



JIM PETRO
AUDITOR OF STATE

STATE OF OHIO

**OTTAWA HILLS LOCAL SCHOOL DISTRICT
LUCAS COUNTY**

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

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

To the Board of Education:

We have audited the financial statements of Ottawa Hills Local School District as of and for the year ended June 30, 2001, and have issued our report thereon dated March 8, 2002. 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.

Compliance

As part of obtaining reasonable assurance about whether the School District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed an instance of noncompliance that is required to be reported under *Government Auditing Standards* which is described in the accompanying schedule of findings as item 2001-10148-001. We also noted a certain immaterial instance of noncompliance that we have reported to management of the School District in a separate letter dated March 8, 2002.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the School District's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. However, we noted a certain matter involving the internal control over financial reporting and its operation that we consider to be a reportable condition. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect the School District's ability to record, process, summarize and report financial data consistent with the assertions of management in the financial statements. A reportable condition is described in the accompanying schedule of findings as item 2001-10148-002.

A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, we believe the reportable condition described above is not a material weakness. We also noted a matter involving the internal control over financial reporting that does not require inclusion in this report, that we have reported to management of the School District in a separate letter dated March 8, 2002.

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

Jim Petro
Auditor of State

March 8, 2002

**OTTAWA HILLS LOCAL SCHOOL DISTRICT
LUCAS COUNTY**

**SCHEDULE OF FINDINGS
JUNE 30, 2001**

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

FINDING NUMBER 2001-10148-001

Noncompliance Citation

17 CFR Section 240.15c2-12 requires the School District to file an annual report by the date specified in the debt covenants with the Nationally Recognized Municipal Security Information Repositories (NRMSIRs) and to the State Information Depository (SID). The debt covenant requires that the annual report be filed by December 31 of each year. If an audited report is not available then an unaudited annual report is to be filed timely. When the audited report is available, it is to be filed also. The School District is on a bi-annual audit basis, and does not file any report until the audit is completed. This makes the report for the first fiscal year of the audit over one year past due. We recommend that the School District file their unaudited GAAP financial statements with the required organizations on or before December 31 of each year.

FINDING NUMBER 2001-10148-002

Reportable Condition - Student Activities

Student Activity Project Potential Forms are not required to be used by the activities advisors. These forms contain the following information: a description of the fund-raising activity, the time period for which the activity is planned, the projected amount to be raised, the projected expense, and the anticipated profit for each project. These forms would be submitted to the building principal prior to actual project activity.

At the completion of the fund-raising project, the form would be returned to the faculty advisor and the following information recorded thereon: actual revenue, actual expense, and the amount of actual profit or loss. These forms would then be filed to be used in evaluating future projects. They also serve as a control in reporting actual revenue and expense.

To improve the accountability and evaluation of student activities, we recommend that the School District utilize student activity project potential forms as provided in the Management Advisory Services, MAS Bulletin 93-13, Guidelines for Developing Policies for Student Activity Programs. We also recommend that the School District provide annual training to activity advisors to include use of these forms and record retention requirements.

OTTAWA HILLS LOCAL SCHOOL DISTRICT
LUCAS COUNTY

SCHEDULE OF PRIOR AUDIT FINDINGS
JUNE 30, 2001

| Finding Number | Finding Summary | Fully Corrected? | Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; Explain: |
|----------------|---|------------------|--|
| 2000-10148-001 | 17 CFR Section 240.15c2-12- Filing of annual financial reports. | No | Not corrected. Reissued as finding number 2001-10148-001. |
| 2000-10148-002 | Project Potential Forms not in Use | No | Not corrected. Reissued as finding number 2001-10148-002. |

***OTTAWA HILLS LOCAL
SCHOOL DISTRICT***

LUCAS COUNTY, OHIO

GENERAL PURPOSE
FINANCIAL STATEMENTS

FOR THE FISCAL YEAR ENDED
JUNE 30, 2001

AUDITED

Prepared by:
Mr. Ryan Stechschulte
Treasurer

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REPORT OF INDEPENDENT ACCOUNTANTS

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

To the Board of Education:

We have audited the accompanying general-purpose financial statements of Ottawa Hills Local School District (the School District) as of and for the year ended June 30, 2001, as listed in the table of contents. These general-purpose financial statements are the responsibility of the School District's management. Our responsibility is to express an opinion on these general-purpose financial statements based on our audit.

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

In our opinion, the general-purpose financial statements referred to above present fairly, in all material respects, the financial position of the Ottawa Hills Local School District, Lucas County, as of June 30, 2001, and the results of its operations and the cash flows of its proprietary fund type and nonexpendable trust funds for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated March 8, 2002 on our consideration of the School District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

Jim Petro
Auditor of State

March 8, 2002

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OTTAWA HILLS LOCAL SCHOOL DISTRICT, OHIO
COMBINED BALANCE SHEET
ALL FUND TYPES AND ACCOUNT GROUPS
JUNE 30, 2001

| | <i>Governmental</i> | | | |
|---|---------------------|-----------------------------|-------------------------|------------------------------|
| | <i>Fund Types</i> | | | |
| | General Fund | Special Revenue Funds | Debt Service Fund | Capital Projects Funds |
| Assets and Other Debits: | | | | |
| Assets: | | | | |
| Cash and Cash Equivalents | \$2,952,269 | \$168,487 | \$721,773 | \$295,199 |
| Investments | 180,663 | 7,622 | 44,168 | 17,547 |
| Receivables (net of allowance for doubtful accounts): | | | | |
| Taxes | 7,826,835 | 0 | 570,822 | 250,213 |
| Accounts | 1,265 | 0 | 0 | 0 |
| Interfund Loan Receivable | 339 | 0 | 0 | 0 |
| Due from Other Funds | 82 | 0 | 0 | 0 |
| Prepaid Items | 1,965 | 0 | 0 | 0 |
| Restricted Assets: | | | | |
| Cash and Cash Equivalents | 77,472 | 0 | 0 | 0 |
| Fixed Assets (net of accumulated depreciation) | 0 | 0 | 0 | 0 |
| Other Debits: | | | | |
| Amount Available in Debt Service Fund | 0 | 0 | 0 | 0 |
| Amount to be Provided for | | | | |
| General Long-Term Obligations | 0 | 0 | 0 | 0 |
| Total Assets and Other Debits | \$11,040,890 | \$176,109 | \$1,336,763 | \$562,959 |
| Liabilities, Equity and Other Credits: | | | | |
| Liabilities: | | | | |
| Accounts Payable | \$24,347 | \$5,958 | \$0 | \$47,084 |
| Accrued Wages and Benefits | 665,327 | 0 | 0 | 0 |
| Intergovernmental Payables | 146,957 | 0 | 0 | 0 |
| Interfund Loan Payable | 0 | 339 | 0 | 0 |
| Due to Other Funds | 0 | 82 | 0 | 0 |
| Due to Students | 0 | 0 | 0 | 0 |
| Deferred Revenue - Taxes | 7,632,729 | 0 | 555,715 | 243,385 |
| Compensated Absences Payable | 0 | 0 | 0 | 0 |
| General Obligation Bonds Payable | 0 | 0 | 0 | 0 |
| Total Liabilities | 8,469,360 | 6,379 | 555,715 | 290,469 |
| Equity and Other Credits: | | | | |
| Investment in General Fixed Assets | 0 | 0 | 0 | 0 |
| Retained Earnings: | | | | |
| Unreserved | 0 | 0 | 0 | 0 |
| Fund Balances: | | | | |
| Reserved for Encumbrances | 63,694 | 28,562 | 0 | 108,618 |
| Reserved for Property Tax Advances | 183,608 | 0 | 14,276 | 6,453 |
| Reserved for Textbooks | 10,513 | 0 | 0 | 0 |
| Reserved for Budget Stabilization | 66,959 | 0 | 0 | 0 |
| Reserved for Prepaid Items | 1,965 | 0 | 0 | 0 |
| Reserved for Debt Service | 0 | 0 | 766,772 | 0 |
| Reserved for Endowments | 0 | 0 | 0 | 0 |
| Unreserved: | | | | |
| Undesignated | 2,244,791 | 141,168 | 0 | 157,419 |
| Total Equity and Other Credits | 2,571,530 | 169,730 | 781,048 | 272,490 |
| Total Liabilities, Equity and Other Credits | \$11,040,890 | \$176,109 | \$1,336,763 | \$562,959 |

