

OTTAWA HILLS LOCAL SCHOOL DISTRICT

LUCAS COUNTY

Audit Report

For the Year Ended June 30, 2010

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, 2009 through June 30, 2010. 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, 2010**

TABLE OF CONTENTS

TITLE	PAGE
Report of Independent Accountants.....	1
Management's Discussion and Analysis.....	3
Basic Financial Statements:	
Government-Wide Financial Statements:	
Statement of Net Assets.....	12
Statement of Activities.....	13
Fund Financial Statements:	
Balance Sheet - Governmental Funds.....	14
Reconciliation of Total Governmental Fund Balances to Net Asset of Governmental Activities.....	15
Statement of Revenues, Expenditures, and Changes in Fund Balances - Governmental Funds.....	16
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities.....	18
Statement of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual (Non-GAAP Budgetary Basis) - General Fund.....	20
Statement of Net Assets - Fiduciary Funds.....	22
Statement of Changes Net Assets - Fiduciary Fund.....	23
Notes to the Basic Financial Statements.....	24
Independent Accountants' Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Required by <i>Government Auditing Standards</i>	49
Schedule of Findings	51
Schedule of Prior Audit Findings.....	53

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

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, 2010, 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, 2010, 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.

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.

Charles Harris Associates

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

OTTAWA HILLS LOCAL SCHOOL DISTRICT

*Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2010*

Unaudited

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, 2010. 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 2010 are as follows:

- Net assets decreased \$860,787, which represents a 12% decrease from 2009.
- General revenues accounted for \$12,984,714 in revenue or 90% of all revenues. Program specific revenues in the form of charges for services and grants and contributions accounted for \$1,486,243 or 10% of total revenues of \$14,470,957.
- The District had \$15,331,744 in expenses related to governmental activities; only \$1,486,243 of these expenses were offset by program specific charges for services, grants or contributions. General revenues of \$12,984,714 were adequate to provide for these programs.
- The District's General Fund had \$12,140,023 in revenues and \$13,363,284 in expenditures. The General Fund's fund balance decreased \$1,329,019 to \$4,207,739.

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

*Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2010*

Unaudited

Government-wide Statements

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

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

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

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

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

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

Fund Financial Statements

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

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

OTTAWA HILLS LOCAL SCHOOL DISTRICT

*Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2010*

Unaudited

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

FINANCIAL ANALYSIS OF THE SCHOOL DISTRICT AS A WHOLE

The following table provides a summary of the District's net assets for 2010 compared to 2009.

	Governmental Activities		Increase (Decrease)
	2010	Restated 2009	
Current and other assets	\$15,058,278	\$16,957,844	(\$1,899,566)
Capital assets, Net	6,144,333	5,879,798	264,535
Total assets	21,202,611	22,837,642	(1,635,031)
Long-term debt outstanding	4,457,371	5,220,429	(763,058)
Other liabilities	10,501,885	10,513,071	(11,186)
Total liabilities	14,959,256	15,733,500	(774,244)
Net assets			
Invested in capital assets, net of related debt	3,404,333	2,299,798	1,104,535
Restricted	236,173	623,023	(386,850)
Unrestricted	2,602,849	4,181,321	(1,578,472)
Total net assets	\$6,243,355	\$7,104,142	(\$860,787)

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OTTAWA HILLS LOCAL SCHOOL DISTRICT

*Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2010*

Unaudited

Changes in Net Assets – The following table shows the changes in net assets for the fiscal year 2010 compared to 2009:

	Governmental Activities		Increase (Decrease)
	2010	2009	
Revenues			
Program Revenues:			
Charges for Services and Sales	\$430,189	\$391,950	\$38,239
Operating Grants and Contributions	775,835	596,917	178,918
Capital Grants and Contributions	280,219	149,765	130,454
Total Program Revenues	<u>1,486,243</u>	<u>1,138,632</u>	<u>347,611</u>
General Revenues:			
Property Taxes	9,569,355	9,891,003	(321,648)
Intergovernmental, Unrestricted	3,189,950	3,290,307	(100,357)
Other	<u>225,409</u>	<u>464,513</u>	<u>(239,104)</u>
Total General Revenues	<u>12,984,714</u>	<u>13,645,823</u>	<u>(661,109)</u>
Total Revenues	<u>14,470,957</u>	<u>14,784,455</u>	<u>(313,498)</u>
Program Expenses			
Instruction	9,472,899	9,244,917	227,982
Support Services:			
Pupils	769,321	717,748	51,573
Instructional Staff	599,849	593,476	6,373
Board of Education	26,009	24,564	1,445
Administration	991,860	1,008,260	(16,400)
Fiscal Services	502,386	466,461	35,925
Operation and Maintenance of Plant	1,509,689	1,403,871	105,818
Pupil Transportation	42,013	49,482	(7,469)
Central	47,250	50,433	(3,183)
Community Services	312,994	368,955	(55,961)
Extracurricular Activities	848,585	661,345	187,240
Interest and Fiscal Charges	<u>208,889</u>	<u>175,869</u>	<u>33,020</u>
Total Expenses	<u>15,331,744</u>	<u>14,765,381</u>	<u>566,363</u>
Total Change in Net Assets	<u>(860,787)</u>	<u>19,074</u>	<u>(879,861)</u>
Beginning Net Assets	<u>7,104,142</u>	<u>7,085,068</u>	<u>19,074</u>
Ending Net Assets	<u><u>\$6,243,355</u></u>	<u><u>\$7,104,142</u></u>	<u><u>(\$860,787)</u></u>

Governmental Activities

Net assets of the District's governmental activities decreased \$860,787. A triennial update of property values by Lucas County resulted in the decrease in tax revenues. The increase in operating grants was a result of federal stimulus grants. The contribution of costs related to the new football field turf resulted in the increase in capital contributions. The decrease in other revenue can be attributed to decreases in investment earnings which was the result of low interest rates. Overall, expenses remained stable, increasing by approximately 4%.

