

***OTTAWA HILLS LOCAL SCHOOL DISTRICT***

***LUCAS COUNTY***

**Audit Report**

**For the Year Ended June 30, 2011**

***CHARLES E. HARRIS & ASSOCIATES, INC.***  
Certified Public Accountants and Government Consultants





# Dave Yost • Auditor of State

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

We have reviewed the *Report of Independent Accountants* of the Ottawa Hills Local School District, Lucas County, prepared by Charles E. Harris & Associates, Inc., for the audit period July 1, 2010 through June 30, 2011. 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 12, 2012

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OTTAWA HILLS LOCAL SCHOOL DISTRICT  
LUCAS COUNTY  
AUDIT REPORT  
For the Year Ending June 30, 2011

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

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**REPORT OF INDEPENDENT ACCOUNTANTS**

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

To the Board of Education:

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Ottawa Hills Local School District, Lucas County, Ohio, (the District), as of and for the year ended June 30, 2011, which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the District's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Ottawa Hills Local School District, Lucas County, Ohio, as of June 30, 2011, and the respective changes in financial position and the budgetary comparison for the General Fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

As described in Note 3, the District implemented Governmental Accounting Standard Board Statement No.54, "Fund Balance Reporting and Governmental Fund Type Definitions."

In accordance with *Government Auditing Standards*, we have also issued our report dated December 19, 2011, on our consideration of the Ottawa Hills Local School District, Lucas County, Ohio's internal control over financial reporting and on 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* and should be considered in assessing the results of our audit.

Accounting principles generally accepted in the United States of America require that the 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.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Ottawa Hills Local School District's financial statements as a whole. The accompanying schedule of federal awards expenditures is presented for purpose of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the financial statements. The schedule of federal awards expenditures is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.



**Charles E. Harris & Associates, Inc.**  
December 19, 2011



# OTTAWA HILLS LOCAL SCHOOL DISTRICT

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*Management's Discussion and Analysis  
For the Fiscal Year Ended June 30, 2011*

*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, 2011. 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 2011 are as follows:

- ❑ Net assets increased \$113,567, which represents a 2% increase from 2010.
- ❑ General revenues accounted for \$13,574,835 in revenue or 91% of all revenues. Program specific revenues in the form of charges for services and grants and contributions accounted for \$1,327,791 or 9% of total revenues of \$14,902,626.
- ❑ The District had \$14,789,059 in expenses related to governmental activities; only \$1,327,791 of these expenses were offset by program specific charges for services, grants or contributions. General revenues of \$13,574,835 were adequate to provide for these programs.
- ❑ The District's General Fund had \$12,744,143 in revenues and \$13,223,456 in expenditures. The General Fund's fund balance decreased \$588,615 to \$3,714,766.

## **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, 2011*

*Unaudited*

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## **Government-wide Statements**

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

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

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

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

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

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

## **Fund Financial Statements**

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

***Governmental Funds*** – The District's activities are reported in governmental funds, which focus on how money flows into and out of those funds and the balances left at year-end available for spending in future periods. These funds are reported using an accounting method called modified accrual accounting, which measures cash and all other financial assets that can readily be converted to cash. The governmental fund statements provide a detailed short-term view of the District's general government operations and the basic services it provides. Governmental fund information helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance educational programs. The relationship (or differences) between governmental activities (reported in the Statement of Net Assets and the Statement of Activities) and governmental funds is reconciled in the financial statements.

## **OTTAWA HILLS LOCAL SCHOOL DISTRICT**

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***Management's Discussion and Analysis  
For the Fiscal Year Ended June 30, 2011***

***Unaudited***

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

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

The following table provides a summary of the District's net assets for 2011 compared to 2010.

	Governmental Activities		Increase (Decrease)
	2011	Restated 2010	
Current and other assets	\$15,818,233	\$15,058,278	\$759,955
Capital assets, Net	5,961,822	6,144,333	(182,511)
Total assets	<u>21,780,055</u>	<u>21,202,611</u>	<u>577,444</u>
Long-term debt outstanding	3,899,855	4,457,371	(557,516)
Other liabilities	<u>11,523,278</u>	<u>10,501,885</u>	<u>1,021,393</u>
Total liabilities	<u>15,423,133</u>	<u>14,959,256</u>	<u>463,877</u>
Net assets			
Invested in capital assets, net of related debt	3,641,822	3,404,333	237,489
Restricted	376,628	236,173	140,455
Unrestricted	<u>2,338,472</u>	<u>2,602,849</u>	<u>(264,377)</u>
Total net assets	<u><u>\$6,356,922</u></u>	<u><u>\$6,243,355</u></u>	<u><u>\$113,567</u></u>

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## OTTAWA HILLS LOCAL SCHOOL DISTRICT

**Management's Discussion and Analysis  
For the Fiscal Year Ended June 30, 2011**

**Unaudited**

**Changes in Net Assets** – The following table shows the changes in net assets for the fiscal year 2011 compared to 2010:

	Governmental Activities		Increase (Decrease)
	2011	2010	
Revenues			
Program Revenues:			
Charges for Services and Sales	\$399,966	\$430,189	(\$30,223)
Operating Grants and Contributions	927,825	775,835	151,990
Capital Grants and Contributions	0	280,219	(280,219)
Total Program Revenues	<u>1,327,791</u>	<u>1,486,243</u>	<u>(158,452)</u>
General Revenues:			
Property Taxes	10,075,434	9,569,355	506,079
Intergovernmental, Unrestricted	3,257,177	3,189,950	67,227
Other	242,224	225,409	16,815
Total General Revenues	<u>13,574,835</u>	<u>12,984,714</u>	<u>590,121</u>
Total Revenues	<u>14,902,626</u>	<u>14,470,957</u>	<u>431,669</u>
Program Expenses			
Instruction	9,634,493	9,472,899	161,594
Support Services:			
Pupils	720,800	769,321	(48,521)
Instructional Staff	462,505	599,849	(137,344)
Board of Education	22,760	26,009	(3,249)
Administration	992,335	991,860	475
Fiscal Services	469,780	502,386	(32,606)
Operation and Maintenance of Plant	1,196,856	1,509,689	(312,833)
Pupil Transportation	24,898	42,013	(17,115)
Central	65,867	47,250	18,617
Community Services	339,062	312,994	26,068
Extracurricular Activities	797,865	848,585	(50,720)
Interest and Fiscal Charges	61,838	208,889	(147,051)
Total Expenses	<u>14,789,059</u>	<u>15,331,744</u>	<u>(542,685)</u>
Total Change in Net Assets	<u>113,567</u>	<u>(860,787)</u>	<u>974,354</u>
Beginning Net Assets	<u>6,243,355</u>	<u>7,104,142</u>	<u>(860,787)</u>
Ending Net Assets	<u><u>\$6,356,922</u></u>	<u><u>\$6,243,355</u></u>	<u><u>\$113,567</u></u>

### **Governmental Activities**

Net assets of the District's governmental activities increased \$113,567. The passage of a 7.6 mill levy in November 2010 resulted in an increase in property taxes. Expenses for Operation and Maintenance of Plant decreased mainly due to cutbacks in overtime and temporary salaries, as well as decreases in costs for utilities and repairs.

## OTTAWA HILLS LOCAL SCHOOL DISTRICT

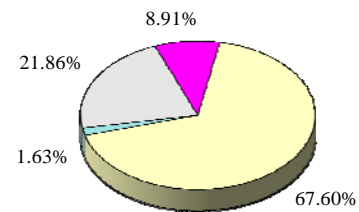
**Management's Discussion and Analysis  
For the Fiscal Year Ended June 30, 2011**

**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 68% of revenues for governmental activities for Ottawa Hills Local Schools in fiscal year 2011. The District's reliance upon tax revenues is demonstrated by the following graph:

Revenue Sources	2011	Percent of Total
Intergovernmental, Unrestricted	\$3,257,177	21.86%
Program Revenues	1,327,791	8.91%
General Tax Revenues	10,075,434	67.60%
General Other	242,224	1.63%
<b>Total Revenue</b>	<b>\$14,902,626</b>	<b>100.00%</b>



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

The District's governmental funds reported a combined fund balance of \$4,066,376, which is less than last year's balance of \$4,418,729. The schedule below indicates the fund balance and the total change in fund balance as of June 30, 2011 and 2010.

