cash disbursements over cash receipts	(91,173)	(8,498)	(99,671)
Fund cash balances, July 1	<u>415,022</u>	<u>36,947</u>	<u>451,969</u>
Fund cash balances, June 30	<u>323,849</u>	<u>\$28,449</u>	<u>\$352,298</u>
Reserve for encumbrances, June 30	<u>\$2,033</u>	<u>\$281</u>	<u>\$2,314</u>

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

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

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

NOTE 1 – DESCRIPTION OF THE SCHOOL DISTRICT

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

The District was established in 1962 through the consolidation of existing land areas and school districts. The District serves an area of approximately 66 square miles. It is located in Putnam County and includes the entire Village of Ottawa and Glandorf, all of and portions of surrounding townships. The District is the 313th largest in the State of Ohio (among 612 school districts) in terms of enrollment. It is staffed by 67 classified employees, 91 certified teaching personnel, and 7 administrative employees who provide services to 1,472 students and other community members. The District currently operates 3 buildings.

The reporting entity is composed of the primary government and other organizations that are included to insure the financial statements are not misleading.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Although required by Ohio Administrative Code § 117-2-03(B) to prepare its annual financial report in accordance with accounting principles generally accepted in the United States of America, the District chooses to prepare its financial statements and notes in accordance with standards established by the Auditor of State for governmental entities that are not required to prepare reports in accordance with generally accepted accounting principles. This basis of accounting is similar to the cash receipts and disbursements basis of accounting. Receipts are recognized when received in cash rather than when earned, and disbursements are recognized when paid rather than when a liability is incurred. Budgetary presentations report budgetary expenditures when a commitment is made (i.e. when an encumbrance is approved).

For fiscal year 2011 the District did not modify its financial statements to reflect the modifications outlined in GASB Statement No. 54, "Fund Balance Reporting and Governmental Fund Type Definitions".

GASB Statement No. 54 provides fund balance classifications that can be more consistently applied and clarifies the existing governmental fund type classifications. The requirements of this statement classify fund balance as nonspendable, restricted, committed, assigned, and/or unassigned.

A. The Reporting Entity

The District's reporting entity has been defined in accordance with GASB Statement No. 14, "The Financial Reporting Entity". A reporting entity is comprised of the primary government, component units, and other organizations that are included to insure that the financial statements of the District are not misleading. The primary government consists of all funds, departments, boards, and agencies that are not legally separate from the District. For the District, this includes general operations, food service, and student related activities of the District. Component units are legally separate organizations for which the District is financially accountable. The District is financially accountable for an organization if the District appoints a voting majority of the organization's governing board and (1) the District is able to significantly influence the programs or services performed or provided by the organization; or (2) the District is legally entitled to or can otherwise access the organization's resources; the District is legally obligated or has otherwise assumed the responsibility to finance the deficits of, or provide financial support to, the organization or the District is obligated for the debt of the organization. Component units may also include organizations that are fiscally dependent on the District in that the District approves the budget, the issuance of debt, or the levying of taxes for the organization. The financial statements of the reporting entity include only those of the District (the primary government). The District has no component units.

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

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

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

The District participates in four jointly governed organizations and three public entity risk pools. The financial statements exclude these entities which perform activities within the District's boundaries for the benefit of its residents because the District is not financially accountable for these entities, nor are these entities fiscally dependent on the District. Notes 8 and 15 to the financial statements provide additional information for these entities. These organizations are:

Jointly Governed Organizations:

Northwest Ohio Area Computer Services Cooperative;
Millstream Cooperative Career Center;
Northwestern Ohio Educational Research Council, Inc.
State Support Region 1

Public Entity Risk Pools:

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

B. Fund Accounting

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

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

GOVERNMENTAL FUND TYPES

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

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

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

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

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

PROPRIETARY FUND TYPE

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

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

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

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Enterprise Funds – The Enterprise Funds are used to account for operations that are financed and operated in a manner similar to private business enterprises where the intent is that costs (expenses) of providing services to the general public on a continuing basis be financed or recovered primarily through user charges or where it has been decided that periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability or other purposes.

FIDUCIARY FUND TYPES

Fiduciary funds are used to account for assets held by the District in a trustee capacity or as an agent for individuals, private organizations, other governmental units, and/or other funds. The District's fiduciary funds include agency and trust funds.

C. Basis of Accounting

The District's financial statements are prepared using the cash basis of accounting. Receipts are recorded in the District's financial records and reported in the financial statements when cash is received rather than when earned and disbursements are recorded when cash is paid rather than when a liability is incurred.

As a result of the use of this cash basis of accounting, certain assets and their related revenues (such as accounts receivable and revenue for billed or provided services not yet collected) and certain liabilities and their related expenses (such as accounts payable and expenses for goods or services received but not yet paid, and accrued expenses and liabilities) are not recorded in these financial statements.

