



**Auditor of State
Betty Montgomery**

OTTAWA HILLS LOCAL SCHOOL DISTRICT, OHIO
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**Auditor of State
Betty Montgomery**

INDEPENDENT ACCOUNTANTS' REPORT

Ottawa Hills Local School District
Lucas County
3600 Indian Road
Ottawa Hills, Ohio 43606-2425

To the Board of Education:

We have audited the accompanying general-purpose financial statements of Ottawa Hills Local School District (the District) as of and for the year ended June 30, 2002, as listed in the table of contents. These general-purpose financial statements are the responsibility of the District's management. Our responsibility is to express an opinion on these general-purpose financial statements based on our audit.

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

As described in Note 2, during the year ended June 30, 2002, the District changed the fixed asset capitalization threshold amount.

In our opinion, the general-purpose financial statements referred to above present fairly, in all material respects, the financial position of Ottawa Hills Local School District as of June 30, 2002, and the results of its operations and the cash flows of its proprietary fund types and nonexpendable trust funds for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 17, 2004, on our consideration of the District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

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

Betty Montgomery
Auditor of State

December 17, 2004

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OTTAWA HILLS LOCAL SCHOOL DISTRICT, OHIO
COMBINED BALANCE SHEET
ALL FUND TYPES AND ACCOUNT GROUPS
JUNE 30, 2002

	<i>Governmental</i>			
	<i>Fund Types</i>			
	General Fund	Special Revenue Funds	Debt Service Fund	Capital Projects Funds
<u>Assets and Other Debits:</u>				
Assets:				
Cash and Cash Equivalents	\$3,397,465	\$140,484	\$568,050	\$220,849
Investments	755,851	11,263	126,377	49,134
Receivables (net of allowance for doubtful accounts):				
Taxes	8,543,123	0	628,752	260,405
Accounts	1,337	0	0	0
Intergovernmental	0	9,667	0	0
Interest	7,887	0	0	0
Interfund Loan Receivable	339	0	0	0
Prepaid Items	8,770	0	0	0
Fixed Assets (net of accumulated depreciation)	0	0	0	0
Other Debits:				
Amount Available in Debt Service Fund	0	0	0	0
Amount to be Provided for				
General Long-Term Obligations	0	0	0	0
Total Assets and Other Debits	<u>\$12,714,772</u>	<u>\$161,414</u>	<u>\$1,323,179</u>	<u>\$530,388</u>
<u>Liabilities, Equity and Other Credits:</u>				
Liabilities:				
Accounts Payable	\$18,545	\$5,405	\$0	\$3,212
Accrued Wages and Benefits	660,533	0	0	0
Intergovernmental Payables	170,673	192	0	0
Interfund Loan Payable	0	339	0	0
Due to Students	0	0	0	0
Deferred Revenue - Taxes	8,327,313	0	614,833	252,213
Deferred Revenue	7,887	9,667	0	0
Compensated Absences Payable	15,124	0	0	0
General Obligation Bonds Payable	0	0	0	0
Total Liabilities	<u>9,200,075</u>	<u>15,603</u>	<u>614,833</u>	<u>255,425</u>
Equity and Other Credits:				
Investment in General Fixed Assets	0	0	0	0
Retained Earnings:				
Unreserved	0	0	0	0
Fund Balances:				
Reserved for Encumbrances	5,475	13,919	0	86,282
Reserved for Property Tax Advances	213,228	0	13,751	8,093
Reserved for Prepaid Items	8,770	0	0	0
Reserved for Endowments	0	0	0	0
Unreserved:				
Undesignated	<u>3,287,224</u>	<u>131,892</u>	<u>694,595</u>	<u>180,588</u>
Total Equity and Other Credits	<u>3,514,697</u>	<u>145,811</u>	<u>708,346</u>	<u>274,963</u>
Total Liabilities, Equity and Other Credits	<u>\$12,714,772</u>	<u>\$161,414</u>	<u>\$1,323,179</u>	<u>\$530,388</u>

The notes to the general purpose financial statements are an integral part of this statement.

OTTAWA HILLS LOCAL SCHOOL DISTRICT, OHIO
COMBINED BALANCE SHEET
ALL FUND TYPES AND ACCOUNT GROUPS
JUNE 30, 2002

<i>Proprietary</i> <u>Fund Type</u>	<i>Fiduciary</i> <u>Fund Types</u>	<i>Account</i> <u>Groups</u>		Totals (Memorandum Only)
Enterprise Fund	Trust and Agency Funds	General Fixed Assets	General Long-Term Obligations	
\$18,861	\$94,365	\$0	\$0	\$4,440,074
0	0	0	0	942,625
0	0	0	0	9,432,280
0	0	0	0	1,337
0	0	0	0	9,667
0	0	0	0	7,887
0	0	0	0	339
0	0	0	0	8,770
0	0	8,847,829	0	8,847,829
0	0	0	0	0
0	0	0	6,308,155	6,308,155
<u>\$18,861</u>	<u>\$94,365</u>	<u>\$8,847,829</u>	<u>\$6,308,155</u>	<u>\$29,998,963</u>
\$0	\$0	\$0	\$0	\$27,162
0	0	0	0	660,533
0	57	0	54,249	225,171
0	0	0	0	339
0	37,949	0	0	37,949
0	0	0	0	9,194,359
0	0	0	0	17,554
0	0	0	923,906	939,030
0	0	0	5,330,000	5,330,000
<u>0</u>	<u>38,006</u>	<u>0</u>	<u>6,308,155</u>	<u>16,432,097</u>
0	0	8,847,829	0	8,847,829
18,861	0	0	0	18,861
0	0	0	0	105,676
0	0	0	0	235,072
0	0	0	0	8,770
0	29,024	0	0	29,024
<u>0</u>	<u>27,335</u>	<u>0</u>	<u>0</u>	<u>4,321,634</u>
<u>18,861</u>	<u>56,359</u>	<u>8,847,829</u>	<u>0</u>	<u>13,566,866</u>
<u>\$18,861</u>	<u>\$94,365</u>	<u>\$8,847,829</u>	<u>\$6,308,155</u>	<u>\$29,998,963</u>

OTTAWA HILLS LOCAL SCHOOL DISTRICT, OHIO
COMBINED STATEMENT OF REVENUES,
EXPENDITURES AND CHANGES IN FUND BALANCES
ALL GOVERNMENTAL FUND TYPES AND EXPENDABLE TRUST FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2002

	<i>Governmental Fund Types</i>			<i>Fiduciary Fund Type</i>		Totals (Memorandum Only)
	General Fund	Special Revenue Funds	Debt Service Fund	Capital Projects Fund	Expendable Trust Fund	
Revenues:						
Local Sources:						
Taxes	\$7,008,508	\$0	\$490,395	\$254,006	\$0	\$7,752,909
Tuition	8,157	0	0	0	0	8,157
Transportation Fees	2,112	0	0	0	0	2,112
Investment Earnings	151,638	0	0	0	867	152,505
Extracurricular Activities	53,980	226,383	0	0	0	280,363
Class Material and Fees	38,147	42,693	0	0	0	80,840
Intermediate Sources	0	11,394	0	0	0	11,394
Intergovernmental - State	2,769,324	326,243	67,628	40,588	0	3,203,783
Intergovernmental - Federal	0	76,227	0	0	0	76,227
All Other Revenues	14,858	68,659	0	0	671	84,188
Total Revenues	10,046,724	751,599	558,023	294,594	1,538	11,652,478
Expenditures:						
Current:						
Instruction	6,007,944	208,978	0	80,958	2,904	6,300,784
Supporting Services:						
Pupils	385,608	2,126	0	0	0	387,734
Instructional Staff	311,770	13,324	0	11,897	0	336,991
Board of Education	26,889	0	0	0	0	26,889
Administration	724,743	34,848	0	1,045	0	760,636
Fiscal Services	341,794	0	5,125	2,569	0	349,488
Operation and Maintenance of Plant	932,405	0	0	195,246	0	1,127,651
Pupil Transportation	33,632	0	0	0	0	33,632
Central	31,202	0	0	0	0	31,202
Community Services	800	317,123	0	0	0	317,923
Extracurricular Activities	274,330	237,624	0	0	0	511,954
Capital Outlay	0	0	0	406	0	406
Debt Service:						
Principal Retirement	0	0	360,000	0	0	360,000
Interest and Fiscal Charges	0	0	265,600	0	0	265,600
Total Expenditures	9,071,117	814,023	630,725	292,121	2,904	10,810,890
Excess (Deficiency) of						
Revenues Over (Under) Expenditures	975,607	(62,424)	(72,702)	2,473	(1,366)	841,588
Other Financing Sources (Uses):						
Refund of Prior Year Expenditures	560	5,505	0	0	0	6,065
Operating Transfers In	0	33,000	0	0	0	33,000
Operating Transfers Out	(33,000)	0	0	0	0	(33,000)
Total Other Financing Sources (Uses)	(32,440)	38,505	0	0	0	6,065
Excess (Deficiency) of Revenues						
and Other Financing Sources Over (Under)						
Expenditures and Other Financing Uses	943,167	(23,919)	(72,702)	2,473	(1,366)	847,653
Fund Balance Beginning of Year	2,571,530	169,730	781,048	272,490	28,701	3,823,499
Fund Balance End of Year	\$3,514,697	\$145,811	\$708,346	\$274,963	\$27,335	\$4,671,152

The notes to the general purpose financial statements are an integral part of this statement.

