

**OLMSTED FALLS CITY SCHOOL DISTRICT  
CUYAHOGA COUNTY**

**SINGLE AUDIT**

**FOR THE YEAR ENDED JUNE 30, 2009**



**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, 2009, which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the District's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Olmsted Falls City School District, Cuyahoga County, Ohio, as of June 30, 2009, and the respective changes in financial position and where applicable, cash flows, thereof and the budgetary comparison for the General fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

As described in Note 3B to the financial statements, the District restated fund balance and net assets at June 30, 2008 to report a fund reclassification.

In accordance with *Government Auditing Standards*, we have also issued our report dated February 19, 2010, 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 also 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 cursive script that reads "Mary Taylor".

**Mary Taylor, CPA**  
Auditor of State

February 19, 2010

**Olmsted Falls City School District**  
*Management's Discussion and Analysis*  
*For the Fiscal Year Ended June 30, 2009*  
*Unaudited*

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The discussion and analysis of Olmsted Falls City District's financial performance provides an overall review of the District's financial activities for the fiscal year ended June 30, 2009. The intent of this discussion and analysis is to look at the District's financial performance as a whole; readers should also review the basic financial statements and the notes to those respective statements to enhance their understanding of the District's financial performance.

**Financial Highlights**

Key financial highlights for 2009 are as follows:

- Net assets totaled \$26,202,329.
- Revenue for governmental activities totaled \$49,126,451 in 2009. Of this total, 78.7 percent consisted of general revenues while program revenues accounted for the balance of 21.3 percent.
- Program expenses totaled \$41,100,924. Instructional expenses comprised 57.7 percent of this total, while support services accounted for 31.7 percent. Other expenses rounded out the balance of 10.6 percent.

**Reporting the District as a Whole**

*Statement of Net Assets and the Statement of Activities*

The analysis of the District as a whole begins on page 14. While this document contains all of the funds used by the District to provide programs and activities, the view of the District as a whole considers all financial transactions and asks the questions, "Are we in a better financial position this year than last?" and "why" or "why not". The Statement of Net Assets and the Statement of Activities provide the basis for answering these questions. These statements include all assets and liabilities using the accrual basis of accounting which is similar to that 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.

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

All of the District's programs and services are reported as Governmental Activities in the Statement of Net Assets and the Statement of Activities. Governmental Activities consist of functions that are principally supported by taxes and intergovernmental revenues. Such activities include instruction, support services, food service operations and extracurricular activities among others for the District.

Currently, the District has no Business-Type Activities, which include functions that are intended to recover all or a significant portion of their costs through user fees and charges.

**Olmsted Falls City School District**  
*Management's Discussion and Analysis*  
*For the Fiscal Year Ended June 30, 2009*  
*Unaudited*

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**Reporting the District's Most Significant Funds**

*Fund Financial Statements*

The analysis of the District's major fund begins on page 16. Fund financial reports provide detailed information about the District's major fund. The District uses many funds to account for a multitude of financial transactions. However, these fund financial statements focus on the District's most significant funds. The District's major governmental funds are the General Fund, Debt Service Bond Retirement Fund and Classroom Facilities Fund .

**Governmental Funds** – Most of the District's activities are reported in governmental funds, which focus on how money flows into and out of those funds and the balances left at year-end available for spending in future periods. These funds are reported using an accounting method called *modified accrual*, 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 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 basic financial statements.

**Proprietary Funds** – Proprietary funds have historically operated as enterprise and internal service funds using the same basis of accounting as business-type activities. The internal service fund, which is the District's only proprietary fund, accounts for health insurance and is reported separately as the District's internal service fund.



**Olmsted Falls City School District**  
*Management's Discussion and Analysis*  
*For the Fiscal Year Ended June 30, 2009*  
*Unaudited*

**The District as a Whole**

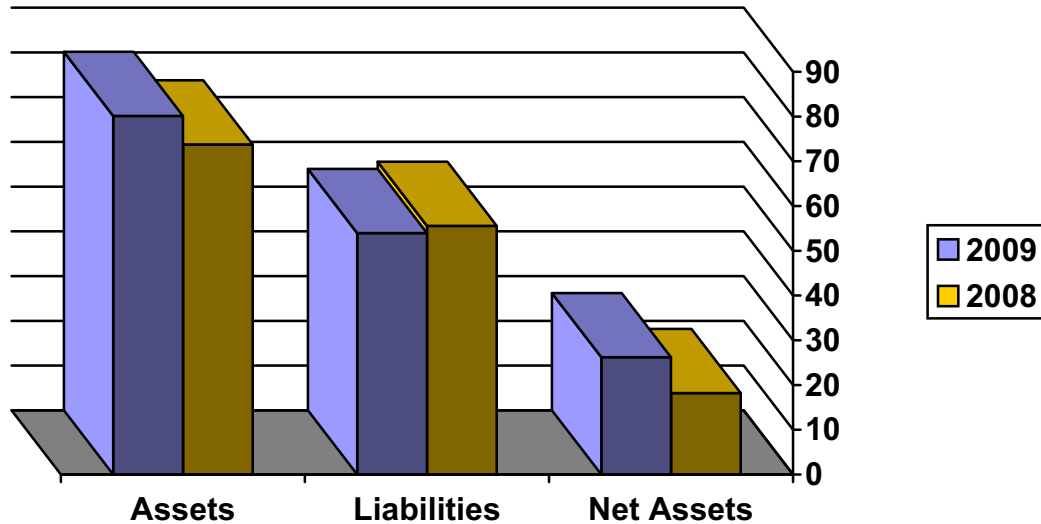
As you may recall, the Statement of Net Assets provides the perspective of the School District as a whole. Table 1 compares summaries of the District's net assets for 2009 and 2008.

**Table 1**  
**Net Assets**  
**Table 1 - Total Net Assets**

	<b>2009</b>	<b>2008</b>	<b>Change</b>
<b>Assets</b>			
Current and Other Assets	\$47,354,000	\$52,524,512	(\$5,170,512)
Capital Assets, Net	32,794,243	21,257,173	11,537,070
<b>Total Assets</b>	<b>80,148,243</b>	<b>73,781,685</b>	<b>6,366,558</b>
<b>Liabilities</b>			
Current and Other Liabilities	23,832,228	23,129,391	702,837
Long Term Liabilities:			
Due Within One Year	1,381,296	2,406,710	(1,025,414)
Due in More than One Year	28,732,390	30,045,232	(1,312,842)
<b>Total Liabilities</b>	<b>53,945,914</b>	<b>55,581,333</b>	<b>(1,635,419)</b>
<b>Net Assets</b>			
Invested in Capital Assets			
Net of Related Debt	6,029,486	13,184,442	(7,154,956)
Restricted:			
Capital Projects	12,770,313	187,239	12,583,074
Debt Service	3,831,664	3,556,560	275,104
Set Asides	223,918	223,918	0
Other Purposes	650,040	567,540	82,500
Unrestricted	2,696,908	480,653	2,216,255
<b>Total Net Assets</b>	<b>\$26,202,329</b>	<b>\$18,200,352</b>	<b>\$8,001,977</b>

**Olmsted Falls City School District**  
*Management's Discussion and Analysis*  
*For the Fiscal Year Ended June 30, 2009*  
*Unaudited*

**Graph 1**  
**Net Assets**  
**Governmental Activities**  
**(in Millions)**



Total assets increased by \$6,366,558. This is primarily due to proceeds from the Ohio School Facilities Commission in order to pay a portion of a construction project which is building a new Intermediate School and building an addition on the existing Middle School. Property taxes receivable contributed \$22,756,425 or 28.4 percent of total assets. Of this amount \$17,680,196 is offset as deferred revenue; revenue to be used in future periods.

Liabilities for Governmental Activities totaled \$53,945,914; of this amount \$30,113,686 or 55.8 percent is included in long-term liabilities. Total liabilities decreased by \$1,635,419 primarily due to decreases in long-term debt.

By comparing assets and liabilities, one can see the overall position of the District is good. The majority of revenue supporting all Governmental Activities is General revenue. General revenue totaled \$38,653,550 or 78.7 percent of total revenue. The most significant portion of the General revenue is the local property tax. The remaining amount of revenue received was in the form of program revenues, which equated to \$10,472,901 or 21.3 percent of total revenue.

**Olmsted Falls City School District**  
*Management's Discussion and Analysis*  
*For the Fiscal Year Ended June 30, 2009*  
*Unaudited*

Table 2 shows the changes in net assets for fiscal years 2009 and 2008.

**Table 2**  
**Changes in Net Assets**

**Table 2 - Governmental Activities**

<b>Revenues</b>	<b>2009</b>	<b>2008</b>	<b>Change</b>
Program Revenues:			
Charges for Services and Sales	\$1,949,499	\$1,907,875	\$41,624
Operating Grants, Interest and Contributions	1,222,761	1,324,046	(101,285)
Capital Grants and Contributions	7,300,641	30,676	7,269,965
<i>Total Program Revenues</i>	<u>10,472,901</u>	<u>3,262,597</u>	<u>7,210,304</u>
General Revenues:			
Property Taxes	22,522,071	21,670,365	851,706
Grants and Entitlements	15,080,530	14,739,430	341,100
Investment Earnings	640,396	1,281,793	(641,397)
Miscellaneous	410,553	323,919	86,634
Total General Revenues	<u>38,653,550</u>	<u>38,015,507</u>	<u>638,043</u>
<b>Total Revenues</b>	<u>49,126,451</u>	<u>41,278,104</u>	<u>7,848,347</u>
<b>Program Expenses</b>			
Instruction	23,728,549	22,514,598	1,213,951
Support Services:			
Pupils and Instructional Staff	3,054,822	3,318,244	(263,422)
Board of Education, Administration			
Fiscal, and Business	3,793,187	3,834,040	(40,853)
Operation and Maintenance of Plant	3,531,454	4,077,705	(546,251)
Pupil Transportation	2,241,113	2,692,053	(450,940)
Central	408,012	380,126	27,886
Operation of Non-Instructional Services:			
Food Service Operations	1,190,268	1,184,100	6,168
Other Non_Instructional Services	132,282	208,725	(76,443)
Extracurricular Activities	1,703,493	1,691,868	11,625
Interest and Fiscal Charges	1,317,744	1,240,963	76,781
<b>Total Expenses</b>	<u>41,100,924</u>	<u>41,142,422</u>	<u>(41,498)</u>
<b>Change in Net Assets</b>	8,025,527	135,682	7,889,845
<i>Net Assets, Beginning of Year (See Reclassification on Page 31)</i>	<u>18,176,802</u>	<u>18,064,670</u>	<u>112,132</u>
<i>Net Assets, End of Year</i>	<u>\$26,202,329</u>	<u>\$18,200,352</u>	<u>\$8,001,977</u>

**Olmsted Falls City School District**  
*Management's Discussion and Analysis*  
*For the Fiscal Year Ended June 30, 2009*  
*Unaudited*

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Program revenues increased by \$7,210,304, primarily due to an increase in Capital Grants revenues in fiscal year 2009.

