



**OTTAWA HILLS LOCAL SCHOOL DISTRICT
LUCAS COUNTY**

REGULAR AUDIT

FOR THE YEAR ENDED JUNE 30, 1998



JIM PETRO
AUDITOR OF STATE

STATE OF OHIO

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REPORT OF INDEPENDENT ACCOUNTANTS

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

To the Board of Education:

We have audited the accompanying general-purpose financial statements of the Ottawa Hills Local School District (the District) as of and for the year ended June 30, 1998, as listed in the table of contents. These general-purpose financial statements are the responsibility of the District's management. Our responsibility is to express an opinion on these general-purpose financial statements based on our audit.

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

In our opinion, the general-purpose financial statements referred to above present fairly, in all material respects, the financial position of the District, as of June 30, 1998, and the results of its operations and the cash flows of its proprietary fund types and nonexpendable trust funds for the year then ended in conformity with generally accepted accounting principles.

As described in Note 2 to the general-purpose financial statements, during fiscal year 1998, the District changed its method of accounting for investments.

In accordance with *Government Auditing Standards*, we have also issued our report dated March 17, 2000 on our consideration of the District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants.

A handwritten signature in black ink, appearing to read "Jim Petro".

Jim Petro
Auditor of State

March 17, 2000

OTTAWA HILLS LOCAL SCHOOL DISTRICT, OHIO
COMBINED BALANCE SHEET
ALL FUND TYPES AND ACCOUNT GROUPS
JUNE 30, 1998

	<i>Governmental</i>			
	<i>Fund Types</i>			
	General Fund	Special Revenue Funds	Debt Service Fund	Capital Projects Funds
<u>Assets and Other Debits:</u>				
Assets:				
Cash and Cash Equivalents	\$1,873,459	\$174,366	\$884,534	\$2,471,925
Investments	0	0	0	0
Receivables (net of allowance for doubtful accounts):				
Taxes	6,910,428	0	635,073	11,795
Accounts	2,164	249	0	0
Intergovernmental	3,990	0	0	0
Prepaid Items	4,668	0	0	0
Restricted Assets:				
Cash and Cash Equivalents	39,541	0	0	0
Fixed Assets (net of accumulated depreciation)	0	0	0	0
Other Debits:				
Amount Available in Debt Service Fund	0	0	0	0
Amount to be Provided for				
General Long-Term Obligations	0	0	0	0
Total Assets and Other Debits	\$8,834,250	\$174,615	\$1,519,607	\$2,483,720
<u>Liabilities, Equity and Other Credits:</u>				
Liabilities:				
Accounts Payable	\$18,239	\$526	\$0	\$693,242
Accrued Wages and Benefits	554,478	0	0	0
Intergovernmental Payables	131,588	3,225	0	0
Due to Students	0	0	0	0
Deferred Revenue - Taxes	6,777,715	0	620,015	5,874
Accrued Interest Payable	0	0	0	0
Compensated Absences Payable	117,020	0	0	0
Capital Leases	0	0	0	0
General Obligation Notes Payable	0	0	0	0
General Obligation Bond Payable	0	0	0	0
Total Liabilities	7,599,040	3,751	620,015	699,116
Equity and Other Credits:				
Investment in General Fixed Assets	0	0	0	0
Retained Earnings:				
Unreserved	0	0	0	0
Fund Balances:				
Reserved for Encumbrances	120,470	64,193	0	1,354,910
Reserved for Property Tax Advances Available	131,362	0	14,929	5,871
Reserved for Budget Stabilization	39,541	0	0	0
Reserved for Prepaid Items	4,668	0	0	0
Reserved for Debt Service	0	0	884,663	0
Reserved for Endowments	0	0	0	0
Unreserved:				
Undesignated	939,169	106,671	0	423,823
Total Equity and Other Credits	1,235,210	170,864	899,592	1,784,604
Total Liabilities, Equity and Other Credits	\$8,834,250	\$174,615	\$1,519,607	\$2,483,720

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

OTTAWA HILLS LOCAL SCHOOL DISTRICT, OHIO
COMBINED BALANCE SHEET
ALL FUND TYPES AND ACCOUNT GROUPS
JUNE 30, 1998

<i>Proprietary Fund Types</i>		<i>Fiduciary Fund Types</i>		<i>Account Groups</i>		Totals (Memorandum Only)
Enterprise Fund	Internal Service Funds	Trust and Agency Funds	General Fixed Assets	General Long-Term Obligations		
\$20,436	\$6,717	\$70,219	\$0	\$0	\$5,501,656	
0	0	1,666	0	0	1,666	
0	0	0	0	0	7,557,296	
0	0	0	0	0	2,413	
0	0	0	0	0	3,990	
0	0	0	0	0	4,668	
0	0	0	0	0	39,541	
0	0	0	9,371,947	0	9,371,947	
0	0	0	0	884,663	884,663	
0	0	0	0	5,591,982	5,591,982	
<u>\$20,436</u>	<u>\$6,717</u>	<u>\$71,885</u>	<u>\$9,371,947</u>	<u>\$6,476,645</u>	<u>\$28,959,822</u>	
\$0	\$0	\$0	\$0	\$0	\$712,007	
0	0	0	0	0	554,478	
0	0	0	0	44,510	179,323	
0	0	24,694	0	0	24,694	
0	0	0	0	0	7,403,604	
0	0	0	0	0	0	
0	0	0	0	836,008	953,028	
0	0	0	0	16,127	16,127	
0	0	0	0	5,000,000	5,000,000	
0	0	0	0	580,000	580,000	
<u>0</u>	<u>0</u>	<u>24,694</u>	<u>0</u>	<u>6,476,645</u>	<u>15,423,261</u>	
0	0	0	9,371,947	0	9,371,947	
20,436	6,717	0	0	0	27,153	
0	0	0	0	0	1,539,573	
0	0	0	0	0	152,162	
0	0	0	0	0	39,541	
0	0	0	0	0	4,668	
0	0	0	0	0	884,663	
0	0	22,484	0	0	22,484	
0	0	24,707	0	0	1,494,370	
<u>20,436</u>	<u>6,717</u>	<u>47,191</u>	<u>9,371,947</u>	<u>0</u>	<u>13,536,561</u>	
<u>\$20,436</u>	<u>\$6,717</u>	<u>\$71,885</u>	<u>\$9,371,947</u>	<u>\$6,476,645</u>	<u>\$28,959,822</u>	

