

Mary Taylor, CPA
Auditor of State

**OLMSTED FALLS CITY SCHOOL DISTRICT
CUYAHOGA COUNTY**

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Mary Taylor, CPA

Auditor of State

INDEPENDENT ACCOUNTANTS' REPORT

Olmsted Falls City School District
Cuyahoga County
26937 Bagley Road
Olmsted Falls, Ohio 44138

To the Board of Education:

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Olmsted Falls City School District, Cuyahoga County, Ohio (the District), as of and for the year ended June 30, 2008, 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.

Except as described in the following paragraph, 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 that our audit provides a reasonable basis for our opinions.

Insurance claims reported in the Self Insurance Fund (an internal service fund, included in the governmental activities and as remaining fund information) are processed by a service organization independent of the District. The service organization did not provide us with information we requested regarding their design or proper operation of its internal controls. We were therefore unable to satisfy ourselves as to the proper processing of health insurance claims expenses and liabilities. Those claims represent 10% of expenses and 0.1% of accrued liabilities reported with the governmental activities, and 56% of the expenses and 9% of the liabilities reported in the remaining fund information.

In our opinion, except for the effects of such adjustments, if any, as might have been determined to be necessary had we been able to examine certain information regarding health insurance claims reported with the governmental activities and remaining fund information as described in the preceding paragraph, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, and the aggregate remaining fund information of the Olmsted Falls City School District, Cuyahoga County, Ohio, as of June 30, 2008, and the respective changes in financial position and where applicable, cash flows, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In addition, in our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of each major fund of the Olmsted Falls City School District, Cuyahoga County, Ohio, as of June 30, 2008, and the respective changes in financial position, and the budgetary comparison for the General Fund for the year then ended in conformity with the accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated March 24, 2009, on our consideration of the District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. While we did not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting and compliance and the results of that testing. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*. You should read it in conjunction with this report in assessing the results of our audit.

Management's Discussion and Analysis is not a required part of the basic financial statements but is supplementary information accounting principles generally accepted in the United States of America requires. We have applied certain limited procedures, consisting principally of inquiries of management regarding the methods of measuring and presenting the required supplementary information. However, we did not audit the information and express no opinion on it.

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

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

Mary Taylor, CPA
Auditor of State

March 24, 2009

Olmsted Falls City School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2008
Unaudited

The discussion and analysis of Olmsted Falls City School District's financial performance provides an overall review of the School District's financial activities for the fiscal year ended June 30, 2008. The intent of this discussion and analysis is to look at the School District's financial performance as a whole; readers should also review the basic financial statements and the notes to the basic financial statements to enhance their understanding of the School District's financial performance.

Financial Highlights

Key financial highlights for 2008 are as follows:

- Revenues for governmental activities totaled \$41,278,104 in 2008. Of this total \$38,015,507, or 92.1 percent, consisted of general revenues while program revenues accounted for the balance of \$3,262,597 or 7.9 percent.
- Total liabilities of governmental activities increased by \$16,789,953. This is primarily due to new debt issued to build a new intermediate school.
- Program expenses totaled \$41,142,422. Instructional expenses made up \$22,514,598 or 54.7 percent of this total while support services accounted for \$14,302,168 or 34.8 percent.
- Outstanding debt increased by \$18,027,205. This was due to notes and bonds issued to finance the building of a new intermediate school and select repairs and renovations at existing school buildings.

Using this Annual Financial Report

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

The *Statement of Net Assets and Statement of Activities* provide information about the activities of the whole School District, presenting both an aggregate view of the School District's finances and a longer-term view of those finances. Fund financial statements provide the next level of detail. For governmental funds, these statements tell how services were financed in the short-term and what remains for future spending. The fund financial statements also look at the School District's most significant funds with all other non-major funds presented in total in one column. In the case of Olmsted Falls City School District, the general, building, and the bond retirement funds are by far the most significant funds.

Reporting the School District as a Whole

Statement of Net Assets and the Statement of Activities

While this document contains all the funds used by the School District to provide programs and activities, the view of the School District as a whole considers all financial transactions and asks the question, "How did we do financially during 2008?" The *Statement of Net Assets* and the *Statement of Activities* answers this question. These statements include all *assets* and *liabilities* using the *accrual basis of accounting* similar to the accounting used by most private-sector companies. Accrual accounting takes into account all of the current year's revenues and expenses regardless of when cash is received or paid.

Olmsted Falls City School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2008
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These two statements report the School District's net assets and changes in those assets. This change in net assets is important because it tells the readers that, for the School District as a whole, the financial *position* of the School District has improved or diminished. The causes of this change may be the result of many factors, some financial, some not. Non-financial factors include the School District's property tax base, current property tax laws in Ohio restricting revenue growth, facility conditions, required educational programs and other factors.

In the *Statement of Net Assets* and the *Statement of Activities*, all of the School District's programs and services are reported as governmental activities including instruction, support services, operation of non-instructional services, extracurricular activities and interest and fiscal charges.

Reporting the School District's Most Significant Funds

Fund Financial Statements

The analysis of the School District's major funds begins on page 14. Fund financial reports provide detailed information about the School District's major funds. The School District uses many funds to account for a multitude of financial transactions. However, these fund financial statements focus on the School District's most significant funds. The School District's major governmental funds are the general fund, bond retirement debt service fund and building capital projects fund.

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

Olmsted Falls City School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2008
Unaudited

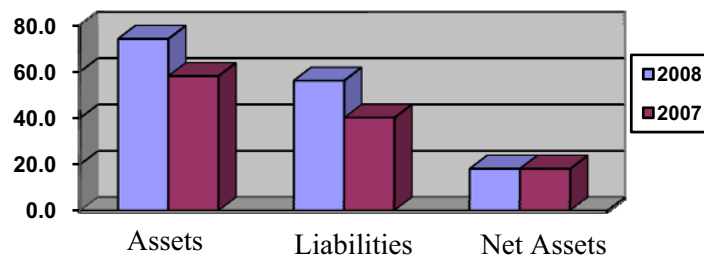
The School District as a Whole

You may recall that the *Statement of Net Assets* provides the perspective of the School District as a whole. Table 1 provides a summary of the School District's net assets for fiscal year 2008 compared to fiscal year 2007:

Table 1
Net Assets

	2008	2007	Change
Assets:			
Current and Other Assets	\$52,524,512	\$36,033,277	\$16,491,235
Capital Assets, Net	21,257,173	20,822,773	434,400
<i>Total Assets</i>	<u>73,781,685</u>	<u>56,856,050</u>	<u>16,925,635</u>
Liabilities:			
Current and Other Liabilities	23,129,391	24,295,356	(1,165,965)
Long-term Liabilities			
Due within One Year	2,406,710	2,069,083	337,627
Due in More than One Year	30,045,232	12,426,941	17,618,291
<i>Total Liabilities</i>	<u>55,581,333</u>	<u>38,791,380</u>	<u>16,789,953</u>
Net Assets:			
Invested in Capital Assets, Net of Debt	13,184,442	12,286,267	898,175
Restricted:			
Capital Projects	187,239	697,285	(510,046)
Debt Service	3,556,560	2,919,664	636,896
Food Service	166,054	168,379	(2,325)
School Supplies	75,404	41,110	34,294
Extracurricular Activities	152,977	231,002	(78,025)
Local and State Grants	149,738	77,222	72,516
Federal Grants	23,367	392	22,975
Set Asides	223,918	223,918	0
Unrestricted	480,653	1,419,431	(938,778)
<i>Total Net Assets</i>	<u>\$18,200,352</u>	<u>\$18,064,670</u>	<u>\$135,682</u>

Governmental Activities
(in Millions)



Total assets increased by \$16,925,635. This is primarily due to proceeds from the sale of bonds, a bond anticipation note and an energy conservation note.

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Current liabilities decreased by \$1,165,965 over fiscal year 2008 primarily due to the decrease in deferred revenue. The School District passed a bond levy in May 2007. Collections began in calendar year 2008.

Long-term liabilities increased by \$17,955,918 mainly due to new debt issued for building the new intermediate school.

Table 2 shows the change in net assets for fiscal year 2008. A comparative analysis of government-wide data is presented.

Table 2
Change in Net Assets

	<u>2008</u>	<u>2007</u>	<u>Change</u>
Revenues			
<i>Program Revenues</i>			
Charges for Services and Sales	\$1,907,875	\$1,791,102	\$116,773
Operating Grants, Contributions and Interest	1,324,046	1,340,447	(16,401)
Capital Grants and Contributions	30,676	45,637	(14,961)
<i>Total Program Revenues</i>	<u>3,262,597</u>	<u>3,177,186</u>	<u>85,411</u>
<i>General Revenues</i>			
Property Taxes	21,670,365	19,401,572	2,268,793
Grants and Entitlements	14,739,430	14,020,071	719,359
Investment Earnings	1,281,793	795,834	485,959
Miscellaneous	323,919	179,620	144,299
<i>Total General Revenues</i>	<u>38,015,507</u>	<u>34,397,097</u>	<u>3,618,410</u>
Total Revenues	<u>41,278,104</u>	<u>37,574,283</u>	<u>3,703,821</u>
Program Expenses			
Instruction	22,514,598	21,074,783	1,439,815
Support Services:			
Pupil and Instructional Staff	3,318,244	3,264,448	53,796
Board of Education, Administration			
Fiscal, and Business	3,834,040	3,405,957	428,083
Operation and Maintenance of Plant	4,077,705	3,401,610	676,095
Pupil Transportation	2,692,053	2,049,951	642,102
Central	380,126	271,251	108,875
Operation of Non-Instructional Services:			
Food Service Operations	1,184,100	1,123,225	60,875
Other Non-Instructional Services	208,725	208,910	(185)
Extracurricular Activities	1,691,868	1,485,469	206,399
Interest and Fiscal Charges	1,240,963	925,972	314,991
Total Program Expenses	<u>41,142,422</u>	<u>37,211,576</u>	<u>3,930,846</u>
Increase in Net Assets	135,682	362,707	(227,025)
<i>Net Assets Beginning of Year</i>	<u>18,064,670</u>	<u>17,701,963</u>	<u>362,707</u>
<i>Net Assets End of Year</i>	<u>\$18,200,352</u>	<u>\$18,064,670</u>	<u>\$135,682</u>

Program revenues increased by \$85,411, primarily due to the School District increasing fees in fiscal year 2008.

General revenues increased by \$3,618,410, mainly due to an increase in property tax revenue, investment earnings and grants and entitlements from other sources. Fiscal year 2008 was the first fiscal year that the School District received property tax revenue for the 2 mill school improvement bond that was passed in May 2007.

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Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2008
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Expenses increased by \$3,930,846. The increases were instructional expenses for \$1,439,815, support services for \$1,908,951 and operation of non-instructional services, extracurricular activities and interest and fiscal charges for \$582,080. The increase in support services was mainly due to increased operation and maintenance cost and transportation costs, while an increase in the cost of interest and fiscal charges was mainly due to new debt issues. Salary increases are the primary reason for the increase in expenses.

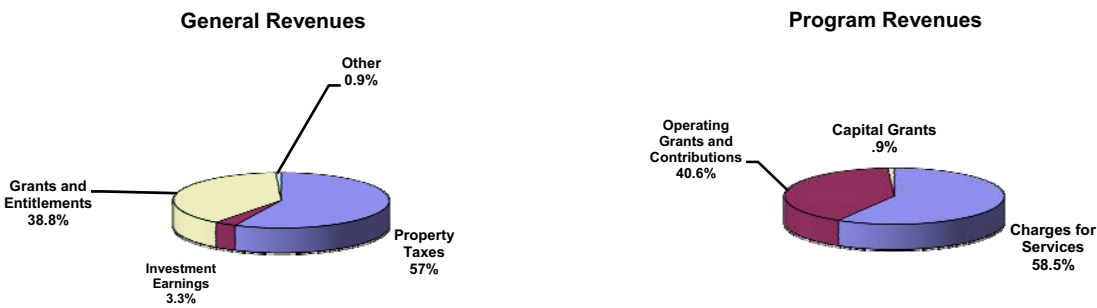
Governmental Activities

The vast majority of revenue supporting all Governmental Activities is general revenue. General revenue totaled \$38,015,507 or 92.1 percent of the total revenue. The two significant portions of the general revenues are the local property taxes and State foundation revenues.

Property taxes made up 57.0 percent of general revenues and made up 52.5 percent of all revenues received during fiscal year 2008 for the School District. State foundation monies and unrestricted grants and entitlements accounted for 38.8 percent of general revenues with interest and other revenues accounting for the remaining 4.2 percent.

Program revenues consist of charges for services and sales, operating and capital grants, contributions and interest related to specific activities and programs of the School District. Program revenues of \$3,262,597 represented 7.9 percent of total governmental revenues.

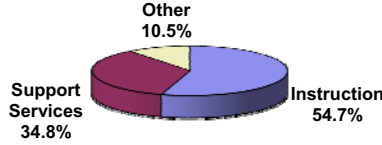
The School District has carefully planned its financial existence by forecasting its revenues and expenses over the next five years. The School District's revenue growth is mostly dependent upon property tax increases due to new construction. Although the School District relies heavily upon property taxes to support its operations, the School District does actively solicit and receive additional grant and entitlement funds to help offset some operating costs.



54.7 percent of the School District's budget is used to fund instructional expenses. Additional supporting services for pupils, instructional staff and business operations encompass an additional 34.8 percent. The remaining 10.5 percent of program expenses is used for other obligations of the School District such as non-instructional services, food service program, extracurricular activities and interest and fiscal charges.