General revenues increased by \$638,043 mainly due to an increase in property tax revenue.

Even though fiscal year 2009 expenses decreased by \$41,498, total expenses were still consistent with fiscal year 2008 total expenses.

### **Governmental Activities**

The District prepared and closely monitored its five-year financial forecast that included forecasted revenues and expenditures for the District's primary General operating fund.

House Bill 920 effectively freezes tax revenue to a specific dollar amount the minute a levy is passed. This House Bill also eliminates any growth from local revenue; therefore, school districts dependent upon property taxes are hampered by a lack of revenue growth and must regularly return to voters to maintain a constant level of academically excellent service.

Although the District relies heavily upon local property taxes to support its operations, the District does actively solicit and receive grant and entitlement funds to help offset some operating costs. Property taxes made up 45.8 percent of revenues for governmental activities for Olmsted Falls City Schools in fiscal year 2009.

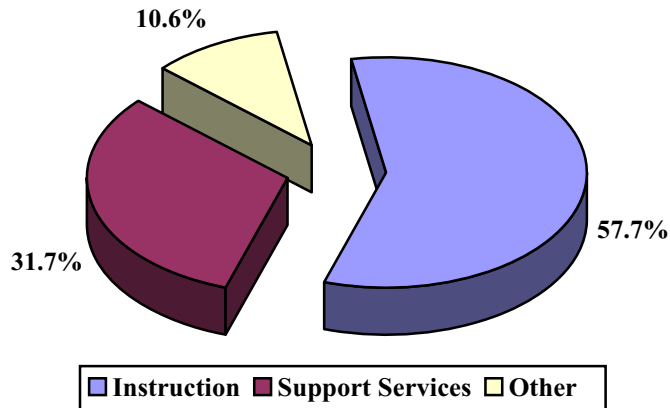
Approximately 57.7 percent of the School District's budget is used for instructional expenses. Supporting services for pupils, staff and business operations account for an additional 31.7 percent. The remaining amount of program expenses, roughly 10.6 percent, is budgeted to facilitate other obligations of the District including food service operations, extracurricular activities, and interest and fiscal charges.

The District's net assets increased in fiscal year 2009 by \$8,001,977. The increase was primarily due to the receipt of \$7,300,641 from the Ohio Schools Facilities Commission.

The Statement of Activities presents information about the cost of program services and the charges for services and any grants offsetting the cost of providing those services. Table 3, on page 9, shows the total cost of services and the net cost of services for governmental activities. It identifies the cost of these services supported by tax revenue and unrestricted State entitlements.

**Olmsted Falls City School District**  
*Management's Discussion and Analysis*  
*For the Fiscal Year Ended June 30, 2009*  
*Unaudited*

**Graph 2**  
**Program Expenses**



**Table 3**  
**Governmental Activities**

<b>Programs</b>	<b>Total Cost of Services 2009</b>	<b>Total Cost of Services 2008</b>
<b>Instruction:</b>		
Regular	\$18,613,194	\$17,719,501
Special	4,527,423	4,114,114
Vocational	521,375	638,832
Other	66,557	42,151
<b>Support Services:</b>		
Pupils	1,750,276	1,567,523
Instructional Staff	1,304,546	1,750,721
Board of Education	170,455	397,631
Administration	2,755,052	2,588,303
Fiscal and Business	867,680	848,106
Operation and Maintenance of Plant	3,531,454	4,077,705
Pupil Transportation	2,241,113	2,692,053
Central	408,012	380,126
Food Service Operations	1,190,268	1,184,100
Other Non-Instructional Services	132,282	208,725
Extracurricular Activities	1,703,493	1,691,868
Interest and Fiscal Charges	1,317,744	1,240,963
<b>Total Expenses</b>	<b>\$41,100,924</b>	<b>\$41,142,422</b>

The reliance upon local tax revenues for governmental activities is crucial at Olmsted Falls City Schools. About 54.8 percent of expenses are directly supported by local property taxes. Grants and entitlements not restricted to specific programs, investment earnings and other miscellaneous types of revenues support the remaining general activity costs. Program revenues account for only 25.5 percent of all governmental expenses.

**Olmsted Falls City School District**  
*Management's Discussion and Analysis*  
*For the Fiscal Year Ended June 30, 2009*  
*Unaudited*

**The residents of the Olmsted Falls City School District are the greatest source of financial support for the students of Olmsted Falls City Schools.**

**District Funds**

Information pertaining to the District's major funds begins on page 16. These funds are accounted for using the modified accrual basis of accounting. All governmental funds had total revenues and other financing sources of \$66,802,225 and expenditures and other financing uses of \$73,418,882.

**General Fund Budgeting Highlights**

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

During the course of the 2009 fiscal year, the School District amended its general fund several times.

The General Fund's estimated budget basis revenue totaled \$37,249,032, which was \$5,544,649 more than the original budget estimate of \$31,704,383. The estimated budget basis expenditures totaled \$41,452,484, which were \$4,423,533 more than the original appropriations of \$37,028,951.

The District's ending unencumbered cash balance totaled \$4,579,293, which was \$1,999,545 higher than the originally budgeted amount.

**Capital Assets and Debt Administration**

*Capital Assets*

At the end of fiscal year 2009, the District had \$32,794,243 in land and land improvements, construction in progress, buildings and improvements, furniture and equipment, and vehicles. Table 4 shows fiscal year 2009 values compared to 2008.

**Table 4**  
**Capital Assets**

	<b>Governmental Activities</b>		
	<b>2009</b>	<b>2008</b>	<b>Change</b>
Land & Land Improvements	\$3,233,902	\$3,191,905	\$41,997
Construction In Progress	13,320,555	851,708	12,468,847
Buildings and Improvements	11,014,975	11,452,083	(437,108)
Furniture and Equipment	2,647,971	3,177,286	(529,315)
Vehicles	2,576,840	2,584,191	(7,351)
<b>Total</b>	<b>\$32,794,243</b>	<b>\$21,257,173</b>	<b>\$11,537,070</b>

For more information on capital assets refer to Note 8 of the basic financial statements.

**Olmsted Falls City School District**  
*Management's Discussion and Analysis*  
*For the Fiscal Year Ended June 30, 2009*  
*Unaudited*

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*Debt*

At June 30, 2009, the District had \$26,634,199 in bonds and notes outstanding. Table 5 below summarizes the District's bonds and notes outstanding.

**Table 5**  
**Outstanding Debt at Year End**

	<b>2009</b>	<b>2008</b>
1997 School Improvement Refunding Bonds	\$3,709,064	\$4,696,759
2003 Classroom Facilities Refunding Bonds:		
Bonds	5,025,865	5,013,664
Premium	315,963	351,070
Deferred Loss On Refunding	(252,073)	(280,081)
2007 School Improvement Bonds:		
Bonds	14,572,254	14,796,712
Premium	391,435	406,206
Discount	(157,313)	(163,249)
2002 Energy Conservation Improvement Bond	121,004	181,507
2008 Bond Anticipation Note	1,575,000	2,244,000
2007 Energy Conservation Note	1,333,000	1,481,992
Totals	<b>\$26,634,199</b>	<b>\$28,728,580</b>

At June 30, 2009, the District's overall legal debt margin was \$31,935,764 with an unvoted debt margin of \$530,921. The debt is well within permissible limits. The District maintains an A bond rating from Standard and Poors. More detailed information is presented in Note 14 of the notes to the basic financial statements.

**District Outlook**

Olmsted Falls City School District has continued to maintain the highest standards of services to our students, parents and community. The District is continually presented with challenges and opportunities.

As the preceding information shows, the District heavily depends on its residential property taxpayers. Our last operating levy for new operating money was a 12.9 mill operating levy that passed in 1999. Through prudent management, our District has managed to avoid asking for new operating money until now. An 8.7 mill levy that will generate \$4,742,114 annually beginning in January 2011 was approved by voters on February 2, 2010.

The continued financial support of the District demonstrates the strong belief of parents and community members that their schools are one of the highest priorities and one of the most important public institutions in their community.

The District has communicated to the community the extent upon which the District relies upon their support for the major part of its operations, and will continue to work diligently to carefully monitor expenses, staying within the District's five-year financial plan. State law retards the growth of income generated by local levies rendering revenue relatively constant. This lack of revenue growth, however, forces the District to come back to the voters from time to time and ask for additional financial support.

**Olmsted Falls City School District**  
*Management's Discussion and Analysis*  
*For the Fiscal Year Ended June 30, 2009*  
*Unaudited*

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The Olmsted Falls City School District has committed itself to financial and educational excellence for many years. This report represents the School District's implementation of the Governmental Accounting Standards Board's (GASB) financial reporting model under Governmental Accounting and Financial Reporting Standards Statement No. 34 (GASB Statement No. 34). Olmsted Falls City School District is committed to continuous improvement in financial reporting to our community.

**Contacting the School District's Financial Management**

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



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**Olmsted Falls City School District**

*Statement of Net Assets*

*June 30, 2009*

	<u>Governmental Activities</u>
<b>Assets</b>	
Equity in Pooled Cash and Cash Equivalents	\$23,821,139
Interest Receivable	69,312
Accounts Receivable	104,974
Intergovernmental Receivable	179,770
Materials and Supplies Inventory	160,413
Property Taxes Receivable	22,756,425
Deferred Charges	261,967
Nondepreciable Capital Assets	16,554,457
Depreciable Capital Assets, Net	<u>16,239,786</u>
<i>Total Assets</i>	<u>80,148,243</u>
<b>Liabilities</b>	
Accounts and Contracts Payable	1,274,259
Accrued Wages and Benefits Payable	3,877,360
Intergovernmental Payable	1,000,413
Deferred Revenue	17,680,196
Long-Term Liabilities:	
Due Within One Year	1,381,296
Due In More Than One Year	<u>28,732,390</u>
<i>Total Liabilities</i>	<u>53,945,914</u>
<b>Net Assets</b>	
Invested in Capital Assets, Net of Related Debt	6,029,486
Restricted for:	
Debt Services	3,831,664
Capital Projects	12,770,313
Set Asides	223,918
Other Purposes	650,040
Unrestricted	<u>2,696,908</u>
<i>Total Net Assets</i>	<u><u>\$26,202,329</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, 2009

