

**OTTAWA HILLS LOCAL SCHOOL DISTRICT  
LUCAS COUNTY**

**AUDITED FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED JUNE 30, 2008**





Mary Taylor, CPA  
Auditor of State

Board of Education  
Ottawa Hills Local School District  
3600 Indian Road  
Ottawa Hills, Ohio 43606

We have reviewed the *Independent Auditor's Report* of the Ottawa Hills Local School District, Lucas County, prepared by LublinSussman Group LLP, for the audit period July 1, 2007 through June 30, 2008. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

Our review was made in reference to the applicable sections of legislative criteria, as reflected by the Ohio Constitution, and the Revised Code, policies, procedures and guidelines of the Auditor of State, regulations and grant requirements. The Ottawa Hills Local School District is responsible for compliance with these laws and regulations.

*Mary Taylor*

Mary Taylor, CPA  
Auditor of State

April 5, 2010

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*OTTAWA HILLS LOCAL SCHOOL DISTRICT, OHIO*

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# LublinSussman Group LLP

Certified Public Accountants

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## INDEPENDENT AUDITOR'S REPORT

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

To the Board of Education:

We have audited the accompanying financial statement of the governmental activities, each major fund, and the aggregate remaining fund information of Ottawa Hills Local School District, Lucas County, Ohio, (the School District), as of and for the year ended June 30, 2008, which collectively comprise the School District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the School District's management. Our responsibility is to express an opinion 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 *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 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 Ottawa Hills Local School District, Lucas County, Ohio, as of June 30, 2008, and the respective changes in financial position and budgetary comparison for the general fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated January 28, 2010 on our consideration of the School 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. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that

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testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in conjunction with this report in considering the results of our audit.

The management's discussion and analysis on pages 3 through 10 is not a required part of the basic financial statements but is supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

*Seiblin Sussman Group LLP*

January 28, 2010  
Toledo, Ohio

# OTTAWA HILLS LOCAL SCHOOL DISTRICT

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

*Unaudited*

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

## **FINANCIAL HIGHLIGHTS**

Key financial highlights for 2008 are as follows:

- Net assets decreased \$257,895, which represents a 3.5% decrease from 2007.
- General revenues accounted for \$12,687,599 in revenue or 92% of all revenues. Program specific revenues in the form of charges for services and grants and contributions accounted for \$1,037,861 or 8% of total revenues of \$13,725,460.
- The District had \$13,983,355 in expenses related to governmental activities; only \$1,037,861 of these expenses were offset by program specific charges for services, grants or contributions. General revenues of \$12,687,599 were adequate to provide for these programs.
- The District's General Fund had \$12,252,179 in revenues and \$12,194,221 in expenditures. The General Fund's fund balance decreased \$47,302 to \$5,492,396.

## **OVERVIEW OF THE FINANCIAL STATEMENTS**

This annual report consists of two parts – management's discussion and analysis and the basic financial statements. The basic financial statements include two kinds of statements that present different views of the District:

These statements are as follows:

1. *The Government-Wide Financial Statements* – These statements provide both long-term and short-term information about the District's overall financial status.
2. *The Fund Financial Statements* – These statements focus on individual parts of the District, reporting the District's operations in more detail than the government-wide statements.

The financial statements also include notes that explain some of the information in the financial statements and provide more detailed data.

# OTTAWA HILLS LOCAL SCHOOL DISTRICT

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

*Unaudited*

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## **Government-wide Statements**

The government-wide statements report information about the District as a whole using accounting methods similar to those used by private-sector companies. The statement of net assets includes all of the District's assets and liabilities. All of the current year's revenues and expenses are accounted for in the statement of activities regardless of when cash is received or paid.

The two government-wide statements report the District's net assets and how they have changed. Net assets (the difference between the District's assets and liabilities) is one way to measure the District's financial health or position.

Over time, increases or decreases in the District's net assets are an indicator of whether its financial health is improving or deteriorating, respectively.

To assess the overall health of the District you need to consider additional nonfinancial factors such as the property tax base, current property tax laws, student enrollment growth and facility conditions.

The government-wide financial statements of the District reflect the following category of its activities:

*Governmental Activities* – The District's programs and services are reported here including instruction, support services, operation and maintenance of plant, pupil transportation and extracurricular activities.

## **Fund Financial Statements**

The fund financial statements provide more detailed information about the District's most significant funds, not the District as a whole. Funds are accounting devices that the District uses to keep track of specific sources of funding and spending for particular purposes.

*Governmental Funds* – 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 accounting, 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 differences) between governmental activities (reported in the Statement of Net Assets and the Statement of Activities) and governmental funds is reconciled in the financial statements.

## **OTTAWA HILLS LOCAL SCHOOL DISTRICT**

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

*Unaudited*

**Fiduciary Funds** – The District is the trustee, or fiduciary, for various student managed activity programs, various scholarship programs and other items listed as agency. It is also responsible for other assets that, due to a trust arrangement can only be used for the trust beneficiaries. All of the District's fiduciary activities are reported in separate Statements of Fiduciary Net Assets and Changes in Fiduciary Net Assets. We exclude these activities from the District's other financial statements because the assets cannot be utilized by the District to finance its operations.

### **FINANCIAL ANALYSIS OF THE SCHOOL DISTRICT AS A WHOLE**

The following table provides a summary of the District's net assets for 2008 compared to 2007.

	Governmental Activities		Increase (Decrease)
	2008	2007	
Current and other assets	\$17,362,532	\$17,741,759	(\$379,227)
Capital assets, Net	5,526,526	5,523,530	2,996
Total assets	22,889,058	23,265,289	(376,231)
Long-term debt outstanding	5,330,948	5,538,988	(208,040)
Other liabilities	10,473,042	10,383,338	89,704
Total liabilities	15,803,990	15,922,326	(118,336)
Net assets			
Invested in capital assets, net of related debt	1,651,526	1,368,530	282,996
Restricted	1,104,008	1,007,343	96,665
Unrestricted	4,329,534	4,967,090	(637,556)
Total net assets	\$7,085,068	\$7,342,963	(\$257,895)

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## **OTTAWA HILLS LOCAL SCHOOL DISTRICT**

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

**Unaudited**

**Changes in Net Assets** – The following table shows the changes in net assets for the fiscal year 2008 compared to 2007:

	Governmental Activities		Increase (Decrease)
	2008	2007	
Revenues			
Program Revenues:			
Charges for Services and Sales	\$353,724	\$464,936	(\$111,212)
Operating Grants and Contributions	684,137	680,537	3,600
Total Program Revenues	1,037,861	1,145,473	(107,612)
General Revenues:			
Property Taxes	8,972,023	9,236,832	(264,809)
Intergovernmental, Unrestricted	3,140,564	2,997,875	142,689
Other	575,012	600,018	(25,006)
Total General Revenues	12,687,599	12,834,725	(147,126)
Total Revenues	13,725,460	13,980,198	(254,738)
Program Expenses			
Instruction	8,717,522	8,319,948	397,574
Support Services:			
Pupils	595,873	573,690	22,183
Instructional Staff	548,232	523,853	24,379
Board of Education	20,664	28,273	(7,609)
Administration	928,598	930,830	(2,232)
Fiscal Services	478,201	378,906	99,295
Operation and Maintenance of Plant	1,365,798	1,298,154	67,644
Pupil Transportation	40,548	44,922	(4,374)
Central	48,757	29,356	19,401
Community Services	403,329	390,205	13,124
Extracurricular Activities	646,268	603,278	42,990
Interest and Fiscal Charges	189,565	202,586	(13,021)
Total Expenses	13,983,355	13,324,001	659,354
Total Change in Net Assets	(257,895)	656,197	(914,092)
Beginning Net Assets	7,342,963	6,686,766	656,197
Ending Net Assets	\$7,085,068	\$7,342,963	(\$257,895)

### **Governmental Activities**

Net assets of the District's governmental activities decreased \$257,895. Charges for services decreased due to a decrease in the number of non-resident tuition students. Unrestricted intergovernmental revenues increased due to increases in homestead and rollback receipts. Increases in instruction can be attributed to an increase in salaries and benefits.

