

***OTTAWA HILLS LOCAL SCHOOL DISTRICT***

***LUCAS COUNTY***

**Audit Report**

**For the Year Ended June 30, 2012**







# Dave Yost • Auditor of State

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

We have reviewed the *Independent Accountants' Report* of the Ottawa Hills Local School District, Lucas County, prepared by Charles E. Harris & Associates, Inc., for the audit period July 1, 2011 through June 30, 2012. 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.

A handwritten signature in black ink that reads "Dave Yost".

Dave Yost  
Auditor of State

March 10, 2014

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**OTTAWA HILLS LOCAL SCHOOL DISTRICT  
LUCAS COUNTY  
AUDIT REPORT  
For the Year Ending June 30, 2012**

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***Charles E. Harris & Associates, Inc.***  
*Certified Public Accountants*

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## **INDEPENDENT ACCOUNTANTS' REPORT**

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

To the Board of Education:

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Ottawa Hills Local School District, Lucas County, Ohio (the District), as of and for the year ended June 30, 2012 which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the District's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Ottawa Hills Local School District, Lucas County, Ohio, as of June 30, 2012, and the respective changes in financial position and the budgetary comparison for the General 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 November 21, 2013, on our consideration of the District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. While we did not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting and compliance and the results of that testing. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*. You should read it in conjunction with this report in assessing the results of our audit.

Accounting principles generally accepted in the United States of America require this presentation to include *Management's discussion and analysis*, as listed in the table of contents, to supplement the basic financial statements. Although this information is not part of the basic financial statements, the Governmental Accounting Standards Board considers it essential for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any other assurance.



**Charles E. Harris & Associates, Inc.**  
November 21, 2013

# OTTAWA HILLS LOCAL SCHOOL DISTRICT

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*Management's Discussion and Analysis  
For the Fiscal Year Ended June 30, 2012*

*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, 2012. 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 2012 are as follows:

- ❑ Net assets increased \$1,019,931, which represents a 16% increase from 2011.
- ❑ General revenues accounted for \$13,950,771 in revenue or 94% of all revenues. Program specific revenues in the form of charges for services and grants and contributions accounted for \$964,355 or 6% of total revenues of \$14,915,126.
- ❑ The District had \$13,895,195 in expenses related to governmental activities; only \$964,355 of these expenses were offset by program specific charges for services, grants or contributions. General revenues of \$13,950,771 were adequate to provide for these programs.
- ❑ The District's General Fund had \$13,187,678 in revenues and \$13,081,015 in expenditures. The General Fund's fund balance increased \$165,607 to \$3,880,373.

## **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, 2012*

*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**

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***Management's Discussion and Analysis  
For the Fiscal Year Ended June 30, 2012***

***Unaudited***

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***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 2012 compared to 2011.

	Governmental Activities		Increase (Decrease)
	2012	2011	
Current and other assets	\$15,259,783	\$15,818,233	(\$558,450)
Capital assets, Net	6,229,544	5,961,822	267,722
Total assets	<u>21,489,327</u>	<u>21,780,055</u>	<u>(290,728)</u>
Long-term debt outstanding	3,277,689	3,899,855	(622,166)
Other liabilities	10,834,785	11,523,278	(688,493)
Total liabilities	<u>14,112,474</u>	<u>15,423,133</u>	<u>(1,310,659)</u>
Net assets			
Invested in capital assets, net of related debt	4,339,544	3,641,822	697,722
Restricted	425,755	376,628	49,127
Unrestricted	2,611,554	2,338,472	273,082
Total net assets	<u>\$7,376,853</u>	<u>\$6,356,922</u>	<u>\$1,019,931</u>

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## **OTTAWA HILLS LOCAL SCHOOL DISTRICT**

***Management's Discussion and Analysis  
For the Fiscal Year Ended June 30, 2012***

***Unaudited***

**Changes in Net Assets** – The following table shows the changes in net assets for the fiscal year 2012 compared to 2011:

	Governmental Activities		Increase (Decrease)
	2012	2011	
Revenues			
Program Revenues:			
Charges for Services and Sales	\$343,074	\$399,966	(\$56,892)
Operating Grants and Contributions	621,281	927,825	(306,544)
Total Program Revenues	964,355	1,327,791	(363,436)
General Revenues:			
Property Taxes	10,497,512	10,075,434	422,078
Intergovernmental, Unrestricted	3,232,554	3,257,177	(24,623)
Other	220,705	242,224	(21,519)
Total General Revenues	13,950,771	13,574,835	375,936
Total Revenues	14,915,126	14,902,626	12,500
Program Expenses			
Instruction	8,794,180	9,634,493	(840,313)
Support Services:			
Pupils	656,376	720,800	(64,424)
Instructional Staff	526,249	462,505	63,744
Board of Education	40,850	22,760	18,090
Administration	910,373	992,335	(81,962)
Fiscal Services	494,332	469,780	24,552
Operation and Maintenance of Plant	1,152,603	1,196,856	(44,253)
Pupil Transportation	49,777	24,898	24,879
Central	124,857	65,867	58,990
Community Services	380,111	339,062	41,049
Extracurricular Activities	712,116	797,865	(85,749)
Interest and Fiscal Charges	53,371	61,838	(8,467)
Total Expenses	13,895,195	14,789,059	(893,864)
Total Change in Net Assets	1,019,931	113,567	906,364
Beginning Net Assets	6,356,922	6,243,355	113,567
Ending Net Assets	\$7,376,853	\$6,356,922	\$1,019,931

### ***Governmental Activities***

Net assets of the District's governmental activities increased \$1,019,931. The passage of a 7.6 mill levy in November 2010 resulted in an increase in property taxes. Fiscal stabilization monies received in the prior fiscal year resulted in the subsequent decrease in operating grants and contributions and instruction expenses in the current fiscal year.