	Program Revenues				Net (Expense) Revenue and Changes in Net Assets
	Expenses	Charges for Services and Sales	Operating Grants, Interest and Contributions	Capital Grants and Contributions	Governmental Activities
<b>Governmental Activities</b>					
Current:					
Instruction:					
Regular	\$18,613,194	\$354,621	\$659,250	\$7,300,641	(\$10,298,682)
Special	4,527,423	8,366	80,117	0	(4,438,940)
Vocational	521,375	1,296	0	0	(520,079)
Other	66,557	89	0	0	(66,468)
Support Services:					
Pupils	1,750,276	2,443	40,915	0	(1,706,918)
Instructional Staff	1,304,546	3,145	72,818	0	(1,228,583)
Board of Education	170,455	913	0	0	(169,542)
Administration	2,755,052	5,319	4,974	0	(2,744,759)
Fiscal	864,132	1,773	0	0	(862,359)
Business	3,548	0	0	0	(3,548)
Operation and Maintenance of Plant	3,531,454	11,331	0	0	(3,520,123)
Pupil Transportation	2,241,113	183,391	1,604	0	(2,056,118)
Central	408,012	740	14,970	0	(392,302)
Operation of Non-Instructional Services:					
Food Service Operations	1,190,268	906,560	224,725	0	(58,983)
Other Non-Instructional Services	132,282	0	123,388	0	(8,894)
Extracurricular Activities	1,703,493	469,512	0	0	(1,233,981)
Interest and Fiscal Charges	1,317,744	0	0	0	(1,317,744)
<b>Totals</b>	<b>\$41,100,924</b>	<b>\$1,949,499</b>	<b>\$1,222,761</b>	<b>\$7,300,641</b>	<b>(30,628,023)</b>

**General Revenues**

Property Taxes Levied for:

General Purposes	19,511,709
Debt Service	2,799,388
Capital Projects	210,974
Grants and Entitlements not Restricted to Specific Programs	15,080,530
Investment Earnings	640,396
Miscellaneous	410,553

*Total General Revenues* 38,653,550

Change in Net Assets 8,025,527

*Net Assets, Beginning of Year -  
Reclassified (See Note 3)* 18,176,802

*Net Assets, End of Year* \$26,202,329

See accompanying notes to the basic financial statements

**Olmsted Falls City School District**

*Balance Sheet*

*Governmental Funds*

*June 30, 2009*

	General	Bond Retirement	Classroom Facilities	Other Governmental Funds	Total Governmental Funds
<b>Assets</b>					
Equity in Pooled Cash and Cash Equivalents	\$5,299,140	\$3,162,197	\$11,568,935	\$3,147,891	\$23,178,163
Restricted Assets:					
Equity in Pooled Cash and Cash Equivalents	223,918	0	0	0	223,918
Interest Receivable	57,351	0	0	11,961	69,312
Accounts Receivable	82,978	0	0	21,996	104,974
Interfund Receivable	274,698	0	0	0	274,698
Intergovernmental Receivable	0	0	0	179,770	179,770
Materials and Supplies Inventory	150,221	0	0	10,192	160,413
Property Taxes Receivable	19,646,429	2,902,629	0	207,367	22,756,425
<i>Total Assets</i>	<u>\$25,734,735</u>	<u>\$6,064,826</u>	<u>\$11,568,935</u>	<u>\$3,579,177</u>	<u>\$46,947,673</u>
<b>Liabilities and Fund Balances</b>					
<b>Liabilities</b>					
Accounts and Contracts Payable	\$143,152	\$0	\$946,742	\$184,365	\$1,274,259
Accrued Wages and Benefits Payable	3,780,482	0	0	96,878	3,877,360
Intergovernmental Payable	961,510	0	0	38,903	1,000,413
Interfund Payable	0	0	0	274,698	274,698
Deferred Revenue	17,176,521	2,510,791	0	185,835	19,873,147
<i>Total Liabilities</i>	<u>22,061,665</u>	<u>2,510,791</u>	<u>946,742</u>	<u>780,679</u>	<u>26,299,877</u>
<b>Fund Balances</b>					
Reserved for Encumbrances	800,610	0	2,127,849	805,172	3,733,631
Reserved for Property Taxes	2,549,848	391,838	0	29,704	2,971,390
Reserved for Budget Stabilization	223,918	0	0	0	223,918
Unreserved, Undesignated					
Reported in:					
General Fund	98,694	0	0	0	98,694
Special Revenue Funds	0	0	0	500,579	500,579
Debt Service Fund	0	3,162,197	0	0	3,162,197
Capital Projects Funds	0	0	8,494,344	1,361,016	9,855,360
Permanent Fund	0	0	0	102,027	102,027
<i>Total Fund Balances</i>	<u>3,673,070</u>	<u>3,554,035</u>	<u>10,622,193</u>	<u>2,798,498</u>	<u>20,647,796</u>
<i>Total Liabilities and Fund Balances</i>	<u>\$25,734,735</u>	<u>\$6,064,826</u>	<u>\$11,568,935</u>	<u>\$3,579,177</u>	<u>\$46,947,673</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, 2009*

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<b>Total Governmental Fund Balances</b>	<b>\$20,647,796</b>
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*Amounts reported for governmental activities in the  
 statement of net assets are different because:*

Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.	32,794,243
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Other long-term assets are not available to pay for current-period expenditures and therefore are deferred in the funds. These deferrals are attributed to property taxes, interest and accounts receivable.	2,192,951
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Issuance costs are reported as an expenditure when paid in the governmental funds, but they are deferred and amortized on the statement of activities. This amount represents unamortized issuance costs.	261,967
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An internal service fund is used by management to charge the costs of insurance to individual funds. The assets and liabilities of the internal service fund are included in governmental activities in the statement of net assets.	419,058
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Long-term liabilities not due and payable in the current period and therefore not reported in the funds:	
General Obligation Bonds	(19,750,395)
Capital Appreciation Bonds	(3,556,788)
Bond Premiums	(707,398)
Loss on Refunding	252,073
Discount on Bonds	157,313
Notes Payable	(3,029,004)
Capital Leases Payable	(130,558)
Early Retirement Incentive Payable	(125,297)
Compensated Absences	(3,223,632)

<i>Net Assets of Governmental Activities</i>	<b><u><u>\$26,202,329</u></u></b>
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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, 2009*

	General	Bond Retirement	Classroom Facilities	Other Governmental Funds	Total Governmental Funds
<b>Revenues</b>					
Property Taxes	\$19,277,712	\$2,758,162	\$0	\$208,173	\$22,244,047
Intergovernmental	14,702,082	341,589	7,300,641	1,295,103	23,639,415
Interest	257,120	0	0	322,805	579,925
Tuition and Fees	151,148	0	0	195,172	346,320
Extracurricular Activities	0	0	0	469,512	469,512
Contributions and Donations	0	0	0	78,639	78,639
Charges for Services	227,107	0	0	906,560	1,133,667
Rentals	6,997	0	0	0	6,997
Miscellaneous	196,053	2,501	466	98,256	297,276
<i>Total Revenues</i>	<u>34,818,219</u>	<u>3,102,252</u>	<u>7,301,107</u>	<u>3,574,220</u>	<u>48,795,798</u>
<b>Expenditures</b>					
Current:					
Instruction:					
Regular	16,874,987	0	0	951,133	17,826,120
Special	4,558,734	0	0	30,376	4,589,110
Vocational	536,341	0	0	0	536,341
Other	66,557	0	0	0	66,557
Support Services:					
Pupils	1,728,662	0	0	31,830	1,760,492
Instructional Staff	1,264,625	0	0	107,406	1,372,031
Board of Education	170,455	0	0	0	170,455
Administration	2,595,889	0	0	20,763	2,616,652
Fiscal	874,377	1,419	0	109	875,905
Operation and Maintenance of Plant	3,510,312	0	0	3,142	3,513,454
Pupil Transportation	2,109,594	0	0	1,604	2,111,198
Central	368,402	0	0	14,970	383,372
Operation of Non-Instructional Services	8,276	0	0	1,273,356	1,281,632
Extracurricular Activities	1,152,579	0	0	557,453	1,710,032
Capital Outlay	103,130	0	11,766,509	1,039,448	12,909,087
Debt Service:					
Principal Retirement	1,710,389	3,270,242	0	0	4,980,631
Interest and Fiscal Charges	78,145	1,539,241	0	0	1,617,386
<i>Total Expenditures</i>	<u>37,711,454</u>	<u>4,810,902</u>	<u>11,766,509</u>	<u>4,031,590</u>	<u>58,320,455</u>
<i>Excess of Revenues Over Expenditures</i>	<u>(2,893,235)</u>	<u>(1,708,650)</u>	<u>(4,465,402)</u>	<u>(457,370)</u>	<u>(9,524,657)</u>
<b>Other Financing Sources (Uses)</b>					
Notes Issued	1,333,000	1,575,000	0	0	2,908,000
Transfers In	0	0	15,087,595	10,832	15,098,427
Transfers Out	(10,832)	0	0	(15,087,595)	(15,098,427)
<i>Total Other Financing Sources (Uses)</i>	<u>1,322,168</u>	<u>1,575,000</u>	<u>15,087,595</u>	<u>(15,076,763)</u>	<u>2,908,000</u>
<i>Net Change in Fund Balances</i>	<u>(1,571,067)</u>	<u>(133,650)</u>	<u>10,622,193</u>	<u>(15,534,133)</u>	<u>(6,616,657)</u>
<i>Fund Balances, Beginning of Year - Reclassified (See Note 3)</i>	<u>5,244,137</u>	<u>3,687,685</u>	<u>0</u>	<u>18,332,631</u>	<u>27,264,453</u>
<i>Fund Balances, End of Year</i>	<u>\$3,673,070</u>	<u>\$3,554,035</u>	<u>\$10,622,193</u>	<u>\$2,798,498</u>	<u>\$20,647,796</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 the Fiscal Year Ended June 30, 2009*

**Net Change in Fund Balances - Total Governmental Funds** (\$6,616,657)

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

Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the current period.