## OTTAWA HILLS LOCAL SCHOOL DISTRICT

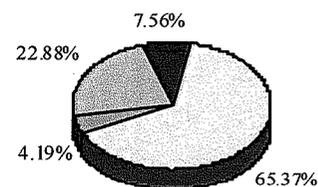
**Management's Discussion and Analysis  
For the Fiscal Year Ended June 30, 2008**

*Unaudited*

The unique nature of property taxes in Ohio creates the need to routinely seek voter approval for operating funds. In general, the overall revenue generated by the levy will not increase solely as a result of inflation. As an example, a homeowner with a home valued at \$100,000 and taxed at 1.0 mill would pay \$35.00 annually in taxes. If three years later the home were reappraised and increased to \$200,000 (and this inflationary increase in value is comparable to other property owners) the effective tax rate would become .5 mills and the owner would still pay \$35.00.

Property taxes made up 65% of revenues for governmental activities for Ottawa Hills Local Schools in fiscal year 2008. The District's reliance upon tax revenues is demonstrated by the following graph:

Revenue Sources	2008	Percent of Total
Intergovernmental, Unrestricted	\$3,140,564	22.88%
Program Revenues	1,037,861	7.56%
General Tax Revenues	8,972,023	65.37%
General Other	575,012	4.19%
<b>Total Revenue</b>	<b>\$13,725,460</b>	<b>100.00%</b>



### FINANCIAL ANALYSIS OF THE SCHOOL DISTRICT'S FUNDS

The District's governmental funds reported a combined fund balance of \$6,736,963, which is more than last year's balance of \$6,657,059. The schedule below indicates the fund balance and the total change in fund balance as of June 30, 2008 and 2007.

	Fund Balance June 30, 2008	Fund Balance June 30, 2007	Increase (Decrease)
General	\$5,492,396	\$5,539,698	(\$47,302)
Other Governmental	1,244,567	1,117,361	127,206
<b>Total</b>	<b>\$6,736,963</b>	<b>\$6,657,059</b>	<b>\$79,904</b>

*General Fund* – The District's General Fund balance decrease is due to many factors. The tables that follow assist in illustrating the financial activities and balance of the General Fund:

	2008 Revenues	2007 Revenues	Increase (Decrease)
Taxes	\$8,632,586	\$8,196,121	\$436,465
Tuition	66,278	121,331	(55,053)
Transportation Fees	2,526	2,271	255
Investment Earnings	417,842	435,200	(17,358)
Extracurricular Activities	57,003	57,529	(526)
Class Materials and Fees	47,883	46,114	1,769
Intergovernmental - State	3,014,808	2,882,892	131,916
All Other Revenue	13,253	16,352	(3,099)
<b>Total</b>	<b>\$12,252,179</b>	<b>\$11,757,810</b>	<b>\$494,369</b>

## **OTTAWA HILLS LOCAL SCHOOL DISTRICT**

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

***Unaudited***

General Fund revenues in 2008 increased approximately 4% compared to fiscal year 2007. Tuition receipts decreased due to a decrease in the number of non-resident tuition students. Tax receipts increased due to a property revaluation in 2007.

	2008	2007	Increase
	<u>Expenditures</u>	<u>Expenditures</u>	<u>(Decrease)</u>
Instruction	\$8,161,841	\$7,636,610	\$525,231
Supporting Services:			
Pupils	550,759	525,144	25,615
Instructional Staff	423,998	408,661	15,337
Board of Education	20,664	28,273	(7,609)
Administration	875,601	889,319	(13,718)
Fiscal Services	447,619	364,455	83,164
Operation & Maintenance of Plant	1,267,434	1,245,950	21,484
Pupil Transportation	33,071	37,445	(4,374)
Central	42,757	23,356	19,401
Community Services	14,733	2,000	12,733
Extracurricular Activities	355,744	335,751	19,993
Total	<u>\$12,194,221</u>	<u>\$11,496,964</u>	<u>\$697,257</u>

Expenditures increased \$697,257 or 6% compared to the prior year mostly due to an increase in instruction, which can be attributed to increases in salaries and benefits.

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 most significant budgeted fund is the General Fund.

During the course of fiscal year 2008 the District amended its General Fund budget several times, none significant.

For the General Fund, final budget basis revenue was \$12.2 million, above original budget estimates of \$11.6 million due to increases in taxes and state grant monies. Actual budget basis revenue was equal to final estimates. Actual budget basis expenditures were less than original and final estimates due to a decrease in instruction. The General Fund had an adequate fund balance to cover expenditures.

## OTTAWA HILLS LOCAL SCHOOL DISTRICT

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

*Unaudited*

### CAPITAL ASSETS AND DEBT ADMINISTRATION

#### *Capital Assets*

At the end of fiscal year 2008 the District had \$5,526,526 net of accumulated depreciation invested in land, construction in progress, improvements, buildings, machinery, equipment and vehicles. The following table shows fiscal year 2008 and 2007 balances:

	Governmental Activities		Increase (Decrease)
	2008	2007	
Land	\$743,629	\$743,629	\$0
Construction in Progress	25,202	191,999	(166,797)
Land Improvements	933,842	912,442	21,400
Buildings and Improvements	8,247,356	7,830,880	416,476
Machinery/Equipment and Furniture/Fixtures	941,632	924,857	16,775
Vehicles	173,203	164,183	9,020
Less: Accumulated Depreciation	(5,538,338)	(5,244,460)	(293,878)
Totals	\$5,526,526	\$5,523,530	\$2,996

The primary increase occurred in buildings and improvements. This was the result of a roof replacement at the high school.

Additional information on the District's capital assets can be found in Note 8.

#### *Debt*

At June 30, 2008, the District had \$3.9 million in bonds outstanding, \$295,000 due within one year. The following table summarizes the District's debt outstanding as of June 30, 2008 and 2007:

	2008	2007
Governmental Activities:		
General Obligation Bonds:		
School Improvement	\$3,875,000	\$4,155,000
Compensated Absences	1,455,948	1,383,988
Totals	\$5,330,948	\$5,538,988

Under current state statutes, the District's general obligation bonded debt issues are subject to a legal limitation based on 9% of the total assessed value of real and personal property. At June 30, 2008, the District's outstanding debt was below the legal limit. Additional information on the District's long-term debt can be found in Note 11.

# **OTTAWA HILLS LOCAL SCHOOL DISTRICT**

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

***Unaudited***

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## **ECONOMIC FACTORS**

The Ottawa Hills Local School District relies upon local property taxes and state foundation monies to fund its operations. In fiscal year 2008 the District received approximately 70.35% of its revenues from local property taxes, 14.02% from the state foundation program, 10.72% from the Homestead/Rollback exemption legislation, and the remaining 4.91% from other local sources. The District real estate value consists of 96.87% residential real estate, 2.38% commercial real estate, and 0.75% tangible personal property/public utilities personal property.

The District last passed a 5.5 mill continuing operating levy in November 2007 by a 64% margin. The District passed a 1.5 mill permanent improvement levy in November 2003 by a 74% margin. The permanent improvement levy will be levied for five years, expiring in 2008. The District passed a second 1.5 mill permanent improvement levy in November 2006 by a 71% margin. The November 2006 permanent improvement will be levied for five years, expiring in 2011.

In conclusion, the Ottawa Hills Local School District's management has committed itself to financial prudence in the years to come.

## **REQUESTS FOR INFORMATION**

This financial report is designed to provide our citizens, taxpayers, 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 Bradley Browne, Treasurer of Ottawa Hills Local School District.

