



**OTTAWA HILLS LOCAL SCHOOL DISTRICT  
LUCAS COUNTY**

**REGULAR AUDIT**

**FOR THE YEAR ENDED JUNE 30, 1999**



**JIM PETRO**  
**AUDITOR OF STATE**  

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**STATE OF OHIO**



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## REPORT OF INDEPENDENT ACCOUNTANTS

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

To the Board of Education:

We have audited the accompanying general-purpose financial statements of the Ottawa Hills Local School District (the District) as of and for the year ended June 30, 1999, as listed in the table of contents. These general-purpose financial statements are the responsibility of the District's management. Our responsibility is to express an opinion on these general-purpose financial statements based on our audit.

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

In our opinion, the general-purpose financial statements referred to above present fairly, in all material respects, the financial position of the District, as of June 30, 1999, and the results of its operations and the cash flows of its proprietary fund types and nonexpendable trust funds for the year then ended in conformity with generally accepted accounting principles.

In accordance with *Government Auditing Standards*, we have also issued our report dated March 17, 2000 on our consideration of the District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants.

**Jim Petro**  
Auditor of State

March 17, 2000

**OTTAWA HILLS LOCAL SCHOOL DISTRICT, OHIO**  
**COMBINED BALANCE SHEET**  
**ALL FUND TYPES AND ACCOUNT GROUPS**  
**JUNE 30, 1999**

	<i>Governmental</i>			
	<i>Fund Types</i>			
	General Fund	Special Revenue Funds	Debt Service Fund	Capital Projects Funds
<u>Assets and Other Debits:</u>				
Assets:				
Cash and Cash Equivalents	\$1,870,918	\$69,993	\$891,851	\$419,169
Investments	0	0	0	0
Receivables (net of allowance for doubtful accounts):				
Taxes	6,880,715	0	583,623	272,792
Accounts	4,572	0	0	0
Intergovernmental	3,353	2,115	0	0
Interfund Loan Receivable	3,900	0	0	0
Prepaid Items	8,737	0	0	0
Restricted Assets:				
Cash and Cash Equivalents	39,541	0	0	0
Fixed Assets (net of accumulated depreciation)	0	0	0	0
Other Debits:				
Amount Available in Debt Service Fund	0	0	0	0
Amount to be Provided for				
General Long-Term Obligations	0	0	0	0
<b>Total Assets and Other Debits</b>	<b>\$8,811,736</b>	<b>\$72,108</b>	<b>\$1,475,474</b>	<b>\$691,961</b>
<u>Liabilities, Equity and Other Credits:</u>				
Liabilities:				
Accounts Payable	\$6,955	\$100	\$0	\$0
Accrued Wages and Benefits	693,799	0	0	0
Intergovernmental Payables	147,587	1,320	0	0
Interfund Loan Payable	0	3,900	0	0
Due to Students	0	0	0	0
Deferred Revenue - Taxes	6,675,581	0	564,157	264,447
Compensated Absences Payable	20,175	0	0	0
Capital Leases	0	0	0	0
General Obligation Bond Payable	0	0	0	0
<b>Total Liabilities</b>	<b>7,544,097</b>	<b>5,320</b>	<b>564,157</b>	<b>264,447</b>
Equity and Other Credits:				
Investment in General Fixed Assets	0	0	0	0
Retained Earnings:				
Unreserved	0	0	0	0
Fund Balances:				
Reserved for Encumbrances	71,424	5,546	0	162,130
Reserved for Property Tax Advances	204,661	0	19,421	8,326
Statutory Reserves	39,541	0	0	0
Reserved for Prepaid Items	8,737	0	0	0
Reserved for Debt Service	0	0	891,896	0
Reserved for Endowments	0	0	0	0
Unreserved:				
Undesignated	943,276	61,242	0	257,058
<b>Total Equity and Other Credits</b>	<b>1,267,639</b>	<b>66,788</b>	<b>911,317</b>	<b>427,514</b>
<b>Total Liabilities, Equity and Other Credits</b>	<b>\$8,811,736</b>	<b>\$72,108</b>	<b>\$1,475,474</b>	<b>\$691,961</b>

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

**OTTAWA HILLS LOCAL SCHOOL DISTRICT, OHIO**  
**COMBINED BALANCE SHEET**  
**ALL FUND TYPES AND ACCOUNT GROUPS**  
**JUNE 30, 1999**