Capital Outlay	13,065,594	
Depreciation	<u>(1,396,098)</u>	

Total		11,669,496
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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.	132,426
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Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds. These revenues consisted of property taxes, interest, fees, and miscellaneous revenues.	330,653
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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. These expenses are compensated absences and early retirement incentives.	(75,981)
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The internal service fund used by management to charge the costs of health insurance is included in the statement of activities and not in the governmental fund expenditures.	326,207
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The issuance of long-term debt (e.g., bonds, leases, and capital leases) provides current financial resources to the governmental funds, while repayment of the principal of long-term debt consumes the current financial resources of the governmental funds. Neither transaction, however, has any effect on net assets. Also, governmental funds report the effect of issuance costs, premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. This amount is the net effect of these differences in the treatment of long-term debt and related items.	<u>2,259,383</u>
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<i>Change in Net Assets of Governmental Activities</i>	<u><u>\$8,025,527</u></u>
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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, 2009*

	Budgeted Amounts			Variance with Final Budget Positive (Negative)
	Original	Final	Actual	
<b>Revenues</b>				
Property Taxes	\$18,752,383	\$18,599,670	\$18,834,216	\$234,546
Intergovernmental	0	14,502,068	14,711,375	209,307
Interest	0	350,000	341,096	(8,904)
Tuition and Fees	0	103,484	151,148	47,664
Rentals	0	5,891	6,997	1,106
Contributions and Donations	0	632	0	(632)
Charges for Services	0	264,185	227,107	(37,078)
Miscellaneous	12,952,000	111,866	145,399	33,533
<i>Total Revenues</i>	31,704,383	33,937,796	34,417,338	479,542
<b>Expenditures</b>				
Current:				
Instruction:				
Regular	16,816,222	17,309,938	17,209,361	100,577
Special	4,253,631	4,281,021	4,681,455	(400,434)
Vocational	611,615	646,079	542,630	103,449
Adult/Continuing	43,838	43,838	44,995	(1,157)
Support Services:				
Pupils	1,177,153	1,312,153	1,676,403	(364,250)
Instructional Staff	1,615,941	1,609,513	1,342,862	266,651
Board of Education	210,533	257,342	291,111	(33,769)
Administration	3,259,588	2,926,840	2,725,705	201,135
Fiscal	889,198	909,551	887,416	22,135
Operation and Maintenance of Plant	4,052,306	3,962,292	3,729,362	232,930
Pupil Transportation	2,398,349	2,226,176	2,312,944	(86,768)
Central	292,014	340,188	461,193	(121,005)
Operations of Non-Instructional Services:				
Food Services Operations	12,074	12,074	10,395	1,679
Other Non-Instructional Services	10,431	10,431	1,683	8,748
Extracurricular Activities	1,147,052	1,147,052	1,163,753	(16,701)
Capital Outlay	165,543	165,543	144,346	21,197
Debt Service:				
Principal Retirement	60,503	1,542,495	1,542,495	0
Interest and Fiscal Charges	12,960	61,590	61,590	0
<i>Total Expenditures</i>	37,028,951	38,764,116	38,829,699	(65,583)
<i>Excess of Revenues Over (Under) Expenditures</i>	(5,324,568)	(4,826,320)	(4,412,361)	413,959
<b>Other Financing Sources (Uses)</b>				
Note Issued	0	1,333,000	1,333,000	0
Advances In	0	1,978,236	1,978,236	0
Advances Out	0	(2,688,368)	(2,213,066)	475,302
Transfers Out	0	0	(10,832)	(10,832)
<i>Net Change in Fund Balance</i>	(5,324,568)	(4,203,452)	(3,325,023)	878,429
<i>Fund Balance, Beginning of Year</i>	7,070,032	7,070,032	7,070,032	0
Prior Year Encumbrances Appropriated	834,284	834,284	834,284	0
<i>Fund Balance, End of Year</i>	\$2,579,748	\$3,700,864	\$4,579,293	\$878,429

See accompanying notes to the basic financial statements



**Olmsted Falls City School District**

*Statement of Fund Net Assets*

*Internal Service Fund*

*June 30, 2009*

	<b>Self- Insurance Fund</b>
<b>Assets</b>	
Equity in Pooled Cash and Cash Equivalents	\$419,058
<b>Liabilities</b>	
Claims Payable	<u>0</u>
<b>Net Assets</b>	
Unrestricted	<u><u>\$419,058</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, 2009*

	<b>Self- Insurance Fund</b>
<b>Operating Revenues</b>	
Charges for Services	\$1,039,840
<b>Operating Expenses</b>	
Purchased Services	713,633
<i>Operating Income</i>	326,207
<i>Net Assets, Beginning of Year</i>	92,851
<i>Net Assets, End of Year</i>	\$419,058

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, 2009*

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***Increase (Decrease) in Cash and Cash Equivalents***

**Cash Flows from Operating Activities**

Cash Received from Transactions with Other Funds	\$1,039,840
Cash Payments for Goods and Services	(\$713,633)
Cash Payments for Claims	<u>(56,334)</u>

*Net Cash Provided by Operating Activities* 269,873

*Cash and Cash Equivalents, Beginning of Year* 149,185

*Cash and Cash Equivalents, End of Year* \$419,058

***Reconciliation of Operating Income to  
Net Cash Provided by Operating Activities***

*Operating Income* \$326,207

**Adjustments to Reconcile Operating Income to  
Net Cash Provided by Operating Activities**

Decrease in Liabilities:  
    Claims Payable (56,334)

*Net Cash Provided by Operating Activities* \$269,873

See accompanying notes to the basic financial statements

**Olmsted Falls City School District**  
*Statement of Fiduciary Assets and Liabilities*  
*June 30, 2009*

	Private Purpose Trust Fund	Agency Funds
<b>Assets</b>		
Equity in Pooled Cash and Cash Equivalents	\$4,107	\$114,523
Accounts Receivable	0	1,098
<i>Total Assets</i>	\$4,107	\$115,621
<b>Liabilities</b>		
Accounts Payable	\$0	\$6,439
Due to Students	0	93,743
Undistributed Monies	0	15,439
<i>Total Liabilities</i>	\$0	\$115,621
<b>Net Assets</b>		
Held in Trust for Individuals	\$4,107	\$0

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, 2009*

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**NOTE 1 - DESCRIPTION OF THE SCHOOL DISTRICT**

The Olmsted Falls City School District (District) operates under a locally-elected five member Board and provides educational services as mandated by State statute and federal guidelines.

The District includes the City of Olmsted Falls, Olmsted Township, small portions of the Cities of Berea and North Olmsted, 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. The District is staffed by 239 certificated, 166 non-certificated, and 17 administrative personnel who provide services to 3,803 students and other community members. The District currently operates a primary school (Pre K-3), an intermediate school (4-5), a middle school (6-8) and a 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 District consists of funds, agencies, departments and offices that are not legally separate from the 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 District.

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

The 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 17, Note 18 and Note 19 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 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 most significant of the District's accounting policies are described below.

**A. Basis of Presentation**

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

**Olmsted Falls City School District**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2009*

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

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

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

**Fund Financial Statements** – During the year, the District segregates transactions related to certain District functions or activities in separate funds in order to aid financial management and to demonstrate legal compliance. Fund financial statements report detailed information about the District. The focus of governmental fund financial statements is on major funds. Each major fund is presented in a separate column. Non-major 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. Fiduciary funds are reported by fund type.

**B. Fund Accounting**

The District uses funds to report its financial position and the results of its operations. A fund is a separate accounting entity with a self-balancing set of accounts. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain school district activities or functions. Funds are classified into three categories: governmental, proprietary and fiduciary. Each category is divided into separate fund types.

**Governmental Funds** Governmental funds focus on the sources, uses and balances of current financial resources. Expendable assets are assigned to the various governmental funds according to the purposes for which they may or must be used. Current liabilities are assigned to the fund from which they will be paid. The difference between governmental fund assets and liabilities is reported as fund balance. The following are the District’s major governmental funds:

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

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

**Building Capital Projects Fund** The building fund accounts for property taxes levied and other sources of revenues to be used for various capital improvements within the District.

**Olmsted Falls City School District**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2009*

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

Other governmental funds of the District are used to account for grants and other resources whose uses are 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 District has only 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 District on a cost-reimbursement basis. The only internal service fund of the District is used to account for employee health benefits self-insurance, which provides medical, prescription drug, dental and vision benefits to employees. As of July 1, 2008, the District switched to fully insured and began concluding operations within this self-insurance fund. Management plans to transfer the remaining unneeded cash from this fund into the General Fund during fiscal year 2010.

***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 District under a trust agreement for individuals, private organizations, or other governments and are therefore not available to support the District's own programs. The District's only trust fund is a private-purpose trust which accounts for scholarship programs for students. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. The District's agency fund accounts for student managed activities, unclaimed monies and services as a fiscal agent for two organizations.

***C. Measurement Focus***

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

***Fund Financial Statements*** All governmental fund types 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 net assets presents increases (i.e., revenues) and decreases (i.e., expenses) in net total assets. The statement of cash flows provides information about how the District finances and meets the cash flow needs of its proprietary activities. Private-purpose trust funds are reported using the economic resources measurement focus. Agency funds do not report a measurement focus as they do not report operations.

**Olmsted Falls City School District**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2009*

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

***D. Basis of Accounting***

Basis of accounting determines when transactions are recorded in the financial records and reported on the financial statements. Government-wide financial statements are prepared using the accrual basis of accounting. Governmental funds use the modified accrual basis of accounting on the fund financial statements. 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 District, available means expected to be received within sixty days of fiscal year-end.

Nonexchange transactions, in which the 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 6). Revenue from grants, entitlements and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied.

Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the fiscal year when use is first permitted, matching requirements, in which the District must provide local resources to be used for a specified purpose, and expenditure requirements, in which the resources are provided to the District on a reimbursement basis. On a modified accrual basis, revenue from nonexchange transactions must also be available before it can be recognized.

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

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

Property taxes for which there is an enforceable legal claim as of June 30, 2009, but which were levied to finance fiscal year 2010 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 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.



**Olmsted Falls City School District**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2009*

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

***E. Budgetary Process***

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 amounts that the Board of Education may appropriate. The appropriation resolution is the Board's authorization to spend resources and sets annual limits on expenditures plus encumbrances at a level of control 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 Board appropriations to the function and object levels within each fund.

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 final amended certificate in effect when the final appropriations were passed prior to fiscal year-end.

The appropriation resolution is subject to amendment by the Board throughout the year with the restriction that appropriations may not exceed estimated resources. 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 years. The amounts reported as the final budgeted amounts represent the final appropriation amounts passed by the Board during the year.

***F. Cash and Cash Equivalents***

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

During fiscal year 2009, investments were limited to Federal Home Loan Mortgage Corporation Notes, Federal Home Loan Bank Notes, and investments in the State Treasury Asset Reserve of Ohio (STAR Ohio). Except for nonparticipating investment contracts, investments are reported at fair value which is based on quoted market prices. Investments are reported at fair value which is based on quoted market prices.

The District has invested funds in STAR Ohio during fiscal 2009. STAR Ohio is an investment pool managed by the State Treasurer's Office, which allows governments within the state to pool their funds for investment purposes. STAR Ohio is not registered with the SEC as an investment company, but does operate in a manner consistent with Rule 2a7 of the Investment Company Act of 1940. Investments in STAR Ohio are valued at STAR Ohio's shares price which is the price the investment could be sold for on June 30, 2009.

Under existing Ohio statute, interest earnings are allotted to the general fund unless the Board of Education has, by resolution, specified funds to receive an allocation of interest earnings. Interest revenue credited to the general fund during fiscal 2009 amounted to \$257,120 which includes \$123,328 assigned from other District funds.

