



Dave Yost • Auditor of State

**COLUMBUS GROVE LOCAL SCHOOL DISTRICT
PUTNAM COUNTY**

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INDEPENDENT ACCOUNTANTS' REPORT

Columbus Grove Local School District
Putnam County
201 West Cross Street
Columbus Grove, Ohio 45830-1237

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 Columbus Grove Local School District, Putnam County, Ohio (the District), as of and for the year ended June 30, 2012, which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the District's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective cash financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Columbus Grove Local District, Putnam County, Ohio, as of June 30, 2012, and the respective changes in cash financial position, thereof and the budgetary comparison for the General Fund and thereof for the year then ended in conformity with the accounting basis Note 2 describes.

In accordance with *Government Auditing Standards*, we have also issued our report dated March 13, 2014, 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. Management's Discussion and Analysis includes tables of net position, changes in net position, and governmental activities. These tables provide additional information, but are not part of the basic financial statements. However these tables are management's responsibility, and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. These tables were 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. In our opinion, this information is fairly stated in all material respects in relation to the basic financial statements taken as a whole. Other than the aforementioned procedures applied to the tables, we applied no procedures to any other information in Management's Discussion and Analysis, and we express no opinion or any other assurance on it.



Dave Yost
Auditor of State

March 13, 2014

**COLUMBUS GROVE LOCAL SCHOOL DISTRICT
PUTNAM COUNTY**

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012
UNAUDITED

This discussion and analysis of Columbus Grove Local School District's (the District) financial performance provides an overall review of the District's financial activities for the year ended June 30, 2012, within the limitations of the District's cash basis of accounting. Readers should also review the basic financial statements and notes to enhance their understanding of the District's financial performance.

Financial Highlights

Key highlights for 2012 are as follows:

Net position of governmental activities decreased \$12,177,942, from the prior year. This decrease was mostly due to the expenditure of funds for the Ohio School Facilities Commission school construction project.

The District's general governmental receipts were \$8,587,900. The majority of these receipts were primarily property taxes and unrestricted state entitlements. Program specific revenues in the form of charges for services, operating grants and contributions, and capital grants and contributions accounted for \$4,845,904.

The District had \$25,611,746 in expenses related to governmental activities. Only \$4,845,904 of these expenses were offset by program specific charges for services, grants and contributions. General revenues supporting governmental activities (primarily taxes, unrestricted grants and entitlements) of \$8,587,900 were adequate to provide for these programs.

The District's major governmental funds were the General Fund, Bond Retirement Fund, Building Fund, and Ohio School Facilities Commission (OSFC) Construction Fund. The General Fund had \$8,028,255 in revenues and other financing sources and \$7,922,472 in expenditures and other financing uses. The Bond Retirement Fund had \$907,523 in revenues and other financing sources and \$374,926 in expenditures. The Building Fund had \$38,828 in revenues and other financing sources and \$1,783,674 in expenditures. The OSFC Construction Fund had \$3,809,056 in revenues and \$14,867,537 in expenditures. During fiscal year 2012, the General Fund balance increased \$105,783 from \$4,284,195 to \$4,389,978. The Bond Retirement Fund balance increased \$532,597 from \$791,957 to \$1,324,554. The Building Fund balance decreased \$1,744,846 from \$2,419,243 to \$674,397 and the OSFC Construction Fund decreased \$11,058,481 from \$14,957,255 to \$3,898,774.

Using this Annual Report

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

Report Components

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

Fund financial statements provide a greater level of detail. For governmental and business type funds, these statements tell how services were financed in the short-term as well as what remains for future spending. The fund financial statements also look at the District's most significant funds, with all other

**COLUMBUS GROVE LOCAL SCHOOL DISTRICT
PUTNAM COUNTY**

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012
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(Continued)

non-major funds presented in total in a single column. For the District, the General Fund, Bond Retirement Fund, Building Fund, and OSFC Construction Fund are the major funds.

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

Basis of Accounting

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

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

Reporting the District as a Whole

The statement of net position and the statement of activities reflect how the District did financially during fiscal year 2012, within the limitations of the cash basis of accounting. The statement of net position presents the cash balances and investments of the governmental activities of the District at fiscal year end. The statement of activities compares cash disbursements with program receipts for each function or program of the District's governmental activities. A function is a group of related activities designed to accomplish a major service or regulatory program for which the District is responsible. Program receipts include charges paid by the recipient of the program's goods or services and grants and contributions restricted to meeting the operational or capital requirements of a particular program. General receipts are all receipts not classified as program receipts. The comparison of cash disbursements with program receipts identifies how each governmental function draws from the District's general receipts.

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

In the statement of net position and the statement of activities, the Governmental Activities include the District's programs and services including instruction, support services, non-instructional services, extracurricular activities, capital outlay disbursements, and debt service.

Reporting the District's Most Significant Funds

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

**COLUMBUS GROVE LOCAL SCHOOL DISTRICT
PUTNAM COUNTY**

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012
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(Continued)

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

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

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

The District as a Whole

Table 1 provides a summary of the District's net position for fiscal year 2012 compared to fiscal year 2011 on another comprehensive basis of accounting.

Table 1		
Net Position		
	Governmental Activities 2012	Governmental Activities 2011
Assets:		
Cash and Cash Equivalents	\$10,754,254	\$22,932,196
Net Position:		
Restricted	\$6,295,186	\$18,730,671
Unrestricted	4,459,068	4,201,525
Total Net Position	\$10,754,254	\$22,932,196

Over time, net position can serve as a useful indicator of a government's financial position. At year end, net position was \$10,754,254 for governmental activities.

A portion of the District's net position, \$6,295,186, represents resources that are subject to external restriction on how they may be used. The remaining balance of unrestricted net position of \$4,459,068 may be used to meet the District's ongoing obligations to the students and creditors.

The decrease in cash was attributed to the expense of OSFC monies for the District's building project.

Table 2 reflects the changes in net position from the prior year:

**COLUMBUS GROVE LOCAL SCHOOL DISTRICT
PUTNAM COUNTY**

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012
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(Continued)

**Table 2
Change in Net Position**

	Governmental Activities 2012	Governmental Activities 2011
Revenues:		
Program Revenues:		
Charges for Services and Sales	\$619,120	\$663,110
Operating Grants and Contributions	424,927	372,393
Capital Grants and Contributions	3,801,857	14,466,444
Total Program Revenues	4,845,904	15,501,947
General Revenues:		
Property and Other Local Taxes	2,283,275	2,146,817
Income Taxes	1,098,667	921,831
Grants and Entitlements Not Restricted to Specific Programs	4,951,148	5,228,355
Gifts and Donations	16,047	30,711
Interest	66,840	158,018
Rent	1,780	721
Miscellaneous	170,143	67,825
Total General Revenues	8,587,900	8,554,278
Total Revenues	13,433,804	24,056,225
Expenditures:		
Instruction:		
Regular	4,187,655	4,189,516
Special	1,020,963	806,788
Vocational	91,579	83,983
Support Services:		
Pupil	265,488	302,098
Instructional Staff	119,202	132,357
Board of Education	39,715	42,687
Administration	589,864	574,542
Fiscal	286,783	273,175
Operation and Maintenance of Plant	644,119	557,415
Pupil Transportation	298,056	302,408
Central	82,708	82,575
Operation of Non-Instructional Services	462,771	409,220
Extracurricular Activities	506,449	464,143
Capital Outlay	16,657,774	7,505,967
Debt Service	358,620	541,101
Total Expenditures	25,611,746	16,267,975
Increase (Decrease) in Net Position	(12,177,942)	7,788,250

**COLUMBUS GROVE LOCAL SCHOOL DISTRICT
PUTNAM COUNTY**

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012
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(Continued)

Net Position, July 1	22,932,196	15,143,946
Net Position, June 30	\$10,754,254	\$22,932,196

Net position of the District's governmental activities decreased \$12,177,942. Total governmental expenses of \$25,611,746 were offset by program revenues of \$4,845,904 and general revenues of \$8,587,900. Program revenues supported the vast majority of the total governmental expenses.