	Fund Balance June 30, 2011	Restated Fund Balance June 30, 2010	Increase (Decrease)
General	\$3,714,766	\$4,303,381	(\$588,615)
Other Governmental	351,610	115,348	236,262
<b>Total</b>	<b>\$4,066,376</b>	<b>\$4,418,729</b>	<b>(\$352,353)</b>

## **OTTAWA HILLS LOCAL SCHOOL DISTRICT**

**Management's Discussion and Analysis  
For the Fiscal Year Ended June 30, 2011**

**Unaudited**

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

	2011 Revenues	Restated 2010 Revenues	Increase (Decrease)
Taxes	\$9,203,394	\$8,745,807	\$457,587
Tuition	80,831	117,064	(36,233)
Transportation Fees	1,168	2,326	(1,158)
Investment Earnings	32,074	88,709	(56,635)
Extracurricular Activities	73,093	75,685	(2,592)
Class Materials and Fees	76,491	75,639	852
Intergovernmental - State	3,132,320	3,069,302	63,018
All Other Revenue	144,772	77,323	67,449
Total	\$12,744,143	\$12,251,855	\$492,288

General Fund revenues in fiscal year 2011 increased approximately 4% compared to fiscal year 2010. The passage of a 7.6 mill levy in November 2010 resulted in an increase in property taxes.

	2011 Expenditures	Restated 2010 Expenditures	Increase (Decrease)
Instruction	\$8,894,383	\$9,053,193	(\$158,810)
Supporting Services:			
Pupils	667,880	696,877	(28,997)
Instructional Staff	402,961	455,320	(52,359)
Board of Education	22,760	26,009	(3,249)
Administration	1,022,921	952,655	70,266
Fiscal Services	478,180	483,559	(5,379)
Operation & Maintenance of Plant	1,128,502	1,366,589	(238,087)
Pupil Transportation	72,820	39,978	32,842
Central	61,317	42,677	18,640
Community Services	18,200	17,000	1,200
Extracurricular Activities	453,532	441,290	12,242
Total	\$13,223,456	\$13,575,147	(\$351,691)

Expenditures decreased \$351,691 or 3% compared to the prior year. Operation and Maintenance of Plant decreased mainly due to cutbacks in overtime and temporary salaries, as well as decreases in costs for utilities and repairs.

# OTTAWA HILLS LOCAL SCHOOL DISTRICT

## *Management's Discussion and Analysis For the Fiscal Year Ended June 30, 2011*

*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 2011 the District amended its General Fund budget several times, none significant.

For the General Fund, final budget basis revenue of \$12.6 million was higher than original budget estimates due to increases in taxes. Actual budget basis revenue was not materially different from final estimates. Actual budget basis expenditures were 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 2011 the District had \$5,961,822 net of accumulated depreciation invested in land, improvements, buildings, machinery, equipment and vehicles. The following table shows fiscal year 2011 and 2010 balances:

	Governmental Activities		Increase (Decrease)
	2011	2010	
Land	\$743,629	\$743,629	\$0
Land Improvements	1,846,068	1,813,138	32,930
Buildings and Improvements	8,510,491	8,474,517	35,974
Machinery/Equipment and Furniture/Fixtures	1,223,561	1,171,512	52,049
Vehicles	214,527	191,003	23,524
Less: Accumulated Depreciation	(6,576,454)	(6,249,466)	(326,988)
Totals	<u>\$5,961,822</u>	<u>\$6,144,333</u>	<u>(\$182,511)</u>

Additional information on the District's capital assets can be found in Note 10.

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# OTTAWA HILLS LOCAL SCHOOL DISTRICT

*Management's Discussion and Analysis  
For the Fiscal Year Ended June 30, 2011*

*Unaudited*

## **Debt**

At June 30, 2011, the District had \$2.3 million in bonds outstanding, \$430,000 due within one year. The following table summarizes the District's debt outstanding as of June 30, 2011 and 2010:

	<u>2011</u>	<u>2010</u>
Governmental Activities:		
General Obligation Bonds:		
School Improvement Refunding	\$2,320,000	\$2,740,000
Compensated Absences	1,579,855	1,717,371
Totals	<u>\$3,899,855</u>	<u>\$4,457,371</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, 2011, the District's outstanding debt was below the legal limit. Additional information on the District's long-term debt can be found in Note 13.

## **ECONOMIC FACTORS**

The Ottawa Hills Local School District relies upon local property taxes and state foundation monies to fund its operations. In fiscal year 2011 the District received approximately 70.89% of its revenues from local property taxes, 11.86% from the state foundation program, 12.2% from the Homestead/Rollback exemption legislation, 1.77% from other local sources, and the remaining 3.28% from federal stimulus funds and all other revenue sources. The District real estate value consists of 96.89% residential real estate, 2.47% commercial real estate, and 0.64% tangible personal property/public utilities personal property.

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

The District last passed a 5.5 mill continuing operating levy in November 2007 by a 64% margin. The District approved a 7.6 mill operating levy on the November 2010 ballot. The District passed a 1.5 mill permanent improvement levy in November 2008 by a 73% margin. The permanent improvement levy will be levied for four years, expiring in 2012. The District passed a second 1.5 mill permanent improvement levy in November 2006 by a 71% margin. The November 2006 permanent improvement will be levied for five years, expiring in 2011.



## **OTTAWA HILLS LOCAL SCHOOL DISTRICT**

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***Management's Discussion and Analysis  
For the Fiscal Year Ended June 30, 2011***

***Unaudited***

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

### **REQUESTS FOR INFORMATION**

This financial report is designed to provide our citizens, taxpayers, investors and creditors with a general overview of the District's finances and to show the District's accountability for the money it receives. If you have questions about this report or need additional financial information, contact Bradley Browne, Treasurer of Ottawa Hills Local School District.

## **OTTAWA HILLS LOCAL SCHOOL DISTRICT**

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### ***Statement of Net Assets*** ***June 30, 2011***

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	<b>Governmental Activities</b>
<b>Assets:</b>	
Cash and Cash Equivalents	\$ 1,363,745
Investments	3,135,185
Receivables:	
Taxes	10,899,877
Accounts	3,122
Intergovernmental	88,442
Interest	11,713
Prepaid Items	97,736
Restricted Assets:	
Cash and Cash Equivalents	218,413
Capital Assets, Net	<u>5,961,822</u>
<b>Total Assets</b>	<u>21,780,055</u>
<b>Liabilities:</b>	
Accounts Payable	10,559
Accrued Wages and Benefits	891,319
Intergovernmental Payable	293,171
Unearned Revenue - Taxes	10,293,815
Accrued Interest Payable	18,746
Compensated Absences Payable	15,668
Long Term Liabilities:	
Due Within One Year	513,818
Due in More Than One Year	<u>3,386,037</u>
<b>Total Liabilities</b>	<u>15,423,133</u>
<b>Net Assets:</b>	
Invested in Capital Assets, Net of Related Debt	3,641,822
Restricted For:	
Capital Projects	63,356
Debt Service	51,702
Other Purposes	261,570
Unrestricted	<u>2,338,472</u>
<b>Total Net Assets</b>	<u>\$ 6,356,922</u>

