

**OTTAWA HILLS LOCAL SCHOOL DISTRICT**



**Basic Financial Statements**

**June 30, 2014**





# Dave Yost • Auditor of State

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

We have reviewed the *Independent Auditor's Report* of the Ottawa Hills Local School District, Lucas County, prepared by Plattenburg & Associates, Inc., for the audit period July 1, 2013 through June 30, 2014. 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 3, 2016

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## INDEPENDENT AUDITOR'S REPORT

Board of Education  
Ottawa Hills Local School District

### Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Ottawa Hills Local School District (the District) as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

### Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

### Auditor's Responsibility

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 *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

### Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the District, as of June 30, 2014, and the respective changes in financial position and the budgetary comparison for the General Fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

## Other Matters

### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that management's discussion and analysis be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting 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 assurance.

### **Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated December 17, 2015, 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. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

*Plattenburg & Associates, Inc.*

Plattenburg & Associates, Inc.  
Cincinnati, Ohio  
December 17, 2015

# OTTAWA HILLS LOCAL SCHOOL DISTRICT

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*Management's Discussion and Analysis  
For the Fiscal Year Ended June 30, 2014*

*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, 2014. 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 fiscal year 2014 are as follows:

- Net position increased \$1,126,989, which represents a 13% increase from fiscal year 2013.
- General revenues accounted for \$14,599,532 in revenue or 93% of all revenues. Program specific revenues in the form of charges for services and grants and contributions accounted for \$1,155,012 or 7% of total revenues of \$15,754,544.
- The District had \$14,627,555 in expenses related to governmental activities; only \$1,155,012 of these expenses were offset by program specific charges for services, grants or contributions. General revenues of \$14,599,532 were adequate to provide for these programs.
- The District's General Fund had \$13,696,867 in revenues and \$12,870,609 in expenditures. The General Fund's fund balance increased \$788,506 to \$5,368,656.

## **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, 2014*

*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 position includes all of the District's assets, liabilities, and deferred outflows/inflows of resources. 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 position and how it has changed. Net position is one way to measure the District's financial health.

Over time, increases or decreases in the District's net position is 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 Position and the Statement of Activities) and governmental funds is reconciled in the financial statements.

## **OTTAWA HILLS LOCAL SCHOOL DISTRICT**

***Management's Discussion and Analysis  
For the Fiscal Year Ended June 30, 2014***

***Unaudited***

***Fiduciary Funds*** – The District is the trustee, or fiduciary, for various student managed activity programs, various scholarship programs and other items listed as agency. It is also responsible for other assets that, due to a trust arrangement can only be used for the trust beneficiaries. All of the District's fiduciary activities are reported in separate Statements of Fiduciary Net Position and Changes in Fiduciary Net Position. 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 position for fiscal year 2014 compared to fiscal year 2013.

	Governmental Activities		Increase (Decrease)
	2014	2013	
Current and Other Assets	\$18,177,588	\$16,338,086	\$1,839,502
Capital Assets, Net	6,115,234	6,481,243	(366,009)
Total Assets	24,292,822	22,819,329	1,473,493
Long-term Debt Outstanding	2,511,680	3,292,565	(780,885)
Other Liabilities	1,316,032	1,139,411	176,621
Total Liabilities	3,827,712	4,431,976	(604,264)
Deferred Inflows of Resources	10,763,562	9,812,794	950,768
Net Position			
Net Investment in Capital Assets	4,846,599	4,620,966	225,633
Restricted	659,529	601,254	58,275
Unrestricted	4,195,420	3,352,339	843,081
Total Net Position	\$9,701,548	\$8,574,559	\$1,126,989

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## **OTTAWA HILLS LOCAL SCHOOL DISTRICT**

**Management's Discussion and Analysis  
For the Fiscal Year Ended June 30, 2014**

**Unaudited**

**Changes in Net Position** – The following table shows the changes in net position for fiscal year 2014 compared to fiscal year 2013:

	Governmental Activities		Increase (Decrease)
	2014	2013	
Revenues			
Program Revenues:			
Charges for Services and Sales	\$398,787	\$409,058	(\$10,271)
Operating Grants and Contributions	756,225	710,563	45,662
Total Program Revenues	<u>1,155,012</u>	<u>1,119,621</u>	<u>35,391</u>
General Revenues:			
Property Taxes	11,079,054	10,661,721	417,333
Intergovernmental, Unrestricted	3,409,296	3,244,060	165,236
Other	111,182	250,649	(139,467)
Total General Revenues	<u>14,599,532</u>	<u>14,156,430</u>	<u>443,102</u>
Total Revenues	<u>15,754,544</u>	<u>15,276,051</u>	<u>478,493</u>
Program Expenses:			
Instruction	8,724,611	8,692,443	32,168
Supporting Services:			
Pupils	827,688	691,157	136,531
Instructional Staff	467,242	533,193	(65,951)
Board of Education	23,190	27,102	(3,912)
Administration	996,357	941,530	54,827
Fiscal Services	515,899	486,929	28,970
Operation and Maintenance of Plant	1,429,272	1,244,913	184,359
Pupil Transportation	50,437	49,387	1,050
Central	303,082	125,870	177,212
Community Services	403,575	403,242	333
Extracurricular Activities	846,971	838,278	8,693
Interest and Fiscal Charges	39,231	44,301	(5,070)
Total Expenses	<u>14,627,555</u>	<u>14,078,345</u>	<u>549,210</u>
Total Change in Net Position	<u>1,126,989</u>	<u>1,197,706</u>	<u>(70,717)</u>
Beginning Net Position	<u>8,574,559</u>	<u>7,376,853</u>	<u>1,197,706</u>
Ending Net Position	<u>\$9,701,548</u>	<u>\$8,574,559</u>	<u>\$1,126,989</u>

### **Governmental Activities**

Net position of the District's governmental activities increased \$1,126,989. In November 2013 a 6.9 mill continuing operating levy was approved. This resulted in an increase in property tax collections in fiscal year 2014. An increase in state foundation distributions resulted in the increase in unrestricted intergovernmental revenues. Expenses increased \$549,210, or approximately 4%. The increase in supporting services pupils can be attributed to a reclassification of certain special education costs previously reported as instruction. Increases in natural gas costs and repair costs for HVAC boilers resulted in the increase in supporting services operation and maintenance of plant. An increase in supporting services central can be attributed in part to the hiring of a new district technology coordinator.