OTTAWA HILLS LOCAL SCHOOL DISTRICT

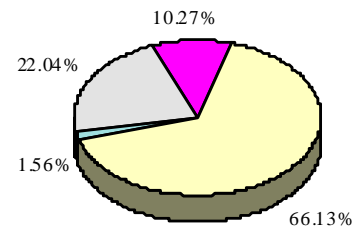
**Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2010**

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 66% of revenues for governmental activities for Ottawa Hills Local Schools in fiscal year 2010. The District's reliance upon tax revenues is demonstrated by the following graph:

Revenue Sources	2010	Percent of Total
Intergovernmental, Unrestricted	\$3,189,950	22.04%
Program Revenues	1,486,243	10.27%
General Tax Revenues	9,569,355	66.13%
General Other	225,409	1.56%
Total Revenue	<u>\$14,470,957</u>	<u>100.00%</u>



FINANCIAL ANALYSIS OF THE SCHOOL DISTRICT'S FUNDS

The District's governmental funds reported a combined fund balance of \$4,418,729, which is less than last year's balance of \$6,367,577. The schedule below indicates the fund balance and the total change in fund balance as of June 30, 2010 and 2009.

	Fund Balance June 30, 2010	Restated Fund Balance June 30, 2009	Increase (Decrease)
General	\$4,207,739	\$5,536,758	(\$1,329,019)
Other Governmental	210,990	830,819	(619,829)
Total	<u>\$4,418,729</u>	<u>\$6,367,577</u>	<u>(\$1,948,848)</u>

OTTAWA HILLS LOCAL SCHOOL DISTRICT

*Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2010*

Unaudited

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

	2010 Revenues	2009 Revenues	Increase (Decrease)
Taxes	\$8,745,807	\$9,115,608	(\$369,801)
Tuition	117,064	82,751	34,313
Transportation Fees	2,326	2,224	102
Investment Earnings	88,709	248,464	(159,755)
Extracurricular Activities	51,377	53,773	(2,396)
Class Materials and Fees	41,816	44,667	(2,851)
Intergovernmental - State	3,069,302	3,163,188	(93,886)
All Other Revenue	23,622	18,546	5,076
Total	\$12,140,023	\$12,729,221	(\$589,198)

General Fund revenues in fiscal year 2010 decreased approximately 5% compared to fiscal year 2009. A triennial update of property values by Lucas County resulted in the decrease in tax revenues.

	2010 Expenditures	2009 Expenditures	Increase (Decrease)
Instruction	\$8,841,775	\$8,467,479	\$374,296
Supporting Services:			
Pupils	696,432	646,006	50,426
Instructional Staff	455,320	459,093	(3,773)
Board of Education	26,009	24,564	1,445
Administration	952,655	965,791	(13,136)
Fiscal Services	483,559	449,297	34,262
Operation & Maintenance of Plant	1,366,589	1,436,141	(69,552)
Pupil Transportation	39,978	44,726	(4,748)
Central	42,677	44,433	(1,756)
Community Services	17,000	16,675	325
Extracurricular Activities	441,290	420,069	21,221
Total	\$13,363,284	\$12,974,274	\$389,010

Expenditures increased \$389,010 or 3% compared to the prior year. The increase in instruction can be attributed to an increase in salaries and benefits while a decrease in utility costs resulted in a decrease in operation and maintenance of plant.

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

OTTAWA HILLS LOCAL SCHOOL DISTRICT

Management's Discussion and Analysis For the Fiscal Year Ended June 30, 2010

Unaudited

During the course of fiscal year 2010 the District amended its General Fund budget several times, none significant.

For the General Fund, final budget basis revenue of \$12.3 million was not materially different from original budget estimates. Actual budget basis revenue was equal to 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 2010 the District had \$6,144,333 net of accumulated depreciation invested in land, improvements, buildings, machinery, equipment and vehicles. The following table shows fiscal year 2010 and 2009 balances:

	Governmental Activities		Increase (Decrease)
	2010	2009	
Land	\$743,629	\$743,629	\$0
Construction in Progress	0	346,859	(346,859)
Land Improvements	1,813,138	945,062	868,076
Buildings and Improvements	8,474,517	8,461,528	12,989
Machinery/Equipment and Furniture/Fixtures	1,171,512	1,066,607	104,905
Vehicles	191,003	173,203	17,800
Less: Accumulated Depreciation	(6,249,466)	(5,857,090)	(392,376)
Totals	\$6,144,333	\$5,879,798	\$264,535

The increase in land improvements can be attributed to a football field turf project and high school parking lot repaving.

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

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OTTAWA HILLS LOCAL SCHOOL DISTRICT

*Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2010*

Unaudited

Debt

At June 30, 2010, the District had \$2.7 million in bonds outstanding, \$420,000 due within one year. The following table summarizes the District's debt outstanding as of June 30, 2010 and 2009:

	2010	2009
Governmental Activities:		
General Obligation Bonds:		
School Improvement	\$0	\$3,580,000
School Improvement Refunding	2,740,000	0
Compensated Absences	1,717,371	1,640,429
Totals	<u>\$4,457,371</u>	<u>\$5,220,429</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, 2010, the District's outstanding debt was below the legal limit. Additional information on the District's long-term debt can be found in Note 11.

ECONOMIC FACTORS

The Ottawa Hills Local School District relies upon local property taxes and state foundation monies to fund its operations. In fiscal year 2010 the District received approximately 71.52% of its revenues from local property taxes, 14.11% from the state foundation program, 10.87% from the Homestead/Rollback exemption legislation, and the remaining 3.51% from other local sources. The District real estate value consists of 96.85% residential real estate, 2.49% commercial real estate, and 0.66% 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 valuation dropped 10.68% from \$183,061,790 in 2008 to \$163,502,860 in 2009. The drop in valuations has reduced the level of valuations to an amount that was last seen in 1999. All operating and permanent improvement levies passed after 1999 have been negatively affected by the drop in valuations. Real estate tax collections for fiscal year 2010 were about \$185,000 less than fiscal year 2009. Future district expenses will need to be reduced to align with the drop in valuations and decreases in local property taxes.