See accompanying notes to the basic financial statements

## OTTAWA HILLS LOCAL SCHOOL DISTRICT

### Statement of Activities For the Fiscal Year Ended June 30, 2011

	Expenses	Program Revenues		Net (Expense)
		Charges for Services and Sales	Operating Grants and Contributions	Revenue and Changes in Net Assets
				Governmental Activities
<b>Governmental Activities:</b>				
Instruction	\$ 9,634,493	\$ 164,922	\$ 397,660	\$ (9,071,911)
Support Services:				
Pupils	720,800	0	51,440	(669,360)
Instructional Staff	462,505	0	148,313	(314,192)
Board of Education	22,760	0	0	(22,760)
Administration	992,335	0	5,000	(987,335)
Fiscal Services	469,780	0	0	(469,780)
Operation and Maintenance of Plant	1,196,856	4,511	0	(1,192,345)
Pupil Transportation	24,898	1,168	0	(23,730)
Central	65,867	0	4,550	(61,317)
Community Services	339,062	0	320,862	(18,200)
Extracurricular Activities	797,865	229,365	0	(568,500)
Interest and Fiscal Charges	61,838	0	0	(61,838)
<b>Total Governmental Activities</b>	<b>\$ 14,789,059</b>	<b>\$ 399,966</b>	<b>\$ 927,825</b>	<b>(13,461,268)</b>

#### General Revenues

Property Taxes Levied for:	
General Purposes	9,288,684
Debt Service	366,140
Capital Outlay	420,610
Intergovernmental, Unrestricted	3,257,177
Investment Earnings	29,043
Miscellaneous	213,181
<b>Total General Revenues</b>	<b>13,574,835</b>
Change in Net Assets	113,567
Net Assets Beginning of Year	6,243,355
Net Assets End of Year	<b>\$ 6,356,922</b>

See accompanying notes to the basic financial statements

## OTTAWA HILLS LOCAL SCHOOL DISTRICT

### *Balance Sheet* *Governmental Funds* *June 30, 2011*

	General	Other Governmental Funds	Total Governmental Funds
<b>Assets:</b>			
Cash and Cash Equivalents	\$ 942,133	\$ 421,612	\$ 1,363,745
Investments	3,135,185	0	3,135,185
Receivables:			
Taxes	10,100,500	799,377	10,899,877
Accounts	2,465	657	3,122
Intergovernmental	12	88,430	88,442
Interest	11,713	0	11,713
Interfund Loans Receivable	57	189	246
Prepaid Items	97,736	0	97,736
Restricted Assets:			
Cash and Cash Equivalents	218,413	0	218,413
Advances to Other Funds	180,000	0	180,000
<b>Total Assets</b>	<u>\$ 14,688,214</u>	<u>\$ 1,310,265</u>	<u>\$ 15,998,479</u>
<b>Liabilities:</b>			
Accounts Payable	\$ 10,129	\$ 430	\$ 10,559
Accrued Wages and Benefits	891,227	92	891,319
Intergovernmental Payable	287,236	5,935	293,171
Interfund Loans Payable	189	57	246
Deferred Revenue - Taxes	9,766,530	772,141	10,538,671
Deferred Revenue	2,469	0	2,469
Advances from Other Funds	0	180,000	180,000
Compensated Absences Payable	15,668	0	15,668
<b>Total Liabilities</b>	<u>10,973,448</u>	<u>958,655</u>	<u>11,932,103</u>
<b>Fund Balances:</b>			
Nonspendable	277,736	0	277,736
Restricted	218,413	357,545	575,958
Assigned	119,088	0	119,088
Unassigned	3,099,529	(5,935)	3,093,594
<b>Total Fund Balances</b>	<u>3,714,766</u>	<u>351,610</u>	<u>4,066,376</u>
<b>Total Liabilities and Fund Balances</b>	<u>\$ 14,688,214</u>	<u>\$ 1,310,265</u>	<u>\$ 15,998,479</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 Assets of Governmental Activities June 30, 2011*

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<b>Total Governmental Fund Balances</b>	\$	4,066,376
<i>Amounts reported for governmental activities in the statement of net assets are different because</i>		
Capital Assets used in governmental activities are not resources and therefore are not reported in the funds.		5,961,822
Other long-term assets are not available to pay for current- period expenditures and therefore are deferred in the funds.		247,325
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	(2,320,000)	
Compensated Absences Payable	(1,579,855)	
Accrued Interest Payable	(18,746)	(3,918,601)
<b>Net Assets of Governmental Activities</b>		<u>\$ 6,356,922</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, 2011*

	General	Other Governmental Funds	Total Governmental Funds
<b>Revenues:</b>			
Local Sources:			
Taxes	\$ 9,203,394	\$ 780,825	\$ 9,984,219
Tuition	80,831	0	80,831
Transportation Fees	1,168	0	1,168
Investment Earnings	32,074	69	32,143
Extracurricular Activities	73,093	156,272	229,365
Class Materials and Fees	76,491	7,600	84,091
Intergovernmental - State	3,132,320	457,312	3,589,632
Intergovernmental - Federal	0	595,370	595,370
All Other Revenue	144,772	52,275	197,047
<b>Total Revenue</b>	<b>12,744,143</b>	<b>2,049,723</b>	<b>14,793,866</b>
<b>Expenditures:</b>			
Current:			
Instruction	8,894,383	537,213	9,431,596
Supporting Services:			
Pupils	667,880	51,212	719,092
Instructional Staff	402,961	145,477	548,438
Board of Education	22,760	0	22,760
Administration	1,022,921	4,871	1,027,792
Fiscal Services	478,180	11,740	489,920
Operation and Maintenance of Plant	1,128,502	7,810	1,136,312
Pupil Transportation	72,820	37,288	110,108
Central	61,317	4,550	65,867
Community Services	18,200	320,862	339,062
Extracurricular Activities	453,532	239,701	693,233
Capital Outlay	0	98,206	98,206
Debt Service:			
Principal Retirement	0	420,000	420,000
Interest & Fiscal Charges	0	64,638	64,638
<b>Total Expenditures</b>	<b>13,223,456</b>	<b>1,943,568</b>	<b>15,167,024</b>
Excess (Deficiency) of Revenues Over (Under) Expenditures	(479,313)	106,155	(373,158)

## **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	160	0	160
Transfers In	0	126,430	126,430
Transfers Out	(126,430)	0	(126,430)
Refund of Prior Year Expenditures	16,968	3,677	20,645
<b>Total Other Financing Sources (Uses)</b>	<u>(109,302)</u>	<u>130,107</u>	<u>20,805</u>
Net Change in Fund Balance	(588,615)	236,262	(352,353)
<b>Fund Balances at Beginning of Year - Restated</b>	<u>4,303,381</u>	<u>115,348</u>	<u>4,418,729</u>
<b>Fund Balances End of Year</b>	<u>\$ 3,714,766</u>	<u>\$ 351,610</u>	<u>\$ 4,066,376</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, 2011***

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Net Change in Fund Balances - Total Governmental Funds \$ (352,353)

*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 outlays in the current period.

Capital Outlay	206,163	
Depreciation Expense	<u>(388,674)</u>	(182,511)

Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds. 88,115

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

General Obligation Bond Principal Payment	420,000
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In the statement of activities, interest is accrued on outstanding bonds, whereas in governmental funds, an interest expenditure is reported when due. 2,800

Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in the governmental funds.