D. Budgetary Process

All funds, except agency funds, are legally required to be budgeted and appropriated. The major documents prepared are the certificate of estimated resources and the appropriations resolution, both of which are prepared on the budgetary basis of accounting. The certificate of estimated resources establishes a limit on the amount the Board of Education may appropriate. The appropriations resolution is the Board's authorization to spend resources and sets annual limits on cash disbursements plus encumbrances at the level of control selected by the Board. The legal level of control has been established by the Board at the fund level for all funds. Budgetary allocations at the function and object level within all funds are made by the Treasurer.

The certificate of estimated resources may be amended during the fiscal year if projected increases or decreases in receipts are identified by the Treasurer.

The appropriation resolution is subject to amendment throughout the year with the restriction that appropriations cannot exceed estimated resources.

E. Cash and Investments

To improve cash management, cash received by the District is pooled and invested. Monies for all funds are maintained in this pool. Individual fund integrity is maintained through District records. Interest in the pool is included in the cash balances reported by fund type.

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

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

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

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

During fiscal year 2011, the District invested in nonnegotiable certificates of deposit.

Following Ohio statutes, the Board of Education has, by resolution, specified the funds to receive an allocation of interest earnings. Interest receipts credited to the General Fund during fiscal year 2011 was \$37,050, which included \$29,068 assigned from other District funds.

F. Restricted Assets

Assets are reported as restricted when limitations on their use change the nature or 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 law through constitutional provisions or enabling legislation. The District reported no restricted assets.

G. Inventory and Prepaid Items

The District reports disbursements for inventory and prepaid items when paid. These items are not reflected as assets.

H. Capital Assets

Acquisitions of property, plant and equipment are recorded as disbursements when paid. These items are not reflected as assets.

I. Interfund Receivables/Payables

The District reports advances-in and advances-out for interfund loans. These items are not reflected as assets and liabilities.

J. Accumulated Leave

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

K. Employer Contributions to Cost-Sharing Pension Plans

The District recognizes the disbursement for employer contributions to cost-sharing pension plans when they are paid. As described in Notes 9 and 10, the employer contributions include portions for pension benefits and for postretirement health care benefits.

L. Long-Term Obligations

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

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

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

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

M. Interfund Transactions

Exchange transactions between funds are reported as receipts in the seller funds and as disbursements in the purchaser funds. Subsidies from one fund to another without a requirement for repayment are reported as interfund transfers. Interfund transfers are reported as other financing sources/uses in governmental funds and after nonoperating receipts/cash disbursements in proprietary funds. Repayments from funds responsible for particular cash disbursements to the funds that initially paid for them are not presented in the financial statements.

N. Total Columns on Financial Statements

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

NOTE 3 – COMPLIANCE

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

NOTE 4 – DEPOSITS

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

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

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

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

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

1. United States Treasury bills, bonds, notes, or any other obligation or security issued by the United States Treasury, or any other obligation guaranteed as to principal and interest by the United States;

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

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

NOTE 4 – DEPOSITS (Continued)

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

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

Deposits

Custodial credit risk is the risk that in the event of bank failure, the District will not be able to recover deposits or collateral securities that are in the possession of an outside party. At June 30, 2011, \$8,336,581 of the District's bank balance of \$16,307,017 was exposed to custodial credit risk because those deposits were uninsured and collateralized with securities held by the pledging financial institution's trust department or agent, but not in the District's name.

The District has no deposit policy for custodial risk beyond the requirements of State statute. Ohio law requires that deposits be either insured or be protected by eligible securities pledged to and deposited either with the District or a qualified trustee by the financial institution as security for repayment, or by a collateral pool of eligible securities deposited with a qualified trustee and pledged to secure the repayment of all public monies deposited in the financial institution whose market value at all times shall be at least one hundred five percent of the deposits being secured.

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

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

NOTE 5 – BUDGETARY ACTIVITY

Budgetary activity for the year ending June 30, 2011 follows:

2011 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$11,573,654	\$11,259,900	(\$313,754)
Special Revenue	1,979,782	1,949,471	(30,311)
Debt Service	7,545,133	7,554,581	9,448
Capital Projects	8,328,146	8,333,226	5,080
Enterprise	645,000	602,465	(42,535)
Total	<u>\$30,071,715</u>	<u>\$29,699,643</u>	<u>(\$372,072)</u>

2011 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$12,030,678	\$11,618,975	\$411,703
Special Revenue	2,036,531	1,862,205	174,326
Debt Service	7,507,854	7,494,235	13,619
Capital Projects	21,452,831	21,353,602	99,229
Enterprise	761,402	695,671	65,731
Total	<u>\$43,789,296</u>	<u>\$43,024,688</u>	<u>\$764,608</u>

NOTE 6 – PROPERTY TAXES

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

Property taxes include amounts levied against all real property, public utility property, and tangible personal (used in business) property located in the District. Real property tax receipts received in calendar year 2011 represent the collection of calendar years 2010 taxes. Real property taxes received in calendar years 2011 were levied after April 1, 2010, on the assessed values as of January 1, 2010, respectively, the lien date. Assessed values for real property taxes are established by State statute at 35 percent of appraised market value. Real property taxes are payable annually or semiannually. If paid annually, payment is due December 31; if paid semiannually, the first payment is due December 31, with the remainder payable by June 20. Under certain circumstances, State statute permits alternate payment dates to be established.