## OTTAWA HILLS LOCAL SCHOOL DISTRICT

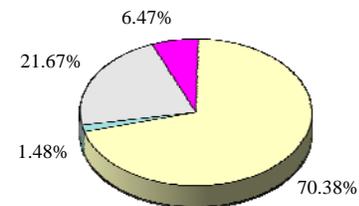
**Management's Discussion and Analysis  
For the Fiscal Year Ended June 30, 2012**

**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 70% of revenues for governmental activities for Ottawa Hills Local Schools in fiscal year 2012. The District's reliance upon tax revenues is demonstrated by the following graph:

Revenue Sources	2012	Percent of Total
Intergovernmental, Unrestricted	\$3,232,554	21.67%
Program Revenues	964,355	6.47%
General Tax Revenues	10,497,512	70.38%
General Other	220,705	1.48%
Total Revenue	<u>\$14,915,126</u>	<u>100.00%</u>



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

The District's governmental funds reported a combined fund balance of \$4,207,207, which is greater than last year's balance of \$4,066,376. The schedule below indicates the fund balance and the total change in fund balance as of June 30, 2012 and 2011.

	Fund Balance June 30, 2012	Fund Balance June 30, 2011	Increase (Decrease)
General	\$3,880,373	\$3,714,766	\$165,607
Other Governmental	326,834	351,610	(24,776)
Total	<u>\$4,207,207</u>	<u>\$4,066,376</u>	<u>\$140,831</u>

## **OTTAWA HILLS LOCAL SCHOOL DISTRICT**

**Management's Discussion and Analysis  
For the Fiscal Year Ended June 30, 2012**

**Unaudited**

*General Fund* – The tables that follow assist in illustrating the financial activities and balance of the General Fund:

	2012 Revenues	2011 Revenues	Increase (Decrease)
Taxes	\$9,783,941	\$9,203,394	\$580,547
Tuition	58,335	80,831	(22,496)
Transportation Fees	1,577	1,168	409
Investment Earnings	5,147	32,074	(26,927)
Extracurricular Activities	93,755	73,093	20,662
Class Materials and Fees	73,373	76,491	(3,118)
Intergovernmental - State	3,096,606	3,132,320	(35,714)
All Other Revenue	74,944	144,772	(69,828)
<b>Total</b>	<b>\$13,187,678</b>	<b>\$12,744,143</b>	<b>\$443,535</b>

General Fund revenues in fiscal year 2012 increased approximately 3% compared to fiscal year 2011. The passage of a 7.6 mill levy in November 2010 resulted in an increase in property taxes.

	2012 Expenditures	2011 Expenditures	Increase (Decrease)
Instruction	\$8,952,686	\$8,894,383	\$58,303
Supporting Services:			
Pupils	667,043	667,880	(837)
Instructional Staff	394,649	402,961	(8,312)
Board of Education	40,850	22,760	18,090
Administration	914,354	1,022,921	(108,567)
Fiscal Services	478,618	478,180	438
Operation & Maintenance of Plant	1,036,831	1,128,502	(91,671)
Pupil Transportation	39,521	72,820	(33,299)
Central	121,257	61,317	59,940
Community Services	14,782	18,200	(3,418)
Extracurricular Activities	420,424	453,532	(33,108)
<b>Total</b>	<b>\$13,081,015</b>	<b>\$13,223,456</b>	<b>(\$142,441)</b>

General Fund expenditures remained stable when compared with the prior year, decreasing \$142,441 or approximately 1%.

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.

## **OTTAWA HILLS LOCAL SCHOOL DISTRICT**

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***Management's Discussion and Analysis  
For the Fiscal Year Ended June 30, 2012***

***Unaudited***

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During the course of fiscal year 2012 the District amended its General Fund budget several times, none significant.

For the General Fund, original, final and actual budget basis revenue was not materially different. Original and final budget basis expenditures were not materially different. Actual budget basis expenditures were 5% less than original and final estimates. The General Fund had an adequate fund balance to cover expenditures.

### **CAPITAL ASSETS AND DEBT ADMINISTRATION**

#### ***Capital Assets***

At the end of fiscal year 2012 the District had \$6,229,544 net of accumulated depreciation invested in land, improvements, buildings, machinery, equipment and vehicles. The following table shows fiscal year 2012 and 2011 balances:

	Governmental Activities		Increase (Decrease)
	2012	2011	
Land	\$743,629	\$743,629	\$0
Land Improvements	1,870,662	1,846,068	24,594
Buildings and Improvements	8,599,504	8,510,491	89,013
Machinery/Equipment and Furniture/Fixtures	1,734,303	1,241,738	492,565
Vehicles	199,735	196,350	3,385
Less: Accumulated Depreciation	<u>(6,918,289)</u>	<u>(6,576,454)</u>	<u>(341,835)</u>
Totals	<u>\$6,229,544</u>	<u>\$5,961,822</u>	<u>\$267,722</u>

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

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# OTTAWA HILLS LOCAL SCHOOL DISTRICT

*Management's Discussion and Analysis  
For the Fiscal Year Ended June 30, 2012*

*Unaudited*

## **Debt**

At June 30, 2012, the District had \$1.9 million in bonds outstanding, \$445,000 due within one year. The following table summarizes the District's debt outstanding as of June 30, 2012 and 2011:

	<u>2012</u>	<u>2011</u>
Governmental Activities:		
General Obligation Bonds:		
School Improvement Refunding	\$1,890,000	\$2,320,000
Compensated Absences	<u>1,387,689</u>	<u>1,579,855</u>
Totals	<u><u>\$3,277,689</u></u>	<u><u>\$3,899,855</u></u>

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, 2012, 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.

## **ECONOMIC FACTORS**

The Ottawa Hills Local School District relies upon local property taxes and state foundation monies to fund its operations. In fiscal year 2012 the District received approximately 72.57% of its revenues from local property taxes, 11.73% from the state foundation program, 11.32% from the Homestead/Rollback exemption legislation, and the remaining 4.38% from other local sources all other revenue sources. The District real estate value consists of 97.13% residential real estate, 2.18% commercial real estate, and 0.69% tangible personal property/public utilities personal property.

In 2009, the Lucas County Auditor's office conducted a triennial update of property values. The valuation for the Ottawa Hills Local School District decreased 10.68% from \$183,061,790 in 2008 to \$163,502,860 in 2009. The 2010 and 2011 valuations have also decreased. The 2010 valuations were \$162,964,140. This was a decrease in valuation of \$538,720 between 2009 and 2010. The 2011 total valuations were \$161,916,930. The drop in valuations has reduced the level of valuations to an amount that was last seen in 1999. All operating and permanent improvement levies passed after 1999 have been negatively affected by the drop in valuations. Real estate tax collections for fiscal year 2010 were about \$185,000 less than fiscal year 2009. Future district expenses will need to be reduced to align with the drop in valuations and decreases in local property taxes.