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

OTTAWA HILLS LOCAL SCHOOL DISTRICT, OHIO
COMBINED BALANCE SHEET
ALL FUND TYPES AND ACCOUNT GROUPS
JUNE 30, 2001

| <i>Proprietary</i> <u>Fund Type</u> | <i>Fiduciary</i> <u>Fund Types</u> | <i>Account</i> <u>Groups</u> | | Totals (Memorandum Only) |
|--|---------------------------------------|---------------------------------|-------------------------------------|--------------------------------|
| Enterprise Fund | Trust and Agency Funds | General Fixed Assets | General Long-Term Obligations | |
| \$24,994 | \$90,939 | \$0 | \$0 | \$4,253,661 |
| 0 | 1,753 | 0 | 0 | 251,753 |
| 0 | 0 | 0 | 0 | 8,647,870 |
| 0 | 0 | 0 | 0 | 1,265 |
| 0 | 0 | 0 | 0 | 339 |
| 0 | 0 | 0 | 0 | 82 |
| 0 | 0 | 0 | 0 | 1,965 |
| 0 | 0 | 0 | 0 | 77,472 |
| 0 | 0 | 12,700,426 | 0 | 12,700,426 |
| 0 | 0 | 0 | 766,772 | 766,772 |
| 0 | 0 | 0 | 5,949,234 | 5,949,234 |
| <u>\$24,994</u> | <u>\$92,692</u> | <u>\$12,700,426</u> | <u>\$6,716,006</u> | <u>\$32,650,839</u> |
| \$0 | \$0 | \$0 | \$0 | \$77,389 |
| 0 | 0 | 0 | 0 | 665,327 |
| 0 | 0 | 0 | 52,047 | 199,004 |
| 0 | 0 | 0 | 0 | 339 |
| 0 | 0 | 0 | 0 | 82 |
| 0 | 34,975 | 0 | 0 | 34,975 |
| 0 | 0 | 0 | 0 | 8,431,829 |
| 0 | 0 | 0 | 973,959 | 973,959 |
| 0 | 0 | 0 | 5,690,000 | 5,690,000 |
| <u>0</u> | <u>34,975</u> | <u>0</u> | <u>6,716,006</u> | <u>16,072,904</u> |
| 0 | 0 | 12,700,426 | 0 | 12,700,426 |
| 24,994 | 0 | 0 | 0 | 24,994 |
| 0 | 0 | 0 | 0 | 200,874 |
| 0 | 0 | 0 | 0 | 204,337 |
| 0 | 0 | 0 | 0 | 10,513 |
| 0 | 0 | 0 | 0 | 66,959 |
| 0 | 0 | 0 | 0 | 1,965 |
| 0 | 0 | 0 | 0 | 766,772 |
| 0 | 29,016 | 0 | 0 | 29,016 |
| 0 | 28,701 | 0 | 0 | 2,572,079 |
| <u>24,994</u> | <u>57,717</u> | <u>12,700,426</u> | <u>0</u> | <u>16,577,935</u> |
| <u>\$24,994</u> | <u>\$92,692</u> | <u>\$12,700,426</u> | <u>\$6,716,006</u> | <u>\$32,650,839</u> |

OTTAWA HILLS LOCAL SCHOOL DISTRICT, OHIO
COMBINED STATEMENT OF REVENUES,
EXPENDITURES AND CHANGES IN FUND BALANCES
ALL GOVERNMENTAL FUND TYPES AND EXPENDABLE TRUST FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2001

| | <i>Governmental Fund Types</i> | | | <i>Fiduciary Fund Type</i> | | Totals (Memorandum Only) |
|---|------------------------------------|-----------------------------|-------------------------|--------------------------------|-----------------------------|--------------------------------|
| | General Fund | Special Revenue Funds | Debt Service Fund | Capital Projects Fund | Expendable Trust Fund | |
| Revenues: | | | | | | |
| Local Sources: | | | | | | |
| Taxes | \$6,880,094 | \$0 | \$503,377 | \$238,490 | \$0 | \$7,621,961 |
| Tuition | 46,201 | 0 | 0 | 0 | 0 | 46,201 |
| Transportation Fees | 2,462 | 0 | 0 | 0 | 0 | 2,462 |
| Investment Earnings | 315,822 | 0 | 0 | 6,955 | 2,438 | 325,215 |
| Extracurricular Activities | 49,385 | 331,542 | 0 | 0 | 0 | 380,927 |
| Class Material and Fees | 42,789 | 5,588 | 0 | 0 | 0 | 48,377 |
| Intergovernmental - State | 1,934,539 | 297,965 | 52,873 | 71,697 | 0 | 2,357,074 |
| Intergovernmental - Federal | 0 | 69,061 | 0 | 0 | 0 | 69,061 |
| All Other Revenues | 6,620 | 193,763 | 0 | 0 | 416 | 200,799 |
| Total Revenues | 9,277,912 | 897,919 | 556,250 | 317,142 | 2,854 | 11,052,077 |
| Expenditures: | | | | | | |
| Current: | | | | | | |
| Instruction | 5,511,115 | 275,686 | 0 | 95,047 | 1,122 | 5,882,970 |
| Supporting Services: | | | | | | |
| Pupils | 377,770 | 2,033 | 0 | 0 | 0 | 379,803 |
| Instructional Staff | 324,090 | 35,660 | 0 | 10,000 | 0 | 369,750 |
| Board of Education | 20,981 | 0 | 0 | 0 | 0 | 20,981 |
| Administration | 615,324 | 27,969 | 0 | 290 | 0 | 643,583 |
| Fiscal Services | 305,642 | 0 | 6,470 | 3,977 | 0 | 316,089 |
| Operation and Maintenance of Plant | 914,086 | 0 | 0 | 196,261 | 0 | 1,110,347 |
| Pupil Transportation | 40,080 | 0 | 0 | 0 | 0 | 40,080 |
| Central | 303 | 0 | 0 | 0 | 0 | 303 |
| Community Services | 1,999 | 287,765 | 0 | 0 | 0 | 289,764 |
| Extracurricular Activities | 254,463 | 260,111 | 0 | 10,370 | 0 | 524,944 |
| Other Expenditures | 0 | 0 | 0 | 0 | 1,335 | 1,335 |
| Capital Outlay | 0 | 0 | 0 | 20,403 | 0 | 20,403 |
| Debt Service: | | | | | | |
| Principal Retirements | 0 | 0 | 335,000 | 0 | 0 | 335,000 |
| Interest and Fiscal Charges | 0 | 0 | 284,894 | 0 | 0 | 284,894 |
| Total Expenditures | 8,365,853 | 889,224 | 626,364 | 336,348 | 2,457 | 10,220,246 |
| Excess (Deficiency) of | | | | | | |
| Revenues Over (Under) Expenditures | 912,059 | 8,695 | (70,114) | (19,206) | 397 | 831,831 |
| Other Financing Sources (Uses): | | | | | | |
| Refund of Prior Year Expenditures | 25,787 | 3,561 | 0 | 0 | 0 | 29,348 |
| Operating Transfers In | 0 | 33,000 | 0 | 0 | 0 | 33,000 |
| Operating Transfers Out | (33,000) | 0 | 0 | 0 | 0 | (33,000) |
| Total Other Financing Sources (Uses) | (7,213) | 36,561 | 0 | 0 | 0 | 29,348 |
| Excess (Deficiency) of Revenues | | | | | | |
| and Other Financing Sources Over (Under) | | | | | | |
| Expenditures and Other Financing Uses | 904,846 | 45,256 | (70,114) | (19,206) | 397 | 861,179 |
| Fund Balance Beginning of Year | 1,666,684 | 124,474 | 851,162 | 291,696 | 28,304 | 2,962,320 |
| Fund Balance End of Year | \$2,571,530 | \$169,730 | \$781,048 | \$272,490 | \$28,701 | \$3,823,499 |