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

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

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

NOTE 6 – PROPERTY TAXES (Continued)

House Bill No. 66 was signed into law on June 30, 2005. House Bill No. 66 phases out the tax on tangible personal property of general business, telephone and telecommunications companies and railroads. The tax on general business and railroad property was eliminated in calendar year 2010, and the tax on telephone and telecommunications property will be eliminated in calendar year 2011. The tax is phased out by reducing the assessment rate on the property each year. The bill replaces the revenue lost by the District due to the phasing out of the tax. In calendar years 2006 to 2010, the District was fully reimbursed for the lost revenue. In calendar years 2011 to 2017, the reimbursements will be phased out.

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 counties by June 30, 2011 are available to finance fiscal year 2011 operations, respectively. The amount available to be advanced can vary based on the date the tax bills are sent.

The assessed values upon which fiscal year 2011 taxes were collected are:

	2010 Second- Half Collections		2011 First- Half Collections	
	Amount	Percent	Amount	Percent
Real Property:				
Agricultural/Residential	\$153,064,520	83%	\$154,961,630	83%
Industrial/Commercial	26,612,130	14%	26,478,460	14%
Public Utility Property	5,282,320	3%	6,476,350	3%
Tangible Personal Property	173,990	0%	0	0%
Total Assessed Value	<u>\$185,132,960</u>	100%	<u>\$187,916,440</u>	100%
Tax rate per \$1,000 of assessed valuation	\$29.94		\$29.94	

NOTE 7 – INCOME TAXES

The District levies a voted tax of one-half percent for general operations on the income of residents and of estates. The tax was effective on 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 receipts are recorded in the General Fund.

NOTE 8 – RISK MANAGEMENT

A. Schools of Ohio Risk Sharing Authority

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 2011, the District contracted for the following insurance coverage.

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

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

NOTE 8 – RISK MANAGEMENT (Continued)

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

	<u>Coverage</u>
Property including inland marine – replacement cost (deductible waived)	\$41,027,793
Employee Dishonesty Liability	100,000
Automobile Liability	12,000,000
Uninsured Motorists	1,000,000
Medical Payments - per occurrence/aggregate	5,000/25,000
Educator's Legal Liability – errors or omissions	12,000,000
General District Liability	
Per occurrence	12,000,000
Total per year	12,000,000
Umbrella Liability	12,000,000

Settled claims have none exceeded this commercial coverage in any of the past three years.

SORSA financial statements are available by contacting Patrick Shaver, Schools of Ohio Risk Sharing Authority, 8050 North High St, Columbus, Ohio 43235.

B. Ohio School Boards Association Workers' Compensation Group Rating Program

The District participates in the Ohio School Board Association's Worker's Compensation Group Rating Program (GRP), an insurance purchasing pool. The GRP 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 GRP. Each participant pays its workers' compensation premium to the State based on the rate for the GRP rather than its individual rate. Participation in the GRP is limited to educational entities that can meet the GRP's selection criteria. Each participant must apply annually. The GRP provides the participants with a centralized program for processing, analysis and management of worker's 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.

C. Putnam County Schools Insurance Group

The District participates as a member of the Putnam County School Insurance Group, a public entity risk pool, administered by Huntington 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.

The District provides prescription drug insurance benefits to employees through a self-insurance program. The premiums and related disbursements 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.

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

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

NOTE 8 – RISK MANAGEMENT (Continued)

However, the District's liability is limited to the employee's 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 10. As such, no funding provisions are required by the District.

NOTE 9 - DEFINED BENEFIT PENSION PLANS

A. State Teachers Retirement System

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

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

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

Funding Policy - For the fiscal year ended June 30, 2011, plan members were required to contribute 10 percent of their annual covered salary. The District was required to contribute 14 percent; 13 percent was the portion used to fund pension obligations. Contribution rates are established by the STRS Ohio Board upon recommendations of its consulting actuary, not to exceed statutory maximum rates of 10 percent for members and 14 percent for employers. Chapter 3307 of the Ohio Revised Code provides statutory authority for member and employer contributions.

The District's required contribution for pension obligations to STRS Ohio for the fiscal years ended June 30, 2011, 2010, and 2009 was \$769,971, \$761,378, and \$744,103 respectively; 91 percent has been contributed for fiscal year 2011 and 100 percent for fiscal years 2010 and 2009.

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

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

NOTE 9 - DEFINED BENEFIT PENSION PLANS (Continued)

B. School Employees Retirement System

Plan Description - The District contributes to the School Employees Retirement System (SERS), a cost-sharing multiple-employer public employee retirement 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 stand-alone financial report that may be obtained by writing to the School Employees Retirement System, 300 East Broad Street, Suite 100, Columbus, Ohio 43215-3746.