<i>Proprietary</i>		<i>Fiduciary</i>	<i>Account</i>		Totals (Memorandum Only)
<i>Fund Types</i>		<i>Fund Types</i>	<i>Groups</i>		
Enterprise Fund	Internal Service Funds	Trust and Agency Funds	General Fixed Assets	General Long-Term Obligations	
\$24,278	\$8,658	\$74,911	\$0	\$0	\$3,359,778
0	0	1,752	0	0	1,752
0	0	0	0	0	7,737,130
0	0	0	0	0	4,572
0	0	0	0	0	5,468
0	0	0	0	0	3,900
0	0	0	0	0	8,737
0	0	0	0	0	39,541
0	0	0	12,344,885	0	12,344,885
0	0	0	0	891,896	891,896
0	0	0	0	6,400,640	6,400,640
<u>\$24,278</u>	<u>\$8,658</u>	<u>\$76,663</u>	<u>\$12,344,885</u>	<u>\$7,292,536</u>	<u>\$30,798,299</u>
\$0	\$0	\$0	\$0	\$0	\$7,055
0	0	0	0	0	693,799
0	0	0	0	46,688	195,595
0	0	0	0	0	3,900
0	0	25,951	0	0	25,951
0	0	0	0	0	7,504,185
0	0	0	0	892,128	912,303
0	0	0	0	8,720	8,720
0	0	0	0	6,345,000	6,345,000
0	0	25,951	0	7,292,536	15,696,508
0	0	0	12,344,885	0	12,344,885
24,278	8,658	0	0	0	32,936
0	0	0	0	0	239,100
0	0	0	0	0	232,408
0	0	0	0	0	39,541
0	0	0	0	0	8,737
0	0	0	0	0	891,896
0	0	22,951	0	0	22,951
0	0	27,761	0	0	1,289,337
<u>24,278</u>	<u>8,658</u>	<u>50,712</u>	<u>12,344,885</u>	<u>0</u>	<u>15,101,791</u>
<u>\$24,278</u>	<u>\$8,658</u>	<u>\$76,663</u>	<u>\$12,344,885</u>	<u>\$7,292,536</u>	<u>\$30,798,299</u>

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**OTTAWA HILLS LOCAL SCHOOL DISTRICT, OHIO**  
**COMBINED STATEMENT OF REVENUES,**  
**EXPENDITURES AND CHANGES IN FUND BALANCES**  
**ALL GOVERNMENTAL FUND TYPES AND EXPENDABLE TRUST FUND**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 1999**

	<i>Governmental Fund Types</i>			<i>Fiduciary Fund Type</i>	Totals (Memorandum Only)	
	General Fund	Special Revenue Funds	Debt Service Fund	Capital Projects Fund		Expendable Trust Fund
<b>Revenues:</b>						
Local Sources:						
Taxes	\$6,031,469	\$0	\$551,383	\$227,178	\$0	\$6,810,030
Tuition	32,357	0	0	0	0	32,357
Transportation Fees	3,030	0	0	0	0	3,030
Investment Earnings	228,807	0	0	48,478	1,858	279,143
Extracurricular Activities	0	92,520	0	0	0	92,520
Class Material and Fees	3,774	111,554	0	0	0	115,328
Intergovernmental - State	1,607,367	290,708	74,636	59,287	0	2,031,998
Intergovernmental - Federal	0	48,034	0	0	0	48,034
All Other Revenues	3,504	107,665	0	711,674	2,635	825,478
Total Revenues	<u>7,910,308</u>	<u>650,481</u>	<u>626,019</u>	<u>1,046,617</u>	<u>4,493</u>	<u>10,237,918</u>
<b>Expenditures:</b>						
Current:						
Instruction	5,064,602	236,723	0	486,797	1,439	5,789,561
Supporting Services:						
Pupils	452,143	0	0	0	0	452,143
Instructional Staff	315,511	49,001	0	0	0	364,512
Board of Education	13,096	0	0	0	0	13,096
Administration	670,039	26,843	0	14,042	0	710,924
Fiscal Services	275,161	0	7,182	2,951	0	285,294
Operation and Maintenance of Plant	742,993	3,336	0	2,030	0	748,359
Pupil Transportation	49,595	52,123	0	0	0	101,718
Community Services	1,999	246,591	0	0	0	248,590
Extracurricular Activities	260,453	172,940	0	206,905	0	640,298
Capital Outlay	0	0	0	2,670,982	0	2,670,982
Debt Service:						
Principal Retirements	0	0	215,000	5,000,000	0	5,215,000
Interest and Fiscal Charges	0	0	199,814	211,910	0	411,724
Total Expenditures	<u>7,845,592</u>	<u>787,557</u>	<u>421,996</u>	<u>8,595,617</u>	<u>1,439</u>	<u>17,652,201</u>
Excess (Deficiency) of						
Revenues Over (Under) Expenditures	64,716	(137,076)	204,023	(7,549,000)	3,054	(7,414,283)
<b>Other Financing Sources (Uses):</b>						
Proceeds from General Obligation Bonds	0	0	0	5,980,000	0	5,980,000
Premium on Bond Proceeds	0	0	19,612	0	0	19,612
Refund of Prior Year Expenditures	713	0	0	0	0	713
Operating Transfers In	0	33,000	0	211,910	0	244,910
Operating Transfers Out	(33,000)	0	(211,910)	0	0	(244,910)
Total Other Financing Sources (Uses)	<u>(32,287)</u>	<u>33,000</u>	<u>(192,298)</u>	<u>6,191,910</u>	<u>0</u>	<u>6,000,325</u>
Excess (Deficiency) of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses						
	32,429	(104,076)	11,725	(1,357,090)	3,054	(1,413,958)
Fund Balance Beginning of Year	1,235,210	170,864	899,592	1,784,604	24,707	4,114,977
Fund Balance End of Year	<u>\$1,267,639</u>	<u>\$66,788</u>	<u>\$911,317</u>	<u>\$427,514</u>	<u>\$27,761</u>	<u>\$2,701,019</u>