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

OTTAWA HILLS LOCAL SCHOOL DISTRICT

*Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2010*

Unaudited

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

Statement of Net Assets *June 30, 2010*

	Governmental Activities
Assets:	
Cash and Cash Equivalents	\$ 3,163,938
Investments	2,021,471
Receivables:	
Taxes	9,690,338
Accounts	1,979
Intergovernmental	7,850
Interest	8,125
Prepaid Items	107,732
Restricted Assets:	
Cash and Cash Equivalents	56,845
Capital Assets, Net	6,144,333
Total Assets	21,202,611
Liabilities:	
Accounts Payable	10,589
Accrued Wages and Benefits	918,680
Intergovernmental Payable	343,565
Unearned Revenue - Taxes	9,144,834
Accrued Interest Payable	21,546
Compensated Absences Payable	62,671
Long Term Liabilities:	
Due Within One Year	573,650
Due in More Than One Year	3,883,721
Total Liabilities	14,959,256
Net Assets:	
Invested in Capital Assets, Net of Related Debt	3,404,333
Restricted For:	
Debt Service	115,440
Other Purposes	120,733
Unrestricted	2,602,849
Total Net Assets	\$ 6,243,355

See accompanying notes to the basic financial statements

OTTAWA HILLS LOCAL SCHOOL DISTRICT

Statement of Activities *For the Fiscal Year Ended June 30, 2010*

			Program Revenues			Net (Expense) Revenue and Changes in Net Assets
	Expenses	Charges for Services and Sales	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	
Governmental Activities:						
Instruction	\$ 9,472,899	\$ 192,703	\$ 280,496	\$ 0		\$ (8,999,700)
Support Services:						
Pupils	769,321	0	59,214	0		(710,107)
Instructional Staff	599,849	0	130,558	0		(469,291)
Board of Education	26,009	0	0	0		(26,009)
Administration	991,860	0	5,000	0		(986,860)
Fiscal Services	502,386	0	0	0		(502,386)
Operation and Maintenance of Plant	1,509,689	4,258	0	0		(1,505,431)
Pupil Transportation	42,013	2,326	0	0		(39,687)
Central	47,250	0	4,573	0		(42,677)
Community Services	312,994	0	295,994	0		(17,000)
Extracurricular Activities	848,585	230,902	0	280,219		(337,464)
Interest and Fiscal Charges	208,889	0	0	0		(208,889)
Total Governmental Activities	\$ 15,331,744	\$ 430,189	\$ 775,835	\$ 280,219		(13,845,501)
General Revenues						
Property Taxes Levied for:						
						8,776,382
						329,257
						463,716
						3,189,950
						83,179
						142,230
						12,984,714
						(860,787)
						7,104,142
						\$ 6,243,355

See accompanying notes to the basic financial statements

OTTAWA HILLS LOCAL SCHOOL DISTRICT

Balance Sheet *Governmental Funds* *June 30, 2010*

	General	Other Governmental Funds	Total Governmental Funds
Assets:			
Cash and Cash Equivalents	\$ 2,543,542	\$ 620,396	\$ 3,163,938
Investments	2,021,471	0	2,021,471
Receivables:			
Taxes	8,910,546	779,792	9,690,338
Accounts	1,095	884	1,979
Intergovernmental	7,550	300	7,850
Interest	8,125	0	8,125
Interfund Loans Receivable	339	1,389	1,728
Prepaid Items	107,732	0	107,732
Restricted Assets:			
Cash and Cash Equivalents	56,845	0	56,845
Advances to Other Funds	365,000	0	365,000
Total Assets	\$ 14,022,245	\$ 1,402,761	\$ 15,425,006
Liabilities:			
Accounts Payable	\$ 10,545	\$ 44	\$ 10,589
Accrued Wages and Benefits	915,803	2,877	918,680
Intergovernmental Payable	331,471	12,094	343,565
Interfund Loans Payable	189	1,539	1,728
Deferred Revenue - Taxes	8,550,929	747,546	9,298,475
Deferred Revenue	5,569	0	5,569
Advances from Other Funds	0	365,000	365,000
Compensated Absences Payable	0	62,671	62,671
Total Liabilities	9,814,506	1,191,771	11,006,277
Fund Balances:			
Reserved for Encumbrances	0	23,076	23,076
Reserved for Prepaid Items	107,732	0	107,732
Reserved for Debt Service	0	119,885	119,885
Reserved for Property Taxes	307,606	27,560	335,166
Reserved for Bus Purchase	56,845	0	56,845
Reserved for Advances	365,000	0	365,000
Unreserved, Undesignated in:			
General Fund	3,370,556	0	3,370,556
Special Revenue Funds	0	228,060	228,060
Capital Projects Funds (Deficit)	0	(187,591)	(187,591)
Total Fund Balances	4,207,739	210,990	4,418,729
Total Liabilities and Fund Balances	\$ 14,022,245	\$ 1,402,761	\$ 15,425,006

See accompanying notes to the basic financial statements

OTTAWA HILLS LOCAL SCHOOL DISTRICT

Reconciliation Of Total Governmental Fund Balances To Net Assets Of Governmental Activities June 30, 2010

Total Governmental Fund Balances	\$ 4,418,729
<i>Amounts reported for governmental activities in the statement of net assets are different because</i>	
Capital Assets used in governmental activities are not resources and therefore are not reported in the funds.	6,144,333
Other long-term assets are not available to pay for current- period expenditures and therefore are deferred in the funds.	159,210
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	(2,740,000)
Compensated Absences Payable	(1,717,371)
Accrued Interest Payable	(21,546)
	<u>(4,478,917)</u>
<i>Net Assets of Governmental Activities</i>	<u><u>\$ 6,243,355</u></u>

See accompanying notes to the basic financial statements

OTTAWA HILLS LOCAL SCHOOL DISTRICT

Statement of Revenues, Expenditures and Changes in Fund Balances Governmental Funds For the Fiscal Year Ended June 30, 2010