Funding Policy - For the fiscal year ended June 30, 2011, plan members were required to contribute 10 percent of their annual covered salary and the District was required to contribute at an actuarially determined rate. The current District rate is 14 percent of annual covered payroll. A portion of the District's contribution is used to fund pension obligations with the remainder being used to fund health care benefits. For fiscal year 2011, 11.77 percent and 0.04 percent of annual covered salary was the portion used to fund pension obligations and death benefits, respectively. The contribution requirements of plan members and employers are established and may be amended by the SERS Retirement Board up to a statutory maximum amount of 10 percent for plan members and 14 percent for employers. Chapter 3309 of the Ohio Revised Code provides statutory authority for member and employer contributions. The District's required contribution for pension obligations to SERS for the fiscal years ended June 30, 2011, 2010, and 2009 was \$170,074, \$192,329, \$132,466 respectively; 68 percent has been contributed for fiscal year 2011 and 100 percent for fiscal years 2010 and 2009.

NOTE 10 - POSTEMPLOYMENT BENEFITS

A. State Teachers Retirement System

Plan Description - The District contributes to a cost-sharing multiple-employer defined benefit Health Care Plan administered by the State Teachers Retirement System of Ohio (STRS Ohio) for eligible retirees who participated in the Defined Benefit or Combined pension plans offered by STRS Ohio. Benefits include hospitalization, physicians' fees, prescription drugs, and reimbursement of monthly Medicare Part B premiums. The Plan is included in STRS Ohio's financial report which may be obtained by calling (888) 227-7877 or by visiting the STRS Ohio Web site at www.strsoh.org.

Funding Policy - Ohio law authorizes STRS Ohio to offer the Health Care Plan and gives the Retirement Board authority over how much, if any, of the health care costs will be absorbed by STRS Ohio. Active employee members do not contribute to the Health Care Plan. All benefit recipients pay a monthly premium. Under Ohio law, funding for postemployment health care may be deducted from employer contributions. For fiscal year 2011, STRS Ohio allocated employer contributions equal to 1 percent of covered payroll to the Health Care Stabilization Fund. The District's contribution for health care for the fiscal years ended June 30, 2011, 2010, and 2009 was \$59,229, \$58,568, and \$57,239 respectively; 91 percent has been contributed for fiscal year 2011 and 100 percent for fiscal years 2010 and 2009.

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

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

NOTE 10 - POSTEMPLOYMENT BENEFITS (Continued)

B. School Employees Retirement System

Plan Description - The District contributes to two cost-sharing multiple-employer defined benefit OPEB plans administered by the School Employees Retirement System (SERS) for classified retirees and their beneficiaries, a Health Care Plan and a Medicare Part B Plan. The Health Care Plan includes hospitalization and physicians fees through several types of plans including HMO's, PPO's, and traditional indemnity plans as well as a prescription drug program. The Medicare Part B Plan reimburses Medicare Part B premiums paid by eligible retirees and beneficiaries up to a statutory limit. Benefit provisions and the obligations to contribute are established by SERS based on authority granted by State statute. The financial reports of both Plans are included in the SERS Comprehensive Annual Financial Report which is available by contacting the School Employees Retirement System, 300 East Broad Street, Suite 100, Columbus, Ohio 43215-3746.

Funding Policy - State statute permits SERS to fund the health care benefits through employer contributions. Each fiscal year, after the allocation for statutorily required benefits, the Retirement Board allocates the remainder of the employer contribution of 14 percent of covered payroll to the Health Care Fund. The Health Care Fund was established and is administered in accordance with Internal Revenue Code Section 401h. For fiscal year 2011, 1.43 percent of covered payroll was allocated to health care. In addition, employers pay a surcharge for employees earning less than an actuarially determined amount. For fiscal year 2011, the surcharge amount was \$35,800.

Active employee members do not contribute to the Health Care Plan. Retirees and their beneficiaries are required to pay a health care premium that varies depending on the plan selected, the number of qualified years of service, Medicare eligibility, and retirement status.

The District's contribution for health care for the fiscal years ended June 30, 2011, 2010, and 2009 was \$20,593, \$29,875, and \$81,795 respectively; 85 percent has been contributed for fiscal year 2011 and 100 percent for fiscal years 2010 and 2009.

The Retirement Board, acting with advice of the actuary, allocates a portion of the employer contribution to the Medicare Part B Fund. For fiscal year 2011, this actuarially required allocation was .76 percent of covered payroll. The District's contribution for Medicare Part B for the fiscal years ended June 30, 2011, 2010, and 2009 was \$10,945, \$11,437, and \$10,930 respectively; 68 percent has been contributed for fiscal year 2011 and 100 percent for fiscal years 2010 and 2009.