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

**OTTAWA HILLS LOCAL SCHOOL DISTRICT, OHIO**  
**COMBINED STATEMENT OF REVENUES, EXPENDITURES**  
**AND CHANGES IN FUND BALANCES**  
**BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)**  
**ALL GOVERNMENTAL FUND TYPES**  
**FISCAL YEAR ENDED JUNE 30, 1999**

	<i>General Fund</i>			<i>Special Revenue Funds</i>		
	Revised Budget	Actual	Variance: Favorable (Unfavorable)	Revised Budget	Actual	Variance: Favorable (Unfavorable)
Revenues:						
Local Sources:						
Taxes	\$5,959,048	\$5,959,048	\$0	\$0	\$0	\$0
Tuition	32,357	32,357	0	0	0	0
Transportation Fees	3,221	3,221	0	0	0	0
Investment Earnings	228,807	228,807	0	0	0	0
Extracurricular Activities	0	0	0	92,126	92,126	0
Class Material and Fees	3,774	3,774	0	111,554	111,554	0
Intergovernmental - State	1,607,367	1,607,367	0	290,708	290,708	0
Intergovernmental - Federal	0	0	0	48,034	48,034	0
All Other Revenues	4,285	4,285	0	105,944	105,944	0
Total Revenues	<u>7,838,859</u>	<u>7,838,859</u>	<u>0</u>	<u>648,366</u>	<u>648,366</u>	<u>0</u>
Expenditures:						
Current:						
Instruction	5,407,436	5,048,745	358,691	251,555	239,389	12,166
Supporting Services:						
Pupils	459,981	433,994	25,987	2,000	0	2,000
Instructional Staff	377,147	339,613	37,534	54,774	48,791	5,983
Board of Education	21,355	14,768	6,587	0	0	0
Administration	704,885	676,168	28,717	27,492	26,843	649
Fiscal Services	300,554	273,838	26,716	0	0	0
Operation and Maintenance of Plant	904,983	785,559	119,424	3,336	3,336	0
Pupil Transportation	53,669	49,621	4,048	52,123	52,123	0
Community Services	12,400	1,999	10,401	247,316	246,591	725
Extracurricular Activities	287,351	258,262	29,089	198,392	179,515	18,877
Capital Outlay	0	0	0	0	0	0
Debt Service:						
Principal Retirement	0	0	0	0	0	0
Interest and Fiscal Charges	0	0	0	0	0	0
Total Expenditures	<u>8,529,761</u>	<u>7,882,567</u>	<u>647,194</u>	<u>836,988</u>	<u>796,588</u>	<u>40,400</u>
Excess (Deficiency) of						
Revenues Over (Under) Expenditures	(690,902)	(43,708)	647,194	(188,622)	(148,222)	40,400
Other Financing Sources (Uses):						
Proceeds from General Obligation Bonds	0	0	0	0	0	0
Premium on Bond Proceeds	0	0	0	0	0	0
Refund of Prior Year Expenditures	0	713	713	0	0	0
Refund of Prior Year Revenues	(200)	0	200	0	0	0
Operating Transfers In	0	0	0	0	33,000	33,000
Operating Transfers Out	(37,100)	(33,000)	4,100	0	0	0
Advances In	0	0	0	0	3,900	3,900
Advances Out	(3,900)	(3,900)	0	0	0	0
Total Other Financing Sources (Uses)	<u>(41,200)</u>	<u>(36,187)</u>	<u>5,013</u>	<u>0</u>	<u>36,900</u>	<u>36,900</u>
Excess (Deficiency) of Revenues						
and Other Financing Sources Over (Under)						
Expenditures and Other Financing Uses	(732,102)	(79,895)	652,207	(188,622)	(111,322)	77,300
Fund Balance at Beginning of Year	1,790,678	1,790,678	0	110,173	110,173	0
Prior Year Encumbrances	122,322	122,322	0	64,193	64,193	0
Fund Balance at End of Year	<u>\$1,180,898</u>	<u>\$1,833,105</u>	<u>\$652,207</u>	<u>(\$14,256)</u>	<u>\$63,044</u>	<u>\$77,300</u>