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OTTAWA HILLS LOCAL SCHOOL DISTRICT, OHIO
COMBINED STATEMENT OF REVENUES,
EXPENDITURES AND CHANGES IN FUND BALANCES
ALL GOVERNMENTAL FUND TYPES AND EXPENDABLE TRUST FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 1998

	<i>Governmental</i>			<i>Fiduciary</i>		Totals (Memorandum Only)
	<i>Fund Types</i>			<i>Fund Type</i>		
	General Fund	Special Revenue Funds	Debt Service Fund	Capital Projects Fund	Expendable Trust Fund	
Revenues:						
Local Sources:						
Taxes	\$5,828,964	\$0	\$375,904	\$211,401	\$0	\$6,416,269
Tuition	32,012	0	0	0	0	32,012
Transportation Fees	3,167	0	0	0	0	3,167
Investment Earnings	227,963	2,064	0	202,293	1,524	433,844
Extracurricular Activities	0	84,645	0	0	0	84,645
Class Material and Fees	4,257	26,076	0	0	0	30,333
Intergovernmental - State	1,322,202	272,643	50,204	64,138	0	1,709,187
Intergovernmental - Federal	0	52,775	0	0	0	52,775
All Other Revenues	45,439	98,520	0	108,326	77	252,362
Total Revenues	7,464,004	536,723	426,108	586,158	1,601	9,014,594
Expenditures:						
Current:						
Instruction	4,991,895	53,694	0	353,524	1,372	5,400,485
Supporting Services:						
Pupils	387,428	4,410	0	0	0	391,838
Instructional Staff	302,341	37,445	0	0	0	339,786
Board of Education	13,391	0	0	0	0	13,391
Administration	648,872	35,215	0	900	0	684,987
Fiscal Services	300,526	0	4,806	3,701	0	309,033
Operation and Maintenance of Plant	760,763	0	0	42,562	0	803,325
Pupil Transportation	46,733	0	0	0	0	46,733
Community Services	10,949	236,754	0	0	0	247,703
Extracurricular Activities	262,596	147,457	0	228,775	0	638,828
Capital Outlay	0	0	0	3,198,545	0	3,198,545
Debt Service:						
Principal Retirements	0	0	120,000	0	0	120,000
Interest and Fiscal Charges	0	0	42,400	0	0	42,400
Total Expenditures	7,725,494	514,975	167,206	3,828,007	1,372	12,237,054
Excess (Deficiency) of Revenues Over (Under) Expenditures	(261,490)	21,748	258,902	(3,241,849)	229	(3,222,460)
Other Financing Sources (Uses):						
Proceeds from Sale of Fixed Assets	400	0	0	0	0	400
Proceeds from Sale of Notes	0	0	0	5,000,000	0	5,000,000
Premium and Accrued Interest on Sale of Note	0	0	19,950	0	0	19,950
Operating Transfers In	0	33,000	0	0	0	33,000
Operating Transfers Out	(33,000)	0	0	0	0	(33,000)
Total Other Financing Sources (Uses)	(32,600)	33,000	19,950	5,000,000	0	5,020,350
Excess (Deficiency) of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	(294,090)	54,748	278,852	1,758,151	229	1,797,890
Fund Balance Beginning of Year	1,529,300	116,116	620,740	26,453	24,478	2,317,087
Fund Balance End of Year	\$1,235,210	\$170,864	\$899,592	\$1,784,604	\$24,707	\$4,114,977

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

OTTAWA HILLS LOCAL SCHOOL DISTRICT, OHIO
COMBINED STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)
ALL GOVERNMENTAL FUND TYPES
FISCAL YEAR ENDED JUNE 30, 1998

	<i>General Fund</i>			<i>Special Revenue Funds</i>		
	Revised Budget	Actual	Variance: Favorable (Unfavorable)	Revised Budget	Actual	Variance: Favorable (Unfavorable)
Revenues:						
Local Sources:						
Taxes	\$5,900,000	\$5,920,400	\$20,400	\$0	\$0	\$0
Tuition	35,000	32,012	(2,988)	0	0	0
Transportation Fees	0	3,167	3,167	0	0	0
Investment Earnings	125,000	227,963	102,963	2,032	2,064	32
Extracurricular Activities	0	0	0	44,140	84,645	40,505
Class Material and Fees	0	4,257	4,257	2,498	26,076	23,578
Intergovernmental - State	1,280,000	1,322,202	42,202	150,371	272,643	122,272
Intergovernmental - Federal	0	0	0	21,093	52,775	31,682
All Other Revenues	27,800	43,536	15,736	54,160	98,520	44,360
Total Revenues	<u>7,367,800</u>	<u>7,553,537</u>	<u>185,737</u>	<u>274,294</u>	<u>536,723</u>	<u>262,429</u>
Expenditures:						
Current:						
Instruction	5,035,705	4,994,266	41,439	60,841	57,954	2,887
Supporting Services:						
Pupils	406,527	391,574	14,953	7,145	4,960	2,185
Instructional Staff	344,613	300,641	43,972	44,824	37,916	6,908
Board of Education	21,102	13,411	7,691	0	0	0
Administration	656,987	647,009	9,978	37,280	35,215	2,065
Fiscal Services	311,746	298,588	13,158	0	0	0
Operation and Maintenance of Plant	805,229	749,326	55,903	0	0	0
Pupil Transportation	47,292	46,448	844	53,000	52,123	877
Community Services	12,000	10,949	1,051	264,693	262,346	2,347
Extracurricular Activities	278,368	261,910	16,458	164,175	153,115	11,060
Capital Outlay	0	0	0	0	0	0
Debt Service:						
Principal Retirement	0	0	0	0	0	0
Interest and Fiscal Charges	0	0	0	0	0	0
Total Expenditures	<u>7,919,569</u>	<u>7,714,122</u>	<u>205,447</u>	<u>631,958</u>	<u>603,629</u>	<u>28,329</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	(551,769)	(160,585)	391,184	(357,664)	(66,906)	290,758
Other Financing Sources (Uses):						
Proceeds from Sale of Fixed Assets	0	400	400	0	0	0
Proceeds from Sale of Notes	0	0	0	0	0	0
Premium and Accrued Interest on Sale of Notes	0	0	0	0	0	0
Operating Transfers In	0	0	0	33,000	33,000	0
Operating Transfers Out	(38,500)	(33,000)	5,500	0	0	0
Advances In	0	33,790	33,790	0	0	0
Advances Out	(1,000)	0	1,000	(17,938)	(17,823)	115
Total Other Financing Sources (Uses)	<u>(39,500)</u>	<u>1,190</u>	<u>40,690</u>	<u>15,062</u>	<u>15,177</u>	<u>115</u>
Excess (Deficiency) of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	(591,269)	(159,395)	431,874	(342,602)	(51,729)	290,873
Fund Balance at Beginning of Year	1,846,301	1,846,301	0	116,035	116,035	0
Prior Year Encumbrances	103,772	103,772	0	45,867	45,867	0
Fund Balance at End of Year	<u>\$1,358,804</u>	<u>\$1,790,678</u>	<u>\$431,874</u>	<u>(\$180,700)</u>	<u>\$110,173</u>	<u>\$290,873</u>