***OTTAWA HILLS LOCAL SCHOOL DISTRICT***

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## **OTTAWA HILLS LOCAL SCHOOL DISTRICT**

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### ***Statement of Net Assets*** ***June 30, 2008***

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	<b>Governmental Activities</b>
<b>Assets:</b>	
Cash and Cash Equivalents	\$ 4,126,704
Investments	3,366,926
Receivables:	
Taxes	9,760,972
Accounts	2,236
Intergovernmental	539
Interest	14,813
Prepaid Items	90,342
Capital Assets, Net	<u>5,526,526</u>
<b>Total Assets</b>	<b><u>22,889,058</u></b>
<b>Liabilities:</b>	
Accounts Payable	21,735
Accrued Wages and Benefits	858,166
Intergovernmental Payable	278,315
Deferred Revenue - Taxes	9,176,585
Accrued Interest Payable	60,206
Compensated Absences Payable	78,035
Long Term Liabilities:	
Due Within One Year	381,217
Due in More Than One Year	<u>4,949,731</u>
<b>Total Liabilities</b>	<b><u>15,803,990</u></b>
<b>Net Assets:</b>	
Invested in Capital Assets, Net of Related Debt	1,651,526
Restricted For:	
Capital Projects	196,482
Debt Service	823,923
Other Purposes	83,603
Unrestricted	<u>4,329,534</u>
<b>Total Net Assets</b>	<b><u>\$ 7,085,068</u></b>

See accompanying notes to the basic financial statements

## OTTAWA HILLS LOCAL SCHOOL DISTRICT

### *Statement of Activities* *For the Fiscal Year Ended June 30, 2008*

		Program Revenues		Net (Expense) Revenue and Changes in Net Assets
	Expenses	Charges for Services and Sales	Operating Grants and Contributions	Governmental Activities
<b>Governmental Activities:</b>				
Instruction	\$ 8,717,522	\$ 144,869	\$ 101,165	\$ (8,471,488)
Support Services:				
Pupils	595,873	0	39,600	(556,273)
Instructional Staff	548,232	0	102,657	(445,575)
Board of Education	20,664	0	0	(20,664)
Administration	928,598	0	46,119	(882,479)
Fiscal Services	478,201	0	0	(478,201)
Operation and Maintenance of Plant	1,365,798	1,402	0	(1,364,396)
Pupil Transportation	40,548	2,526	0	(38,022)
Central	48,757	0	6,000	(42,757)
Community Services	403,329	0	388,596	(14,733)
Extracurricular Activities	646,268	204,927	0	(441,341)
Interest and Fiscal Charges	189,565	0	0	(189,565)
<b>Total Governmental Activities</b>	<b>\$ 13,983,355</b>	<b>\$ 353,724</b>	<b>\$ 684,137</b>	<b>(12,945,494)</b>
<b>General Revenues</b>				
Property Taxes Levied for:				
General Purposes				8,151,205
Debt Service				412,724
Capital Outlay				408,094
Intergovernmental, Unrestricted				3,140,564
Investment Earnings				404,599
Miscellaneous				170,413
Total General Revenues				12,687,599
Change in Net Assets				(257,895)
Net Assets Beginning of Year				7,342,963
Net Assets End of Year				\$ 7,085,068

See accompanying notes to the basic financial statements

**OTTAWA HILLS LOCAL SCHOOL DISTRICT**

**Balance Sheet**  
**Governmental Funds**  
**June 30, 2008**

	General	Other Governmental Funds	Total Governmental Funds
	<u>General</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
<b>Assets:</b>			
Cash and Cash Equivalents	\$ 2,910,211	\$ 1,216,493	\$ 4,126,704
Investments	3,366,926	0	3,366,926
Receivables:			
Taxes	8,847,649	913,323	9,760,972
Accounts	2,236	0	2,236
Intergovernmental	0	539	539
Interest	14,813	0	14,813
Interfund Loans Receivable	339	1,389	1,728
Prepaid Items	90,342	0	90,342
<b>Total Assets</b>	<b>\$ 15,232,516</b>	<b>\$ 2,131,744</b>	<b>\$ 17,364,260</b>
<b>Liabilities:</b>			
Accounts Payable	\$ 21,536	\$ 199	\$ 21,735
Accrued Wages and Benefits	858,166	0	858,166
Intergovernmental Payable	277,894	421	278,315
Interfund Loans Payable	189	1,539	1,728
Deferred Revenue - Taxes	8,498,539	885,018	9,383,557
Deferred Revenue	5,761	0	5,761
Compensated Absences Payable	78,035	0	78,035
<b>Total Liabilities</b>	<b>9,740,120</b>	<b>887,177</b>	<b>10,627,297</b>
<b>Fund Balances:</b>			
Reserved for Encumbrances	62,423	195,667	258,090
Reserved for Prepaid Items	90,342	0	90,342
Reserved for Debt Service	0	850,404	850,404
Reserved for Property Taxes	349,110	28,305	377,415
Unreserved, Undesignated in:			
General Fund	4,990,521	0	4,990,521
Special Revenue Funds	0	166,806	166,806
Capital Projects Funds	0	3,385	3,385
<b>Total Fund Balances</b>	<b>5,492,396</b>	<b>1,244,567</b>	<b>6,736,963</b>
<b>Total Liabilities and Fund Balances</b>	<b>\$ 15,232,516</b>	<b>\$ 2,131,744</b>	<b>\$ 17,364,260</b>

See accompanying notes to the basic financial statements

**OTTAWA HILLS LOCAL SCHOOL DISTRICT**

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***Reconciliation Of Total Governmental Fund Balances  
To Net Assets Of Governmental Activities  
June 30, 2008***

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<b>Total Governmental Fund Balances</b>		\$ 6,736,963
<i>Amounts reported for governmental activities in the statement of net assets are different because</i>		
Capital Assets used in governmental activities are not resources and therefore are not reported in the funds.		5,526,526
Other long-term assets are not available to pay for current-period expenditures and therefore are deferred in the funds.		212,733
Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds.		
General Obligation Bonds Payable	(3,875,000)	
Compensated Absences Payable	(1,455,948)	
Accrued Interest Payable	(60,206)	(5,391,154)
<b><i>Net Assets of Governmental Activities</i></b>		<u><u>\$ 7,085,068</u></u>

See accompanying notes to the basic financial statements

## OTTAWA HILLS LOCAL SCHOOL DISTRICT

### Statement of Revenues, Expenditures and Changes in Fund Balances Governmental Funds For the Fiscal Year Ended June 30, 2008

	General	Other Governmental Funds	Total Governmental Funds
<b>Revenues:</b>			
Local Sources:			
Taxes	\$ 8,632,586	\$ 877,259	\$ 9,509,845
Tuition	66,278	0	66,278
Transportation Fees	2,526	0	2,526
Investment Earnings	417,842	2,243	420,085
Extracurricular Activities	57,003	147,924	204,927
Class Materials and Fees	47,883	30,708	78,591
Intermediate Sources	0	10,000	10,000
Intergovernmental - State	3,014,808	533,708	3,548,516
Intergovernmental - Federal	0	276,185	276,185
All Other Revenue	13,253	133,448	146,701
<b>Total Revenue</b>	<u>12,252,179</u>	<u>2,011,475</u>	<u>14,263,654</u>
<b>Expenditures:</b>			
Current:			
Instruction	8,161,841	331,732	8,493,573
Supporting Services:			
Pupils	550,759	40,374	591,133
Instructional Staff	423,998	102,657	526,655
Board of Education	20,664	0	20,664
Administration	875,601	53,034	928,635
Fiscal Services	447,619	11,874	459,493
Operation and Maintenance of Plant	1,267,434	330,038	1,597,472
Pupil Transportation	33,071	0	33,071
Central	42,757	6,000	48,757
Community Services	14,733	388,596	403,329
Extracurricular Activities	355,744	260,687	616,431
Capital Outlay	0	5,613	5,613
Debt Service:			
Principal Retirement	0	280,000	280,000
Interest & Fiscal Charges	0	194,038	194,038
<b>Total Expenditures</b>	<u>12,194,221</u>	<u>2,004,643</u>	<u>14,198,864</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	57,958	6,832	64,790
<b>Other Financing Sources (Uses):</b>			
Transfers In	0	120,905	120,905
Transfers Out	(119,210)	(1,695)	(120,905)
Refund of Prior Year Expenditures	13,950	1,164	15,114
<b>Total Other Financing Sources (Uses)</b>	<u>(105,260)</u>	<u>120,374</u>	<u>15,114</u>
Net Change in Fund Balance	(47,302)	127,206	79,904
<b>Fund Balances at Beginning of Year</b>	<u>5,539,698</u>	<u>1,117,361</u>	<u>6,657,059</u>
<b>Fund Balances End of Year</b>	<u>\$ 5,492,396</u>	<u>\$ 1,244,567</u>	<u>\$ 6,736,963</u>

See accompanying notes to the basic financial statements

## **OTTAWA HILLS LOCAL SCHOOL DISTRICT**

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### ***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, 2008***

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**Net Change in Fund Balances - Total Governmental Funds** **\$ 79,904**

***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	319,629	
Depreciation Expense	<u>(316,633)</u>	2,996

Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds. (553,308)

The issuance of long-term debt provides current financial resources to governmental funds, but has no effect on net assets. In addition, repayment of bond and loan principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of activities.