Investments with original maturities of three months or less at the time they are purchased by the District are presented on the financial statements as cash equivalents. Investments with an initial maturity of more than three months are reported as investments.

**Olmsted Falls City School District**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2009*

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

***G. Restricted Assets***

Assets are 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 16 for additional information regarding set-asides.

***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, school supplies held for resale and materials and supplies held for consumption.

***I. Capital Assets***

All capital assets of the 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 government-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 District maintains a capitalization threshold of \$500. The 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 and construction-in-progress are depreciated. Improvements are depreciated over the remaining useful lives of the related capital assets. Depreciation is computed using the straight-line method over the following useful lives:

<u>Description</u>	<u>Estimated Lives</u>
Building 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 applicable bonds using the effective interest method. Within 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, 2009*

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

***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 the fund financial statements, bond discounts are expensed 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 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 District has identified as probable to receive 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 District's termination policy. The District records a liability for accumulated unused sick leave for employees after nine years of current service with the 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 "accrued wages and benefits 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 government fund financial statements when due.

**Olmsted Falls City School District**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2009*

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

***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 the enabling legislation or through external restrictions imposed by creditors, grantors or laws or regulations of other governments.

The 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 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 appropriations 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. Interfund 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 funds. For the District, these revenues are services for the self-insurance program. Operating expenses are necessary costs incurred to provide the goods or service that are the primary activity of the funds. All revenues and expenses not meeting this definition 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. Neither type of transaction occurred during fiscal 2009.

**Olmsted Falls City School District**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2009*

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

***T. Estimates***

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

**NOTE 3 - ACCOUNTABILITY AND COMPLIANCE**

**A. Change in Accounting Principles**

In fiscal year 2009, the District implemented GASB Statement No. 45, "Accounting and Financial Reporting 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 establishes uniform standards of financial reporting for other postemployment benefits and increases the usefulness and improves the faithfulness of representations in the financial reports. The implementation of GASB Statement No. 45 did not have an effect on the financial statements of the District; however, certain disclosures related to postemployment benefits (see Note 11) have been modified to conform to the new reporting requirements.

GASB Statement No. 48 establishes criteria to ascertain whether certain transactions should be regarded as sales or as collateralized borrowings, as well as disclosure requirements for future revenues that are pledged and sold. The implementation of GASB Statement No. 48 did not have an effect on the financial statements of the District.

GASB Statement No. 50 establishes standards that more closely align the financial reporting requirements for pensions with those of other postemployment benefits. The implementation of GASB Statement No. 50 did not have an effect on the financial statements of the District.

**B. Fund Reclassification**

A portion of The Special Revenue Trust Fund was reclassified as follows on July 1, 2008:

<u>Account</u>	Special Revenue Trust Fund	Permanent Fund	Private Purpose Trust Fund	District Agency Fund
Cash	(\$123,881)	\$100,331	\$4,582	\$18,968
Undistributed Monies	0	0	0	18,968
Fund Balance	<u>(\$123,881)</u>	<u>\$100,331</u>	<u>\$4,582</u>	<u>\$0</u>

**Olmsted Falls City School District**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2009*

**NOTE 3 - ACCOUNTABILITY AND COMPLIANCE (Continued)**

As a result of this restatement, July 1, 2008 Fund Balance in the Statement of Revenues, Expenditures and Changes in Fund Balances, Governmental Funds and Net Assets Beginning of Year in the Statement of Activities decreased in the amount of \$23,550. The reduction in July 1, 2008 occurred because \$4,582 and \$18,968 were reclassified to Fiduciary Funds that are not included in the presentations of the Statement of Revenues, Expenditures and Changes in Fund Balances, Governmental Funds and the Statement of Activities.

**NOTE 4 - BUDGETARY BASIS OF ACCOUNTING**

While the District is reporting financial position, results of operations and changes in fund balance on the basis of generally accepted accounting principles (GAAP basis), 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 presented for the general fund is presented on the budgetary basis to provide a meaningful comparison of actual results with the budget. The major differences between the budget basis and 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).

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

Net Change in Fund Balance	
GAAP Basis	(\$1,571,067)
Net Adjustment for Revenue Accruals	1,577,355
Net Adjustment for Expenditure Accruals	(2,387,549)
Adjustment for Encumbrances	<u>(943,762)</u>
Budget Basis	<u><u>(\$3,325,023)</u></u>

**NOTE 5 – DEPOSITS AND INVESTMENTS**

State statutes classify monies held by the District into three categories.

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

**Olmsted Falls City School District**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2009*

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**NOTE 5 – DEPOSITS AND INVESTMENTS (Continued)**

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

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

Protection of the District's deposits is provided by the Federal Deposit Insurance Corporation (FDIC), by eligible securities pledged by the financial institution as security for repayment, by surety company bonds deposited with the Treasurer by the financial institution or by a single collateral pool established by the financial institution to secure the repayment of all public monies deposited with the institution.

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

1. United States Treasury Notes, Bills, Bonds, or any other obligation or security issued by the United States treasury or any other obligation guaranteed as to principal and interest by the United States;
2. Bonds, notes, debentures, or any other obligations or securities issued by any federal government agency or instrumentality, including but not limited to, the Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, Government National Mortgage Association, and Student Loan Marketing Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
3. Written repurchase agreements in the securities listed above provided that the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least two percent and be marked to market daily, and that the term of the agreement must not exceed thirty days;
4. Bonds and other obligations of the State of Ohio;
5. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2) of this section and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions;
6. The State Treasurer's investment pool (STAROhio);
7. Certain banker's acceptance and commercial paper notes for a period not to exceed one hundred eighty days from the purchase date in an amount not to exceed twenty-five percent of the interim monies available for investment at any one time; and,
8. Under limited circumstances, corporate debt interests rated in either of the two highest classifications by at least two nationally recognized rating agencies.

**Olmsted Falls City School District**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2009*

**NOTE 5 – DEPOSITS AND INVESTMENTS (Continued)**

Investments in stripped principal or interest obligations reverse repurchase agreements and derivatives are prohibited. The issuance of taxable notes for the purpose of arbitrage, the use of leverage and short selling are also prohibited. An investment must mature within five years from the date of purchase unless matched to a specific obligation or debt of the District, and must be purchased with the expectation that it will be held to maturity. Investments may only be made through specified dealers and institutions. Payment for investments may be made only upon delivery of the securities representing the investments to the Treasurer or, if the securities are not represented by a certificate, upon receipt of confirmation of transfer from the custodian.

**Cash on Hand** At year end, the District had \$10,850 in undeposited cash on hand which is included on the balance sheet of the District as part of equity in pooled cash and cash equivalents.

The following information classifies deposits and investments by categories of risk as defined in GASB Statement No. 3, “Deposits with Financial Institutions, Investments (including Repurchase Agreements), and Reverse Repurchase Agreements”.

**Deposits** At fiscal year-end, the carrying amount of the School District's deposits was \$17,713,871 and the bank balance was \$18,099,277. Of the bank balance:

1. \$8,299,687 of the bank balance was covered by depository insurance; and
2. \$9,799,590 was uninsured and uncollateralized. Although the securities serving as collateral were held by the pledging institution in the pledging institution’s name, and all State 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.

Based on the criteria described in GASB Statement No. 40, “Deposits and Investment Risk Disclosures”, as of June 30, 2009, \$9,799,590 of the District’s bank balance of \$18,099,277 was exposed to custodial risk as discussed below, while \$8,299,687 was covered by FDIC.

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

**Investments** As of June 30, 2009, the District had the following investments and maturities:

	Balance at Fair Value	Mature In 6 Months or Less
Federal Home Loan Mortgage Corp.	\$500,179	\$0
STAROhio	5,714,869	5,714,869
Total Investments	\$6,215,048	\$5,714,869

The weighted average maturity of investments is .5 years.



**Olmsted Falls City School District**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2009*

**NOTE 5 – DEPOSITS AND INVESTMENTS (Continued)**

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

*Custodial Credit Risk:* For an investment, custodial risk is the risk that, in the event of the failure of the counterparty, the District will not be able to recover the value of its investment or collateral securities that are in the possession of an outside party. Of the District’s investments in a FHLMC/Huntington Bank account, the entire balance is collateralized by underlying securities pledged by the investment’s counterparty, not in the name of the District. Standard and Poor’s has assigned STAROhio and FHLMC/Huntington Bank an AAA rating.

*Concentration of Credit Risk:* The District places no limit on the amount that may be invested in any one issuer. As of June 30, 2009, the FHLMC investment represented 8.05 percent of total investments and STAROhio represented 91.95 percent.

***Reconciliation of Cash and Investments to the Statement of Net Assets***

The following is a reconciliation of cash and investments as reported in the footnote above, to cash and investments as reported on the Statement of Net Assets as of June 30, 2009:

Cash and Investments per footnote

Carrying amount of deposits	\$17,713,871
Investments	6,215,048
Cash on hand	<u>10,850</u>
 Total	 <u><u>\$23,939,769</u></u>

Cash and Investments per Statement of Net Assets

Unrestricted and Restricted Cash	\$23,821,139
Agency Fund	<u>118,630</u>
 Total	 <u><u>\$23,939,769</u></u>

**NOTE 6 - PROPERTY TAXES**

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

Property taxes include amounts levied against all real, public utility and tangible personal property (used in business) located in the District. Real property tax revenue received in calendar 2009 represents collections of calendar year 2008 taxes. Real property taxes received in calendar year 2009 were levied after April 1, 2008 on the assessed value listed as of January 1, 2008 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.

**Olmsted Falls City School District**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2009*

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**NOTE 6 - PROPERTY TAXES (Continued)**

Public utility property tax revenue received in calendar 2009 represents collections of calendar year 2008 taxes. Public utility real and tangible personal property taxes received in calendar year 2009 became a lien December 31, 2007 were levied after April 1, 2008 and are collected in 2009 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 2009 (other than public utility property) represents the collection of 2009 taxes. Tangible personal property taxes received in calendar year 2009 were levied after April 1, 2008, on the value as of December 31, 2008. For 2009, tangible personal property is assessed at 12.5% for property including inventory. This percentage will be reduced to 6.25% for 2009 and zero for 2010. Payments by multi-county taxpayers are due September 20. Single county taxpayers may pay annually or semi-annually. If paid annually, payment is due April 30; if paid semi-annually, the first payment is due April 30, with the remainder payable by September 20. Tangible personal property taxes paid by April 30 are usually received by the District prior to June 30.

House Bill No. 66 was signed into law on June 30, 2005. House Bill No. 66 phases out the tax on tangible personal property of general businesses, telephone and telecommunications companies, and railroads. The tax on general business and railroad property will be eliminated by calendar year 2009, and the tax on telephone and telecommunications property will be eliminated by calendar year 2011. The tax is phased out by reducing the assessment rate on the property each year. The bill replaces the revenue lost by the District due to the phasing out of the tax. In calendar years 2008-2010, the District will be fully reimbursed for the lost revenue. In calendar years 2011-2017, the reimbursements will be phased out.