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For the Fiscal Year Ended June 30, 2008
Unaudited

Program Expenses



The increase in expenses is due primarily to expenses related to the instruction of students. This includes pay raises, increases in benefits associated with salaries, severance payments and cost of materials.

The *Statement of Activities* shows the cost of program services and the charges for services and grants offsetting those services. Table 3 shows, for governmental activities, the total cost of services and the net cost of services. That is, it identifies the cost of these services supported by tax revenue and unrestricted State entitlements.

Table 3
Cost of Services

	Total Cost of Services 2008	Net Cost of Services 2008	Total Cost of Services 2007	Net Cost of Services 2007
Instruction	\$22,514,598	(\$22,044,331)	\$21,074,783	(\$20,665,283)
Support Services:				
Pupil and Instructional Staff	3,318,244	(2,650,122)	3,264,448	(2,588,511)
Board of Education, Administration				
Fiscal and Business	3,834,040	(3,804,749)	3,405,957	(3,328,367)
Operation and Maintenance of Plant	4,077,705	(4,060,917)	3,401,610	(3,383,040)
Pupil Transportation	2,692,053	(2,420,353)	2,049,951	(1,812,077)
Central	380,126	(367,097)	271,251	(254,831)
Operation of Non-Instructional Services:				
Food Service Operations	1,184,100	(52,033)	1,123,225	20,145
Other Non-Instructional Services	208,725	(48,642)	208,910	(45,002)
Extracurricular Activities	1,691,868	(1,190,618)	1,485,469	(1,051,452)
Interest and Fiscal Charges	1,240,963	(1,240,963)	925,972	(925,972)
<i>Total</i>	<u>\$41,142,422</u>	<u>(\$37,879,825)</u>	<u>\$37,211,576</u>	<u>(\$34,034,390)</u>

The dependence upon general revenues for governmental activities is apparent. 52.7 percent of total expenses are supported through taxes. Grant and entitlements not restricted to specific programs support 35.8 percent. Program revenues only account for 7.9 percent of all governmental expenses. The community, as a whole, is the primary support for Olmsted Falls City School District.

The School District's Funds

Information about the School District's major funds starts on Page 16. These governmental funds are accounted for using the modified accrual basis of accounting. All governmental funds had total revenues of \$41,324,151 and expenditures of \$42,621,571. The net change in fund balance for the general fund was a decrease of \$312,439 due to revenues outpacing expenditures. The bond retirement debt service

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Management's Discussion and Analysis
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fund had a net change in fund balance of \$594,790 due to an increase in property tax revenues from the passage of an additional 2 mill school improvement bond. The building capital projects fund had a net change in fund balance of \$17,024,784 due to the issuance of new debt. Overall net change in fund balance was an increase of \$17,443,028. The ending fund balance for governmental funds was \$27,288,003.

General Fund Budgeting Highlights

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

During the course of fiscal year 2008, the School District amended its general fund budget numerous times, none significant. The School District uses site-based budgeting. The budgeting systems are designed to tightly control total site budgets but provide flexibility for site management.

For the general fund, the final budget basis revenue estimate was \$31,749,002; this was less than the original budget estimates of \$31,851,771. The final budget was \$2,206,253 less than actual revenues, due to the School District receiving more taxes and intergovernmental revenues than anticipated. The final budget basis expenditure estimate was \$36,810,748; this was more than the original budget estimate of \$35,859,378. The final budget was \$1,074,829 more than actual expenditures. This was due in large part to the School District incurring less in regular instruction expenditures than anticipated. The School District's unencumbered ending cash balance totaled \$7,070,031.

Capital Assets and Debt Administration

Capital Assets

At the end of fiscal year 2008, the School District had \$21,257,173 invested in land, construction in progress, buildings and improvements, furniture and equipment and vehicles. Table 4 shows fiscal year 2007 values compared to fiscal year 2008.

Table 4
Capital Assets at June 30

	2008	2007
Land	\$3,191,905	\$2,979,985
Construction in Progress	851,708	0
Buildings and Improvements	11,452,083	11,921,520
Furniture and Equipment	3,177,286	3,449,393
Vehicles	2,584,191	2,471,875
<i>Total</i>	\$21,257,173	\$20,822,773

All capital assets, except land and construction in progress, are reported net of depreciation. The School District had \$844,281 in depreciable capital asset additions for equipment, furniture and buses purchased during the fiscal year. The School District also had \$211,920 in additions to land and \$851,708 in additions to construction in progress for the construction of the new intermediate school. The School District continued its ongoing commitment to maintaining and improving its capital assets. More detailed information is presented in Note 9 of the notes to the basic financial statements.

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Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2008
Unaudited

Debt

At June 30, 2008, the School District had \$28,728,580 in bonds and notes outstanding. Table 5 below summarizes the School District's bonds and notes outstanding.

Table 5
 Outstanding Debt at Year End

	2008	2007
1997 School Improvement Refunding Bonds	\$4,696,759	\$5,579,642
2002 Energy Conservation Improvement Bonds	181,507	242,010
2003 Classroom Facilities Refunding Bonds:		
Bonds	5,013,664	4,796,902
Premium	351,070	409,582
Deferred Amount on Refunding	(280,081)	(326,761)
2007 School Improvement Bonds:		
Bonds	14,796,712	0
Premium	406,206	0
Discount	(163,249)	0
2008 Bond Anticipation Note	2,244,000	0
2007 Energy Conservation Note	1,481,992	0
Totals	<u>\$28,728,580</u>	<u>\$10,701,375</u>

At June 30, 2008, the School District's overall legal debt margin was \$29,525,909 with an unvoted debt margin of \$530,921. The debt is well within permissible limits. The 2007 School Improvement bonds were issued for the construction of a new intermediate school. The School District maintains an A bond rating from Standard and Poors. More detailed information is presented in Note 16 of the notes to the basic financial statements.

Current Financial Related Activities

The Board of Education and administration closely monitor its revenues and expenditures in accordance with its financial forecast and the School District's Continuous Improvement Plan.

The financial future of the School District is not without its challenges. These challenges are internal and external in nature. The internal challenges will continue to exist, as the School District must rely heavily on local property taxes to fund its operations. Due to economic growth, the School District has not had to ask for an operating levy since 1999. Thus management must diligently plan expenses from this growth, staying carefully within its five-year forecast. Additional revenues than what was estimated must not be treated as a windfall to expand programs but as an opportunity to extend the time horizon of the five-year forecast.

This scenario requires management to plan carefully and prudently to provide the resources to meet student needs over the next several years. Olmsted Falls City School District has committed itself to financial excellence for many years. The School District's system of budgeting and internal controls is well regarded. All of the School District's financial abilities will be needed to meet the challenges of the future.

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Management's Discussion and Analysis
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In May 2007, residents of the Olmsted communities passed a two mill bond levy to construct a new building in the School District as well as to make repairs and renovations to existing buildings. The two mill bond levy will generate approximately \$17,000,000 in funding for Olmsted Falls School District over a 28 year period. Approximately \$15,000,000 will go toward the construction costs and interest expense of a new intermediate school in the School District to serve students in the fourth and fifth grades and alleviate space issues at the School District's existing primary school. With the pressing space issues, especially at the pre-kindergarten to fifth grade levels, the School District has embarked on an aggressive building schedule to meet the goal of opening the new intermediate building by fall 2009. Groundbreaking for the new intermediate school occurred on April 23, 2008. The remaining approximately \$2,000,000 will be used for select repair and renovation projects at existing buildings.

Contacting the School District's Financial Management

This financial report is designed to provide our citizens, taxpayers, investors and creditors with a general overview of the School District's finances and to show the School District's accountability for the money it receives. If you have questions about this report or need additional financial information, contact Mark Hullman, Treasurer at Olmsted Falls City School District, 26937 Bagley Road, Olmsted Falls, Ohio 44138; or by e-mail at mhullman@ofcs.net.

Olmsted Falls City School District

Statement of Net Assets

June 30, 2008

	<u>Governmental Activities</u>
Assets	
Equity in Pooled Cash and Cash Equivalents	\$30,619,751
Accrued Interest Receivable	129,884
Accounts Receivable	2,415
Intergovernmental Receivable	123,990
Inventory Held for Resale	9,279
Materials and Supplies Inventory	203,558
Property Taxes Receivable	21,159,095
Deferred Charges	276,540
Nondepreciable Capital Assets	4,043,613
Depreciable Capital Assets, Net	<u>17,213,560</u>
<i>Total Assets</i>	<u>73,781,685</u>
Liabilities	
Accounts Payable	136,030
Contracts Payable	628,450
Accrued Wages and Benefits	3,803,787
Intergovernmental Payable	1,182,031
Accrued Interest Payable	124,571
Retainage Payable	31,372
Matured Compensated Absences Payable	282,644
Deferred Revenue	16,884,172
Claims Payable	56,334
Long-Term Liabilities:	
Due Within One Year	2,406,710
Due In More Than One Year	<u>30,045,232</u>
<i>Total Liabilities</i>	<u>55,581,333</u>
Net Assets	
Invested in Capital Assets, Net of Related Debt	13,184,442
Restricted for:	
Capital Projects	187,239
Debt Service	3,556,560
Food Service	166,054
School Supplies	75,404
Extracurricular Activities	152,977
Local and State Grants	149,738
Federal Grants	23,367
Set Asides	223,918
Unrestricted	<u>480,653</u>
<i>Total Net Assets</i>	<u><u>\$18,200,352</u></u>

See accompanying notes to the basic financial statements

Olmsted Falls City School District

Statement of Activities

For the Fiscal Year Ended June 30, 2008

	Program Revenues				Net (Expense)
	Expenses	Charges for Services and Sales	Operating Grants, Contributions and Interest	Capital Grants and Contributions	Revenue and
					Changes in Net Assets
Governmental Activities					Governmental Activities
Governmental Activities					
Instruction:					
Regular	\$17,719,501	\$236,228	\$123,606	\$30,676	(\$17,328,991)
Special	4,114,114	12,394	65,311	0	(4,036,409)
Vocational	638,832	1,920	0	0	(636,912)
Adult/Continuing	42,151	132	0	0	(42,019)
Support Services:					
Pupil	1,567,523	3,619	405,577	0	(1,158,327)
Instructional Staff	1,750,721	4,659	254,267	0	(1,491,795)
Board of Education	397,631	1,353	0	0	(396,278)
Administration	2,588,303	7,881	17,430	0	(2,562,992)
Fiscal	843,644	2,627	0	0	(841,017)
Business	4,462	0	0	0	(4,462)
Operation and Maintenance of Plant	4,077,705	16,788	0	0	(4,060,917)
Pupil Transportation	2,692,053	271,700	0	0	(2,420,353)
Central	380,126	1,029	12,000	0	(367,097)
Operation of Non-Instructional Services:					
Food Service Operations	1,184,100	909,656	222,411	0	(52,033)
Other Non-Instructional Services	208,725	68	160,015	0	(48,642)
Extracurricular Activities	1,691,868	437,821	63,429	0	(1,190,618)
Interest and Fiscal Charges	1,240,963	0	0	0	(1,240,963)
Totals	\$41,142,422	\$1,907,875	\$1,324,046	\$30,676	(37,879,825)

General Revenues

Property Taxes Levied for:

General Purposes	19,080,828
Debt Service	2,381,189
Capital Projects	208,348

Grants and Entitlements not Restricted

to Specific Programs	14,739,430
Investment Earnings	1,281,793
Miscellaneous	323,919

Total General Revenues 38,015,507

Change in Net Assets 135,682

Net Assets Beginning of Year - Restated (See Note 3) 18,064,670

Net Assets End of Year \$18,200,352

See accompanying notes to the basic financial statements

Olmsted Falls City School District

Balance Sheet

Governmental Funds

June 30, 2008

	General	Bond Retirement	Building	Other Governmental Funds	Total Governmental Funds
Assets					
Equity in Pooled Cash and Cash Equivalents	\$7,678,923	\$3,370,410	\$17,589,298	\$1,576,645	\$30,215,276
Restricted Assets:					
Equity in Pooled Cash and Cash Equivalents	223,918	0	0	0	223,918
Cash and Cash Equivalents with Fiscal Agents	0	0	31,372	0	31,372
Accrued Interest Receivable	90,501	0	39,383	0	129,884
Accounts Receivable	2,415	0	0	0	2,415
Intergovernmental Receivable	9,293	0	0	114,697	123,990
Interfund Receivable	39,868	0	0	0	39,868
Inventory Held for Resale	0	0	0	9,279	9,279
Materials and Supplies Inventory	198,650	0	0	4,908	203,558
Property Taxes Receivable	18,335,958	2,622,304	0	200,833	21,159,095
<i>Total Assets</i>	<u>\$26,579,526</u>	<u>\$5,992,714</u>	<u>\$17,660,053</u>	<u>\$1,906,362</u>	<u>\$52,138,655</u>
Liabilities and Fund Balances					
Liabilities					
Accounts Payable	\$90,484	\$0	\$1,196	\$44,350	\$136,030
Contracts Payable	0	0	603,451	24,999	628,450
Accrued Wages and Benefits	3,630,072	0	0	173,715	3,803,787
Intergovernmental Payable	1,102,583	0	0	79,448	1,182,031
Retainage Payable	0	0	31,372	0	31,372
Interfund Payable	0	0	1,500	38,368	39,868
Matured Compensated Absences Payable	282,644	0	0	0	282,644
Deferred Revenue	16,229,606	2,305,029	0	211,835	18,746,470
<i>Total Liabilities</i>	<u>21,335,389</u>	<u>2,305,029</u>	<u>637,519</u>	<u>572,715</u>	<u>24,850,652</u>
Fund Balances					
Reserved for Encumbrances	707,775	0	3,273,627	98,199	4,079,601
Reserved for Property Taxes	2,106,352	317,275	0	24,481	2,448,108
Reserved for Budget Stabilization	223,918	0	0	0	223,918
Unreserved, Undesignated					
Reported in:					
General Fund	2,206,092	0	0	0	2,206,092
Special Revenue Funds	0	0	0	503,024	503,024
Debt Service Fund	0	3,370,410	0	0	3,370,410
Capital Projects Funds	0	0	13,748,907	707,943	14,456,850
<i>Total Fund Balances</i>	<u>5,244,137</u>	<u>3,687,685</u>	<u>17,022,534</u>	<u>1,333,647</u>	<u>27,288,003</u>
<i>Total Liabilities and Fund Balances</i>	<u>\$26,579,526</u>	<u>\$5,992,714</u>	<u>\$17,660,053</u>	<u>\$1,906,362</u>	<u>\$52,138,655</u>