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

OTTAWA HILLS LOCAL SCHOOL DISTRICT, OHIO
COMBINED STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)
ALL GOVERNMENTAL FUND TYPES
FISCAL YEAR ENDED JUNE 30, 2001

| | <i>General Fund</i> | | | <i>Special Revenue Funds</i> | | |
|--|---------------------|-------------|---|------------------------------|-----------|---|
| | Revised Budget | Actual | Variance: Favorable (Unfavorable) | Revised Budget | Actual | Variance: Favorable (Unfavorable) |
| Revenues | | | | | | |
| Local Sources: | | | | | | |
| Taxes | \$6,915,101 | \$6,915,101 | \$0 | \$0 | \$0 | \$0 |
| Tuition | 56,486 | 56,486 | 0 | 0 | 0 | 0 |
| Transportation Fees | 1,002 | 2,462 | 1,460 | 0 | 0 | 0 |
| Investment Earnings | 298,804 | 315,822 | 17,018 | 0 | 0 | 0 |
| Extracurricular Activities | 49,290 | 49,385 | 95 | 330,807 | 331,542 | 735 |
| Class Material and Fees | 45,662 | 41,564 | (4,098) | 5,588 | 5,588 | 0 |
| Intergovernmental - State | 1,930,019 | 1,934,539 | 4,520 | 297,965 | 297,965 | 0 |
| Intergovernmental - Federal | 0 | 0 | 0 | 69,096 | 69,061 | (35) |
| All Other Revenues | 6,748 | 6,818 | 70 | 195,407 | 193,763 | (1,644) |
| Total Revenues | 9,303,112 | 9,322,177 | 19,065 | 898,863 | 897,919 | (944) |
| Expenditures: | | | | | | |
| Current: | | | | | | |
| Instruction | 5,883,635 | 5,598,484 | 285,151 | 308,326 | 305,721 | 2,605 |
| Supporting Services: | | | | | | |
| Pupils | 421,365 | 380,264 | 41,101 | 2,656 | 2,033 | 623 |
| Instructional Staff | 347,866 | 325,148 | 22,718 | 38,744 | 34,410 | 4,334 |
| Board of Education | 21,584 | 18,219 | 3,365 | 0 | 0 | 0 |
| Administration | 713,304 | 630,724 | 82,580 | 36,429 | 27,969 | 8,460 |
| Fiscal Services | 329,617 | 309,081 | 20,536 | 0 | 0 | 0 |
| Operation and Maintenance of Plant | 978,431 | 922,202 | 56,229 | 0 | 0 | 0 |
| Pupil Transportation | 51,707 | 40,456 | 11,251 | 0 | 0 | 0 |
| Central | 2,000 | 303 | 1,697 | 0 | 0 | 0 |
| Community Services | 2,000 | 1,999 | 1 | 292,383 | 287,765 | 4,618 |
| Extracurricular Activities | 281,969 | 258,706 | 23,263 | 276,983 | 262,410 | 14,573 |
| Capital Outlay | 0 | 0 | 0 | 0 | 0 | 0 |
| Debt Service: | | | | | | |
| Principal Retirement | 0 | 0 | 0 | 0 | 0 | 0 |
| Interest and Fiscal Charges | 0 | 0 | 0 | 0 | 0 | 0 |
| Total Expenditures | 9,033,478 | 8,485,586 | 547,892 | 955,521 | 920,308 | 35,213 |
| Excess (Deficiency) of Revenues Over (Under) Expenditures | 269,634 | 836,591 | 566,957 | (56,658) | (22,389) | 34,269 |
| Other Financing Sources (Uses): | | | | | | |
| Refund of Prior Year Expenditures | 25,787 | 25,787 | 0 | 3,561 | 3,561 | 0 |
| Refund of Prior Year Revenues | (200) | 0 | 200 | 0 | 0 | 0 |
| Operating Transfers In | 0 | 0 | 0 | 33,000 | 33,000 | 0 |
| Operating Transfers Out | (33,000) | (33,000) | 0 | 0 | 0 | 0 |
| Advances Out | (1,000) | 0 | 1,000 | 0 | 0 | 0 |
| Total Other Financing Sources (Uses) | (8,413) | (7,213) | 1,200 | 36,561 | 36,561 | 0 |
| Excess (Deficiency) of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses | 261,221 | 829,378 | 568,157 | (20,097) | 14,172 | 34,269 |
| Fund Balance at Beginning of Year | 2,227,134 | 2,227,134 | 0 | 124,290 | 124,290 | 0 |
| Prior Year Encumbrances | 68,920 | 68,920 | 0 | 4,486 | 4,486 | 0 |
| Fund Balance at End of Year | \$2,557,275 | \$3,125,432 | \$568,157 | \$108,679 | \$142,948 | \$34,269 |

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

(Continued)