The District receives property taxes from Cuyahoga County and Lorain County. The County Auditors periodically advance to the District its portion of the taxes collected. Second-half real property tax payments collected by the County by June 30, 2009, are available to finance fiscal year 2009 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, 2009 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 for advance at June 30, 2009 was \$2,549,848 in the general fund, \$391,838 in the bond retirement debt service fund, and \$29,704 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.

**Olmsted Falls City School District**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2009*

**NOTE 6 - PROPERTY TAXES (Continued)**

The assessed values upon which the fiscal year 2009 taxes were collected are:

	2008 Second Half Collections		2009 First Half Collections	
	<u>Amount</u>	<u>Percent</u>	<u>Amount</u>	<u>Percent</u>
Agricultural/Residential and Other Real Estate	\$517,966,250	97.56%	\$536,038,010	97.82%
Public Utility Personal	9,676,862	1.82%	9,051,700	1.65%
Tangible Personal Property	<u>3,277,577</u>	<u>0.62%</u>	<u>2,896,023</u>	<u>0.53%</u>
Total	<u><u>\$530,920,689</u></u>	<u><u>100.00%</u></u>	<u><u>\$547,985,733</u></u>	<u><u>100.00%</u></u>
Tax rate per \$1,000 of assessed valuation:	\$91.80		\$91.90	

**NOTE 7 - RECEIVABLES**

Receivables at June 30, 2009 consisted of taxes, accounts (rent, tuition, and student fees), accrued interest, and intergovernmental grants and entitlements. All receivables are considered collectible in full due to the ability to foreclose for the nonpayment of taxes, the stable condition of state programs and the current year guarantee of federal funds. A summary of the principal items of receivables reported on the statement of net assets follows:

<b>Governmental Activities</b>	
Taxes	\$22,756,425
Accounts	104,974
Intergovernmental	179,770
Accrued interest	<u>69,312</u>
Total governmental activities	<u><u>\$23,110,481</u></u>

**Olmsted Falls City School District**  
*Notes to the Basic Financial Statements*  
For the Fiscal Year Ended June 30, 2009

**NOTE 8 – CAPITAL ASSETS**

Capital asset activity for the fiscal year ended June 30, 2009, was as follows:

	Balance 6/30/08	Additions	Deletions	Balance 6/30/09
<b>Governmental Activities</b>				
<i>Capital Assets, not being depreciated:</i>				
Land	\$3,191,905	\$41,997	\$0	\$3,233,902
Construction In Progress	851,708	12,468,847	0	13,320,555
<i>Total Capital Assets, not being depreciated</i>	<u>\$4,043,613</u>	<u>\$12,510,844</u>	<u>\$0</u>	<u>\$16,554,457</u>
<i>Capital Assets, being Depreciated</i>				
Buildings and Improvements	22,404,097	0	0	22,404,097
Furniture and Equipment	9,819,114	276,661	(368,291)	9,727,484
Vehicles	3,306,875	278,089	0	3,584,964
<i>Total Capital Assets, being Depreciated</i>	<u>\$35,530,086</u>	<u>\$554,750</u>	<u>(\$368,291)</u>	<u>\$35,716,545</u>
Less: Accumulated Depreciation:				
Buildings and Improvements	(10,952,014)	(437,108)	0	(11,389,122)
Furniture and Equipment	(6,641,828)	(673,550)	235,865	(7,079,513)
Vehicles	(722,684)	(285,440)	0	(1,008,124)
<i>Total Accumulated Depreciation</i>	<u>(18,316,526)</u>	<u>(1,396,098)</u>	<u>235,865</u>	<u>(19,476,759)</u>
<i>Total Capital Assets, being Depreciated, Net</i>	<u>17,213,560</u>	<u>(841,348)</u>	<u>(132,426)</u>	<u>16,239,786</u>
<i>Governmental Activities Capital Assets, Net</i>	<u>\$21,257,173</u>	<u>\$11,669,496</u>	<u>(\$132,426)</u>	<u>\$32,794,243</u>

\* Depreciation expense was charged to governmental functions as follows:

Instruction:	
Regular	\$1,069,877
Special	6,824
Other	22,181
Support Services:	
Pupils	10,764
Instructional Staff	2,551
Administration	4,352
Fiscal	932
Operation and Maintenance of Plant	66,842
Pupil Transportation	155,096
Central	24,640
Operation of Non-Instructional Services	28,578
Extracurricular	3,461
Total Depreciation Expense	<u>\$1,396,098</u>

**Olmsted Falls City School District**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2009*

**NOTE 9 – RISK MANAGEMENT**

The District is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; injuries to employees and natural disasters. During fiscal year 2009, the District contracted with the Schools of Ohio Risk Sharing Authority (SORSA) for property insurance. The primary deductibles are \$1,000 for property coverage. Professional liability is protected by the SORSA for all Board Members, administrators and employees with a limit 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 and the Board President. A \$20,000 public officials bond for the treasurer is maintained with Harcum-Hyre Insurance. Other employees handling money are covered by a blanket bond in the amount of \$100,000.

Settled claims have not exceeded this commercial coverage in any of the past three years and there has been no significant reduction in coverage from the prior year.

The 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. Each year, the participating school districts pay an enrollment fee to the GRP to cover the costs of administering the program.

Medical and prescription drug benefits became fully insured on July 1, 2007 and dental and vision benefits became fully insured on July 1, 2009. Since the Internal Service Self-Insurance fund will no longer be needed after June 30, 2008, its cash will be transferred into the General Fund.

	<u>Beginning of Year</u>	<u>Claims</u>	<u>Payments</u>	<u>End of Year</u>
2007	\$32,141	\$480,142	\$387,855	\$124,428
2008	124,428	3,554,042	3,622,136	56,334
2009	56,334	657,299	713,633	0

**NOTE 10 – DEFINED BENEFIT PENSION PLANS**

**A. School Employees Retirement System of Ohio**

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

Funding Policy - Plan members are required to contribute 10 percent of their annual covered salary and the District is required to contribute at an actuarially determined rate. The current District rate is 14 percent of annual covered payroll. A portion of the District's contribution is used to fund pension obligations with the remainder being used to fund health care benefits. For fiscal year 2008, 9.09 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

**Olmsted Falls City School District**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2009*

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**NOTE 10 – DEFINED BENEFIT PENSION PLANS (Continued)**

percent for employers. Chapter 3309 of the Ohio Revised Code provides statutory authority for member and employer contributions.

The District's required contributions for pension obligations to SERS for the fiscal years ended June 30, 2009, 2008 and 2007 were \$535,606, \$555,285 and \$571,620, respectively; 45.22 percent has been contributed for fiscal year 2009 and 100 percent for fiscal years 2008 and 2007.

**B. State Teachers Retirement System of Ohio**

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

New members have a choice of three retirement plans, a Defined Benefit (DB) Plan, a Defined Contribution (DC) Plan and a Combined Plan. The DB plan offers an annual retirement allowance based on final average salary times a percentage that varies based on years of service, or an allowance based on a member's lifetime contributions and earned interest matched by STRS Ohio funds divided by an actuarially determined annuity factor. The DC Plan allows members to place all their member contributions and employer contributions equal to 10.5 percent of earned compensation into an investment account. Investment decisions are made by the member. A member is eligible to receive a retirement benefit at age 50 and termination of employment. The member may elect to receive a lifetime monthly annuity or a lump sum withdrawal. The Combined Plan offers features of both the DC Plan and the DB Plan. In the Combined Plan, member contributions are invested by the member, and employer contributions are used to fund the defined benefit payment at a reduced level from the regular DB Plan. The DB portion of the Combined Plan payment is payable to a member on or after age 60; the DC portion of the account may be taken as a lump sum or converted to a lifetime monthly annuity at age 50. Benefits are established by Chapter 3307 of the Ohio Revised Code.

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

Funding Policy - For fiscal year 2009, plan members were required to contribute 10 percent of their annual covered salaries. The District was required to contribute 14 percent; 13 percent was the portion used to fund pension obligations. Contribution rates are established by the State Teachers Retirement Board, upon recommendations of its consulting actuary, not to exceed statutory maximum rates of 10 percent for members and 14 percent for employers. Chapter 3307 of the Ohio Revised Code provides statutory authority for member and employer contributions.

The District's required contributions for pension obligations to STRS Ohio for the fiscal years ended June 30, 2009, 2008 and 2007 were \$2,242,425, \$2,085,651 and \$2,012,372 respectively; 83.25 percent has been contributed for fiscal year 2009 and 100 percent for fiscal years 2008 and 2007. Contributions to the DC and Combined Plans for fiscal year 2009 were \$20,738 made by the District and \$59,455 made by the plan members.

**Olmsted Falls City School District**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2009*

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**NOTE 10 – DEFINED BENEFIT PENSION PLANS (Continued)**

**C. Social Security System**

Effective July 1, 1991, all employees not otherwise covered by the SERS or the STRS have an option to choose Social Security or the SERS/STRS. As of June 30, 2009, certain members of the Board of Education have elected Social Security. The District's liability is 6.2% of wages paid.

**NOTE 11 - POSTEMPLOYMENT BENEFITS**

**A. School Employees Retirement System**

Plan Description - The District participates in two cost-sharing, multiple employer defined benefit OPEB plans administered by the School Employees Retirement System (SERS) for non-certificated retirees and their beneficiaries, a Health Care Plan and a Medicare Part B Plan. The Health Care Plan includes hospitalization and physicians' fees through several types of plans including HMO's, PPO's 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 2009, 4.16 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 2009, the surcharge amount was \$86,727.

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

The District's contributions for health care for the fiscal years ended June 30, 2009, 2008, and 2007 were \$245,118, \$253,394 and \$195,494 respectively; 45.22 percent has been contributed for fiscal year 2009 and 100 percent for fiscal years 2008 and 2007.

The Retirement Board, acting with advice of the actuary, allocates a portion of the employer contribution to the Medicare B Fund. For fiscal year 2009, this actuarially required allocation was 0.75 percent of covered payroll. The District's contributions for Medicare Part B for the fiscal years ended June 30, 2009, 2008, and 2007 were \$44,192, \$40,010 and \$38,870 respectively; 45.22 percent has been contributed for fiscal year 2009 and 100 percent for fiscal years 2008 and 2007.