OTTAWA HILLS LOCAL SCHOOL DISTRICT, OHIO
COMBINED STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)
ALL GOVERNMENTAL FUND TYPES
FISCAL YEAR ENDED JUNE 30, 2002

	<u>General Fund</u>			<u>Special Revenue Funds</u>		
	Revised Budget	Actual	Variance: Favorable (Unfavorable)	Revised Budget	Actual	Variance: Favorable (Unfavorable)
Revenues						
Local Sources:						
Taxes	\$6,986,803	\$6,986,804	\$1	\$0	\$0	\$0
Tuition	8,157	8,157	0	0	0	0
Transportation Fees	2,020	2,112	92	0	0	0
Investment Earnings	143,565	151,638	8,073	0	0	0
Extracurricular Activities	53,980	53,980	0	220,726	226,383	5,657
Class Material and Fees	38,595	38,805	210	42,692	42,693	1
Intermediate Sources	0	0	0	11,394	11,394	0
Intergovernmental - State	2,588,633	2,769,324	180,691	161,009	326,243	165,234
Intergovernmental - Federal	0	0	0	76,217	76,227	10
All Other Revenues	14,722	14,128	(594)	68,654	68,659	5
Total Revenues	<u>9,836,475</u>	<u>10,024,948</u>	<u>188,473</u>	<u>580,692</u>	<u>751,599</u>	<u>170,907</u>
Expenditures:						
Current:						
Instruction	6,233,540	6,010,249	223,291	216,752	216,119	633
Supporting Services:						
Pupils	495,628	388,462	107,166	2,392	2,126	266
Instructional Staff	326,941	307,824	19,117	16,406	14,501	1,905
Board of Education	30,683	29,869	814	0	0	0
Administration	762,923	715,334	47,589	34,766	34,848	(82)
Fiscal Services	351,074	338,319	12,755	0	0	0
Operation and Maintenance of Plant	1,021,278	944,884	76,394	0	0	0
Pupil Transportation	65,457	33,335	32,122	0	0	0
Central	33,000	31,202	1,798	0	0	0
Community Services	2,000	800	1,200	317,179	317,123	56
Extracurricular Activities	277,794	273,555	4,239	94,535	247,123	(152,588)
Capital Outlay	0	0	0	0	0	0
Debt Service:						
Principal Retirement	0	0	0	0	0	0
Interest and Fiscal Charges	0	0	0	0	0	0
Total Expenditures	<u>9,600,318</u>	<u>9,073,833</u>	<u>526,485</u>	<u>682,030</u>	<u>831,840</u>	<u>(149,810)</u>
Excess (Deficiency) of						
Revenues Over (Under) Expenditures	236,157	951,115	714,958	(101,338)	(80,241)	21,097
Other Financing Sources (Uses):						
Refund of Prior Year Expenditures	560	560	0	5,505	5,505	0
Refund of Prior Year Revenues	(200)	0	200	0	0	0
Operating Transfers In	0	0	0	33,000	33,000	0
Operating Transfers Out	(35,000)	(33,000)	2,000	0	0	0
Advances Out	(1,000)	0	1,000	0	0	0
Total Other Financing Sources (Uses)	<u>(35,640)</u>	<u>(32,440)</u>	<u>3,200</u>	<u>38,505</u>	<u>38,505</u>	<u>0</u>
Excess (Deficiency) of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses						
	200,517	918,675	718,158	(62,833)	(41,736)	21,097
Fund Balance at Beginning of Year	3,125,432	3,125,432	0	142,948	142,948	0
Prior Year Encumbrances	85,054	85,054	0	33,079	33,079	0
Fund Balance at End of Year	<u>\$3,411,003</u>	<u>\$4,129,161</u>	<u>\$718,158</u>	<u>\$113,194</u>	<u>\$134,291</u>	<u>\$21,097</u>

The notes to the general purpose financial statements are an integral part of this statement.

(Continued)

OTTAWA HILLS LOCAL SCHOOL DISTRICT, OHIO
COMBINED STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)
ALL GOVERNMENTAL FUND TYPES
FISCAL YEAR ENDED JUNE 30, 2002

	<u>Debt Service Fund</u>			<u>Capital Projects Fund</u>		
	Revised Budget	Actual	Variance: Favorable (Unfavorable)	Revised Budget	Actual	Variance: Favorable (Unfavorable)
Revenues						
Local Sources:						
Taxes	\$491,583	\$491,583	\$0	\$252,642	\$252,642	\$0
Tuition	0	0	0	0	0	0
Transportation Fees	0	0	0	0	0	0
Investment Earnings	0	0	0	0	0	0
Extracurricular Activities	0	0	0	0	0	0
Class Material and Fees	0	0	0	0	0	0
Intermediate Sources	0	0	0	0	0	0
Intergovernmental - State	67,628	67,628	0	46,587	40,588	(5,999)
Intergovernmental - Federal	0	0	0	0	0	0
All Other Revenues	0	0	0	0	0	0
Total Revenues	559,211	559,211	0	299,229	293,230	(5,999)
Expenditures:						
Current:						
Instruction	0	0	0	76,937	80,958	(4,021)
Supporting Services:						
Pupils	0	0	0	0	0	0
Instructional Staff	0	0	0	11,897	11,897	0
Board of Education	0	0	0	0	0	0
Administration	0	0	0	1,081	1,045	36
Fiscal Services	7,000	5,125	1,875	2,569	2,569	0
Operation and Maintenance of Plant	0	0	0	328,612	328,612	0
Pupil Transportation	0	0	0	0	0	0
Central	0	0	0	0	0	0
Community Services	0	0	0	0	0	0
Extracurricular Activities	0	0	0	0	0	0
Capital Outlay	0	0	0	406	406	0
Debt Service:						
Principal Retirement	360,000	360,000	0	0	0	0
Interest and Fiscal Charges	265,600	265,600	0	0	0	0
Total Expenditures	632,600	630,725	1,875	421,502	425,487	(3,985)
Excess (Deficiency) of Revenues Over (Under) Expenditures	(73,389)	(71,514)	1,875	(122,273)	(132,257)	(9,984)
Other Financing Sources (Uses):						
Refund of Prior Year Expenditures	0	0	0	0	0	0
Refund of Prior Year Revenues	0	0	0	0	0	0
Operating Transfers In	0	0	0	0	0	0
Operating Transfers Out	0	0	0	0	0	0
Advances Out	0	0	0	0	0	0
Total Other Financing Sources (Uses)	0	0	0	0	0	0
Excess (Deficiency) of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	(73,389)	(71,514)	1,875	(122,273)	(132,257)	(9,984)
Fund Balance at Beginning of Year	765,941	765,941	0	157,044	157,044	0
Prior Year Encumbrances	0	0	0	155,702	155,702	0
Fund Balance at End of Year	\$692,552	\$694,427	\$1,875	\$190,473	\$180,489	(\$9,984)

(Continued)

OTTAWA HILLS LOCAL SCHOOL DISTRICT, OHIO
COMBINED STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)
ALL GOVERNMENTAL FUND TYPES
FISCAL YEAR ENDED JUNE 30, 2002

	Totals (Memorandum Only)		
	Revised Budget	Actual	Variance: Favorable (Unfavorable)
Revenues			
Local Sources:			
Taxes	\$7,731,028	\$7,731,029	\$1
Tuition	8,157	8,157	0
Transportation Fees	2,020	2,112	92
Investment Earnings	143,565	151,638	8,073
Extracurricular Activities	274,706	280,363	5,657
Class Material and Fees	81,287	81,498	211
Intermediate Sources	11,394	11,394	0
Intergovernmental - State	2,863,857	3,203,783	339,926
Intergovernmental - Federal	76,217	76,227	10
All Other Revenues	83,376	82,787	(589)
Total Revenues	<u>11,275,607</u>	<u>11,628,988</u>	<u>353,381</u>
Expenditures:			
Current:			
Instruction	6,527,229	6,307,326	219,903
Supporting Services:			
Pupils	498,020	390,588	107,432
Instructional Staff	355,244	334,222	21,022
Board of Education	30,683	29,869	814
Administration	798,770	751,227	47,543
Fiscal Services	360,643	346,013	14,630
Operation and Maintenance of Plant	1,349,890	1,273,496	76,394
Pupil Transportation	65,457	33,335	32,122
Central	33,000	31,202	1,798
Community Services	319,179	317,923	1,256
Extracurricular Activities	372,329	520,678	(148,349)
Capital Outlay	406	406	0
Debt Service:			
Principal Retirement	360,000	360,000	0
Interest and Fiscal Charges	265,600	265,600	0
Total Expenditures	<u>11,336,450</u>	<u>10,961,885</u>	<u>374,565</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	(60,843)	667,103	727,946
Other Financing Sources (Uses):			
Refund of Prior Year Expenditures	6,065	6,065	0
Refund of Prior Year Revenues	(200)	0	200
Operating Transfers In	33,000	33,000	0
Operating Transfers Out	(35,000)	(33,000)	2,000
Advances Out	(1,000)	0	1,000
Total Other Financing Sources (Uses)	<u>2,865</u>	<u>6,065</u>	<u>3,200</u>
Excess (Deficiency) of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	(57,978)	673,168	731,146
Fund Balance at Beginning of Year	4,191,365	4,191,365	0
Prior Year Encumbrances	273,835	273,835	0
Fund Balance at End of Year	<u>\$4,407,222</u>	<u>\$5,138,368</u>	<u>\$731,146</u>