The primary sources of revenue for the governmental activities were OSFC grant draw downs and other restricted grant receipts which represents 31.46 percent of total governmental revenue. Property taxes, income taxes and grant and entitlements not restricted to specific programs represent 62.03 percent of total governmental revenue. Real estate property is reappraised every six years.

Overall revenues decreased \$10,622,421 primarily due to the lower receipts of Ohio School Facilities Commission (OSFC) grant monies used for the construction of the District's new school building. Overall expenditures increased \$9,343,771 primarily due to an increase in capital expenditures related to the construction of the District's new school building.

Governmental Activities

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

**Table 3
Governmental Activities**

	Total Cost of Services 2012	Net Cost of Services 2012	Total Cost of Services 2011	Net Cost of Services 2011
Current:				
Instruction:				
Regular	\$4,187,655	\$3,963,179	\$4,189,516	\$3,963,863
Special	1,020,963	596,036	806,788	434,395
Vocational	91,579	91,579	83,983	83,983
Support Services:				
Pupil	265,488	265,488	302,098	302,098
Instructional Staff	119,202	119,202	132,357	132,357
Board of Education	39,715	39,715	42,687	42,687
Administration	589,864	589,864	574,542	574,542
Fiscal	286,783	286,783	273,175	273,175
Operation and Maintenance of Plant	644,119	644,119	557,415	557,415
Pupil Transportation	298,056	298,056	302,408	302,408
Central	82,708	82,708	82,575	82,575
Operation of Non-Instructional Services	462,771	271,434	409,220	205,702
Extracurricular Activities	506,449	303,142	464,143	230,204

**COLUMBUS GROVE LOCAL SCHOOL DISTRICT
PUTNAM COUNTY**

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012
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(Continued)

Capital Outlay	16,657,774	12,855,917	7,505,967	(6,960,477)
Debt Service	358,620	358,620	541,101	541,101
Total Disbursements	<u>\$25,611,746</u>	<u>\$20,765,842</u>	<u>\$16,267,975</u>	<u>\$766,028</u>

The dependence upon tax receipts and unrestricted state entitlements is apparent as a majority of instructional activities are supported through these general receipts. For all governmental activities, general revenue support is 81.08 percent. The remaining 18.92 percent is derived from charges for services, operating grants and contributions, and capital grants and contributions.

The District's Funds

The District's funds are accounted for using the cash basis of accounting. Total combined fund balance of \$10,754,254, which is lower than last year's total of \$22,932,196. The schedule below indicates fund balance and the total change in fund balance as of June 30, 2012 and 2011.

**Table 4
Fund Balance**

	<u>June 30, 2012</u>	<u>June 30, 2011</u>	Increase (Decrease)
General	\$4,389,978	\$4,284,195	\$105,783
Bond Retirement	1,324,554	791,957	532,597
Building	674,397	2,419,243	(1,744,846)
OSFC Construction	3,898,774	14,957,255	(11,058,481)
Other Governmental	<u>466,551</u>	<u>479,546</u>	<u>(12,995)</u>
Total Fund Balance	<u>\$10,754,254</u>	<u>\$22,932,196</u>	<u>(\$12,177,942)</u>

The net negative change of \$12,177,942 in fund balance for the year was primarily attributed to Ohio School Facilities Commission (OSFC) monies expended for the construction of the District's new school building.

General Fund

The District's General Fund balance increased by \$105,783

The table that follows assists in illustrating the financial activities of the General Fund.

**Table 5
General Fund**

	<u>2012 Amount</u>	<u>2011 Amount</u>
Revenues:		
Taxes	\$2,814,290	\$2,501,786
Tuition	224,476	225,653
Interest	40,660	67,283
Intergovernmental	4,726,863	4,546,036
Other Revenues	<u>125,063</u>	<u>103,170</u>

**COLUMBUS GROVE LOCAL SCHOOL DISTRICT
PUTNAM COUNTY**

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012
UNAUDITED
(Continued)

Total Revenues	\$7,931,352	\$7,443,928
Expenditures:		
Instruction	\$4,983,908	\$4,574,537
Support Services	2,289,207	2,007,484
Operation of Non-Instructional Services	1,643	1,444
Extracurricular Activities	232,935	244,592
Capital Outlay	6,563	13,894
Total Expenditures	\$7,514,256	\$6,841,951

General Fund Budgeting Highlights

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

During fiscal year 2012, the District amended its General Fund budget as needed to reflect changing circumstances.

Final estimated revenues and other financing sources were above original amounts by \$201,736. The variance was primarily a result of amending intergovernmental revenues higher than originally expected. Actual revenues and other financing sources for fiscal year 2012 were \$483,540 less than the final estimated revenues and other financing sources. The variance was primarily a result of actual intergovernmental revenues not as high as budgeted.

General Fund original budgeted appropriations (appropriated expenditures plus other financing uses) of \$8,772,806 were increased to \$8,770,200 in the final budget. The \$2,606 decrease was minimal. Actual budget basis expenditures and other financing uses for fiscal year 2012 totaled \$8,075,123 which was \$695,077 less than the final budget appropriations. The variance is primarily due to a conservative "worst case scenario" approach. The District over-appropriates and uses a contingency appropriation in case significant, unexpected expenditures arise during the fiscal year.

Capital Assets and Debt Administration

Capital Assets

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

Debt

At June 30, 2012, the District's outstanding debt included general obligation bonds in the amount of \$3,451,617 and total Qualified School Construction Bond debt of \$5,650,000. Of this total \$125,000 is due within one year and \$8,976,167 is due in more than one year.

The bonds are being retired through the Bond Retirement Fund.

For further information regarding the District's debt, see the notes to the basic financial statements.

Current Issues

**COLUMBUS GROVE LOCAL SCHOOL DISTRICT
PUTNAM COUNTY**

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012
UNAUDITED
(Continued)

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

Contacting the District's Financial Management

This financial report is designed to provide our citizens, taxpayers, investors, and creditors with a general overview of the District's finances and to reflect the District's accountability for the monies it receives. Questions concerning any of the information in this report or requests for additional information should be directed to Mark Ellerbrock, Treasurer, Columbus Grove Local School District, 201 West Cross Street, Columbus Grove, Ohio 45830-1237.

**COLUMBUS GROVE LOCAL SCHOOL DISTRICT
PUTNAM COUNTY**

Statement of Net Position - Cash Basis
June 30, 2012

	<u>Governmental Activities</u>
Assets:	
Equity in Pooled Cash and Cash Equivalents	\$9,931,622
Restricted Assets:	
Cash and Cash Equivalents with Fiscal Agent	<u>822,632</u>
<i>Total Assets</i>	<u><u>\$10,754,254</u></u>
Net Position:	
Restricted for:	
Capital Projects	\$4,573,171
Debt Service	1,324,554
Other Purposes	397,461
Unrestricted	<u>4,459,068</u>
<i>Total Net Position</i>	<u><u>\$10,754,254</u></u>

See accompanying notes to the basic financial statements

**COLUMBUS GROVE LOCAL SCHOOL DISTRICT
PUTNAM COUNTY**

Statement of Activities - Cash Basis
For the Fiscal Year Ended June 30, 2012

		Program Revenues		Net (Disbursements) Receipts and Changes in Net Position
	Cash Disbursements	Charges for Services and Sales	Operating Grants and Contributions	Capital Grants and Contributions
				Governmental Activities
Governmental Activities:				
Instruction:				
Regular	\$4,187,655	\$224,476		(\$3,963,179)
Special	1,020,963		\$424,927	(596,036)
Vocational	91,579			(91,579)
Support Services:				
Pupil	265,488			(265,488)
Instructional Staff	119,202			(119,202)
Board of Education	39,715			(39,715)
Administration	589,864			(589,864)
Fiscal	286,783			(286,783)
Operation and Maintenance of Plant	644,119			(644,119)
Pupil Transportation	298,056			(298,056)
Central	82,708			(82,708)
Operation of Non-Instructional Services	462,771	191,337		(271,434)
Extracurricular Activities	506,449	203,307		(303,142)
Capital Outlay	16,657,774			(12,855,917)
Debt Service	358,620			(358,620)
Totals	\$25,611,746	\$619,120	\$424,927	\$3,801,857
General Revenues:				
Property Taxes				2,283,275
Income Taxes				1,098,667
Grants and Entitlements not Restricted to Specific Programs				4,951,148
Gifts and Donations				16,047
Interest				66,840
Rent				1,780
Miscellaneous				170,143
<i>Total General Revenues</i>				<i>8,587,900</i>
Change in Net Position				(12,177,942)
<i>Net Position Beginning of Year</i>				<i>22,932,196</i>
<i>Net Position End of Year</i>				<i>\$10,754,254</i>