**B. State Teachers Retirement System of Ohio**

Plan Description - The District contributes to the cost sharing, multiple employer defined benefit Health Plan (the "Plan") administered by the State Teachers Retirement System of Ohio (STRS Ohio) for eligible retirees who participated in the defined benefit or combined pension plans offered by STRS Ohio. Benefits include hospitalization, physicians' fees, prescription drugs and reimbursement of monthly Medicare Part B premiums. The

**Olmsted Falls City School District**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2009*

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**NOTE 11 - POSTEMPLOYMENT BENEFITS (Continued)**

Plan is included in the report of STRS Ohio which may be obtained by visiting [www.strsoh.org](http://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 2009, STRS Ohio allocated employer contributions equal to 1 percent of covered payroll to the Health Care Stabilization Fund. The District's contributions for health care for the fiscal years ended June 30, 2009, 2008, and 2007 were \$172,494, \$160,435 and \$154,798 respectively; 83.25 percent has been contributed for fiscal year 2009 and 100 percent for fiscal years 2008 and 2007.

**NOTE 12 – 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 five 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 has not been 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 for 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 the 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**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2009*

**NOTE 12 – OTHER EMPLOYEE BENEFITS (Continued)**

Classified Employees:

Any employee who has not been 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 employee’s annual salary amount rounded to the nearest one thousand dollars. Life insurance is covered through Guardian Life Insurance.

**NOTE 13 - LEASES**

In prior years, the District entered into capitalized leases for copiers. These lease agreements meet the criteria of capital lease as defined by FASB Statement No. 13, “Accounting for Leases”, which defines a capital lease generally as one which transfers benefits and risks of ownership to the lessee. Capital lease payments have been reclassified and are reflected as debt service expenditures in the financial statements for the governmental funds. These expenditures are reported as function expenditures on the budgetary statements.

Capital assets consisting of equipment have been capitalized in the amount of \$458,619. This amount represents the present value of the minimum lease payments at the time of acquisition. A corresponding liability is recorded in the government-wide financial statements. Principal payments in fiscal year 2009 totaling \$167,894 were paid by the general fund.

The following is a schedule of the future long-term minimum lease payments required under the capital lease and the present value of the future minimum lease payments as of June 30, 2009:

<u>Fiscal Year Ending June 30,</u>	<u>Governmental Activities</u>
2010	\$63,098
2011	59,648
2012	4,319
2013	3,493
Total	130,558
Less: Amount Representing Interest	(11,711)
Present Value of Net Minimum Lease Payments	<u>\$118,847</u>

**Olmsted Falls City School District**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2009*

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**NOTE 14 - LONG-TERM OBLIGATIONS**

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

<u>Debt Issue</u>	<u>Interest Rate</u>	<u>Original Issue Amount</u>	<u>Date of Maturity</u>
General Obligation Bonds:			
School Improvement Funding - 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 - 2009	2.750%	1,575,000	January 14, 2010
Energy Conservation Note - 2008	3.125%	1,333,000	December 10, 2009

**Olmsted Falls City School District**  
*Notes to the Basic Financial Statements*  
For the Fiscal Year Ended June 30, 2009

**NOTE 14 - LONG-TERM OBLIGATIONS - (Continued)**

A. The following is a schedule of the changes in long-term obligations during fiscal year 2009:

	<u>Balance</u> <u>June 30, 2008</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance</u> <u>June 30, 2009</u>	<u>Due in</u> <u>One Year</u>
<b>Governmental Activities:</b>					
General Obligation Bonds:					
1997 School Improvement Refunding					
Capital Appreciation Bonds	\$2,356,637	\$0	(\$621,242)	\$1,735,395	\$628,052
Accretion on Capital Appreciation Bonds	2,340,122	277,305	(643,758)	1,973,669	0
2003 Classroom Facilities Refunding					
Serial Bonds	4,140,000	0	(115,000)	4,025,000	120,000
Capital Appreciation Bonds	449,978	0	0	449,978	0
Accretion on Capital Appreciation Bonds	423,686	127,201	0	550,887	0
Premium	351,070	0	(35,107)	315,963	0
Deferred Loss on Refunding	(280,081)	0	28,008	(252,073)	0
2007 School Improvement Bonds					
Serial Bonds	14,280,000	0	(290,000)	13,990,000	315,000
Capital Appreciation Bonds	475,972	0	0	475,972	0
Accretion on Capital Appreciation Bonds	40,740	65,542	0	106,282	0
Premium	406,206	0	(14,771)	391,435	0
Discount	(163,249)	0	5,936	(157,313)	0
2002 Energy Conservation Improvement	181,507	0	(60,503)	121,004	60,503
<i>Total General Obligation Bonds</i>	25,002,588	470,048	(1,746,437)	23,726,199	1,123,555
Long-Term Notes					
2008 Bond Anticipation Note	2,244,000	1,575,000	(2,244,000)	1,575,000	0
2007 Energy Conservation Note	1,481,992	1,333,000	(1,481,992)	1,333,000	0
<i>Total Long-Term Notes</i>	3,725,992	2,908,000	(3,725,992)	2,908,000	0
Capital lease obligation	298,452	0	(167,894)	130,558	63,098
Early Retirement Incentive	338,925	125,297	(338,925)	125,297	0
Compensated absences	3,085,985	348,716	(211,069)	3,223,632	194,643
<b>Total governmental activities</b> long-term liabilities	<u>\$ 32,451,942</u>	<u>\$ 3,852,061</u>	<u>\$ (6,190,317)</u>	<u>\$30,113,686</u>	<u>\$1,381,296</u>

**Olmsted Falls City School District**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2009*

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**NOTE 14 - LONG-TERM OBLIGATIONS - (Continued)**

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 IDEA Part B special revenue funds.

The 1997 general obligation bonds include capital appreciation bonds. This year the addition on these bonds was \$277,305, which represents accretion of discounted interest remaining on the bonds. In fiscal year 2009, the District began paying down the accretion on these bonds by \$643,758. The bonds are being retired from the bond retirement fund.

On August 13, 2003, the 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% to 14.065%. 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 2009, \$127,201 was accreted. The bonds are being retired from the bond retirement fund.

The serial bonds maturing after December 15, 2017 are subject to redemption at the option of the District, either in whole or part, in such order as the 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 District issued \$14,280,000 in general obligation bonds for the purpose of adding to, constructing, furnishing, equipping and otherwise improving 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 varying interest rates between 4% to 5%, 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 2015 through 2017.

The maturity of outstanding capital appreciation bonds at June 30, 2009 is \$582,254. This year the addition on these bonds was \$65,543 which represents the accretion of discounted interest remaining on the bonds.

On January 14, 2009, the District issued \$1,575,000 in general obligation bond anticipation notes for the purpose of adding to, constructing, furnishing, equipping and otherwise improving District buildings and facilities. The coupon interest rate is 2.75% and the notes mature on January 14, 2010.

On December 10, 2009, the District issued \$1,333,000 in energy conservation notes for the purpose of paying costs to install, modify, and remodel District buildings to conserve energy. The coupon interest rate is 3.125% and the notes mature on December 10, 2009.

**Olmsted Falls City School District**  
*Notes to the Basic Financial Statements*  
For the Fiscal Year Ended June 30, 2009

**NOTE 14 - LONG-TERM OBLIGATIONS - (Continued)**

The District's overall legal debt margin was \$31,935,764 with an unvoted debt margin of \$530,921 at June 30, 2009. Principal and interest requirements to retire general obligation bonds outstanding at June 30, 2009, are as follows:

Fiscal Year Ending	General Obligation Bonds			Capital Appreciation Bonds		
	Principal	Interest	Total	Principal	Interest	Total
2010	\$495,503	\$807,480	\$1,302,983	\$628,052	\$751,948	\$1,380,000
2011	675,501	783,737	1,459,238	567,637	772,363	1,340,000
2012	675,000	756,633	1,431,633	539,706	830,293	1,369,999
2013	375,000	735,821	1,110,821	240,255	614,745	855,000
2014	390,000	720,521	1,110,521	209,723	645,277	855,000
2015 - 2019	4,490,000	3,094,600	7,584,600	475,972	739,028	1,215,000
2020 - 2024	2,410,000	2,381,988	4,791,988	0	0	0
2025 - 2029	3,015,000	1,755,200	4,770,200	0	0	0
2030 - 2034	3,805,000	941,294	4,746,294	0	0	0
2035 - 2036	1,805,000	91,375	1,896,375	0	0	0
<b>Total</b>	<b>\$18,136,004</b>	<b>\$12,068,649</b>	<b>\$30,204,653</b>	<b>\$2,661,345</b>	<b>\$4,353,654</b>	<b>\$7,014,999</b>

**NOTE 15 – CONSTRUCTION AND OTHER SIGNIFICANT COMMITMENTS**

As of June 30, 2009, the District had the following contractual purchase commitments outstanding:

Contractor	Contract Amount	Amount Paid	Remaining on Contract
Blaze Building Corporation	\$6,933,004	\$4,980,704	\$1,952,300
M.H. Koppes Clay Products Co. Inc.	101,271	99,865	1,406
R.J. Martin Electrical Contracting Inc.	1,786,262	1,242,193	544,069
Miller Plumbing and Heating Co.	919,592	791,130	128,462
S.A. Comunale Company Inc.	236,552	204,152	32,400
Trimark SS Kemp	336,378	131,136	205,242
Price and James Heating and Cooling	1,733,887	1,395,613	338,274
DiGioia-Suburban Excavating	1,027,303	985,834	41,469
Regency Construction Services	910,824	723,458	187,366
Jamison Well Drilling	844,486	648,783	195,703
Brewer Garrett Company	35,014	19,258	15,756
Architectural Vision Group	1,425,305	768,081	657,224
Continental Educational Environments	183,567	0	183,567
Playworld Midstates	83,781	0	83,781
Southeast Security Corp.	209,867	0	209,867
<b>Total</b>	<b>\$16,767,093</b>	<b>\$11,990,208</b>	<b>\$4,776,885</b>

**Olmsted Falls City School District**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2009*

**NOTE 16 - SET ASIDES**

The District is required by state statute to annually set-aside in the general fund an amount based on a statutory formula for the purchase of textbooks and other instructional materials and an equal amount for the acquisition and construction of capital improvements. Amounts not spent by the end of the fiscal year or offset by similarly restricted resources received during the year must be held in cash at year-end. These amounts must be carried forward to be used for the same purposes in future years.

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

	<u>Textbooks/ Instructional Materials</u>	<u>Capital Improvement Reserve</u>	<u>Budget Reserve</u>
Set-aside balance as of June 30, 2008	(\$1,289,916)	\$0	\$223,918
Current year set-aside requirement	573,184	573,184	0
Current year offsets	0	0	0
Offsets During the Fiscal Year	0	(228,958)	0
Qualifying disbursements	<u>(562,077)</u>	<u>(14,647,342)</u>	<u>0</u>
Total	<u>(\$1,278,809)</u>	<u>(\$14,303,116)</u>	<u>\$223,918</u>
Set-aside Balance Carried Forward to Future Fiscal Years	<u>(\$1,278,809)</u>	<u>\$0</u>	<u>\$223,918</u>
Set-aside Reserve Balance as of June 30, 2009	<u>\$0</u>	<u>\$0</u>	<u>\$223,918</u>

The District had qualifying disbursements during the fiscal year that reduced the set-aside amount to below zero for the capital acquisition. This amount may not be used to reduce the set-aside requirement of future years.