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

**OTTAWA HILLS LOCAL SCHOOL DISTRICT, OHIO**  
**COMBINED STATEMENT OF REVENUES, EXPENDITURES**  
**AND CHANGES IN FUND BALANCES**  
**BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)**  
**ALL GOVERNMENTAL FUND TYPES**  
**FISCAL YEAR ENDED JUNE 30, 1999**

<i>Debt Service Fund</i>			<i>Capital Projects Fund</i>			<i>Totals (Memorandum Only)</i>		
Revised Budget	Actual	Variance: Favorable (Unfavorable)	Revised Budget	Actual	Variance: Favorable (Unfavorable)	Revised Budget	Actual	Variance: Favorable (Unfavorable)
\$546,975	\$546,975	\$0	\$224,754	\$224,754	\$0	\$6,730,777	\$6,730,777	\$0
0	0	0	0	0	0	32,357	32,357	0
0	0	0	0	0	0	3,221	3,221	0
0	0	0	48,478	48,478	0	277,285	277,285	0
0	0	0	0	0	0	92,126	92,126	0
0	0	0	0	0	0	115,328	115,328	0
74,636	74,636	0	59,287	59,287	0	2,031,998	2,031,998	0
0	0	0	0	0	0	48,034	48,034	0
0	0	0	711,674	711,674	0	821,903	821,903	0
621,611	621,611	0	1,044,193	1,044,193	0	10,153,029	10,153,029	0
0	0	0	611,210	504,946	106,264	6,270,201	5,793,080	477,121
0	0	0	0	0	0	461,981	433,994	27,987
0	0	0	0	0	0	431,921	388,404	43,517
0	0	0	0	0	0	21,355	14,768	6,587
0	0	0	16,560	14,042	2,518	748,937	717,053	31,884
7,200	7,182	18	3,000	2,951	49	310,754	283,971	26,783
0	0	0	77,290	7,380	69,910	985,609	796,275	189,334
0	0	0	0	0	0	105,792	101,744	4,048
0	0	0	0	0	0	259,716	248,590	11,126
0	0	0	334,166	333,655	511	819,909	771,432	48,477
0	0	0	3,380,152	3,376,105	4,047	3,380,152	3,376,105	4,047
215,000	215,000	0	5,000,000	5,000,000	0	5,215,000	5,215,000	0
411,725	411,724	1	0	0	0	411,725	411,724	1
633,925	633,906	19	9,422,378	9,239,079	183,299	19,423,052	18,552,140	870,912
(12,314)	(12,295)	19	(8,378,185)	(8,194,886)	183,299	(9,270,023)	(8,399,111)	870,912
0	0	0	5,980,000	5,980,000	0	5,980,000	5,980,000	0
19,612	19,612	0	0	0	0	19,612	19,612	0
0	0	0	0	0	0	0	713	713
0	0	0	0	0	0	(200)	0	200
0	0	0	0	0	0	0	33,000	33,000
0	0	0	0	0	0	(37,100)	(33,000)	4,100
0	0	0	0	0	0	0	3,900	3,900
0	0	0	0	0	0	(3,900)	(3,900)	0
19,612	19,612	0	5,980,000	5,980,000	0	5,958,412	6,000,325	41,913
7,298	7,317	19	(2,398,185)	(2,214,886)	183,299	(3,311,611)	(2,398,786)	912,825
884,534	884,534	0	424,013	424,013	0	3,209,398	3,209,398	0
0	0	0	2,047,912	2,047,912	0	2,234,427	2,234,427	0
\$891,832	\$891,851	\$19	\$73,740	\$257,039	\$183,299	\$2,132,214	\$3,045,039	\$912,825