See accompanying notes to the basic financial statements

**COLUMBUS GROVE LOCAL SCHOOL DISTRICT
PUTNAM COUNTY**

Statement of Cash Basis Assets and Fund Cash Balances -
Governmental Funds
June 30, 2012

	<u>General</u>	<u>Bond Retirement</u>	<u>Building Fund</u>	<u>OSFC Construction Fund</u>	<u>Other Governmental Funds</u>	<u>Total Government Funds</u>
Assets:						
Equity in Pooled Cash and Cash Equivalents	\$4,389,978	\$501,922	\$674,397	\$3,898,774	\$466,551	\$9,931,622
Restricted Assets:						
Cash and Cash Equivalents with Fiscal Agent		<u>822,632</u>				<u>822,632</u>
Total Assets	<u>\$4,389,978</u>	<u>\$1,324,554</u>	<u>\$674,397</u>	<u>\$3,898,774</u>	<u>\$466,551</u>	<u>\$10,754,254</u>
Fund Balances:						
Restricted		\$1,324,554	\$674,397	\$3,898,774	\$397,461	\$6,295,186
Assigned	\$167,042				69,090	236,132
Unassigned	<u>4,222,936</u>					<u>4,222,936</u>
Total Fund Balances	<u>\$4,389,978</u>	<u>\$1,324,554</u>	<u>\$674,397</u>	<u>\$3,898,774</u>	<u>\$466,551</u>	<u>\$10,754,254</u>

See accompanying notes to the basic financial statements

**COLUMBUS GROVE LOCAL SCHOOL DISTRICT
PUTNAM COUNTY**

Statement of Cash Basis Receipts, Disbursements and Changes
in Fund Cash Balances - Governmental Funds
For the Fiscal Year Ended June 30, 2012

	General	Bond Retirement	Building Fund	OSFC Construction Fund	Other Governmental Funds	Total Governmental Funds
Revenues:						
Property Taxes	\$1,715,623	\$532,077			\$35,575	\$2,283,275
Income Taxes	1,098,667					1,098,667
Intergovernmental	4,726,863	85,848		\$3,801,856	563,365	9,177,932
Interest	40,660	16,437	\$676	7,200	1,867	66,840
Tuition and Fees	224,476					224,476
Customer Sales and Services					191,337	191,337
Extracurricular Activities	7,315				195,992	203,307
Contributions and Donations	16,047					16,047
Rentals	1,780					1,780
Miscellaneous	99,921				70,222	170,143
Total Revenues	7,931,352	634,362	676	3,809,056	1,058,358	13,433,804
Expenditures:						
Current:						
Instruction:						
Regular	4,163,671				23,984	4,187,655
Special	728,658				292,305	1,020,963
Vocational	91,579					91,579
Support Services:						
Pupil	265,488					265,488
Instructional Staff	119,202					119,202
Board of Education	39,715					39,715
Administration	587,175				2,689	589,864
Fiscal	269,327	16,306			1,150	286,783
Operation and Maintenance of Plant	627,704				16,415	644,119
Pupil Transportation	298,056					298,056
Central	82,540				168	82,708
Operation of Non-Instructional Services	1,643				461,128	462,771
Extracurricular Activities	232,935				273,514	506,449
Capital Outlay	6,563		1,783,674	14,867,537		16,657,774
Debt Service:						
Principal Retirement		115,000				115,000
Interest and Fiscal Charges		243,620				243,620
Total Expenditures	7,514,256	374,926	1,783,674	14,867,537	1,071,353	25,611,746
Excess of Revenues Over (Under) Expenditures	417,096	259,436	(1,782,998)	(11,058,481)	(12,995)	(12,177,942)
Other Financing Sources and (Uses):						
Transfers In	96,903	273,161	38,152			408,216
Transfers Out	(408,216)					(408,216)
Total Other Financing Sources and (Uses)	(311,313)	273,161	38,152			
Net Changes in Fund Balances	105,783	532,597	(1,744,846)	(11,058,481)	(12,995)	(12,177,942)
Fund Balances at Beginning of Year	4,284,195	791,957	2,419,243	14,957,255	479,546	22,932,196
Fund Balances at End of Year	\$4,389,978	\$1,324,554	\$674,397	\$3,898,774	\$466,551	\$10,754,254

See accompanying notes to the basic financial statements

**COLUMBUS GROVE LOCAL SCHOOL DISTRICT
PUTNAM COUNTY**

Statement of Cash Receipts, Cash Disbursements and Changes
in Cash Fund Balance (Budgetary Basis) - General Fund
For the Fiscal Year Ended June 30, 2012

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues:				
Property Taxes	\$1,851,233	\$1,635,541	\$1,715,623	\$80,082
Income Taxes	1,080,110	1,080,110	1,098,667	18,557
Intergovernmental	4,976,431	5,296,956	4,726,863	(570,093)
Interest	50,502	50,502	40,660	(9,842)
Tuition and Fees	245,780	245,780	224,476	(21,304)
Rent	536	536	1,780	1,244
Contributions and Donations	35,984	35,984	16,047	(19,937)
Customer Sales and Services	4,240	4,240		(4,240)
Miscellaneous	55,184	55,184	97,177	41,993
<i>Total Revenues</i>	<u>8,300,000</u>	<u>8,404,833</u>	<u>7,921,293</u>	<u>(483,540)</u>
Expenditures:				
Current:				
Instruction:				
Regular	4,685,286	4,683,396	4,218,989	464,407
Special	834,886	834,844	739,313	95,531
Vocational	99,755	99,546	93,917	5,629
Support Services:				
Pupil	312,817	312,817	258,269	54,548
Instructional Staff	156,965	156,965	122,069	34,896
Board of Education	74,281	74,281	39,790	34,491
Administration	599,272	598,807	602,893	(4,086)
Fiscal	338,980	338,980	274,016	64,964
Operation and Maintenance of Plant	732,286	732,286	676,279	56,007
Pupil Transportation	374,237	374,237	305,303	68,934
Central	37,297	37,297	85,354	(48,057)
Food Service Operations	2,015	2,015	1,643	372
Extracurricular Activities	333,473	333,473	233,509	99,964
Capital Outlay	16,500	16,500	15,563	937
<i>Total Expenditures</i>	<u>8,598,050</u>	<u>8,595,444</u>	<u>7,666,907</u>	<u>928,537</u>
<i>Excess of Revenues Over (Under) Expenditures</i>	<u>(298,050)</u>	<u>(190,611)</u>	<u>254,386</u>	<u>444,997</u>
Other Financing Sources and (Uses)				
Transfers Out	(174,756)	(174,756)	(408,216)	(233,460)
Transfer In		96,903	96,903	
<i>Total Other Financing Sources and (Uses)</i>	<u>(174,756)</u>	<u>(77,853)</u>	<u>(311,313)</u>	<u>(233,460)</u>
<i>Net Change in Fund Balance</i>	<u>(472,806)</u>	<u>(268,464)</u>	<u>(56,927)</u>	<u>211,537</u>
<i>Fund Balance at Beginning of Year</i>	<u>4,204,328</u>	<u>4,204,328</u>	<u>4,204,328</u>	
Prior Year Encumbrances Appropriated	75,411	75,411	75,411	
<i>Fund Balance at End of Year</i>	<u>\$3,806,933</u>	<u>\$4,011,275</u>	<u>\$4,222,812</u>	<u>\$211,537</u>

See accompanying notes to the basic financial statements

**COLUMBUS GROVE LOCAL SCHOOL DISTRICT
PUTNAM COUNTY**

Statement of Fiduciary Assets and Liabilities - Cash Basis
June 30, 2013

	<u>Agency</u>
Assets:	
Equity in Pooled Cash and Cash Equivalents	<u><u>\$63,933</u></u>
Liabilities:	
Due to students	<u><u>\$63,933</u></u>

See accompanying notes to the basic financial statements

**COLUMBUS GROVE LOCAL SCHOOL DISTRICT
PUTNAM COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012**

NOTE 1 - DESCRIPTION OF THE SCHOOL DISTRICT AND REPORTING ENTITY

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

A locally-elected five-member Board governs the District, which provides educational services mandated by the State and federal agencies. This Board of Education controls the District's one instructional/support facility staffed by 35 classified employees, 67 certificated full-time personnel, and 4 administrators who provide services to 908 students and other community members.