General Obligation Bond Principal Payment	280,000
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In the statement of activities, interest is accrued on outstanding bonds, whereas in governmental funds, an interest expenditure is reported when due. 4,473

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 the governmental funds.

Change in Compensated Absences	<u>(71,960)</u>
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***Change in Net Assets of Governmental Activities*** **\$ (257,895)**

See accompanying notes to the basic financial statements

## OTTAWA HILLS LOCAL SCHOOL DISTRICT

**Statement of Revenues, Expenditures and Changes in  
Fund Balance – Budget and Actual (Non-GAAP Budgetary Basis)  
General Fund  
For the Fiscal Year Ended June 30, 2008**

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
<b>Revenues:</b>				
Local Sources:				
Taxes	\$ 8,190,895	\$ 8,576,484	\$ 8,576,484	\$ 0
Tuition	65,000	65,253	65,253	0
Transportation Fees	500	2,526	2,526	0
Investment Earnings	358,455	398,991	398,991	0
Extracurricular Activities	52,000	57,197	57,197	0
Class Material and Fees	40,350	48,645	48,645	0
Intergovernmental - State	2,883,680	3,014,808	3,014,808	0
All Other Revenues	4,250	13,253	13,253	0
Total Revenues	<u>11,595,130</u>	<u>12,177,157</u>	<u>12,177,157</u>	<u>0</u>
<b>Expenditures:</b>				
Current:				
Instruction	8,303,284	8,322,891	8,079,653	243,238
Support Services:				
Pupils	560,620	565,821	549,337	16,484
Instructional Staff	424,283	434,629	422,037	12,592
Board of Education	28,500	23,924	20,664	3,260
Administration	908,425	960,519	910,940	49,579
Fiscal Services	469,650	479,833	447,027	32,806
Operation and Maintenance of Plant	1,346,150	1,327,061	1,298,332	28,729
Pupil Transportation	56,855	45,879	35,860	10,019
Central	55,500	44,499	42,757	1,742
Community Services	17,000	14,733	14,733	0
Extracurricular Activities	370,267	358,746	354,833	3,913
Total Expenditures	<u>12,540,534</u>	<u>12,578,535</u>	<u>12,176,173</u>	<u>402,362</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	(945,404)	(401,378)	984	402,362
<b>Other Financing Sources (Uses):</b>				
Transfers Out	(118,547)	(119,547)	(119,210)	337
Advances Out	(5,000)	(4,000)	0	4,000
Refund of Prior Year Expenditures	0	13,198	13,198	0
Total Other Financing Sources (Uses):	<u>(123,547)</u>	<u>(110,349)</u>	<u>(106,012)</u>	<u>4,337</u>
Net Change in Fund Balance	(1,068,951)	(511,727)	(105,028)	406,699
Fund Balance at Beginning of Year	6,275,155	6,275,155	6,275,155	0
Prior Year Encumbrances	38,004	38,004	38,004	0
Fund Balance at End of Year	<u>\$ 5,244,208</u>	<u>\$ 5,801,432</u>	<u>\$ 6,208,131</u>	<u>\$ 406,699</u>

See accompanying notes to the basic financial statements

## **OTTAWA HILLS LOCAL SCHOOL DISTRICT**

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### ***Statement of Net Assets***

#### ***Fiduciary Funds***

***June 30, 2008***

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	<u>Private Purpose Trust Funds</u>	<u>Student Managed Activity Fund</u>	<u>Total</u>
<b>Assets:</b>			
Cash and Cash Equivalents	\$ 34,820	\$ 47,422	\$ 82,242
<b>Total Assets</b>	<u>34,820</u>	<u>47,422</u>	<u>82,242</u>
<b>Liabilities:</b>			
Due to Students	<u>0</u>	<u>47,422</u>	<u>47,422</u>
<b>Total Liabilities</b>	<u>0</u>	<u>47,422</u>	<u>47,422</u>
<b>Net Assets:</b>			
Unrestricted	<u>34,820</u>	<u>0</u>	<u>34,820</u>
<b>Total Net Assets</b>	<u>\$ 34,820</u>	<u>\$ 0</u>	<u>\$ 34,820</u>

See accompanying notes to the basic financial statements

## **OTTAWA HILLS LOCAL SCHOOL DISTRICT**

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***Statement of Changes in Net Assets  
Fiduciary Fund  
For the Fiscal Year Ended June 30, 2008***

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	<u>Private Purpose Trust Funds</u>
<b>Additions:</b>	
Contributions:	
Private Donations	\$ 1,315
Total Contributions	<u>1,315</u>
Investment Earnings:	
Interest	<u>1,391</u>
Total Investment Earnings	<u>1,391</u>
Total Additions	<u>2,706</u>
<b>Deductions:</b>	
Community Gifts, Awards and Scholarships	<u>1,771</u>
Total Deductions	<u>1,771</u>
Change in Net Assets	935
Net Assets at Beginning of Year	<u>33,885</u>
Net Assets End of Year	<u>\$ 34,820</u>

See accompanying notes to the basic financial statements

# OTTAWA HILLS LOCAL SCHOOL DISTRICT

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## *Notes to the Basic Financial Statements For the Fiscal Year Ended June 30, 2008*

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### 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 39 noncertified, 79 certified teaching personnel and 8 administrative employees providing education to 987 students.

The accompanying basic financial statements comply with the provisions of Governmental Accounting Standards Board (GASB) Statement No. 14, "*The Financial Reporting Entity*," in that the financial statements include all organizations, activities, functions and component units for which the District (the reporting entity) is financially accountable. Financial accountability is defined as the appointment of a voting majority of a legally separate organization's governing body and either the District's ability to impose its will over the organization or the possibility that the organization will provide a financial benefit to, or impose a financial burden on, the District. There were no potential component units that met the criteria imposed by GASB Statement No. 14 to be included in the District's reporting entity. The District is a member of the Northwest Ohio Computer Association (NWOCA), the Northern Buckeye Education Council (NBEC) and the Educational Regional Service System Region 1. The aforementioned entities are jointly governed organizations that provide various services to member school districts, see Note 13 "Jointly Governed Organizations." 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, 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 basic financial statements.

The following fund types 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 are accounted for through governmental funds. The measurement focus is upon determination of "financial flow" (sources, uses and balances of financial resources). The following is the District's only major governmental fund:

# OTTAWA HILLS LOCAL SCHOOL DISTRICT

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## *Notes to the Basic Financial Statements For the Fiscal Year Ended June 30, 2008*

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### NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

#### **B. Basis of Presentation - Fund Accounting** (Continued)

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.

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

***Fiduciary Funds*** – Fiduciary fund reporting focuses on net assets and changes in net assets. The fiduciary 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 therefore not available to support the District's own programs. The District's two trust funds are private-purpose trusts that account for scholarship programs for students. The agency fund, which accounts for student activities, is custodial in nature (assets equal liabilities) and does not involve the measurement of results of operation.

#### **C. Basis of Presentation – Financial Statements**

***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. The statements distinguish between those activities of the District that are governmental and those that are considered business-type activities.

The government-wide statements are prepared using the economic resources measurement focus, which differs from the manner in which governmental fund financial statements are prepared. Governmental fund financial statements therefore include a reconciliation with brief explanations to better identify the relationship between the government-wide statements and the statements for governmental funds.

The government-wide statement of activities presents a comparison between direct expenses and program revenues for each function or program of the District's governmental activities. Direct expenses are those that are specifically associated with a service, program or department and 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 which are not classified as program revenues are presented as general revenues of the District, with certain limited exceptions. The comparison of direct expenses with program revenues identifies the extent to which each governmental function is self-financing or draws from the general revenues of the District.

# OTTAWA HILLS LOCAL SCHOOL DISTRICT

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## *Notes to the Basic Financial Statements For the Fiscal Year Ended June 30, 2008*

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### NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

#### **C. Basis of Presentation – Financial Statements (Continued)**

**Fund Financial Statements** – Fund financial statements report detailed information about the District. The focus of governmental fund financial statements is on major funds rather than reporting funds by type. Each major fund is presented in a separate column. Nonmajor funds are aggregated and presented in a single column. Fiduciary funds are reported by fund type.

The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. All governmental fund types are accounted for using a flow of current financial resources measurement focus. The financial statements for governmental funds are a balance sheet, which generally includes only current assets and current liabilities, and a statement of revenues, expenditures and changes in fund balances, which reports on the sources (i.e., revenues and other financing sources) and uses (i.e., expenditures and other financing uses) of current financial resources.