See accompanying notes to the basic financial statements

Olmsted Falls City School District
*Reconciliation of Total Governmental Fund Balances to
 Net Assets of Governmental Activities
 June 30, 2008*

Total Governmental Fund Balances	\$27,288,003
 <i>Amounts reported for governmental activities in the statement of net assets are different because</i>	
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.	21,257,173
Other long-term assets are not available to pay for current-period expenditures and therefore are deferred in the funds:	
Delinquent Property Taxes	1,826,815
Grants	<u>35,483</u>
Total	1,862,298
Issuance costs are reported as an expenditure when paid in the governmental funds, but is deferred and amortized on the statement of activities. This is the unamortized issuance costs on bonds.	276,540
An internal service fund is used by management to charge the cost of insurance to individual funds. The assets and liabilities of the internal service fund are included in governmental activities in the statement of activities.	92,851
In the statement of activities, interest is accrued on outstanding bonds, where as in governmental funds, an interest expenditure is reported when due.	(124,571)
Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds:	
General Obligation Bonds	(18,601,507)
Capital Appreciation Bonds	(6,087,135)
Notes Payable	(3,725,992)
Bond Premiums	(757,276)
Loss on Refunding	280,081
Discount on Bonds	163,249
Capital Lease Obligations Payable	(298,452)
Early Retirement Incentive	(338,925)
Compensated Absences	<u>(3,085,985)</u>
Total	<u>(32,451,942)</u>
 <i>Net Assets of Governmental Activities</i>	 <u><u>\$18,200,352</u></u>

See accompanying notes to the basic financial statements

Olmsted Falls City School District
Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
For the Fiscal Year Ended June 30, 2008

	General	Bond Retirement	Building	Other Governmental Funds	Total Governmental Funds
Revenues					
Property Taxes	\$19,248,665	\$2,292,710	\$0	\$210,520	\$21,751,895
Intergovernmental	14,460,027	279,403	0	1,206,873	15,946,303
Interest	722,500	0	536,450	22,843	1,281,793
Tuition and Fees	108,468	0	0	185,322	293,790
Rentals	5,892	0	0	0	5,892
Extracurricular Activities	0	0	0	434,352	434,352
Contributions and Donations	632	0	0	111,734	112,366
Charges for Services	264,185	0	0	909,656	1,173,841
Miscellaneous	128,142	0	3,000	192,777	323,919
<i>Total Revenues</i>	<u>34,938,511</u>	<u>2,572,113</u>	<u>539,450</u>	<u>3,274,077</u>	<u>41,324,151</u>
Expenditures					
Current:					
Instruction:					
Regular	16,259,176	0	0	293,665	16,552,841
Special	3,886,347	0	0	122,382	4,008,729
Vocational	604,542	0	0	0	604,542
Adult/Continuing	42,151	0	0	0	42,151
Support Services:					
Pupil	1,173,772	0	0	391,317	1,565,089
Instructional Staff	1,544,002	0	0	245,133	1,789,135
Board of Education	214,720	0	0	0	214,720
Administration	2,697,003	0	0	17,312	2,714,315
Fiscal	851,434	1,077	0	101	852,612
Business	0	0	0	4,462	4,462
Operation and Maintenance of Plant	3,554,890	0	0	0	3,554,890
Pupil Transportation	2,339,005	0	0	0	2,339,005
Central	329,562	0	0	26,970	356,532
Operation of Non-instructional Services:					
Food Service Operations	721	0	0	1,134,346	1,135,067
Other Non-instructional Services	21,336	0	0	183,786	205,122
Extracurricular Activities	1,111,300	0	0	574,092	1,685,392
Capital Outlay	304,304	0	1,989,000	144,618	2,437,922
Debt Service:					
Principal Retirement	290,553	174,270	0	0	464,823
Capital Appreciation Bonds	0	577,865	0	0	577,865
Interest and Fiscal Charges	41,659	1,261,506	7,630	0	1,310,795
Bond Issuance Costs	0	205,562	0	0	205,562
<i>Total Expenditures</i>	<u>35,266,477</u>	<u>2,220,280</u>	<u>1,996,630</u>	<u>3,138,184</u>	<u>42,621,571</u>
<i>Excess of Revenues Over (Under) Expenditures</i>	<u>(327,966)</u>	<u>351,833</u>	<u>(1,457,180)</u>	<u>135,893</u>	<u>(1,297,420)</u>
Other Financing Sources (Uses)					
General Obligation Bonds Issued	0	0	14,755,972	0	14,755,972
Bond Anticipation Notes Issued	0	0	2,244,000	0	2,244,000
Energy Conservation Notes Issued	0	0	1,481,992	0	1,481,992
Premium on Bonds and Notes Issued	0	406,206	0	0	406,206
Discount on Bonds and Notes Issued	0	(163,249)	0	0	(163,249)
Inception of Capital Lease	15,527	0	0	0	15,527
<i>Total Other Financing Sources (Uses)</i>	<u>15,527</u>	<u>242,957</u>	<u>18,481,964</u>	<u>0</u>	<u>18,740,448</u>
<i>Net Change in Fund Balances</i>	(312,439)	594,790	17,024,784	135,893	17,443,028
<i>Fund Balances (Deficit) Beginning of Year - Restated (See Note 3)</i>	<u>5,556,576</u>	<u>3,092,895</u>	<u>(2,250)</u>	<u>1,197,754</u>	<u>9,844,975</u>
<i>Fund Balances End of Year</i>	<u>\$5,244,137</u>	<u>\$3,687,685</u>	<u>\$17,022,534</u>	<u>\$1,333,647</u>	<u>\$27,288,003</u>

See accompanying notes to the basic financial statements

Olmsted Falls City School District
*Reconciliation of the Statement of Revenues, Expenditures and Changes
in Fund Balances of Governmental Funds to the Statement of Activities
For Fiscal Year Ended June 30, 2008*

Net Change in Fund Balances -Total Governmental Funds	\$17,443,028
 <i>Amounts reported for governmental activities in the statement of activities are different because</i>	
Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the current period.	
Capital Asset Additions	1,907,909
Current Year Depreciation	<u>(1,336,854)</u>
Total	571,055
Governmental funds only report the disposal of capital assets to the extent proceeds are received from the sale. In the statement of activities, a gain or loss is reported for each disposal.	
	(136,655)
Delinquent property taxes and grants revenue in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.	
Delinquent Property Taxes	(81,530)
Grants	<u>35,483</u>
Total	(46,047)
Repayment of long-term obligations is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets.	
	1,042,688
Some expenses reported in the statement activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds.	
Accrued Interest	196,584
Annual Accretion	(704,619)
Amortization of Accretion	577,865
Amortization of Issuance Costs	(11,830)
Amortization of Loss on Refunding	(46,680)
Amortization of Premium on Bonds	<u>58,512</u>
Total	69,832
Bond issuance costs are recognized as deferred charges and will be amortized over the life of the bonds on the statement of activities.	
	205,562
Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds.	
Early Retirement Incentives	(83,594)
Compensated Absences	<u>(59,642)</u>
Total	(143,236)
The internal service fund used by management to charge the individual funds is reported in the district-wide statement of activities. Governmental fund expenditures and related internal service fund revenues are eliminated.	
	(130,097)
Other financing sources in the governmental funds that increase long-term liabilities such as notes issued in the statement of net assets are not reported as revenues in the statement of activities.	
Proceeds of Bonds	(14,755,972)
Proceeds of Notes	(3,725,992)
Discount on Bonds	163,249
Premium on Bonds	(406,206)
Inception of Capital Leases	<u>(15,527)</u>
Total	<u>(18,740,448)</u>
<i>Change in Net Assets of Governmental Activities</i>	<u><u>\$135,682</u></u>

See accompanying notes to the basic financial statements

Olmsted Falls City School District
Statement of Revenues, Expenditures and Changes
In Fund Balance - Budget (Non-GAAP Basis) and Actual
General Fund
For the Fiscal Year Ended June 30, 2008

	Budgeted Amounts			Variance with Final Budget Positive (Negative)
	Original Budget	Final Budget	Actual	
Revenues				
Property Taxes	\$17,219,273	\$17,163,716	\$18,348,579	\$1,184,863
Intergovernmental	13,566,049	13,522,278	14,455,765	933,487
Interest	605,582	603,628	645,298	41,670
Tuition and Fees	349,765	348,635	108,518	(240,117)
Rentals	5,529	5,512	5,892	380
Contributions and Donations	593	591	632	41
Charges for Services	0	0	264,185	264,185
Miscellaneous	104,980	104,642	126,386	21,744
<i>Total Revenues</i>	<u>31,851,771</u>	<u>31,749,002</u>	<u>33,955,255</u>	<u>2,206,253</u>
Expenditures				
Current:				
Instruction:				
Regular	16,669,462	17,615,338	16,414,440	1,200,898
Special	3,819,274	3,819,274	3,908,685	(89,411)
Vocational	644,631	644,631	620,934	23,697
Adult/Continuing	31,433	31,433	42,151	(10,718)
Support Services:				
Pupil	1,164,144	1,164,144	1,133,576	30,568
Instructional Staff	1,444,179	1,444,179	1,542,000	(97,821)
Board of Education	236,059	236,059	210,496	25,563
Administration	2,483,143	2,484,975	2,698,017	(213,042)
Fiscal	805,307	805,307	879,250	(73,943)
Operation and Maintenance of Plant	3,691,141	3,691,141	3,876,392	(185,251)
Pupil Transportation	2,209,557	2,209,557	2,443,341	(233,784)
Central	1,251,371	1,251,371	394,600	856,771
Operation of Non-Instructional Services:				
Food Service Operations	11,122	11,122	11,699	(577)
Other Non-Instructional Services	9,656	9,656	10,029	(373)
Extracurricular Activities	1,026,907	1,030,569	1,099,383	(68,814)
Capital Outlay	212,992	212,992	377,463	(164,471)
Debt Service:				
Principal Retirement	136,000	136,000	60,503	75,497
Interest and Fiscal Charges	13,000	13,000	12,960	40
<i>Total Expenditures</i>	<u>35,859,378</u>	<u>36,810,748</u>	<u>35,735,919</u>	<u>1,074,829</u>
<i>Excess of Revenues Under Expenditures</i>	<u>(4,007,607)</u>	<u>(5,061,746)</u>	<u>(1,780,664)</u>	<u>3,281,082</u>
Other Financing Sources (Uses)				
Advances In	486,550	484,980	518,460	33,480
Advances Out	(206,833)	(206,833)	(523,683)	(316,850)
<i>Total Other Financing Sources (Uses)</i>	<u>279,717</u>	<u>278,147</u>	<u>(5,223)</u>	<u>(283,370)</u>
<i>Net Change in Fund Balance</i>	<u>(3,727,890)</u>	<u>(4,783,599)</u>	<u>(1,785,887)</u>	<u>2,997,712</u>
<i>Fund Balance Beginning of Year</i>	7,746,962	7,746,962	7,746,962	0
<i>Prior Year Encumbrances Appropriated</i>	<u>1,108,956</u>	<u>1,108,956</u>	<u>1,108,956</u>	<u>0</u>
<i>Fund Balance End of Year</i>	<u>\$5,128,028</u>	<u>\$4,072,319</u>	<u>\$7,070,031</u>	<u>\$2,997,712</u>

See accompanying notes to the basic financial statements

Olmsted Falls City School District

Statement of Fund Net Assets

Internal Service Fund

June 30, 2008

	<u>Self Insurance</u>
Assets	
Equity in Pooled Cash and Cash Equivalents	\$149,185
Liabilities	
Claims Payable	<u>56,334</u>
Net Assets	
Unrestricted	<u><u>\$92,851</u></u>

See accompanying notes to the basic financial statements

Olmsted Falls City School District
*Statement of Revenues,
Expenses and Changes in Fund Net Assets
Internal Service Fund
For the Fiscal Year Ended June 30, 2008*

	Self Insurance
Operating Revenues	
Charges for Services	<u>\$3,881,442</u>
Operating Expenses	
Purchased Services	389,403
Claims	<u>3,622,136</u>
<i>Total Operating Expenses</i>	<u>4,011,539</u>
<i>Operating Loss</i>	(130,097)
<i>Net Assets Beginning of Year</i>	<u>222,948</u>
<i>Net Assets End of Year</i>	<u><u>\$92,851</u></u>