Reporting Entity

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

Component units are legally separate organizations for which the District can "impose its will," such as by appointing a voting majority of the component unit's governing body. Component units may also include organizations fiscally dependent on the District in that the District approves their budget, the issuance of their debt or the levying of their taxes. Component units also include legally separate, tax-exempt entities whose resources are for the direct benefit of the District, are accessible to the District, and are significant in amount to the District. The District has no component units.

The District has no joint ventures.

The District participates in 3 public entity risk pools and 4 jointly governed organizations. 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:

Public Entity Risk Pool:

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

Jointly Governed Organizations:

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

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Basis of Accounting

**COLUMBUS GROVE LOCAL SCHOOL DISTRICT
PUTNAM COUNTY**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012
(Continued)

These financial statements are presented on a cash basis of accounting. This cash basis of accounting differs from accounting principles generally accepted in the United States of America (GAAP). Generally accepted accounting principles include all relevant Governmental Accounting Standards Board (GASB) pronouncements, which have been applied to the extent they are applicable to the cash basis of accounting. In the government-wide financial statements and the fund financial statements for the proprietary funds, Financial Accounting Standards Board (FASB) pronouncements and Accounting Principles Board (APB) opinions issued on or before November 30, 1989, have been applied, to the extent they are applicable to the cash basis of accounting, unless those pronouncements conflict with or contradict GASB pronouncements, in which case GASB prevails. The District does not apply FASB statements issued after November 30, 1989, to its Governmental or business-type activities and to its enterprise funds. Following are the more significant of the District's accounting policies.

B. Fund Accounting

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

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

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

Bond Retirement Fund – The Bond Retirement Fund accounts for resources received from property taxes to pay school improvement general obligation bond principal, interest and related costs.

Building Fund – The Building Fund is used to account for the receipts and disbursements related to the construction of locally funded initiatives related to the Ohio School Facilities Commission (OSFC) building project.

OSFC Construction Fund – The OSFC Construction Fund is used to account for state and local shares of the receipts and disbursements related to the 2009 OSFC building project.

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

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

C. Basis of Presentation

**COLUMBUS GROVE LOCAL SCHOOL DISTRICT
PUTNAM COUNTY**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012
(Continued)

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

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

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

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

D. Cash, Cash Equivalents, and Investments

To improve cash management, cash received by the District is pooled and invested. Monies for all funds are maintained in this pool. Individual fund integrity is maintained through District records. Interest in the pool is presented as "Equity in Pooled Cash and Cash Equivalents". Cash and cash equivalents that are held separately in an account at a financial institution for debt service are reported as "Cash and Cash Equivalents with Fiscal Agent".

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

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

During 2012, the District invested in STAR Ohio and certificates of deposit. STAR Ohio is an investment pool, managed by the State Treasurer's Office, which allows governments within the State to pool their funds for investment purposes. STAR Ohio is not registered with the SEC as an investment company, but does operate in a manner consistent with Rule 2a7 of the Investment Company Act of 1940. Investments in STAR Ohio are valued at STAR Ohio's share price, which is the price the investment could be sold for on June 30, 2012. Non-participating investment contracts, such as non-negotiable certificates of deposit are valued at cost.

**COLUMBUS GROVE LOCAL SCHOOL DISTRICT
PUTNAM COUNTY**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012
(Continued)

Following Ohio statutes, the Board of Education specified the funds to receive an allocation of interest earnings. Interest revenue credited to the General Fund during fiscal year 2012 amounted to \$40,660.

E. Restricted Assets

The financial statements classify cash, cash equivalents and investments as restricted when external limitations change the nature or normal understanding of their use. Creditors, contributors, grantors, laws of other governments or enabling legislation are the sources of the restrictions. Restricted cash and cash equivalents with fiscal agent in the Bond Retirement Fund include amounts held in escrow for the 2009 Qualified School Construction Bonds that are subject to mandatory sinking fund redemption.

F. Inventory and Prepaid Items

The District reports disbursements for inventory and prepaid items when paid. These items are not reflected as assets in the accompanying financial statements.

G. Capital Assets

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

H. Compensated Absences

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

I. Long-term Obligations

The District's cash basis financial statements do 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.

J. Fund Balance

Fund Balance is divided into five classifications based primarily on the extent to which the District is bound to observe constraints imposed upon use of the resources in governmental funds. The classifications are as follows:

Nonspendable - The nonspendable classification includes amounts that cannot be spent because they are not in spendable form or legally or contractually required to be maintained intact. The "not in spendable form" includes items that are not expected to be converted to cash.

Restricted - Fund balance is reported as restricted when constraints placed on the use of resources are either externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments, or is imposed by law through constitutional provisions.

Committed - The committed classification includes amounts that can be used only for the specific purposes imposed by a formal action (resolution) of the Board of Education. The committed amounts

**COLUMBUS GROVE LOCAL SCHOOL DISTRICT
PUTNAM COUNTY**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012
(Continued)

cannot be used for any other purpose unless the Board of Education removes or changes the specified use by taking the same type of action (resolution) it employed to previously commit those amounts. Committed fund balance also incorporates contractual obligations to the extent that existing resources in the fund have been specifically committed for use in satisfying those contractual requirements.

Assigned - Amounts in the assigned classification are intended to be used by the District for specific purposes but do not meet the criteria to be classified as restricted or committed. In governmental funds, other than the General Fund, assigned fund balance represents the remaining amount that is not restricted or committed. In the General Fund, assigned amounts represent intended uses established by the Board of Education.

Unassigned - Unassigned fund balance is the residual classification for the General Fund and includes all spendable amounts not contained in the other classifications. In other governmental funds, the unassigned classification is used only to report a deficit balance resulting from overspending for specific purposes for which amounts had been restricted, committed, or assigned.

The District first applies restricted resources when an expenditure is incurred for purposes for which either restricted or unrestricted (committed, assigned, and unassigned) amounts are available. Similarly, within unrestricted fund balance, committed amounts are reduced first followed by assigned and then unassigned amounts when expenditures are incurred for purposes for which amounts in any of the unrestricted fund balance classifications can be used.

K. Net Position

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

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

L. Interfund Activity

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

The statements report interfund loans as advances when made or repaid. There were no unpaid advances as of June 30, 2012.

M. Budgetary Data

Ohio law requires the Board of Education to budget and appropriate all funds, other than agency funds. The major documents prepared are the appropriation resolution and the certificate of estimated resources, which use the budgetary basis of accounting. The budgetary basis reports expenditures when a commitment is made (i.e., when an encumbrance is approved). The certificate of estimated resources

**COLUMBUS GROVE LOCAL SCHOOL DISTRICT
PUTNAM COUNTY**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012
(Continued)

establishes a limit on the amounts the Board of Education may appropriate. The appropriation resolution is the Board's authorization to spend resources and sets annual limits on expenditures plus encumbrances at a level of control the Board selects. The Board of Education uses the fund as its legal level of control. Although the legal level of budgetary control was established at the fund level of expenditures, the District has elected to present the General Fund budgetary statement comparison at the fund and function level.

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

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

NOTE 3 - ACCOUNTABILITY AND COMPLIANCE

A. Change in Accounting Principle

GASB Statement No. 63 provides financial and reporting guidance for *deferred outflows of resources* and *deferred inflows of resources* which are financial statement elements that are distinct from assets and liabilities. GASB Statement No. 63 standardizes the presentation of deferred outflows of resources and deferred inflows of resources and their effects on a government's *net position*. The implementation of GASB Statement No. 63 has changed the presentation of the District's financial statements to incorporate the concepts of net position.