Fiduciary funds are reported using the economic resources measurement focus.

#### **D. 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. 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.

Under the modified accrual basis, the following revenue sources are considered susceptible to accrual at year end: property taxes, tuition, grants and entitlements, student fees and interest on investments.

Current property taxes measurable at June 30, 2008, and which are not intended to finance fiscal 2008 operations, have been recorded as deferred revenues. Delinquent property taxes measurable and available (received within 60 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, 2008 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.

# **OTTAWA HILLS LOCAL SCHOOL DISTRICT**

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## ***Notes to the Basic Financial Statements For the Fiscal Year Ended June 30, 2008***

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### **NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

#### **D. Basis of Accounting (Continued)**

The accrual basis of accounting is utilized for reporting purposes by the government-wide financial statements, agency funds and the private-purpose trust funds. Revenues are recognized when they are earned and expenses are recognized when incurred.

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.

Non-exchange 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. Revenue from grants, entitlements and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied. Grants and entitlements received before eligibility requirements are met are recorded as deferred revenue.

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.

#### **E. Budgetary Process**

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

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

##### **1. Tax Budget**

By January 15, the Superintendent and Treasurer submit an annual operating budget for the following fiscal year to the Board of Education for consideration and passage. The adopted budget is submitted to the County Auditor, as Secretary of the County Budget Commission, by January 20 of each year for the period July 1 to June 30 of the following fiscal year. The Lucas County Budget Commission waived the tax budget filing requirement for fiscal year 2008.

# OTTAWA HILLS LOCAL SCHOOL DISTRICT

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## *Notes to the Basic Financial Statements For the Fiscal Year Ended June 30, 2008*

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### NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

#### **E. Budgetary Process** (Continued)

##### 2. Estimated Resources

Prior to January 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 schedule reflect the amounts in the final amended official certificate of estimated resources issued during fiscal year 2008.

##### 3. Appropriations

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

##### 4. 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.

## **OTTAWA HILLS LOCAL SCHOOL DISTRICT**

### ***Notes to the Basic Financial Statements For the Fiscal Year Ended June 30, 2008***

#### **NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

##### **E. Budgetary Process (Continued)**

##### **5. 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 schedules for the General Fund:

Net Change in Fund Balance	General Fund
GAAP Basis (as reported)	(\$47,302)
Increase (Decrease):	
Accrued Revenues at June 30, 2008, received during FY 2009	(342,823)
Accrued Revenues at June 30, 2007, received during FY 2008	288,200
Accrued Expenditures at June 30, 2008, paid during FY 2009	1,235,631
Accrued Expenditures at June 30, 2007, paid during FY 2008	(1,145,459)
FY 2007 Prepays for FY 2008	83,798
FY 2008 Prepays for FY 2009	(90,342)
Encumbrances Outstanding	(86,731)
Budget Basis	(\$105,028)

# **OTTAWA HILLS LOCAL SCHOOL DISTRICT**

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## ***Notes to the Basic Financial Statements For the Fiscal Year Ended June 30, 2008***

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### **NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

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

Cash and cash equivalents include amounts in demand deposits, investments with original maturities of less than three months and the State Treasury Asset Reserve (STAR Ohio). STAR Ohio is a very liquid investment and is reported as a cash equivalent in the basic financial statements.

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."

#### **G. 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 which are reported at cost, which approximates fair value. See Note 3, "Cash, Cash Equivalents and Investments." During fiscal year 2008, investments were limited to federal agency securities.

The District has invested funds in the State Treasury Asset Reserve of Ohio during 2008. 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, 2008.

Interest revenue credited to the General Fund during fiscal year 2008 amounted to \$417,842. Of that amount, \$68,480 was the amount allocated by other funds.

#### **H. Prepaid Items**

Payments made to vendors for services that will benefit periods beyond June 30, 2008, are recorded as prepaid items using the consumption method. A current asset for the prepaid amount is recorded at the time of the purchase and an expenditure/expense is reported in the year in which services are consumed.

# **OTTAWA HILLS LOCAL SCHOOL DISTRICT**

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## ***Notes to the Basic Financial Statements For the Fiscal Year Ended June 30, 2008***

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### **NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

#### **I. Capital Assets and Depreciation**

The accounting and reporting treatment applied to capital assets is determined by their ultimate use:

##### **1. Property, Plant and Equipment - Governmental Activities**

Governmental activities capital assets are those not directly related to the business type funds. These generally are acquired or constructed for governmental activities and are recorded as expenditures in the governmental funds and are capitalized at cost (or estimated historical cost for assets not purchased in recent years). These assets are reported in the Governmental Activities column of the Government-wide Statement of Net Assets, but they are not reported in the Fund Financial Statements. The District follows the policy of not capitalizing assets with a cost of less than \$1,500.

Contributed capital assets are recorded at fair market value at the date received. The District does not possess any infrastructure. Capital asset values were initially determined by identifying historical costs where such information was available. In cases where information supporting original cost was not obtainable, estimated historical costs were developed. For certain capital assets, the estimates were arrived at by indexing estimated current costs back to the estimated year of acquisition.

##### **2. Depreciation**

All capital assets are depreciated, excluding land and construction in progress. Depreciation has been provided using the straight-line method over the following estimated useful lives:

<u>Description</u>	<u>Estimated Lives (in years)</u>
Land Improvements	20
Buildings and Improvements	30
Machinery/Equipment and Furniture/Fixtures	6-10
Vehicles	10

#### **J. Long-Term Obligations**

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

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

# **OTTAWA HILLS LOCAL SCHOOL DISTRICT**

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## ***Notes to the Basic Financial Statements For the Fiscal Year Ended June 30, 2008***

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### **NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

#### **K. 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 and SERS employees. Upon retirement, employees that pay into STRS and SERS will receive up to 36% of the accumulated sick leave up to a maximum of 95. Administrators earn sick leave up to 315 days and will be paid up to 36% of accumulated sick leave up to a maximum of 113 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." In the government-wide statement of net assets, "Compensated Absences Payable" is recorded within the "Due within one year" account and the long-term portion of the liability is recorded within the "Due in more than one year" account.

#### **L. 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 adopted by the District or through external restrictions imposed by creditors, grantors or laws or regulations of other governments.

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

#### **M. Pensions**

The provision for pension costs is recorded when the related payroll is accrued and the obligation is incurred. Pension liabilities expected to be paid from current available financial resources are recorded as a fund liability.

# OTTAWA HILLS LOCAL SCHOOL DISTRICT

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## *Notes to the Basic Financial Statements For the Fiscal Year Ended June 30, 2008*

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### NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

#### **N. Interfund Transactions**

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 to the funds that initially paid for them are not presented on the financial statements.

#### **O. 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, property taxes, prepaid items, and encumbered amounts, which have not been accrued at year end.

#### **P. Estimates**

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

#### **Q. 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. The District had no extraordinary or special items during fiscal year 2008.

### NOTE 2 – COMPLIANCE AND ACCOUNTABILITY

***Fund Deficits*** - The fund deficits at June 30, 2008 of \$584 in the Activities Fund, \$122 in the Title VI-B Fund and \$299 in the Class Size Reduction Grant Fund (special revenue funds) arises from the recognition of expenditures on the modified accrual basis which are greater than expenditures recognized on the budgetary basis. The deficit does not exist under the budgetary/cash basis of accounting. The General Fund provides transfers when cash is required, not when accruals occur.

## **OTTAWA HILLS LOCAL SCHOOL DISTRICT**

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### ***Notes to the Basic Financial Statements For the Fiscal Year Ended June 30, 2008***

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#### **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 five year period of designation of depositories. Inactive funds may be deposited or invested only as certificates of deposit maturing not later than the end of the current period of designation of depositories.