See accompanying notes to the basic financial statements

Olmsted Falls City School District
Statement of Cash Flows
Internal Service Fund
For the Fiscal Year Ended June 30, 2008

	Self Insurance
Increase (Decrease) in Cash and Cash Equivalents	
Cash Flows from Operating Activities	
Cash Received from Transactions with Other Funds	\$3,881,442
Cash Payments for Goods and Services	(457,497)
Cash Payments for Claims	(3,622,136)
<i>Net Cash Used for Operating Activities</i>	(198,191)
<i>Cash and Cash Equivalents Beginning of Year</i>	347,376
<i>Cash and Cash Equivalents End of Year</i>	\$149,185
Reconciliation of Operating Loss to Net Cash Used for Operating Activities	
Operating Loss	(\$130,097)
Adjustments:	
Decrease in Claims Payable	(68,094)
<i>Net Cash Used for Operating Activities</i>	(\$198,191)

See accompanying notes to the basic financial statements

Olmsted Falls City School District
Statement of Fiduciary Assets and Liabilities
Agency Fund
June 30, 2008

	<u>Agency</u>
Assets	
Equity in Pooled Cash and Cash Equivalents	<u>\$104,337</u>
Liabilities	
Due to Students	<u>\$104,337</u>

See accompanying notes to the basic financial statements

Olmsted Falls City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2008

Note 1 - Description of the School District and Reporting Entity

The Olmsted Falls City School District (School District) operates under a locally elected five member Board and provides educational services as mandated by State and federal agencies. The School District includes the City of Olmsted Falls, a small portion of the City of Berea, Olmsted Township and a small portion of Columbia Township. All of the communities served are located in Cuyahoga County with the exception of Columbia Township, which is located in Lorain County. It is staffed by 163 non-certified personnel, 236 certified teaching personnel and 17 administrative employees to provide services to 3,724 students and other community members. The School District operates one primary school (Pre K-3), one intermediate school (4-5), one middle school (6-8), and one high school (9-12).

Reporting Entity

A reporting entity is comprised of the primary government, component units, and other organizations that are included to ensure that the financial statements are not misleading. The primary government of the School District consists of all funds, agencies, departments and offices that are not legally separate from the School District. For Olmsted Falls City School District, the agencies and departments provide the following services: general operations, food service, and student related activities of the School District.

Component units are legally separate organizations for which the School District is financially accountable. The School District is financially accountable for an organization if the School District appoints a voting majority of the organization's governing board and (1) the School District is able to significantly influence the programs or services performed or provided by the organization; or (2) the School District is legally entitled to or can otherwise access the organization's resources; the School District is legally obligated or has otherwise assumed the responsibility to finance the deficits of, or provide financial support to, the organization; or the School District is obligated for the debt of the organization. Component units may also include organizations that are fiscally dependent on the School District in that the School District approves the budget, the issuance of debt or the levying of taxes. The School District does not have any component units.

The School District participates in three jointly governed organizations, one insurance purchasing pool and one risk sharing pool. These organizations are the Lake Erie Educational Computer Association (LEECA), the Ohio Schools Council Association, the Polaris Career Center, the Ohio School Boards Association Workers' Compensation Group Rating Program, and the Schools of Ohio Risk Sharing Authority. These organizations are presented in Note 19, Note 20 and Note 21 of the basic financial statements.

Note 2 - Summary of Significant Accounting Policies

The financial statements of Olmsted Falls City School District have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The School District also applies Financial Accounting Standards Board (FASB) statements and interpretations issued on or before November 30, 1989, to its governmental activities and internal service fund provided they do not conflict with or contradict GASB pronouncements. The more significant of the School District's accounting policies follow.

Olmsted Falls City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2008

A. Basis of Presentation

The School District's basic financial statements consist of government-wide statements, including a statement of net assets and a statement of activities, and fund financial statements, which provide a more detailed level of financial information.

Government-wide Financial Statements The statement of net assets and the statement of activities display information about the School District as a whole. These statements include the financial activities of the primary government, except for fiduciary funds. The activity of the internal service fund is eliminated to avoid "doubling up" revenues and expenses. These statements usually distinguish between those activities of the School District that are governmental and those that are considered business-type. The School District, however, has no business-type activities.

The statement of net assets presents the financial condition of the governmental activities of the School District at year-end. The statement of activities presents a comparison between direct expenses and program revenues for each program or function of the School District's governmental activities. Direct expenses are those that are specifically associated with a service, program or department and therefore are clearly identifiable to a particular function. Program revenues include charges paid by the recipient of the goods or services offered by the program, grants and contributions that are restricted to meeting the operational or capital requirements of a particular program and interest earned on grants that is required to be used to support a particular program. Revenues which are not classified as program revenues are presented as general revenues of the School District, with certain limited exceptions. The comparison of direct expenses with program revenues identifies the extent to which each governmental activity is self-financing or draws from the general revenues of the School District.

Fund Financial Statements During the year, the School District segregates transactions related to certain School District functions or activities in separate funds in order to aid financial management and to demonstrate legal compliance. Fund financial statements are designed to present financial information of the School District at this more detailed level. The focus of governmental fund financial statements is on major funds. Each major fund is presented in a separate column. Nonmajor funds are aggregated and presented in a single column. The internal service fund is presented in a single column on the face of the proprietary fund statements. The fiduciary fund is reported by type.

B. Fund Accounting

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

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

General Fund The general fund is the operating fund of the School District and is used to account for all financial resources except those required to be accounted for in another fund.

Bond Retirement Debt Service Fund The bond retirement fund is used to account for the accumulation of property tax revenues for, and the payment of, general obligation bonds.

Olmsted Falls City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2008

Building Capital Projects Fund The building fund is used to account for resources specifically allocated in the construction of new buildings in the School District.

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

Proprietary Fund Type Proprietary funds focus on the determination of operating income, changes in net assets, financial position and cash flows and are classified as either enterprise or internal service. The School District only has an internal service fund.

Internal Service Fund This fund is used to account for the financing of services provided by one department or agency to other departments or agencies of the School District on a cost-reimbursement basis. The School District utilizes an internal service fund to account for the operation of the School District's self insurance program for dental and vision claims.

Fiduciary Fund Type Fiduciary fund reporting focuses on net assets and changes in net assets. The fiduciary fund category is split into four classifications: pension trust funds, investment trust funds, private-purpose trust funds and agency funds. Trust funds are used to account for assets held by the School District under a trust agreement for individuals, private organizations, or other governments and are therefore not available to support the School District's own programs. The School District has no trust funds. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. The School District's only fiduciary fund is an agency fund which reports resources that belong to the student bodies of the various schools.

C. Measurement Focus

Government-wide Financial Statements The government-wide financial statements are prepared using the economic resources measurement focus. All assets and all liabilities associated with the operation of the School District are included on the statement of net assets. The statement of activities presents increases (i.e.; revenues) and decreases (i.e.; expenses) in total net assets.

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

Like the government-wide statements, the internal service fund is accounted for on a flow of economic resources measurement focus. All assets and all liabilities associated with the operation of the fund are included on the statement of net assets. The statement of revenues, expenses and changes in fund net assets present increases (i.e., revenues) and decreases (i.e., expenses) in net total assets. The statement of cash flows provides information about how the School District finances and meets the cash flow needs of its internal service fund activity.

D. Basis of Accounting

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

Olmsted Falls City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2008

accounting. Governmental funds use the modified accrual basis of accounting. Proprietary and fiduciary funds also use the accrual basis of accounting. Differences between the accrual and the modified accrual basis of accounting arise in the recognition of revenue, the recording of deferred revenue, and in the presentation of expenses versus expenditures.

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

Nonexchange transactions, in which the School District receives value without directly giving equal value in return, include property taxes, grants, entitlements and donations. On an accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied (See Note 7). Revenue from grants, entitlements and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the year when use is first permitted, matching requirements, in which the School District must provide local resources to be used for a specified purpose, and expenditure requirements, in which the resources are provided to the School District on a reimbursement basis. On a modified accrual basis, revenue from nonexchange transactions must also be available before it can be recognized.

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

Deferred Revenue Deferred revenue arises when assets are recognized before revenue recognition criteria have been satisfied.

Property taxes for which there is an enforceable legal claim as of June 30, 2008, but which were levied to finance fiscal year 2009 operations, have been recorded as deferred revenue. Grants and entitlements received before the eligibility requirements are met are also recorded as deferred revenue.

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

Expenses/Expenditures On the accrual basis of accounting, expenses are recognized at the time they are incurred.

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

E. Budgetary Data

All funds, other than agency funds, are legally required to be budgeted and appropriated. The major documents prepared are the tax budget, the appropriation resolution and the certificate of estimated resources, which are prepared on the budgetary basis of accounting. The tax budget demonstrates a need for existing or increased tax rates. The certificate of estimated resources establishes a limit on the

Olmsted Falls City School District

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2008

amounts that the Board of Education may appropriate. The appropriation resolution is the Board's authorization to spend resources and set annual limits on expenditures plus encumbrances at a level of control selected by the Board. The legal level of control has been established by the Board of Education at the fund level. The Treasurer has been given the authority to allocate appropriations to the function and object level within each fund. Budgetary statements are presented beyond that legal level of control for information purposes only.

The certificate of estimated resources may be amended during the year if projected increases or decreases in revenue are identified by the School District Treasurer. The amounts reported as the original budgeted amounts in the budgetary statements reflect the amounts in the certificate when the original appropriations were adopted. The amounts reported as the final budgeted amounts in the budgetary statements reflect the amounts in the amended certificate that was in effect at the time the final appropriations were passed by the Board of Education.

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

F. Cash and Cash Equivalents

To improve cash management, cash received by the School District is pooled. Monies for all funds are maintained in this pool. Individual fund integrity is maintained through School District records. Interest in the pool is presented as "equity in pooled cash and cash equivalents."

The School District utilizes a financial institution to account for a retainage account. The balance in this account is presented as "Restricted Assets: Cash and Cash Equivalents with Fiscal Agents."

During fiscal year 2008, investments were limited to Federal Home Loan Mortgage Corporation Notes, Federal Home Loan Bank Notes, Federal National Mortgage Association Notes, and STAROhio. Investments are reported at fair value which is based on quoted market prices.

STAROhio is an investment pool managed by the State Treasurer's Office which allows governments within the State to pool their funds for investment purposes. STAROhio 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 STAROhio are valued at STAROhio's share price which is the price the investment could be sold for on June 30, 2008.

Following Ohio statutes, the Board of Education has, by resolution, identified the funds to receive an allocation of interest earnings. Interest revenue credited to the general fund during fiscal year 2008 amounted to \$722,500 which includes \$392,798 assigned from other School District funds.

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

Olmsted Falls City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2008

G. Restricted Assets

Assets are reported as restricted when limitations on their use change the normal understanding of the availability of the asset. Such constraints are either externally imposed by creditors, contributors, grantors, or laws of other governments or imposed by law through constitutional provisions or enabling legislation. Restricted assets represent amounts required by State statute to be set-aside to create a reserve for budget stabilization. See Note 18 for additional information regarding set-asides. The restricted assets in the building fund represent retainage accounts that are used to pay the retainage on construction contracts.

H. Inventory

Inventories are presented at cost on a first-in, first-out basis and are expended/expensed when used. Inventories consist of donated food, purchased food and school supplies held for resale, and materials and supplies held for consumption.

I. Capital Assets

All capital assets of the School District are classified as general capital assets. These assets generally result from expenditures in the governmental funds. They are reported in the governmental activities column of the governmental-wide statement of net assets but are not reported in the fund financial statements.

Capital assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the year. The School District was able to estimate the historical cost for the initial reporting of capital assets by back trending (i.e., estimating the current replacement cost of the capital asset to be capitalized and using an appropriate price-level index to deflate the cost of the acquisition year or estimated acquisition year). Donated capital assets are recorded at their fair market values as of the date received. The School District maintains a capitalization threshold of five hundred dollars. The School District does not possess any infrastructure. Improvements are capitalized; the costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not.

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

<u>Description</u>	<u>Estimated Lives</u>
Buildings and Improvements	15-40 years
Furniture and Equipment	5-15 years
Vehicles	5-10 years
Textbooks	5-10 years

J. Bond Issuance Costs

On the government-wide financial statements, bond issuance costs are deferred and amortized over the term of the applicable bonds using the effective interest method. Within the governmental fund statements, bond issuance costs are expended when incurred.

Olmsted Falls City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2008

K. Bond Premium and Discount

On the government-wide financial statements, bond premiums and discounts are deferred and amortized over the term of the bonds using the straight line method. Bond premiums are presented as an increase of the face amount of the bonds payable. On the governmental fund statements, bond premiums are received in the year the bonds are issued. On the government-wide financial statements, bond discounts are presented as a decrease of the face amount of the bonds payable. On fund financial statements, bond discounts are expended in the year the bonds are issued.

L. Gain/Loss on Refunding

On the government-wide financial statements, the difference between the reacquisition price (funds required to refund the old debt) and the net carrying amount of the old debt, the gain/loss on refunding, is being amortized as a component of interest expense. This deferred amount is amortized over the life of the old or new debt, whichever is shorter, using the effective interest method.

M. Compensated Absences

Vacation benefits are accrued as a liability as the benefits are earned if the employees' rights to receive compensation are attributable to services already rendered and it is probable that the employer will compensate the employees for the benefits through paid time off or some other means. The School District records a liability for accumulated unused vacation time when earned for all employees with more than one year of service.