OTTAWA HILLS LOCAL SCHOOL DISTRICT, OHIO
COMBINED STATEMENT OF REVENUES, EXPENSES
AND CHANGES IN RETAINED EARNINGS/FUND BALANCE
PROPRIETARY FUND TYPE AND SIMILAR TRUST FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2002

	<u>Proprietary Fund Type</u>	<u>Fiduciary Fund Type</u>	Totals (Memorandum Only)
	Enterprise Fund	Nonexpendable Trust Fund	
<u>Operating Revenues:</u>			
Tuition and Fees	\$6,171	\$0	\$6,171
Total Operating Revenues	<u>6,171</u>	<u>0</u>	<u>6,171</u>
<u>Operating Expenses:</u>			
Materials and Supplies	12,304	0	12,304
Other Operating Expenses	0	641	641
Total Operating Expenses	<u>12,304</u>	<u>641</u>	<u>12,945</u>
Operating Income (Loss)	(6,133)	(641)	(6,774)
<u>Non-Operating Revenues:</u>			
Investment Earnings	0	649	649
Total Non-Operating Revenues	<u>0</u>	<u>649</u>	<u>649</u>
Net Income (Loss)	(6,133)	8	(6,125)
Retained Earnings/Fund Balance at Beginning of Year	24,994	29,016	54,010
Retained Earnings/Fund Balance at End of Year	<u>\$18,861</u>	<u>\$29,024</u>	<u>\$47,885</u>

The notes to the general purpose financial statements are an integral part of this statement.

OTTAWA HILLS LOCAL SCHOOL DISTRICT, OHIO
COMBINED STATEMENT OF CASH FLOWS
PROPRIETARY FUND TYPE AND NONEXPENDABLE TRUST FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2002

	<i>Proprietary Fund Type</i>	<i>Fiduciary Fund Type</i>	Totals
	Enterprise Fund	Nonexpendable Trust Fund	(Memorandum Only)
<u>Cash Flows from Operating Activities:</u>			
Cash Received from Customers	\$6,171	\$0	\$6,171
Cash Payments for Goods and Services	(12,304)	(641)	(12,945)
Net Cash Used for Operating Activities	(6,133)	(641)	(6,774)
<u>Cash Flows from Investing Activities:</u>			
Receipts of Interest	0	649	649
Net Cash Provided by Investing Activities	0	649	649
Net Increase (Decrease) in Cash and Cash Equivalents	(6,133)	8	(6,125)
Cash and Cash Equivalents at Beginning of Year	24,994	29,016	54,010
Cash and Cash Equivalents at End of Year	\$18,861	\$29,024	\$47,885
<u>Reconciliation of Cash and Cash Equivalents per Balance Sheet:</u>			
Cash and Cash Equivalents	\$18,861	\$94,365	\$113,226
Less: Cash and Cash Equivalents in Expendable Trust Fund	0	(27,335)	(27,335)
Less: Cash and Cash Equivalents in Agency Fund	0	(38,006)	(38,006)
Cash and Cash Equivalents at End of Year	\$18,861	\$29,024	\$47,885
<u>Reconciliation of Operating Income (Loss) to Net Cash Used for Operating Activities:</u>			
Operating Income (Loss)	(\$6,133)	(\$641)	(\$6,774)
Adjustments to Reconcile Operating Income (Loss) to Net Cash Used for Operating Activities:			
Total Adjustments	0	0	0
Net Cash Used by Operating Activities	(\$6,133)	(\$641)	(\$6,774)

The notes to the general purpose financial statements are an integral part of this statement.

OTTAWA HILLS LOCAL SCHOOL DISTRICT, OHIO
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
JUNE 30, 2002

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Reporting Entity

Ottawa Hills Local School District, Ohio (the District) is a body politic and corporate established for the purpose of exercising the rights and privileges conveyed to it by the constitution and laws of the State of Ohio.

The District is governed by a locally elected five member Board of Education (the Board) which provides educational services. The Board controls the District's instructional support facilities staffed by 35 noncertified, 79 certified teaching personnel and 8 administrative employees providing education to 1,020 students.

The accompanying general purpose financial statements comply with the provisions of Governmental Accounting Standards Board (GASB) Statement No. 14, "*The Financial Reporting Entity*," in that the financial statements include all organizations, activities, functions and component units for which the District (the reporting entity) is financially accountable. Financial accountability is defined as the appointment of a voting majority of a legally separate organization's governing body and either the District's ability to impose its will over the organization or the possibility that the organization will provide a financial benefit to, or impose a financial burden on, the District. There were no potential component units that met the criteria imposed by GASB Statement No. 14 to be included in the District's reporting entity. The District is a member of the Northwest Ohio Computer Association (NWOCA), a jointly governed organization which provides computer service to forty-one (41) school districts. Based on the foregoing, the reporting entity of the District includes the following services: instructional (regular and special education), student guidance, extracurricular activities and care and upkeep of grounds and buildings.

The accounting policies and financial reporting practices of the District conform to generally accepted accounting principles as applicable to governmental units. The following is a summary of its significant accounting policies.

B. Basis of Presentation - Fund Accounting

The accounting system is organized and operated on the basis of funds and account groups, each of which is considered a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund equity, revenues and expenditures/expenses. The various funds are summarized by type in the general purpose financial statements.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

B. Basis of Presentation - Fund Accounting (Continued)

The following fund types and account groups are used by the District:

Governmental Funds - These are funds through which most governmental functions typically are financed. The acquisition, use and balances of the District's expendable financial resources and the related current liabilities (except those accounted for in the proprietary funds) are accounted for through governmental funds. The measurement focus is upon determination of "financial flow" (sources, uses and balances of financial resources). The following are the District's governmental fund types:

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

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

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

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

Proprietary Funds - The proprietary funds are accounted for on a "economic resources" measurement focus. This measurement focus provides that all assets and all liabilities associated with the operation of the proprietary funds are included on the balance sheet. The proprietary fund operating statements present increases (i.e., revenues) and decreases (i.e., expenses) in retained earnings (net total assets).

Enterprise Fund - This fund is used to account for operations that are financed and operated in a manner similar to private business enterprises where the intent of the governing body is that the costs (expenses, including depreciation) of providing goods or services to the student body on a continuing basis be financed or recovered primarily through user charges.

Fiduciary Funds

Trust and Agency Funds - These funds are used to account for assets held by a government unit in a trustee capacity or as an agent for individuals, private organizations, other governmental units, and/or other funds. The District maintains an expendable trust fund, a non-expendable trust fund and an agency fund. The expendable trust fund is accounted for and reported similarly to a governmental fund, the non-expendable trust fund is accounted for similarly to a proprietary fund. The agency fund is custodial in nature (assets equal liabilities) and does not involve measurement of results of operations.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

B. Basis of Presentation - Fund Accounting (Continued)

Account Groups - To make a clear distinction between fixed assets related to specific funds and those of general government and between long-term liabilities related to specific funds and those of a general nature, the following account groups are used:

General Fixed Assets Account Group - This account group is established to account for fixed assets of the District, other than those accounted for in the proprietary funds.

General Long-Term Obligations Account Group - This account group is established to account for all long-term debt and other long-term liabilities of the District except those accounted for in the proprietary funds.

C. Basis of Accounting

Basis of accounting represents the methodology utilized in the recognition of revenues and expenditures or expenses reported in the financial statements. The accounting and reporting treatment applied to a fund is determined by its measurement focus.

The modified accrual basis of accounting is followed by the governmental funds and expendable trust and agency funds. Under the modified accrual basis of accounting, revenues are recorded when susceptible to accrual, i.e., both measurable and available. The term "available" means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period, which for the District is considered to be 60 days after fiscal year end. Expenditures are recognized in the accounting period in which the fund liability is incurred, if measurable, except for unmatured interest on general long-term debt which is recognized when due.