	General	Other Governmental Funds	Total Governmental Funds
Revenues:			
Local Sources:			
Taxes	\$ 8,745,807	\$ 791,388	\$ 9,537,195
Tuition	117,064	0	117,064
Transportation Fees	2,326	0	2,326
Investment Earnings	88,709	72	88,781
Extracurricular Activities	51,377	179,525	230,902
Class Materials and Fees	41,816	33,823	75,639
Intergovernmental - State	3,069,302	431,753	3,501,055
Intergovernmental - Federal	0	464,730	464,730
All Other Revenue	23,622	94,982	118,604
Total Revenue	12,140,023	1,996,273	14,136,296
Expenditures:			
Current:			
Instruction	8,841,775	659,561	9,501,336
Supporting Services:			
Pupils	696,432	59,887	756,319
Instructional Staff	455,320	134,059	589,379
Board of Education	26,009	0	26,009
Administration	952,655	5,027	957,682
Fiscal Services	483,559	11,033	494,592
Operation and Maintenance of Plant	1,366,589	30,016	1,396,605
Pupil Transportation	39,978	0	39,978
Central	42,677	4,573	47,250
Community Services	17,000	295,994	312,994
Extracurricular Activities	441,290	307,205	748,495
Capital Outlay	0	159,590	159,590
Debt Service:			
Principal Retirement	0	972,000	972,000
Interest & Fiscal Charges	0	185,386	185,386
Total Expenditures	13,363,284	2,824,331	16,187,615
Excess (Deficiency) of Revenues Over (Under) Expenditures	(1,223,261)	(828,058)	(2,051,319)

OTTAWA HILLS LOCAL SCHOOL DISTRICT

	General	Other Governmental Funds	Total Governmental Funds
Other Financing Sources (Uses):			
Refunding Bonds Issued	0	2,955,000	2,955,000
Premium on Bond Issuance	0	34,903	34,903
Payment to Refunded Bond Escrow Agent	0	(2,915,316)	(2,915,316)
Transfers In	0	132,500	132,500
Transfers Out	(132,500)	0	(132,500)
Refund of Prior Year Expenditures	26,742	1,142	27,884
Total Other Financing Sources (Uses)	(105,758)	208,229	102,471
Net Change in Fund Balance	(1,329,019)	(619,829)	(1,948,848)
Fund Balances at Beginning of Year - Restated	5,536,758	830,819	6,367,577
Fund Balances End of Year	\$ 4,207,739	\$ 210,990	\$ 4,418,729

See accompanying notes to the basic financial statements

OTTAWA HILLS LOCAL SCHOOL DISTRICT

***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, 2010***

Net Change in Fund Balances - Total Governmental Funds \$ (1,948,848)

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	376,692	
Depreciation Expense	(392,376)	(15,684)

Donations of capital assets increase net assets in the statement of activities, but do not appear in the governmental funds because they are not financial resources.	280,219
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Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.	26,558
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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 statement of activities.

General Obligation Refunding Bonds Issued	(2,955,000)	
General Obligation Bonds Refunded	3,580,000	
General Obligation Bond Principal Payment	215,000	840,000

In the statement of activities, interest is accrued on outstanding bonds, whereas in governmental funds, an interest expenditure is reported when due.	33,910
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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	(76,942)
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<i>Change in Net Assets of Governmental Activities</i>	<i>\$ (860,787)</i>
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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 30,2010**

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
Revenues:				
Local Sources:				
Taxes	\$ 8,939,103	\$ 8,788,821	\$ 8,788,821	\$ 0
Tuition	119,066	117,064	117,064	0
Transportation Fees	2,366	2,326	2,326	0
Investment Earnings	100,173	98,489	98,489	0
Extracurricular Activities	52,515	51,632	51,632	0
Class Material and Fees	42,313	41,602	41,602	0
Intergovernmental - State	3,121,784	3,069,302	3,069,302	0
All Other Revenues	23,986	23,583	23,583	0
Total Revenues	<u>12,401,306</u>	<u>12,192,819</u>	<u>12,192,819</u>	<u>0</u>
Expenditures:				
Current:				
Instruction	9,249,526	9,097,213	8,846,876	250,337
Support Services:				
Pupils	676,485	708,790	680,785	28,005
Instructional Staff	481,305	485,925	451,188	34,737
Board of Education	31,000	31,000	26,009	4,991
Administration	1,023,815	1,027,429	951,843	75,586
Fiscal Services	513,500	510,772	480,035	30,737
Operation and Maintenance of Plant	1,495,750	1,536,928	1,370,240	166,688
Pupil Transportation	56,560	52,194	38,703	13,491
Central	62,500	49,886	42,677	7,209
Community Services	17,500	17,500	17,000	500
Extracurricular Activities	481,785	490,690	441,964	48,726
Total Expenditures	<u>14,089,726</u>	<u>14,008,327</u>	<u>13,347,320</u>	<u>661,007</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	(1,688,420)	(1,815,508)	(1,154,501)	661,007

OTTAWA HILLS LOCAL SCHOOL DISTRICT

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
Other Financing Sources (Uses):				
Advances In	75,000	75,000	75,000	0
Transfers Out	(132,500)	(132,500)	(132,500)	0
Refund of Prior Year Expenditures	21,619	21,619	21,619	0
Total Other Financing Sources (Uses):	(35,881)	(35,881)	(35,881)	0
Net Change in Fund Balance	(1,724,301)	(1,851,389)	(1,190,382)	661,007
Fund Balance at Beginning of Year	5,754,229	5,754,229	5,754,229	0
Prior Year Encumbrances	18,255	18,255	18,255	0
Fund Balance at End of Year	\$ 4,048,183	\$ 3,921,095	\$ 4,582,102	\$ 661,007

See accompanying notes to the basic financial statements

OTTAWA HILLS LOCAL SCHOOL DISTRICT

***Statement of Net Assets
Fiduciary Funds
June 30, 2010***

	Private Purpose Trust Funds	Student Managed Activity Fund	Total
Assets:			
Cash and Cash Equivalents	\$ 31,508	\$ 48,853	\$ 80,361
Total Assets	<u>31,508</u>	<u>48,853</u>	<u>80,361</u>
Liabilities:			
Due to Students	<u>0</u>	<u>48,853</u>	<u>48,853</u>
Total Liabilities	<u>0</u>	<u>48,853</u>	<u>48,853</u>
Net Assets:			
Unrestricted	<u>31,508</u>	<u>0</u>	<u>31,508</u>
Total Net Assets	<u><u>\$ 31,508</u></u>	<u><u>\$ 0</u></u>	<u><u>\$ 31,508</u></u>

See accompanying notes to the basic financial statements

OTTAWA HILLS LOCAL SCHOOL DISTRICT

***Statement of Changes in Net Assets
Fiduciary Fund
For the Fiscal Year Ended June 30, 2010***

	<u>Private Purpose Trust Funds</u>
Additions:	
Contributions:	
Private Donations	\$ 1,495
Total Contributions	<u>1,495</u>
Investment Earnings:	
Interest	<u>41</u>
Total Investment Earnings	<u>41</u>
Total Additions	<u>1,536</u>
Deductions:	
Community Gifts, Awards and Scholarships	<u>6,580</u>
Total Deductions	<u>6,580</u>
Change in Net Assets	(5,044)
Net Assets at Beginning of Year	<u>36,552</u>
Net Assets End of Year	<u><u>\$ 31,508</u></u>

See accompanying notes to the basic financial statements

OTTAWA HILLS LOCAL SCHOOL DISTRICT

Notes to the Basic Financial Statements For the Fiscal Year Ended June 30, 2010

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Reporting Entity

Ottawa Hills Local School District, Ohio (the District) is a body politic and corporate established for the purpose of exercising the rights and privileges conveyed to it by the constitution and laws of the State of Ohio.