**OTTAWA HILLS LOCAL SCHOOL DISTRICT, OHIO**  
**COMBINED STATEMENT OF REVENUES, EXPENSES**  
**AND CHANGES IN RETAINED EARNINGS/FUND BALANCE**  
**ALL PROPRIETARY FUND TYPES AND SIMILAR TRUST FUND**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 1999**

	<i>Proprietary</i>		<i>Fiduciary</i>	Totals (Memorandum Only)
	<i>Fund Type</i>		<i>Fund Type</i>	
	Enterprise Fund	Internal Service Funds	Nonexpendable Trust Fund	
<u>Operating Revenues:</u>				
Tuition and Fees	\$30,751	\$37,900	\$0	\$68,651
Investment Earnings	0	0	1,165	1,165
Total Operating Revenues	<u>30,751</u>	<u>37,900</u>	<u>1,165</u>	<u>69,816</u>
<u>Operating Expenses:</u>				
Contractual Services	0	1,355	0	1,355
Materials and Supplies	27,863	0	0	27,863
Other Operating Expenses	0	34,672	698	35,370
Total Operating Expenses	<u>27,863</u>	<u>36,027</u>	<u>698</u>	<u>64,588</u>
Operating Income	2,888	1,873	467	5,228
<u>Non-Operating Revenues:</u>				
Miscellaneous	954	68	0	1,022
Total Non-Operating Revenues	<u>954</u>	<u>68</u>	<u>0</u>	<u>1,022</u>
Net Income	3,842	1,941	467	6,250
Retained Earnings/Fund Balance at Beginning of Year	20,436	6,717	22,484	49,637
Retained Earnings/Fund Balance at End of Year	<u>\$24,278</u>	<u>\$8,658</u>	<u>\$22,951</u>	<u>\$55,887</u>

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

**OTTAWA HILLS LOCAL SCHOOL DISTRICT, OHIO**  
**COMBINED STATEMENT OF CASH FLOWS**  
**ALL PROPRIETARY FUND TYPES AND NONEXPENDABLE TRUST FUND**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 1999**

	<i>Proprietary</i>		<i>Fiduciary</i>	Totals (Memorandum Only)
	<i>Fund Type</i>		<i>Fund Type</i>	
	Enterprise Fund	Internal Service Funds	Nonexpendable Trust Fund	
<u>Cash Flows from Operating Activities:</u>				
Cash Received from Customers	\$30,751	\$37,900	\$0	\$68,651
Cash Payments for Goods and Services	(26,909)	(35,959)	(698)	(63,566)
Net Cash Provided (Used) by Operating Activities	<u>3,842</u>	<u>1,941</u>	<u>(698)</u>	<u>5,085</u>
<u>Cash Flows from Investing Activities:</u>				
Receipts of Interest	0	0	1,165	1,165
Net Cash Provided by Investing Activities	<u>0</u>	<u>0</u>	<u>1,165</u>	<u>1,165</u>
Net Increase in Cash and Cash Equivalents	3,842	1,941	467	6,250
Cash and Cash Equivalents at Beginning of Year	20,436	6,717	22,484	49,637
Cash and Cash Equivalents at End of Year	<u>\$24,278</u>	<u>\$8,658</u>	<u>\$22,951</u>	<u>\$55,887</u>
<u>Reconciliation of Cash and Cash Equivalents per Balance Sheet:</u>				
Cash and Cash Equivalents	\$24,278	\$8,658	\$74,911	\$107,847
Less Cash and Cash Equivalents in Expendable Trust Fund	0	0	(26,009)	(26,009)
Less Cash and Cash Equivalents in Agency Fund	0	0	(25,951)	(25,951)
Cash and Cash Equivalents at End of Year	<u>\$24,278</u>	<u>\$8,658</u>	<u>\$22,951</u>	<u>\$55,887</u>
<u>Reconciliation of Operating Income (Loss) to Net Cash</u>				
<u>Provided (Used) by Operating Activities:</u>				
Operating Income	\$2,888	\$1,873	\$467	\$5,228
Adjustments to Reconcile Operating Income to				
Net Cash Provided (Used) by Operating Activities:				
Miscellaneous Non-operating Income	954	68	0	1,022
Interest on Investment	0	0	(1,165)	(1,165)
Total Adjustments	<u>954</u>	<u>68</u>	<u>(1,165)</u>	<u>(143)</u>
Net Cash Provided (Used) by Operating Activities	<u>\$3,842</u>	<u>\$1,941</u>	<u>(\$698)</u>	<u>\$5,085</u>

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

**OTTAWA HILLS LOCAL SCHOOL DISTRICT, OHIO**  
**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS**  
**JUNE 30, 1999**

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**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**A. Reporting Entity**

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

The District is governed by a locally elected five member Board of Education (the Board) which provides educational services. The Board controls the District's instructional support facilities staffed by 34 noncertified, 81 certified teaching personnel and 8 administrative employees providing education to 983 students.