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

OTTAWA HILLS LOCAL SCHOOL DISTRICT, OHIO
COMBINED STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)
ALL GOVERNMENTAL FUND TYPES
FISCAL YEAR ENDED JUNE 30, 1998

<i>Debt Service Fund</i>			<i>Capital Projects Fund</i>			<i>Totals (Memorandum Only)</i>		
Revised Budget	Actual	Variance: Favorable (Unfavorable)	Revised Budget	Actual	Variance: Favorable (Unfavorable)	Revised Budget	Actual	Variance: Favorable (Unfavorable)
\$339,634	\$368,276	\$28,642	\$207,000	\$213,869	\$6,869	\$6,446,634	\$6,502,545	\$55,911
0	0	0	0	0	0	35,000	32,012	(2,988)
0	0	0	0	0	0	0	3,167	3,167
0	0	0	200,000	202,293	2,293	327,032	432,320	105,288
0	0	0	0	0	0	44,140	84,645	40,505
0	0	0	0	0	0	2,498	30,333	27,835
46,314	50,204	3,890	31,200	64,138	32,938	1,507,885	1,709,187	201,302
0	0	0	0	0	0	21,093	52,775	31,682
0	0	0	60,000	108,326	48,326	141,960	250,382	108,422
385,948	418,480	32,532	498,200	588,626	90,426	8,526,242	9,097,366	571,124
0	0	0	279,063	400,729	(121,666)	5,375,609	5,452,949	(77,340)
0	0	0	0	0	0	413,672	396,534	17,138
0	0	0	0	0	0	389,437	338,557	50,880
0	0	0	0	0	0	21,102	13,411	7,691
0	0	0	900	900	0	695,167	683,124	12,043
4,900	4,806	94	3,901	3,701	200	320,547	307,095	13,452
0	0	0	203,000	42,562	160,438	1,008,229	791,888	216,341
0	0	0	0	0	0	100,292	98,571	1,721
0	0	0	0	0	0	276,693	273,295	3,398
0	0	0	425,000	415,625	9,375	867,543	830,650	36,893
0	0	0	5,050,000	4,319,160	730,840	5,050,000	4,319,160	730,840
120,000	120,000	0	0	0	0	120,000	120,000	0
42,400	42,400	0	0	0	0	42,400	42,400	0
167,300	167,206	94	5,961,864	5,182,677	779,187	14,680,691	13,667,634	1,013,057
218,648	251,274	32,626	(5,463,664)	(4,594,051)	869,613	(6,154,449)	(4,570,268)	1,584,181
0	0	0	0	0	0	0	400	400
0	0	0	5,000,000	5,000,000	0	5,000,000	5,000,000	0
19,950	19,950	0	0	0	0	19,950	19,950	0
0	0	0	0	0	0	33,000	33,000	0
0	0	0	0	0	0	(38,500)	(33,000)	5,500
0	0	0	0	0	0	0	33,790	33,790
0	0	0	(15,968)	(15,967)	1	(34,906)	(33,790)	1,116
19,950	19,950	0	4,984,032	4,984,033	1	4,979,544	5,020,350	40,806
238,598	271,224	32,626	(479,632)	389,982	869,614	(1,174,905)	450,082	1,624,987
613,310	613,310	0	19,031	19,031	0	2,594,677	2,594,677	0
0	0	0	15,000	15,000	0	164,639	164,639	0
\$851,908	\$884,534	\$32,626	(\$445,601)	\$424,013	\$869,614	\$1,584,411	\$3,209,398	\$1,624,987

**OTTAWA HILLS LOCAL SCHOOL DISTRICT, OHIO
 COMBINED STATEMENT OF REVENUES, EXPENSES
 AND CHANGES IN RETAINED EARNINGS/FUND BALANCE
 ALL PROPRIETARY FUND TYPES AND SIMILAR TRUST FUND
 FOR THE FISCAL YEAR ENDED JUNE 30, 1998**