## **OTTAWA HILLS LOCAL SCHOOL DISTRICT**

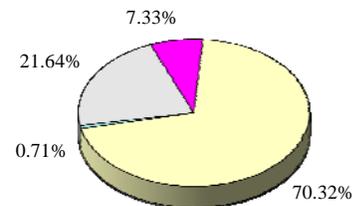
**Management's Discussion and Analysis  
For the Fiscal Year Ended June 30, 2014**

**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 2014. The District's reliance upon tax revenues is demonstrated by the following graph:

Revenue Sources	2014	Percent of Total
Intergovernmental, Unrestricted	\$3,409,296	21.64%
Program Revenues	1,155,012	7.33%
General Tax Revenues	11,079,054	70.32%
General Other	111,182	0.71%
Total Revenue	<u>\$15,754,544</u>	<u>100.00%</u>



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

The District's governmental funds reported a combined fund balance of \$6,030,891, which is greater than last year's balance of \$5,236,433. The schedule below indicates the fund balance and the total change in fund balance as of June 30, 2014 and 2013.

	Fund Balance June 30, 2014	Fund Balance June 30, 2013	Increase (Decrease)
General	\$5,368,656	\$4,580,150	\$788,506
Other Governmental	662,235	656,283	5,952
Total	<u>\$6,030,891</u>	<u>\$5,236,433</u>	<u>\$794,458</u>

## OTTAWA HILLS LOCAL SCHOOL DISTRICT

**Management's Discussion and Analysis  
For the Fiscal Year Ended June 30, 2014**

**Unaudited**

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

	2014 Revenues	2013 Revenues	Increase (Decrease)
Taxes	\$10,125,127	\$9,693,962	\$431,165
Tuition	32,675	39,062	(6,387)
Transportation Fees	306	450	(144)
Investment Earnings	24,029	35,001	(10,972)
Extracurricular Activities	126,172	92,342	33,830
Class Materials and Fees	86,410	56,496	29,914
Intergovernmental - State	3,246,526	3,094,740	151,786
All Other Revenue	55,622	160,907	(105,285)
<b>Total</b>	<b>\$13,696,867</b>	<b>\$13,172,960</b>	<b>\$523,907</b>

General Fund revenues increased \$523,907, or approximately 4%. In November 2013 a 6.9 mill continuing operating levy was approved. This resulted in an increase in property tax collections in fiscal year 2014. An increase in state foundation distributions resulted in the increase in unrestricted intergovernmental revenues.

	2014 Expenditures	2013 Expenditures	Increase (Decrease)
<b>Current:</b>			
Instruction	\$7,888,228	\$8,356,106	(\$467,878)
<b>Supporting Services:</b>			
Pupils	854,419	684,730	169,689
Instructional Staff	510,117	410,973	99,144
Board of Education	23,190	27,102	(3,912)
Administration	1,011,105	927,445	83,660
Fiscal Services	505,032	460,144	44,888
Operation and Maintenance of Plant	1,256,934	1,105,229	151,705
Pupil Transportation	40,521	39,131	1,390
Central	293,233	122,270	170,963
Community Services	3,000	10,750	(7,750)
Extracurricular Activities	484,830	429,682	55,148
<b>Debt Service:</b>			
Principal Retirement	0	47,393	(47,393)
<b>Total</b>	<b>\$12,870,609</b>	<b>\$12,620,955</b>	<b>\$249,654</b>

General Fund expenditures increased \$249,654 or approximately 2%. The increase in supporting services pupils can be attributed to a reclassification of certain special education costs previously reported as instruction. Increases in natural gas costs and repair costs for HVAC boilers resulted in the increase in supporting services operation and maintenance of plant. An increase in supporting services central can be attributed in part to the hiring of a new district technology coordinator.

# OTTAWA HILLS LOCAL SCHOOL DISTRICT

## Management's Discussion and Analysis For the Fiscal Year Ended June 30, 2014

Unaudited

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

During the course of fiscal year 2014 the District amended its General Fund budget several times, none significant.

For the General Fund, final budget basis revenue was 8% more than original revenue estimates due to increases in property tax receipts and state foundation distributions. Final revenue estimates and actual budget basis revenues were not materially different. Original and final budget basis expenditures were not materially different. Actual budget basis expenditures were 3% 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 2014 the District had \$6,115,234 net of accumulated depreciation invested in land, improvements, buildings, machinery, equipment and vehicles. The following table shows fiscal year 2014 and 2013 balances:

	Governmental Activities		Increase (Decrease)
	2014	2013	
Land	\$743,629	\$743,629	\$0
Land Improvements	1,908,060	1,908,060	0
Buildings and Improvements	8,688,835	8,624,499	64,336
Machinery/Equipment and Furniture/Fixtures	2,407,253	2,321,693	85,560
Vehicles	199,735	199,735	0
Less: Accumulated Depreciation	(7,832,278)	(7,316,373)	(515,905)
Totals	<u>\$6,115,234</u>	<u>\$6,481,243</u>	<u>(\$366,009)</u>

Capital asset activity in fiscal year 2014 consisted of various acquisitions of machinery and equipment as well as building improvements. Additional information on the District's capital assets can be found in Note 7.

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## **OTTAWA HILLS LOCAL SCHOOL DISTRICT**

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***Management's Discussion and Analysis  
For the Fiscal Year Ended June 30, 2014***

***Unaudited***

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### ***Debt***

At June 30, 2014, the District had \$990,000 in bonds outstanding, \$465,000 due within one year. The following table summarizes the District's debt outstanding as of June 30, 2014 and 2013:

	<u>2014</u>	<u>2013</u>
Governmental Activities:		
General Obligation Bonds:		
School Improvement Refunding	\$990,000	\$1,445,000
Capital Leases Payable	278,635	415,277
Compensated Absences	1,243,045	1,432,288
Totals	<u>\$2,511,680</u>	<u>\$3,292,565</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, 2014, the District's outstanding debt was below the legal limit. Additional information on the District's long-term debt can be found in Note 10.