OTTAWA HILLS LOCAL SCHOOL DISTRICT, OHIO
COMBINED STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)
ALL GOVERNMENTAL FUND TYPES
FISCAL YEAR ENDED JUNE 30, 2001

| | <i>Debt Service Fund</i> | | | <i>Capital Projects Fund</i> | | |
|--|--------------------------|------------------|---|------------------------------|------------------|---|
| | Revised Budget | Actual | Variance: Favorable (Unfavorable) | Revised Budget | Actual | Variance: Favorable (Unfavorable) |
| Revenues | | | | | | |
| Local Sources: | | | | | | |
| Taxes | \$504,076 | \$504,076 | \$0 | \$239,932 | \$239,932 | \$0 |
| Tuition | 0 | 0 | 0 | 0 | 0 | 0 |
| Transportation Fees | 0 | 0 | 0 | 0 | 0 | 0 |
| Investment Earnings | 0 | 0 | 0 | 6,955 | 6,955 | 0 |
| Extracurricular Activities | 0 | 0 | 0 | 0 | 0 | 0 |
| Class Material and Fees | 0 | 0 | 0 | 0 | 0 | 0 |
| Intergovernmental - State | 52,873 | 52,873 | 0 | 71,697 | 71,697 | 0 |
| Intergovernmental - Federal | 0 | 0 | 0 | 0 | 0 | 0 |
| All Other Revenues | 0 | 0 | 0 | 0 | 0 | 0 |
| Total Revenues | <u>556,949</u> | <u>556,949</u> | <u>0</u> | <u>318,584</u> | <u>318,584</u> | <u>0</u> |
| Expenditures: | | | | | | |
| Current: | | | | | | |
| Instruction | 0 | 0 | 0 | 137,994 | 137,065 | 929 |
| Supporting Services: | | | | | | |
| Pupils | 0 | 0 | 0 | 0 | 0 | 0 |
| Instructional Staff | 0 | 0 | 0 | 10,000 | 10,000 | 0 |
| Board of Education | 0 | 0 | 0 | 0 | 0 | 0 |
| Administration | 0 | 0 | 0 | 290 | 290 | 0 |
| Fiscal Services | 6,470 | 6,470 | 0 | 3,977 | 3,977 | 0 |
| Operation and Maintenance of Plant | 0 | 0 | 0 | 272,369 | 272,369 | 0 |
| Pupil Transportation | 0 | 0 | 0 | 0 | 0 | 0 |
| Central | 0 | 0 | 0 | 0 | 0 | 0 |
| Community Services | 0 | 0 | 0 | 0 | 0 | 0 |
| Extracurricular Activities | 0 | 0 | 0 | 10,370 | 10,370 | 0 |
| Capital Outlay | 0 | 0 | 0 | 20,405 | 20,403 | 2 |
| Debt Service: | | | | | | |
| Principal Retirement | 335,000 | 335,000 | 0 | 0 | 0 | 0 |
| Interest and Fiscal Charges | 284,894 | 284,894 | 0 | 0 | 0 | 0 |
| Total Expenditures | <u>626,364</u> | <u>626,364</u> | <u>0</u> | <u>455,405</u> | <u>454,474</u> | <u>931</u> |
| Excess (Deficiency) of Revenues Over (Under) Expenditures | (69,415) | (69,415) | 0 | (136,821) | (135,890) | 931 |
| Other Financing Sources (Uses): | | | | | | |
| Refund of Prior Year Expenditures | 0 | 0 | 0 | 0 | 0 | 0 |
| Refund of Prior Year Revenues | 0 | 0 | 0 | 0 | 0 | 0 |
| Operating Transfers In | 0 | 0 | 0 | 0 | 0 | 0 |
| Operating Transfers Out | 0 | 0 | 0 | 0 | 0 | 0 |
| Advances Out | 0 | 0 | 0 | 0 | 0 | 0 |
| Total Other Financing Sources (Uses) | <u>0</u> | <u>0</u> | <u>0</u> | <u>0</u> | <u>0</u> | <u>0</u> |
| Excess (Deficiency) of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses | (69,415) | (69,415) | 0 | (136,821) | (135,890) | 931 |
| Fund Balance at Beginning of Year | 835,356 | 835,356 | 0 | 246,464 | 246,464 | 0 |
| Prior Year Encumbrances | 0 | 0 | 0 | 46,470 | 46,470 | 0 |
| Fund Balance at End of Year | <u>\$765,941</u> | <u>\$765,941</u> | <u>\$0</u> | <u>\$156,113</u> | <u>\$157,044</u> | <u>\$931</u> |

(Continued)

OTTAWA HILLS LOCAL SCHOOL DISTRICT, OHIO
COMBINED STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)
ALL GOVERNMENTAL FUND TYPES
FISCAL YEAR ENDED JUNE 30, 2001

| | <u>Totals (Memorandum Only)</u> | | |
|--|---------------------------------|--------------------|---|
| | Revised Budget | Actual | Variance: Favorable (Unfavorable) |
| <u>Revenues</u> | | | |
| Local Sources: | | | |
| Taxes | \$7,659,109 | \$7,659,109 | \$0 |
| Tuition | 56,486 | 56,486 | 0 |
| Transportation Fees | 1,002 | 2,462 | 1,460 |
| Investment Earnings | 305,759 | 322,777 | 17,018 |
| Extracurricular Activities | 380,097 | 380,927 | 830 |
| Class Material and Fees | 51,250 | 47,152 | (4,098) |
| Intergovernmental - State | 2,352,554 | 2,357,074 | 4,520 |
| Intergovernmental - Federal | 69,096 | 69,061 | (35) |
| All Other Revenues | 202,155 | 200,581 | (1,574) |
| Total Revenues | <u>11,077,508</u> | <u>11,095,629</u> | <u>18,121</u> |
| <u>Expenditures:</u> | | | |
| Current: | | | |
| Instruction | 6,329,955 | 6,041,270 | 288,685 |
| Supporting Services: | | | |
| Pupils | 424,021 | 382,297 | 41,724 |
| Instructional Staff | 396,610 | 369,558 | 27,052 |
| Board of Education | 21,584 | 18,219 | 3,365 |
| Administration | 750,023 | 658,983 | 91,040 |
| Fiscal Services | 340,064 | 319,528 | 20,536 |
| Operation and Maintenance of Plant | 1,250,800 | 1,194,571 | 56,229 |
| Pupil Transportation | 51,707 | 40,456 | 11,251 |
| Central | 2,000 | 303 | 1,697 |
| Community Services | 294,383 | 289,764 | 4,619 |
| Extracurricular Activities | 569,322 | 531,486 | 37,836 |
| Capital Outlay | 20,405 | 20,403 | 2 |
| Debt Service: | | | |
| Principal Retirement | 335,000 | 335,000 | 0 |
| Interest and Fiscal Charges | 284,894 | 284,894 | 0 |
| Total Expenditures | <u>11,070,768</u> | <u>10,486,732</u> | <u>584,036</u> |
| Excess (Deficiency) of Revenues Over (Under) Expenditures | 6,740 | 608,897 | 602,157 |
| <u>Other Financing Sources (Uses):</u> | | | |
| Refund of Prior Year Expenditures | 29,348 | 29,348 | 0 |
| Refund of Prior Year Revenues | (200) | 0 | 200 |
| Operating Transfers In | 33,000 | 33,000 | 0 |
| Operating Transfers Out | (33,000) | (33,000) | 0 |
| Advances Out | (1,000) | 0 | 1,000 |
| Total Other Financing Sources (Uses) | <u>28,148</u> | <u>29,348</u> | <u>1,200</u> |
| Excess (Deficiency) of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses | 34,888 | 638,245 | 603,357 |
| Fund Balance at Beginning of Year | 3,433,244 | 3,433,244 | 0 |
| Prior Year Encumbrances | 119,876 | 119,876 | 0 |
| Fund Balance at End of Year | <u>\$3,588,008</u> | <u>\$4,191,365</u> | <u>\$603,357</u> |