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

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

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

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

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

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

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

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

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

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

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

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

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

**Internal Service Funds** - The internal service funds are used to account for the financing of goods or services provided by one department or agency to other departments or agencies of the District or to other governments on a cost-reimbursement basis.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

*Fiduciary Funds*

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

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

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

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

**C. Basis of Accounting**

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

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

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

Property taxes measurable as of June 30, 1999 but which are not intended to finance fiscal year 1999 operations and delinquent property taxes, whose availability is indeterminate, are recorded as deferred revenue as further described in Note 3.



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

**C. Basis of Accounting (Continued)**

Current property taxes measurable at June 30, 1999, and which are intended to finance fiscal 1999 operations, have been recorded as deferred revenues. Delinquent property taxes measurable and available (received within 30 days) and amounts available as an advance on future tax settlements are recognized as revenue at year end. Taxes available for advance and recognized as revenue but not received by the District prior to June 30, 1999 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.

The accrual basis of accounting is utilized for reporting purposes by the proprietary funds and the non-expendable trust fund. Revenues are recognized when they are earned and expenses are recognized when incurred.

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

**D. Budgetary Process**

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

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

**1. Tax Budget**

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

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

**D. Budgetary Process (Continued)**

**2. Estimated Resources**

Prior to March 15, the Board accepts by formal resolution, the tax rates as determined by the County Budget Commission and receives the Commission's Certificate of Estimated Resources which states the projected revenue of each fund. Prior to June 30, the District must revise its budget so that the total contemplated expenditures from any fund during the ensuing fiscal year will not exceed the amount available as stated in the certificate of estimated resources. The revised budget then serves as the basis for the annual appropriations measure. On or about July 1, the certificate of estimated resources is amended to include any unencumbered fund balances from the preceding year. The certificate may be further amended during the year if a new source of revenue is identified or actual receipts exceed current estimates. The amounts reported on the budgetary statement reflect the amounts in the final amended official certificate of estimated resources issued during fiscal year 1999.

**3. Appropriations**

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

**4. Encumbrances**

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

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Budgetary Process (Continued)

5. Lapsing of Appropriations

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

6. Budgetary Basis of Accounting

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

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

	Excess (Deficiency) of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses			
	General Fund	Special Revenue Funds	Debt Service Fund	Capital Projects Funds
GAAP Basis (as reported)	\$32,429	(\$104,076)	\$11,725	(\$1,357,090)
Increase (Decrease):				
Accrued Revenues at June 30, 1999, received during FY 2000	(216,959)	(2,115)	(19,466)	(8,345)
Accrued Revenues at June 30, 1998, received during FY 1999	138,867	249	15,058	5,921
Accrued Expenditures at June 30, 1999, paid during FY 2000	868,516	5,320	0	0
Accrued Expenditures at June 30, 1998, paid during FY 1999	(821,325)	(3,751)	0	(693,242)
FY 1998 Prepays for FY 1999	4,668	0	0	0
FY 1999 Prepays for FY 2000	(8,737)	0	0	0
Encumbrances Outstanding at June 30, 1999	(77,354)	(6,949)	0	(162,130)
Budget Basis	<u>(\$79,895)</u>	<u>(\$111,322)</u>	<u>\$7,317</u>	<u>(\$2,214,886)</u>

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

**E. Cash and Cash Equivalents**

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

The District pools its cash for investment and resource management purposes. Each fund's equity in pooled cash and investments represents the balance on hand as if each fund maintained its own cash and investment account. See Note 2, Cash, Cash Equivalents and Investments.

**F. Investments**

Investment procedures and interest allocations are restricted by provisions of the Ohio Constitution and the Ohio Revised Code. In accordance with GASB Statement No. 31, Accounting and Financial Reporting for Certain Investments and for External Investment Pools, the District records all its investments at fair value except for nonparticipating investment contracts (repurchase agreements) which are reported at cost. See Note 2, Cash, Cash Equivalents and Investments.

The District has invested funds in the State Treasury Asset Reserve of Ohio during 1998. 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, 1998.