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

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

NOTE 11 – DEBT

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

	Principal Outstanding 6/30/10	Additions	Reductions	Principal Outstanding 6/30/11	Amounts Due in One Year
<u>General Obligation Bonds:</u>					
General obligation bonds – 1986	\$50,000		\$50,000		
General obligation bonds – 2003	1,860,000		150,000	\$1,710,000	\$150,000
Capital appreciation bonds – 2003	20,000			20,000	
General obligation bonds – 2007	8,890,000		305,000	8,585,000	305,000
Capital appreciation bonds – 2007	155,341			155,341	
General obligation bonds - 2010		\$5,900,000		5,900,000	25,000
Capital appreciation bonds - 2010		99,994		99,994	
Total Governmental Activities	<u>\$10,975,341</u>	<u>\$5,999,994</u>	<u>\$505,000</u>	<u>\$16,470,335</u>	<u>\$480,000</u>

Series 1986 School Improvement General Obligation Bonds – Interest Rate 7.5%: The 1986 general obligation bonds were issued to provide funds for the acquisition and construction of equipment and facilities and were general obligations of the District for which the full faith and credit of the District was pledged for repayment. Payments of principal and interest relating to these bonds were recorded as disbursements in the debt service fund. The source of payment was derived from a current .80 mill bonded debt tax levy. The District retired these bonds during fiscal year 2011.

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. During 2007, \$9,289,995 of the current interest bonds were advance refunded. The remaining bonds will be retired from proceeds of a bonded debt tax levy and will be paid from the Bond Retirement Fund.

The Series 2003 school improvement general obligation bond issue included 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. At June 30, 2011, the total amount of these bonds including accretion was \$858,557. 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 Date</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.

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

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

NOTE 11 – DEBT (Continued)

2007 Advance Refunding of 2003 Bonds – Interest Rates 3.55 – 4.375%: Proceeds from the outstanding bonds were used for the purpose of advance refunding of general obligation bonds, dated September 15, 2002, which were issued for the purpose of renovating and otherwise improving school facilities. The bonds were issued on November 28, 2006. The bonds consisted of \$6,890,000 in current interest serial bonds and \$2,040,000 in term bonds and \$359,995, in capital appreciation bonds. This current refunding was undertaken to reduce total debt service payments over the next 24 years by \$652,293 and resulted in an economic gain of \$422,390.

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

Fiscal Year	Principal Amount	Interest Rate
2012	\$230,000	4.000%
2013	130,000	3.875%
2014	135,000	3.875%
2015	130,000	4.000%
2016	85,000	4.000%
2019	495,000	4.000%
2020	520,000	4.000%
2021	550,000	4.125%
2022	585,000	4.125%
2023	615,000	4.000%
2024	650,000	4.125%
2027	765,000	4.000%
2028	805,000	4.000%
2029	850,000	4.000%

The term bond which matures on December 1, 2025, has an interest rate of 4.125 percent per year, and is subject to mandatory sinking fund redemption at a redemption price of 100.529 percent of the principal amount to be redeemed, plus accrued interest to the date of redemption, on December 1, in the year in the respective principal amounts as follows:

Fiscal Year	Principal Amount to be Redeemed
2026	\$755,000

The term bond which matures on December 1, 2030, has an interest rate of 4.375 percent per year, and is subject to mandatory sinking fund redemption at a redemption price of 102.403 percent of the principal amount to be redeemed, plus accrued interest to the date of redemption, on December 1, in the year in the respective principal amounts as follows:

Fiscal Year	Principal Amount to be Redeemed
2031	\$1,285,000

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

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

NOTE 11 – DEBT (Continued)

The capital appreciation bonds were issued in the aggregate original principal amount of \$359,995 and mature on December 1, in the years, have the original principal amounts and mature with the accreted values at maturity, as follows:

Fiscal Year	Original Principal Amount	Accreted Value at Maturity
2017	\$83,590	\$475,000
2018	71,751	485,000

At June 30, 2011, the total amount of these bonds including accretion was \$339,760. The bonds are being retired through the Bond Retirement Debt Service Fund.

2010 School Facilities Construction and Improvement Bonds – On July 14, 2010, the District issued \$5,999,994, in general obligation bonds for the construction of a school building. The bond issue included serial, term, and capital appreciation bonds, in the original amount of \$175,000, \$5,725,000, and \$99,994, respectively. The bonds were issued for a twenty-six year period, with final maturity during fiscal year 2037. The bonds will be retired through the Bond Retirement service fund.

During fiscal year 2011, the District used the bond proceeds to retire bond anticipation notes of \$6,000,000 issued in fiscal year 2010.

The Series 2010B term bonds maturing on December 1, 2025, are subject to mandatory sinking fund redemption, at a redemption price equal to 100 percent of the principal amount redeemed plus accrued interest to the redemption date, on December 1 in the year and the respective principal amounts as follows:

Fiscal Year	Principal Amount to be Redeemed
2024	\$200,000
2025	265,000

The remaining principal amount of such Current Interest Term Bonds \$280,000 will be paid at stated maturity on December 1, 2025.

The Series 2010B term bonds maturing on December 1, 2030, are subject to mandatory sinking fund redemption, at a redemption price equal to 100 percent of the principal amount redeemed plus accrued interest to the redemption date, on December 1 in the year and the respective principal amounts as follows:

Fiscal Year	Principal Amount to be Redeemed
2027	\$295,000
2028	305,000
2029	330,000
2030	345,000

The remaining principal amount of such Current Interest Term Bonds \$360,000 will be paid at stated maturity on December 1, 2030.