OTTAWA HILLS LOCAL SCHOOL DISTRICT, OHIO
COMBINED STATEMENT OF REVENUES, EXPENSES
AND CHANGES IN RETAINED EARNINGS/FUND BALANCE
PROPRIETARY FUND TYPE AND SIMILAR TRUST FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2001

| | <u>Proprietary</u> <u>Fund Type</u> | <u>Fiduciary</u> <u>Fund Type</u> | Totals (Memorandum Only) |
|---|--|--------------------------------------|--------------------------------|
| | Enterprise Fund | Nonexpendable Trust Fund | |
| <u>Operating Revenues:</u> | | | |
| Tuition and Fees | \$12,409 | \$0 | \$12,409 |
| Investment Earnings | 0 | 1,490 | 1,490 |
| Total Operating Revenues | <u>12,409</u> | <u>1,490</u> | <u>13,899</u> |
| <u>Operating Expenses:</u> | | | |
| Materials and Supplies | 16,799 | 0 | 16,799 |
| Other Operating Expenses | 0 | 920 | 920 |
| Total Operating Expenses | <u>16,799</u> | <u>920</u> | <u>17,719</u> |
| Operating Income (Loss) | (4,390) | 570 | (3,820) |
| <u>Non-Operating Revenues:</u> | | | |
| Miscellaneous | 0 | 15 | 15 |
| Total Non-Operating Revenues | <u>0</u> | <u>15</u> | <u>15</u> |
| Net Income (Loss) | (4,390) | 585 | (3,805) |
| Retained Earnings/Fund Balance at Beginning of Year | 29,384 | 28,431 | 57,815 |
| Retained Earnings/Fund Balance at End of Year | <u>\$24,994</u> | <u>\$29,016</u> | <u>\$54,010</u> |

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

OTTAWA HILLS LOCAL SCHOOL DISTRICT, OHIO
COMBINED STATEMENT OF CASH FLOWS
PROPRIETARY FUND TYPE AND NONEXPENDABLE TRUST FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2001

| | <u>Proprietary Fund Type</u> | <u>Fiduciary Fund Type</u> | Totals (Memorandum Only) |
|--|----------------------------------|--------------------------------|--------------------------------|
| | Enterprise Fund | Nonexpendable Trust Fund | |
| <u>Cash Flows from Operating Activities:</u> | | | |
| Cash Received from Customers | \$12,409 | \$15 | \$12,424 |
| Cash Payments for Goods and Services | (16,799) | (920) | (17,719) |
| Net Cash Used by Operating Activities | <u>(4,390)</u> | <u>(905)</u> | <u>(5,295)</u> |
| <u>Cash Flows from Investing Activities:</u> | | | |
| Receipts of Interest | 0 | 1,490 | 1,490 |
| Net Cash Provided by Investing Activities | <u>0</u> | <u>1,490</u> | <u>1,490</u> |
| Net Increase (Decrease) in Cash and Cash Equivalents | (4,390) | 585 | (3,805) |
| Cash and Cash Equivalents at Beginning of Year | 29,384 | 28,431 | 57,815 |
| Cash and Cash Equivalents at End of Year | <u>\$24,994</u> | <u>\$29,016</u> | <u>\$54,010</u> |
| <u>Reconciliation of Cash and Cash Equivalents per Balance Sheet:</u> | | | |
| Cash and Cash Equivalents | \$24,994 | \$90,939 | \$115,933 |
| Less: Cash and Cash Equivalents in Expendable Trust Fund | 0 | (26,948) | (26,948) |
| Less: Cash and Cash Equivalents in Agency Fund | 0 | (34,975) | (34,975) |
| Cash and Cash Equivalents at End of Year | <u>\$24,994</u> | <u>\$29,016</u> | <u>\$54,010</u> |
| <u>Reconciliation of Operating Income (Loss) to Net Cash Used by Operating Activities:</u> | | | |
| Operating Income (Loss) | (\$4,390) | \$570 | (\$3,820) |
| Adjustments to Reconcile Operating Income (Loss) to Net Cash Used by Operating Activities: | | | |
| Miscellaneous Non-operating Income | 0 | 15 | 15 |
| Interest on Investment | 0 | (1,490) | (1,490) |
| Total Adjustments | <u>0</u> | <u>(1,475)</u> | <u>(1,475)</u> |
| Net Cash Used by Operating Activities | <u>(\$4,390)</u> | <u>(\$905)</u> | <u>(\$5,295)</u> |

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

OTTAWA HILLS LOCAL SCHOOL DISTRICT, OHIO
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
JUNE 30, 2001

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 35 noncertified, 79 certified teaching personnel and 8 administrative employees providing education to 1,002 students.

The accompanying general purpose financial statements comply with the provisions of Governmental Accounting Standards Board (GASB) Statement No. 14, "*The Financial Reporting Entity*," in that the financial statements include all organizations, activities, functions and component units for which the District (the reporting entity) is financially accountable. Financial accountability is defined as the appointment of a voting majority of a legally separate organization's governing body and either the District's ability to impose its will over the organization or the possibility that the organization will provide a financial benefit to, or impose a financial burden on, the District. There were no potential component units that met the criteria imposed by GASB Statement No. 14 to be included in the District's reporting entity. The District is a member of the Northwest Ohio Computer Association (NWOCA), a jointly governed organization which provides computer service to twenty-eight (28) school districts. Based on the foregoing, the reporting entity of the District includes the following services: instructional (regular and special education), student guidance, extracurricular activities and care and upkeep of grounds and buildings.

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

B. Basis of Presentation - Fund Accounting

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

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

B. Basis of Presentation - Fund Accounting (Continued)

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

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

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

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

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

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

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

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

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

B. Basis of Presentation - Fund Accounting (Continued)

Fiduciary Funds

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

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

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

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

C. Basis of Accounting

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

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

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

Property taxes measurable as of June 30, 2001 of which are not intended to finance fiscal year 2001 operations and delinquent property taxes, whose availability is indeterminate, are recorded as deferred revenue as further described in Note 5.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C. Basis of Accounting (Continued)

Current property taxes measurable at June 30, 2001, and which are intended to finance fiscal 2001 operations, have been recorded as deferred revenues. Delinquent property taxes measurable and available (received within 30 days) and amounts available as an advance on future tax settlements are recognized as revenue at year end. Taxes available for advance and recognized as revenue but not received by the District prior to June 30, 2001 are reflected as a reservation of fund balance for future appropriations. The District is prohibited by law from appropriating this revenue in accordance with ORC Section 5705.35, since an advance of revenue was not requested or received prior to the fiscal year end.

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. On the modified accrual basis, revenue is recorded in the fiscal year in which the resources are measurable and become available.

Non-exchange transactions, in which the District receives value without directly giving equal value in return, include property taxes, income taxes, grants, entitlements, and donations. On the accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied. Revenue from income taxes is recognized in the period in which the income is earned. Revenue from grants, entitlements, and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the fiscal 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 the modified accrual basis, revenue from non-exchange transactions must also be available before it can be recognized.