### **ECONOMIC FACTORS**

The Ottawa Hills Local School District relies upon local property taxes and state foundation monies to fund its operations. In fiscal year 2014 the District received approximately 73.81% of its revenues from local property taxes, 12.58% from the state foundation program, 11.10% from the Homestead/Rollback exemption legislation, and the remaining 2.51% from other local sources and all other revenue sources. The District real estate value consists of 96.8% residential real estate, 2.08% commercial real estate, and 1.12% public utilities personal property.

The 2014 valuation for the district is \$151,081,110. In 2012, the Lucas County Auditor's office conducted a property revaluation of property values. The 2012 valuation for the Ottawa Hills Local School District decreased to \$151,606,360. This was a loss of (\$10,310,570) or (6.37%) from calendar year 2011. The peak year of valuation for the District was 2006. The calendar year 2006 valuation was \$187,621,220. The economic slowdown has affected home values in the District and in Lucas County. 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. A combination of future tax levies and a reduction of District expenses will need to be evaluated to align with the drop in valuations and decreases in local property tax collections.

The District approved a 6.9 mill continuing operating levy in November 2013 by a 67% margin. The District previously passed a 7.6 mill continuing operating levy in November 2010 by a 64% margin. The District passed a 2.0 mill permanent improvement levy in November 2011 by a 66% margin. The District has also passed a 2.0 mill permanent improvement levy in November 2012 by a 66% margin. Both of the 2.0 mill permanent improvement levies are for a continuing period of time.

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, 2014*

*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

## Statement of Net Position June 30, 2014

	<u>Governmental Activities</u>
<b>Assets:</b>	
Cash and Cash Equivalents	\$ 3,737,054
Cash with Fiscal Agent	142,920
Investments	2,922,418
Receivables:	
Taxes	11,301,408
Accounts	5,426
Intergovernmental	59,460
Interest	8,902
Non-Depreciable Capital Assets	743,629
Depreciable Capital Assets, Net	<u>5,371,605</u>
<b>Total Assets</b>	<u>24,292,822</u>
<b>Liabilities:</b>	
Accounts Payable	86,562
Accrued Wages and Benefits	843,961
Intergovernmental Payable	182,907
Claims Payable	193,852
Accrued Interest Payable	8,750
Long Term Liabilities:	
Due Within One Year	686,979
Due in More Than One Year	<u>1,824,701</u>
<b>Total Liabilities</b>	<u>3,827,712</u>
<b>Deferred Inflows of Resources:</b>	
Property Tax Levy for Next Fiscal Year	<u>10,763,562</u>
<b>Net Position:</b>	
Net Investment in Capital Assets	4,846,599
Restricted For:	
Capital Projects	423,937
Debt Service	90,965
Other Purposes	144,627
Unrestricted	<u>4,195,420</u>
<b>Total Net Position</b>	<u>\$ 9,701,548</u>

See accompanying notes to the basic financial statements

## OTTAWA HILLS LOCAL SCHOOL DISTRICT

### *Statement of Activities For the Fiscal Year Ended June 30, 2014*

	Program Revenues			Net (Expense) Revenue and Changes in Net Position
	Expenses	Charges for Services and Sales	Operating Grants and Contributions	Governmental Activities
<b>Governmental Activities:</b>				
Instruction	\$ 8,724,611	\$ 119,085	\$ 352,050	\$ (8,253,476)
Supporting Services:				
Pupils	827,688	0	0	(827,688)
Instructional Staff	467,242	0	0	(467,242)
Board of Education	23,190	0	0	(23,190)
Administration	996,357	0	0	(996,357)
Fiscal Services	515,899	0	0	(515,899)
Operation and Maintenance of Plant	1,429,272	6,752	0	(1,422,520)
Pupil Transportation	50,437	306	0	(50,131)
Central	303,082	0	3,600	(299,482)
Community Services	403,575	0	400,575	(3,000)
Extracurricular Activities	846,971	272,644	0	(574,327)
Interest and Fiscal Charges	39,231	0	0	(39,231)
<b>Total Governmental Activities</b>	<u>\$ 14,627,555</u>	<u>\$ 398,787</u>	<u>\$ 756,225</u>	<u>\$ (13,472,543)</u>

#### **General Revenues**

Property Taxes Levied for:	
General Purposes	10,093,388
Debt Service	463,862
Capital Outlay	521,804
Intergovernmental, Unrestricted	3,409,296
Investment Earnings	23,867
Miscellaneous	87,315
<b>Total General Revenues</b>	<u>14,599,532</u>
Change in Net Position	1,126,989
Net Position Beginning of Year	8,574,559
Net Position End of Year	<u>\$ 9,701,548</u>

See accompanying notes to the basic financial statements

**OTTAWA HILLS LOCAL SCHOOL DISTRICT**

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**Balance Sheet**  
**Governmental Funds**  
**June 30, 2014**

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	General	Other Governmental Funds	Total Governmental Funds
	<u>          </u>	<u>          </u>	<u>          </u>
<b>Assets:</b>			
Cash and Cash Equivalents	\$ 3,050,033	\$ 687,021	\$ 3,737,054
Cash with Fiscal Agent	142,920	0	142,920
Investments	2,922,418	0	2,922,418
Receivables:			
Taxes	10,344,552	956,856	11,301,408
Accounts	4,046	1,380	5,426
Intergovernmental	49,460	10,000	59,460
Interest	8,902	0	8,902
<b>Total Assets</b>	<u><u>\$ 16,522,331</u></u>	<u><u>\$ 1,655,257</u></u>	<u><u>\$ 18,177,588</u></u>
<b>Liabilities:</b>			
Accounts Payable	\$ 10,451	\$ 76,111	\$ 86,562
Accrued Wages and Benefits	843,961	0	843,961
Intergovernmental Payable	182,907	0	182,907
Claims Payable	193,852	0	193,852
<b>Total Liabilities</b>	<u>1,231,171</u>	<u>76,111</u>	<u>1,307,282</u>
<b>Deferred Inflows of Resources:</b>			
Unavailable Amounts	69,809	6,044	75,853
Property Tax Levy for Next Fiscal Year	9,852,695	910,867	10,763,562
<b>Total Deferred Inflows of Resources</b>	<u>9,922,504</u>	<u>916,911</u>	<u>10,839,415</u>
<b>Fund Balances:</b>			
Restricted	0	662,235	662,235
Committed	84,749	0	84,749
Assigned	93,557	0	93,557
Unassigned	5,190,350	0	5,190,350
<b>Total Fund Balances</b>	<u>5,368,656</u>	<u>662,235</u>	<u>6,030,891</u>
<b>Total Liabilities, Deferred Inflows of Resources and Fund Balances</b>	<u><u>\$ 16,522,331</u></u>	<u><u>\$ 1,655,257</u></u>	<u><u>\$ 18,177,588</u></u>