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

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

NOTE 11 – DEBT (Continued)

The Series 2010B term bonds maturing on December 1, 2036, are subject to mandatory sinking fund redemption, at a redemption price equal to 100 percent of the principal amount redeemed plus accrued interest to the redemption date, on December 1 in the year and the respective principal amounts as follows:

<u>Fiscal Year</u>	<u>Principal Amount to be Redeemed</u>
2032	\$400,000
2033	455,000
2034	520,000
2035	585,000
2036	655,000

The remaining principal amount of such Current Interest Term Bonds \$730,000 will be paid at stated maturity on December 1, 2036.

The Series 2010A serial bonds are subject to optional prior redemption, by and at the sole option of the District, either in whole or in part and in integral multiples of \$5,000, on any date on or after June 1, 2020, at a redemption equal to 100 percent of the principal amount redeemed plus accrued interest to the redemption date.

The Series 2010B serial bonds are subject to extraordinary optional redemption, by and at the sole option of the District, either in whole on any date or in part on any interest payment date, at a redemption price equal to 100 percent of the principal amount redeemed, plus accrued interest to the redemption date in the event that the Build America payments from the federal government cease or are in an amount less than 35 percent of the corresponding interest payable on the Series 2010B bonds.

The capital appreciation bonds are not subject to prior redemption. The capital appreciation bonds will mature in fiscal years 2018-2022. The maturity amount of the bonds is \$865,000. For fiscal year 2011, \$19,618 was accreted for a total bond value of \$119,612 at fiscal year end.

Principal and interest requirements to retire long-term liabilities outstanding at June 30, 2011 are as follows:

<u>Year Ended</u>	<u>General Obligation Bonds</u>			<u>Capital Appreciation Bonds</u>		
	<u>Principal</u>	<u>Interest</u>	<u>Total</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2012	\$480,000	\$779,676	\$1,259,676			
2013	440,000	762,624	1,202,624			
2014	160,000	751,574	911,574	\$5,000	\$300,000	\$305,000
2015	155,000	745,859	900,859	5,000	315,000	320,000
2016	110,000	740,997	850,997	10,000	370,000	380,000
2017-2021	1,615,000	3,597,435	5,212,435	227,472	1,252,528	1,480,000
2022-2026	4,005,000	2,996,179	7,001,179	27,863	317,137	345,000
2027-2031	5,885,000	1,815,635	7,700,635			
2032-2036	2,615,000	688,960	3,303,960			
2037	730,000	23,360	753,360			
Total	<u>\$16,195,000</u>	<u>\$12,902,299</u>	<u>\$29,097,299</u>	<u>\$275,335</u>	<u>\$2,554,665</u>	<u>\$2,830,000</u>

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

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

NOTE 11 – DEBT (Continued)

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 District had a voted debt margin of \$1,034,543 and an unvoted debt margin of \$187,916.

NOTE 12 – NOTES PAYABLE

The District's notes payable activity for the fiscal year ended June 30, 2011, was as follows:

	Principal Outstanding 6/30/10	Reductions	Principal Outstanding 6/30/11	Amounts Due in One Year
<u>Bond Anticipation Notes:</u>				
School Facilities Construction and Improvement Note - 2010	\$6,000,000	\$6,000,000		

The District passed a bond issue in November 2008 to issue \$6,000,000 in bonds for the construction of two new elementary buildings as part of an Ohio School Facilities Commission project. Bond anticipation notes were sold in March 19, 2009 and matured on March 18, 2010. Due to bond rates at that time, the Board decided to reissue bond anticipation notes on March 18, 2010 that matured on August 17, 2010. The District issued general obligation bonds in August 2010 that paid off the bond anticipation notes.

NOTE 13 – SET ASIDE REQUIREMENTS

The District is required by State statute to annually set aside, in the General Fund, an amount based on a statutory formula for the purchase of textbooks and other instructional materials, and an equal amount for the acquisition and construction of capital improvements. Amounts not spent by the end of the fiscal year or offset by similarly restricted resources received during the fiscal year must be held in cash at fiscal year end. These amounts must be carried forward and used for the same purposes in future years. In prior years, the District was also required to set aside money for budget stabilization. In addition to the amounts required to be set aside for budget stabilization the District voluntarily has set aside an additional \$197,862 designated for budget stabilization.

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

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

NOTE 13 – SET ASIDE REQUIREMENTS (Continued)

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

	Textbooks/ Instructional Materials	Capital Maintenance	Designated for Budget Stabilization	Reserved for Bureau of Workers Compensation Refund
Balance at June 30, 2010	(\$74,798)		\$197,862	\$32,039
Current Year Set Aside Requirement	235,071	\$235,071		
Qualifying Cash Disbursements	(134,091)	(42,773)		
Offsets		(192,298)		
Balance at June 30, 2011	<u>\$26,182</u>		<u>\$197,862</u>	<u>\$32,039</u>

The District had current year offsets during the fiscal year that reduced the capital improvements set aside amount to below zero. However, this amount cannot be carried forward to reduce future set aside requirements, and therefore is not reflected in this schedule.