Change in Compensated Absences	<u>137,516</u>
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***Change in Net Assets of Governmental Activities*** \$ 113,567

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 30,2011**

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
<b>Revenues:</b>				
Local Sources:				
Taxes	\$ 8,615,000	\$ 9,229,041	\$ 9,229,041	\$ 0
Tuition	75,000	74,874	80,831	5,957
Transportation Fees	800	179	1,168	989
Investment Earnings	87,300	42,000	43,261	1,261
Extracurricular Activities	58,200	48,621	49,421	800
Class Material and Fees	34,800	34,891	36,616	1,725
Intergovernmental - State	3,010,576	3,132,320	3,132,320	0
All Other Revenues	14,000	18,138	18,630	492
Total Revenues	<u>11,895,676</u>	<u>12,580,064</u>	<u>12,591,288</u>	<u>11,224</u>
<b>Expenditures:</b>				
Current:				
Instruction	9,320,321	9,189,222	8,593,704	595,518
Support Services:				
Pupils	712,118	764,736	687,842	76,894
Instructional Staff	454,065	449,913	416,467	33,446
Board of Education	30,200	26,238	23,260	2,978
Administration	1,010,950	1,020,429	943,042	77,387
Fiscal Services	479,575	488,765	465,246	23,519
Operation and Maintenance of Plant	1,487,395	1,334,396	1,134,682	199,714
Pupil Transportation	44,300	41,697	37,364	4,333
Central	64,000	84,000	76,557	7,443
Community Services	10,000	18,500	18,200	300
Extracurricular Activities	483,890	486,941	454,797	32,144
Total Expenditures	<u>14,096,814</u>	<u>13,904,837</u>	<u>12,851,161</u>	<u>1,053,676</u>
Excess (Deficiency) of Revenues				
Over (Under) Expenditures	(2,201,138)	(1,324,773)	(259,873)	1,064,900

**OTTAWA HILLS LOCAL SCHOOL DISTRICT**

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	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
<b>Other Financing Sources (Uses):</b>				
Sale of Capital Assets	0	160	160	0
Advances In	365,000	185,000	185,000	0
Transfers Out	(215,000)	(397,180)	(397,180)	0
Refund of Prior Year Expenditures	10,000	22,789	22,790	1
Total Other Financing Sources (Uses):	<u>160,000</u>	<u>(189,231)</u>	<u>(189,230)</u>	<u>1</u>
Net Change in Fund Balance	(2,041,138)	(1,514,004)	(449,103)	1,064,901
Fund Balance at Beginning of Year	4,582,102	4,582,102	4,582,102	0
Prior Year Encumbrances	18,361	18,361	18,361	0
Fund Balance at End of Year	<u>\$ 2,559,325</u>	<u>\$ 3,086,459</u>	<u>\$ 4,151,360</u>	<u>\$ 1,064,901</u>

See accompanying notes to the basic financial statements

## **OTTAWA HILLS LOCAL SCHOOL DISTRICT**

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***Statement of Net Assets  
Fiduciary Funds  
June 30, 2011***

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	Private Purpose Trust Funds	Student Managed Activity Fund	Total
<b>Assets:</b>			
Cash and Cash Equivalents	\$ 32,082	\$ 45,951	\$ 78,033
<b>Total Assets</b>	<u>32,082</u>	<u>45,951</u>	<u>78,033</u>
<b>Liabilities:</b>			
Due to Students	0	45,951	45,951
<b>Total Liabilities</b>	<u>0</u>	<u>45,951</u>	<u>45,951</u>
<b>Net Assets:</b>			
Unrestricted	32,082	0	32,082
<b>Total Net Assets</b>	<u>\$ 32,082</u>	<u>\$ 0</u>	<u>\$ 32,082</u>

See accompanying notes to the basic financial statements

## **OTTAWA HILLS LOCAL SCHOOL DISTRICT**

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***Statement of Changes in Net Assets  
Fiduciary Fund  
For the Fiscal Year Ended June 30, 2011***

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	<u>Private Purpose Trust Funds</u>
<b>Additions:</b>	
Contributions:	
Private Donations	\$ 4,060
Total Contributions	<u>4,060</u>
Investment Earnings:	
Interest	<u>318</u>
Total Investment Earnings	<u>318</u>
Total Additions	<u>4,378</u>
<b>Deductions:</b>	
Community Gifts, Awards and Scholarships	<u>3,804</u>
Total Deductions	<u>3,804</u>
Change in Net Assets	574
Net Assets at Beginning of Year	<u>31,508</u>
Net Assets End of Year	<u>\$ 32,082</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, 2011*

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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 31 noncertified, 74 certified teaching personnel and 7 administrative employees providing education to 1,009 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 15 "Jointly Governed Organizations." Based on the foregoing, the reporting entity of the District includes the following services: instructional (regular and special education), student guidance, extracurricular activities and care and upkeep of grounds and buildings.

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

#### **B. Basis of Presentation - Fund Accounting**

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

The following fund types are used by the District:

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

## **OTTAWA HILLS LOCAL SCHOOL DISTRICT**

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### ***Notes to the Basic Financial Statements For the Fiscal Year Ended June 30, 2011***

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

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

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

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

***Fiduciary Funds*** – Fiduciary fund reporting focuses on net assets and changes in net assets. The fiduciary category is split into four classifications: pension trust funds, investment trust funds, private-purpose trust funds and agency funds. Trust funds are used to account for assets held by the District under a trust agreement for individuals, private organizations or other governments and therefore not available to support the District's own programs. The District's two trust funds are private-purpose trusts that account for scholarship programs for students. The agency fund, which accounts for student activities, is custodial in nature (assets equal liabilities) and does not involve the measurement or results of operation.

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

***Government-wide Financial Statements*** – The statement of net assets and the statement of activities display information about the District as a whole. These statements include the financial activities of the primary government, except for fiduciary funds.

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

The government-wide statement of activities presents a comparison between direct expenses and program revenues for each function or program of the District's governmental activities. Direct expenses are those that are specifically associated with a service, program or department and therefore clearly identifiable to a particular function. Program revenues include charges paid by the recipient of the goods or services offered by the program and grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues which are not classified as program revenues are presented as general revenues of the District, with certain limited exceptions. The comparison of direct expenses with program revenues identifies the extent to which each governmental function is self-financing or draws from the general revenues of the District.

## **OTTAWA HILLS LOCAL SCHOOL DISTRICT**

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### ***Notes to the Basic Financial Statements For the Fiscal Year Ended June 30, 2011***

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

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

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

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

Fiduciary funds are reported using the economic resources measurement focus.

##### **D. Basis of Accounting**

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

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

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

Current property taxes measurable at June 30, 2011, but which are not intended to finance fiscal 2011 operations, have been recorded as deferred revenues. Delinquent property taxes measurable and available (received within 60 days) and amounts available as an advance on future tax settlements are recognized as revenue at year end.



## **OTTAWA HILLS LOCAL SCHOOL DISTRICT**

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### ***Notes to the Basic Financial Statements For the Fiscal Year Ended June 30, 2011***

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

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

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

Revenue resulting from exchange transactions, in which each party gives and receives essentially equal value, is recorded on the accrual basis when the exchange takes place.

Non-exchange transactions, in which the District receives value without directly giving equal value in return, include property taxes, grants, entitlements and donations. On an accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied. Revenue from grants, entitlements and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied. Grants and entitlements received before eligibility requirements are met are recorded as deferred revenue.

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

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

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

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

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

By January 15, the Superintendent and Treasurer submit an annual operating budget for the following fiscal year to the Board of Education for consideration and passage. The adopted budget is submitted to the County Auditor, as Secretary of the County Budget Commission, by January 20 of each year for the period July 1 to June 30 of the following fiscal year. The Lucas County Budget Commission waived the tax budget filing requirement for fiscal year 2011.

## OTTAWA HILLS LOCAL SCHOOL DISTRICT

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### *Notes to the Basic Financial Statements For the Fiscal Year Ended June 30, 2011*

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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 final amended official certificate of estimated resources issued during fiscal year 2011.

###### 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, 2011***

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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 schedules for the General Fund:

<u>Net Change in Fund Balance</u>	<u>General Fund</u>
GAAP Basis (as reported)	(\$588,615)
Increase (Decrease):	
Accrued Revenues at June 30, 2011, received during FY 2012	(529,211)
Accrued Revenues at June 30, 2010, received during FY 2011	757,223
Accrued Expenditures at June 30, 2011, paid during FY 2012	1,204,260
Accrued Expenditures at June 30, 2010, paid during FY 2011	(1,320,490)
FY 2010 Prepays for FY 2011	107,732
FY 2011 Prepays for FY 2012	(97,736)
Encumbrances Outstanding	(26,503)
Perspective Difference:	
Activity of Funds Reclassified for GAAP Reporting Purposes	44,237
Budget Basis	<u>(\$449,103)</u>

## **OTTAWA HILLS LOCAL SCHOOL DISTRICT**

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### ***Notes to the Basic Financial Statements For the Fiscal Year Ended June 30, 2011***

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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 5, "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 5, "Cash, Cash Equivalents and Investments." During fiscal year 2011, investments were limited to federal agency securities.