The District last passed a 5.5 mill continuing operating levy in November 2007 by a 64% margin. The District approved a 7.6 mill operating levy on the November 2010 ballot. The District passed a 1.5 mill permanent improvement levy in November 2008 by a 73% margin. The permanent improvement levy will be levied for four years, expiring in 2012. 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.

## **OTTAWA HILLS LOCAL SCHOOL DISTRICT**

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*Management's Discussion and Analysis  
For the Fiscal Year Ended June 30, 2012*

*Unaudited*

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### **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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### **Statement of Net Assets** **June 30, 2012**

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	<b>Governmental Activities</b>
<b>Assets:</b>	
Cash and Cash Equivalents	\$ 1,342,803
Investments	3,364,580
Receivables:	
Taxes	10,237,220
Accounts	10,909
Interest	5,457
Prepaid Items	94,495
Restricted Assets:	
Cash and Cash Equivalents	204,319
Non-Depreciable Capital Assets	743,629
Depreciable Capital Assets, Net	5,485,915
<b>Total Assets</b>	<b>21,489,327</b>
<b>Liabilities:</b>	
Accounts Payable	5,469
Accrued Wages and Benefits	844,554
Intergovernmental Payable	236,876
Unearned Revenue - Taxes	9,732,007
Accrued Interest Payable	15,879
Long Term Liabilities:	
Due Within One Year	667,914
Due in More Than One Year	2,609,775
<b>Total Liabilities</b>	<b>14,112,474</b>
<b>Net Assets:</b>	
Invested in Capital Assets, Net of Related Debt	4,339,544
Restricted For:	
Capital Projects	137,116
Debt Service	30,052
Other Purposes	258,587
Unrestricted	2,611,554
<b>Total Net Assets</b>	<b>\$ 7,376,853</b>

See accompanying notes to the basic financial statements

## OTTAWA HILLS LOCAL SCHOOL DISTRICT

### *Statement of Activities For the Fiscal Year Ended June 30, 2012*

	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	\$ 8,794,180	\$ 131,708	\$ 152,352	\$ (8,510,120)
Support Services:				
Pupils	656,376	0	0	(656,376)
Instructional Staff	526,249	0	100,000	(426,249)
Board of Education	40,850	0	0	(40,850)
Administration	910,373	0	0	(910,373)
Fiscal Services	494,332	0	0	(494,332)
Operation and Maintenance of Plant	1,152,603	3,603	0	(1,149,000)
Pupil Transportation	49,777	1,577	0	(48,200)
Central	124,857	0	3,600	(121,257)
Community Services	380,111	0	365,329	(14,782)
Extracurricular Activities	712,116	206,186	0	(505,930)
Interest and Fiscal Charges	53,371	0	0	(53,371)
<b>Total Governmental Activities</b>	<b>\$ 13,895,195</b>	<b>\$ 343,074</b>	<b>\$ 621,281</b>	<b>\$ (12,930,840)</b>

#### **General Revenues**

##### Property Taxes Levied for:

General Purposes	9,639,569
Debt Service	404,301
Capital Outlay	453,642
Intergovernmental, Unrestricted	3,232,554
Investment Earnings	6,383
Miscellaneous	214,322
<b>Total General Revenues</b>	<b>13,950,771</b>
 Change in Net Assets	 1,019,931
 Net Assets Beginning of Year	 6,356,922
<b>Net Assets End of Year</b>	<b>\$ 7,376,853</b>

See accompanying notes to the basic financial statements

**OTTAWA HILLS LOCAL SCHOOL DISTRICT**

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**Balance Sheet**  
**Governmental Funds**  
**June 30, 2012**

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	General	Other Governmental Funds	Total Governmental Funds
<b>Assets:</b>			
Cash and Cash Equivalents	\$ 1,048,909	\$ 293,894	\$ 1,342,803
Investments	3,364,580	0	3,364,580
Receivables:			
Taxes	9,344,558	892,662	10,237,220
Accounts	10,909	0	10,909
Interest	5,457	0	5,457
Prepaid Items	94,495	0	94,495
Restricted Assets:			
Cash and Cash Equivalents	204,319	0	204,319
<b>Total Assets</b>	<b>\$ 14,073,227</b>	<b>\$ 1,186,556</b>	<b>\$ 15,259,783</b>
<b>Liabilities:</b>			
Accounts Payable	\$ 5,469	\$ 0	\$ 5,469
Accrued Wages and Benefits	844,554	0	844,554
Intergovernmental Payable	234,370	2,506	236,876
Deferred Revenue - Taxes	8,967,258	857,216	9,824,474
Deferred Revenue	3,363	0	3,363
Compensated Absences Payable	137,840	0	137,840
<b>Total Liabilities</b>	<b>10,192,854</b>	<b>859,722</b>	<b>11,052,576</b>
<b>Fund Balances:</b>			
Nonspendable	94,495	0	94,495
Restricted	204,319	329,340	533,659
Committed	5,700	0	5,700
Assigned	166,883	0	166,883
Unassigned	3,408,976	(2,506)	3,406,470
<b>Total Fund Balances</b>	<b>3,880,373</b>	<b>326,834</b>	<b>4,207,207</b>
<b>Total Liabilities and Fund Balances</b>	<b>\$ 14,073,227</b>	<b>\$ 1,186,556</b>	<b>\$ 15,259,783</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, 2012***

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<b>Total Governmental Fund Balances</b>	\$	4,207,207
<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.		6,229,544
Other long-term assets are not available to pay for current- period expenditures and therefore are deferred in the funds.		95,830
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	(1,890,000)	
Compensated Absences Payable	(1,249,849)	
Accrued Interest Payable	(15,879)	(3,155,728)
<b><i>Net Assets of Governmental Activities</i></b>		<u>\$ 7,376,853</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, 2012