**G. Inventory**

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

**H. Fixed Assets and Depreciation**

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

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

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

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

**I. Long-Term Obligations**

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

<u>Obligation</u>	<u>Fund</u>
General Obligation Bonds	Bond Retirement Fund
Intergovernmental Payable	General Fund
Capital Leases Payable	General Fund
Compensated Absences	General Fund

**J. Compensated Absences**

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

**K. Pensions**

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

**L. Interfund Transactions**

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

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

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

**L. Interfund Transactions** (Continued)

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

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

**M. Restricted Assets**

Restricted assets in the general fund represent cash and cash equivalents set aside to establish a budget stabilization reserve. This reserve is required by State statute and can be used only after receiving approval from the State Superintendent of Public Instruction. A fund balance reserve has been established for this amount.

**N. Reservations of Fund Balance**

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

**O. Total Columns on Combined Financial Statements**

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

**NOTE 2 - 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.

**NOTE 2 - CASH, CASH EQUIVALENTS AND INVESTMENTS (Continued)**

Category 2 consists of “inactive” funds - those funds not required for use within the current two 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.

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 110% of the carrying value of all public collateral are limited to obligations of the United States and its agencies and obligations of any state,

**NOTE 2 - CASH, CASH EQUIVALENTS AND INVESTMENTS (Continued)**

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

*Deposits:*

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

*Investments:*

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

**A. Deposits**

At year end the carrying amount of the District's deposits was an overdraft of \$299,845 and the bank balance was \$51,798. The Federal Deposit Insurance Corporation (FDIC) covered all of the bank balance.

**B. Investments**

The District's investments at June 30, 1999 are summarized below:

	<u>Category 1</u>	<u>Category 2</u>	<u>Fair Value</u>
<b>Categorized Investments</b>			
Federal Government Securities	\$1,752	\$0	\$1,752
Repurchase Agreements	0	109,433	109,433
Total Categorized Investments	<u>1,752</u>	<u>109,433</u>	<u>111,185</u>
<b>Noncategorized Investments</b>			
STAR Ohio	N/A	N/A	3,589,731
Total Investments	<u>\$1,752</u>	<u>\$109,433</u>	<u>\$3,700,916</u>

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



**NOTE 2 - CASH, CASH EQUIVALENTS AND INVESTMENTS (Continued)**

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

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

	<u>Cash and Cash</u> <u>Equivalents</u>	<u>Investments</u>
Per Combined Balance Sheet	\$3,399,319	\$1,752
Repurchase Agreements	(109,433)	109,433
STAR Ohio	(3,589,731)	3,589,731
Per GASB Statement No. 3	<u>(\$299,845)</u>	<u>\$3,700,916</u>

**NOTE 3 - TAXES**

Property taxes include amounts levied against all real estate and public utility property, and tangible personal property used in business and located in the District. Real property taxes (other than public utility) collected during 1999 were levied after October 1, 1998 on assessed values as of January 1, 1998, the lien date. Assessed values are established by the County Auditor at 35 percent of appraised market value. All property is required to be reappraised every six years and equalization adjustments made the third year following reappraisal. The last revaluation was completed in 1995, and equalization adjustments were made in 1998. Real property taxes are payable annually or semi-annually. The first payment is due January 20, with the remainder payable by June 20.

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

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

**OTTAWA HILLS LOCAL SCHOOL DISTRICT, OHIO**  
**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS, JUNE 30, 1999**

**NOTE 3 - TAXES (Continued)**

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 1999, upon which the 1998 levies were based, were as follows:

	1998 Second Half Collections	1999 First Half Collections
Agricultural/Residential and Other Real Estate	\$135,667,500	\$136,420,290
Public Utility Personal	3,188,890	3,161,980
Tangible Personal Property	168,611	212,649
Total Assessed Value	<u>\$139,025,001</u>	<u>\$139,794,919</u>
Tax rate per \$1,000 of assessed valuation	\$107.05	\$107.05

**NOTE 4 - RECEIVABLES**

Receivables at June 30, 1999 consisted of taxes, accounts receivable and intergovernmental receivables.