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 Position of Governmental Activities June 30, 2014***

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<b>Total Governmental Fund Balances</b>	\$	6,030,891
<i>Amounts reported for governmental activities in the statement of net position are different because</i>		
Capital Assets used in governmental activities are not resources and therefore are not reported in the funds.		6,115,234
Other long-term assets are not available to pay for current- period expenditures and therefore are deferred in the funds.		75,853
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	(990,000)	
Capital Leases Payable	(278,635)	
Compensated Absences Payable	(1,243,045)	
Accrued Interest Payable	(8,750)	(2,520,430)
<b><i>Net Position of Governmental Activities</i></b>		<u>\$ 9,701,548</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, 2014

	General	Other Governmental Funds	Total Governmental Funds
<b>Revenues:</b>			
Local Sources:			
Taxes	\$ 10,125,127	\$ 989,026	\$ 11,114,153
Tuition	32,675	0	32,675
Transportation Fees	306	0	306
Investment Earnings	24,029	17	24,046
Extracurricular Activities	126,172	146,472	272,644
Class Materials and Fees	86,410	0	86,410
Intergovernmental - State	3,246,526	570,123	3,816,649
Intergovernmental - Federal	0	348,872	348,872
All Other Revenue	55,622	38,445	94,067
<b>Total Revenue</b>	<b>13,696,867</b>	<b>2,092,955</b>	<b>15,789,822</b>
<b>Expenditures:</b>			
Current:			
Instruction	7,888,228	536,791	8,425,019
Supporting Services:			
Pupils	854,419	0	854,419
Instructional Staff	510,117	0	510,117
Board of Education	23,190	0	23,190
Administration	1,011,105	0	1,011,105
Fiscal Services	505,032	15,028	520,060
Operation and Maintenance of Plant	1,256,934	113,412	1,370,346
Pupil Transportation	40,521	0	40,521
Central	293,233	3,600	296,833
Community Services	3,000	400,575	403,575
Extracurricular Activities	484,830	260,293	745,123
Capital Outlay	0	160,639	160,639
Debt Service:			
Principal Retirement	0	591,642	591,642
Interest and Fiscal Charges	0	43,023	43,023
<b>Total Expenditures</b>	<b>12,870,609</b>	<b>2,125,003</b>	<b>14,995,612</b>
Excess (Deficiency) of Revenues Over (Under) Expenditures	826,258	(32,048)	794,210

(Continued)

**OTTAWA HILLS LOCAL SCHOOL DISTRICT**

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	General	Other Governmental Funds	Total Governmental Funds
<b>Other Financing Sources (Uses):</b>			
Sale of Capital Assets	248	0	248
Transfers In	0	38,000	38,000
Transfers Out	(38,000)	0	(38,000)
<b>Total Other Financing Sources (Uses)</b>	<u>(37,752)</u>	<u>38,000</u>	<u>248</u>
Net Change in Fund Balance	788,506	5,952	794,458
<b>Fund Balances at Beginning of Year</b>	<u>4,580,150</u>	<u>656,283</u>	<u>5,236,433</u>
<b>Fund Balances End of Year</b>	<u>\$ 5,368,656</u>	<u>\$ 662,235</u>	<u>\$ 6,030,891</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, 2014***

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**Net Change in Fund Balances - Total Governmental Funds** \$ 794,458

***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 depreciation exceeded capital outlay in the current period.

Capital Outlay	151,922	
Depreciation Expense	(516,158)	(364,236)

Governmental funds only report the disposal of capital assets to the extent proceeds are received from the sale. In the statement of activities, a gain or loss is reported for each disposal. This is the amount of the loss on the disposal of capital assets net of proceeds received. (1,773)

Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds. (35,278)

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

General Obligation Bond Principal Payment	455,000	
Capital Lease Principal Payment	136,642	591,642

In the statement of activities, interest is accrued on outstanding bonds, whereas in governmental funds, an interest expenditure is reported when due. 3,792

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		138,384
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***Change in Net Position of Governmental Activities*** **\$ 1,126,989**

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, 2014**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	Variance with Final Budget Positive (Negative)
<b>Revenues:</b>				
Local Sources:				
Taxes	\$ 9,390,244	\$ 10,105,013	\$ 10,105,013	\$ 0
Tuition	36,000	32,675	32,675	0
Transportation Fees	800	306	306	0
Investment Earnings	15,000	23,606	23,606	0
Extracurricular Activities	70,000	107,321	107,321	0
Class Material and Fees	21,000	22,736	22,736	0
Intergovernmental - State	3,049,796	3,246,526	3,246,526	0
All Other Revenues	12,004	7,885	7,897	12
Total Revenues	<u>12,594,844</u>	<u>13,546,068</u>	<u>13,546,080</u>	<u>12</u>
<b>Expenditures:</b>				
Current:				
Instruction	8,381,178	7,936,448	7,768,971	167,477
Support Services:				
Pupils	698,098	857,328	835,497	21,831
Instructional Staff	446,637	511,955	471,605	40,350
Board of Education	35,250	25,394	23,190	2,204
Administration	1,009,274	999,124	966,289	32,835
Fiscal Services	510,935	515,682	503,158	12,524
Operation and Maintenance of Plant	1,232,850	1,313,871	1,246,836	67,035
Pupil Transportation	41,560	43,373	41,894	1,479
Central	99,000	320,263	318,398	1,865
Community Services	14,000	3,000	3,000	0
Extracurricular Activities	530,695	531,094	482,067	49,027
Total Expenditures	<u>12,999,477</u>	<u>13,057,532</u>	<u>12,660,905</u>	<u>396,627</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	(404,633)	488,536	885,175	396,639