Revenue considered susceptible to accrual at year end includes property taxes, tuition, student fees, grants and entitlements.

Current property taxes measurable at June 30, 2002, and which are not intended to finance fiscal 2002 operations, have been recorded as deferred revenues. Delinquent property taxes measurable and available (received within 30 days) and amounts available as an advance on future tax settlements are recognized as revenue at year end. Taxes available for advance and recognized as revenue but not received by the District prior to June 30, 2002, are reflected as a reservation of fund balance for future appropriations. The District is prohibited by law from appropriating this revenue in accordance with ORC Section 5705.35, since an advance of revenue was not requested or received prior to the fiscal year end.

Revenue resulting from exchange transactions, in which each party gives and receives essentially equal value, is recorded on the accrual basis when the exchange takes place. On the modified accrual basis, revenue is recorded in the fiscal year in which the resources are measurable and become available.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C. Basis of Accounting (Continued)

Non-exchange transactions, in which the District receives value without directly giving equal value in return, include property taxes, income taxes, grants, entitlements, and donations. On the accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied. Revenue from income taxes is recognized in the period in which the income is earned. Revenue from grants, entitlements, and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the fiscal year when the resources are required to be used or the fiscal year when use is first permitted; matching requirements, in which the District must provide local resources to be used for a specified purpose; and expenditure requirements, in which the resources are provided to the District on a reimbursement basis. On the modified accrual basis, revenue from non-exchange transactions must also be available before it can be recognized.

The accrual basis of accounting is utilized for reporting purposes by the proprietary funds and the non-expendable trust fund. Revenues are recognized when they are earned and expenses are recognized when incurred.

Pursuant to GASB Statement No. 20, "*Accounting and Financial Reporting for Proprietary Funds and Other Governmental Entities that Use Proprietary Fund Accounting*," the District follows GASB guidance as applicable to proprietary funds and FASB Statements and Interpretations, Accounting Principles Board Opinions and Accounting Research Bulletins issued on or before November 30, 1989 that do not conflict with or contradict GASB pronouncements.

D. Budgetary Process

The budgetary process is prescribed by provisions of the Ohio Revised Code and entails the preparation of budgetary documents within an established timetable. The major documents prepared are the tax budget, the certificate of estimated resources and the appropriation resolution, all of which are prepared on the budgetary basis of accounting. The certificate of estimated resources and the appropriation resolution are subject to amendment throughout the year.

All funds other than agency funds are legally required to be budgeted and appropriated; however, only governmental funds are required to be reported. The primary level of budgetary control is at the object level for the general fund and at the fund level for the remaining funds. Budgetary modifications may only be made by resolution of the Board of Education.

1. Tax Budget

By January 15, the Superintendent and Treasurer submit an annual operating budget for the following fiscal year to the Board of Education for consideration and passage. The adopted budget is submitted to the County Auditor, as Secretary of the County Budget Commission, by January 20 of each year for the period July 1 to June 30 of the following fiscal year.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Budgetary Process (Continued)

2. Estimated Resources

Prior to March 15, the Board accepts by formal resolution, the tax rates as determined by the County Budget Commission and receives the Commission's Certificate of Estimated Resources which states the projected revenue of each fund. Prior to June 30, the District must revise its budget so that the total contemplated expenditures from any fund during the ensuing fiscal year will not exceed the amount available as stated in the certificate of estimated resources. The revised budget then serves as the basis for the annual appropriations measure. On or about July 1, the certificate of estimated resources is amended to include any unencumbered fund balances from the preceding year. The certificate may be further amended during the year if a new source of revenue is identified or actual receipts exceed current estimates. The amounts reported on the budgetary statement reflect the amounts in the final amended official certificate of estimated resources issued during fiscal year 2002.

3. Appropriations

A temporary appropriation measure to control expenditures may be passed on or about July 1 of each year for the period July 1 through September 30. An annual appropriation resolution must be passed by October 1 of each year for the period July 1 through June 30. The appropriation resolution establishes spending controls at the object level for the general fund and at the fund level for all other funds. The appropriation resolution may be amended during the year as additional information becomes available, provided that appropriations do not exceed the current estimated resources as certified. The allocation of appropriations among departments and objects within a fund may be modified during the year with approval of the Board. During the year, several supplemental appropriations were necessary to budget the use of contingency funds. Administrative control is maintained through the establishment of more detailed line-item budgets. The budgetary figures which appear in the "Combined Statement of Revenues, Expenditures, and Changes in Fund Balances-Budget and Actual-All Governmental Fund Types" are provided on the budgetary basis to provide a comparison of actual results to the final budget, including all amendments and modifications.

4. Encumbrances

As part of formal budgetary control, purchase orders, contracts and other commitments for expenditures are encumbered and recorded as the equivalent of expenditures (budget basis) in order to reserve that portion of the applicable appropriation and to determine and maintain legal compliance. However, on the GAAP basis of accounting, encumbrances do not constitute expenditures or liabilities and are reported as reservations of fund balances for governmental funds in the accompanying general purpose financial statements. The District did not encumber all commitments required by Ohio Law.

5. Lapsing of Appropriations

At the close of each fiscal year, the unencumbered balance of each appropriation reverts to the respective fund from which it was appropriated and becomes subject to future appropriations. The encumbered appropriation balance is carried forward to the subsequent fiscal year and need not be reappropriated.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Budgetary Process (Continued)

6. Budgetary Basis of Accounting

The District's budgetary process accounts for certain transactions on a basis other than generally accepted accounting principles (GAAP). The major differences between the budgetary basis and the GAAP basis lie in the manner in which revenues and expenditures are recorded. Under the budgetary basis, revenues and expenditures are recognized on a cash basis. Utilizing the cash basis, revenues are recorded when received in cash and expenditures when paid. Under the GAAP basis, revenues and expenditures are recorded on the modified accrual basis of accounting. Encumbrances are recorded as the equivalent of expenditures (budgetary basis) as opposed to reservations of fund balance (GAAP basis).

The following table summarizes the adjustments necessary to reconcile the GAAP basis statements to the budgetary basis statements for the governmental funds:

	Excess (Deficiency) of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses			
	General Fund	Special Revenue Funds	Debt Service Fund	Capital Projects Funds
GAAP Basis (as reported)	\$943,167	(\$23,919)	(\$72,702)	\$2,473
Increase (Decrease):				
Accrued Revenues at June 30, 2002, received during FY 2003	(217,486)	0	(13,919)	(8,192)
Accrued Revenues at June 30, 2001, received during FY 2002	195,710	0	15,107	6,828
Accrued Expenditures at June 30, 2002, paid during FY 2003	864,875	5,936	0	3,212
Accrued Expenditures at June 30, 2001, paid during FY 2002	(836,631)	(6,297)	0	(47,084)
FY 2001 Prepays for FY 2002	1,965	0	0	0
FY 2002 Prepays for FY 2003	(8,770)	0	0	0
Encumbrances Outstanding at June 30, 2002	(24,155)	(17,456)	0	(89,494)
Budget Basis	<u>\$918,675</u>	<u>(\$41,736)</u>	<u>(\$71,514)</u>	<u>(\$132,257)</u>

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

E. Cash and Cash Equivalents

Cash and cash equivalents include amounts in demand deposits and investments with original maturities of less than three months.

The District pools its cash for investment and resource management purposes. Each fund's equity in pooled cash and investments represents the balance on hand as if each fund maintained its own cash and investment account. See Note 4, "Cash, Cash Equivalents and Investments."

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

F. Investments

Investment procedures and interest allocations are restricted by provisions of the Ohio Constitution and the Ohio Revised Code. In accordance with GASB Statement No. 31, Accounting and Financial Reporting for Certain Investments and for External Investment Pools, the District records all its investments at fair value except for nonparticipating investment contracts (repurchase agreements) which are reported at cost. See Note 4, "Cash, Cash Equivalents and Investments." During fiscal year 2002, investments were limited to certificates of deposit and federal agency securities.

The District has invested funds in the State Treasury Asset Reserve of Ohio during 2002. 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, 2002.

Interest revenue credited to the General Fund during fiscal year 2002 amounted to \$151,638. Of that amount, \$34,633 was the amount allocated by other funds.

G. Inventory

Inventory is stated at cost (first-in, first-out) in the governmental funds and at the lower of cost or market in the proprietary funds. The costs of inventory items are recorded as expenditures in the governmental and expendable trust funds when purchased and as expenses in the proprietary funds when used.