The District is governed by a locally elected five member Board of Education (the Board) which provides educational services. The Board controls the District's instructional support facilities staffed by 39 noncertified, 81 certified teaching personnel and 7 administrative employees providing education to 1,003 students.

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

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

B. Basis of Presentation - Fund Accounting

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

The following fund types are used by the District:

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

OTTAWA HILLS LOCAL SCHOOL DISTRICT

Notes to the Basic Financial Statements For the Fiscal Year Ended June 30, 2010

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

B. Basis of Presentation - Fund Accounting (Continued)

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

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

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

C. Basis of Presentation – Financial Statements

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

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

Notes to the Basic Financial Statements For the Fiscal Year Ended June 30, 2010

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, 2010, but which are not intended to finance fiscal 2010 operations, have been recorded as deferred revenues. Delinquent property taxes measurable and available (received within 60 days) and amounts available as an advance on future tax settlements are recognized as revenue at year end. Taxes available for advance and recognized as revenue but not received by the District prior to June 30, 2010 are reflected as a reservation of fund balance for future appropriations. The District is prohibited by law from appropriating this revenue in accordance with ORC Section 5705.35, since an advance of revenue was not requested or received prior to the fiscal year end.

OTTAWA HILLS LOCAL SCHOOL DISTRICT

Notes to the Basic Financial Statements For the Fiscal Year Ended June 30, 2010

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 2010.

OTTAWA HILLS LOCAL SCHOOL DISTRICT

Notes to the Basic Financial Statements For the Fiscal Year Ended June 30, 2010

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 2010.

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

***Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2010***

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

E. Budgetary Process (Continued)

5. Budgetary Basis of Accounting

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

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

	General Fund
Net Change in Fund Balance	
GAAP Basis (as reported)	(\$1,329,019)
Increase (Decrease):	
Accrued Revenues at June 30, 2010, received during FY 2011	(757,552)
Accrued Revenues at June 30, 2009, received during FY 2010	881,603
Accrued Expenditures at June 30, 2010, paid during FY 2011	1,258,008
Accrued Expenditures at June 30, 2009, paid during FY 2010	(1,214,196)
FY 2009 Prepays for FY 2010	96,867
FY 2010 Prepays for FY 2011	(107,732)
Encumbrances Outstanding	(18,361)
Budget Basis	(\$1,190,382)

OTTAWA HILLS LOCAL SCHOOL DISTRICT

Notes to the Basic Financial Statements For the Fiscal Year Ended June 30, 2010

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

F. Cash and Cash Equivalents

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

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

G. Investments

Investment procedures and interest allocations are restricted by provisions of the Ohio Constitution and the Ohio Revised Code. In accordance with GASB Statement No. 31, "Accounting and Financial Reporting for Certain Investments and for External Investment Pools", the District records all its investments at fair value except for nonparticipating investment contracts which are reported at cost, which approximates fair value. See Note 3, "Cash, Cash Equivalents and Investments." During fiscal year 2010, investments were limited to federal agency securities.

The District had invested funds in the State Treasury Asset Reserve of Ohio during 2010. 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, 2010.

Interest revenue credited to the General Fund during fiscal year 2010 amounted to \$88,709. Of that amount, \$10,459 was the amount allocated by other funds.

H. Prepaid Items

Payments made to vendors for services that will benefit periods beyond June 30, 2010, are recorded as prepaid items using the consumption method. A current asset for the prepaid amount is recorded at the time of the purchase and an expenditure/expense is reported in the year in which services are consumed.

OTTAWA HILLS LOCAL SCHOOL DISTRICT

Notes to the Basic Financial Statements For the Fiscal Year Ended June 30, 2010

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

Notes to the Basic Financial Statements For the Fiscal Year Ended June 30, 2010

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

Notes to the Basic Financial Statements For the Fiscal Year Ended June 30, 2010

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. Reservations of Fund Balance

Reserves indicate that a portion of fund balance is not available for expenditure or is legally segregated for a specific future use. Fund balances are reserved for debt service, property taxes, prepaid items, capital acquisition, and encumbered amounts, which have not been accrued at year end.

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 2010.

NOTE 2 – COMPLIANCE AND ACCOUNTABILITY

Fund Deficits - The fund deficits at June 30, 2010 of \$381 in the Management Information System Fund, \$8,679 in the Title VI-B Fund, \$2,430 in the Fiscal Stabilization Fund and \$3,181 in the Class Size Reduction Grant Fund (special revenue funds) arises from the recognition of expenditures on the modified accrual basis which are greater than expenditures recognized on the budgetary basis. The fund deficit of \$150,765 in the Permanent Improvement Fund (capital projects fund) arises from the recording of advances payable in the individual balance sheet. 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

Notes to the Basic Financial Statements For the Fiscal Year Ended June 30, 2010

NOTE 3 - CASH, CASH EQUIVALENTS AND INVESTMENTS

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

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

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

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

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

OTTAWA HILLS LOCAL SCHOOL DISTRICT

***Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2010***

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

A. Deposits

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

At year end the carrying amount of the District's deposits was \$2,714,681 and the bank balance was \$2,809,697. Federal depository insurance covered \$250,000 of the bank balance and \$2,559,697 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>\$2,559,697</u>
Total Balance	<u><u>\$2,559,697</u></u>

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OTTAWA HILLS LOCAL SCHOOL DISTRICT

**Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2010**

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

B. Investments

The District's investments at June 30, 2010 were as follows:

	Fair Value	Credit Rating	Investment Maturities (in Years)		
			less than 1	1-3	3-5
STAR Ohio	\$586,463	AAAm ¹	\$586,463	\$0	\$0
FNMA	518,458	AAA ^{1,2}	0	518,458	0
FHLB	752,188	AAA ^{1,2}	0	500,155 ^b	252,033 ^c
FHLMC	750,825	AAA ^{1,2}	0	750,825 ^a	0
Total Investments	<u>\$2,607,934</u>		<u>\$586,463</u>	<u>\$1,769,438</u>	<u>\$252,033</u>

¹ Standard & Poor's

² Moody's Investor Service

^a Call Option – Callable July 2010.