**NOTE 17 – JOINTLY GOVERNED ORGANIZATIONS**

Ohio Schools Council Association

The Ohio Schools Council Association (the “Council”) is a jointly governed organization comprised of one hundred and nine member districts. The mission of the Council is to identify, plan and provide services to member districts that can be more effectively achieved by cooperative endeavors of member districts than by an individual district operating on its own. Each district supports the Council by paying an annual participation fee. The Council’s Board consists of seven superintendents of the participating districts whose term rotates every year. The degree of control exercised by any school district is limited to its representation on the Board. In fiscal year 2009, the District paid \$2,530 to the Council for membership and other services. Financial information can be obtained by contacting David Cottrell, the Executive Director of the Ohio Schools Council at 6133 Rockside Road, Suite 10, Independence, Ohio 44131.

**Olmsted Falls City School District**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2009*

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**NOTE 18 – INSURANCE PURCHASING POOL**

The District participates in the Ohio School Boards Association Workers' Compensation Group Rating Program (GRP), an insurance purchasing pool. The intent of the GRP is to achieve the benefits of a reduced premium for the District by virtue of its grouping and representation with other participants in the GRP. The worker's 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 worker's compensation premium to the State based on the rate for the GRP rather than its individual rate. Total savings is then calculated and each participant's individual performance is compared to the overall savings percentage of the GRP. A participant will then either receive money from or be required to contribute to the "Equity Pooling Fund". This "equity pooling" arrangement insures that each participant share equally in the overall performance of the GRP. Participation in the GRP is limited to school districts that can meet the GRP's selection criteria. The firm of Gates McDonald & Co. provides administrative, cost control and actuarial services to the GRP.

**NOTE 19 – RISK SHARING POOL**

The District participated in the Schools 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, 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.

**NOTE 20 - CONTINGENCIES**

**A. Grants**

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

**B. Litigation**

The District is party to legal proceedings. The District is of the opinion that ultimate disposition of claims will not have a material effect, if any, on the financial condition of the District.

**Olmsted Falls City School District**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2009*

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**NOTE 21 - INTERFUND BALANCES**

A. Interfund loans receivable/payable consisted of the following at June 30, 2009, as reported on the fund statements:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General Fund	Nonmajor Governmental Funds	<u>\$274,698</u>

The primary purpose of the interfund balances is to cover costs in specific funds where revenues were not received by June 30. These interfund balances will be repaid once the anticipated revenues are received.

The interfund receivable in the General fund represents the balance of interfund loans made to Special Education Part B-IDEA, Title I, Improving Teacher Quality Title II-A, and Technology Title II-D funds. (nonmajor governmental funds). The interfund loan balance represents the fiscal year-end balance of interfund loans.

Interfund loans between governmental funds are eliminated on the government-wide financial statements.

**NOTE 22 – SUBSEQUENT EVENTS**

In July 2009, the District was awarded Fiscal Stabilization Fund through state foundation in the amount of \$716,319.61.

In August 2009, the District was awarded ARRA (American Recovery and Reinvestment Act) funding in the amount of \$873,548.

On February 2, 2010 voters approved an 8.7 mill levy that will generate \$4,742,114 annually beginning in January 2011.



**OLMSTED FALLS CITY SCHOOL DISTRICT  
CUYAHOGA COUNTY**

**FEDERAL AWARDS RECEIPTS AND EXPENDITURES SCHEDULE  
FOR THE YEAR ENDED JUNE 30, 2009**

FEDERAL GRANTOR <i>Pass Through Grantor</i> Program Title	Grant Year	Federal CFDA Number	Receipts	Non-Cash Receipts	Expenditures	Non-Cash Expenditures
<b>U.S. DEPARTMENT OF AGRICULTURE</b>						
<i>Passed Through Ohio Department of Education</i>						
Nutrition Cluster:						
School Breakfast Program	2009	10.553	\$34,850	\$0	\$34,850	\$0
National School Lunch Program	2009	10.555	204,591	37,930	204,591	37,930
Total Nutrition Cluster			<u>239,441</u>	<u>37,930</u>	<u>239,441</u>	<u>37,930</u>
Total U.S. Department of Agriculture			<u><b>239,441</b></u>	<u><b>37,930</b></u>	<u><b>239,441</b></u>	<u><b>37,930</b></u>
<b>U.S. DEPARTMENT OF EDUCATION</b>						
<i>Passed Through Ohio Department of Education</i>						
Title I	2009	84.010	120,192	0	128,884	0
Special Education Cluster:						
Special Education Grants to States, IDEA Part B	2008	84.027	95,925	0	88,931	0
Special Education Grants to States, IDEA Part B	2009	84.027	479,388	0	505,236	0
Total Special Education Grants to States, IDEA Part B			<u>575,313</u>	<u>0</u>	<u>594,167</u>	<u>0</u>
Special Education Preschool Grants	2009	84.173	19,915	0	19,915	0
Total Special Education Cluster			<u>595,228</u>	<u>0</u>	<u>614,082</u>	<u>0</u>
Safe and Drug-Free Schools and Communities	2008	84.186	2,346	0	103	0
Safe and Drug-Free Schools and Communities	2009	84.186	7,399	0	7,399	0
Total Safe and Drug-Free Schools and Communities			<u>9,745</u>	<u>0</u>	<u>7,502</u>	<u>0</u>
Innovative Programs, Title V	2008	84.298	3,265	0	3,323	0
Innovative Programs, Title V	2009	84.298	2,647	0	2,647	0
Total Innovative Programs, Title V			<u>5,912</u>	<u>0</u>	<u>5,970</u>	<u>0</u>
Education Technology, Title II-D	2009	84.318	232	0	0	0
Improving Teacher Quality, Title II-A	2008	84.367	11,277	0	9,238	0
Improving Teacher Quality, Title II-A	2008	84.367	41,241	0	68,131	0
Total Improving Teacher Quality, Title II-A			<u>52,518</u>	<u>0</u>	<u>77,369</u>	<u>0</u>
Total U.S. Department of Education			<u><b>783,827</b></u>	<u><b>0</b></u>	<u><b>833,807</b></u>	<u><b>0</b></u>
<b>Total Federal Financial Assistance</b>			<u><b>\$1,023,268</b></u>	<u><b>\$37,930</b></u>	<u><b>\$1,073,248</b></u>	<u><b>\$37,930</b></u>

*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, 2009**

**NOTE A - SIGNIFICANT ACCOUNTING POLICIES**

The accompanying Federal Awards Receipts and Expenditures Schedule (the Schedule) reports the Olmsted Falls City School District's (the District's) federal award programs' receipts and disbursements. The Schedule has been prepared on the cash basis of accounting.

**NOTE B - CHILD NUTRITION CLUSTER**

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

**NOTE D – FOOD DONATION PROGRAM**

Program regulations do not require the District to maintain separate inventory records for purchased food versus food commodities it receives from the U.S. Department of Agriculture. The District reports commodities consumed on the Schedule at the fair value.



# 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, 2009, which collectively comprise the District's basic financial statements and have issued our report thereon dated February 19, 2010, wherein we noted the District restated fund balance and net assets at June 30, 2008 to report a fund reclassification. 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.

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.

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

We noted a certain matter that we reported to the District's management in a separate letter dated February 19, 2010.

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### **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 February 19, 2010.

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

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

February 19, 2010



# 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, AND THE FEDERAL AWARDS RECEIPTS AND EXPENDITURES SCHEDULE

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

To the Board of Education:

### Compliance

We have audited the compliance of 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, 2009. 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, Ohio complied, in all material respects, with the requirements referred to above that apply to its major federal program for the year ended June 30, 2009.

### 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.

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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, Board of Education, federal awarding agencies, and pass-through entities. It is not intended for anyone other than these specified parties.

A handwritten signature in cursive script that reads "Mary Taylor".

**Mary Taylor, CPA**  
Auditor of State

February 19, 2010

**OLMSTED FALLS CITY SCHOOL DISTRICT  
CUYAHOGA COUNTY**

**SCHEDULE OF FINDINGS  
OMB CIRCULAR A -133 § .505  
JUNE 30, 2009**

**1. SUMMARY OF AUDITOR'S RESULTS**

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

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

None

**3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS**

None

**OLMSTED FALLS CITY SCHOOL DISTRICT  
CUYAHOGA COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS  
OMB CIRCULAR A -133 § .315 (b)  
JUNE 30, 2009**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <b><i>Explain</i></b>
2008-001	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.	Yes	n/a





# Mary Taylor, CPA

Auditor of State

## Independent Accountants' Report on Applying Agreed-Upon Procedures

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

To the Board of Education:

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

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

1. We noted the Board adopted an anti-harassment policy at its meeting on September 25, 2007.
2. We read the policy, noting it included the following requirements from Ohio Rev. Code Section 3313.666(B):
  - (1) A statement prohibiting harassment, intimidation, or bullying of any student on school property or at school-sponsored events;
  - (2) A definition of harassment, intimidation, or bullying that includes the definition in division (A) of Ohio Rev. Code Section 3313.666;
  - (3) A procedure for reporting prohibited incidents;
  - (4) A requirement that school personnel report prohibited incidents of which they are aware to the school principal or other administrator designated by the principal;
  - (5) A requirement that parents or guardians of any student involved in a prohibited incident be notified and, to the extent permitted by section 3319.321 of the Revised Code and the "Family Educational Rights and Privacy Act of 1974," 88 Stat. 571, 20 U.S.C. 1232q, as amended, have access to any written reports pertaining to the prohibited incident;
  - (6) A procedure for documenting any prohibited incident that is reported;

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- (7) A procedure for responding to and investigating any reported incident;
- (8) A strategy for protecting a victim from additional harassment, intimidation, or bullying, and from retaliation following a report;
- (9) A disciplinary procedure for any student guilty of harassment, intimidation, or bullying, which shall not infringe on any student's rights under the first amendment to the Constitution of the United States;
- (10) A requirement that the district administration semiannually provide the president of the district board a written summary of all reported incidents and post the summary on its web site, if the district has a web site, to the extent permitted by section 3319.321 of the Revised Code and the "Family Educational Rights and Privacy Act of 1974," 88 Stat. 571, 20 U.S.C. 1232q, as amended.

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

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



**Mary Taylor, CPA**  
Auditor of State

February 19, 2010



**Mary Taylor, CPA**  
Auditor of State

**NORTH OLMSTED 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**  
**MARCH 16, 2010**