H. Fixed Assets and Depreciation

The accounting and reporting treatment applied to fixed assets is determined by their ultimate use. Fixed assets acquired or constructed for general governmental purposes are recorded as expenditures in the governmental funds and are capitalized at cost (or estimated historical cost for assets not purchased in recent years) in the General Fixed Assets Account Group. Interest incurred during construction is not capitalized for General Fixed Assets. The District increased its capitalization threshold from \$500 to \$1,500 for fixed assets. Contributed fixed assets are recorded at fair market value at the date received. The District does not possess any infrastructure.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

H. Fixed Assets and Depreciation (Continued)

General fixed asset values were initially determined by identifying historical costs where such information was available. In cases where information supporting original cost was not obtainable, estimated historical costs were developed. For certain fixed assets, the estimates were arrived at by indexing estimated current costs back to the estimated year of acquisition.

The District has elected not to record depreciation in the General Fixed Assets Account Group.

I. Long-Term Obligations

Long-term liabilities are being repaid from the following funds:

<u>Obligation</u>	<u>Fund</u>
General Obligation Bonds	Bond Retirement Fund
Intergovernmental Payable	General Fund
Compensated Absences	General Fund

J. Compensated Absences

In accordance with GASB Statement No. 16, "Accounting for Compensated Absences," vacation benefits are accrued as a liability when an employee's right to receive compensation is attributable to services already rendered, and it is probable that the employee will be compensated through paid time off or some other means, such as cash payments at termination or retirement. Administrators and classified staff who work twelve month contracts are granted vacation leave based on length of service and position. Sick leave benefits are accrued as a liability using the vesting method. Employees earn 1.25 days of sick leave per month of service up to a maximum of 265 days for STRS employees and 250 days for SERS employees. Upon retirement, employees that pay into STRS will receive up to 36% of the accumulated sick leave up to a maximum of 95 days and employees that pay into SERS will receive up to 31.32% of the accumulated sick leave up to a maximum of 78 days. Administrators earn sick leave up to 290 days and will be paid up to 36% of accumulated sick leave up to a maximum of 104 days. For governmental funds, that portion of unpaid compensated absences that is expected to be paid using expendable, available resources is reported as an expenditure in the fund from which the individual earning the leave is paid, and a corresponding liability is reflected in the account "Compensated Absences Payable." The long-term portion of the liability is reported in the General Long-Term Obligations Account Group.

K. Pensions

The provision for pension costs is recorded when the related payroll is accrued and the obligation is incurred.

L. Interfund Transactions

During the course of normal operations, the District has numerous transactions between funds. Interfund transactions are generally classified as follows:

- Operating transfers are reported as "Other Financing Sources and Uses" in the governmental funds, as "Operating Transfers In" by the recipient fund, and "Operating Transfers Out" by the disbursing fund.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

L. Interfund Transactions (Continued)

- Short-term interfund loans are reflected as interfund loans payable/receivable, while long-term interfund loans (greater than one year in length) are recorded as advances to/from other funds.
- Residual Equity Transfers are nonroutine or nonrecurring transfers between funds and are reported as additions to or deductions from the fund equity balance.

Transactions that would be treated as revenues and expenditures/expenses if they involved organizations external to the District are similarly treated when involving other funds of the District.

M. Reservations of Fund Balance

Reserves indicate that a portion of fund balance is not available for expenditure or is legally segregated for a specific future use. Fund balances are reserved for prepaid items, endowments, property taxes and encumbered amounts which have not been accrued at year end. The reserve for property taxes represents taxes recognized as revenue under generally accepted accounting principles, but not available for appropriation under State statute.

N. Total Columns on Combined Financial Statements

Total columns on the "Combined Financial Statements" are captioned "Memorandum Only" to indicate they are presented only to facilitate financial analysis. Data in these columns does not present financial position, results of operations or cash flows in conformity with generally accepted accounting principles, nor is such data comparable to a consolidation. Interfund eliminations have not been made in the aggregation of this data.

NOTE 2 – RESTATEMENT

During 2002, the District corrected errors in the amounts recorded as fixed assets and increased its capitalization threshold from \$500 to \$1,500. The correction of errors in the fixed assets resulted in a decrease in the amount of \$1,969,333 and the increase in the capitalization threshold resulted in a decrease of \$1,990,356. As a result, the General Fixed Assets Account Group balance at June 30, 2001 decreased by \$3,959,689, from \$12,700,426 to \$8,740,737.

NOTE 3 – COMPLIANCE AND ACCOUNTABILITY

A. Excess Appropriations over Estimated Revenues

Ohio Revised Code requires that appropriations do not exceed estimated revenues. Appropriations exceeded estimated revenues by \$30,404 in the Public School Support Fund, \$43,688 in the District Managed Student Account Fund, \$1,582 in the School Net Fund, \$600 in the Title VI Fund, and \$54 in the Class Size Reduction Grant Fund (special revenue funds). Under the cash basis of accounting, expenditures did not exceed revenues.

NOTE 3 – COMPLIANCE AND ACCOUNTABILITY (Continued)

B. Excess of Expenditures Over Appropriations

For the year ended June 30, 2002, expenditures exceeded appropriations at the object level for the general fund and fund level for the remaining funds (i.e., the legal level of budgetary control) as follows:

Fund	Excess
General Fund:	
Capital Outlay	\$41,092
Special Revenue Funds:	
Other Grants Fund	3,428
Auxilliary Services Fund	307,426
Teacher Development Fund	481
Management Information System Fund	6,342
Capital Projects Fund:	
School Net Plus Fund	12,126

The excess expenditures were funded from available fund balance.

C. Certification of Funds

The District Treasurer did not certify all expenditures as required by Ohio Law.

NOTE 4 - CASH, CASH EQUIVALENTS AND INVESTMENTS

Cash resources of several individual funds are combined to form a pool of cash, cash equivalents and investments. In addition, investments are separately held by a number of individual funds.

Statutes require the classification of funds held by the District into three categories. Category 1 consists of “active” funds - those funds required to be kept in a “cash” or “near cash” status for immediate use by the District. Such funds must be maintained either as cash in the District Treasury or in depository accounts payable or withdrawable on demand, including negotiable order of withdrawal (NOW) accounts.

Category 2 consists of “inactive” funds - those funds not required for use within the current five year period of designation of depositories. Inactive funds may be deposited or invested only as certificates of deposit maturing not later than the end of the current period of designation of depositories.

Category 3 consists of “interim” funds - those funds which are not needed for immediate use but, which will be needed before the end of the current period of designation of depositories. Interim funds may be invested or deposited in the following securities:

- United States treasury notes, bills, bonds, or any other obligation or security issued by the United States treasury or any other obligation guaranteed as to principal or interest by the United States;
- Bonds, notes, debentures, or any other obligations or securities issued by any federal government agency or instrumentality, including but not limited to, the federal national mortgage association, federal home loan bank, federal farm credit bank, federal home loan mortgage corporation, government national mortgage association, and student loan marketing association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;

NOTE 4 - CASH, CASH EQUIVALENTS AND INVESTMENTS (Continued)

- Written repurchase agreements in the securities listed above provided that the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least two percent and be marked to market daily, and that the term of the agreement must not exceed thirty days;
- Interim deposits in eligible institutions applying for interim funds;
- Bonds and other obligations of the State of Ohio;
- No-load money market mutual funds consisting exclusively of obligations described in the first two bullets of this section and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions, and
- The State Treasury Asset Reserve of Ohio (STAR Ohio).
- Bonds of any municipal corporation, village, county, township or other political subdivision of this State, as to which there is no default of principal, interest or coupons.

Ohio Law requires that deposits be placed in eligible banks or savings and loan associations located in Ohio. Any public depository in which the District places deposits must pledge as collateral eligible securities of aggregate market value equal to the excess of deposits not insured by the Federal Deposit Insurance Corporation (FDIC). The securities pledged as collateral are pledged to a pool for each individual financial institution in amounts equal to at least 105% of the carrying value of all public deposits held by each institution. Obligations that may be pledged as collateral are limited to obligations of the United States and its agencies and obligations of any state, county, municipal corporation or other legally constituted authority of any other state, or any instrumentality of such county, municipal corporation or other authority. Based upon criteria described in GASB Statement No. 3, "*Deposits With Financial Institutions, Investments (including Repurchase Agreements) and Reverse Repurchase Agreements,*" collateral held in single financial institution collateral pools with securities being held by the pledging financial institutions' agent in the pool's name are classified as Category 3. The Governmental Accounting Standards Board has established risk categories for deposits and investments as follows:

Deposits:

- Category 1 Insured or collateralized with securities held by the District or by its agent in the District's name.
- Category 2 Collateralized with securities held by the pledging financial institution's trust department or agent, in the District's name.
- Category 3 Collateralized with securities held by the pledging financial institution's trust department or agent, but not in the District's name.

Investments:

- Category 1 Insured or registered, or securities held by the District or its agent in the District's name.
- Category 2 Uninsured and unregistered, with securities held by the counterparty's trust department or agent in the District's name.
- Category 3 Uninsured and unregistered, with securities held by the counterparty or by its trust department or agent but not in the District's name.