^b Call Option – Callable September 2010.

^c Call Option – Callable September 2010.

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, 22% are STAR Ohio, 20% are FNMA, 29% are FHLB, and 29% are FHLMC.

C. Reconciliation of Cash, Cash Equivalents and Investments

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

	Cash and Cash Equivalents	Investments
Per Financial Statements	\$3,301,144	\$2,021,471
STAR Ohio	(586,463)	586,463
Per GASB Statement No. 3	<u>\$2,714,681</u>	<u>\$2,607,934</u>

OTTAWA HILLS LOCAL SCHOOL DISTRICT

Notes to the Basic Financial Statements For the Fiscal Year Ended June 30, 2010

NOTE 4 - 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 2010 were levied after April 1, 2009 on assessed values as of January 1, 2009, 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 2010 were as follows:

	2009 Second Half	2010 First Half
	Collections	Collections
Agricultural/Residential and Other Real Estate	\$181,758,020	\$162,427,050
Public Utility Personal	1,000,560	997,730
Tangible Personal Property	152,428	78,080
Total Assessed Value	<u>\$182,911,008</u>	<u>\$163,502,860</u>
Tax rate per \$1,000 of assessed valuation	\$125.85	\$126.05

OTTAWA HILLS LOCAL SCHOOL DISTRICT

***Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2010***

NOTE 5 - RECEIVABLES

Receivables at June 30, 2010 consisted of taxes, accounts, intergovernmental and interest receivables. All receivables are considered collectable in full due to the ability to foreclose for the nonpayment of taxes, the stable condition of state programs, and the current year guarantee of federal funds.

NOTE 6 - INTERFUND BALANCES

A. Interfund Loans

Following is a summary of interfund receivables/payables for all funds at June 30, 2010:

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

B. Advances

Following is a summary of advances for all funds at June 30, 2010:

Fund	Advances to Other Funds	Advances from Other Funds
General Fund	\$365,000	\$0
Other Governmental Funds	0	365,000
Totals	<u>\$365,000</u>	<u>\$365,000</u>

NOTE 7 - TRANSFERS

Following is a summary of transfers in and out for all funds at June 30, 2010:

Fund	Transfer In	Transfer Out
General Fund	\$0	\$132,500
Other Governmental Funds	132,500	0
Total All Funds	<u>\$132,500</u>	<u>\$132,500</u>

All transfers made in fiscal year 2010 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, 2010**

NOTE 8 - CAPITAL ASSETS

Summary by category of changes in governmental activities capital assets at June 30, 2010:

Historical Cost:

Class	June 30, 2009	Additions	Deletions	June 30, 2010
<i>Capital assets not being depreciated:</i>				
Land	\$743,629	\$0	\$0	\$743,629
Construction in Progress	346,859	0	(346,859)	0
<i>Capital assets being depreciated:</i>				
Land Improvements	945,062	868,076	0	1,813,138
Buildings and Improvements	8,461,528	12,989	0	8,474,517
Machinery/Equipment and Furniture/Fixtures	1,066,607	104,905	0	1,171,512
Vehicles	173,203	17,800	0	191,003
Total Cost	<u>\$11,736,888</u>	<u>\$1,003,770</u>	<u>(\$346,859)</u>	<u>\$12,393,799</u>

Accumulated Depreciation:

Class	June 30, 2009	Additions	Deletions	June 30, 2010
Land Improvements	(\$598,356)	(\$102,873)	\$0	(\$701,229)
Buildings and Improvements	(4,100,104)	(205,808)	0	(4,305,912)
Machinery/Equipment and Furniture/Fixtures	(1,065,604)	(71,714)	0	(1,137,318)
Vehicles	(93,026)	(11,981)	0	(105,007)
Total Depreciation	<u>(\$5,857,090)</u>	<u>(\$392,376) *</u>	<u>\$0</u>	<u>(\$6,249,466)</u>
<i>Net Value:</i>	<u>\$5,879,798</u>			<u>\$6,144,333</u>

* Depreciation expenses were charged to governmental functions as follows:

Instruction	\$206,297
Support Services:	
Instructional Staff	372
Administration	244
Fiscal Services	117
Operations & Maintenance of Plant	84,408
Pupil Transportation	2,035
Extracurricular Activities	98,903
Total Depreciation Expense	<u>\$392,376</u>

OTTAWA HILLS LOCAL SCHOOL DISTRICT

Notes to the Basic Financial Statements For the Fiscal Year Ended June 30, 2010

NOTE 9 - DEFINED BENEFIT PENSION PLANS

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

A. School Employee Retirement System

Plan Description - The District contributes to the School Employees Retirement System (SERS), a cost-sharing multiple employer pension plan. SERS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Authority to establish and amend benefits is provided by Chapter 3309 of the Ohio Revised Code. SERS issues a publicly available, stand-alone financial report that includes financial statements and required supplementary information. 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, 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 2010, 12.78 percent of annual covered salary was the portion used to fund pension obligations. The contribution requirements of plan members and employers are established and may be amended by the SERS' Retirement Board up to a statutory maximum amount of 10 percent for plan members and 14 percent for employers. Chapter 3309 of the Ohio Revised Code provides statutory authority for member and employer contributions. The District's required contributions for pension obligations to SERS for the fiscal years ended June 30, 2010, 2009 and 2008 were \$224,114, \$143,612 and \$131,150 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.

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.