The District had invested funds in the State Treasury Asset Reserve of Ohio during 2011. 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, 2011.

Interest revenue credited to the General Fund during fiscal year 2011 amounted to \$32,074. Of that amount, \$2,778 was the amount allocated by other funds.

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

Payments made to vendors for services that will benefit periods beyond June 30, 2011, are recorded as prepaid items using the consumption method. A current asset for the prepaid amount is recorded at the time of the purchase and an expenditure/expense is reported in the year in which services are consumed.

# **OTTAWA HILLS LOCAL SCHOOL DISTRICT**

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## ***Notes to the Basic Financial Statements For the Fiscal Year Ended June 30,2011***

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

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

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

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

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

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

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

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

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

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

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

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

## **OTTAWA HILLS LOCAL SCHOOL DISTRICT**

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### ***Notes to the Basic Financial Statements For the Fiscal Year Ended June 30,2011***

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

##### **K. Compensated Absences**

In accordance with GASB Statement No. 16, “*Accounting for Compensated Absences*,” vacation benefits are accrued as a liability when an employee’s right to receive compensation is attributable to services already rendered, and it is probable that the employee will be compensated through paid time off or some other means, such as cash payments at termination or retirement. Administrators and classified staff who work twelve month contracts are granted vacation leave based on length of service and position. Sick leave benefits are accrued as a liability using the vesting method. Employees earn 1.25 days of sick leave per month of service up to a maximum of 270 days for STRS and SERS employees. Upon retirement, employees that pay into STRS and SERS will receive up to 36% of the accumulated sick leave up to a maximum of 97. Administrators earn sick leave up to 315 days and will be paid up to 37% of accumulated sick leave up to a maximum of 115 days. For governmental funds, that portion of unpaid compensated absences that is expected to be paid using expendable, available resources is reported as an expenditure in the fund from which the individual earning the leave is paid, and a corresponding liability is reflected in the account “Compensated Absences Payable.” In the government-wide statement of net assets, “Compensated Absences Payable” is recorded within the “Due within one year” account and the long-term portion of the liability is recorded within the “Due in more than one year” account.

##### **L. Net Assets**

Net assets represent the difference between assets and liabilities. Net assets invested in capital assets, net of related debt consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction or improvement of those assets. Net assets are reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the District or through external restrictions imposed by creditors, grantors or laws or regulations of other governments.

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

##### **M. Pensions**

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

## **OTTAWA HILLS LOCAL SCHOOL DISTRICT**

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### ***Notes to the Basic Financial Statements For the Fiscal Year Ended June 30, 2011***

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

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

Exchange transactions between funds are reported as revenues in the seller funds and as expenditures/expenses in the purchaser funds. Flows of cash or goods from one fund to another without a requirement for repayment are reported as interfund transfers. Interfund transfers are reported as other financing sources/uses in governmental funds. Repayments from funds responsible for particular expenditures to the funds that initially paid for them are not presented on the financial statements.

##### **O. Restricted Assets**

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

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

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

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

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

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

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

## **OTTAWA HILLS LOCAL SCHOOL DISTRICT**

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### ***Notes to the Basic Financial Statements For the Fiscal Year Ended June 30, 2011***

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

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

*Unassigned* - Unassigned fund balance is the residual classification for the general fund and includes all spendable amounts not contained in the other classifications. In other governmental funds, the unassigned classification is used only to report a deficit balance resulting from overspending for specific purposes for which amounts had been restricted, committed, or assigned. The District applies restricted resources first when expenditures are incurred for purposes for which either restricted or unrestricted (committed, assigned, and unassigned) amounts are available. Similarly, within unrestricted fund balance, committed amounts are reduced first followed by assigned, and then unassigned amounts when expenditures are incurred for purposes for which amounts in any of the unrestricted fund balance classifications could be used.

##### **Q. Estimates**

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

##### **R. Extraordinary and Special Items**

Extraordinary items are transactions or events that are both unusual in nature and infrequent in occurrence. Special items are transactions or events that are within the control of the Board of Education and that are either unusual in nature or infrequent in occurrence. The District had no extraordinary or special items during fiscal year 2011.

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

*Fund Deficits* - The fund deficits at June 30, 2011 of \$252 in the Management Information System Fund and \$5,683 in the Title VI-B Fund (special revenue funds) arises from the recognition of expenditures on the modified accrual basis which are greater than expenditures recognized on the budgetary basis. The deficit does not exist under the budgetary/cash basis of accounting. The General Fund provides transfers when cash is required, not when accruals occur.



## **OTTAWA HILLS LOCAL SCHOOL DISTRICT**

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### ***Notes to the Basic Financial Statements For the Fiscal Year Ended June 30, 2011***

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#### **NOTE 3 – CHANGE IN ACCOUNTING PRINCIPLE – RESTATEMENT OF FUND BALANCE**

For fiscal 2011 the District implemented GASB Statement No. 54, “*Fund Balance Reporting and Governmental Fund Type Definitions*”. Statement No. 54 provides more clearly defined categories to make the nature and extent of the constraints placed on a governments fund balances more transparent. It also clarifies the existing governmental fund type definitions.

While the implementation of GASB Statement No. 54 did not result in a change in fund balance it did result in changes in fund classification as follows:

	<u>General Fund</u>	<u>Other Governmental Funds</u>
Fund Balance		
at June 30, 2010	\$4,207,739	\$210,990
Fund Reclassification	<u>95,642</u>	<u>(95,642)</u>
Fund Balance, as restated	<u><u>\$4,303,381</u></u>	<u><u>\$115,348</u></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, 2011***

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**NOTE 4 – FUND BALANCES**

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

<u>Fund Balances</u>	<u>General Fund</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
Nonspendable:			
Prepaid Items	\$97,736	\$0	\$97,736
Long Term Advances	180,000	0	180,000
Total Nonspendable	<u>277,736</u>	<u>0</u>	<u>277,736</u>
Restricted:			
Statutory Reserves	218,413	0	218,413
Staff Development and Support	0	88,430	88,430
Summer School	0	189	189
Extracurricular Activities	0	90,544	90,544
Other Purposes	0	60,609	60,609
Debt Service Payments	0	62,854	62,854
Capital Acquisition and Improvement	0	54,919	54,919
Total Restricted	<u>218,413</u>	<u>357,545</u>	<u>575,958</u>
Assigned to Other Purposes	119,088	0	119,088
Unassigned	<u>3,099,529</u>	<u>(5,935)</u>	<u>3,093,594</u>
Total Fund Balances	<u>\$3,714,766</u>	<u>\$351,610</u>	<u>\$4,066,376</u>

## **OTTAWA HILLS LOCAL SCHOOL DISTRICT**

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### ***Notes to the Basic Financial Statements For the Fiscal Year Ended June 30, 2011***

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#### **NOTE 5 - CASH, CASH EQUIVALENTS AND INVESTMENTS**

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

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

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

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

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

**OTTAWA HILLS LOCAL SCHOOL DISTRICT**

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***Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2011***

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**NOTE 5 - CASH, CASH EQUIVALENTS AND INVESTMENTS (Continued)**

**A. Deposits**

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

At year end the carrying amount of the District's deposits was \$951,507 and the bank balance was \$1,438,201. Federal depository insurance covered \$250,000 of the bank balance and \$1,188,201 was uninsured. Of the remaining uninsured bank balance, the District was exposed to custodial risk as follows:

	<u>Balance</u>
Uninsured and collateralized with securities held by the pledging institution's trust department not in the District's name	<u>\$1,188,201</u>
Total Balance	<u><u>\$1,188,201</u></u>

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**OTTAWA HILLS LOCAL SCHOOL DISTRICT**

**Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2011**

**NOTE 5 - CASH, CASH EQUIVALENTS AND INVESTMENTS (Continued)**

**B. Investments**

The District's investments at June 30, 2011 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	\$708,684	AAAm <sup>1</sup>	\$708,684	\$0	\$0
FNMA	2,381,675	AAA <sup>1,2</sup>	0	378,845	2,002,830
FHLB	753,510	AAA <sup>1,2</sup>	0	504,055	249,455
Total Investments	<u>\$3,843,869</u>		<u>\$708,684</u>	<u>\$882,900</u>	<u>\$2,252,285</u>

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

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

*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, 18% are STAR Ohio, 62% are FNMA, and 20% are FHLB.