The accrual basis of accounting is utilized for reporting purposes by the proprietary funds and the non-expendable trust fund. Revenues are recognized when they are earned and expenses are recognized when incurred. The fair value of donated commodities used during the year is reported on the operating statement as an expense with a like amount reported as donated commodities revenue. Unused donated commodities are reported as deferred revenue.

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

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Budgetary Process

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

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

1. Tax Budget

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

2. Estimated Resources

Prior to March 15, the Board accepts by formal resolution, the tax rates as determined by the County Budget Commission and receives the Commission's Certificate of Estimated Resources which states the projected revenue of each fund. Prior to June 30, the District must revise its budget so that the total contemplated expenditures from any fund during the ensuing fiscal year will not exceed the amount available as stated in the certificate of estimated resources. The revised budget then serves as the basis for the annual appropriations measure. On or about July 1, the certificate of estimated resources is amended to include any unencumbered fund balances from the preceding year. The certificate may be further amended during the year if a new source of revenue is identified or actual receipts exceed current estimates. The amounts reported on the budgetary statement reflect the amounts in the final amended official certificate of estimated resources issued during fiscal year 2001.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Budgetary Process (Continued)

3. Appropriations

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

4. Encumbrances

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

5. Lapsing of Appropriations

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

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Budgetary Process (Continued)

6. Budgetary Basis of Accounting

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

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

| | Excess (Deficiency) of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses | | | |
|--|---|-----------------------------|-------------------------|------------------------------|
| | General Fund | Special Revenue Funds | Debt Service Fund | Capital Projects Funds |
| GAAP Basis (as reported) | \$904,846 | \$45,256 | (\$70,114) | (\$19,206) |
| Increase (Decrease): | | | | |
| Accrued Revenues at June 30, 2001, received during FY 2002 | (195,710) | 0 | (15,107) | (6,828) |
| Accrued Revenues at June 30, 2000, received during FY 2001 | 241,848 | 0 | 15,806 | 8,270 |
| Accrued Expenditures at June 30, 2001, paid during FY 2002 | 836,631 | 6,297 | 0 | 47,084 |
| Accrued Expenditures at June 30, 2000, paid during FY 2001 | (873,685) | (4,302) | 0 | (9,508) |
| FY 2000 Prepays for FY 2001 | 2,467 | 0 | 0 | 0 |
| FY 2001 Prepays for FY 2002 | (1,965) | 0 | 0 | 0 |
| Encumbrances Outstanding at June 30, 2001 | (85,054) | (33,079) | 0 | (155,702) |
| Budget Basis | <u>\$829,378</u> | <u>\$14,172</u> | <u>(\$69,415)</u> | <u>(\$135,890)</u> |

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

E. Cash and Cash Equivalents

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

The District pools its cash for investment and resource management purposes. Each fund's equity in pooled cash and investments represents the balance on hand as if each fund maintained its own cash and investment account. See Note 4, "Cash, Cash Equivalents and Investments."

F. Investments

Investment procedures and interest allocations are restricted by provisions of the Ohio Constitution and the Ohio Revised Code. In accordance with GASB Statement No. 31, Accounting and Financial Reporting for Certain Investments and for External Investment Pools, the District records all its investments at fair value except for nonparticipating investment contracts (repurchase agreements) which are reported at cost. See Note 4, "Cash, Cash Equivalents and Investments."

The District has invested funds in the State Treasury Asset Reserve of Ohio during 2001. 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, 2001.

Interest revenue credited to the General Fund during fiscal year 2001 amounted to \$315,822. Of that amount, \$86,959 was the amount allocated by other funds.

G. Inventory

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

H. Fixed Assets and Depreciation

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

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

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

H. Fixed Assets and Depreciation (Continued)

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

I. Long-Term Obligations

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

| <u>Obligation</u> | <u>Fund</u> |
|---------------------------|----------------------|
| General Obligation Bonds | Bond Retirement Fund |
| Intergovernmental Payable | General Fund |
| Compensated Absences | General Fund |

J. Compensated Absences

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

K. Pensions

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

L. Interfund Transactions

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

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

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

L. Interfund Transactions (Continued)

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

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

M. Restricted Assets

Restricted assets in the general fund represent cash and cash equivalents set aside to establish textbook and budget stabilization reserves. These reserves are required by State Statute and can only be used for certain purposes. Fund balance reserves have been established for these amounts.

N. Reservations of Fund Balance

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

O. Total Columns on Combined Financial Statements

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

NOTE 2 – CHANGES IN ACCOUNTING PRINCIPLES

For the fiscal year ended June 30, 2001, the District has implemented GASB Statement No. 33 "Accounting and Financial Reporting for Nonexchange Transactions" and GASB Statement No. 36 "Recipient Reporting for Certain Shared Nonexchange Revenues". At June 30, 2000, there was no effect on fund balance as a result of implementing GASB 33 and GASB 36.

NOTE 3 - COMPLIANCE AND ACCOUNTABILITY

Fund Deficits - The fund deficits at June 30, 2001 of \$82 in the SchoolNet Fund and \$1,250 in the Drug Free School Grant Fund (special revenue funds) arise from the recognition of expenditures on the modified accrual basis which are greater than expenditures recognized on the budgetary basis. A deficit does not exist under the cash basis of accounting.

NOTE 4 - CASH, CASH EQUIVALENTS AND INVESTMENTS

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

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

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

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

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

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

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 collateral are limited to obligations of the United States and its agencies and obligations of any state, county, municipal corporation or other legally constituted authority of any other state, or any instrumentality of such county, municipal corporation or other authority. Based upon criteria described in GASB Statement No. 3, "Deposits With Financial Institutions, Investments (including Repurchase Agreements) and Reverse Repurchase Agreements," collateral held in single financial institution collateral pools with securities being held by the pledging financial institutions' agent in the pool's name are classified as Category 3. The Governmental Accounting Standards Board has established risk categories for deposits and investments as follows:

Deposits:

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

Investments:

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

A. Deposits

At year end the carrying amount of the District's deposits was an overdraft of \$294,923 and the bank balance was \$50,228. The Federal Deposit Insurance Corporation (FDIC) covered all of the bank balance.