OTTAWA HILLS LOCAL SCHOOL DISTRICT

Notes to the Basic Financial Statements For the Fiscal Year Ended June 30, 2010

NOTE 9 - DEFINED BENEFIT PENSION PLANS (Continued)

B. State Teachers Retirement System (Continued)

A member is eligible to receive a retirement benefit at age 50 and termination of employment. The member may elect to receive a lifetime monthly annuity or a lump sum withdrawal. The Combined Plan offers features of both the DC Plan and the DB Plan. 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, 2010, 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 2009, the portion used to fund pension obligations was also 13 percent. Contribution rates are established by the State Teachers Retirement Board, upon recommendations of its consulting actuary, not to exceed statutory maximum rates of 10 percent for members and 14 percent for employers. Chapter 3307 of the Ohio Revised Code provides statutory authority for member and employer contributions.

The District's required contributions for pension obligations to STRS Ohio for the fiscal years ended June 30, 2010, 2009, and 2008 were \$845,988, \$805,974, and \$756,555 respectively; which were equal to the required contributions for each year. Contributions to the DC and Combined Plans for fiscal year 2010 were \$41,613 made by the District and \$29,723 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, 2010, 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

Notes to the Basic Financial Statements For the Fiscal Year Ended June 30, 2010

NOTE 10 - POSTEMPLOYMENT BENEFITS

A. School Employee Retirement System

Plan Description – The District participates in two cost-sharing multiple employer defined benefit OPEB plans administered by the School Employees Retirement System (SERS) for non-certificated retirees and their beneficiaries, a Health Care Plan and a Medicare Part B Plan. The Health Care Plan includes hospitalization and physicians' fees through several types of plans including HMO's, PPO's and traditional indemnity plans as well as a prescription drug program. 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 2010, 0.46 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 2010, 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, 2010, 2009, and 2008 were \$33,231, \$89,701, and \$82,358 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 2010, 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, 2010, 2009, and 2008 were \$13,328, \$11,849, and \$9,450 respectively; which were equal to the required contributions for each year.

OTTAWA HILLS LOCAL SCHOOL DISTRICT

Notes to the Basic Financial Statements For the Fiscal Year Ended June 30, 2010

NOTE 10 - POSTEMPLOYMENT BENEFITS (Continued)

B. State Teachers Retirement System

Plan Description – The District contributes to the cost sharing multiple employer defined benefit Health Plan administered by the State Teachers Retirement System of Ohio (STRS Ohio) for eligible retirees who participated in the defined benefit or combined pension plans offered by STRS Ohio. Benefits include hospitalization, physicians’ fees, prescription drugs and reimbursement of monthly Medicare Part B premiums. The Plan is included in the report of STRS Ohio which may be obtained by visiting www.strsoh.org 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 2010, 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, 2010, 2009, and 2008 were \$65,076, \$61,998, and \$58,197 respectively; which were equal to the required contributions for each year.

NOTE 11 - LONG-TERM DEBT AND OTHER OBLIGATIONS

Detail of the changes in long-term debt and other long-term obligations of the District for the year ended June 30, 2010 are as follows:

		Balance June 30, 2009	Additions	Deductions	Balance June 30, 2010	Amount Due Within One Year
Governmental Activities:						
General Obligation Bonds:						
1998 School Improvement	4.75%	\$3,580,000	\$0	(\$3,580,000)	\$0	\$0
2010 School Improvement Refunding	2.00-3.00%	0	2,955,000	(215,000)	2,740,000	420,000
Total General Obligation Bonds		3,580,000	2,955,000	(3,795,000)	2,740,000	420,000
Compensated Absences		1,640,429	262,191	(185,249)	1,717,371	153,650
Total Long-Term Obligations		\$5,220,429	\$3,217,191	(\$3,980,249)	\$4,457,371	\$573,650

OTTAWA HILLS LOCAL SCHOOL DISTRICT

*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2010*

NOTE 11 - LONG-TERM DEBT AND OTHER OBLIGATIONS (Continued)

A. Principal and Interest Requirements

A summary of the District's future long-term debt funding requirements, including principal and interest payments as of June 30, 2010, follows:

Years	General Obligation Bonds	
	Principal	Interest
2011	\$420,000	\$64,638
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>\$2,740,000</u>	<u>\$249,266</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 \$3,265,000 at June 30, 2010, are not included in the District's outstanding debt since the District has in-substance satisfied its obligations through the advance refunding.

The District reduced its aggregate debt service payments over the life of the refunded bonds by \$379,276 and obtained an economic gain (difference between the present values of the old and new debt service payments) of \$204,550.

OTTAWA HILLS LOCAL SCHOOL DISTRICT

Notes to the Basic Financial Statements For the Fiscal Year Ended June 30, 2010

NOTE 12 - STATUTORY RESERVES

The District is required by state law to set aside certain general fund revenue amounts, as defined, into various reserves. During the fiscal year ended June 30, 2010, the reserve activity (cash-basis) was as follows:

	Textbook Reserve	Capital Acquisition Reserve	Total
Set-aside Cash Balance as of June 30, 2009	(\$981,531)	\$0	(\$981,531)
Current Year Set-Aside Requirement	166,199	166,199	332,398
Qualifying Disbursements	<u>(75,249)</u>	<u>(109,354)</u>	<u>(184,603)</u>
Total	<u>(\$890,581)</u>	<u>\$56,845</u>	<u>(\$833,736)</u>
Cash Balance Carried Forward to FY 2011	<u>(\$890,581)</u>	<u>\$56,845</u>	<u>(\$833,736)</u>
Amount Restricted for Capital Acquisition			<u>\$56,845</u>
Total Restricted Assets			<u>\$56,845</u>

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

NOTE 13 - JOINTLY GOVERNED ORGANIZATION

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

Northern Buckeye Education Council - The Northern Buckeye Education Council (NBEC) was established in 1979 to foster cooperation among school districts located in Defiance, Fulton, Henry, Lucas, Williams, and Wood counties. NBEC is organized under Ohio laws as a regional council of governments pursuant to a written agreement entered into by its member entities and bylaws adopted by the representatives of the member educational entities. NBEC is governed by an elected Board consisting of two representatives from each of the counties in which the member educational entities are located. The Board is elected from an Assembly consisting of a representative from each participating educational entity. Total disbursements made by the District to NBEC during the fiscal year were \$87,672. 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

Notes to the Basic Financial Statements For the Fiscal Year Ended June 30, 2010

NOTE 13 - JOINTLY GOVERNED ORGANIZATION (Continued)

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

NOTE 14 - 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 2010 the District contracted with several different insurance providers for various insurance coverages, as follows:

Insurance Provider	Coverage	Deductible
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

Notes to the Basic Financial Statements For the Fiscal Year Ended June 30, 2010

NOTE 14 - 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 15 - CONTINGENCIES

A. Grants

The District receives financial assistance from federal and state agencies in the form of grants. The disbursement of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and is subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the general fund or other applicable funds. However, in the opinion of management, any such disallowed claims will not have a material adverse effect on the overall financial position of the District at June 30, 2010.