	General	Other Governmental Funds	Total Governmental Funds
<b>Revenues:</b>			
Local Sources:			
Taxes	\$ 9,783,941	\$ 865,960	\$ 10,649,901
Tuition	58,335	0	58,335
Transportation Fees	1,577	0	1,577
Investment Earnings	5,147	342	5,489
Extracurricular Activities	93,755	112,431	206,186
Class Materials and Fees	73,373	0	73,373
Intergovernmental - State	3,096,606	506,920	3,603,526
Intergovernmental - Federal	0	250,309	250,309
All Other Revenue	74,944	46,037	120,981
<b>Total Revenue</b>	<b>13,187,678</b>	<b>1,781,999</b>	<b>14,969,677</b>
<b>Expenditures:</b>			
Current:			
Instruction	8,952,686	398,153	9,350,839
Supporting Services:			
Pupils	667,043	0	667,043
Instructional Staff	394,649	96,773	491,422
Board of Education	40,850	0	40,850
Administration	914,354	1,099	915,453
Fiscal Services	478,618	13,591	492,209
Operation and Maintenance of Plant	1,036,831	25,115	1,061,946
Pupil Transportation	39,521	0	39,521
Central	121,257	3,600	124,857
Community Services	14,782	365,329	380,111
Extracurricular Activities	420,424	189,479	609,903
Capital Outlay	0	265,398	265,398
Debt Service:			
Principal Retirement	0	430,000	430,000
Interest & Fiscal Charges	0	56,238	56,238
<b>Total Expenditures</b>	<b>13,081,015</b>	<b>1,844,775</b>	<b>14,925,790</b>

(Continued)

**OTTAWA HILLS LOCAL SCHOOL DISTRICT**

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	<u>General</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	106,663	(62,776)	43,887
<b>Other Financing Sources (Uses):</b>			
Transfers In	0	38,000	38,000
Transfers Out	(38,000)	0	(38,000)
Refund of Prior Year Expenditures	96,944	0	96,944
<b>Total Other Financing Sources (Uses)</b>	<u>58,944</u>	<u>38,000</u>	<u>96,944</u>
Net Change in Fund Balance	165,607	(24,776)	140,831
<b>Fund Balances at Beginning of Year</b>	<u>3,714,766</u>	<u>351,610</u>	<u>4,066,376</u>
<b>Fund Balances End of Year</b>	<u>\$ 3,880,373</u>	<u>\$ 326,834</u>	<u>\$ 4,207,207</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, 2012***

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**Net Change in Fund Balances - Total Governmental Funds** \$ 140,831

***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	609,557	
Depreciation Expense	<u>(341,835)</u>	267,722

Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds. (151,495)

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 principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the governmental activities.

General Obligation Bond Principal Payment	430,000
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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. 2,867

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>330,006</u>
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***Change in Net Assets of Governmental Activities*** **\$ 1,019,931**

See accompanying notes to the basic financial statements

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## 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, 2012**

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
<b>Revenues:</b>				
Local Sources:				
Taxes	\$ 9,763,716	\$ 9,740,611	\$ 9,740,611	\$ 0
Tuition	65,045	58,335	58,335	0
Transportation Fees	800	1,577	1,577	0
Investment Earnings	37,800	37,800	38,960	1,160
Extracurricular Activities	52,800	60,929	60,613	(316)
Class Material and Fees	27,200	32,322	32,324	2
Intergovernmental - State	3,032,122	3,089,157	3,096,606	7,449
All Other Revenues	10,000	15,180	12,416	(2,764)
Total Revenues	<u>12,989,483</u>	<u>13,035,911</u>	<u>13,041,442</u>	<u>5,531</u>
<b>Expenditures:</b>				
Current:				
Instruction	8,811,059	8,775,849	8,548,155	227,694
Support Services:				
Pupils	676,517	747,075	671,916	75,159
Instructional Staff	389,070	417,239	396,288	20,951
Board of Education	29,900	44,120	40,350	3,770
Administration	949,926	989,996	910,118	79,878
Fiscal Services	495,410	507,079	484,754	22,325
Operation and Maintenance of Plant	1,351,790	1,222,680	1,065,282	157,398
Pupil Transportation	35,800	42,409	39,072	3,337
Central	78,740	136,740	131,507	5,233
Community Services	11,200	22,000	14,782	7,218
Extracurricular Activities	461,325	458,799	426,713	32,086
Total Expenditures	<u>13,290,737</u>	<u>13,363,986</u>	<u>12,728,937</u>	<u>635,049</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	(301,254)	(328,075)	312,505	640,580

## **OTTAWA HILLS LOCAL SCHOOL DISTRICT**

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	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
<b>Other Financing Sources (Uses):</b>				
Transfers Out	(306,000)	(461,500)	(461,500)	0
Advances In	180,000	191,000	191,000	0
Advances Out	(5,000)	(11,000)	(11,000)	0
Refund of Prior Year Expenditures	101,930	98,312	98,312	0
Total Other Financing Sources (Uses):	(29,070)	(183,188)	(183,188)	0
Net Change in Fund Balance	(330,324)	(511,263)	129,317	640,580
Fund Balance at Beginning of Year	4,151,360	4,151,360	4,151,360	0
Prior Year Encumbrances	26,503	26,503	26,503	0
Fund Balance at End of Year	\$ 3,847,539	\$ 3,666,600	\$ 4,307,180	\$ 640,580

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, 2012*

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	Private Purpose Trust Funds	Student Managed Activity Fund	Total
<b>Assets:</b>			
Cash and Cash Equivalents	\$ 68,291	\$ 46,949	\$ 115,240
<b>Total Assets</b>	<u>68,291</u>	<u>46,949</u>	<u>115,240</u>
<b>Liabilities:</b>			
Due to Students	<u>0</u>	<u>46,949</u>	<u>46,949</u>
<b>Total Liabilities</b>	<u>0</u>	<u>46,949</u>	<u>46,949</u>
<b>Net Assets:</b>			
Held in Trust	<u>68,291</u>	<u>0</u>	<u>68,291</u>
<b>Total Net Assets</b>	<u>\$ 68,291</u>	<u>\$ 0</u>	<u>\$ 68,291</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, 2012***

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	<u>Private Purpose Trust Funds</u>
<b>Additions:</b>	
Contributions:	
Private Donations	\$ 42,002
Total Contributions	<u>42,002</u>
Investment Earnings:	
Interest	<u>12</u>
Total Investment Earnings	<u>12</u>
Total Additions	<u>42,014</u>
<b>Deductions:</b>	
Community Gifts, Awards and Scholarships	<u>5,805</u>
Total Deductions	<u>5,805</u>
Change in Net Assets	36,209
Net Assets at Beginning of Year	<u>32,082</u>
Net Assets End of Year	<u>\$ 68,291</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, 2012*

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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 32 noncertified, 67 certified teaching personnel and 7 administrative employees providing education to 1,013 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, 2012***

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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 or 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.