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

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

## **OTTAWA HILLS LOCAL SCHOOL DISTRICT**

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### ***Notes to the Basic Financial Statements For the Fiscal Year Ended June 30, 2008***

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

##### **A. Deposits**

Custodial credit risk is the risk that in the event of bank failure, the government's deposits may not be returned. Protection of District cash and deposits is provided by the federal deposit insurance corporation as well as qualified securities pledged by the institution holding the assets. Ohio Law requires that deposits be placed in eligible banks or savings and loan associations located in Ohio. Any public depository in which the District places deposits must pledge as collateral eligible securities of aggregate market value equal to the excess of deposits not insured by the Federal Deposit Insurance Corporation (FDIC). The securities pledged as collateral are pledged to a pool for each individual financial institution in amounts equal to at least 105% of the carrying value of all public deposits held by each institution. Obligations that may be pledged as collateral are limited to obligations of the United States and its agencies and obligations of any state, county, municipal corporation or other legally constituted authority of any other state, or any instrumentality of such county, municipal corporation or other authority. Collateral is held by trustees including the Federal Reserve Bank and designated third party trustees of the financial institutions.

At year end the carrying amount of the District's deposits was \$1,825,188 and the bank balance was \$2,025,593. Federal depository insurance covered \$100,000 of the bank balance and \$1,925,593 was uninsured. Of the remaining uninsured bank balance, the District was exposed to custodial risk as follows:

Uninsured and collateralized with securities held by	<u>Balance</u>
the pledging institution's trust department not in the District's name	\$1,925,593
Total Balance	<u><u>\$1,925,593</u></u>

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**OTTAWA HILLS LOCAL SCHOOL DISTRICT**

**Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2008**

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

**B. Investments**

The District's investments at June 30, 2008 were as follows:

	Fair Value	Credit Rating	Investment Maturities (in Years)		
			less than 1	1-3	3-5
STAR Ohio	\$2,383,758	AAAm <sup>1</sup>	\$2,383,758	\$0	\$0
FNMA	907,582	AAA <sup>1,2</sup>	0	250,860 <sup>a</sup>	656,722
FHLB	2,459,344	AAA <sup>1,2</sup>	0	1,961,529 <sup>b</sup>	497,815 <sup>c</sup>
Total Investments	<u>\$5,750,684</u>		<u>\$2,383,758</u>	<u>\$2,212,389</u>	<u>\$1,154,537</u>

<sup>1</sup> Standard & Poor's

<sup>2</sup> Moody's Investor Service

<sup>a</sup> Call Option – Callable June 2009 and annually thereafter.

<sup>b</sup> Call Option – Callable June 2009, October 2008, November 2008, December 2008 and annually thereafter.

<sup>c</sup> Call Option – Callable August 2009 and annually thereafter.

*Interest Rate Risk* – The Ohio Revised Code generally limits security purchases to those that mature within five years of settlement date.

*Concentration of Credit Risk* – The District places no limit on the amount the District may invest in one issuer. Of the District's total investments, 41% are STAR Ohio, 16% are FNMA, and 43% are FHLB.

**C. Reconciliation of Cash, Cash Equivalents and Investments**

The classification of cash, cash equivalents and investments on the 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.

	Cash and Cash Equivalents	Investments
Per Financial Statements	\$4,208,946	\$3,366,926
STAR Ohio	(2,383,758)	2,383,758
Per GASB Statement No. 3	<u>\$1,825,188</u>	<u>\$5,750,684</u>

## **OTTAWA HILLS LOCAL SCHOOL DISTRICT**

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### ***Notes to the Basic Financial Statements For the Fiscal Year Ended June 30, 2008***

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#### **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 2008 were levied after April 1, 2007 on assessed values as of January 1, 2007, 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 2007. 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. In prior years, tangible personal property used in business (except for public utilities) was assessed for ad valorem taxation purposes at 25 percent of its true value. As part of a phase out of the personal property tax, the assessment percentage for personal property was reduced to 6.25 percent in 2008. The rate will be reduced to zero in 2009. Amounts paid by multi-county taxpayers are due September 20 of the year assessed. Single county taxpayers may pay annually or semi-annually, the first payment is due April 30; with the remainder payable by September 20.

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

The County Treasurer collects property taxes on behalf of all taxing districts in the County including Ottawa Hills Local School District. The County Auditor periodically remits to the District its portion of the taxes collected. The assessed values for collection in 2008 were as follows:

	2007 Second Half Collections	2008 First Half Collections
Agricultural/Residential and Other Real Estate	\$185,817,330	\$183,193,730
Public Utility Personal	1,654,490	1,670,600
Tangible Personal Property	149,400	391,730
Total Assessed Value	<u>\$187,621,220</u>	<u>\$185,256,060</u>
Tax rate per \$1,000 of assessed valuation	\$120.85	\$126.15

#### **NOTE 5 - RECEIVABLES**

Receivables at June 30, 2008 consisted of taxes, accounts, intergovernmental and interest receivables. All receivables are considered collectable 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.

**OTTAWA HILLS LOCAL SCHOOL DISTRICT**

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***Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2008***

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**NOTE 6 - INTERFUND BALANCES**

Following is a summary of interfund receivables/payables for all funds at June 30, 2008:

Fund	Interfund Loans Receivable	Interfund Loans Payable
General Fund	\$339	\$189
Other Governmental Funds	1,389	1,539
Totals	<u>\$1,728</u>	<u>\$1,728</u>

**NOTE 7 - TRANSFERS**

Following is a summary of transfers in and out for all funds at June 30, 2008:

Fund	Transfer In	Transfer Out
General Fund	\$0	\$119,210
Other Governmental Funds	120,905	1,695
Total All Funds	<u>\$120,905</u>	<u>\$120,905</u>

All transfers made in fiscal year 2008 were in accordance with Ohio Revised Code Sections 5705.14, 5705.15 and 5705.16.

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## OTTAWA HILLS LOCAL SCHOOL DISTRICT

### Notes to the Basic Financial Statements For the Fiscal Year Ended June 30, 2008

#### NOTE 8 - CAPITAL ASSETS

Summary by category of changes in governmental activities capital assets at June 30, 2008:

*Historical Cost:*

Class	June 30, 2007	Transfers	Additions	Deletions	June 30, 2008
<i>Capital assets not being depreciated:</i>					
Land	\$743,629	\$0	\$0	\$0	\$743,629
Construction in Progress	191,999	(191,999)	25,202	0	25,202
<i>Capital assets being depreciated:</i>					
Land Improvements	912,442	0	21,400	0	933,842
Buildings and Improvements	7,830,880	191,999	224,477	0	8,247,356
Machinery/Equipment and Furniture/Fixtures	924,857	0	16,775	0	941,632
Vehicles	164,183	0	31,775	(22,755)	173,203
Total Cost	<u>\$10,767,990</u>	<u>\$0</u>	<u>\$319,629</u>	<u>(\$22,755)</u>	<u>\$11,064,864</u>

*Accumulated Depreciation:*

Class	June 30, 2007	Transfers	Additions	Deletions	June 30, 2008
Land Improvements	(\$522,091)	\$0	(\$37,634)	\$0	(\$559,725)
Buildings and Improvements	(3,693,044)	0	(201,703)	0	(3,894,747)
Machinery/Equipment and Furniture/Fixtures	(941,172)	0	(62,591)	0	(1,003,763)
Vehicles	(88,153)	0	(14,705)	22,755	(80,103)
Total Depreciation	<u>(\$5,244,460)</u>	<u>\$0</u>	<u>(\$316,633) *</u>	<u>\$22,755</u>	<u>(\$5,538,338)</u>
<i>Net Value:</i>	<u>\$5,523,530</u>				<u>\$5,526,526</u>

\* Depreciation expenses were charged to governmental functions as follows:

Instruction	\$205,334
Support Services:	
Instructional Staff	736
Administration	2,061
Fiscal Services	536
Operations & Maintenance of Plant	64,355
Pupil Transportation	7,477
Extracurricular Activities	36,134
Total Depreciation Expense	<u>\$316,633</u>

## **OTTAWA HILLS LOCAL SCHOOL DISTRICT**

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### ***Notes to the Basic Financial Statements For the Fiscal Year Ended June 30, 2008***

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#### **NOTE 9 - 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**

Plan Description - The District contributes to the School Employees Retirement System (SERS), a cost-sharing multiple employer pension plan. SERS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Authority to establish and amend benefits is provided by Chapter 3309 of the Ohio Revised Code. SERS issues a publicly available, stand-alone financial report that includes financial statements and required supplementary information. Interested parties may obtain a copy by making a written request to SERS, 300 East Broad Street, Suite 100, Columbus, Ohio 43215-3746 or by calling (800) 878-5853. It is also posted on SERS' 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, 9.16 percent of annual covered salary was the portion used to fund pension obligations. The contribution requirements of plan members and employers are established and may be amended by the SERS' Retirement Board up to a statutory maximum amount of 10 percent for plan members and 14 percent for employers. Chapter 3309 of the Ohio Revised Code provides statutory authority for member and employer contributions. The District's required contributions for pension obligations to SERS for the fiscal years ended June 30, 2008, 2007 and 2006 were \$131,150, \$133,029 and \$121,699 respectively, which were equal to the required contributions for each year.