	<i>Proprietary Fund Type</i>		<i>Fiduciary Fund Type</i>	Totals (Memorandum Only)
	Enterprise Funds	Internal Service Fund	Nonexpendable Trust Fund	
<u>Operating Revenues:</u>				
Tuition and Fees	\$26,955	\$37,801	\$0	\$64,756
Investment Earnings	0	0	1,904	1,904
Other Operating Revenues	0	0	10	10
Total Operating Revenues	26,955	37,801	1,914	66,670
<u>Operating Expenses:</u>				
Contractual Services	0	2,634	0	2,634
Materials and Supplies	27,390	0	1,487	28,877
Other Operating Expenses	0	32,797	0	32,797
Total Operating Expenses	27,390	35,431	1,487	64,308
Operating Income (Loss)	(435)	2,370	427	2,362
<u>Non-Operating Revenues:</u>				
Miscellaneous	1,740	53	0	1,793
Total Non-Operating Revenues	1,740	53	0	1,793
Net Income	1,305	2,423	427	4,155
Retained Earnings/Fund Balance at Beginning of Year	19,131	4,294	22,057	45,482
Retained Earnings/Fund Balance at End of Year	\$20,436	\$6,717	\$22,484	\$49,637

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

OTTAWA HILLS LOCAL SCHOOL DISTRICT, OHIO
COMBINED STATEMENT OF CASH FLOWS
ALL PROPRIETARY FUND TYPES AND NONEXPENDABLE TRUST FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 1998

	<i>Proprietary Fund Type</i>		<i>Fiduciary Fund Type</i>	Totals (Memorandum Only)
	Enterprise Fund	Internal Service Funds	Nonexpendable Trust Fund	
<u>Cash Flows from Operating Activities:</u>				
Cash Received from Customers	\$26,955	\$37,801	\$10	\$64,766
Cash Payments for Goods and Services	(24,716)	(35,378)	(1,487)	(61,581)
Net Cash Provided (Used) by Operating Activities	2,239	2,423	(1,477)	3,185
<u>Cash Flows from Investing Activities:</u>				
Receipts of Interest	0	0	1,904	1,904
Net Cash Provided by Investing Activities	0	0	1,904	1,904
Net Increase in Cash and Cash Equivalents	2,239	2,423	427	5,089
Cash and Cash Equivalents at Beginning of Year	18,197	4,294	22,057	44,548
Cash and Cash Equivalents at End of Year	<u>\$20,436</u>	<u>\$6,717</u>	<u>\$22,484</u>	<u>\$49,637</u>
Reconciliation of Cash and Cash Equivalents per Balance Sheet				
Cash and Cash Equivalents	\$20,436	\$6,717	\$70,219	\$97,372
Less Cash and Cash Equivalents in Expendable Trust Fund	0	0	(23,041)	(23,041)
Less Cash and Cash Equivalents in Agency Fund	0	0	(24,694)	(24,694)
Cash and Cash Equivalents at End of Year	<u>\$20,436</u>	<u>\$6,717</u>	<u>\$22,484</u>	<u>\$49,637</u>
<u>Reconciliation of Operating Income (Loss) to Net Cash</u>				
<u>Provided (Used) by Operating Activities:</u>				
Operating Income (Loss)	(\$435)	\$2,370	\$427	\$2,362
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:				
Miscellaneous Non-operating Income	1,740	53	0	1,793
Interest on Investment	0	0	(1,904)	(1,904)
Changes in Assets and Liabilities:				
Decrease in Accounts Receivable	474	0	0	474
Decrease in Intergovernmental Receivable	460	0	0	460
Total Adjustments	2,674	53	(1,904)	823
Net Cash Provided (Used) by Operating Activities	<u>\$2,239</u>	<u>\$2,423</u>	<u>(\$1,477)</u>	<u>\$3,185</u>

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

OTTAWA HILLS LOCAL SCHOOL DISTRICT, OHIO
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
JUNE 30, 1998

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Reporting Entity

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

The District is governed by a locally elected five member Board of Education (the Board) which provides educational services. The Board controls the District's instructional support facilities staffed by 33 noncertified, 78 certified teaching personnel and 8 administrative employees providing education to 974 students.

The accompanying general purpose financial statements comply with the provisions of Governmental Accounting Standards Board (GASB) Statement No. 14, "The Financial Reporting Entity," in that the financial statements include all organizations, activities, functions and component units for which the District (the reporting entity) is financially accountable. Financial accountability is defined as the appointment of a voting majority of a legally separate organization's governing body and either the District's ability to impose its will over the organization or the possibility that the organization will provide a financial benefit to, or impose a financial burden on, the District. There were no potential component units that met the criteria imposed by GASB Statement No. 14 to be included in the District's reporting entity. The District is a member of the Maumee Valley Computer Association (MAVCA), a jointly governed organization which provides computer service to seventeen (17) school districts. Based on the foregoing, the reporting entity of the District includes the following services: instructional (regular and special education), student guidance, extracurricular activities and care and upkeep of grounds and buildings.

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

B. Basis of Presentation - Fund Accounting

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

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

B. Basis of Presentation - Fund Accounting (Continued)

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

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

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

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

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

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

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

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

Internal Service Funds - The internal service funds are used to account for the financing of goods or services provided by one department or agency to other departments or agencies of the District or to other governments on a cost-reimbursement basis.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

B. Basis of Presentation - Fund Accounting (Continued)

Fiduciary Funds

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

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

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

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

C. Basis of Accounting

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

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

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

Property taxes measurable as of June 30, 1998 but which are not intended to finance fiscal year 1998 operations and delinquent property taxes, whose availability is indeterminate, are recorded as deferred revenue as further described in Note 4.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C. Basis of Accounting (Continued)

Current property taxes measurable at June 30, 1998, and which are intended to finance fiscal 1998 operations, have been recorded as deferred revenues. Delinquent property taxes measurable and available (received within 30 days) and amounts available as an advance on future tax settlements are recognized as revenue at year end. Taxes available for advance and recognized as revenue but not received by the District prior to June 30, 1998 are reflected as a reservation of fund balance for future appropriations. The District is prohibited by law from appropriating this revenue in accordance with ORC Section 5705.35, since an advance of revenue was not requested or received prior to the fiscal year end.