Sick leave benefits are accrued as a liability using the vesting method. The liability includes the employees who are currently eligible to receive termination benefits and those the School District has identified as probable of receiving payment in the future. The amount is based on accumulated sick leave and employees' wage rates at fiscal year end, taking into consideration any limits specified in the School District's termination policy. The School District records a liability for accumulated unused sick leave for employees after nine years of current service with the School District.

On the governmental fund financial statements, compensated absences are recognized as liabilities and expenditures to the extent payments come due each period upon the occurrence of employee resignations and retirements. These amounts are recorded in the account "matured compensated absences payable" in the general fund.

N. Accrued Liabilities and Long-Term Obligations

All payables, accrued liabilities and long-term obligations are reported in the government-wide financial statements, and all payables, accrued liabilities and long-term obligations payable from the internal service fund are reported on the internal service fund financial statements.

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

Olmsted Falls City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2008

O. Net Assets

Net assets represent the difference between assets and liabilities. Net assets invested in capital assets, net of related debt consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction or improvement of those assets. Net assets are reported as restricted when there are limitations imposed on their use either through enabling legislation or through external restrictions imposed by creditors, grantors or laws or regulations of other governments. The government-wide statement of net assets reports \$4,535,257 of restricted net assets, none of which is restricted by enabling legislation.

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

P. Fund Balance Reserves

The School District reserves those portions of fund balance which are legally segregated for a specific future use or which do not represent available expendable resources and therefore are not available for appropriation or expenditure. Unreserved fund balance indicates that portion of fund equity which is available for appropriation in future periods. Fund balance reserves have been established for encumbrances, property taxes, and budget stabilization.

The reserve for property taxes represents taxes recognized as revenue under generally accepted accounting principles but not available for appropriation under State statute. The reserve for budget stabilization represents money required to be set-aside by statute to protect against cyclical changes in revenues and expenditures.

Q. Internal Activity

Internal allocations of overhead expenses from one function to another or within the same function are eliminated on the Statement of Activities. Payments for interfund services provided and used are not eliminated.

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

R. Operating Revenues and Expenses

Operating revenues are those revenues that are generated directly from the primary activity of the proprietary fund. For the School District, these revenues are services for the self-insurance program. Operating expenses are necessary costs incurred to provide the good or service that are the primary activity of the fund. All revenue and expenses not meeting these definitions are reported as non-operating.

S. Extraordinary and Special Items

Extraordinary items are transactions or events that are both unusual in nature and infrequent in occurrence. Special items are transactions or events that are within the control of the Board of Education and that are either unusual in nature or infrequent in occurrence.

Olmsted Falls City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2008

T. Estimates

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

Note 3 - Change in Accounting Principles and Restatement of Fund Balance

A. Change in Accounting Principles

For fiscal year 2008, the School District has implemented Governmental Accounting Standards Board (GASB) Statement No. 45, "Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions", GASB Statement No. 48, "Sales and Pledges of Receivables and Future Revenues and Intra-Entity Transfers of Assets and Future Revenues", and GASB Statement No. 50, "Pension Disclosures".

GASB Statement No. 45 improves the relevance and usefulness of financial reporting by requiring systematic, accrual-basis measurement and recognition of OPEB costs over a period that approximates employees' years of service and providing information about actuarial accrued liabilities associated with OPEB and whether and to what extent progress is being made in funding the plan. The implementation of this statement did not result in any change to the District's financial statements. An OPEB liability at transition was determined in accordance with this Statement for both the SERS and STRS post-employment healthcare plans in the amounts of \$147,920 and \$199,350, respectively, which are the same as previously reported liabilities.

GASB Statement No. 48 addresses how to account for the exchange of an interest in expected cash flows from collecting specific receivables or specific future revenues for immediate cash payments. The statement established criteria used to determine whether the transaction should be recorded as revenue or as a liability (a sale or a collateralized borrowing). The implementation of this statement did not result in any change to the financial statements.

GASB Statement No. 50 requires employers contributing to defined benefit pension plans to include the legal or contractual maximum contribution rates in the notes to the financial statements. The implementation of this statement did not result in any change to the financial statements.

B. Restatement of Fund Balance

At June 30, 2007, it was determined that the early retirement incentive payable was overstated as a fund obligation in the amount of \$255,331. This restatement increased beginning the fund balance of the general fund from \$5,301,245 to \$5,556,576.

Note 4 – Fund Deficits

The following funds had a deficit fund balance as of June 30, 2008:

Special Revenue Funds:	
Auxiliary Service	\$10,390
Miscellaneous State Grant	8,642
Title VI-B	30,266
Reducing Class Size	3,725

Olmsted Falls City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2008

The deficits in the special revenue funds resulted from the recognition of accrued liabilities. The general fund is liable for any deficit in these funds and provides operating transfers when cash is required, rather than when accruals occur.

Note 5 - Budgetary Basis of Accounting

While the School District is reporting financial position, results of operations and changes in fund balance on the basis of generally accepted accounting principles (GAAP), the budgetary basis as provided by law is based upon accounting for certain transactions on a basis of cash receipts, disbursements and encumbrances. The Statement of Revenues, Expenditures and Changes in Fund Balance - Budget (Non-GAAP Basis) and Actual for the general fund is presented on the budgetary basis to provide a meaningful comparison of actual results with the budget. The major differences between the budget basis and GAAP basis are that:

1. Revenues are recorded when received in cash (budget basis) as opposed to when susceptible to accrual (GAAP basis).
2. Expenditures are recorded when paid in cash (budget basis) as opposed to when the liability is incurred (GAAP basis).
3. Encumbrances are treated as expenditures (budget basis) rather than as a reservation of fund balance (GAAP basis).
4. Advances-In and Advances-Out are operating transactions (budget basis) as opposed to balance sheet transactions (GAAP basis).
5. Investments are reported at fair value (GAAP basis) rather than cost (budget basis).

The following table summarizes the adjustments necessary to reconcile the GAAP basis statements to the budgetary basis statements on a fund type basis for the general fund.

Net Change in Fund Balance	
GAAP Basis	(\$312,439)
Net Adjustment for Revenue Accruals	(1,004,631)
Advance In	518,460
Beginning Fair Value Adjustment for Investments	7,321
Ending Fair Value Adjustment for Investments	(1,473)
Net Adjustment for Expenditure Accruals	364,841
Advance Out	(523,683)
Adjustment for Encumbrances	(834,283)
Budget Basis	<u><u>(\$1,785,887)</u></u>

Olmsted Falls City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2008

Note 6 - Deposits and Investments

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

Active monies are public monies determined to be necessary to meet current demands upon the School District treasury. Active monies must be maintained either as cash in the School 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 School District can be deposited or invested in the following securities:

1. United States Treasury bills, bonds, notes, or any other obligation or security issued by the United States Treasury, or any other obligation guaranteed as to principal and interest by the United States;
2. Bonds, notes, debentures, or any other obligation or security issued by any federal government agency or instrumentality including, but not limited to, the Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, Government National Mortgage Association, and Student Loan Marketing Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
3. Written repurchase agreements in the securities listed above;
4. Bonds and other obligations of the State of Ohio;
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);
7. The State Treasurer's investment pool (STAROhio); and
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. Investments may only be made through specified dealers and institutions.

Olmsted Falls City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2008

Deposits

Custodial Credit Risk Custodial credit risk for deposits is the risk that in the event of bank failure, the School District will not be able to recover deposits or collateral securities that are in possession of an outside party. At fiscal year end, \$16,875,058 of the School District's bank balance of \$17,181,039 was uninsured and uncollateralized. Although the securities were held by the pledging financial institutions' trust department and all statutory requirements for the deposit of money had been followed, noncompliance with Federal requirements could potentially subject the School District to a successful claim by the FDIC.

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

Investments

Investments are reported at fair value. As of June 30, 2008, the School District had the following investments:

	Fair Value	Maturities (in Years)	
		Less than 1	1-2
Federal Home Loan Mortgage Corporation Notes	\$1,510,325	\$1,010,146	\$500,179
Federal Home Loan Bank Notes	1,508,067	1,508,067	0
Federal National Mortgage Association Notes	473,029	473,029	0
STAROhio	10,551,537	10,551,537	0
<i>Total Investments</i>	<u>\$14,042,958</u>	<u>\$13,542,779</u>	<u>\$500,179</u>

Interest Rate Risk As a means of limiting its exposure to fair value losses caused by rising interest rates, the School District's investment policy requires that operating funds be invested primarily in short-term investments maturing within five years from the date of purchase and that the School District's investment portfolio be structured so that securities mature to meet cash requirements for ongoing operations and/or long-term debt payments. The stated intent of the policy is to avoid the need to sell securities prior to maturity. To date, no investments have been purchased with a life greater than two years.

Custodial Credit Risk For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the School 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 Federal Home Loan Mortgage Corporation Notes, the Federal Home Loan Bank Notes, and the Federal National Mortgage Association Notes are exposed to custodial credit risk in that they are uninsured and unregistered, and held by the counterparty. The School 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.

Credit Risk The Federal Home Loan Mortgage Corporation Notes, the Federal Home Loan Bank Notes, and the Federal National Mortgage Association Notes carry a rating of AAA by Standard & Poor's and

Olmsted Falls City School District

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2008

STAROhio also carries a rating of AAA by Standard & Poor’s. Ohio law requires that STAROhio maintain the highest rating provided by at least one nationally recognized standard rating service. The School District has no investment policy that would further limit its investment choices.

Concentration of Credit Risk The School District places no limit on the amount it may invest in any one issuer. The following is the School District’s allocation as of June 30, 2008:

<u>Investments</u>	<u>Percentage of Investments</u>
Federal Home Loan Mortgage Corporation Notes	10.76%
Federal Home Loan Bank Notes	10.74%
Federal National Mortgage Association Notes	3.36%
StarOhio	75.14%

Note 7 - Property Taxes

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

Property taxes include amounts levied against all real, public utility and tangible personal property (used in business) located in the School District. Real property tax revenue received in calendar 2008 represents collections of calendar year 2007 taxes. Real property taxes received in calendar year 2008 were levied after April 1, 2007, on the assessed value listed as of January 1, 2007, the lien date. Assessed values for real property taxes are established by State law at thirty-five percent of appraised market value. Real property taxes are payable annually or semi-annually. If paid annually, payment is due December 31; if paid semi-annually, the first payment is due December 31 with the remainder payable by June 20. Under certain circumstances, State statute permits alternate payment dates to be established.

Public utility property tax revenue received in calendar 2008 represents collections of calendar year 2007 taxes. Public utility real and tangible personal property taxes received in calendar year 2008 became a lien December 31, 2006, were levied after April 1, 2007 and are collected in 2008 with real property taxes. Public utility real property is assessed at thirty-five percent of true value; public utility tangible personal property currently is assessed at varying percentages of true value.

Tangible personal property tax revenue received during calendar 2008 (other than public utility property) represents the collection of 2008 taxes. Tangible personal property taxes received in calendar year 2008 were levied after April 1, 2007, on the value as of December 31, 2007. In prior years, tangible personal property was assessed at twenty-five percent of true value for capital assets and twenty-three percent of true value for inventory. The tangible personal property tax is being phased out – the assessment percentage for all property including inventory for 2008 is 6.25 percent. This will be reduced to zero for 2009. Payments by multi-county taxpayers are due September 20. Single county taxpayers may pay annually or semi-annually. If paid annually, payment is due April 30; if paid semi-annually, the first payment is due April 30, with the remainder payable by September 20. Tangible personal property taxes paid by April 30 are usually received by the School District prior to June 30.

Olmsted Falls City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2008

The School District receives property taxes from Cuyahoga and Lorain Counties. The County Auditors periodically advance to the School District its portion of the taxes collected. Second-half real property tax payments collected by the County by June 30, 2008, are available to finance fiscal year 2008 operations. The amount available to be advanced can vary based on the date the tax bills are sent.

Accrued property taxes receivable includes real property, public utility property and tangible personal property taxes which are measurable as of June 30, 2008 and for which there is an enforceable legal claim. Although total property tax collections for the next fiscal year are measurable, only the amount of real property taxes available as an advance at June 30 was levied to finance current fiscal year operations and is reported as revenue at fiscal year end. The portion of the receivable not levied to finance current fiscal year operations is offset by a credit to deferred revenue.

The amount available as an advance at June 30, 2008 was \$2,106,352 in the general fund, \$317,275 in the bond retirement debt service fund, and \$24,481 in the classroom facilities capital projects fund. The amount available as an advance at June 30, 2007 was \$1,206,266 in the general fund, \$114,234 in the bond retirement debt service fund, and \$14,013 in the classroom facilities capital projects fund.

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

The assessed values upon which the fiscal year 2008 taxes were collected are:

	2007 Second Half Collections		2008 First Half Collections	
	Amount	Percent	Amount	Percent
Agricultural/Residential and Other Real Estate	\$481,276,691	96.37 %	\$517,966,250	97.56 %
Public Utility Personal	11,842,560	2.37	9,676,862	1.82
Tangible Personal Property	6,284,034	1.26	3,277,577	0.62
Total	<u>\$499,403,285</u>	<u>100.00 %</u>	<u>\$530,920,689</u>	<u>100.00 %</u>
 Tax rate per \$1,000 of assessed valuation	 \$89.80		 \$91.80	

The increase in the full voted tax rate is due to the School District passing a 2.0 mill operating levy in May 2007.