NOTE 4 - CASH, CASH EQUIVALENTS AND INVESTMENTS (Continued)

A. Deposits

At year end the carrying amount of the District's deposits was \$3,369,927 and the bank balance was \$3,682,377. The Federal Deposit Insurance Corporation (FDIC) covered \$100,000 of the bank balance and all remaining deposits were classified as Category 3.

B. Investments

The District's investments at June 30, 2002 are summarized below:

	<u>Category 1</u>	<u>Carrying Value/ Fair Value</u>
Categorized Investments		
Federal Government Securities	\$692,625	\$692,625
Total Categorized Investments	692,625	692,625
Noncategorized Investments		
STAR Ohio	N/A	1,320,147
Total Investments	<u>\$692,625</u>	<u>\$2,012,772</u>

The District's investment in the State Treasurer's pool (STAR Ohio) is not categorized or assigned a risk category because it is not evidenced by securities that exist in physical or book entry form.

C. Reconciliation of Cash, Cash Equivalents and Investments

The classification of cash, cash equivalents and investments on the combined financial statements is based on criteria set forth in GASB Statement No. 9. Certificates of deposit with an original maturity of three months or less are treated as cash equivalents. The classification of cash and cash equivalents (deposits) for purposes of this note are based on criteria set forth in GASB Statement No. 3.

	<u>Cash and Cash Equivalents</u>	<u>Investments</u>
Per Combined Balance Sheet	\$4,440,074	\$942,625
Certificates of Deposit (with maturities of more than 3 months)	250,000	(250,000)
STAR Ohio	<u>(1,320,147)</u>	<u>1,320,147</u>
Per GASB Statement No. 3	<u>\$3,369,927</u>	<u>\$2,012,772</u>

NOTE 5 - TAXES

Property taxes include amounts levied against all real estate and public utility property, and tangible personal property used in business and located in the District. Real property taxes (other than public utility) collected during 2002 were levied after October 1, 2001 on assessed values as of January 1, 2001, the lien date. Assessed values are established by the County Auditor at 35 percent of appraised market value. All property is required to be reappraised every six years and equalization adjustments made the third year following reappraisal. The last revaluation was completed in 2001. Real property taxes are payable annually or semi-annually. The first payment is due January 20, with the remainder payable by June 20.

Taxes collected from tangible personal property (other than public utility) in one calendar year are levied in the prior calendar year on assessed values during and at the close of the most recent fiscal year of the taxpayer that ended on or before March 31 of that calendar year, and at the tax rates determined in the preceding year. Tangible personal property used in business (except for public utilities) is currently assessed for ad valorem taxation purposes at 25 percent of its true value. Amounts paid by multi-county taxpayers are due September 20 of the year assessed. Single county taxpayers may pay annually or semi-annually, the first payment is due April 30; with the remainder payable by September 20.

Public utility real and tangible personal property taxes collected in one calendar year are levied in the preceding calendar year on assessed values determined as of December 31 of the second year preceding the tax collection year, the lien date. Certain public utility tangible personal property is currently assessed at 100 percent of its true value. Public utility property taxes are payable on the same dates as real property described previously.

The County Treasurer collects property taxes on behalf of all taxing districts in the County including Ottawa Hills Local School District. The County Auditor periodically remits to the District its portion of the taxes collected. The assessed values for collection in 2002, upon which the 2001 levies were based, were as follows:

	2001 Second Half Collections	2002 First Half Collections
Agricultural/Residential and Other Real Estate	\$163,116,210	\$162,864,010
Public Utility Personal	2,813,810	1,957,820
Tangible Personal Property	<u>332,600</u>	<u>459,795</u>
Total Assessed Value	<u>\$166,262,620</u>	<u>\$165,281,625</u>
Tax rate per \$1,000 of assessed valuation	\$113.10	\$114.50

NOTE 6 - RECEIVABLES

Receivables at June 30, 2002 consisted of taxes, accounts, interest and intergovernmental receivables. All receivables are considered collectible in full due to the ability to foreclose for the nonpayment of taxes, the stable condition of State programs, and the current year guarantee of Federal funds.

NOTE 7 - INTERFUND BALANCES

Following is a summary of interfund receivables/payables for all funds at June 30, 2002:

	Interfund Loans Receivable	Interfund Loans Payable
General Fund	\$339	\$0
Special Revenue Funds:		
Public School Support Fund	0	282
District Managed Student Account Fund	0	57
Total Special Revenue Funds	0	339
Totals	<u>\$339</u>	<u>\$339</u>

NOTE 8 - OPERATING TRANSFERS

Following is a summary of operating transfers in and out for all funds at June 30, 2002:

Fund	Transfer In	Transfer Out
General Fund	\$0	\$33,000
Special Revenue Fund:		
District Managed Student Activity Fund	33,000	0
Total All Funds	<u>\$33,000</u>	<u>\$33,000</u>

NOTE 9 - FIXED ASSETS

The fixed asset balances of the General Fixed Asset Account Group have been restated due to changes in the District's fixed asset policy (see Note 1.H and Note 2 for detail), reappraisal, and to include land and land improvement values not correctly reported in the prior year.

General Fixed Assets - Summary by category of changes in general fixed assets at June 30, 2002:

Class	June 30, 2001	Adjustments	Restated	Additions	Deletions	June 30, 2002
			June 30, 2001			
Land and Improvements	\$213,464	\$1,357,192	\$1,570,656	\$0	\$0	\$1,570,656
Buildings and Improvements	10,095,603	(3,716,354)	6,379,249	6,639	0	6,385,888
Machinery/Equipment and Furniture/Fixtures	2,229,054	(1,574,577)	654,477	82,276	0	736,753
Vehicles	162,305	(25,950)	136,355	18,177	0	154,532
Totals	<u>\$12,700,426</u>	<u>(\$3,959,689)</u>	<u>\$8,740,737</u>	<u>\$107,092</u>	<u>\$0</u>	<u>\$8,847,829</u>

NOTE 10 - DEFINED BENEFIT PENSION PLANS

All of the District's full-time employees participate in one of two separate retirement systems which are cost-sharing, multiple-employer defined benefit pension plans.

A. School Employees Retirement System of Ohio (SERS of Ohio)

All non-certified employees of the District, with minor exceptions, performing duties that do not require a certificate issued by the Ohio Department of Education are eligible to participate in the School Employees Retirement System of Ohio, a cost-sharing, multiple-employer public employee retirement system.

The SERS of Ohio provides retirement and disability benefits, annual cost-of-living adjustments and survivor benefits to plan members and beneficiaries. Authority to establish and amend benefits is provided by state statute per Chapter 3309 of the Ohio Revised Code. The SERS of Ohio issues a stand-alone financial report that includes financial statements and required supplementary information for the SERS of Ohio. Interested parties may obtain a copy by making a written request to SERS, 45 North Fourth Street, Columbus, Ohio 43215-3634 or by calling (614) 222-5853.

The Ohio Revised Code provides statutory authority for District and employee contributions of 14% and 9% respectively. The contribution rates are determined actuarially, and are established and may be amended, up to statutory amounts, by the School Employees Retirement Board (Retirement Board) within the rates allowed by State statute. The required employer contribution rate is allocated to basic retirement benefits and health care by the Retirement Board. At June 30, 2001, (latest information available) 4.2% was allocated to fund the pension benefit and 9.8% to fund health care. The District's contributions for pension obligations to SERS of Ohio for the years ending June 30, 2002, 2001, and 2000 were \$43,542, \$42,620, and \$54,190, respectively, 92 percent has been contributed for fiscal year 2002 and 100 percent for fiscal years 2001 and 2000.

The Ohio Revised Code gives SERS the discretionary authority to provide postretirement health care to retirees and their dependents. Coverage is made available to service retirees with ten or more years of qualifying service credit, disability and survivor benefit recipients. Members retiring on or after August 1, 1989 with less than twenty-five years of service credit must pay a portion of their premium for health care. The portion is based on years of service up to a maximum of 75% of the premium. The portion of the 2001 employer contribution rate (latest information available) that was used to fund health care for the year 2001 was 9.8%. In addition, SERS levies a surcharge to fund health care benefits equal to 14% of the difference between minimum pay and the member's pay, prorated for partial service credit. For fiscal year 2002, the minimum pay has been established as \$12,400. The amount contributed to fund health care benefits, including the surcharge amounted to \$106,852.

Health care benefits are financed on a pay-as-you-go basis. The number of retirees and covered dependents currently receiving benefits is approximately 50,000. The target level for the health care reserve is 150% of annual health care expenses. Expenses for health care at June 30, 2001 (the latest information available) were \$161,439,934 and the target level was \$242.2 million. Net assets available for payment of benefits at June 30, 2001 was \$315.7 million.

NOTE 10 - DEFINED BENEFIT PENSION PLANS (Continued)

B. State Teachers Retirement System of Ohio (STRS of Ohio)

All certified employees of the District are eligible to participate in the State Teachers Retirement System of Ohio, a cost-sharing, multiple-employer public employee retirement system.