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

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

	<u>Cash and Cash Equivalents</u>	<u>Investments</u>
Per Financial Statements	\$1,660,191	\$3,135,185
STAR Ohio	<u>(708,684)</u>	<u>708,684</u>
Per GASB Statement No. 3	<u>\$951,507</u>	<u>\$3,843,869</u>

## **OTTAWA HILLS LOCAL SCHOOL DISTRICT**

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### ***Notes to the Basic Financial Statements For the Fiscal Year Ended June 30, 2011***

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#### **NOTE 6 - TAXES**

Property taxes include amounts levied against all real estate and public utility property, and telephone and telecommunications property used in business and located in the District. Real property taxes (other than public utility) collected during 2011 were levied after April 1, 2010 on assessed values as of January 1, 2010, the lien date. Assessed values are established by the County Auditor at 35 percent of appraised market value. All property is required to be reappraised every six years and equalization adjustments made the third year following reappraisal. The last revaluation was completed in 2006. Real property taxes are payable annually or semi-annually. The first payment is due December 31, with the remainder payable by June 20.

Tangible personal property tax revenues received during calendar year 2011 (other than public utility property) represent the collection of 2011 taxes levied against local and inter-exchange telephone companies. Tangible personal property tax on business inventory, manufacturing machinery and equipment, furniture and fixtures is no longer levied and collected. Tangible personal property taxes received from telephone companies in calendar year 2011 were levied after October 1, 2010 on values as of December 31, 2010. Amounts paid by multi-county taxpayers are due September 20. Single county taxpayers may pay annually or semiannually. If paid annually, the first payment is due April 30; if paid semiannually, the first payment is due April 30, with the remainder payable by September 20.

The tax on telephone and telecommunications property will be eliminated by calendar year 2011. The tax is phased out by reducing the assessment rate on the property each year. House Bill No. 66 was to hold districts harmless by replacing a portion of the revenue lost by the District due to the phasing out of the tax. In fiscal years 2006-2009, the District was fully reimbursed for the lost revenue. In fiscal years after 2010, the District will not be reimbursed for the lost revenue.

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

The County Treasurer collects property taxes on behalf of all taxing districts in the County including Ottawa Hills Local School District. The County Auditor periodically remits to the District its portion of the taxes collected. The assessed values for collection in 2011 were as follows:

	2010 Second Half <u>Collections</u>	2011 First Half <u>Collections</u>
Agricultural/Residential and Other Real Estate	\$162,427,050	\$161,916,070
Public Utility Personal	997,730	1,048,070
Tangible Personal Property	<u>78,080</u>	<u>0</u>
Total Assessed Value	<u>\$163,502,860</u>	<u>\$162,964,140</u>
Tax rate per \$1,000 of assessed valuation	\$126.05	\$133.85

**OTTAWA HILLS LOCAL SCHOOL DISTRICT**

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**Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2011**

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**NOTE 7 - RECEIVABLES**

Receivables at June 30, 2011 consisted of taxes, accounts, intergovernmental and interest receivables.

**NOTE 8 - INTERFUND BALANCES**

**A. Interfund Loans**

Following is a summary of interfund receivables/payables for all funds at June 30, 2011:

Fund	Interfund Loans Receivable	Interfund Loans Payable
General Fund	\$57	\$189
Other Governmental Funds	189	57
Totals	<u>\$246</u>	<u>\$246</u>

**B. Advances**

Following is a summary of advances for all funds at June 30, 2011:

Fund	Advances to Other Funds	Advances from Other Funds
General Fund	\$180,000	\$0
Other Governmental Funds	0	180,000
Totals	<u>\$180,000</u>	<u>\$180,000</u>

**NOTE 9 - TRANSFERS**

Following is a summary of transfers in and out for all funds at June 30, 2011:

Fund	Transfer In	Transfer Out
General Fund	\$0	\$126,430
Other Governmental Funds	126,430	0
Total All Funds	<u>\$126,430</u>	<u>\$126,430</u>

All transfers made in fiscal year 2011 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, 2011**

**NOTE 10 - CAPITAL ASSETS**

Summary by category of changes in governmental activities capital assets at June 30, 2011:

**Historical Cost:**

Class	June 30, 2010	Additions	Deletions	June 30, 2011
<b>Capital assets not being depreciated:</b>				
Land	\$743,629	\$0	\$0	\$743,629
<b>Capital assets being depreciated:</b>				
Land Improvements	1,813,138	32,930	0	1,846,068
Buildings and Improvements	8,474,517	35,974	0	8,510,491
Machinery/Equipment and Furniture/Fixtures	1,171,512	52,049	0	1,223,561
Vehicles	191,003	85,210	(61,686)	214,527
Total Cost	<u>\$12,393,799</u>	<u>\$206,163</u>	<u>(\$61,686)</u>	<u>\$12,538,276</u>

**Accumulated Depreciation:**

Class	June 30, 2010	Additions	Deletions	June 30, 2011
Land Improvements	(\$701,229)	(\$103,269)	\$0	(\$804,498)
Buildings and Improvements	(4,305,912)	(204,830)	0	(4,510,742)
Machinery/Equipment and Furniture/Fixtures	(1,137,318)	(64,893)	0	(1,202,211)
Vehicles	(105,007)	(15,682)	61,686	(59,003)
Total Depreciation	<u>(\$6,249,466)</u>	<u>(\$388,674) *</u>	<u>\$61,686</u>	<u>(\$6,576,454)</u>
<b>Net Value:</b>	<u>\$6,144,333</u>			<u>\$5,961,822</u>

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

Instruction	\$196,529
Support Services:	
Instructional Staff	117
Administration	117
Fiscal Services	117
Operations & Maintenance of Plant	85,355
Extracurricular Activities	106,439
Total Depreciation Expense	<u>\$388,674</u>



## **OTTAWA HILLS LOCAL SCHOOL DISTRICT**

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### ***Notes to the Basic Financial Statements For the Fiscal Year Ended June 30, 2011***

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#### **NOTE 11- 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. Interested parties may obtain a copy by making a written request to SERS, 300 East Broad Street, Suite 100, Columbus, Ohio 43215-3746 or by calling (800) 878-5853. It is also posted on SERS' website, [www.ohsers.org](http://www.ohsers.org), under Forms and Publications.

Funding Policy - Plan members are required to contribute 10 percent of their annual covered salary and the District is required to contribute at an actuarially determined rate. The current District rate is 14 percent of annual covered payroll. A portion of the District's contribution is used to fund pension obligations with the remainder being used to fund health care benefits; for fiscal year 2011, 11.81 percent of annual covered salary was the portion used to fund pension obligations. The contribution requirements of plan members and employers are established and may be amended by the SERS' Retirement Board up to a statutory maximum amount of 10 percent for plan members and 14 percent for employers. Chapter 3309 of the Ohio Revised Code provides statutory authority for member and employer contributions. The District's contributions for pension obligations to SERS for the fiscal years ended June 30, 2011, 2010 and 2009 were \$219,990, \$224,114 and \$143,612 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.