Note 8 - Receivables

Receivables at June 30, 2008, consisted of taxes, accounts (rent and tuition), and intergovernmental grants. 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 fiscal year guarantee of federal funds. All receivables, except for delinquent property taxes, are expected to be collected within one year. Property taxes, although ultimately collectible, include some portion of delinquencies that will not be collected within one year.

Olmsted Falls City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2008

A summary of the principal items of intergovernmental receivables follows:

Governmental Activities	Amounts
City of Lakewood	\$9,293
Title VI-B Grant	95,925
Reducing Class Size	11,277
Drug Free Schools	4,230
Title VI	3,265
Total	\$123,990

Note 9 - Capital Assets

Capital asset activity for the fiscal year ended June 30, 2008 was as follows:

	Balance 6/30/07	Additions	Deletions	Balance 6/30/08
Governmental Activities				
<i>Capital Assets, not being depreciated:</i>				
Land	\$2,979,985	\$211,920	\$0	\$3,191,905
Construction in Progress	0	851,708	0	851,708
<i>Total Capital Assets, not being depreciated</i>	2,979,985	1,063,628	0	4,043,613
<i>Capital Assets, being depreciated:</i>				
Buildings and Improvements	22,404,097	0	0	22,404,097
Furniture and Equipment	9,474,905	433,005	(88,796)	9,819,114
Vehicles	3,050,171	411,276	(154,572)	3,306,875
<i>Total Capital Assets, being depreciated</i>	34,929,173	844,281	(243,368)	35,530,086
<i>Less Accumulated Depreciation:</i>				
Buildings and Improvements	(10,482,577)	(469,437)	0	(10,952,014)
Furniture and Equipment	(6,025,512)	(696,424)	80,108	(6,641,828)
Vehicles	(578,296)	(170,993)	26,605	(722,684)
<i>Total Accumulated Depreciation</i>	(17,086,385)	(1,336,854) *	106,713	(18,316,526)
<i>Total Capital Assets, being depreciated, net</i>	17,842,788	(492,573)	(136,655)	17,213,560
Governmental Activities Capital Assets, Net	\$20,822,773	\$571,055	(\$136,655)	\$21,257,173

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* Depreciation expense was charged to governmental functions as follow:

Instruction:	
Regular	\$1,024,477
Special	6,534
Vocational	21,240
Support Services:	
Pupils	10,307
Instructional Staff	2,443
Administration	4,167
Fiscal	892
Operation and Maintenance of Plant	64,006
Pupil Transportation	148,515
Central	23,594
Operation of Non-Instructional Services:	
Food Service Operations	23,561
Other Non-Instructional Services	3,804
Extracurricular Activities	3,314
Total Depreciation Expense	<u>\$1,336,854</u>

Note 10 - Risk Management

The School District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During fiscal year 2008, the School District contracted with Schools of Ohio Risk Sharing Authority (SORSA) for property insurance of \$81,063,439, with a deductible of \$1,000 per incident. Vehicle liability is insured by SORSA in the amount of \$11,000,000, with no deductible. Professional liability is protected by the SORSA for all Board Members, administrators, and employees with limits of \$11,000,000 per occurrence and \$11,000,000 aggregate limit.

The Hylant Administrative Services Company maintains a \$20,000 public official bond each for the Superintendent, the Board of Education President, the Board of Education Vice President, and a \$7,000 public official bond for three Board of Education members. A \$20,000 public official bond for the Treasurer is maintained with Harcum-Hyre Insurance. Other employees handling money are covered by a \$5,000 public employees blanket bond provided by Hylant Administrative Services.

Settled claims have not exceeded this commercial coverage in any of the past three years and there have been no significant reductions in insurance coverage from last year.

For fiscal year 2008, the School District participated in the Ohio School Boards Association Workers' Compensation Group Rating Program (GRP), an insurance purchasing pool (Note 20). The intent of the GRP is to achieve the benefit of a reduced premium for the School 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. Participation in the GRP is limited to school districts that can meet the GRP's selection criteria. The firm of Gates McDonald & Co. provides administrative, cost control, and actuarial services to the GRP.

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Medical and prescription drug benefits are provided on a fully insured basis. The School District has elected to provide vision and dental benefits on a self-insured basis. Claims liability reported in the self-insurance fund at June 30, 2008, was \$56,334. The claims liability is estimated by the third-party administrator and is based on the requirements of Governmental Accounting Standards Board Statement No. 30, which requires that a liability for unpaid claims costs, including estimates of costs relating to incurred but not reported claims, be reported. The estimate was not affected by incremental claims adjustments expenses and does not include other allocated or unallocated claim adjustment expenses.

Changes in the fund's claims liability amounts for the last two years follows:

	Balance at Beginning of Year	Current Year Claims	Claim Payments	Balance at End of Year
2007	\$32,141	\$480,142	\$387,855	\$124,428
2008	124,428	3,554,042	3,622,136	56,334

Note 11 - Defined Benefit Pension Plans

A. School Employee Retirement System

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

Funding Policy - Plan members are required to contribute 10 percent of their annual covered salary and the School District is required to contribute at an actuarially determined rate. The current School District rate is 14 percent of annual covered payroll. A portion of the School District's contribution is used to fund pension obligations with the remainder being used to fund health care benefits; for fiscal year 2008, 9.16 percent of annual covered salary was the portion used to fund pension obligations. The contribution requirements of plan members and employers are established and may be amended 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 School District's required contributions for pension obligations to SERS for the fiscal years ended June 30, 2008, 2007 and 2006 were \$555,285, \$571,620 and \$480,711 respectively; 38.43 percent has been contributed for fiscal year 2008 and 100 percent for fiscal years 2007 and 2006.

B. State Teachers Retirement System

Plan Description - The School 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 Web site at www.strsoh.org.

Olmsted Falls City 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 the fiscal year ended June 30, 2008, plan members were required to contribute 10 percent of their annual covered salaries. The School District was required to contribute 14 percent; 13 percent was the portion used to fund pension obligations. For fiscal year 2007, the portion used to fund pension obligations was also 13 percent. 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 School District's required contributions for pension obligations to STRS Ohio for the fiscal years ended June 30, 2008, 2007, and 2006 were \$2,085,651, \$2,012,372, and \$1,952,171 respectively; 83.98 percent has been contributed for fiscal year 2008 and 100 percent for fiscal years 2007 and 2006. Contributions to the DC and Combined Plans for fiscal year 2008 were \$18,636 made by the School District and \$47,234 made by the plan members.

C. Social Security System

Effective July 1, 1991, all employees not otherwise covered by the School Employees Retirement System or the State Teachers Retirement System of Ohio have an option to choose Social Security or the School Retirement System. As of June 30, 2008, three members of the Board of Education have elected Social Security. The contribution rate is 6.2 percent of wages.

Olmsted Falls City School District
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Note 12 - Post Employment Benefits

A. School Employee Retirement System

Plan Description – The School District participates in two cost-sharing multiple employer defined benefit OPEB plans administered by the School Employees Retirement System 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 and traditional indemnity plans as well as a prescription drug program. The Medicare Part B Plan reimburses Medicare Part B premiums paid by eligible retirees and beneficiaries up to a statutory limit. Benefit provisions and the obligations to contribute are established by 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.

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 401h. For 2008, 4.18 percent of covered payroll was allocated to health care. In addition, employers pay a surcharge for employees earning less than an actuarially determined amount; for 2008, this amount was \$121,241.

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

The School District's contributions for health care for the fiscal years ended June 30, 2008, 2007, and 2006 were \$253,394, \$195,494, and \$166,613 respectively; 38.43 percent has been contributed for fiscal year 2008 and 100 percent for fiscal years 2007 and 2006.

The Retirement Board, acting with advice of the actuary, allocates a portion of the employer contribution to the Medicare B Fund. For 2008, this actuarially required allocation was 0.66 percent of covered payroll. The School District's contributions for Medicare Part B for the fiscal years ended June 30, 2008, 2007, and 2006 were \$40,010, \$38,870, and \$34,718 respectively; 38.43 percent has been contributed for fiscal year 2008 and 100 percent for fiscal years 2007 and 2006.

B. State Teachers Retirement System

Plan Description – The School District contributes to the cost sharing multiple employer defined benefit Health 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 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

Olmsted Falls City School District
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2008, STRS Ohio allocated employer contributions equal to one percent of covered payroll to the Health Care Stabilization Fund. The School District's contributions for health care for the fiscal years ended June 30, 2008, 2007, and 2006 were \$160,435, \$154,798, and \$150,209 respectively; 83.98 percent has been contributed for fiscal year 2008 and 100 percent for fiscal years 2007 and 2006.

Note 13 - Other Employee Benefits

A. Compensated Absences

The criteria for determining vacation and sick leave benefits are derived from negotiated agreements and State laws. Classified employees earn up to twenty days of vacation per fiscal year, depending upon length of service. Accumulated unused vacation time is paid to classified employees and administrators upon termination of employment. Teachers do not earn vacation time.

Teachers, administrators and classified employees earn sick leave at the rate of one and one-fourth days per month. Upon retirement, payment is one-fourth of accrued, but unused sick leave credit to a maximum payment of 90 days.

B. Early Retirement Incentive

Certified Employees:

Any teacher who was not eligible to retire prior to July 1, 2003 under the State Teachers Retirement System (STRS) pursuant to Ohio Revised Code Section 3307.38 and any applicable STRS regulations and who becomes eligible to retire can receive a retirement incentive of \$1,200 for each year of STRS service up to a maximum of thirty years, if the teacher retires at the end of the school year in which the teacher first becomes eligible. If an eligible teacher has not yet completed thirty years of service and does not retire at the end of the school year in which the teacher first becomes eligible, the teacher will have one more opportunity to take advantage of this incentive by retiring at the end of the school year which the teacher completes thirty years of service. This incentive, combined with any severance pay entitlement will be paid in three installments over a period of three years, with any lump sum severance pay to be issued within thirty days of the effective date of the teacher's retirement; 50 percent of the retirement incentive to be payable one year following the teacher's effective retirement date, with the remaining 50 percent to be paid two years after the effective date of retirement. To be eligible for this incentive, the teacher must submit a resignation on or before March 1 of the school year in which the teacher first becomes eligible to retire and must retire no later than June 30 of that school year. The teacher seeking this retirement incentive is responsible for insuring the Board has accurate information regarding the teacher's service credit. The Board will provide a courtesy reminder of a teacher's eligibility for this incentive by December 15 of the school year in which the teacher is first eligible for retirement. This courtesy does not impact the teacher's notice requirements.

Olmsted Falls City School District
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Classified Employees:

Any employee who was not eligible to retire prior to July 1, 2004 under the School Employees Retirement System (SERS) pursuant to Ohio Revised Code Section 3309.34 and any applicable SERS regulations and who becomes eligible to retire can receive a retirement incentive of 40 percent of the employee's base wage at the time of retirement, excluding overtime, bonuses, extra trips or "extra" compensation if the employee retires at the end of the school year in which the employee first becomes eligible. If the employee has not yet completed 30 years of SERS service and does not retire at the end of the school year in which the employee first becomes eligible, the employee will have one more opportunity to take advantage of this incentive by retiring during or at the end of the school year in which the employee completes 30 years of SERS service. This incentive, combined with any severance pay entitlements, will be paid in three installments, with any lump sum severance pay to be issued within 30 days of proof of retirement and 50 percent of the retirement incentive to be payable the first pay period in July following the next full fiscal year following the date of retirement. The balance of the incentive will be payable the first pay period in July following two full fiscal years after the employee's effective retirement date. To be eligible for this incentive, the employee must submit a resignation 90 days prior to the employee's date of retirement.

C. Life Insurance

The School District provides life insurance and accidental death and dismemberment insurance to its employees. Coverage is equal to double the employees' annual salary amount rounded to the nearest one thousand dollars. Life insurance is covered through Guardian Life Insurance.

Note 14 - Leases

A. Capital Leases

During fiscal year 2008, the School District entered into two capital leases for copiers. The School District also has existing leases for three buses, two vans, two modular classrooms and several copiers. The School District's lease obligations meet the criteria of a capital lease as defined by Statement of Financial Accounting Standards No. 13 "Accounting for Leases." Capital lease payments have been reclassified and are reflected as debt service expenditures in the basic financial statements. These expenditures are reflected as program/function expenditures on a budgetary basis.

Capital assets acquired by lease have been capitalized and depreciated as follows:

<i>Governmental Activities</i>	
Capital Assets, being depreciated	
Furniture and Equipment	\$1,397,160
Vehicles	249,523
Total Leased Assets, being depreciated	<u>1,646,683</u>
Less Accumulated Depreciation:	
Furniture and Equipment	(755,731)
Vehicles	(77,976)
Total Accumulated Depreciation	<u>(833,707)</u>
<i>Governmental Activities Leased Assets, Net</i>	<u><u>\$812,976</u></u>

Olmsted Falls City School District
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The following is a schedule of the future long-term minimum lease payments required under the capital leases and the present value of the minimum lease payments as of June 30, 2008.