The STRS of Ohio provides retirement and disability benefits, annual cost-of-living adjustments and survivor benefits based on eligible service credit to plan members and beneficiaries. Benefits are established by Chapter 3307 of the Ohio Revised Code. The STRS of Ohio issues a stand-alone financial report that includes financial statements and required supplementary information for the STRS of Ohio. Interested parties may obtain a copy by making a written request to STRS, 275 East Broad Street, Columbus, Ohio 43215-3771 or by calling (614) 227-4090.

The Ohio Revised Code provides statutory authority for District and employee contributions of 14% and 9.3%, respectively. The contribution requirements of plan members and the District are established and may be amended by the State Teachers Retirement Board, upon recommendation of its consulting actuary, not to exceed statutory maximum rates of 10% for members and 14% for employers. At June 30, 2001, (latest information available) 9.5% was allocated to fund the pension benefit and 4.5% to fund health care. The District's contributions for pension obligations to STRS of Ohio for the years ending June 30, 2002, 2001, and 2000 were \$446,849, \$422,459, and \$250,622, respectively, 92 percent has been contributed for fiscal year 2002 and 100 percent for fiscal years 2001 and 2000.

STRS provides postemployment health care benefits to retirees and their dependents. Coverage includes hospitalization, physician fees, prescription drugs and reimbursement of monthly Medicare premiums. All benefit recipients and sponsored dependents are eligible for health care coverage. Pursuant to the Revised Code, the State Teachers Retirement Board has discretionary authority over how much, if any, of the health care cost will be absorbed by STRS. Most benefit recipients pay a portion of the health care cost in the form of a monthly premium.

Benefits are funded on a pay-as-you-go basis through an allocation of employer contributions to a Health Care Reserve Fund. For the fiscal year ended June 30, 2001, (latest information available) the board allocated employer contributions are equal to 4.5% of covered payroll to the Health Care Reserve Fund, which amounted to \$211,665 for the District. The balance of the Health Care Reserve Fund was \$3.256 billion at June 30, 2001 (the latest information available). For the fiscal year ended June 30, 2001, the net health care costs paid by STRS were \$369,354,000. There were 102,132 eligible benefit recipients.

NOTE 11 - COMPENSATED ABSENCES

The District provides a liability for accumulated unpaid sick leave and vacation time benefits when earned by employees. Accrued employee benefits for governmental funds not currently due and payable at year end are recorded in the General Long-Term Obligations Account Group. At June 30, 2002, the total accumulated unpaid sick and vacation time recorded in the General Long-Term Obligations Account Group was:

	<u>Sick Leave</u>	<u>Vacation</u>	<u>Total</u>
Liability	\$857,130	\$66,776	\$923,906

**NOTE 12 - GENERAL LONG-TERM DEBT
AND OTHER GENERAL LONG-TERM OBLIGATIONS**

Activity in the General Long-Term Obligations Account Group during fiscal year 2002 was as follows:

		<u>Balance</u> <u>June 30, 2001</u>	<u>Issued</u> <u>(Retired)</u>	<u>Balance</u> <u>June 30, 2002</u>
General Long-Term Debt:				
(General Obligation Bonds)				
Elementary Addition and Improvements	6.625%	\$160,000	(\$160,000)	\$0
School Improvements	4.750%	5,530,000	(200,000)	5,330,000
Total General Long-Term Debt		<u>5,690,000</u>	<u>(360,000)</u>	<u>5,330,000</u>
Other General Long-Term Obligations:				
Intergovernmental Payable		52,047	2,202	54,249
Compensated Absences		973,959	(50,053)	923,906
Total Other General Long-Term Obligations		<u>1,026,006</u>	<u>(47,851)</u>	<u>978,155</u>
Total General Long-Term Debt and Other General Long-Term Obligations		<u>\$6,716,006</u>	<u>(\$407,851)</u>	<u>\$6,308,155</u>

A. Principal and Interest Requirements

A summary of the District's future long-term debt funding requirements, including principal and interest payments as of June 30, 2002, follows:

<u>Years</u>	<u>General Obligation Bonds</u>	
	<u>Principal</u>	<u>Interest</u>
2003	\$210,000	\$250,681
2004	220,000	240,588
2005	235,000	230,019
2006	245,000	218,737
2007	265,000	206,863
2008 - 2012	1,580,000	827,213
2013 - 2017	2,085,000	399,475
2018	490,000	17,575
Totals	<u>\$5,330,000</u>	<u>\$2,391,151</u>

Contrary to the Code of Federal Regulations (CFR), the District did not file an annual report with the Nationally Recognized Municipal Security Information Repositories (NRMSIRs) and the State Information Depository (SID).

NOTE 13 – STATUTORY RESERVES

The District is required by state law to set aside certain general fund revenue amounts, as defined, into various reserves. During the fiscal year ended June 30, 2002, the reserve activity (cash-basis) was as follows:

	Textbook Reserve	Capital Acquisition Reserve	Budget Stabilization Reserve	Total
Set-aside Cash Balance as of June 30, 2001	\$10,513	\$0	\$66,959	\$77,472
Current Year Set-Aside Requirement	125,941	125,941	0	251,882
Current Year Offset Credits	0	(251,614)	0	(251,614)
Qualifying Disbursements	<u>(283,844)</u>	<u>0</u>	<u>(66,959)</u>	<u>(350,803)</u>
Total	<u>(\$147,390)</u>	<u>(\$125,673)</u>	<u>\$0</u>	<u>(\$273,063)</u>
Balance Carried Forward to FY 2003	<u>(\$147,390)</u>	<u>\$0</u>	<u>\$0</u>	<u>(\$147,390)</u>

Although the District had offsets and qualifying disbursements during the year that reduced the set-aside amounts below zero, these extra amounts may not be used to reduce the set-aside requirements of future years. Negative amounts are therefore not presented as being carried forward to the next fiscal year.

NOTE 14 - CONSTRUCTION COMMITMENTS

As of June 30, 2002, the District had the following commitment with respect to capital projects:

Project	Remaining Construction Commitment	Expected Date of Completion
High School Renovation - Mechanical Work	\$10,444	August 2002
High School Renovation - Electrical/Technology Work	11,118	August 2002
High School Renovation - General Work	<u>16,249</u>	August 2002
Total	<u>\$37,811</u>	

NOTE 15 - JOINTLY GOVERNED ORGANIZATION

Northwest Ohio Computer Association (NWOCA) - The District is a participant in the Northwest Ohio Computer Association (NWOCA) which is a computer consortium. NWOCA is an association of twenty-eight educational entities, primarily school districts, located in Henry, Fulton, Defiance, Williams, Lucas and Wood Counties. 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 members. NWOCA is governed by its participating members, which consists of a representative from each member entity and a representative from the fiscal agent. Financial information can be obtained from the Northwest Ohio Computer Association, Duane Baker, Executive Director, 22-900 State Route 34, Archibold, Ohio 43502.

NOTE 15 - JOINTLY GOVERNED ORGANIZATION (continued)

Northern Buckeye Council - The Northern Buckeye Education Council (NBEC) was established in 1979 to foster cooperation among school districts located in Defiance, Fulton, Henry, Lucas, Williams, and Wood counties. NBEC is organized under Ohio laws as a regional council of governments pursuant to a written agreement entered into by its member entities and bylaws adopted by the representatives of the member educational entities. NBEC is governed by an elected Board consisting of two representatives from each of the counties in which the member educational entities are located. The Board is elected from an Assembly consisting of a representative from each participating educational entity. Total disbursements made by the District to NBEC during this fiscal year were \$63,725. To obtain financial information write to the Northern Buckeye Education Council, Cindy Siler, Who serves as Treasurer, at 22-900 State Route 34, Archbold, Ohio 43502.

NOTE 16 - RISK MANAGEMENT

The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; and natural disasters. During fiscal year 2002 the District contracted with several different insurance providers for various insurance coverages, as follows:

<u>Insurance Provider</u>	<u>Coverage</u>	<u>Deductible</u>
Selective Insurance Company	Automobile	\$500
Selective Insurance Company	Property	\$1,000
Selective Insurance Company	Commercial	\$1,000
Nationwide Insurance Company	Education Liability	\$1,000

There has been no significant reduction in insurance coverages from coverages in the prior year. In addition, settled claims resulting from these risks have not exceeded commercial insurance coverages in any of the past three fiscal years.

Workers' compensation claims are covered through the District's participation in the State of Ohio's program. The District pays the State Workers' Compensation System a premium based upon a rate per \$100 of payroll. The rate is determined based on accident history and administrative costs.

NOTE 17 - CONTINGENCIES

A. Grants

The District receives financial assistance from federal and state agencies in the form of grants. The disbursement of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and is subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the general fund or other applicable funds. However, in the opinion of management, any such disallowed claims will not have a material adverse effect on the overall financial position of the District at June 30, 2002.