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, 2012*

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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, 2012, but which are not intended to finance fiscal 2012 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.

# OTTAWA HILLS LOCAL SCHOOL DISTRICT

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## *Notes to the Basic Financial Statements For the Fiscal Year Ended June 30, 2012*

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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 2012.

## **OTTAWA HILLS LOCAL SCHOOL DISTRICT**

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### ***Notes to the Basic Financial Statements For the Fiscal Year Ended June 30, 2012***

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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 statement reflect the amounts in the first and final amended official certificate of estimated resources issued during fiscal year 2012.

##### **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 "Statement 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**

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***Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2012***

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**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.

The following table summarizes the adjustments necessary to reconcile the GAAP basis statements to the budgetary basis statement for the General Fund:

	Net Change in Fund Balance
	General Fund
GAAP Basis (as reported)	\$165,607
Increase (Decrease):	
Accrued Revenues	
at June 30, 2012,	
received during FY 2013	(367,160)
Accrued Revenues	
at June 30, 2011,	
received during FY 2012	529,268
Accrued Expenditures	
at June 30, 2012,	
paid during FY 2013	1,222,233
Accrued Expenditures	
at June 30, 2011,	
paid during FY 2012	(1,204,449)
FY 2011 Prepays for FY 2012	97,736
FY 2012 Prepays for FY 2013	(94,495)
Encumbrances Outstanding	(33,335)
Perspective Difference:	
Activity of Funds Reclassified	
for GAAP Reporting Purposes	(186,088)
Budget Basis	\$129,317

## **OTTAWA HILLS LOCAL SCHOOL DISTRICT**

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### ***Notes to the Basic Financial Statements For the Fiscal Year Ended June 30, 2012***

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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 4, "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 4, "Cash, Cash Equivalents and Investments." During fiscal year 2012, investments were limited to federal agency securities.

The District had invested funds in the State Treasury Asset Reserve of Ohio during 2012. 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, 2012.

Interest revenue credited to the General Fund during fiscal year 2012 amounted to \$5,147. Of that amount, \$297 was the amount allocated by other funds.

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

Payments made to vendors for services that will benefit periods beyond June 30, 2012, 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

## Notes to the Basic Financial Statements For the Fiscal Year Ended June 30, 2012

### 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, 2012***

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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 270 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 97. Administrators earn sick leave up to 315 days and will be paid up to 37% of accumulated sick leave up to a maximum of 115 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, 2012***

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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. Restricted Assets**

Amounts in the general fund are set aside to establish reserves for capital acquisition and are required by state statute.

##### **P. Fund Balance**

Fund balance is divided into five classifications based primarily on the extent to which the District is bound to observe constraints imposed upon the use of the resources in the governmental funds. The classifications are as follows:

***Nonspendable*** - The nonspendable fund balance category includes amounts that cannot be spent because they are not in spendable form, or legally or contractually required to be maintained intact. The “not in spendable form” criterion includes items that are not expected to be converted to cash. For the District this category includes prepaid items.

***Restricted*** – The fund balance is reported as restricted when constraints placed on the use of resources are either externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments or is imposed by law through constitutional provisions.

***Committed*** - The committed fund balance classification includes amounts that can be used only for the specific purposes imposed by a formal action (resolution) of the District Board of Education. Those committed amounts cannot be used for any other purpose unless the District Board of Education removes or changes the specified use by taking the same type of action (resolution) it employed to previously commit those amounts. Committed fund balance also incorporates contractual obligations to the extent that existing resources in the fund have been specifically committed for use in satisfying those contractual requirements.

***Assigned*** - Amounts in the assigned fund balance classification are intended to be used by the District for specific purposes but do not meet the criteria to be classified as restricted or committed. In governmental funds other than the general fund, assigned fund balance represents the remaining amount that is not restricted or committed. In the general fund, assigned amounts represent intended uses established by the District Board of Education.

## **OTTAWA HILLS LOCAL SCHOOL DISTRICT**

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### ***Notes to the Basic Financial Statements For the Fiscal Year Ended June 30, 2012***

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

##### **P. Fund Balance** (Continued)

*Unassigned* - Unassigned fund balance is the residual classification for the general fund and includes all spendable amounts not contained in the other classifications. In other governmental funds, the unassigned classification is used only to report a deficit balance resulting from overspending for specific purposes for which amounts had been restricted, committed, or assigned.

The District applies restricted resources first when expenditures are incurred for purposes for which either restricted or unrestricted (committed, assigned, and unassigned) amounts are available. Similarly, within unrestricted fund balance, committed amounts are reduced first followed by assigned, and then unassigned amounts when expenditures are incurred for purposes for which amounts in any of the unrestricted fund balance classifications could be used.

##### **Q. 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.

##### **R. 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 2012.

#### **NOTE 2 – COMPLIANCE AND ACCOUNTABILITY**

*Fund Deficits* - The fund deficits at June 30, 2012 of \$107 in the Management Information System Fund and \$2,399 in the Title VI-B 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, 2012***

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**NOTE 3 – FUND BALANCES**

Fund balance is classified as nonspendable, restricted, committed, assigned and/or unassigned based primarily on the extent to which the District is bound to observe constraints imposed upon the use of resources in the government funds. The constraints placed on fund balance for the major governmental funds and all other governmental funds are presented below:

<u>Fund Balances</u>	<u>General Fund</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
Nonspendable:			
Prepaid Items	\$94,495	\$0	\$94,495
Total Nonspendable	<u>94,495</u>	<u>0</u>	<u>94,495</u>
Restricted:			
Statutory Reserves	204,319	0	204,319
Extracurricular Activities	0	97,533	97,533
Other Purposes	0	56,774	56,774
Debt Service Payments	0	42,167	42,167
Capital Acquisition and Improvement	0	132,866	132,866
Total Restricted	<u>204,319</u>	<u>329,340</u>	<u>533,659</u>
Committed:			
Severance Pay	5,700	0	5,700
Total Committed	<u>5,700</u>	<u>0</u>	<u>5,700</u>
Assigned to Other Purposes	166,883	0	166,883
Unassigned	3,408,976	(2,506)	3,406,470
Total Fund Balances	<u>\$3,880,373</u>	<u>\$326,834</u>	<u>\$4,207,207</u>

## **OTTAWA HILLS LOCAL SCHOOL DISTRICT**

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### ***Notes to the Basic Financial Statements For the Fiscal Year Ended June 30, 2012***

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#### **NOTE 4 - CASH, CASH EQUIVALENTS AND INVESTMENTS**

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

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

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

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

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

### **Notes to the Basic Financial Statements For the Fiscal Year Ended June 30, 2012**

#### **NOTE 4 - 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. The District's policy is to deposit funds with banking institutions which collateralize public monies in accordance with the Ohio Revised Code.

At year end the carrying amount of the District's deposits was \$1,375,535 and the bank balance was \$1,705,577. Federal depository insurance covered \$250,000 of the bank balance and \$1,455,577 was uninsured. Of the remaining uninsured bank balance, the District was exposed to custodial risk as follows:

	<u>Balance</u>
Uninsured and collateralized with securities held by the pledging institution's trust department not in the District's name	\$1,455,577
Total Balance	\$1,455,577

##### **B. Investments**

The District's investments at June 30, 2012 were as follows:

	<u>Fair Value</u>	<u>Credit Rating</u>	<u>Investment Maturities (in Years)</u>		
			<u>less than 1</u>	<u>1-3</u>	<u>3-5</u>
STAR Ohio	\$286,827	AAAm <sup>1</sup>	\$286,827	\$0	\$0
Money Market	1,111,657	AAA <sup>1,2</sup>	1,111,657	0	0
FNMA	1,752,503	AAA <sup>1,2</sup>	230,238	510,685	1,011,580
FHLMC	500,420	AAA <sup>1,2</sup>	0	0	500,420
Total Investments	\$3,651,407		\$1,628,722	\$510,685	\$1,512,000

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

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

# OTTAWA HILLS LOCAL SCHOOL DISTRICT

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## *Notes to the Basic Financial Statements For the Fiscal Year Ended June 30, 2012*

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

#### **B. Investments** (Continued)

*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, 8% are STAR Ohio, 30% is a money market investment, 48% are FNMA, and 14% are FHLMC.

*Custodial Credit Risk* – For an investment, custodial credit risk is the risk that in the event of the failure of the counterparty, the District will not be able to recover the value of its investment or collateral securities that are in the possession of an outside party.

#### **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.

	<u>Cash and Cash Equivalents</u>	<u>Investments</u>
Per Financial Statements	\$1,662,362	\$3,364,580
STAR Ohio	(286,827)	286,827
Per GASB Statement No. 3	<u>\$1,375,535</u>	<u>\$3,651,407</u>

### NOTE 5 - TAXES

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

Property taxes include amounts levied against all real and public utility property located in the District. Real property tax revenue received in calendar 2012 represents collections of calendar year 2011 taxes. Real property taxes received in calendar year 2012 were levied after April 1, 2011, on the assessed value listed as of January 1, 2011, the lien date. Assessed values for real property taxes are established by State law at 35 percent of appraised market value. Real property taxes are payable annually or semi-annually. If paid annually, payment is due December 31; if paid semi-annually, the first payment is due December 31 with the remainder payable by June 20. Under certain circumstances, State statute permits alternate payment dates to be established.

## **OTTAWA HILLS LOCAL SCHOOL DISTRICT**

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### ***Notes to the Basic Financial Statements For the Fiscal Year Ended June 30, 2012***

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#### **NOTE 5 – TAXES (Continued)**

Public utility property tax revenue received in calendar 2012 represents collections of calendar year 2011 taxes. Public utility real and tangible personal property taxes received in calendar year 2012 became a lien December 31, 2010, were levied after April 1, 2011 and are collected with real property taxes. Public utility real property is assessed at 35 percent of true value; public utility tangible personal property currently is assessed at varying percentages of true value.

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 2012 were as follows:

	2011 Second Half Collections	2012 First Half Collections
Agricultural/Residential and Other Real Estate	\$161,916,070	\$160,802,540
Public Utility Personal	1,048,070	1,114,390
Total Assessed Value	<u>\$162,964,140</u>	<u>\$161,916,930</u>
Tax rate per \$1,000 of assessed valuation	\$133.85	\$134.75

#### **NOTE 6 - RECEIVABLES**

Receivables at June 30, 2012 consisted of taxes, accounts and interest receivables.

#### **NOTE 7 - TRANSFERS**

Following is a summary of transfers in and out for all funds at June 30, 2012:

Fund	Transfer In	Transfer Out
General Fund	\$0	\$38,000
Other Governmental Funds	38,000	0
Total All Funds	<u>\$38,000</u>	<u>\$38,000</u>

All transfers made in fiscal year 2012 were in accordance with Ohio Revised Code Sections 5705.14, 5705.15 and 5705.16.