Fiscal Year Ending June 30,	Governmental Activities
2009	\$184,448
2010	70,992
2011	62,870
2012	5,015
2013	3,406
Total	326,731
Less: Amount Representing Interest	(28,279)
Present Value of Net Minimum Lease Payments	\$298,452

Note 15 - Short-Term Obligations

The changes in the School District's short-term obligations for the fiscal year 2008 were as follows:

	Principal Outstanding 6/30/2007	Additions	Deletions	Principal Outstanding 6/30/2008
<u>Governmental Activities:</u>				
Bond Anticipation Notes	\$0	\$1,890,000	\$1,890,000	\$0

On July 13, 2007, the School District issued notes in the amount of \$1,890,000 in anticipation of the issuance of bonds for the purpose of improving School District buildings and facilities and acquiring, clearing and improving their sites.

Note 16 - Long-Term Obligations

The original issue date, interest rate, original issue amount and date of maturity of each of the School District's bonds are:

Debt Issue	Interest Rate	Original Issue Amount	Date of Maturity
General Obligation Bonds:			
School Improvement Refunding - 1997	3.85-6.75%	\$8,828,772	December 15, 2011
Energy Conservation Improvement - 2002	6.12%	605,025	December 1, 2010
Classroom Facilities Refunding - 2003	2.0-14.065%	5,789,978	December 15, 2017
School Improvement - 2007	4.0-11.793%	14,755,972	December 1, 2035
Long-Term Notes			
Bond Anticipation Note - 2008	3.50%	2,244,000	January 15, 2009
Energy Conservation Note - 2007	3.75%	1,481,992	December 18, 2008

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The changes in the School District's long-term obligations during the year consist of the following:

	Principal Outstanding 6/30/07	Additions	(Reductions)	Principal Outstanding 6/30/08	Amount Due in One Year
Governmental Activities:					
General Obligations Bonds:					
1997 School Improvement Refunding					
Capital Appreciation Bonds	\$2,998,772	\$0	(\$642,135)	\$2,356,637	\$621,242
Accretion on Capital Appreciation Bonds	2,580,870	337,117	(577,865)	2,340,122	0
2002 Energy Conservation Improvement	242,010	0	(60,503)	181,507	60,503
2003 Classroom Facilities Refunding					
Serial Bonds	4,250,000	0	(110,000)	4,140,000	115,000
Capital Appreciation Bonds	449,978	0	0	449,978	0
Accretion on Capital Appreciation Bonds	96,924	326,762	0	423,686	0
Premium	409,582	0	(58,512)	351,070	0
Deferred Loss on Refunding	(326,761)	0	46,680	(280,081)	0
2007 School Improvement Bonds					
Serial Bonds	0	14,280,000	0	14,280,000	290,000
Capital Appreciation Bonds	0	475,972	0	475,972	0
Accretion on Capital Appreciation Bonds	0	40,740	0	40,740	0
Premium	0	406,206	0	406,206	0
Discount	0	(163,249)	0	(163,249)	0
<i>Total General Obligation Bonds</i>	<u>10,701,375</u>	<u>15,703,548</u>	<u>(1,402,335)</u>	<u>25,002,588</u>	<u>1,086,745</u>
Long-Term Notes					
2008 Bond Anticipation Note	0	2,244,000	0	2,244,000	0
2007 Energy Conversation Note	0	1,481,992	0	1,481,992	0
<i>Total Long-term Notes</i>	<u>0</u>	<u>3,725,992</u>	<u>0</u>	<u>3,725,992</u>	<u>0</u>
Capital Leases	512,975	15,527	(230,050)	298,452	167,894
Early Retirement Incentive	255,331	188,204	(104,610)	338,925	87,907
Compensated Absences	3,026,343	342,286	(282,644)	3,085,985	1,064,164
Total Governmental Activities	<u><u>\$14,496,024</u></u>	<u><u>\$19,975,557</u></u>	<u><u>(\$2,019,639)</u></u>	<u><u>\$32,451,942</u></u>	<u><u>\$2,406,710</u></u>

All general obligation bonds will be paid from property taxes. Capital lease obligations will be paid from the general fund. Compensated absences will be paid from the general fund and the food service, auxiliary services and title VI-B special revenue funds.

The 1997 general obligation bonds include capital appreciation bonds. This year the addition on these bonds was \$337,117, which represents the accretion of discounted interest remaining on the bonds. In fiscal year 2008, the School District began paying down the accretion on these by bonds by \$577,865.

On August 13, 2003, the School District issued \$5,709,978 in voted general obligation bonds which included \$5,260,000 in serial bonds and \$449,978 in capital appreciation bonds at interest rates varying from 2.0 percent to 14.065 percent. The general obligation bonds were issued for the purpose of refunding a portion of the 1995 classroom facilities improvement bonds to take advantage of lower interest rates. The serial bonds were issued for a 15 year period with a final maturity at December 15, 2017. The capital appreciation bonds were issued for a 12 year period with a final maturity at December 15, 2014. For fiscal year 2008, \$326,762 was accreted. The bonds are being retired from the bond retirement fund.

Olmsted Falls City School District
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The serial bonds maturing after December 15, 2017 are subject to redemption at the option of the School District, either in whole or in part, in such order as the School District shall determine, on any interest payment date on or after December 15, 2017, at redemption prices equal to 100% of the principal amount redeemed plus, in each case, accrued interest to the date fixed for redemption.

On September 13, 2007, the School District issued \$14,280,000 in general obligation bonds for the purpose of adding to, constructing, furnishing, equipping and otherwise improving School District buildings and facilities. Some of the bonds were sold at a premium of \$406,206 and some of the bonds were sold at a discount of \$163,249. The bonds have a varying interest rate between 4.00 percent to 5.00 percent, and a maturity date of December 1, 2035. Voters passed the 2 mill bond issue in May 2007 to fund payment of these bonds.

The 2007 general obligation bonds include \$475,972 in capital appreciation bonds. The capital appreciation bonds were originally sold at a discount of \$163,249, which is being accreted annually until the point of maturity of the capital appreciation bonds, which is 2015 through 2017.

The maturity of outstanding capital appreciation bonds at June 30, 2008 is \$739,028. This year the addition on these bonds was \$40,740, which represents the accretion of discounted interest remaining on the bonds. The total outstanding bond liability at June 30, 2008 was \$516,712.

On January 17, 2008, the School District issued \$2,244,000 in general obligation bond anticipation notes for the purpose of adding to, constructing, furnishing, equipping and otherwise improving School District buildings and facilities. The coupon interest rate is 3.50 percent and the notes mature on January 15, 2009.

On January 9, 2008, the School District issued \$1,481,992 in energy conservation notes for the purpose of paying costs to install, modify, and remodel School District buildings to conserve energy. The coupon interest rate is 3.75 percent and the notes mature on December 18, 2008.

The School District's overall legal debt margin was \$29,525,909 with an unvoted debt margin of \$530,921 at June 30, 2008. Principal and interest requirements to retire general obligation bonds outstanding at June 30, 2008, are as follows:

Fiscal Year Ending June, 30	General Obligation Bonds		Capital Appreciation Bonds		Total	
	Principal	Interest	Principal	Interest	Principal	Interest
2009	\$465,503	\$826,636	\$621,241	\$643,759	\$1,086,744	\$1,470,395
2010	495,503	807,480	628,102	751,948	1,123,605	1,559,428
2011	675,501	783,737	567,637	772,363	1,243,138	1,556,100
2012	675,000	756,633	539,657	830,343	1,214,657	1,586,976
2013	375,000	735,821	240,255	614,745	615,255	1,350,566
2014-2018	4,455,000	4,016,603	685,695	645,277	5,140,695	4,661,880
2019-2023	2,310,000	2,488,047	0	0	2,310,000	2,488,047
2024-2028	2,880,000	1,894,041	0	0	2,880,000	1,894,041
2029-2033	3,630,000	1,122,806	0	0	3,630,000	1,122,806
2034-2036	2,640,000	202,500	0	0	2,640,000	202,500
Total	<u>\$18,601,507</u>	<u>\$13,634,304</u>	<u>\$3,282,587</u>	<u>\$4,258,435</u>	<u>\$21,884,094</u>	<u>\$17,892,739</u>

Olmsted Falls City School District
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Note 17 – Construction and Other Significant Commitments

At June 30, 2008, the School District’s significant contractual commitments consisted of:

Company	Contract Amount	Amount Paid	Remaining on Contract
Architectural Vision Group	\$926,397	\$473,431	\$452,966
DiGioia-Suburban Excavating	\$918,400	\$0	918,400
Regency Construction Services	910,824	257,356	653,468
Jamison Well Drilling	844,486	0	844,486
Brewer-Garrett Company	35,014	0	35,014
Total	\$3,635,121	\$730,787	\$2,904,334

Note 18 - Set-Asides

The School District is required by State statute to annually set aside in the general fund an amount based on a statutory formula for the purchase of textbooks and other instructional materials and an equal amount for the acquisition and construction of capital improvements. Amounts not spent by fiscal year end or offset by similarly restricted resources received during the year must be held in cash at fiscal year end and carried forward to be used for the same purposes in future years. In prior years, the School District was also required to set aside money for budget stabilization. At June 30, 2008, only the unspent portion of certain workers’ compensation refunds continues to be required to be set aside.

The following cash basis information describes the change in the fiscal year end set-aside amounts for textbooks, capital acquisitions, and budget stabilization. Disclosure of this information is required by State statute.

	Textbooks Instructional Materials Reserve	Capital Improvement Reserve	Budget Reserve
Set-aside Reserve Balance as of June 30, 2007	(\$1,191,496)	\$0	\$223,918
Current Year Set-aside Requirement	541,867	541,867	0
Offsets During the Fiscal Year	0	(227,302)	0
Qualifying Disbursements	(640,287)	(929,038)	0
Totals	(\$1,289,916)	(\$614,473)	\$223,918
Set-aside Balance Carried Forward to Future Fiscal Years	(\$1,289,916)	\$0	\$223,918
Set-aside Reserve Balance as of June 30, 2008	\$0	\$0	\$223,918

Olmsted Falls City School District
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For the Fiscal Year Ended June 30, 2008

The School District had qualifying disbursements and offsets during the fiscal year that reduced the textbook set-aside amount below zero. This extra amount may be used to reduce the set-aside requirements of future fiscal years. Although the School District had qualifying disbursements during the fiscal year that reduced the set-aside amount to below zero for the capital acquisition set-aside, this amount may not be used to reduce the set-aside requirement for future years. This negative balance is therefore not presented as being carried forward to future years.

Note 19 - Jointly Governed Organizations

A. Lake Erie Educational Computer Association (LEECA)

The Lake Erie Educational Computer Association (LEECA) is a jointly governed organization among thirty School Districts. The jointly governed 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 districts. Each of the schools support LEECA based upon a per pupil charge dependent upon the software package utilized. The LEECA assembly consists of a superintendent or designated representative from each participating school district and a representative from the fiscal agent. LEECA is governed by a Board of Directors chosen from the general membership of the LEECA Assembly. The Board of Directors consists of a representative from the fiscal agent, the chairman of each of the operating committees, and at least one Assembly member from each county in which participating school districts are located. The degree of control exercised by any participating school district is limited to its representation on the Board. The Olmsted Falls City School District paid \$3,325 to LEECA in fiscal year 2008. Financial information can be obtained by contacting the Treasurer at the Lorain County Educational Service Center, who serves as the fiscal agent, at 1885 Lake Avenue, Elyria, Ohio 44035.

B. Ohio Schools Council Association

The Ohio Schools Council Association (Council) is a jointly governed organization among 121 school districts. The jointly governed organization was created by school districts for the purpose of saving money through volume purchases. Each district supports the Council by paying an annual participation fee. Each school district member's superintendent serves as a representative of the Assembly. The Assembly elects five of the Council's Board members and the remaining four are representatives of the Greater Cleveland School Superintendents' Association. The Council operates under a nine-member Board of Directors (the Board). The Board is the policy making authority of the Council. The Board meets monthly September to June. The Board appoints an Executive Director who is responsible for receiving and disbursing funds, investing available funds, preparing financial reports for the Board and Assembly and carrying out such other responsibilities as designated by the Board. In fiscal year 2008, the District paid \$9,297 to the Council. Financial information can be obtained by contacting Dr. David A. Cottrell, the Executive Director of the Ohio Schools Council at 6133 Rockside Road, Suite 10, Independence, Ohio 44131.

The Council provides participating school districts the ability to purchase natural gas at reduced rates, if the school districts will commit to participating for a twelve year period. There are currently 137 districts in the Program. The participants make monthly payments based on estimated usage. Each September, these estimated payments are compared to their actual usage for the year (July to June). Districts that paid more in estimated billings than their actual billings are issued credits on future billings in September until the credits are exhausted and districts that did not pay enough on estimated billings are invoiced for the difference on the September monthly estimated billing.

Olmsted Falls City School District

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2008

The School District also participates in the Council’s electric purchase program. The Council provides 238 school districts and 11 MR/DD boards in the First Energy territory (Cleveland Electric Illuminating, Ohio Edison, Toledo Edison) the ability to purchase electricity at reduced rates if the school district committed to participating in either a thirty-six month (Cleveland Electric Illuminating Company) or a forty-four month (Ohio Edison and Toledo Edison) program beginning either May 1, 2005 or January 1, 2006 and ending December 31, 2008. Each month, the Council invoices participants based on estimated usage that was determined when the program was established. Each September, these estimated payments are compared to their actual usage for the year (July to June). Refund checks are issued to districts that consumed less than their projected usage of electrical energy and districts that over-consumed are invoiced.