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, 2011 follows:

Amount restricted for Textbooks/Instructional Materials	\$26,182
Amount restricted for Bureau of Workers Compensation refunds	32,039
Amount restricted for school bus purchases	<u>23,089</u>
Total restricted assets	<u>\$81,310</u>

NOTE 14 – CONTINGENCIES

A. Grants

The District received financial assistance from federal and state agencies in the form of grants. The expenditure of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements, and is subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the General Fund or other applicable funds. However, in the opinion of management, any such disallowed claims will not have a material adverse effect on the overall financial position of the District at June 30, 2011.

B. Litigation

There are currently no matters in litigation with the District as defendant.

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

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

NOTE 15 – JOINTLY GOVERNED ORGANIZATIONS

A. Northwest Ohio Area Computer Services Cooperative

The District is a participant in the Northwest Ohio Area Computer Services Cooperative (NOACSC) which is a computer consortium. NOACSC is an association of public school districts within the boundaries of Allen, Hancock, Paulding, Putnam, and Van Wert counties, and the cities of St. 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.

B. 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.

C. 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.

D. State Support Team Region 1

The State Support Region 1 (SSTR1) provides specialized core work related to building regional capacity for district, building, and community school implementation of the Ohio Improvement Process (OIP) at a high level. The service region of the SSTR1 includes Defiance, Fulton, Hancock, Henry, Lucas, Ottawa, Paulding, Putnam, Sandusky, Van Wert, Williams, and Wood counties, and Fostoria Community School in Seneca County. The Lucas County Educational Service Center is the fiscal agent for the SSTR1. Executive Director and Single Point of Contact is Sue Zake. Contact information is available at www.sstr1.org.

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**OTTAWA GLANDORF LOCAL SCHOOL DISTRICT
PUTNAM COUNTY**

**FEDERAL AWARDS RECEIPTS AND EXPENDITURES SCHEDULE
FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

FEDERAL GRANTOR <i>Pass Through Grantor</i> Program Title	Federal CFDA Number	Receipts	Disbursements
UNITED STATES DEPARTMENT OF AGRICULTURE <i>Passed Through Ohio Department of Education:</i>			
Nutrition Cluster:			
National School Lunch Program:			
Cash Assistance	10.555	\$137,108	\$137,108
Non-Cash Assistance (Food Distribution)		107,992	107,992
Total National School Lunch Program		<u>245,100</u>	<u>245,100</u>
School Breakfast Program	10.553	<u>15,552</u>	<u>15,552</u>
Total U.S. Department of Agriculture		<u>260,652</u>	<u>260,652</u>
UNITED STATES DEPARTMENT OF EDUCATION <i>Passed Through Ohio Department of Education:</i>			
Title I, Part A Cluster:			
Title I Grants to Local Educational Agencies	84.010	122,420	115,820
ARRA - Title I Grants to Local Educational Agencies	84.389	<u>20,427</u>	<u>19,374</u>
Total Title I, Part A Cluster		142,847	135,194
Special Education Cluster:			
Education Grants to States	84.027	327,904	309,278
Early Childhood Grant	84.173	9,991	9,481
ARRA - Special Education Grants to States	84.391	105,468	108,496
ARRA - Early Childhood	84.392	<u>5,200</u>	<u>7,734</u>
Total Special Education Cluster:		448,563	434,989
Education Technology State Grants	84.318	375	458
Improving Teacher Quality State Grants	84.367	44,811	39,008
ARRA - State Fiscal Stabilization Fund - Education State Grants	84.394	429,505	440,950
ARRA - Race to the Top	84.395	9,923	8,334
<i>Passed Through Auglaize County Educational Service Center</i>			
English Language Acquisition Grants	84.365	<u>6,381</u>	<u>6,381</u>
Total U.S. Department of Education		<u>1,082,405</u>	<u>1,065,314</u>
Total Federal Awards Receipts and Expenditures		<u>\$1,343,057</u>	<u>\$1,325,966</u>

The accompanying notes are an integral part of this Schedule.

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

**NOTES TO THE FEDERAL AWARDS RECEIPTS AND EXPENDITURES SCHEDULE
FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

NOTE A – SIGNIFICANT ACCOUNTING POLICIES

The accompanying Federal Awards Receipts and Expenditures Schedule (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

The District commingles cash receipts from the U.S. Department of Agriculture with similar State grants. When reporting expenditures on this Schedule, the District assumes it expends federal monies first.

NOTE C – FOOD DONATION PROGRAM

The District reports commodities consumed on the Schedule at the fair value. The District allocated donated food commodities to the program that benefitted from the use of those donated food commodities.

NOTE D – TRANSFERS

During fiscal year 2011, the Ohio Department of Education (ODE) authorized the following transfers:

CFDA Number	Program Title	Grant Year	Transfers Out	Transfers In
84.392	ARRA - Early Childhood	2010	\$973	
84.392	ARRA - Early Childhood	2011		\$973
			<u>\$973</u>	<u>\$973</u>



Dave Yost • Auditor of State

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

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

To the Board of Education:

We have audited the financial statements of Ottawa-Glandorf Local School District, Putnam County, Ohio (the District), as of and for the year ended June 30, 2011, and have issued our report thereon dated January 4, 2012, wherein we issued an adverse opinion on the District's financial statements because the District prepared its financial statements using accounting practices the Auditor of State prescribes or permits for governments not required to report using accounting principles generally accepted in the United States of America and wherein we noted the District did not adopt the provisions of Governmental Accounting Standards Board Statement No. 54 *Fund Balance Reporting and Governmental Fund Type Definitions*. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*.