B. Compliance

Ohio Administrative Code, Section 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 cash basis, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. The accompanying financial statements omit assets, liabilities, net position/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 - BUDGETARY BASIS OF ACCOUNTING

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

**COLUMBUS GROVE LOCAL SCHOOL DISTRICT
PUTNAM COUNTY**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012
(Continued)

basis). The encumbrances outstanding at year end (budgetary basis) amounted to \$163,925 in the General Fund.

In addition, as part of Governmental Accounting Standards Board Statement No. 54, “Fund Balance Reporting”, certain funds that are legally budgeted in separate special revenue funds (uniform school supplies and public school support funds) are considered part of the General fund on the cash basis.

The following table summarizes the adjustments necessary to reconcile the cash basis statement to the budgetary basis statement for the General fund:

Net Change in Fund Cash Balance	
	General Fund
Cash Basis	\$105,783
Funds Budgeted Elsewhere	1,215
Adjustment for Encumbrances	(163,925)
Budget Basis	(\$56,927)

NOTE 5 - DEPOSITS AND INVESTMENTS

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

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

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

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

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

1. United States Treasury bills, bonds, notes, or any other obligation or security issued by the United States Treasury, or any other obligation guaranteed as to principal and interest by the United States;
2. Bonds, notes, debentures, or any other obligation or security issued by any federal government agency or instrumentality including, but not limited to, the Federal National Mortgage Association,

**COLUMBUS GROVE LOCAL SCHOOL DISTRICT
PUTNAM COUNTY**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012
(Continued)

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).
8. Commercial paper and bankers acceptances if training requirements have been met.

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.

Undeposited Cash: At year end, the District had \$700 in undeposited cash on hand, included on the financial statements as part of equity in pooled cash and cash equivalents.

Cash with Fiscal Agent: At year end, the District had \$822,632 in cash and cash equivalents with fiscal agents deposited separate from the District's internal investment pool. This amount is included in the amount of Deposits with Financial Institution and as Investments below.

Deposits with Financial Institutions: At June 30, 2012, the carrying amount of all District deposits was \$7,276,079. Based on the criteria described in GASB Statement No. 40, "Deposits and Investment Risk Disclosures", as of June 30, 2012, none of the District's bank accounts were exposed to custodial risk. Custodial credit risk otherwise is discussed in the next paragraph.

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

**COLUMBUS GROVE LOCAL SCHOOL DISTRICT
PUTNAM COUNTY**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012
(Continued)

District. The District has no deposit policy for custodial credit risk beyond the requirements of State statute.

Investments

As of June 30, 2012, the District had the following investments and maturities:

<u>Investment type</u>	<u>Fair Value</u>	<u>Investment Maturities</u>	
		<u>6 months or less</u>	<u>Greater than 24 months</u>
U.S. Treasury Note	\$536,068		\$536,068
STAR Ohio	3,005,340	\$3,005,340	
Total	<u>\$3,541,408</u>	<u>\$3,005,340</u>	<u>\$536,068</u>

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. State statute requires that an investment mature within five years from the date of purchase, unless matched to a specific obligation or debt of the District and that an investment must be purchased with the expectation that it will be held to maturity. State statute limits investments in commercial paper to a maximum maturity of 180 days from the date of purchase. Repurchase agreements are limited to 30 days and the market value of the securities must exceed the principal value of the agreement by at least 2% and be marked to market daily.

Credit Risk: The District's investment in the U.S. Treasury note was rated Aaa by Moody's. Standard & Poor's has assigned STAR Ohio an AAAM money market rating. The District's has no investment policy dealing with credit risk beyond the requirements in State statute.

Custodial Credit Risk: For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the District will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The U.S. Treasury note is exposed to custodial credit risk in that it is uninsured, unregistered and held by the counterparty's trust department or agent, but not in the District's name. The District has no investment policy dealing with investment custodial risk beyond the requirement in State statute that prohibits payment for investments prior to the delivery of the securities representing such investments to the Treasurer or qualified trustee.

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, 2013:

<u>Investment type</u>	<u>Fair Value</u>	<u>% to Total</u>
US Treasury Notes	\$536,068	15.00
STAR Ohio	3,005,340	85.00
Total	<u>\$3,541,408</u>	<u>100.00</u>

Reconciliation of Cash and Investments to the Statement of Net Position

**COLUMBUS GROVE LOCAL SCHOOL DISTRICT
PUTNAM COUNTY**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012
(Continued)

The following is a reconciliation of cash and investments as reported in the note above to cash and investments as reported on the statement of net position as of June 30, 2012:

<u>Cash and Investments per Note</u>	
Carrying amount of deposits	\$7,276,079
Cash on hand	700
Investments	<u>3,541,408</u>
Total	<u><u>\$10,818,187</u></u>

<u>Cash and investments per statement of net position</u>	
Governmental activities	\$10,754,254
Agency funds	<u>63,933</u>
Total	<u><u>\$10,818,187</u></u>

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 property, public utility property and tangible personal (used in business) property located in the District. Real property tax revenues received in calendar year 2012 represent the collection of calendar year 2011 taxes. Real property taxes received in calendar year 2012 were levied after April 1, 2011, on the assessed values as of January 1, 2011, 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 revenues received in calendar year 2012 represent the collection of calendar year 2011 taxes.

Public utility real and tangible personal property taxes received in calendar year 2012 became a lien on December 31, 2010, were levied after April 1, 2011, 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. Public utility property taxes are payable on the same dates as real property taxes described previously.

The District receives property taxes from Putnam County and Allen County. The County Auditors periodically advance to the District its portion of the taxes collected. Second-half real property tax payments collected by the Counties by June 30, 2012, are available to finance fiscal year 2012 operations. The amount available as an advance at June 30, 2012 was \$149,878 in the General Fund, \$43,139 in the Bond Retirement Fund, and \$2,744 in the Classroom Facilities Maintenance Fund. The amount available for advance at June 30, 2011 was \$182,909 in the General Fund, \$41,715 in the Bond

**COLUMBUS GROVE LOCAL SCHOOL DISTRICT
PUTNAM COUNTY**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012
(Continued)

Retirement Fund, and \$2,952 in the Classroom Facilities Maintenance Fund. The amount of second-half real property taxes available for advance at fiscal year end can vary based on the date the tax bills are sent.

The assessed values upon which the fiscal year 2012 taxes were collected are:

	2011 First Half Collections		2012 Second Half Collections	
	<u>Amount</u>	<u>Percent</u>	<u>Amount</u>	<u>Percent</u>
Residential/Agricultural	\$83,664,120	92.54	\$93,886,980	93.18
Commercial/Industrial	3,130,360	3.46	3,106,440	3.08
Public Utility	3,514,060	3.89	3,656,170	3.63
Tangible Personal	<u>96,620</u>	<u>0.11</u>	<u>105,710</u>	<u>0.11</u>
Total	<u><u>\$90,405,160</u></u>	<u><u>100.00</u></u>	<u><u>\$100,755,300</u></u>	<u><u>100.00</u></u>
Tax rate per \$1,000 of assessed valuation	\$34.82		\$34.82	

NOTE 7 - SCHOOL DISTRICT INCOME TAX

The District levies a voted tax of 1.00 percent for general operations on the income of residents and of estates. .75 of the tax was effective January 1, 1996 and expired on December 31, 2010, but was renewed until December 31, 2015. .25 of the tax was effective January 1, 2010 and expires December 31, 2032. Employers of residents are required to withhold income tax on compensation and remit the tax to the State. Taxpayers are required to file an annual return. The State makes quarterly distributions to the District after withholding amounts for administrative fees and estimated refunds. Income tax revenue is credited to the General Fund and totaled \$1,098,667 for fiscal year 2012.