**OTTAWA HILLS LOCAL SCHOOL DISTRICT**

**Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2012**

**NOTE 8 - CAPITAL ASSETS**

Summary by category of changes in governmental activities capital assets at June 30, 2012:

*Historical Cost:*

Class	June 30, 2011	Additions	Deletions	June 30, 2012
<i>Capital assets not being depreciated:</i>				
Land	\$743,629	\$0	\$0	\$743,629
<i>Capital assets being depreciated:</i>				
Land Improvements	1,846,068	24,594	0	1,870,662
Buildings and Improvements	8,510,491	89,013	0	8,599,504
Machinery/Equipment and Furniture/Fixtures	1,241,738	492,565	0	1,734,303
Vehicles	196,350	3,385	0	199,735
Total Cost	<u>\$12,538,276</u>	<u>\$609,557</u>	<u>\$0</u>	<u>\$13,147,833</u>

*Accumulated Depreciation:*

Class	June 30, 2011	Additions	Deletions	June 30, 2012
Land Improvements	(\$804,498)	(\$98,948)	\$0	(\$903,446)
Buildings and Improvements	(4,510,742)	(161,127)	0	(4,671,869)
Machinery/Equipment and Furniture/Fixtures	(1,202,211)	(61,062)	0	(1,263,273)
Vehicles	(59,003)	(20,698)	0	(79,701)
Total Depreciation	<u>(\$6,576,454)</u>	<u>(\$341,835) *</u>	<u>\$0</u>	<u>(\$6,918,289)</u>
<i>Net Value:</i>	<u>\$5,961,822</u>			<u>\$6,229,544</u>

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

Instruction	\$143,469
Support Services:	
Instructional Staff	117
Administration	117
Fiscal Services	117
Operations & Maintenance of Plant	86,334
Pupil Transportation	10,256
Extracurricular Activities	101,425
Total Depreciation Expense	<u>\$341,835</u>

## **OTTAWA HILLS LOCAL SCHOOL DISTRICT**

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### ***Notes to the Basic Financial Statements For the Fiscal Year Ended June 30, 2012***

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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 Employee Retirement System**

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. That report can be obtained on SERS' website, [www.ohsers.org](http://www.ohsers.org) under Employers/Audit Resources.

Funding Policy - Plan members are required to contribute 10 percent of their annual covered salary and the District is required to contribute 14 percent of annual covered payroll. The contribution requirements of plan members and employers are established and may be amended by the SERS' Retirement Board up to statutory maximum amounts of 10 percent for plan members and 14 percent for employers. The Retirement Board, acting with the advice of the actuary, allocates the employer contribution rate among four of the System's funds (Pension Trust Fund, Death Benefit Fund, Medicare B Fund, and Health Care Fund). For the fiscal year ended June 30, 2012, the allocation to pension and death benefits was 12.7 percent. The remaining 1.3 percent of the 14 percent employer contribution rate is allocated to the Medicare B and Health Care funds. The District's contributions for pension obligations to SERS for the fiscal years ended June 30, 2012, 2011 and 2010 were \$243,731, \$219,990 and \$224,114 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. 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.

## **OTTAWA HILLS LOCAL SCHOOL DISTRICT**

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### ***Notes to the Basic Financial Statements For the Fiscal Year Ended June 30, 2012***

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

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

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, 2012, 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 2011, 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 contributions for pension obligations to STRS Ohio for the fiscal years ended June 30, 2012, 2011, and 2010 were \$836,695, \$889,980, and \$845,988 respectively; which were equal to the required contributions for each year. Contributions to the DC and Combined Plans for fiscal year 2012 were \$32,795 made by the District and \$23,425 made by the plan members.

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

Effective July 1, 1991, all employees not otherwise covered by the School Employees Retirement System or the State Teachers Retirement System of Ohio have an option to choose Social Security or the School Retirement System. As of June 30, 2012, no members of the Board of Education have elected Social Security. The contribution rate is 6.2 percent of wages.

#### **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 (SERS) for non-certificated retirees and their beneficiaries, a Health Care Plan and a Medicare Part B Plan. The Health Care Plan includes hospitalization and physicians' fees through several types of plans including HMO's, PPO's and traditional indemnity plans as well as a prescription drug program.

## **OTTAWA HILLS LOCAL SCHOOL DISTRICT**

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### ***Notes to the Basic Financial Statements For the Fiscal Year Ended June 30, 2012***

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

##### **A. School Employee Retirement System (Continued)**

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 SERS based on authority granted by State statute. The financial reports of both Plans are included in the SERS Comprehensive Annual Financial Report which can be obtained on SERS' website, [www.ohsers.org](http://www.ohsers.org) under Employers/Audit Resources.

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 105(e). For 2012, 0.55 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 2012, 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, 2012, 2011, and 2010 were \$32,643, \$49,862, and \$33,231 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 2012, this actuarially required allocation was 0.75 percent of covered payroll. The District's contributions for Medicare Part B for the fiscal years ended June 30, 2012, 2011, and 2010 were \$14,394, \$14,157, and \$13,328 respectively; which were equal to the required contributions for each year.

##### **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 Revised Code Chapter 3307 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 2012, 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, 2012, 2011, and 2010 were \$64,361, \$68,460, and \$65,076 respectively; which were equal to the required contributions for each year.

**OTTAWA HILLS LOCAL SCHOOL DISTRICT**

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**Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2012**

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**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, 2012 are as follows:

			Balance			Balance	Amount Due
			June 30, 2011	Additions	Deductions	June 30, 2012	Within One Year
<b>Governmental Activities:</b>							
General Obligation Bonds:							
2010	School Improvement Refunding	2.00-3.00%	\$2,320,000	\$0	(\$430,000)	\$1,890,000	\$445,000
	Compensated Absences		1,579,855	222,119	(414,285)	1,387,689	222,914
	Total Long-Term Obligations		<u>\$3,899,855</u>	<u>\$222,119</u>	<u>(\$844,285)</u>	<u>\$3,277,689</u>	<u>\$667,914</u>

**A. Principal and Interest Requirements**

A summary of the District's future long-term debt funding requirements, including principal and interest payments as of June 30, 2012, follows:

Years	General Obligation Bonds	
	Principal	Interest
2013	\$445,000	\$47,638
2014	455,000	37,626
2015	465,000	26,250
2016	450,000	14,626
2017	75,000	2,250
Totals	<u>\$1,890,000</u>	<u>\$128,390</u>

**B. Defeased Debt**

In fiscal 2010, the District defeased \$2,823,000 of General Obligation Bonds for School Building Improvements issued in fiscal 1999 through the issuance of \$2,955,000 of General Obligation Bonds. The net proceeds of the 2010 Bonds have been invested in obligations guaranteed as to both principal and interest by the United States Government and placed in irrevocable escrow accounts which, including interest earned, will be used to pay the principal and interest on the refunded bonds. The refunded bonds, which have an outstanding balance of \$2,575,000 at June 30, 2012, are not included in the District's outstanding debt since the District has in-substance satisfied its obligations through the advance refunding.