(Continued)

## OTTAWA HILLS LOCAL SCHOOL DISTRICT

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
<b>Other Financing Sources (Uses):</b>				
Sale of Capital Assets	0	248	248	0
Transfers Out	(196,000)	(178,350)	(178,000)	350
Advances In	0	17,650	17,650	0
Advances Out	0	(17,650)	(17,650)	0
Refund of Prior Year Expenditures	17,000	125,532	125,532	0
Total Other Financing Sources (Uses):	<u>(179,000)</u>	<u>(52,570)</u>	<u>(52,220)</u>	<u>350</u>
Net Change in Fund Balance	(583,633)	435,966	832,955	396,989
Fund Balance at Beginning of Year	4,905,485	4,905,485	4,905,485	0
Prior Year Encumbrances	58,046	58,046	58,046	0
Fund Balance at End of Year	<u>\$ 4,379,898</u>	<u>\$ 5,399,497</u>	<u>\$ 5,796,486</u>	<u>\$ 396,989</u>

See accompanying notes to the basic financial statements

**OTTAWA HILLS LOCAL SCHOOL DISTRICT**

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**Statement of Net Position**  
**Fiduciary Funds**  
**June 30, 2014**

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	Private Purpose Trust Funds	Agency Funds	Total
<b>Assets:</b>			
Cash and Cash Equivalents	\$ 61,096	\$ 49,421	\$ 110,517
<b>Total Assets</b>	<u>61,096</u>	<u>49,421</u>	<u>110,517</u>
<b>Liabilities:</b>			
Due to Others	0	120	120
Due to Students	0	49,301	49,301
<b>Total Liabilities</b>	<u>0</u>	<u>49,421</u>	<u>49,421</u>
<b>Net Position:</b>			
Held in Trust	61,096	0	61,096
<b>Total Net Position</b>	<u>\$ 61,096</u>	<u>\$ 0</u>	<u>\$ 61,096</u>

See accompanying notes to the basic financial statements

## **OTTAWA HILLS LOCAL SCHOOL DISTRICT**

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***Statement of Changes in Net Position  
Fiduciary Funds  
For the Fiscal Year Ended June 30, 2014***

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	<u>Private Purpose Trust Funds</u>
<b>Additions:</b>	
Contributions:	
Private Donations	\$ 24,969
Total Contributions	<u>24,969</u>
Investment Earnings:	
Interest	<u>7</u>
Total Additions	<u>24,976</u>
<b>Deductions:</b>	
Community Gifts, Awards and Scholarships	<u>6,880</u>
Total Deductions	<u>6,880</u>
Change in Net Position	18,096
Net Position at Beginning of Year	<u>43,000</u>
Net Position End of Year	<u>\$ 61,096</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, 2014*

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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, 73 certified teaching personnel and 8 administrative employees providing education to 995 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, deferred outflows/inflows of resources, 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, 2014***

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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 position and changes in net position. 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 funds account for student activities and OHSAA tournament monies, are custodial in nature (assets equal liabilities) and do not involve the measurement of results of operation.

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

***Government-wide Financial Statements*** – The statement of net position 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, 2014***

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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, current liabilities, deferred outflows/inflows of resources, 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, 2014, but which are not intended to finance fiscal 2014 operations, have been recorded as deferred inflows of resources. 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, 2014***

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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 inflows of resources.

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 2014.

# OTTAWA HILLS LOCAL SCHOOL DISTRICT

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## *Notes to the Basic Financial Statements For the Fiscal Year Ended June 30, 2014*

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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 2014.

##### 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, 2014***

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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 statements for the General Fund:

<u>Net Change in Fund Balance</u>	<u>General Fund</u>
GAAP Basis (as reported)	\$788,506
Increase (Decrease):	
Accrued Revenues	
at June 30, 2014,	
received during FY 2015	(600,707)
Accrued Revenues	
at June 30, 2013,	
received during FY 2014	605,978
Accrued Expenditures	
at June 30, 2014,	
paid during FY 2015	1,231,171
Accrued Expenditures	
at June 30, 2013,	
paid during FY 2014	(1,171,358)
Encumbrances Outstanding	(51,176)
Perspective Difference:	
Activity of Funds Reclassified	
for GAAP Reporting Purposes	30,541
Budget Basis	<u><u>\$832,955</u></u>

## **OTTAWA HILLS LOCAL SCHOOL DISTRICT**

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### ***Notes to the Basic Financial Statements For the Fiscal Year Ended June 30, 2014***

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

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

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

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

##### **G. Investments**

Investment procedures and interest allocations are restricted by provisions of the Ohio Constitution and the Ohio Revised Code. In accordance with GASB Statement No. 31, "Accounting and Financial Reporting for Certain Investments and for External Investment Pools", the District records all its investments at fair value except for nonparticipating investment contracts which are reported at cost, which approximates fair value. See Note 3, "Cash, Cash Equivalents and Investments." During fiscal year 2014, investments were limited to federal agency securities and marketable certificates of deposit.

The District invested funds in the State Treasury Asset Reserve of Ohio during fiscal year 2014. 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, 2014.

Interest revenue credited to the General Fund during fiscal year 2014 amounted to \$24,029. Of that amount, \$3,004 was the amount allocated by other funds.

# OTTAWA HILLS LOCAL SCHOOL DISTRICT

## Notes to the Basic Financial Statements For the Fiscal Year Ended June 30, 2014

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

#### **H. Capital Assets and Depreciation**

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

Governmental activities capital assets 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 Position, 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

#### **I. 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
Capital Leases Payable	Permanent Improvement Fund

## OTTAWA HILLS LOCAL SCHOOL DISTRICT

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### *Notes to the Basic Financial Statements For the Fiscal Year Ended June 30, 2014*

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

##### **J. Compensated Absences**

In accordance with GASB Statement No. 16, "Accounting for Compensated Absences," vacation benefits are accrued as a liability when an employee's right to receive compensation is attributable to services already rendered, and it is probable that the employee will be compensated through paid time off or some other means, such as cash payments at termination or retirement. Administrators and classified staff who work twelve month contracts are granted vacation leave based on length of service and position. Sick leave benefits are accrued as a liability using the vesting method. Employees earn 1.25 days of sick leave per month of service up to a maximum of 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 days. 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 position, "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.