B. Investments

The District's investments at June 30, 2001 are summarized below:

| | <u>Category 1</u> | <u>Category 2</u> | <u>Fair Value</u> | <u>Carrying Value</u> |
|-----------------------------------|-------------------------|-------------------------|---------------------------|---------------------------|
| Categorized Investments | | | | |
| Federal Government Securities | \$251,753 | \$0 | \$251,753 | \$251,753 |
| Repurchase Agreements | <u>0</u> | <u>121,459</u> | <u>121,459</u> | <u>121,459</u> |
| Total Categorized Investments | 251,753 | 121,459 | 373,212 | 373,212 |
| Noncategorized Investments | | | | |
| STAR Ohio | <u>N/A</u> | <u>N/A</u> | <u>4,504,597</u> | <u>4,504,597</u> |
| Total Investments | <u><u>\$251,753</u></u> | <u><u>\$121,459</u></u> | <u><u>\$4,877,809</u></u> | <u><u>\$4,877,809</u></u> |

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

B. Investments (Continued)

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

C. Reconciliation of Cash, Cash Equivalents and Investments

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

| | <u>Cash and Cash</u> <u>Equivalents</u> | <u>Investments</u> |
|----------------------------|--|--------------------|
| Per Combined Balance Sheet | \$4,331,133 | \$251,753 |
| Repurchase Agreements | (121,459) | 121,459 |
| STAR Ohio | <u>(4,504,597)</u> | <u>4,504,597</u> |
| Per GASB Statement No. 3 | <u>(\$294,923)</u> | <u>\$4,877,809</u> |

NOTE 5 - TAXES

Property taxes include amounts levied against all real estate and public utility property, and tangible personal property used in business and located in the District. Real property taxes (other than public utility) collected during 2001 were levied after October 1, 2000 on assessed values as of January 1, 2000, the lien date. Assessed values are established by the County Auditor at 35 percent of appraised market value. All property is required to be reappraised every six years and equalization adjustments made the third year following reappraisal. The last revaluation was completed in 1995, and equalization adjustments were made in 1998. Real property taxes are payable annually or semi-annually. The first payment is due January 20, with the remainder payable by June 20.

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

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

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 2001, upon which the 2000 levies were based, were as follows:

| | 2000 Second Half Collections | 2001 First Half Collections |
|--|---------------------------------|--------------------------------|
| Agricultural/Residential and Other Real Estate | \$138,552,480 | \$163,116,210 |
| Public Utility Personal | 2,823,550 | 2,813,810 |
| Tangible Personal Property | 281,134 | 332,600 |
| Total Assessed Value | <u>\$141,657,164</u> | <u>\$166,262,620</u> |
| Tax rate per \$1,000 of assessed valuation | \$113.20 | \$113.10 |

NOTE 6 - RECEIVABLES

Receivables at June 30, 2001 consisted of taxes, accounts receivable and intergovernmental receivables.

NOTE 7 - INTERFUND BALANCES

Following is a summary of interfund receivables/payables for all funds at June 30, 2001:

A. Interfund Loans Receivable/Payable

| | <u>Interfund Loans Receivable</u> | <u>Interfund Loans Payable</u> |
|---------------------------------------|---------------------------------------|------------------------------------|
| General Fund | \$339 | \$0 |
| Special Revenue Funds: | | |
| Public School Support Fund | 0 | 282 |
| District Managed Student Account Fund | <u>0</u> | <u>57</u> |
| Total Special Revenue Funds | <u>0</u> | <u>339</u> |
| Totals | <u><u>\$339</u></u> | <u><u>\$339</u></u> |

B. Due from/to Other Funds

| | <u>Due from Other Funds</u> | <u>Due to Other Funds</u> |
|-----------------------|---------------------------------|-------------------------------|
| General Fund | \$82 | \$0 |
| Special Revenue Fund: | | |
| SchoolNet Fund | <u>0</u> | <u>82</u> |
| Totals | <u><u>\$82</u></u> | <u><u>\$82</u></u> |

NOTE 8 - OPERATING TRANSFERS

Following is a summary of operating transfers in and out for all funds at June 30, 2001:

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

NOTE 9 - FIXED ASSETS

General Fixed Assets-Summary by category of changes in general fixed assets at June 30, 2001:

| Class | June 30, 2000 | Additions | Deletions | June 30, 2001 |
|---|---------------------|------------------|------------|---------------------|
| Land and Improvements | \$166,413 | \$47,051 | \$0 | \$213,464 |
| Buildings and Improvements | 10,074,023 | 21,580 | 0 | 10,095,603 |
| Machinery/Equipment and Furniture/Fixtures | 2,109,816 | 119,238 | 0 | 2,229,054 |
| Vehicles | 162,305 | 0 | 0 | 162,305 |
| Totals | <u>\$12,512,557</u> | <u>\$187,869</u> | <u>\$0</u> | <u>\$12,700,426</u> |

NOTE 10 - DEFINED BENEFIT PENSION PLANS

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

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

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

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

The Ohio Revised Code provides statutory authority for District and employee contributions of 14% and 9% respectively. The contribution rates are determined actuarially, and are established and may be amended, up to statutory amounts, by the School Employees Retirement Board (Retirement Board) within the rates allowed by State statute. The required employer contribution rate is allocated to basic retirement benefits and health care by the Retirement Board. At June 30, 2001, 4.2% was allocated to fund the pension benefit and 9.8% to fund health care. The District's contributions to the SERS of Ohio for the years ending June 30, 2001, 2000, and 1999 were \$142,068, \$137,940, and \$131,802, respectively, which were equal to the required contributions for each year.

NOTE 10 - DEFINED BENEFIT PENSION PLANS (Continued)

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

The Ohio Revised Code gives SERS the discretionary authority to provide postretirement health care to retirees and their dependents. Coverage is made available to service retirees with ten or more years of qualifying service credit, disability and survivor benefit recipients. Members retiring on or after August 1, 1989 with less than twenty-five years of service credit must pay a portion of their premium for health care. The portion is based on years of service up to a maximum of 75% of the premium. The portion of the 2001 employer contribution rate (identified above) that was used to fund health care for the year 2001 was 9.8%. In addition, SERS levies a surcharge to fund health care benefits equal to 14% of the difference between minimum pay and the member's pay, prorated for partial service credit. For fiscal year 2001, the minimum pay has been established as \$12,400. The amount contributed to fund health care benefits, including the surcharge amounted to \$102,731.

Health care benefits are financed on a pay-as-you-go basis. The number of retirees and covered dependents currently receiving benefits is approximately 50,000. The target level for the health care reserve is 150% of annual health care expenses. Expenses for health care at June 30, 2000 (the latest information available) were \$140,696,340 and the target level was \$211.0 million. Net assets available for payment of benefits at June 30, 2000 was \$252.3 million.

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

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

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

The Ohio Revised Code provides statutory authority for District and employee contributions of 14% and 9.3%, respectively. The contribution requirements of plan members and the District are established and may be amended by the State Teachers Retirement Board, upon recommendation of its consulting actuary, not to exceed statutory maximum rates of 10% for members and 14% for employers. At June 30, 2001, 9.5% was allocated to fund the pension benefit and 4.5% to fund health care. The District's contributions to the STRS of Ohio for the years ending June 30, 2001, 2000, and 1999 were \$622,572, \$584,784, and \$595,476, respectively, which were equal to the required contributions for each year.

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

NOTE 10 - DEFINED BENEFIT PENSION PLANS (Continued)

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

Benefits are funded on a pay-as-you-go basis through an allocation of employer contributions to a Health Care Reserve Fund. For the fiscal year ended June 30, 2001, the board allocated employer contributions are equal to 4.5% of covered payroll to the Health Care Reserve Fund, which amounted to \$200,112 for the District. The balance of the Health Care Reserve Fund was \$3.419 billion at June 30, 2000 (the latest information available). For the fiscal year ended June 30, 2000, the net health care costs paid by STRS were \$283,137,000. There were 99,011 eligible benefit recipients.