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

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

D. Budgetary Process

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

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

1. Tax Budget

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

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Budgetary Process (Continued)

2. Estimated Resources

Prior to March 15, the Board accepts by formal resolution, the tax rates as determined by the County Budget Commission and receives the Commission's Certificate of Estimated Resources which states the projected revenue of each fund. Prior to June 30, the District must revise its budget so that the total contemplated expenditures from any fund during the ensuing fiscal year will not exceed the amount available as stated in the certificate of estimated resources. The revised budget then serves as the basis for the annual appropriations measure. On or about July 1, the certificate of estimated resources is amended to include any unencumbered fund balances from the preceding year. The certificate may be further amended during the year if a new source of revenue is identified or actual receipts exceed current estimates. The amounts reported on the budgetary statement reflect the amounts in the final amended official certificate of estimated resources issued during fiscal year 1998.

3. Appropriations

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

4. Encumbrances

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

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

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Budgetary Process (Continued)

5. Lapsing of Appropriations

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

6. Budgetary Basis of Accounting

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

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

	Excess (Deficiency) of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses			
	General Fund	Special Revenue Funds	Debt Service Fund	Capital Projects Funds
GAAP Basis (as reported)	(\$294,090)	\$54,748	\$278,852	\$1,758,151
Increase (Decrease):				
Accrued Revenues at June 30, 1998, received during FY 1999	(138,867)	(249)	(15,058)	(5,921)
Accrued Revenues at June 30, 1997, received during FY 1998	260,735	0	7,430	8,389
Accrued Expenditures at June 30, 1998, paid during FY 1999	821,325	3,751	0	693,242
Accrued Expenditures at June 30, 1997, paid during FY 1998	(730,470)	(45,786)	0	(15,967)
FY 1998 Prepays for FY 1999	(4,668)	0	0	0
FY 1997 Prepays for FY 1998	48,962	0	0	0
Encumbrances Outstanding at June 30, 1999	(122,322)	(64,193)	0	(2,047,912)
Budget Basis	<u>(\$159,395)</u>	<u>(\$51,729)</u>	<u>\$271,224</u>	<u>\$389,982</u>

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

E. Cash and Cash Equivalents

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

The District pools its cash for investment and resource management purposes. Each fund's equity in pooled cash and investments represents the balance on hand as if each fund maintained its own cash and investment account. See Note 3, Cash, Cash Equivalents and Investments.

F. Investments

Investment procedures and interest allocations are restricted by provisions of the Ohio Constitution and the Ohio Revised Code. In accordance with GASB Statement No. 31, Accounting and Financial Reporting for Certain Investments and for External Investment Pools, the District records all its investments at fair value except for nonparticipating investment contracts (repurchase agreements) which are reported at cost. See Note 3, Cash, Cash Equivalents and Investments.

The District has invested funds in the State Treasury Asset Reserve of Ohio during 1998. STAR Ohio is an investment pool managed by the State Treasurer's Office which allows governments within the State to pool their funds for investment purposes. STAR Ohio is not registered with the SEC as an investment company, but does operate in a manner consistent with Rule 2a7 of the Investment Company Act of 1940. Investments in STAR Ohio are valued at STAR Ohio's share price which is the price the investment could be sold for on June 30, 1998.

G. Inventory

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

H. Fixed Assets and Depreciation

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

General fixed asset values were initially determined at June 30, 1996 by identifying historical costs where such information was available. In cases where information supporting original cost was not obtainable, estimated historical costs were developed. For certain fixed assets, the estimates were arrived at by indexing estimated current costs back to the estimated year of acquisition.

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

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

I. Long-Term Obligations

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

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

J. Compensated Absences

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

K. Pensions

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

L. Interfund Transactions

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

- Operating transfers are reported as "Other Financing Sources and Uses" in the governmental funds, as "Operating Transfers In" by the recipient fund, and "Operating Transfers Out" by the disbursing fund.
- Short-term interfund loans are reflected as interfund loans payable/receivable, while long-term interfund loans (greater than one year in length) are recorded as advances to/from other funds.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

L. Interfund Transactions (Continued)

- Residual Equity Transfers are nonroutine or nonrecurring transfers between funds and are reported as additions to or deductions from the fund equity balance.

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

M. Restricted Assets

Restricted assets in the general fund represent cash and cash equivalents set aside to establish a budget stabilization reserve. This reserve is required by State statute and can be used only after receiving approval from the State Department of Education. During fiscal year 1998, the district received a refund from the Bureau of Workers' Compensation which State statute required to be included in this reserve.

N. Reservations of Fund Balance

Reserves indicate that a portion of fund balance is not available for expenditure or is legally segregated for a specific future use. Fund balances are reserved for debt service, prepaid items, property taxes, budget stabilization and encumbered amounts which have not been accrued at year end. The reserve for property taxes represents taxes recognized as revenue under generally accepted accounting principles, but not available for appropriation under State statute. The reserve for budget stabilization is required by State statute for a refund from the Bureau of Workers' Compensation.

O. Total Columns on Combined Financial Statements

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

NOTE 2 - COMPLIANCE AND ACCOUNTABILITY

A. Change in Accounting Principle

For fiscal year 1998, the District has implemented GASB Statement No. 31, "Accounting and Financial Reporting for Certain Investments and for External Investment Pools." The statement established accounting and reporting guidelines for government investments and investment pools. Certain investments which were reported at cost in previous years are now reported at fair value.

The implementation of GASB Statement No. 31 had no effect on fund balance/retained earnings as it was previously reported as of June 30, 1997.

B. Fund Deficits

The fund deficit at June 30, 1998 of \$56 in the Teacher Development Fund (special revenue) arises from the recognition of expenditures on the modified accrual basis which are greater than expenditures recognized on the budgetary basis. A deficit does not exist under the cash basis of accounting.

C. Compliance Matters

Appropriations exceeded total certified resources in the following funds: Student Activity Fund, Auxiliary Services Fund, Teacher Development Fund, Data Communications Fund, Title VIB Fund (special revenue funds); the Building Fund and the School Net Plus Fund (capital project funds).

Expenditures exceeded appropriations at their legal level of control in the Building Fund - instruction line item.