##### **K. Net Position**

Net position represents the difference between assets, liabilities, and deferred outflows/inflows of resources. Net investment in capital assets 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 position is reported as restricted when there are limitations imposed on 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 position is available.

##### **L. Pensions**

The provision for pension cost 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, 2014***

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

##### **M. 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.

##### **N. 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, 2014*

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

##### **N. 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.

##### **O. 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.

##### **P. 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 2014.

##### **Q. Deferred Outflows/Inflows of Resources**

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net position that applies to a future period(s) and so will *not* be recognized as an outflow of resources (expense/ expenditure) until then. The District reports no deferred outflows of resources.

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of net position that applies to a future period(s) and so will *not* be recognized as an inflow of resources (revenue) until that time. On the government-wide statement of net position and governmental funds balance sheet, property taxes that are intended to finance future fiscal periods are reported as deferred inflows. In addition, the governmental funds balance sheet reports deferred inflows which arise only under a modified accrual basis of accounting. Accordingly, the item, *unavailable amounts*, is reported only in the governmental funds balance sheet. The governmental funds report unavailable amounts for property taxes and intergovernmental grants. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available.

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**OTTAWA HILLS LOCAL SCHOOL DISTRICT**

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***Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2014***

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**NOTE 2 – 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>
Restricted:			
Extracurricular Activities	\$0	\$92,128	\$92,128
Other Purposes	0	52,499	52,499
Debt Service Payments	0	96,852	96,852
Capital Acquisition and Improvement	0	420,756	420,756
Total Restricted	<u>0</u>	<u>662,235</u>	<u>662,235</u>
Committed:			
Severance Pay	84,749	0	84,749
Total Committed	<u>84,749</u>	<u>0</u>	<u>84,749</u>
Assigned to Other Purposes	93,557	0	93,557
Unassigned	5,190,350	0	5,190,350
Total Fund Balances	<u>\$5,368,656</u>	<u>\$662,235</u>	<u>\$6,030,891</u>

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## **OTTAWA HILLS LOCAL SCHOOL DISTRICT**

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### ***Notes to the Basic Financial Statements For the Fiscal Year Ended June 30, 2014***

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#### **NOTE 3 - CASH, CASH EQUIVALENTS AND INVESTMENTS**

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

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

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

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

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

## **OTTAWA HILLS LOCAL SCHOOL DISTRICT**

### ***Notes to the Basic Financial Statements For the Fiscal Year Ended June 30, 2014***

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

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

Custodial credit risk is the risk that in the event of bank failure, the government's deposits may not be returned. Protection of District cash and deposits is provided by the federal deposit insurance corporation as well as qualified securities pledged by the institution holding the assets. Ohio Law requires that deposits be placed in eligible banks or savings and loan associations located in Ohio. Any public depository in which the District places deposits must pledge as collateral eligible securities of aggregate market value equal to the excess of deposits not insured by the Federal Deposit Insurance Corporation (FDIC). The securities pledged as collateral are pledged to a pool for each individual financial institution in amounts equal to at least 105% of the carrying value of all public deposits held by each institution. Obligations that may be pledged as collateral are limited to obligations of the United States and its agencies and obligations of any state, county, municipal corporation or other legally constituted authority of any other state, or any instrumentality of such county, municipal corporation or other authority. Collateral is held by trustees including the Federal Reserve Bank and designated third party trustees of the financial institutions. 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 \$1,884,442 and the bank balance was \$2,347,957. Federal depository insurance covered \$1,251,287 of the bank balance and \$1,096,670 was collateralized by the financial institutions' public entity deposit pools in the manner described above.

In addition, the District reported \$142,920 of cash with fiscal agent, which is held by the District's self-insurance third party administrator for the payment of claims and related costs.

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

The District's investments at June 30, 2014 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	\$1,963,129	AAAm <sup>1</sup>	\$1,963,129	\$0	\$0
Money Market	18,061	AAA <sup>1,2</sup>	18,061	0	0
FNMA	1,006,605	AAA <sup>1,2</sup>	752,332	254,273	0
FHLB	168,676	AAA <sup>1,2</sup>	0	0	168,676
Marketable CD's	1,729,076	AAA <sup>3</sup>	348,437	818,033	562,606
Total Investments	<u>\$4,885,547</u>		<u>\$3,081,959</u>	<u>\$1,072,306</u>	<u>\$731,282</u>

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

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

<sup>3</sup> All are fully FDIC insured and therefore have an implied AAA credit rating

# **OTTAWA HILLS LOCAL SCHOOL DISTRICT**

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## ***Notes to the Basic Financial Statements For the Fiscal Year Ended June 30, 2014***

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### **NOTE 3 - 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, 40.1% are STAR Ohio, 0.4% is a money market investment, 20.6% are FNMA, 3.5% are FHLB, and 35.4% are marketable certificates of deposit.

*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	\$3,847,571	\$2,922,418
STAR Ohio	(1,963,129)	1,963,129
Per GASB Statement No. 3	<u>\$1,884,442</u>	<u>\$4,885,547</u>

### **NOTE 4 - 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 year 2014 represents collections of calendar year 2013 taxes. Real property taxes received in calendar year 2014 were levied after April 1, 2013, on the assessed value listed as of January 1, 2013, 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, 2014***

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#### **NOTE 4 – TAXES (Continued)**

Public utility property tax revenue received in calendar year 2014 represents collections of calendar year 2013 taxes. Public utility real and tangible personal property taxes received in calendar year 2014 became a lien December 31, 2012, were levied after April 1, 2013 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 2014 were as follows:

	2013 Second Half Collections	2014 First Half Collections
Agricultural/Residential and Other Real Estate	\$150,387,410	\$149,623,560
Public Utility Personal	1,218,950	1,347,170
Total Assessed Value	<u>\$151,606,360</u>	<u>\$150,970,730</u>
Tax rate per \$1,000 of assessed valuation	\$135.65	\$142.65

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

Receivables at June 30, 2014 consisted of taxes, accounts, intergovernmental, and interest receivables.