## **OTTAWA HILLS LOCAL SCHOOL DISTRICT**

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### ***Notes to the Basic Financial Statements For the Fiscal Year Ended June 30, 2012***

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#### **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, 2012, the reserve activity (cash-basis) was as follows:

	<u>Capital Acquisition Reserve</u>
Set-aside Cash Balance as of June 30, 2011	\$218,413
Current Year Set-Aside Requirement	172,190
Current Year Offset Credits	<u>(186,284)</u>
Total	<u>\$204,319</u>
Cash Balance Carried Forward to FY 2013	<u>\$204,319</u>
Amount Restricted for Capital Acquisition	<u>\$204,319</u>

#### **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 (NBEC)* - 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 the fiscal year were \$84,512. 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.

## **OTTAWA HILLS LOCAL SCHOOL DISTRICT**

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### ***Notes to the Basic Financial Statements For the Fiscal Year Ended June 30, 2012***

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#### **NOTE 13 - JOINTLY GOVERNED ORGANIZATION (Continued)**

*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.

#### **NOTE 14 – INSURANCE PURCHASING POOL**

The District participates in the Ohio School Plan (OSP), an insurance purchasing pool. The OSP is created and organized pursuant to and as authorized by Section 2744.081 of the Ohio Revised Code. The OSP is an unincorporated, non-profit association of its members and an instrumentality for each member for the purpose of enabling members of the Plan to provide for a formalized, joint insurance purchasing program to maintain adequate insurance protection, risk management programs and other administrative services. The OSP's business and affairs are conducted by a twelve member Board of Directors consisting of school district superintendents and treasurers. Hylant Administrative Services, LLC is the Administrator of the OSP and is responsible for providing underwriting, claims management, risk management, accounting, system support services, sales, and marketing.

**OTTAWA HILLS LOCAL SCHOOL DISTRICT**

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***Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2012***

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**NOTE 15 - 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 2012 the District contracted for various insurance coverages, as follows:

Insurance Provider	Coverage	Deductible
Ohio School Plan	Commercial Property	\$1,000
Ohio School Plan	Crime: Employee Theft	\$1,000
Ohio School Plan	General Liability	N/A
Ohio School Plan	Crime Coverage: Forgery or Alteration/Theft of Money and Securities/Computer Fraud	\$1,000
Ohio School Plan	Employers Liability (Ohio Stop Gap)	N/A
Ohio School Plan	Fiduciary Liability	\$2,500
Ohio School Plan	Legal Liability: Errors and Omissions/Employment Practices/Declaratory, Equitable and Injunctive Relief Defense Aggregate	\$2,500
Ohio School Plan	Commercial Auto – Trucks	
	Comprehensive	\$250
	Collision	\$500
Ohio School Plan	Commercial Auto – Bus	
	Comprehensive	\$1,000
	Collision	\$1,000
Ohio School Plan	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.

## **OTTAWA HILLS LOCAL SCHOOL DISTRICT**

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### ***Notes to the Basic Financial Statements For the Fiscal Year Ended June 30, 2012***

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#### **NOTE 16 - CONTINGENCIES**

##### **A. Grants**

The Auditor of State is currently performing a statewide review of supporting documentation for student attendance data reported to the Ohio Department of Education. The results of this review are still pending and will be reported separately to the Ohio Department of Education at a later date.

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, 2012.

#### **NOTE 17 – OPERATING LEASE**

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

The following is a schedule of future minimum payments under the operating lease as of June 30, 2012:

<u>Fiscal Year Ending June 30,</u>	
2013	\$31,000
2014	31,000
2015	31,000
2016	<u>31,000</u>
Total Minimum Lease Payments	<u><u>\$124,000</u></u>

#### **NOTE 18 – CONSTRUCTION COMMITMENTS**

As of June 30, 2012 the District had the following commitments with respect to capital projects:

<u>Capital Project</u>	<u>Amount Remaining</u>	<u>Estimated Date of Completion</u>
Track Resurfacing	\$31,478	August 2012
High School Parking Lot Reseal	3,810	July 2012
Locker Refurbish	7,495	July 2012

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614 W Superior Ave Ste 1242  
Cleveland OH 44113-1306  
Office phone - (216) 575-1630  
Fax - (216) 436-2411

***Charles E. Harris & Associates, Inc.***

*Certified Public Accountants*

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

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

To the Board of Education:

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Ottawa Hills Local School District, Lucas County, (the District) as of and for the year ended June 30, 2012, which collectively comprise the District's basic financial statements and have issued our report thereon dated November 21, 2013. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*.

**Internal Control Over Financial Reporting**

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

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, when performing their assigned functions, to prevent, or detect and timely correct misstatements. A *material weakness* is a deficiency, or combination of internal control deficiencies resulting in more than a reasonable possibility that a material misstatement of the District's financial statements will not be prevented, or detected and timely corrected.

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

**Compliance and Other Matters**

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

Ottawa Hills Local School District, Lucas County  
Independent Accountants' Report on Internal Control Over  
Financial Reporting and on Compliance and Other Matters  
Required by *Government Auditing Standards*  
Page 2

We intend this report solely for the information and use of management, the audit committee, the Board of Education and others within the District. We intend it for no one other than these specified parties.

A handwritten signature in black ink that reads "Charles E. Harris & Associates". The signature is written in a cursive, slightly slanted style.

**Charles E. Harris & Associates, Inc.**  
November 21, 2013

**OTTAWA HILLS LOCAL SCHOOL DISTRICT  
LUCAS COUNTY  
JUNE 30, 2012**

**SCHEDULE OF PRIOR AUDIT FINDINGS**

The prior audit report, for the year ending June 30, 2011, reported no material citations or recommendations.

Rockefeller Building  
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Fax - (216) 436-2411

**Charles E. Harris & Associates, Inc.**  
*Certified Public Accountants*

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**Independent Accountants' Report on Applying Agreed-Upon Procedure**

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

To the Board of Education:

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

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

- We noted the Board of Education amended its anti-harassment policy at its meeting on August 2, 2012 to include violence within a dating relationship within its definition of harassment, intimidation or bullying.

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

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

*Charles Harris Associates*

**Charles E. Harris & Associates, Inc.**  
November 21, 2013

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# Dave Yost • 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  
MARCH 20, 2014