C. Polaris Career Center

The Polaris Career Center is a separate body politic and corporate, established by the Ohio Revised Code to provide for the vocational and special education needs of the students. The Board of Education is comprised of representatives from the board of each participating school district. The board is responsible for approving its own budgets, appointing personnel and accounting and finance related activities. Olmsted Falls City School District students may attend the vocational school. Each school district’s control is limited to its representation on the board. The School District did not contribute to Polaris Career Center during fiscal year 2008. Financial information can be obtained by contacting the Treasurer at the Polaris Career Center, 7285 Old Oak Boulevard, Middleburg Heights, Ohio 44130.

Note 20 - Insurance Purchasing Pool

The School District participates in the Ohio School Boards Association Workers’ Compensation Group Rating Program (GRP), an insurance purchasing pool. The GRP’s business and affairs are conducted by a three member Board of Directors consisting of the President, the President-Elect and the Immediate Past President of the Ohio School Boards Association (OSBA). The Executive Director of the OSBA, or designee, serves as coordinator of the program. Each year, the participating school districts pay an enrollment fee to the GRP to cover the costs of administering the program.

Note 21 – Risk Sharing Pool

The School District participates in the Schools of Ohio Risk Sharing Authority (SORSA), a risk sharing pool with over 65 members. SORSA is a 100 percent member-owned, non-profit insurance risk pool owned and governed by the school district members. SORSA is governed by a Board of Directors comprised of representatives of school districts that participate in the program.

SORSA has agreements with several separate organizations whereby each provides certain administrative, executive, accounting, marketing, underwriting, claim settlement, legal counsel and other services to SORSA and its members. Pursuant to participation agreements with SORSA, each member school district agrees to pay all funding rates associated with the coverage elected. This coverage includes comprehensive general liability, property insurance and automobile liability insurance. To obtain a copy of the SORSA financial statements, write SORSA Executive Director at 8050 North High Street, Suite 160, Columbus, Ohio 43235-6483.

Olmsted Falls City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2008

Note 22 - Contingencies

A. Grants

The School District received financial assistance from federal and state agencies in the form of grants. The disbursements of funds received under these programs generally require compliance with terms and conditions specified in the grant agreements and are subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the general fund or other applicable funds. However, in the opinion of management, any disallowed claims will not have a material adverse effect on the overall financial position of the School District at June 30, 2008.

B. Litigation

The School District is not a party to any legal proceedings.

Note 23 – Interfund Balances and Transfers

Interfund balances at June 30, 2008, consist of the following individual fund receivables and payables:

Interfund Payable	Interfund Receivable
	General
Major Governmental Fund	
Building	\$1,500
Nonmajor Governmental Funds	
Auxiliary Services	1,279
Gifted Supplement	9,332
Title VI-B	10,875
Title VI	3,265
Drug Free Grant	2,341
Reducing Class Size	11,276
Total	\$39,868

The interfund payables are advances for grant monies that were not received by fiscal year end and were for support to programs and projects in the special revenue funds. Advances will be repaid within one year.

Note 24 – Subsequent Events

On August 21, 2008, the Ohio School Facilities Commission (OSFC) approved funding for Olmsted Falls City School District for construction and renovation projected to be completed through the School District's participation in the Ohio School Facilities Commission's Exceptional Needs Program (ENP). The Ohio School Facilities Commission will contribute \$7,772,397 in State funding towards this project.

**OLMSTED FALLS CITY SCHOOL DISTRICT
CUYAHOGA COUNTY**

**FEDERAL AWARDS RECEIPTS AND EXPENDITURES SCHEDULE
FOR THE YEAR ENDED JUNE 30, 2008**

FEDERAL GRANTOR <i>Pass Through Grantor</i> Program Title	Federal CFDA Number	Receipts	Non-Cash Receipts	Expenditures	Non-Cash Expenditures
U.S. DEPARTMENT OF AGRICULTURE <i>Passed Through Ohio Department of Education</i>					
Food Distribution	10.550	0	102,272	0	102,272
Nutrition Cluster:					
National School Breakfast Program	10.553	33,846	0	33,846	0
National School Lunch Program	10.555	196,711	0	196,711	0
Total Nutrition Cluster		230,557	0	230,557	0
Total U.S. Department of Agriculture		230,557	102,272	230,557	102,272
U.S. DEPARTMENT OF EDUCATION <i>Passed Through Ohio Department of Education</i>					
Special Education Cluster:					
Special Education Grants to States, IDEA Part B	84.027	711,970	0	702,795	0
Special Education Preschool Grants	84.173	29,481	0	29,910	0
Total Special Education Cluster		741,451	0	732,705	0
Safe and Drug-Free Schools and Communities	84.186	4,072	0	4,536	0
Innovative Programs, Title V	84.298	5,462	0	5,222	0
English Language Acquisition Grants	84.365	0	0	201	0
Improving Teacher Quality	84.367	44,302	0	46,927	0
Total U.S. Department of Education		795,287	0	789,591	0
Total Federal Financial Assistance		1,025,844	102,272	1,020,148	102,272

The accompanying notes are an integral part of this schedule.

**OLMSTED FALLS CITY SCHOOL DISTRICT
CUYAHOGA COUNTY**

**NOTES TO THE FEDERAL AWARDS RECEIPTS AND EXPENDITURES SCHEDULE
FISCAL YEAR ENDED JUNE 30, 2008**

NOTE A - SIGNIFICANT ACCOUNTING POLICIES

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

NOTE B - CHILD NUTRITION CLUSTER

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

NOTE C – FOOD DONATION PROGRAM

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

CFDA – Catalog of Federal Domestic Assistance.



Mary Taylor, CPA

Auditor of State

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

Olmsted Falls City School District
Cuyahoga County
26937 Bagley Road
Olmsted Falls, Ohio 44138

To the Board of Education:

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Olmsted Falls City School District, Cuyahoga County, Ohio, (the District) as of and for the year ended June 30, 2008, which collectively comprise the District's basic financial statements and have issued our report thereon dated March 24, 2009, wherein we noted we were unable to obtain evidence supporting the processing of insurance claims reported in governmental activities and as remaining fund information. Except for the lack of sufficient evidence supporting insurance claims processing, we conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*.

Internal Control Over Financial Reporting

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

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified a certain deficiency in internal control over financial reporting that we consider a significant deficiency.

A control deficiency exists when the design or operation of a control does not allow management or employees, in performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the District's ability to initiate, authorize, record, process, or report financial data reliably in accordance with its applicable accounting basis, such that there is more than a remote likelihood that the District's internal control will not prevent or detect a more-than-inconsequential financial statement misstatement.

We consider finding 2008-001 described in the accompanying schedule of findings to be a significant deficiency in internal control over financial reporting.

A material weakness is a significant deficiency, or combination of significant deficiencies resulting in more than a remote likelihood that the District's internal control will not prevent or detect a material financial statement misstatement.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and accordingly, would not necessarily disclose all significant deficiencies that are also material weaknesses. We believe the significant deficiency described above as finding number 2008-001 is also a material weakness.

We also noted certain internal control matters that we reported to the District's management in a separate letter dated March 24, 2009.

Compliance and Other Matters

As part of reasonably assuring whether the District's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and accordingly, we do not express an opinion. The results of our tests disclosed no instances of noncompliance or other matters we must report under *Government Auditing Standards*.

We did note certain noncompliance or other matters that we reported to the District's management in a separate letter dated March 24, 2009.

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

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



Mary Taylor, CPA
Auditor of State

March 24, 2009



Mary Taylor, CPA

Auditor of State

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

Olmsted Falls City School District
Cuyahoga County
390 Fair Street
Olmsted Falls, Ohio 44017

To the Board of Education:

Compliance

We have audited the compliance of the Olmsted Falls City School District, Cuyahoga County, Ohio, (the District) with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133, Compliance Supplement* that apply to its major federal program for the year ended June 30, 2008. The summary of auditor's results section of the accompanying schedule of findings identifies the District's major federal program. The District's management is responsible for complying with the requirements of laws, regulations, contracts, and grants applicable to each major federal program. Our responsibility is to express an opinion on the District's compliance based on our audit.

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

In our opinion, the Olmsted Falls City School District, Cuyahoga County, complied, in all material respects, with the requirements referred to above that apply to its major federal program for the year ended June 30, 2008.

Internal Control Over Compliance

The District's management is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the District's internal control over compliance with requirements that could directly and materially affect a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the District's internal control over compliance.

Lausche Building / 615 Superior Ave., NW / Twelfth Floor / Cleveland, OH 44113-1801
Telephone: (216) 787-3665 (800) 626-2297 Fax: (216) 787-3361
www.auditor.state.oh.us

A *control deficiency* in internal control over compliance exists when the design or operation of a control does not allow management or employees, when performing their assigned functions, to prevent or detect noncompliance with a federal program compliance requirement on a timely basis. A *significant deficiency* is a control deficiency, or combination of control deficiencies, that adversely affects the District's ability to administer a federal program such that there is more than a remote likelihood that the District's internal control will not prevent or detect more-than-inconsequential noncompliance with a federal program compliance requirement.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that the District's internal control will not prevent or detect material noncompliance with a federal program's compliance requirements.

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

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



Mary Taylor, CPA
Auditor of State

March 24, 2009

**OLMSTED FALLS CITY SCHOOL DISTRICT
CUYAHOGA COUNTY**

**SCHEDULE OF FINDINGS
OMB CIRCULAR A -133 § .505
JUNE 30, 2008**

1. SUMMARY OF AUDITOR'S RESULTS

(d)(1)(i)	Type of Financial Statement Opinion	<i>Qualified</i>
(d)(1)(ii)	Were there any material control weaknesses reported at the financial statement level (GAGAS)?	Yes
(d)(1)(ii)	Were there any other significant deficiencies in internal control reported at the financial statement level (GAGAS)?	No
(d)(1)(iii)	Was there any reported material noncompliance at the financial statement level (GAGAS)?	No
(d)(1)(iv)	Were there any material internal control weaknesses reported for major federal programs?	No
(d)(1)(iv)	Were there any other significant deficiencies in internal control reported for major federal programs?	No
(d)(1)(v)	Type of Major Programs' Compliance Opinion	<i>Unqualified</i>
(d)(1)(vi)	Are there any reportable findings under § .510?	No
(d)(1)(vii)	Major Programs (list):	<i>Special Education Cluster: Title VI-B (IDEA Part B) – 84.027 Preschool Disability Grant – 84.173</i>
(d)(1)(viii)	Dollar Threshold: Type A/B Programs	<i>Type A: > \$ 300,000 Type B: all others</i>
(d)(1)(ix)	Low Risk Auditee?	No

**OLMSTED FALLS CITY SCHOOL DISTRICT
CUYAHOGA COUNTY**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS
OMB CIRCULAR A -133 § .505
JUNE 30, 2008**

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

FINDING NUMBER 2008-001

Internal Service Fund – SAS 70 Type Two Audit – Significant Deficiency

The District has delegated employees' vision and dental claims processing, which is a significant accounting function, to a third-party administrator. The District has not established procedures to determine whether this service organization has sufficient controls in place and operating effectively to reduce the risk that vision and dental insurance claims have not been completely and accurately processed in accordance with the insurance contract.

Consequently, the District has received a qualified independent accountants' report because the scope of the auditor's examination has been restricted. AU 324 requires the Auditor of State (AOS) to gain an understanding of internal control at any service organization that processes financially significant (i.e., material) transactions of the District, which would then have a material affect of the District's financial statements. Under the circumstances stated, AOS can not accumulate sufficient evidence to conclude whether the Internal Service Fund is stated in accordance with generally accepted accounting principles. Whenever a condition such as this exists, which requires a departure from an unqualified opinion, a report other than an unqualified report must be issued.

Statement on Auditing Standards (SAS) No. 70, as amended, prescribes standards for reporting on service organizations. An unqualified Type Two Report on Policies and Procedures Placed in Operation and Tests of Operating Effectiveness in accordance with SAS No. 70 should provide the District with reasonable assurance that vision and dental claim transactions conform to the contract.

We recommend the District require a Type Two SAS 70 report in its contract with the third-party administrator. The District should review the SAS 70 report timely. The report should follow American Institute of Certified Public Accountants standards and be performed by a firm registered and considered in good standing with the Accountancy Board of the respective state. If the third-party administrator refuses to furnish the District with a Type Two SAS 70 report, we recommend the District contract with a third-party administrator that will provide such a report.

Officials Response

Effective July 1, 2008, the District was fully insured for health, prescription, vision, and dental claims. As of July 1, 2008, Anthem insured the District for health, prescription, and vision claims and MetLife insured dental claims. Consequently, this issue is expected to be corrected for the fiscal year beginning July 1, 2008 and ending June 30, 2009.

**OLMSTED FALLS CITY SCHOOL DISTRICT
CUYAHOGA COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS
OMB CIRCULAR A -133 § .315 (b)
JUNE 30, 2008**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain</i>
2007-001	ORC 149.351(A) – Retention of Public Records – Receipts for tuition and fees were not adequately supported for 17 out of 60 (28%) receipts tested.	Yes	n/a
2007-002	Self Insurance Activity SAS-70 Report – The District is self-insured for dental and vision through Guardian; however, a SAS-70 report was not available.	No	Repeated as Finding 2008-001
2007-003	The District did not maintain semi-annual certifications for employees who worked full-time on the Special Education Cluster grants and did not obtain sufficient time and effort documentation for employees who were partially paid from Special Education grant funds.	Yes	n/a



Mary Taylor, CPA
Auditor of State

OLMSTED FALLS CITY SCHOOL DISTRICT

CUYAHOGA 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
JUNE 23, 2009**