## **OTTAWA HILLS LOCAL SCHOOL DISTRICT**

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### ***Notes to the Basic Financial Statements For the Fiscal Year Ended June 30, 2011***

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#### **NOTE 11- DEFINED BENEFIT PENSION PLANS (Continued)**

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

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

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

Funding Policy - For the fiscal year ended June 30, 2011, plan members were required to contribute 10 percent of their annual covered salaries. The District was required to contribute 14 percent; 13 percent was the portion used to fund pension obligations. For fiscal year 2010, the portion used to fund pension obligations was also 13 percent. Contribution rates are established by the State Teachers Retirement Board, upon recommendations of its consulting actuary, not to exceed statutory maximum rates of 10 percent for members and 14 percent for employers. Chapter 3307 of the Ohio Revised Code provides statutory authority for member and employer contributions.

The District's contributions for pension obligations to STRS Ohio for the fiscal years ended June 30, 2011, 2010, and 2009 were \$889,980, \$845,988, and \$805,974 respectively; which were equal to the required contributions for each year. Contributions to the DC and Combined Plans for fiscal year 2011 were \$29,533 made by the District and \$21,094 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, 2011, 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, 2011***

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#### **NOTE 12 - POSTEMPLOYMENT BENEFITS**

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

Plan Description – The District participates in two cost-sharing multiple employer defined benefit OPEB plans administered by the School Employees Retirement System (SERS) for non-certificated retirees and their beneficiaries, a Health Care Plan and a Medicare Part B Plan.

The Health Care Plan includes hospitalization and physicians' fees through several types of plans including HMO's, PPO's and traditional indemnity plans as well as a prescription drug program. 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 is available by contacting SERS at 300 East Broad St., Suite 100, Columbus, Ohio 43215-3746.

Funding Policy – State statute permits SERS to fund the health care benefits through employer contributions. Each year, after the allocation for statutorily required benefits, the Retirement Board allocates the remainder of the employer contribution of 14 percent of covered payroll to the Health Care Fund. The Health Care Fund was established and is administered in accordance with Internal Revenue Code Section 105(e). For 2011, 1.43 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 2011, this amount was \$35,800.

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

The District's contributions for health care for the fiscal years ended June 30, 2011, 2010, and 2009 were \$49,862, \$33,231, and \$89,701 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 2011, 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, 2011, 2010, and 2009 were \$14,157, \$13,328, and \$11,849 respectively; which were equal to the required contributions for each year.

**OTTAWA HILLS LOCAL SCHOOL DISTRICT**

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**Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2011**

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**NOTE 12 - POSTEMPLOYMENT BENEFITS (Continued)**

**B. State Teachers Retirement System**

Plan Description – The District contributes to the cost sharing multiple employer defined benefit Health Plan administered by the State Teachers Retirement System of Ohio (STRS Ohio) for eligible retirees who participated in the defined benefit or combined pension plans offered by STRS Ohio. Benefits include hospitalization, physicians’ fees, prescription drugs and reimbursement of monthly Medicare Part B premiums. The Plan is included in the report of STRS Ohio which may be obtained by visiting [www.strsoh.org](http://www.strsoh.org) or by calling (888) 227-7877.

Funding Policy – Ohio law authorizes STRS Ohio to offer the Plan and gives the Retirement Board authority over how much, if any, of the health care costs will be absorbed by STRS Ohio. Active employee members do not contribute to the Plan. All benefit recipients pay a monthly premium. Under Ohio law, funding for post-employment health care may be deducted from employer contributions. For 2011, 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, 2011, 2010, and 2009 were \$68,460, \$65,076, and \$61,998 respectively; which were equal to the required contributions for each year.

**NOTE 13 - 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, 2011 are as follows:

			Balance			Balance	Amount Due
			June 30, 2010	Additions	Deductions	June 30, 2011	Within One Year
<b>Governmental Activities:</b>							
General Obligation Bonds:							
2010	School Improvement Refunding	2.00-3.00%	\$2,740,000	\$0	(\$420,000)	\$2,320,000	\$430,000
	Compensated Absences		1,717,371	233,132	(370,648)	1,579,855	83,818
	Total Long-Term Obligations		<u>\$4,457,371</u>	<u>\$233,132</u>	<u>(\$790,648)</u>	<u>\$3,899,855</u>	<u>\$513,818</u>

## **OTTAWA HILLS LOCAL SCHOOL DISTRICT**

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### ***Notes to the Basic Financial Statements For the Fiscal Year Ended June 30, 2011***

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#### **NOTE 13 - LONG-TERM DEBT AND OTHER OBLIGATIONS (Continued)**

##### **A. Principal and Interest Requirements**

A summary of the District's future long-term debt funding requirements, including principal and interest payments as of June 30, 2011, follows:

<u>Years</u>	<u>General Obligation Bonds</u>	
	<u>Principal</u>	<u>Interest</u>
2012	\$430,000	\$56,238
2013	445,000	47,638
2014	455,000	37,626
2015	465,000	26,250
2016	450,000	14,626
2017	75,000	2,250
Totals	<u>\$2,320,000</u>	<u>\$184,628</u>

##### **B. Defeased Debt**

In fiscal 2010, the District defeased \$2,823,000 of General Obligation Bonds for School Building Improvements issued in fiscal 1999 through the issuance of \$2,955,000 of General Obligation Bonds. The net proceeds of the 2010 Bonds have been invested in obligations guaranteed as to both principal and interest by the United States Government and placed in irrevocable escrow accounts which, including interest earned, will be used to pay the principal and interest on the refunded bonds. The refunded bonds, which have an outstanding balance of \$2,930,000 at June 30, 2011, 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, 2011***

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#### **NOTE 14 - STATUTORY RESERVES**

The District is required by state law to set aside certain general fund revenue amounts, as defined, into various reserves. During the fiscal year ended June 30, 2011, the reserve activity (cash-basis) was as follows:

	Textbook Reserve	Capital Acquisition Reserve	Total
Set-aside Cash Balance as of June 30, 2010	(\$890,581)	\$56,845	(\$833,736)
Current Year Set-Aside Requirement	161,568	161,568	323,136
Qualifying Disbursements	0	0	0
Total	<u>(\$729,013)</u>	<u>\$218,413</u>	<u>(\$510,600)</u>
Cash Balance Carried Forward to FY 2012	<u>\$0</u>	<u>\$218,413</u>	<u>\$218,413</u>
Amount Restricted for Capital Acquisition			<u>\$218,413</u>
Total Restricted Assets			<u>\$218,413</u>

The District had qualifying disbursements during the fiscal year that reduced the textbook set-aside amount to below zero. Effective July 1, 2011 the textbook set-aside is no longer required and has been removed from existing law. This negative balance is therefore not being presented as being carried forward to the future fiscal year.

#### **NOTE 15 - JOINTLY GOVERNED ORGANIZATION**

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

*Northern Buckeye Education Council* - The Northern Buckeye Education Council (NBEC) was established in 1979 to foster cooperation among school districts located in Defiance, Fulton, Henry, Lucas, Williams, and Wood counties. NBEC is organized under Ohio laws as a regional council of governments pursuant to a written agreement entered into by its member entities and bylaws adopted by the representatives of the member educational entities. NBEC is governed by an elected Board consisting of two representatives from each of the counties in which the member educational entities are located. The Board is elected from an Assembly consisting of a representative from each participating educational entity. Total disbursements made by the District to NBEC during the fiscal year were \$115,023. To obtain financial information write to the Northern Buckeye Education Council, Cindy Siler, who serves as Treasurer, at 22-900 State Route 34, Archbold, Ohio 43502.