B. State School Funding

On December 11, 2002, the Ohio Supreme Court issued its latest opinion regarding the State's school funding plan. The decision reaffirmed earlier decisions that Ohio's current-funding plan is unconstitutional.

The Supreme Court relinquished jurisdiction over the case and directed, 'the Ohio General Assembly to enact a school-funding scheme that is thorough and efficient.' The District is currently unable to determine what effect, if any, this decision will have on its future State funding and its financial operations.

NOTE 18 – OPERATING LEASE

The District entered into an operating lease in fiscal year 2002 with the Northwest Ohio Computer Association (NWOCA) for a high bandwidth dedicated connection to NWOCA for a period of fifteen (15) years. The District elected a payment plan over 15 years, with an annual payment of \$31,000. Lease payments totaled \$31,000 for the year.

The following is a schedule of future minimum payments under the operating lease as of June 30, 2002:

Fiscal Year Ending June 30,	
2003	\$ 31,000
2004	31,000
2005	31,000
2006	31,000
2007	31,000
2008 - 2012	155,000
2013 - 2016	124,000
Total Minimum Lease Payments	<u>\$ 434,000</u>

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**Auditor of State
Betty Montgomery**

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

Ottawa Hills Local School District
Lucas County
3600 Indian Road
Ottawa Hills, Ohio 43606-2425

To the Board of Education:

We have audited the financial statements of Ottawa Hills Local School District, Lucas County, Ohio, (the District) as of and for the year ended June 30, 2002, and have issued our report thereon dated December 17, 2004, in which we noted the District changed the fixed asset capitalization threshold amount. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance that are required to be reported under *Government Auditing Standards* which are described in the accompanying schedule of findings as items 2002-001 thru 2002-004. We also noted certain immaterial instances of noncompliance that we have reported to management of the District in a separate letter dated December 17, 2004.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the District's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial

reporting. However, we noted a certain matter involving the internal control over financial reporting and its operation that we consider to be a reportable condition. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect the District's ability to record, process, summarize, and report financial data consistent with the assertions of management in the financial statements. A reportable condition is described in the accompanying schedule of findings as item 2002-005.

A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, we consider item 2002-005 to be a material weakness. We also noted other matters involving the internal control over financial reporting that do not require inclusion in this report, that we have reported to management of the District in a separate letter dated December 17, 2004.

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



Betty Montgomery
Auditor of State

December 17, 2004

OTTAWA HILLS LOCAL SCHOOL DISTRICT, OHIO
SCHEDULE OF FINDINGS
JUNE 30, 2002

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

FINDING NUMBER 2002-001

Noncompliance Citation

17 CFR Section 240.15c2-12 requires the School District to file an annual report by the date specified in the debt covenants with the Nationally Recognized Municipal Security Information Repositories (NRMSIRs) and to the State Information Depository (SID). The debt covenant requires that the annual report be filed by December 31 of each year. When the audited report is available, it is to be filed also. The School District is on a biennial audit basis, and did not file any report with NRMSIRs for fiscal year 2002. Failure to file the annual report is in violation of the debt covenant. We recommend the School District file their unaudited GAAP financial statements with the required organizations on or before December 31 of each year.

FINDING NUMBER 2002-002

Noncompliance Citation

Ohio Revised Code § 5705.41(D) states that no subdivision shall make any contract or give any order involving the expenditure of money unless there is attached thereto a certificate of the fiscal officer of the subdivision. The fiscal officer must certify that the amount required to meet such a commitment has been lawfully appropriated and is in the treasury or in the process of collection to the credit of an appropriate fund free from any previous encumbrance.

The following exceptions to this basic requirement are provided by statute:

- A. Then and Now Certificate: This exception provides that, if the fiscal officer can certify that both at the time the contract or order was made and at the time he is completing his certification, sufficient funds were available or in the process of collection, to the credit of a proper fund, properly appropriated and free from any previous encumbrance, the taxing authority can authorize the drawing of a warrant. The taxing authority has 30 days from the receipt of such certificate to approve payment by resolution or ordinance. If approval is not made within 30 days, there is no legal liability on the part of the subdivision or taxing district.

- B. Amounts of less than \$1,000 (\$3,000 eff. 4/7/03) may be paid by the fiscal officer without such affirmation of the taxing authority upon completion of the “then and now” certificate, provided that the expenditure is otherwise lawful. This does not eliminate any otherwise applicable requirement for approval of expenditures by the taxing authority.

FINDING NUMBER 2002-002
(Continued)

For seventeen percent of the expenditures tested, prior certification was not obtained nor was a then and now certificate utilized. For seven percent of the expenditures we tested, the Purchase Order/requisition was not certified by the Treasurer. Certification is not only required by Ohio law but is a key control in the disbursement process to assure that purchase commitments receive prior approval, and to help reduce the possibility of District funds being over expended or exceeding budgetary spending limitations as set by the Board.

We recommend that the Treasurer certify all purchase orders before an obligation is incurred. If this is not possible, the Treasurer should use the “then and now” certificate and the Board of Education should pass the necessary resolution for those disbursements over \$1,000 (\$3,000 effective April 7, 2003). Failure to do this could result in incurred obligations exceeding available resources. Further, if obligations are incurred, but not paid by the end of the fiscal year, the payment for these obligations would be charged against the subsequent year’s appropriations.

FINDING NUMBER 2002-003

Noncompliance Citation

Ohio Revised Code § 5705.39 states no appropriation measure shall become effective until the county auditor files with the appropriating authority a certificate that the total appropriations from each fund, taken together with all other outstanding appropriations, do not exceed such official estimate or amended official estimate. The District did not file their annual appropriations resolution or amendments for fiscal year 2002 with the Budget Commission, nor with the County Auditor. Failure to file their annual appropriations resolution could result in deficit spending by the District. We recommend the District submit their total appropriations and any amendments to the Budget Commission and County Auditor, enabling them to determine if the total appropriations from each fund exceed the total official estimate or amended official estimate.

FINDING NUMBER 2002-004

Noncompliance Citation

Ohio Revised Code § 5705.41(B) prohibits a subdivision from making expenditure unless it has been properly appropriated. At June 30, 2002 the following are instances in which expenditures exceeded appropriations in the following funds at the legal level of control:

FINDING NUMBER 2002-004
(Continued)

<u>Fund</u>	<u>Appropriations</u>	<u>Expenditures</u>	<u>Variance</u>
Other Grants	\$ 7,897	\$ 11,325	\$ (3,428)
Auxilliary Services		307,426	(307,426)
Teacher Development	1,700	2,181	(481)
Management Information System	2,300	8,642	(6,342)
School Net	800	12,926	(12,126)

Management was advised that the failure to have adequate appropriations in place at the time of the expenditures are being made could result in expenditures to exceed available resources, further resulting in deficit spending practices.

The Treasurer should not certify the availability of funds and should deny payment requests exceeding appropriations. The Treasurer may request the Board to approve increased expenditure levels by increasing appropriations and amending estimated resources, if necessary.

FINDING NUMBER 2002-005

Material Weakness - Fixed Asset Controls

The following control weaknesses over fixed assets exist:

- The District has not adopted a fixed asset policy.
- The District has not accurately developed and implemented procedures to assist in recording assets as additions when purchased, and deletions when disposed of throughout the year.

Failure to employ adequate controls over the acquisition, disposal, and recording of fixed assets could result in misappropriation of assets and misstatements of recorded assets.

To maintain adequate safeguards over fixed assets, and to reduce the risk that the District's assets will be misstated, we recommend:

- The Governing Board develops and adopts a fixed asset capitalization policy. This policy should include but not be limited to: procedures for recording fixed asset additions and deletions, capitalization threshold for fixed assets, life of fixed assets by classification, depreciation policy, and so forth.

FINDING NUMBER 2002-005
(Continued)

- The Governing Board develops and implements procedures to be performed throughout the year, for the recording and updating of fixed assets. These procedures should include tagging and tracking all assets meeting the District's capitalization criteria. Further, addition and disposal forms should be completed by the District and approved by management when assets are acquired or disposed. This information should then be entered on the fixed asset accounting system, recording such information as the tag number, a description of the item, the cost, the acquisition date, location, and any other supporting documentation creating a master fixed listing.

OTTAWA HILLS LOCAL SCHOOL DISTRICT, OHIO
SCHEDULE OF PRIOR AUDIT FINDINGS
JUNE 30, 2002

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain:</i>
2001-10148-001	17 CFR Section 240.15c2-12-Filing of annual financial reports.	No	Not corrected. Reissued as finding number 2002-001
2001-10148-002	Project Potential Forms not in Use	No	Partially corrected. Issued as management letter comment.



**Auditor of State
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**OTTAWA HILLS LOCAL SCHOOL DISTRICT
LUCAS COUNTY**

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
JANUARY 13, 2005**