NOTE 8 - RISK MANAGEMENT

A. Risk Pool Membership

The District is a member of the Schools of Ohio Risk Sharing Authority (SORSA). SORSA is a member owned organization having approximately 99 members. SORSA is a joint self-insurance pool. SORSA assumes the risk of loss up to the limits of the District's policy. SORSA covers the following risks:

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

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

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The District paid \$49,852 in premiums to the pool during fiscal year 2012 for coverage during fiscal year 2013. The District paid \$41,761 in premiums during fiscal year 2011 for coverage in fiscal year 2012.

SORSA financial statements are available by contacting SORSA at:

Schools of Ohio Risk Sharing Authority, Inc.
OSBA Building
8050 North High Street
Columbus, Ohio 43235-6483

Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three years. There has been no significant reduction in amounts of insurance coverage from 2008.

B. Employee Medical Benefits

The District participates as a member of the Putnam County School Insurance Group (the 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. In 2012, the District contributed \$742,715 for employees' medical and dental coverage through the Group.

C. Workers' Compensation

For fiscal year 2012 the District participated in the Ohio School Boards Association (OSBA) Workers' Compensation Group Rating Program (GRP), an insurance purchasing pool. The intent of the GRP is to achieve a reduced premium for the District by virtue of its grouping and representation with other participants in the GRP. The workers' compensation experience of the participating school districts is calculated as one experience and a common premium rate is applied to all school districts in the GRP. Each participant pays its workers' compensation premium to the State based on the rate for the GRP rather than its individual rate. GRP then calculates total savings and each participant's individual performance is compared to the overall Plan's savings percentage. A participant then either receives money from or contributes to GRP's equity pooling fund. This equity pooling arrangement insures that each participant shares equally in the overall performance of the GRP. Participation in the GRP is limited to school districts that can meet the GRP's selection criteria. The District paid an enrollment fee of \$1,805 to the GRP to cover costs of administering the program.

NOTE 9 - PENSION PLANS

A. State Teachers Retirement System

Plan Description - The District participates in 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 STRS Ohio, 275 E. Broad St., Columbus, OH 43215-3771, by calling (888) 227-7877, or by visiting the STRS Ohio website at www.strsoh.org, under "Publications".

**COLUMBUS GROVE LOCAL SCHOOL DISTRICT
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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 a member's lifetime contributions and earned interest matched by STRS Ohio funds divided by an actuarially determined annuity factor. The DC Plan allows members to place all their member contributions and employer contributions equal to 10.5 percent of earned compensation into an investment account. Investment decisions are made by the member. A member is eligible to receive a retirement benefit at age 50 and termination of employment. The member may elect to receive a lifetime monthly annuity or a lump sum withdrawal. 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. The DB portion of the Combined Plan payment is payable to a member on or after age 60; the DC portion of the account may be taken as a lump sum or converted to a lifetime monthly annuity at age 50. 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 of the DC Plan dies before retirement benefits begin, the member's designated beneficiary is entitled to receive the member's account balance.

Funding Policy - For fiscal year 2012, plan members were required to contribute 10 percent of their annual covered salaries. The District was required to contribute 14 percent; 13 percent was the portion used to fund pension obligations. Contribution rates are established by the State Teachers Retirement Board, upon 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, 2012, 2011, and 2010 were \$385,465, \$486,098, and \$475,972, respectively; 80 percent has been contributed for fiscal year 2012 and 100 percent for fiscal years 2011 and 2010.

B. School Employees Retirement System

Plan Description - The District contributes to the School Employees Retirement System (SERS), a cost-sharing, multiple-employer defined benefit pension plan. SERS provides retirement, disability, survivor benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Authority to establish and amend benefits is provided by Chapter 3309 of the Ohio Revised Code. SERS issues a publicly available, stand-alone financial report that includes financial statements and required supplementary information. That report may be obtained by writing to the School Employees Retirement System, 300 East Broad Street, Suite 100, Columbus, Ohio 43215-3746. It is also posted on the SERS' Ohio website, www.ohsers.org, under "Employers/Audit Resources".

Funding Policy - Plan members are required to contribute 10 percent of their annual covered salary and the District is required to contribute at an actuarially determined rate. The current District rate is 14 percent of annual covered payroll. A portion of the District's contribution is used to fund pension obligations with the remainder being used to fund health care benefits. For fiscal year 2012, 12.65 percent and 0.05 percent of annual covered salary was the portion used to fund pension obligations and

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FOR THE FISCAL YEAR ENDED JUNE 30, 2012
(Continued)

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, 2012, 2011, and 2010 were \$113,773, \$111,624, and \$137,426, respectively; 35 percent has been contributed for fiscal year 2012 and 100 percent for fiscal years 2011 and 2010.

C. Social Security System

Effective July 1, 1991, all employees not otherwise covered by the SERS/STRS Ohio have an option to choose Social Security or the SERS/STRS Ohio. As of June 30, 2012 one Board of Education member has elected Social Security. The Board's liability is 6.2 percent of wages paid.

NOTE 10 - POSTEMPLOYMENT BENEFITS

A. State Teachers Retirement System

Plan Description - The District contributes to the cost sharing, multiple employer defined benefit Health Plan (the "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 the report of STRS Ohio which may be obtained by visiting www.strsoh.org, under "Publications" or by calling (888) 227-7877.

Funding Policy - Ohio law authorizes STRS Ohio to offer the 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 Plan. All benefit recipients pay a monthly premium. Under Ohio law, funding for post-employment health care may be deducted from employer contributions. For 2012, 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, 2012, 2011, and 2010 were \$29,674, \$37,392, and \$36,613 respectively; 80 percent has been contributed for fiscal year 2012 and 100 percent for fiscal years 2011 and 2010.

B. School Employees Retirement System

Plan Description - The District participates in two cost-sharing, multiple employer postemployment benefit plans administered by the School Employees Retirement System (SERS) for non-certificated 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, Medicare Advantage, and traditional indemnity plans. A prescription drug program is also available to those who elect health coverage. SERS employs two third-party administrators and a pharmacy benefit manager to manage the self-insurance and prescription drug plans, respectively. The Medicare Part B Plan reimburses Medicare Part B premiums paid by eligible retirees and beneficiaries as set forth in Section 3309.69 of the Ohio Revised Code. Qualified benefit recipients who pay Medicare Part B premiums may apply for and receive a monthly reimbursement from SERS. The reimbursement amount is limited by statute to the lesser of the January 1, 1999 Medicare Part B premium or the current premium. The Medicare Part B premium for calendar year 2011 (latest information available) was \$96.40 for most

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participants, but could be as high as \$369.10 per month depending on their income and the SERS' reimbursement to retirees was \$45.50. Benefit provisions and the obligations to contribute are established by the System 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 SERS at 300 East Broad St., Suite 100, Columbus, Ohio 43215-3746. It is also posted on the SERS' Ohio website, www.ohsers.org, under "Employers/Audit Resources".

Funding Policy - State statute permits SERS to fund the health care benefits through employer contributions. Each 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 105(e). For 2012, 0.55 percent of covered payroll was allocated to health care. An additional health care surcharge on employers is collected for employees earning less than an actuarially determined minimum compensation amount, pro-rated according to service credit earned. Statutes provide that no employer shall pay a health care surcharge greater than 2.0 percent of that employer's SERS-covered payroll; nor may SERS collect in aggregate more than 1.5 percent of the statewide SERS-covered payroll for the health care surcharge. For fiscal year 2012, the actuarially determined amount was \$35,800.

Active members do not contribute to the postemployment benefit plans. The Retirement Board establishes the rules for the premiums paid by the retirees for health care coverage for themselves and their dependents or for their surviving beneficiaries. Premiums vary depending on the plan selected, qualified years of service, Medicare eligibility and retirement status.

The District's contribution for health care for the fiscal years ended June 30, 2012, 2011, and 2010 were \$18,355, \$27,006, and \$15,953, respectively; 81 percent has been contributed for fiscal year 2012 and 100 percent for fiscal years 2011 and 2010.

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 2012, this actuarially required allocation was .74 percent of covered payroll. The District's contribution for Medicare Part B for the fiscal year ended June 30, 2012, 2011, and 2010 were \$6,745, \$7,183, and \$8,172, respectively; 35 percent has been contributed for fiscal year 2011 and 100 percent for fiscal years 2010 and 2009.