NOTE 3 - CASH, CASH EQUIVALENTS AND INVESTMENTS

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

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

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

NOTE 3 - CASH, CASH EQUIVALENTS AND INVESTMENTS (Continued)

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

- United States treasury notes, bills, bonds, or any other obligation or security issued by the United States treasury or any other obligation guaranteed as to principal or interest by the United States;
- Bonds, notes, debentures, or any other obligations or securities issued by any federal government agency or instrumentality, including but not limited to, the federal national mortgage association, federal home loan bank, federal farm credit bank, federal home loan mortgage corporation, government national mortgage association, and student loan marketing association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
- Written repurchase agreements in the securities listed above provided that the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least two percent and be marked to market daily, and that the term of the agreement must not exceed thirty days;
- Interim deposits in eligible institutions applying for interim funds;
- Bonds and other obligations of the State of Ohio;
- No-load money market mutual funds consisting exclusively of obligations described in the first two bullets of this section and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions, and
- The State Treasury Asset Reserve of Ohio (STAR Ohio).
- Bonds of any municipal corporation, village, county, township or other political subdivision of this State, as to which there is no default of principal, interest or coupons.

Ohio Law requires that deposits be placed in eligible banks or savings and loan associations located in Ohio. Any public depository in which the District places deposits must pledge as collateral eligible securities of aggregate market value equal to the excess of deposits not insured by the Federal Deposit Insurance Corporation (FDIC). The securities pledged as collateral are pledged to a pool for each individual financial institution in amounts equal to at least 110% of the carrying value of all public collateral are limited to obligations of the United States and its agencies and obligations of any state, county, municipal corporation or other legally constituted authority of any other state, or any instrumentality of such county, municipal corporation or other authority. Based upon criteria described in GASB Statement No. 3, “Deposits With Financial Institutions, Investments (including Repurchase Agreements) and Reverse Repurchase Agreements,” collateral held in single financial institution collateral pools with securities being held by the pledging financial institutions’ agent in the pool’s name are classified as Category 3.

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

NOTE 3 - CASH, CASH EQUIVALENTS AND INVESTMENTS (Continued)

The Governmental Accounting Standards Board has established risk categories for deposits and investments as follows:

Deposits:

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

Investments:

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

A. Deposits

At year end the carrying amount of the District's deposits was an overdraft of \$267,033 and the bank balance was \$51,556. The Federal Deposit Insurance Corporation (FDIC) covered all of the bank balance.

B. Investments

The District's investments at June 30, 1998 are summarized below:

<u>Categorized Investments</u>	<u>Category 1</u>	<u>Category 2</u>	<u>Fair Value</u>
Federal Government Securities	\$1,666	\$0	\$1,666
Repurchase Agreement	0	107,784	107,784
Total Categorized Investments	1,666	107,784	109,450
<u>Non-Categorized Investments</u>			
STAR Ohio	N/A	N/A	5,700,446
Total Investments	\$1,666	\$107,784	\$5,809,896

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

NOTE 3 - CASH, CASH EQUIVALENTS AND INVESTMENTS (Continued)

C. Reconciliation of Cash, Cash Equivalents and Investments

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

	<u>Cash and Cash Equivalents</u>	<u>Investments</u>
Per Combined Balance Sheet	\$5,541,197	\$1,666
Investments:		
Repurchase Agreement	(107,784)	107,784
STAR Ohio	(5,700,446)	5,700,446
Per GASB Statement No. 3	<u>(\$267,033)</u>	<u>\$5,809,896</u>

NOTE 4 - TAXES

Property taxes include amounts levied against all real estate and public utility property, and tangible personal property used in business and located in the District. Real property taxes (other than public utility) collected during 1998 were levied after October 1, 1997 on assessed values as of January 1, 1997, the lien date. Assessed values are established by the County Auditor at 35 percent of appraised market value. All property is required to be reappraised every six years and equalization adjustments made the third year following reappraisal. The last revaluation was completed in 1995, and equalization adjustments were made in 1998. Real property taxes are payable annually or semi-annually. The first payment is due January 20, with the remainder payable by June 20.

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

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

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

NOTE 4 - TAXES (Continued)

The County Treasurer collects property taxes on behalf of all taxing districts in the County including Ottawa Hills Local School District. The County Auditor periodically remits to the District its portion of the taxes collected. The assessed values for collection in 1998, upon which the 1997 levies were based, were as follows:

Agricultural/Residential and Commercial / Industrial	\$135,667,500
Public Utility Personal	3,188,890
Tangible Personal Property	168,611
Total Assessed Value	<u>\$139,025,001</u>
Tax rate per \$1,000 of assessed valuation	<u>\$107.05</u>

NOTE 5 - RECEIVABLES

Receivables at June 30, 1998 consisted of taxes, accounts receivable and intergovernmental receivables.

NOTE 6 - OPERATING TRANSFERS

Following is a summary of operating transfers in and out for all funds at June 30, 1998:

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

NOTE 7 - FIXED ASSETS

General Fixed Assets-Summary by category of changes in general fixed assets at June 30, 1998:

Class	June 30, 1997	Additions	Deletions	June 30, 1998
Land and Improvements	\$68,983	\$94,541	\$0	\$163,524
Buildings and Improvements	3,960,276	3,450,829	(34,624)	7,376,481
Machinery and Equipment, Furniture and Fixtures	1,461,501	373,859	(147,972)	1,687,388
Vehicles	144,554	0	0	144,554
Totals	<u>\$5,635,314</u>	<u>\$3,919,229</u>	<u>(\$182,596)</u>	<u>\$9,371,947</u>

NOTE 8 - DEFINED BENEFIT PENSION PLANS

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

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

1. Pension Benefit Obligation

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

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

The Ohio Revised Code provides statutory authority for District and employee contributions of 14% and 9% respectively. The contribution rates are determined actuarially, and are established and may be amended by the School Employees Retirement Board (Retirement Board) within the rates allowed by State statute. The required employer contribution rate is allocated to basic retirement benefits and health care by the Retirement Board. At June 30, 1997, (the latest information available) 10.5% was allocated to fund the pension benefit obligation and 3.5% to fund health care. The District's contributions to the SERS of Ohio for the years ending June 30, 1998, 1997, and 1996 were \$124,068, \$115,314, and \$110,550, respectively, which were equal to the required contributions for each year.