NOTE 16 – OPERATING LEASE

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

The following is a schedule of future minimum payments under the operating lease as of June 30, 2010:

<u>Fiscal Year Ending June 30,</u>	
2011	\$31,000
2012	31,000
2013	31,000
2014	31,000
2015	31,000
2016	<u>31,000</u>
Total Minimum Lease Payments	<u>\$186,000</u>

OTTAWA HILLS LOCAL SCHOOL DISTRICT

***Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2010***

NOTE 17 – CONSTRUCTION COMMITMENTS

As of June 30, 2010 the District had the following commitments with respect to capital projects:

Capital Project	Amount Remaining	Estimated Date of Completion
Sidewalk Additions	\$28,550	July 2010
Football Bleacher Fencing	2,190	July 2010

NOTE 18 – RESTATEMENT OF FUND BALANCE

Certain adjustments were necessary to the beginning fund balance of the General Fund and Other Governmental Funds to account for the correction of errors in accounting for advances.

This restatement had the following effect on beginning of year fund balances:

	General Fund	Other Governmental Funds
Fund Balance		
at June 30, 2009	\$5,096,758	\$1,270,819
Advances to/from Other Funds	440,000	(440,000)
Fund Balance, as restated	\$5,536,758	\$830,819

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

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

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

To the Board of Education:

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Ottawa Hills Local School District, (District), Lucas County, Ohio, as of and for the year ended June 30, 2010, which collectively comprise the District's basic financial statements and have issued our report thereon dated December 19, 2011. 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 Ottawa Hills Local School District, Ohio'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 expressing an opinion on the effectiveness of the Ottawa Hills Local School District, Ohio's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the District, 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 correct misstatements on a timely basis. A *material weakness* is a deficiency, or combination of internal control deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the District's financial statements will not be prevented or detected and corrected on a timely basis.

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. However, we identified a certain deficiency in internal control over financial reporting, described in the accompanying schedule of findings that we consider a significant deficiency in internal control over financial reporting. We consider finding number 2010-OHSD-01 to be a significant deficiency. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.


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*.

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

We also noted certain matters that we have reported to management of the Village 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 and others within the District. We intend it for no one other than these specified parties.

A handwritten signature in black ink that reads "Charles E. Harris" followed by a stylized flourish.

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

**OTTAWA HILLS LOCAL SCHOOL DISTRICT
LUCAS COUNTY
SCHEDULE OF FINDINGS
June 30, 2010**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS
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FINDING NUMBER 2010-OHSD-01 Significant Deficiency

On June 21, 2005, the District transferred \$400,000 from the General Fund to the Permanent Improvement Fund – Capital Project Fund for the cost of the roof replacement at the elementary school. Also, on April 20, 2007, the District transferred \$40,000 for the construction of a fourth baseball field behind the elementary school. The District minutes intended the movement of funds to be long-term advances to be repaid over several years back to the General Fund.

As of June 30, 2009, the Permanent Improvement Fund – Capital Project Fund owed the General Fund \$440,000. In fiscal year 2010, \$75,000 repayment was made from the Permanent Improvement Fund – Capital Project Fund to the General Fund for partial repayment of the long-term advances. The District expects to make payments of \$185,000 and \$180,000 in fiscal years in fiscal years 2011 and 2012, respectively.

Although, the District approved the repayment, they did not record an outstanding receivable and payable between the two funds in the financial statements. Therefore, the June 30, 2009 financial statements have been adjusted to reflect the beginning balance of the loan and the current activity.

We recommend the District track all interfund activity to determine which activity is deemed to be interfund loans and transfers and record accordingly.

Management Response:

The Ohio Auditor of State’s USAS Manual (Uniform School Accounting System Manual) does not define either an advance or a transfer. Since there is no definition indicated in the USAS manual, there is no guidance in the difference between the appropriate use of an advance and the appropriate use of transfers of funds.

The official board minutes of the Ottawa Hills Local School District clearly indicate the intentions of the board. These meetings were held in public session. The board of education approved the loan from the general fund to the permanent improvement fund. The intent was to proceed with projects of significance that needed to be completed. The first project was to complete a roof project at the elementary school in 2005. The second project was to complete renovations to a baseball field behind the elementary school in 2007. Both projects could have been paid from the general fund. The historical record for large capital projects has been to fund the projects from the permanent improvement fund. With the historical record, and the intention to complete these critical projects, the board approved the loan to the permanent improvement fund. The second idea that was discussed in public session was to have no interest charges. The loan from the general fund to the permanent improvement fund achieved the second goal of no interest being paid to complete these two projects. The goal of repayment of the loan has been paramount to the board since completion of the projects dating back to calendar year 2007.

The five-year forecast approved by the board of education and submitted to the Ohio Department of Education, has also defined the transfer and the intention of repayment of the transfer. The repayment began in fiscal 2010 with completion of the repayment (transfer) to occur by the end of fiscal year 2012. The final repayment (transfer) will occur after the final tax settlements are received in March of 2012.

**OTTAWA HILLS LOCAL SCHOOL DISTRICT
LUCAS COUNTY
SCHEDULE OF FINDINGS
June 30, 2010**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS - continued
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FINDING NUMBER 2010-OHSD-01 Significant Deficiency (continued)

The response to finding number 2010-OHSD-01 stated above indicates that management does not deem this finding to be of “significant deficiency”. Future accounting transactions will be cognizant of the recommendation to track all interfund activity.

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

**SCHEDULE OF PRIOR AUDIT FINDINGS
June 30, 2010**

FINDING NUMBER	FUNDING SUMMARY	FULLY CORRECTED?	Not Corrected. Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; Explain
2009-01	The District did not properly record additions in capital assets	Yes	No Longer Valid

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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