NOTE 11 - DEBT

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

	Balance at 06/30/11	Decrease	Balance at 06/30/12	Amount Due In one Year
2009 Construction and Improvement Bonds:				
- Qualified School Construction Bonds – Series 2009A	\$5,000,000		\$5,000,000	
- General Obligation Bonds –	3,516,617	\$65,000	3,451,617	\$75,000

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NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012
(Continued)

Series 2009B				
- Qualified School Construction	700,000	50,000	650,000	50,000
Bonds – Series 2009C				
Total Long-Term Obligations	\$9,216,617	\$115,000	\$9,101,617	\$125,000

Total expenditures for interest for the above debt for the period ended June 30, 2012 was \$243,620

2009 Qualified School Construction Bonds, Series 2009A: On October 8, 2009, the District issued \$5,000,000 in voted general obligation bonds for constructing, renovating, and equipping school facilities. The term bond, with an interest rate of 1.64 percent, was issued for a fifteen year period, with final maturity in fiscal year 2025. The bonds are being retired through the Bond Retirement Debt Service Fund.

The bonds are subject to mandatory sinking fund redemption. The District has covenanted that it will make equal annual deposits of \$269,580 to an account maintained with the Bond Registrar on each July 15 until the Bonds mature, commencing July 15, 2010. Such amounts, together with the interest thereon are expected by the District to be sufficient to retire the Bonds upon their final maturity. The remaining sinking fund deposits will be made as follows:

Period	Deposit
07/15/12	\$269,580
07/15/13	269,580
07/15/14	269,580
07/15/15	269,580
07/15/16	269,580
07/15/17	269,580
07/15/18	269,580
07/15/19	269,580
07/15/20	269,580
07/15/21	269,580
07/15/22	269,580
07/15/23	269,580
07/15/24	269,580

The remaining principal, in the amount of \$956,300, will be paid at stated maturity on July 15, 2024.

2009 Qualified School Construction Bonds, Series 2009B: On December 2, 2009, the District issued \$3,551,617 in voted general obligation bonds for constructing, renovating, and equipping school facilities. The bond issue included current interest serial, capital appreciation, and current interest term bonds of \$325,000, \$56,617 and \$3,170,000, respectively, and had interest rates ranging from 2.00 to 4.75 percent. The bonds are being retired through the Bond Retirement Debt Service Fund.

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

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Maturity Date (January 15)	Principal Amount	Interest Rate
2013	\$75,000	2.000%
2014	75,000	2.250%
2015	75,000	2.625%

The capital appreciation bonds were issued in the aggregate original principal amount of \$56,617 and mature on December 1, in the years, have the original principal amounts and mature with the accreted values at maturity, as follows:

Maturity Date (January 15)	Original Principal Amount	Accreted Value at Maturity
2016	\$17,391	\$90,000
2017	14,032	95,000
2018	10,727	95,000
2019	8,199	95,000
2020	6,268	95,000

Capital Appreciation Bonds are not subject to redemption prior to maturity.

The Current Interest Term Bonds maturing on January 15, 2022 are subject to mandatory sinking fund redemption at a redemption price of 100% of the principal amount to be redeemed, plus accrued interest to the date of redemption, on January 15 in the years and in the respective principal amounts as follows:

Year	Principal Amount to be Redeemed
2021	\$95,000

The remaining principal amount of such Current Interest Term Bonds (\$100,000) will be paid at stated maturity on January 15, 2022.

The Current Interest Term Bonds maturing on January 15, 2025 are subject to mandatory sinking fund redemption at a redemption price of 100% of the principal amount to be redeemed, plus accrued interest to the date of redemption, on January 15 in the years and in the respective principal amounts as follows:

Year	Principal Amount to be Redeemed
2023	\$105,000
2024	110,000

The remaining principal amount of such Current Interest Term Bonds (\$115,000) will be paid at stated maturity on January 15, 2025.

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NOTES TO THE BASIC FINANCIAL STATEMENTS
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The Current Interest Term Bonds maturing on January 15, 2029 are subject to mandatory sinking fund redemption at a redemption price of 100% of the principal amount to be redeemed, plus accrued interest to the date of redemption, on January 15 in the years and in the respective principal amounts as follows:

<u>Year</u>	<u>Principal Amount to be Redeemed</u>
2026	\$170,000
2027	180,000
2028	185,000

The remaining principal amount of such Current Interest Term Bonds (\$195,000) will be paid at stated maturity on January 15, 2029.

The Current Interest Term Bonds maturing on January 15, 2034 are subject to mandatory sinking fund redemption at a redemption price of 100% of the principal amount to be redeemed, plus accrued interest to the date of redemption, on January 15 in the years and in the respective principal amounts as follows:

<u>Year</u>	<u>Principal Amount to be Redeemed</u>
2030	\$205,000
2031	215,000
2032	220,000
2033	230,000

The remaining principal amount of such Current Interest Term Bonds (\$245,000) will be paid at stated maturity on January 15, 2034.

The Current Interest Term Bonds maturing on January 15, 2037 are subject to mandatory sinking fund redemption at a redemption price of 100% of the principal amount to be redeemed, plus accrued interest to the date of redemption, on January 15 in the years and in the respective principal amounts as follows:

<u>Year</u>	<u>Principal Amount to be Redeemed</u>
2035	\$255,000
2036	265,000

The remaining principal amount of such Current Interest Term Bonds (\$280,000) will be paid at stated maturity on January 15, 2037.

The Current Interest Bonds maturing after January 15, 2019 are subject to redemption at the option of the District, either in whole, or in part, in such order as the District shall determine, on any date on or after January 15, 2019, at a redemption price equal to 100% of the principal amount redeemed plus, in each case, accrued interest to the date fixed for redemption.

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NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012
(Continued)

2009 Qualified School Construction Bonds, Series 2009C: On December 2, 2009, the District issued \$747,770 in voted general obligation bonds for constructing, renovating, and equipping school facilities. The bonds were issued for the acquisition and construction of equipment and facilities. The bond issue consists of a term bond with an interest rate of 1.90 percent maturing on January 15, 2025. The bonds are being retired through the Bond Retirement Debt Service Fund.

The Bonds maturing on January 15, 2025 are subject to mandatory sinking fund redemption at a redemption price of 100% of the principal amount to be redeemed, plus accrued interest to the date of redemption, on January 15 in the years and in the respective principal amounts as follows:

<u>Year</u>	<u>Principal Amount to be Redeemed</u>
2013	\$50,000
2014	50,000
2015	50,000
2016	50,000
2017	50,000
2018	50,000
2019	50,000
2020	50,000
2021	50,000
2022	50,000
2023	50,000
2024	50,000

The remaining principal amount of such Current Interest Term Bonds (\$50,000) will be paid at stated maturity on January 15, 2025.

Principal and interest requirements to retire general obligation debt outstanding at June 30, 2011 are as follows:

<u>Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2013	\$125,000	\$238,724	\$363,724
2014	125,000	118,749	243,749
2015	125,000	234,861	359,861
2016	67,392	304,552	371,944
2017	64,032	311,960	375,992
2018-2022	470,193	1,396,956	1,867,149
2023-2027	5,830,000	829,755	6,659,755
2028-2032	1,020,000	437,763	1,457,763
2033-2037	1,275,000	165,588	1,440,588
Total	<u>\$9,101,617</u>	<u>\$4,038,908</u>	<u>\$13,140,525</u>

**COLUMBUS GROVE LOCAL SCHOOL DISTRICT
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FOR THE FISCAL YEAR ENDED JUNE 30, 2012
(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 exceeded its overall debt margin by \$33,640. All debt is voted on by the taxpayers. Ohio Revised Code 133.06 (1) allows a district to pass a levy in excess of the legal debt margin for the purpose of participating in the Ohio School Facilities Construction program.

NOTE 12 – FUND BALANCE

Fund balance is classified as nonspendable, restricted, committed, assigned, and/or unassigned based primarily on the extent to which the District is bound to observe constraints imposed upon the use of the resources in governmental funds.