2. Other Postemployment Benefits

In addition to the pension benefit obligation described above, the Ohio Revised Code gives SERS the discretionary authority to provide postretirement health care to retirees and their dependents. Coverage is made available to service retirees with ten or more years of qualifying service credit, disability and survivor benefit recipients. Members retiring on or after August 1, 1989 with less than twenty-five years of service credit must pay a portion of their premium for health care. The portion is based on years of service up to a maximum of 75% of the premium. The portion of the 1997 employer contribution rate (identified above) that was used to fund health care for the year 1997 was 4.21%. In addition, SERS levies a surcharge to fund health care benefits equal to 14% of the difference between a minimum pay and the member's pay, prorated for partial service credit. For fiscal year 1998, the minimum pay has been established as \$12,400 and the surcharge amounted to \$3,154.

Health care benefits are financed on a pay-as-you-go basis. The number of retirees and covered dependents currently receiving benefits is approximately 48,200. The target level for the health care reserve is 125% of annual health care expenses. Expenses for health care at June 30, 1997 were \$97,429,197 and the target level was \$121.8 million. Net assets available for payment of benefits at June 30, 1997 was \$146.4 million, at cost.

NOTE 8 - DEFINED BENEFIT PENSION PLANS (Continued)

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

1. Pension Benefit Obligation

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

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

The Ohio Revised Code provides statutory authority for District and employee contributions of 14% and 9.3%, respectively. The contribution requirements of plan members and the District are established and may be amended by the State Teachers Retirement Board, upon recommendation of its consulting actuary, not to exceed statutory maximum rates of 10% for members and 14% for employers. The District's contributions to the STRS of Ohio for the years ending June 30, 1998, 1997, and 1996 were \$578,195, \$509,812, and \$509,360, respectively, which were equal to the required contributions for each year.

2. Other Postemployment Benefits

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

Benefits are funded on a pay-as-you-go basis through an allocation of employer contributions, equal to 3.5% of covered payroll, to a health care reserve fund. The balance of the Health Care Reserve Fund was \$1,860 million at June 30, 1997. For the fiscal year ended June 30, 1997, the net health care costs paid by STRS were \$192,077,000. There were 88,718 eligible benefit recipients.

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

NOTE 9 - OTHER EMPLOYEE BENEFITS

A. Compensated Absences

The District provides a liability for accumulated unpaid sick leave and vacation time benefits when earned by employees. Accrued employee benefits for governmental funds not currently due and payable at year end are recorded in the General Long-Term Obligations Account Group. At June 30, 1998, the total accumulated unpaid sick and vacation time recorded in the General Long-Term Obligations Account Group was:

	<u>Amount</u>
Sick Leave	\$776,526
Vacation	59,482
Total	<u>\$836,008</u>

NOTE 10 - GENERAL LONG-TERM DEBT AND OTHER GENERAL LONG-TERM OBLIGATIONS

Activity in the General Long-Term Obligations Account Group during fiscal year 1998 was as follows:

	<u>Balance June 30, 1997</u>	<u>Issued (Retired)</u>	<u>Balance June 30, 1998</u>
General Long-Term Debt:			
(General Obligation Bonds)			
Elementary Addition and Improvements (General Obligation Note) 6.625%	\$700,000	(\$120,000)	\$580,000
Bond Anticipation Note Due August 5, 1998 5.750%	0	5,000,000	5,000,000
Other General Long-Term Obligations:			
Intergovernmental Payable	42,370	2,140	44,510
Capital Lease	22,966	(6,839)	16,127
Compensated Absences	1,019,534	(183,526)	836,008
Total Other General Long-Term Obligations	<u>1,087,870</u>	<u>(188,225)</u>	<u>896,645</u>
Total General Long-Term Debt and Other General Long-Term Obligations	<u>\$1,784,870</u>	<u>\$4,691,775</u>	<u>\$6,476,645</u>

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

**NOTE 10 - GENERAL LONG-TERM DEBT AND OTHER GENERAL
LONG-TERM OBLIGATIONS (Continued)**

A. Principal and Interest Requirements

A summary of the District's future long-term debt funding requirements, including principal and interest payments as of June 30, 1998, follows:

Years	General Obligation Bond	
	Principal	Interest
1999	\$5,130,000	\$246,028
2000	140,000	25,175
2001	150,000	15,569
2002	160,000	5,300
Totals	<u>\$5,580,000</u>	<u>\$292,072</u>

NOTE 11 - CAPITALIZED LEASES

The District leases two copiers under capital lease. The cost of the equipment obtained under capital lease is included in the General Fixed Assets Account Group and the related liability included in the General Long-Term Obligations Account Group.

The following is a schedule of future minimum lease payments under the capital leases together with the present value of the net minimum lease payments as of June 30, 1998:

Fiscal Year Ending June 30,	Capital Lease
1999	\$8,429
2000	8,429
2001	702
Minimum Lease Payments	17,560
Less amount representing interest at the District's incremental borrowing rate of interest	(1,433)
Present value of minimum lease payments	<u>\$16,127</u>

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

NOTE 12 - RISK MANAGEMENT

The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; and natural disasters. During fiscal year 1998 the District contracted with several different insurance providers for various insurance coverages, as follows:

<u>Insurance Provider</u>	<u>Coverage</u>	<u>Deductible</u>
Utica Insurance Company	Automobile	\$250
Utica Insurance Company	Property	\$1,000
Nationwide Insurance Company	Education Liability	\$1,000

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

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

NOTE 13 - JOINTLY GOVERNED ORGANIZATION

The District is a participant in the Maumee Valley Computer Association (MAVCA) which is a computer consortium. MAVCA is an association of seventeen educational entities, primarily school districts, located in Lucas and Wood Counties. The organization was formed for the purpose of applying modern technology with the aid of computers and other electronic equipment to administrative and instructional functions among members. MAVCA is governed by its participating members, which consists of a representative from each member entity and a representative from the fiscal agent. Financial information can be obtained from the Penta County Joint Vocational School, Carrie Herringshaw, who serves as Treasurer, at 30095 Oregon Road, Perrysburg, Ohio 43551-4594.