##### **B. State Teachers Retirement System**

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

## **OTTAWA HILLS LOCAL SCHOOL DISTRICT**

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### ***Notes to the Basic Financial Statements For the Fiscal Year Ended June 30, 2008***

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#### **NOTE 9 - DEFINED BENEFIT PENSION PLANS (Continued)**

##### **B. State Teachers Retirement System (Continued)**

The member may elect to receive a lifetime monthly annuity or a lump sum withdrawal. The Combined Plan offers features of both the DC Plan and the DB Plan. In the Combined Plan, member contributions are invested by the member, and employer contributions are used to fund the defined benefit payment at a reduced level from the regular DB Plan. The DB portion of the Combined Plan payment is payable to a member on or after age 60; the DC portion of the account may be taken as a lump sum or converted to a lifetime monthly annuity at age 50. Benefits are established by Chapter 3307 of the Ohio Revised Code.

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

Funding Policy - For the fiscal year ended June 30, 2008, plan members were required to contribute 10 percent of their annual covered salaries. The District was required to contribute 14 percent; 13 percent was the portion used to fund pension obligations. For fiscal year 2007, the portion used to fund pension obligations was also 13 percent. Contribution rates are established by the State Teachers Retirement Board, upon recommendations of its consulting actuary, not to exceed statutory maximum rates of 10 percent for members and 14 percent for employers. Chapter 3307 of the Ohio Revised Code provides statutory authority for member and employer contributions.

The District's required contributions for pension obligations to STRS Ohio for the fiscal years ended June 30, 2008, 2007, and 2006 were \$756,555, \$734,036, and \$715,527 respectively; which were equal to the required contributions for each year. Contributions to the DC and Combined Plans for fiscal year 2008 were \$20,486 made by the District and \$28,935 made by the plan members.

##### **C. Social Security System**

Effective July 1, 1991, all employees not otherwise covered by the Employees Retirement System or the State Teachers Retirement System of Ohio have an option to choose Social Security or the School Retirement System. As of June 30, 2008, no employees or members of the Board of Education have elected Social Security. The contribution rate is 6.2 percent of wages.

## **OTTAWA HILLS LOCAL SCHOOL DISTRICT**

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### ***Notes to the Basic Financial Statements For the Fiscal Year Ended June 30, 2008***

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#### **NOTE 10 - POSTEMPLOYMENT BENEFITS**

##### **A. School Employee Retirement System**

Plan Description – The District participates in two cost-sharing multiple employer defined benefit OPEB plans administered by the School Employees Retirement System for non-certificated retirees and their beneficiaries, a Health Care Plan and a Medicare Part B Plan. The Health Care Plan includes hospitalization and physicians' fees through several types of plans including HMO's, PPO's and traditional indemnity plans as well as a prescription drug program. The Medicare Part B Plan reimburses Medicare Part B premiums paid by eligible retirees and beneficiaries up to a statutory limit. Benefit provisions and the obligations to contribute are established by the System based on authority granted by State statute. The financial reports of both Plans are included in the SERS Comprehensive Annual Financial Report which is available by contacting SERS at 300 East Broad St., Suite 100, Columbus, Ohio 43215-3746.

Funding Policy – State statute permits SERS to fund the health care benefits through employer contributions. Each year, after the allocation for statutorily required benefits, the Retirement Board allocates the remainder of the employer contribution of 14 percent of covered payroll to the Health Care Fund. The Health Care Fund was established and is administered in accordance with Internal Revenue Code Section 401h. For 2008, 4.18 percent of covered payroll was allocated to health care. In addition, employers pay a surcharge for employees earning less than an actuarially determined amount; for 2008, this amount was \$35,800.

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, 2008, 2007, and 2006 were \$82,358, \$64,801, and \$68,187 respectively; which were equal to the required contributions for each year.

The Retirement Board, acting with advice of the actuary, allocates a portion of the employer contribution to the Medicare B Fund. For 2008, this actuarially required allocation was 0.66 percent of covered payroll. The District's contributions for Medicare Part B for the fiscal years ended June 30, 2008, 2007, and 2006 were \$9,450, \$9,046, and \$9,686 respectively; which were equal to the required contributions for each year.

## OTTAWA HILLS LOCAL SCHOOL DISTRICT

*Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2008*

**NOTE 10 - POSTEMPLOYMENT BENEFITS (Continued)**

**B. State Teachers Retirement System**

Plan Description – The District contributes to the cost sharing multiple employer defined benefit Health Plan administered by the State Teachers Retirement System of Ohio (STRS Ohio) for eligible retirees who participated in the defined benefit or combined pension plans offered by STRS Ohio. Benefits include hospitalization, physicians’ fees, prescription drugs and reimbursement of monthly Medicare Part B premiums. The Plan is included in the report of STRS Ohio which may be obtained by visiting [www.strsoh.org](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 2008, 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, 2008, 2007, and 2006 were \$58,197, \$56,464, and \$55,041 respectively; which were equal to the required contributions for each year.

**NOTE 11 - LONG-TERM DEBT AND OTHER OBLIGATIONS**

Detail of the changes in long-term debt and other long-term obligations of the District for the year ended June 30, 2008 are as follows:

		Balance June 30, 2007	Additions	Deductions	Balance June 30, 2008	Amount Due Within One Year
<b>Governmental Activities:</b>						
General Obligation Bonds:						
1998 School Improvement	4.75%	\$4,155,000	\$0	(\$280,000)	\$3,875,000	\$295,000
Compensated Absences		1,383,988	1,455,948	(1,383,988)	1,455,948	86,217
Total Long-Term Obligations		<u>\$5,538,988</u>	<u>\$1,455,948</u>	<u>(\$1,663,988)</u>	<u>\$5,330,948</u>	<u>\$381,217</u>

## **OTTAWA HILLS LOCAL SCHOOL DISTRICT**

***Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2008***

**NOTE 11 - LONG-TERM DEBT AND OTHER 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, 2008, follows:

<u>Years</u>	<u>General Obligation Bonds</u>	
	<u>Principal</u>	<u>Interest</u>
2009	\$295,000	\$180,619
2010	315,000	166,369
2011	335,000	151,169
2012	355,000	135,019
2013	375,000	117,919
2014-2018	2,200,000	299,132
Totals	<u>\$3,875,000</u>	<u>\$1,050,227</u>

**NOTE 12 - STATUTORY RESERVES**

The District is required by state law to set aside certain general fund revenue amounts, as defined, into various reserves. During the fiscal year ended June 30, 2008, the reserve activity (cash-basis) was as follows:

	<u>Textbook Reserve</u>	<u>Capital Acquisition Reserve</u>	<u>Total</u>
Set-aside Cash Balance as of June 30, 2007	(\$748,639)	\$0	(\$748,639)
Current Year Set-Aside Requirement	154,801	154,801	309,602
Qualifying Disbursements	(275,628)	(468,369)	(743,997)
Total	<u>(\$869,466)</u>	<u>(\$313,568)</u>	<u>(\$1,183,034)</u>
Cash Balance Carried Forward to FY 2009	<u>(\$869,466)</u>	<u>\$0</u>	<u>(\$869,466)</u>

The District had qualifying disbursements and balance carry forward that reduced the textbook set-aside amount below zero: this extra amount is being carried forward to reduce the set-aside requirements of future years.

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

## ***OTTAWA HILLS LOCAL SCHOOL DISTRICT***

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### ***Notes to the Basic Financial Statements For the Fiscal Year Ended June 30, 2008***

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#### **NOTE 13 - JOINTLY GOVERNED ORGANIZATION**

*Northwest Ohio Computer Association (NWOCA)* - The District is a participant in the Northwest Ohio Computer Association (NWOCA) which is a computer consortium. NWOCA is an association of twenty-eight educational entities, primarily school districts, located in Henry, Fulton, Defiance, Williams, Lucas and Wood Counties. The organization was formed for the purpose of applying modern technology with the aid of computers and other electronic equipment to administrative and instructional functions among members. NWOCA is governed by its participating members, which consists of a representative from each member entity and a representative from the fiscal agent. Financial information can be obtained from the Northwest Ohio Computer Association, Duane Baker, Executive Director, 22-900 State Route 34, Archbold, Ohio 43502.