NOTE 11 - COMPENSATED ABSENCES

The District provides a liability for accumulated unpaid sick leave and vacation time benefits when earned by employees. Accrued employee benefits for governmental funds not currently due and payable at year end are recorded in the General Long-Term Obligations Account Group. At June 30, 2001, the total accumulated unpaid sick and vacation time recorded in the General Long-Term Obligations Account Group was:

| | <u>Sick Leave</u> | <u>Vacation</u> | <u>Total</u> |
|-----------|-------------------|-----------------|--------------|
| Liability | \$914,202 | \$59,757 | \$973,959 |

**NOTE 12 - GENERAL LONG-TERM DEBT
AND OTHER GENERAL LONG-TERM OBLIGATIONS**

Activity in the General Long-Term Obligations Account Group during fiscal year 2001 was as follows:

| | | <u>Balance</u> | <u>Issued</u> | <u>Balance</u> |
|---|--------|--------------------|--------------------|--------------------|
| | | June 30, 2000 | (Retired) | June 30, 2001 |
| General Long-Term Debt: | | | | |
| (General Obligation Bonds) | | | | |
| Elementary Addition and Improvements | 6.625% | \$310,000 | (\$150,000) | \$160,000 |
| School Improvements | 4.750% | 5,715,000 | (185,000) | 5,530,000 |
| Total General Long-Term Debt | | <u>6,025,000</u> | <u>(335,000)</u> | <u>5,690,000</u> |
| Other General Long-Term Obligations: | | | | |
| Intergovernmental Payable | | 47,256 | 4,791 | 52,047 |
| Compensated Absences | | 865,290 | 108,669 | 973,959 |
| Total Other General Long-Term Obligations | | <u>912,546</u> | <u>113,460</u> | <u>1,026,006</u> |
| Total General Long-Term Debt and | | | | |
| Other General Long-Term Obligations | | <u>\$6,937,546</u> | <u>(\$221,540)</u> | <u>\$6,716,006</u> |

**NOTE 12 - GENERAL LONG-TERM DEBT
AND OTHER GENERAL LONG-TERM OBLIGATIONS (Continued)**

A. Principal and Interest Requirements

A summary of the District's future long-term debt funding requirements, including principal and interest payments as of June 30, 2001, follows:

| Years | General Obligation Bonds | |
|-------------|--------------------------|--------------------|
| | Principal | Interest |
| 2002 | \$360,000 | \$265,600 |
| 2003 | 210,000 | 250,681 |
| 2004 | 220,000 | 240,588 |
| 2005 | 235,000 | 230,019 |
| 2006 | 245,000 | 218,737 |
| 2007 - 2011 | 1,490,000 | 899,057 |
| 2012 - 2016 | 1,975,000 | 494,594 |
| 2017 - 2018 | 955,000 | 57,474 |
| Totals | <u>\$5,690,000</u> | <u>\$2,656,750</u> |

Contrary to the Code of Federal Regulations (CFR), the District did not file an annual report with the Nationally Recognized Municipal Security Information Repositories (NRMSIRs) and the State Information Depository (SID) within the required time period.

NOTE 13 - 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 2001 the District contracted with several different insurance providers for various insurance coverages, as follows:

| Insurance Provider | Coverage | Deductible |
|------------------------------|---------------------|------------|
| Utica Insurance Company | Automobile | \$250 |
| Utica Insurance Company | Property | \$1,000 |
| Nationwide Insurance Company | Education Liability | \$1,000 |

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

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

NOTE 14 - JOINTLY GOVERNED ORGANIZATION

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, Archibold, Ohio 43502.

NOTE 15 – 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, 2001, the reserve activity (cash-basis) was as follows:

| | Textbook Reserve | Capital Acquisition Reserve | Budget Stabilization Reserve | Total |
|--|---------------------|-----------------------------------|------------------------------------|------------------|
| Set-aside Cash Balance as of June 30, 2000 | \$0 | \$0 | \$66,959 | \$66,959 |
| Current Year Set-Aside Requirement | 230,753 | 230,752 | 0 | 461,505 |
| Current Year Offset Credits | 0 | 0 | 0 | 0 |
| Qualifying Disbursements | <u>(220,240)</u> | <u>(234,027)</u> | <u>0</u> | <u>(454,267)</u> |
| Total | <u>\$10,513</u> | <u>(\$3,275)</u> | <u>\$66,959</u> | <u>\$74,197</u> |
| Cash Balance Carried Forward to FY 2002 | <u>\$10,513</u> | <u>\$0</u> | <u>\$66,959</u> | <u>\$77,472</u> |
| Amount Restricted for Textbooks | | | | 10,513 |
| Amount Restricted for Budget Stabilization | | | | <u>66,959</u> |
| Total Restricted Assets | | | | <u>\$77,472</u> |

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

NOTE 16 - 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, 2001.

B. Litigation

The District is not a party to any legal proceedings which seek damages or injunctive relief generally incidental to its operations and pending projects as of June 30, 2001.

C. State School Funding

On September 6, 2001, the Ohio Supreme Court issued its latest opinion regarding the State's school funding plan. The decision identified aspects of the current plan that require modification if the plan is to be considered constitutional, including:

- A change in the school districts that are used as the basis for determining the base cost support amount. Any change in the amount of funds distributed to school districts as a result of this change must be retroactive to July 1, 2001, although a time line for distribution is not specified.
- Fully funding parity aid no later than the beginning of fiscal year 2004 rather than fiscal year 2006.

The Supreme Court relinquished jurisdiction over the case based on anticipated compliance with its order.

In general, it is expected that the decision would result in an increase in State funding for most Ohio school districts. However, as of March 8, 2002, the Ohio General Assembly is still analyzing the impact this Supreme Court decision will have on funding for individual school districts. Further, the State of Ohio, in a motion filed September 17, 2001, asked the Court to reconsider and clarify the parts of the decision changing the school districts that are used as the basis for determining the base cost support amount and the requirement that changes be made retroactive to July 1, 2001.

On November 2, 2001, the Court granted this motion for reconsideration. The Court may re-examine and redetermine any issue upon such reconsideration.

As of the date of these financial statements, the School District is unable to determine what effect, if any, this decision and the reconsideration will have on its future State funding and on its financial operations.

OTTAWA HILLS LOCAL SCHOOL DISTRICT, OHIO
STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
AGENCY FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2001

| | Balance June 30, 2000 | Additions | Deductions | Balance June 30, 2001 |
|---|-----------------------------|-----------------|-------------------|-----------------------------|
| <u>Student Managed Activity Fund</u> | | | | |
| Assets: | | | | |
| Cash and Cash Equivalents | \$28,547 | \$34,392 | (\$27,964) | \$34,975 |
| Total Assets | <u>\$28,547</u> | <u>\$34,392</u> | <u>(\$27,964)</u> | <u>\$34,975</u> |
| Liabilities: | | | | |
| Accounts Payable | \$108 | \$0 | (\$108) | \$0 |
| Due to Students | 28,439 | 34,392 | (27,856) | 34,975 |
| Total Liabilities | <u>\$28,547</u> | <u>\$34,392</u> | <u>(\$27,964)</u> | <u>\$34,975</u> |



STATE OF OHIO
OFFICE OF THE AUDITOR

JIM PETRO, AUDITOR OF STATE

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OTTAWA HILLS LOCAL SCHOOL DISTRICT

LUCAS COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
APRIL 2, 2002**