#### **NOTE 6 - TRANSFERS**

Following is a summary of transfers in and out for all funds at June 30, 2014:

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 2014 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, 2014**

**NOTE 7 - CAPITAL ASSETS**

Summary by category of changes in governmental activities capital assets at June 30, 2014:

**Historical Cost:**

Class	June 30, 2013	Additions	Deletions	June 30, 2014
<b>Capital assets not being depreciated:</b>				
Land	\$743,629	\$0	\$0	\$743,629
<b>Capital assets being depreciated:</b>				
Land Improvements	1,908,060	0	0	1,908,060
Buildings and Improvements	8,624,499	64,336	0	8,688,835
Machinery/Equipment and Furniture/Fixtures	2,321,693	87,586	(2,026)	2,407,253
Vehicles	199,735	0	0	199,735
Total Cost	<u>\$13,797,616</u>	<u>\$151,922</u>	<u>(\$2,026)</u>	<u>\$13,947,512</u>

**Accumulated Depreciation:**

Class	June 30, 2013	Additions	Deletions	June 30, 2014
Land Improvements	(\$1,004,380)	(\$100,527)	\$0	(\$1,104,907)
Buildings and Improvements	(4,862,561)	(193,244)	0	(5,055,805)
Machinery/Equipment and Furniture/Fixtures	(1,348,890)	(204,023)	253	(1,552,660)
Vehicles	(100,542)	(18,364)	0	(118,906)
Total Depreciation	<u>(\$7,316,373)</u>	<u>(\$516,158) *</u>	<u>\$253</u>	<u>(\$7,832,278)</u>
<b>Net Value:</b>	<u>\$6,481,243</u>			<u>\$6,115,234</u>

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

Instruction	\$317,224
Supporting Services:	
Instructional Staff	117
Administration	117
Fiscal Services	117
Operation and Maintenance of Plant	86,994
Pupil Transportation	9,916
Extracurricular Activities	101,673
Total Depreciation Expense	<u>\$516,158</u>

## **OTTAWA HILLS LOCAL SCHOOL DISTRICT**

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### ***Notes to the Basic Financial Statements For the Fiscal Year Ended June 30, 2014***

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#### **NOTE 8- DEFINED BENEFIT PENSION PLANS**

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

##### **A. School 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, 2014, the allocation to pension and death benefits was 13.10 percent. The remaining 0.90 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, 2014, 2013 and 2012 were \$244,154, \$252,284 and \$243,731 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

## **OTTAWA HILLS LOCAL SCHOOL DISTRICT**

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### ***Notes to the Basic Financial Statements For the Fiscal Year Ended June 30, 2014***

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#### **NOTE 8- DEFINED BENEFIT PENSION PLANS (Continued)**

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

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

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

Funding Policy - For the fiscal year ended June 30, 2014, plan members were required to contribute 11 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 2013, 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 14 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, 2014, 2013, and 2012 were \$749,937, \$755,898, and \$836,695 respectively; which were equal to the required contributions for each year. Contributions to the DC and Combined Plans for fiscal year 2014 were \$54,473 made by the District and \$42,800 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, 2014, no members of the Board of Education have elected Social Security. The contribution rate is 6.2 percent of wages.

## **OTTAWA HILLS LOCAL SCHOOL DISTRICT**

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### ***Notes to the Basic Financial Statements For the Fiscal Year Ended June 30, 2014***

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#### **NOTE 9 - 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, Medicare Advantage, and traditional indemnity plans as well as a prescription drug program. The Medicare Part B Plan reimburses Medicare Part B premiums paid by eligible retirees and beneficiaries up to a statutory limit. Benefit provisions and the obligations to contribute are established by the 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 2014, 0.14 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 2014, this amount was \$20,525.

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, 2014, 2013, and 2012 were \$29,464, \$29,339, and \$32,643 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 2014, this actuarially required allocation was 0.76 percent of covered payroll. The District's contributions for Medicare Part B for the fiscal years ended June 30, 2014, 2013, and 2012 were \$14,165, \$14,251, and \$14,394 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.

**OTTAWA HILLS LOCAL SCHOOL DISTRICT**

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***Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2014***

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**NOTE 9 - POSTEMPLOYMENT BENEFITS (Continued)**

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

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 2014, 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, 2014, 2013, and 2012 were \$57,687, \$58,146, and \$64,361 respectively; which were equal to the required contributions for each year.

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## **OTTAWA HILLS LOCAL SCHOOL DISTRICT**

### ***Notes to the Basic Financial Statements For the Fiscal Year Ended June 30, 2014***

#### **NOTE 10 - 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, 2014 are as follows:

			Balance			Balance	Amount Due
			June 30, 2013	Additions	Deductions	June 30, 2014	Within One Year
<b>Governmental Activities:</b>							
General Obligation Bonds:							
2010	School Improvement Refunding	2.00-3.00%	\$1,445,000	\$0	(\$455,000)	\$990,000	\$465,000
	Capital Leases Payable		415,277	0	(136,642)	278,635	138,418
	Compensated Absences		1,432,288	242,259	(431,502)	1,243,045	83,561
	Total Long-Term Obligations		<u>\$3,292,565</u>	<u>\$242,259</u>	<u>(\$1,023,144)</u>	<u>\$2,511,680</u>	<u>\$686,979</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, 2014, follows:

Years	General Obligation Bonds	
	Principal	Interest
2015	\$465,000	\$26,250
2016	450,000	14,626
2017	75,000	2,250
Totals	<u>\$990,000</u>	<u>\$43,126</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 \$1,805,000 at June 30, 2014, 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, 2014***

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#### **NOTE 11 - CAPITALIZED LEASES**

The District is obligated under a lease accounted for as a capital lease. The cost of the leased assets are accounted for in the Governmental Activities Capital Assets and the related liability in the Governmental Activities Long-Term Obligations. The leased assets had an original cost of \$568,160 and accumulated depreciation of \$165,718.