*Northern Buckeye Education Council* - The Northern Buckeye Education Council (NBEC) was established in 1979 to foster cooperation among school districts located in Defiance, Fulton, Henry, Lucas, Williams, and Wood counties. NBEC is organized under Ohio laws as a regional council of governments pursuant to a written agreement entered into by its member entities and bylaws adopted by the representatives of the member educational entities. NBEC is governed by an elected Board consisting of two representatives from each of the counties in which the member educational entities are located. The Board is elected from an Assembly consisting of a representative from each participating educational entity. Total disbursements made by the District to NBEC during this fiscal year were \$106,358. To obtain financial information write to the Northern Buckeye Education Council, Cindy Siler, who serves as Treasurer, at 22-900 State Route 34, Archbold, Ohio 43502.

*Educational Regional Service System Region 1* - The School District participates in the Educational Regional Service System (ERSS) Region 1, a jointly governed organization consisting of educational entities within Defiance, Fulton, Hancock, Henry, Lucas, Ottawa, Paulding, Putnam, Sandusky, Seneca, Van Wert, Williams, and Wood counties. The purpose of the ERSS is to provide support services to school districts, community schools, and chartered nonpublic schools within the region by supporting State and school initiatives and efforts to improve school effectiveness and student achievement with a specific reference to the provision of special education and related services. The ERSS is governed by an advisory council, which is the policymaking body for the educational entities within the region, who identifies regional needs and priorities for educational services and develops corresponding policies to coordinate the delivery of services. They are also charged with the responsibility of monitoring the implementation of State and regional initiatives and school improvement efforts. The Advisory Council is made up of the director of the ERSS, the superintendent of each educational service center within the region, the superintendent of the region's largest and smallest school district, the director and an employee from each education technology center, one representative of a four-year institution of higher education and appointed by the Ohio Board of Regents, one representative of a two-year institution of higher education and appointed by the Ohio Association of Community Colleges, three board of education members (one each from a city, exempted village, and local school district within the region), and one business representative. The degree of control exercised by any participating educational entity is limited to its representation on the Advisory Council. Financial information can be obtained from the Lucas County Educational Service Center, 10142 Dowling Road, Bowling Green, Ohio, 43402.

## **OTTAWA HILLS LOCAL SCHOOL DISTRICT**

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### ***Notes to the Basic Financial Statements For the Fiscal Year Ended June 30, 2008***

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#### **NOTE 14 - 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 2008 the District contracted with several different insurance providers for various insurance coverages, as follows:

<u>Insurance Provider</u>	<u>Coverage</u>	<u>Deductible</u>
Indiana Insurance Company	Commercial Property	\$1,000
Indiana Insurance Company	Commercial Crime	\$500
Indiana Insurance Company	Commercial Articles	\$500
Indiana Insurance Company	Commercial Computer	\$1,000
Indiana Insurance Company	Contractor's Equipment	\$500
Indiana Insurance Company	Employee Benefits	\$1,000
Indiana Insurance Company	School Leaders Errors and Omissions	\$2,500
Indiana Insurance Company	Commercial Auto – Trucks	
	Comprehensive	\$250
	Collision	\$500
Indiana Insurance Company	Commercial Auto – Bus	
	Comprehensive	\$500
	Collision	\$1,000
Indiana Insurance Company	Umbrella Coverage	\$10,000

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 15 - 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, 2008.

## **OTTAWA HILLS LOCAL SCHOOL DISTRICT**

### ***Notes to the Basic Financial Statements For the Fiscal Year Ended June 30, 2008***

#### **NOTE 16 – OPERATING LEASE**

The District entered into an operating lease in fiscal year 2002 with the Northwest Ohio Computer Association (NWOCA) for a high bandwidth dedicated connection to NWOCA for a period of fifteen (15) years. The District elected a payment plan over 15 years, with an annual payment of \$31,000. Lease payments totaled \$31,000 for the year. In addition, the District entered into an operating lease in fiscal year 2004 with Perry Corporation for the use of nine copiers for a period of five years. There is no minimum monthly payment because the cost is calculated based on usage. Lease expense amounted to \$55,907 for the fiscal year 2008.

The following is a schedule of future minimum payments under the operating lease as of June 30, 2008:

Fiscal Year Ending June 30,	
2009	\$31,000
2010	31,000
2011	31,000
2012	31,000
2013 - Thereafter	124,000
Total Minimum Lease Payments	<u>\$248,000</u>

#### **NOTE 17 – CONSTRUCTION COMMITMENTS**

As of June 30, 2008 the District had the following commitment with respect to capital projects:

Capital Project	Amount Remaining	Estimated Date of Completion
Junior High School Roof Replacement	\$134,748	July 2008

#### **NOTE 18 – CHANGE IN ACCOUNTING PRINCIPLES**

The District implemented GASB Statement No. 45 *“Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions”*, GASB Statement No. 48, *“Sales and Pledges of Receivables and Future Revenues and Intra-Entity Transfers of Assets and Future Revenues”*, and GASB Statement No. 50, *“Pension Disclosures”*.

Statement No. 45 establishes standards of accounting and financial reporting for Other Postemployment Benefits (OPEB), note disclosures and required supplementary information. The application of this new standard did not have an effect on the financial statements; however, certain disclosures related to postemployment benefits (see Note 10) have been modified to conform to the new reporting requirements.

## **OTTAWA HILLS LOCAL SCHOOL DISTRICT**

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### ***Notes to the Basic Financial Statements For the Fiscal Year Ended June 30, 2008***

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#### **NOTE 18 – CHANGE IN ACCOUNTING PRINCIPLES (Continued)**

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

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

# LublinSussman Group LLP

Certified Public Accountants

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## REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

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

To the Board of Education:

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining funds information of Ottawa Hills Local School District, Lucas County, Ohio, (the School District) as of and for the year ended June 30, 2008, which collectively comprise the School District's basic financial statements, and have issued our report thereon dated January 28, 2010. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

### Internal Control Over Financial Reporting

In planning and performing our audit, we considered the School District's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the School District's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the School District's internal control over financial reporting.

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

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Douglas J. Welch, CPA, CVA  
Lee D. Wunschel, CPA  
Thomas J. Jaffee, JD, CPA  
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Eric M. Golus, CPA

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A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of 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 School District's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the School District's financial statements that is more than inconsequential will not be prevented or detected by the School District's internal control.

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

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the School District's internal control.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, of the significant deficiency described above, we consider Finding 2008-001 to be a material weakness.

### **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the School District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, 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 no instances of noncompliance or other matters that are required to be reported under Government Auditing Standards.

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

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

*Delvin Sussman Group LLP*

January 28, 2010  
Toledo, Ohio

*OTTAWA HILLS LOCAL SCHOOL DISTRICT, OHIO*

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**Schedule of Findings and Responses**  
**Fiscal Year Ended June 30, 2008**

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

**FINDING NUMBER 2008-001**

**Material Weakness – Fixed Asset Controls**

The School District has adopted a fixed asset policy and has implemented procedures to assist in recording building improvements and construction in progress as capital items, however, certain material construction in process costs totaling \$191,999 were recorded twice and other construction in progress costs totaling \$25,202 were expensed rather than capitalized. This resulted in an overstatement of fixed assets of \$166,797.

To prevent the overstatement of fixed assets, we recommend that the recording of fixed assets be updated throughout the year instead of after the year end, and the fixed asset listing is reconciled with the financial statement amounts.

Response: The Treasurer's office will conduct a review of the fiscal records before the end of the fiscal year to properly record all fixed assets. The search for fixed assets will include a review of new equipment purchases, internal and external building improvements, and construction in progress. The review will include all funds for the School District. Proper recording of fixed assets will enable accurate financial statements and depreciation schedules.

**OTTAWA HILLS LOCAL SCHOOL DISTRICT, OHIO**

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**Schedule of Prior Audit Findings**  
**Fiscal Year Ended June 30, 2008**

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Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain:</i>
2007-001	Material Weakness – Fixed Asset Controls	No	Finding reissued as finding number 2008-001.



**Mary Taylor, CPA**  
Auditor of State

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 15, 2010