## **OTTAWA HILLS LOCAL SCHOOL DISTRICT**

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### ***Notes to the Basic Financial Statements For the Fiscal Year Ended June 30, 2011***

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#### **NOTE 15 - JOINTLY GOVERNED ORGANIZATION (Continued)**

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

#### **NOTE 16 - 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 2011 the District contracted with several different insurance providers for various insurance coverages, as follows:

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

# **OTTAWA HILLS LOCAL SCHOOL DISTRICT**

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## ***Notes to the Basic Financial Statements For the Fiscal Year Ended June 30, 2011***

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### **NOTE 16 - RISK MANAGEMENT (Continued)**

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

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

### **NOTE 17 - CONTINGENCIES**

#### **A. Grants**

The District receives financial assistance from federal and state agencies in the form of grants. The disbursement of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and is subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the general fund or other applicable funds. However, in the opinion of management, any such disallowed claims will not have a material adverse effect on the overall financial position of the District at June 30, 2011.

### **NOTE 18 – 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, 2011:

<u>Fiscal Year Ending June 30,</u>	
2012	\$31,000
2013	31,000
2014	31,000
2015	31,000
2016	31,000
Total Minimum Lease Payments	<u><u>\$155,000</u></u>



**OTTAWA HILLS LOCAL SCHOOL DISTRICT**

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***Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2011***

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**NOTE 19 – CONSTRUCTION COMMITMENTS**

As of June 30, 2011 the District had the following commitments with respect to capital projects:

<u>Capital Project</u>	<u>Amount Remaining</u>	<u>Estimated Date of Completion</u>
Elementary School Parking Lot	\$212,714	August 2011

Ottawa Hills Local School District  
Schedule of Federal Awards Expenditures  
For the Year Ending June 30, 2011

Federal Grantor/Pass Through Grantor Number/Program Title	Pass Through Entity Number	CFDA Number	Federal Receipts	Federal Disbursements
<b><u>U.S. Department of Education</u></b>				
Pass through Ohio Department of Education				
ESEA Title I, Part A, Title I Grants to Local Education Agencies				
Title I - Schoolwide FY 11	N/A	84.011	\$ 25,141	\$ 25,141
Education Jobs	N/A	84.410	0	88,430
Title VI - B, Special Education - Assistance to States for Education of Handicapped Children				
Title VI - B - FY 11	048215-6BSF-2011	84.027	211,834	211,834
ARRA - Title VI - B - 2011	N/A	84.391	<u>121,098</u>	<u>121,398</u>
Total Title VI - B			332,932	333,232
ARRA - State Fiscal Stabilization Fund (SFSF) – Education State Grants, Recovery Act - 2011				
	N/A	84.394	131,136	131,136
Title II-D Technology - FY 11	048215-TJS1-2011	84.318	101	101
Title II-A - Improving Teacher Quality - FY11	048215-TRS1-2011	84.367	<u>17,630</u>	<u>17,630</u>
Total U.S. Department of Education			<u>506,940</u>	<u>595,670</u>
Total Federal Awards			<u>\$ 506,940</u>	<u>\$ 595,670</u>

See accompanying Notes to the Schedule of Federal Awards Expenditures

**OTTAWA HILLS LOCAL SCHOOL DISTRICT**  
**Lucas County, Ohio**  
**Notes to the Schedule of Federal Awards Expenditures**  
**For the Year Ended June 30, 2011**

**1. Significant Accounting Policies**

The accompanying schedule of federal awards expenditures is a summary of the activity of the District's federal award programs. The schedule has been prepared on the cash basis of accounting. Consequently, certain revenues are recognized when received rather than when earned, and certain expenditures are recognized when paid rather than when the obligation is incurred.

**2. N/A – Information not available.**

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

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

To the Board of Education:

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Ottawa Hills Local School District, (District), Lucas County, Ohio, as of and for the year ended June 30, 2011, which collectively comprise the District's basic financial statements and have issued our report thereon dated December 19, 2011, wherein we noted the District implemented Governmental Accounting Standard Board Statement No. 54, "Fund Balance Reporting and Governmental Fund Type Definitions". We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

**Internal Controls Over Financial Reporting**

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

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

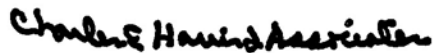
Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies or material weaknesses.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

### Compliance and Other Matters

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

However, we noted certain matters that we have reported to management of the District in a separate letter dated December 19, 2011.

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



**Charles E. Harris and Associates, Inc.**  
December 19, 2011

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

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

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**INDEPENDENT ACCOUNTANTS' REPORT ON COMPLIANCE WITH REQUIREMENTS  
THAT COULD HAVE A DIRECT AND MATERIAL EFFECT ON EACH MAJOR PROGRAM AND ON  
INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133**

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

To the Board of Education:

**Compliance**

We have audited the Ottawa Hills Local School District, Lucas County, Ohio's (the District) compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of the District's federal programs for the year ended June 30, 2011. The District's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of the District's management. Our responsibility is to express an opinion on the District's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and *OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of the District's compliance with those requirements.

In our opinion, the Ottawa Hills Local School District, Ohio complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2011.

**Internal Control Over Compliance**

Management of the Ottawa Hills Local School District, Lucas County Ohio, is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the District internal control over compliance with the requirements that could have a direct and material effect on a major federal program to determine the auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the District internal control over compliance.

***A deficiency in internal control over compliance*** exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A ***material weakness in internal control over compliance*** is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis.

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

This report is intended solely for the information and use of management, the Board of Education, the audit committee, others within the entity, federal awarding agencies, and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

*Charles Harris*

**CHARLES E. HARRIS & ASSOCIATES, INC.**  
December 19, 2011

**SCHEDULE OF FINDINGS  
OMB CIRCULAR A-133 SECTION .505**

**Ottawa Hills Local School District  
Lucas County  
June 30, 2011**

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

(d)(1)(i)	<i>Type of Financial Statement Opinion</i>	Unqualified
(d)(1)(ii)	<i>Were there any material control weaknesses reported at the financial statement level (GAGAS)?</i>	No
(d)(1)(ii)	<i>Were there any significant deficiencies reported at the financial statement level (GAGAS)?</i>	No
(d)(1)(iii)	<i>Was there any reported material non-compliance at the financial statement level (GAGAS)?</i>	No
(d)(1)(iv)	<i>Were there any material internal control weaknesses reported for major federal programs?</i>	No
(d)(1)(iv)	<i>Were there any significant deficiencies reported for major federal programs?</i>	No
(d)(1)(v)	<i>Type of Major Programs' Compliance Opinion</i>	Unqualified
(d)(1)(vi)	<i>Are there any reportable findings under Section .510</i>	No
(d)(1)(vii)	<i>Major Programs:</i>	Special Education - CFDA #84.027 ARRA - Special Education - CFDA #84.391
(d)(1)(viii)	<i>Dollar Threshold: Type A\B Programs</i>	Type A: > \$300,000 Type B: all others
(d)(1)(ix)	<i>Low Risk Auditee?</i>	No



**SCHEDULE OF FINDINGS - (continued)**  
**OMB CIRCULAR A-133 SECTION .505**

**Ottawa Hills Local School District**  
**Lucas County**  
**June 30, 2011**

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

None.

**3. FINDINGS FOR FEDERAL AWARDS**

None.

**OTTAWA HILLS LOCAL SCHOOL DISTRICT  
LUCAS COUNTY, OHIO**

**SCHEDULE OF PRIOR AUDIT FINDINGS  
June 30, 2011**

<b>FINDING NUMBER</b>	<b>FUNDING SUMMARY</b>	<b>FULLY CORRECTED?</b>	<b>Not Corrected. Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; Explain</b>
2010-OHSD-01	The District did not properly record a long-term advance	Yes	No Longer Valid

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

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

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

To the Board of Education:

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

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

We noted the Board did not amend its anti-harassment policy to include violence within a dating relationship within its definition of harassment, intimidation or bullying. Ohio Rev. Code Section 3313.666 required the Board to amend its definition by September 28, 2010.

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

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



Charles E. Harris & Associates, Inc.  
December 19, 2011

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# Dave Yost • Auditor of State

OTTAWA HILLS LOCAL SCHOOL DISTRICT

LUCAS COUNTY

## CLERK'S CERTIFICATION

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

*Susan Babbitt*

CLERK OF THE BUREAU

CERTIFIED  
MARCH 22, 2012