The following is a schedule of future minimum lease payments under the capital lease together with the present value of the net minimum lease payments as of June 30, 2014:

<u>Fiscal Year Ending June 30,</u>	<u>Capital Lease</u>
2015	\$142,040
2016	142,040
Minimum lease payments	<u>284,080</u>
Less: Amount representing interest at the District's incremental borrowing rate of interest	<u>(5,445)</u>
Present value of minimum lease payments	<u><u>\$278,635</u></u>

#### **NOTE 12 - STATUTORY RESERVES**

The District is required by state law to set aside certain general fund revenue amounts, as defined, into capital reserves. During the fiscal year ended June 30, 2014, the reserve activity (cash-basis) was as follows:

	<u>Capital Acquisition Reserve</u>
Set-aside Cash Balance as of June 30, 2013	\$70,859
Current Year Set-Aside Requirement	167,867
Current Year Offset Credits	<u>(545,988)</u>
Total	<u>(\$307,262)</u>
Cash Balance Carried Forward to FY 2015	<u>\$0</u>
Amount Restricted for Capital Acquisition	<u><u>\$0</u></u>

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

## **OTTAWA HILLS LOCAL SCHOOL DISTRICT**

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### ***Notes to the Basic Financial Statements For the Fiscal Year Ended June 30, 2014***

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#### **NOTE 13 - JOINTLY GOVERNED ORGANIZATIONS**

*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. Total disbursements made by the District to NWOCA during the fiscal year were \$23,838. 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 \$82,001. To obtain financial information write to the Northern Buckeye Education Council, Cindy Siler, who serves as Treasurer, at 22-900 State Route 34, Archbold, Ohio 43502.

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

## **OTTAWA HILLS LOCAL SCHOOL DISTRICT**

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### ***Notes to the Basic Financial Statements For the Fiscal Year Ended June 30, 2014***

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#### **NOTE 14 – INSURANCE PURCHASING POOLS**

*Ohio School Plan* - 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.

*The Ohio Mid-Eastern Regional Educational Service Agency (OME-RESA) Self-Insurance Plan* – The District participates in the Ohio Mid-Eastern Regional Educational Service Agency (OME-RESA) Self-Insurance Plan, a risk-sharing, claims servicing, and insurance purchasing pool comprised of over one hundred members, including two insurance consortiums. Each participant appoints a member of the insurance plans' assembly. The Plans' business and affairs are conducted by a nine member Board of Directors elected from the assembly. The plan offers medical, dental and prescription drug coverage to the members on a self-insured basis, as well as the opportunity to participate in the group purchasing of life insurance coverage. The medical coverage plan provides each plan participant the opportunity to choose a self-insurance deductible limit which can range from \$35,000 to \$150,000 under which the individual member is responsible for all claims through the claims servicing pool. Plan participants also participate in a shared risk internal pool for individual claims between the self-insurance deductible limit and \$500,000, and all claims between the deductible and the \$500,000 are paid from the internal shared risk pool. The internal pool is not owned by the plan participants. All participants pay a premium rate that is actuarially calculated based on the participants' actual claims experience which are utilized for the payment of claims within the claims servicing pool up to the self-insurance deductible limit; and for this portion of the plan, all plan participants retain their own risk. All participants pay an additional fee for participation in the internal pool that is based on the claims of the internal pool in aggregate and is not based on individual claims experience. In the event of a deficiency in the internal pool, participants would be charged a higher rate for participation, and in the event of a surplus, the internal pool pays dividends to the participants. For all individual claims exceeding \$500,000, stop loss coverage is purchased, as well as for an annual total plan aggregate claims amount. All plan participants also pay a monthly administrative fee for fiscal services and third party administrative services.

**OTTAWA HILLS LOCAL SCHOOL DISTRICT**

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***Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2014***

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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 2014 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, 2014***

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#### **NOTE 15 - RISK MANAGEMENT (Continued)**

In fiscal 2013 the District joined the Ohio Mid-Eastern Regional Educational Service Agency (OME-RESA) Self Insurance Plan, a risk sharing, claims servicing, and insurance purchasing pool, consisting of more than 100 members, in which monthly premiums are paid to the fiscal agent who in turn pays the claims on the District's behalf. Employees were covered for medical and prescription drug coverage through the OME-RESA self-insured plan.

Single coverage premiums are \$472.81 and family premiums are \$1,276.25. The Board pays 88 percent of the premiums for classified employees and 88 percent for certified and administrative employees. Annual deductibles are \$150 for single coverage and \$300 for family coverage.

The claims liability of \$193,852 reported in the General Fund at June 30, 2014 is based on the requirements of GASB Statement No. 30 which requires that a liability for unpaid claims costs, including estimates of costs relating to incurred but not reported claims, be reported. The estimate was not affected by incremental claims adjustment expenses and does not include other allocated or unallocated claims adjustment expenses. Changes in the fund's claims liability amount in fiscal 2014 were as follows:

<u>Fiscal Year</u>	<u>Beginning of Fiscal Year Liability</u>	<u>Current Year Claims and Changes in Estimates</u>	<u>Claims Payments</u>	<u>Balance at Fiscal Year End</u>
2013	\$0	\$188,553	(\$152,421)	\$36,132
2014	36,132	929,855	(772,135)	193,852

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

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, 2014.

**OTTAWA HILLS LOCAL SCHOOL DISTRICT**

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***Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2014***

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**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, 2014:

<u>Fiscal Year Ending June 30,</u>	
2015	<u>\$31,000</u>
2016	<u>31,000</u>
Total Minimum Lease Payments	<u><u>\$62,000</u></u>

**NOTE 18 – CONSTRUCTION COMMITMENTS**

As of June 30, 2014 the District had the following commitment with respect to capital projects:

<u>Capital Project</u>	<u>Amount Remaining</u>	<u>Estimated Date of Completion</u>
High School Gym Roof	\$110,000	September 2014

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**OTTAWA HILLS LOCAL SCHOOL DISTRICT**



**Yellow Book Report**

**June 30, 2014**

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**INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING  
AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL  
STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS***

Board of Education  
Ottawa Hills Local School District

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Ottawa Hills Local School District (the District), as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated December 17, 2015.

**Internal Control over Financial Reporting**

In planning and performing our audit of the financial statements, we considered the District's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, we do not express an opinion on the effectiveness of the District's internal control.

*A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.*

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or, significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

**Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the District's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

## **Purpose of this Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

*Plattenburg & Associates, Inc.*

Plattenburg & Associates, Inc.  
Cincinnati, Ohio  
December 17, 2015



# 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 17, 2016