NOTE 14 - CONTINGENCIES

A. Grants

The District receives financial assistance from federal and state agencies in the form of grants. The disbursement of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and is subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the general fund or other applicable funds. However, in the opinion of management, any such disallowed claims will not have a material adverse effect on the overall financial position of the District at June 30, 1998.

B. Litigation

There are currently no pending lawsuits in which the District is named as defendant.

NOTE 14 – CONTINGENCIES (Continued)

C. State School Funding

On March 24, 1997, the Ohio Supreme Court rendered a decision declaring certain portions of the Ohio school funding plan unconstitutional. The Court stayed the effect of its ruling for one year to allow the Ohio General Assembly to design a plan to remedy the perceived defects in the system. Declared unconstitutional was the State's "school foundation program," which provides significant amounts of monetary support to the District. During the fiscal year ended June 30, 1998, the District received \$475,967 of school foundation support for its general fund. Since the Supreme Court ruling, numerous pieces of legislation have been passed by the Ohio General Assembly in an attempt to address the issues identified by the Court. The Court of Common Pleas in Perry County has reviewed the new laws, and in a decision issued on February 26, 1999, determined they are not sufficiently responsive to the constitutional issues raised under the "thorough and efficient" clause of the Ohio Constitution. The State has appealed the decision made by the Court of Common Pleas to the Ohio Supreme Court. At this time, the Ohio Supreme Court has not rendered an opinion on this issue. The decision of the Court of Common Pleas in Perry County has been stayed by the Ohio Supreme Court, and, as such, school districts are still operating under the laws that the Common Pleas Court declared unconstitutional. As of the date of these financial statements, the District is unable to determine what effect, if any, this ongoing litigation will have on its future State funding under this program and on its financial operations.

NOTE 15 - SUBSEQUENT EVENT

On August 6, 1997 the District issued \$5,000,000 in general obligation notes at an interest rate of 4.25%. The notes were issued in anticipation of general obligation bonds which were issued on August 3, 1998 at an interest rate of 4.75%. The bonds will be used for various capital improvements to both the elementary and high schools.

OTTAWA HILLS LOCAL SCHOOL DISTRICT, OHIO
STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
AGENCY FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 1998

	Balance June 30, 1997	Additions	Deductions	Balance June 30, 1998
<u>Student Managed Activity Fund</u>				
Assets				
Cash and Cash Equivalents	\$21,902	\$27,479	(\$24,687)	\$24,694
	<u>\$21,902</u>	<u>\$27,479</u>	<u>(\$24,687)</u>	<u>\$24,694</u>
Liabilities				
Due to Students	\$21,902	\$27,479	(\$24,687)	\$24,694
Total Liabilities	<u>\$21,902</u>	<u>\$27,479</u>	<u>(\$24,687)</u>	<u>\$24,694</u>



STATE OF OHIO
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**REPORT OF INDEPENDENT ACCOUNTANTS ON COMPLIANCE AND ON
INTERNAL CONTROL REQUIRED BY GOVERNMENT AUDITING STANDARDS**

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

To the Board of Education:

We have audited the financial statements of Ottawa Hills Local School District as of and for the year ended June 30, 1998, and have issued our report thereon dated March 17, 2000 in which we indicated that the District changed its method of accounting for investments. We conducted our audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether Ottawa Hills Local School District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance that are required to be reported under *Government Auditing Standards*, which are described in the accompanying schedule of findings as items 98-10148-001 and 98-10148-002. We also noted certain immaterial instances of noncompliance that we have reported to management of the District in a separate letter dated March 17, 2000.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Ottawa Hills Local School District's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses. However, we noted other matters involving the internal control over financial reporting that do not require inclusion in this report, that we have reported to the management of Ottawa Hills Local School District in a separate letter dated March 17, 2000.

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

A handwritten signature in black ink, appearing to read 'Jim Petro', with a large, stylized flourish at the end.

Jim Petro
Auditor of State

March 17, 2000

**SCHEDULE OF FINDINGS
DECEMBER 31, 1998**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS
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FINDING NUMBER 1998-10148-001

Noncompliance Citation

Ohio Revised Code § 5705.39 states the total appropriations from each fund should not exceed the estimated revenue.

The Fiscal Year 1998 appropriations exceeded estimated resources by \$197,960 in the Special Revenue Funds and by \$435,495 in the Capital Projects funds.

This condition could have caused negative fund balances in these funds if all anticipated appropriations were spent.

The Treasurer stated the condition was an oversight and an amended Certificate of Estimated Resources was not obtained after appropriations were amended.

We recommend the district prepare amendments to the Certificate of Estimated resources as necessary. The Certificate of Estimated Resources should be evaluated each time an appropriation amendment is made to ensure there are adequate financial resources to cover anticipated expenditures. The District should utilize appropriations and estimated resources as a monitoring tool to ensure they do not overspend. Accuracy is vital to effectively monitor spending and to identify potential problem areas in a timely manner.

FINDING NUMBER 1998-10148-002

Noncompliance Citation

Ohio Revised Code § 5705.41 (B) states no subdivision or taxing unit is to expend money unless it has been appropriated. In Fiscal Year 1998 the District's expenditures exceeded their appropriations in the Capital Projects - Instruction line item, which is at the legal level of control by \$121,666. Appropriations are limited by estimated resources and are designed to allow the District to monitor expenditures against revenues. To ensure the District does not spend more money than appropriated we recommend the District review appropriations periodically and ensure appropriations are not exceeded by expenditures.



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OTTAWA HILLS LOCAL SCHOOL DISTRICT

LUCAS COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
APRIL 11, 2000**