The constraints placed on fund balance for the major governmental funds and all other governmental funds are presented below:

<u>Fund Balance</u>	<u>General Fund</u>	<u>Bond Retirement Fund</u>	<u>Building Fund</u>	<u>OSFC Construction Fund</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
Restricted for:						
Athletics					\$62,131	\$62,131
Food Service Operations					120,946	120,946
Debt Retirement		\$1,324,554				1,324,554
Capital Improvements					2,522	2,522
Facilities Maintenance					176,103	176,103
Restricted Programs					35,759	35,759
Building Construction			\$674,397	\$3,898,774		4,573,171
Total Restricted		1,324,554	674,397	3,898,774	397,461	6,295,186
Assigned for:						
Other					69,090	69,090
Unpaid Obligations	\$167,042					167,042
Total Assigned	167,042				69,090	236,132
Unassigned	4,222,936					4,222,936
Total Fund Balance	<u>\$4,389,978</u>	<u>\$1,324,554</u>	<u>\$674,397</u>	<u>\$3,898,774</u>	<u>\$466,551</u>	<u>\$10,754,254</u>

NOTE 13- SET-ASIDE CALCULATIONS

The District is required by State statute to annually set aside in the General Fund an amount based on a statutory formula for the acquisition and construction of capital improvements. Amounts not spent by year-end or offset by similarly restricted resources received during the year must be held in cash at year-end and carried forward to be used for the same purposes in future years.

The following cash basis information describes the change in the year-end set-aside amounts for capital acquisition. Disclosure of this information is required by State statute.

**COLUMBUS GROVE LOCAL SCHOOL DISTRICT
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NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012
(Continued)

	Capital Maintenance
Set-Aside Reserve Balance June 30, 2011	
Current Year Set Aside Requirement	\$151,605
Current Year Offsets	(151,605)
Set Aside Reserve Balance June 30, 2012	\$0

NOTE 14 - CONTINGENCIES

A. Grants

The District receives financial assistance from Federal and State agencies in the form of grants. Disbursing grant funds generally requires compliance with terms and conditions specified in the grant agreements and are subject to audit. Any disallowed claims resulting from such audits could become a liability. However, in the opinion of management, any such disallowed claims through June 30, 2012 will not have a material adverse effect on the District.

B. Litigation

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

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 Ray Burden, who serves as director, at 645 South Main Street, Lima, Ohio 45804.

B. Apollo Career Center

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

C. State Support Team Region 1

**COLUMBUS GROVE LOCAL SCHOOL DISTRICT
PUTNAM COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012
(Continued)**

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 Educational Service Center of Lake Erie West 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.

D. 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.

NOTE 16 – INTERFUND TRANSFERS

During fiscal year 2012, the General Fund transferred \$273,161 to the Bond Retirement Fund and \$38,152 to the Building Fund.



Dave Yost • Auditor of State

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

Columbus Grove Local School District
Putnam County
201 West Cross Street
Columbus Grove, Ohio 45830-1237

To the Board of Education:

We have audited in accordance with auditing standards generally accepted in the United States and the Comptroller General of the United States' *Government Auditing Standards*, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Columbus Grove Local School District, Putnam County, Ohio (the District) as of and for the year ended June 30, 2012, and the related notes to the financial statements, which collectively comprise the District's basic financial statements and have issued our report thereon dated March 13, 2014, wherein we noted the District uses a special purpose framework other than generally accepted accounting principles.

Internal Control Over Financial Reporting

As part of our financial statement audit, we considered the District's internal control over financial reporting (internal control) to determine the audit procedures appropriate in the circumstances to the extent necessary to support our opinions on the financial statements, but not to the extent necessary to opine on the effectiveness of the District's internal control. Accordingly, we have not opined on it.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Therefore, unidentified material weaknesses or significant deficiencies may exist. However, as described in the accompanying schedule of findings we identified certain deficiencies in internal control over financial reporting, that we consider material weaknesses.

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 a combination of internal control deficiencies resulting in a reasonable possibility that internal control will not prevent or detect and timely correct a material misstatement of the District's financial statements. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider findings 2012-002 and 2012-003 described in the accompanying schedule of findings to be material weaknesses.

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, opining on compliance with those provisions was not an objective of our audit and accordingly, we do not express an opinion. The results of our tests disclosed an instance of noncompliance or other matters we must report under *Government Auditing Standards* which is described in the accompanying schedule of findings as item 2012-001.

Entity's Response to Findings

The District's response to the findings 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.

Purpose of this Report

This report only describes the scope of our internal control and compliance testing and our testing results, and does not opine on the effectiveness of the District's internal control or on compliance. This report is an integral part of an audit performed under *Government Auditing Standards* in considering the District's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



Dave Yost
Auditor of State

Columbus, Ohio

March 13, 2014

**COLUMBUS GROVE LOCAL SCHOOL DISTRICT
PUTNAM COUNTY**

**SCHEDULE OF FINDINGS
JUNE 30, 2012**

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

FINDING NUMBER 2012-001

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) requires the District to prepare its annual financial report in accordance with accounting principles generally accepted in the United States of America. However, the District prepares its financial statements in a cash format which is a comprehensive basis of accounting other than generally accepted accounting principles. The accompanying financial statements and notes omit assets, liabilities, fund equities, and disclosures that, while material, cannot be determined at this time.

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

Officials' Response:

Management believes reporting on a basis of accounting other than generally accepted accounting principles (GAAP) is more cost efficient.

FINDING NUMBER 2012-002

Material Weakness – Financial Reporting

Sound financial reporting is the responsibility of the Treasurer and the Board of Education and is essential to ensure the information provided to the readers of the financial statements is complete and accurate.

The financial statement contained the following errors:

- Intergovernmental revenues/operating grants and special instruction disbursements of \$186,885 for federal grants spent on behalf of the District by the Putnam County Educational Service Center were not reported in the Other Governmental Funds and Governmental Activities.
- Sixteen revenue and expense line items in the General Fund budgetary statement were misstated by amounts ranging from \$1 to \$327,724

The accompanying financial statements have been adjusted to correct these and other errors, ranging from \$1 to \$327,724.

To ensure the District's financial statements and notes to the financial statements are complete and accurate, the District should adopt policies and procedures, including a final review of the statements by the Treasurer and the Board, to identify and correct errors and omissions.

Officials' Response:

We did not receive a response from Officials to this finding.

FINDING NUMBER 2012-003

Material Weakness

Reporting and Budgeting Ohio Department of Education Grants

Sound accounting practices require money spent on behalf of the District by other governments be posted to the District's ledgers. Furthermore, Ohio Revised Code § 5705.42 deems the funds appropriated, eliminating the need for the District to approve a formal appropriation for these monies, however, this section does require the District to record the appropriation.

The District was the beneficiary of \$186,885 in 2012, of Special Education Cluster money paid directly to the Putnam County Educational Service Center (ESC) by the Ohio Department of Education (ODE). This activity and the corresponding appropriations were not recorded on the ledgers of the District. Since ODE forwards the grant to the ESC, the District did not receive this cash. However, Auditor of State Bulletin 2000-08 prescribes recording these transactions as receipts and disbursements when the District applies for a grant and has administrative responsibilities. The accompanying financial statements were adjusted to reflect the amounts in Other Governmental Funds.

We recommend the District record all benefits received from State or Federal grants as a memo receipt and expenditure on the District's records, request an amended certificate of estimated resources for these funds and the Board approve a corresponding appropriation for the expenditure. In addition, District management should review Auditor of State Bulletin 2000-08.

Officials' Response:

We did not receive a response from Officials to this finding.

**COLUMBUS GROVE LOCAL SCHOOL DISTRICT
PUTNAM COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS
JUNE 30, 2012**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain</i>
2012-001	Ohio Administrative Code § 117-2-03(B) for reporting on basis other than generally accepted accounting principles.	No	Finding has not been corrected and is repeated in this report as finding 2013-001.
2012-002	Material weakness to improve monitoring of financial statements.	No	Finding has not been corrected and is repeated in this report as finding 2013-002.

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Dave Yost • Auditor of State

COLUMBUS GROVE LOCAL SCHOOL DISTRICT

PUTNAM COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
APRIL 1, 2014**