Internal Control Over Financial Reporting

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

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, when performing their assigned functions, to prevent, or detect and timely correct misstatements. A *material weakness* is a deficiency, or combination of internal control deficiencies resulting in more than a reasonable possibility that a material misstatement of the District's financial statements will not be prevented, or detected and timely corrected.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider material weaknesses, as defined above.

Compliance and Other Matters

As part of reasonably assuring whether the District's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and accordingly, we do not express an opinion. The results of our tests disclosed an instance of noncompliance we must report under *Government Auditing Standards* which is described in the accompanying schedule of findings as item 2011-001.

We also noted certain matters not requiring inclusion in this report that we reported to the District's management in a separate letter dated January 4, 2012.

The District's response to the finding identified in our audit is described in the accompanying schedule of findings. We did not audit the District's response and, accordingly, we express no opinion on it.

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



Dave Yost
Auditor of State

January 4, 2012



Dave Yost • Auditor of State

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 Avenue
Ottawa, Ohio 45875-1162

To the Board of Education:

Compliance

We have audited the compliance of Ottawa-Glandorf Local School District, Putnam County, Ohio (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 could directly and materially affect each of the District's major federal programs for the year ended June 30, 2011. 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 included in the Comptroller General of the United States' *Government Auditing Standards*; 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 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 complied, in all material respects, with the requirements referred to above that could directly and materially affect each of its major federal programs for the year ended June 30, 2011.

Internal Control Over Compliance

The District's management is responsible for establishing and maintaining effective internal control over compliance with the 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 opining on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of opining on the effectiveness of internal control over compliance. Accordingly, we have not opined on the effectiveness of the District's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, when performing their assigned functions, to prevent, or to timely detect and correct, noncompliance with a federal program compliance requirement. A *material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a federal program compliance requirement will not be prevented, or timely detected and corrected.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control over compliance that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

We noted a matter involving federal compliance not requiring inclusion in this report, that we reported to the District's management in a separate letter dated January 4, 2012.

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



Dave Yost
Auditor of State

January 4, 2012

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

**SCHEDULE OF FINDINGS
OMB CIRCULAR A -133 § .505
JUNE 30, 2011**

1. SUMMARY OF AUDITOR'S RESULTS

(d)(1)(i)	Type of Financial Statement Opinion	Adverse
(d)(1)(ii)	Were there any material control weaknesses reported at the financial statement level (GAGAS)?	No
(d)(1)(ii)	Were there any significant deficiencies in internal control reported at the financial statement level (GAGAS)?	No
(d)(1)(iii)	Was there any reported material noncompliance at the financial statement level (GAGAS)?	Yes
(d)(1)(iv)	Were there any material internal control weaknesses reported for major federal programs?	No
(d)(1)(iv)	Were there any significant deficiencies in internal control 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(a)?	No
(d)(1)(vii)	Major Program:	ARRA - State Fiscal Stabilization Fund – Education State Grants CFDA # 84.394 Special Education Cluster: Special Education – Grants to States CFDA #84.027 ARRA - Special Education – Grants to States CFDA #84.391 Early Childhood Grant CFDA #84.173 ARRA – Early Childhood Grant CFDA #84.392
(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**

FINDING NUMBER 2011-001

Noncompliance Citation

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

Ohio Administrative Code § 117-2-03(B), which further clarifies the requirements of Ohio Revised Code § 117.38, which requires School Districts to prepare their annual financial report in accordance with accounting principles generally accepted in the United States of America.

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

We recommend the District prepare its financial statements in accordance with generally accepted accounting principles.

Officials' Response:

The Board of Education and management of the District are knowledgeable concerning the required reporting format (GASB 34 / Generally Accepted Accounting Principles) and the similarities and differences from the required reporting format and the method currently incorporated by the District (Cash Basis of Accounting). District personnel considered the cost-benefit of the two reporting formats and determined reporting on the Cash Basis of Accounting format to be the more fiscally responsible format at this time.

3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS

None

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

**SCHEDULE OF PRIOR AUDIT FINDINGS
JUNE 30, 2011**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain</i>
2010-001	Ohio Revised Code §117.38 reporting on basis other than generally accepted accounting principles.	No	Finding has not been corrected and is repeated in this report as finding 2011-001.

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Dave Yost • Auditor of State

INDEPENDENT ACCOUNTANTS' REPORT ON APPLYING AGREED-UPON PROCEDURES

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

To the Board of Education:

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

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

We noted the Board amended its anti-harassment policy at its meeting on November 2, 2010 to include violence within a dating relationship within its definition of harassment, intimidation or bullying.

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

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

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

Dave Yost
Auditor of State

January 4, 2012

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Dave Yost • Auditor of State

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
JANUARY 17, 2012