**NOTE 5 - OPERATING TRANSFERS**

Following is a summary of operating transfers in and out for all funds at June 30, 1999:

Fund	Transfer In	Transfer Out
General Fund	\$0	\$33,000
Special Revenue Fund:		
District Managed Student Activity Fund	33,000	0
Debt Service Fund:		
Bond Retirement Fund	0	211,910
Capital Projects Fund:		
Building Fund	211,910	0
Total All Funds	<u>\$244,910</u>	<u>\$244,910</u>

**NOTE 6 - FIXED ASSETS**

General Fixed Assets-Summary by category of changes in general fixed assets at June 30, 1999:

Class	June 30, 1998	Additions	Deletions	June 30, 1999
Land and Improvements	\$163,524	\$0	\$0	\$163,524
Buildings and Improvements	7,376,481	2,566,971	0	9,943,452
Machinery/Equipment and Furniture/Fixtures	1,687,388	392,836	(4,620)	2,075,604
Vehicles	144,554	54,461	(36,710)	162,305
Totals	<u>\$9,371,947</u>	<u>\$3,014,268</u>	<u>(\$41,330)</u>	<u>\$12,344,885</u>

**NOTE 7 - DEFINED BENEFIT PENSION PLANS**

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

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

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

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

The Ohio Revised Code provides statutory authority for District and employee contributions of 14% and 9% respectively. The contribution rates are determined actuarially, and are established and may be amended, up to statutory amounts, by the School Employees Retirement Board (Retirement Board) within the rates allowed by State statute. The required employer contribution rate is allocated to basic retirement benefits and health care by the Retirement Board. At June 30, 1998, (the latest information available) 9.02% was allocated to fund the pension and 4.98% to fund health care. The District's contributions to the SERS of Ohio for the years ending June 30, 1999, 1998, and 1997 were \$131,802, \$124,068, and \$115,314, respectively, which were equal to the required contributions for each year.

The Ohio Revised Code gives SERS the discretionary authority to provide postretirement health care to retirees and their dependents. Coverage is made available to service retirees with ten or more years of qualifying service credit, disability and survivor benefit recipients. Members retiring on or after August 1, 1989 with less than twenty-five years of service credit must pay a portion of their premium for health care. The portion is based on years of service up to a maximum of 75% of the premium. The portion of the 1998 employer contribution rate (identified above) that was used to fund health care for the year 1998 was 4.98%. In addition, SERS levies a surcharge to fund health care benefits equal to 14% of the difference between minimum pay and the member's pay, prorated for partial service credit. For fiscal year 1999, the minimum pay has been established as \$12,400 and the surcharge amounted to \$2,822.

Health care benefits are financed on a pay-as-you-go basis. The number of retirees and covered dependents currently receiving benefits is approximately 50,000. The target level for the health care reserve is 125% of annual health care expenses. Expenses for health care at June 30, 1998 were \$111,900,575 and the target level was \$139.9 million. Net assets available for payment of benefits at June 30, 1998 was \$160.3 million, at cost.

**NOTE 7 - DEFINED BENEFIT PENSION PLANS (Continued)**

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

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

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

The Ohio Revised Code provides statutory authority for District and employee contributions of 14% and 9.3%, respectively. The contribution requirements of plan members and the District are established and may be amended by the State Teachers Retirement Board, upon recommendation of its consulting actuary, not to exceed statutory maximum rates of 10% for members and 14% for employers. The District's contributions to the STRS of Ohio for the years ending June 30, 1999, 1998, and 1997 were \$595,476, \$578,195, and \$509,812, respectively, which were equal to the required contributions for each year.

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

Benefits are funded on a pay-as-you-go basis through an allocation of employer contributions, equal to 3.5% of covered payroll, to a health care reserve fund. The balance of the Health Care Reserve Fund was \$2,156 million at June 30, 1998. The Health Care Reserve Fund allocation for the year ended June 30, 1999 will be 8% of covered payroll. For the fiscal year ended June 30, 1998, the net health care costs paid by STRS were \$219,224,000. There were 91,999 eligible benefit recipients.

**NOTE 8 - COMPENSATED ABSENCES**

The District provides a liability for accumulated unpaid sick leave and vacation time benefits when earned by employees. Accrued employee benefits for governmental funds not currently due and payable at year end are recorded in the General Long-Term Obligations Account Group. At June 30, 1999, the total accumulated unpaid sick and vacation time recorded in the General Long-Term Obligations Account Group was:

	Sick Leave	Vacation	Total
Liability	\$824,069	\$68,059	\$892,128

**OTTAWA HILLS LOCAL SCHOOL DISTRICT, OHIO**  
**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS**

**NOTE 9 - GENERAL LONG-TERM DEBT  
AND OTHER GENERAL LONG-TERM OBLIGATIONS**

Activity in the General Long-Term Obligations Account Group during fiscal year 1999 was as follows:

		Balance June 30, 1998	Issued (Retired)	Balance June 30, 1999
<b>General Long-Term Debt:</b>				
(General Obligation Bonds)				
Elementary Addition and Improvements	6.625%	\$580,000	(\$130,000)	\$450,000
School Improvements	4.750%	0	5,980,000	
			(85,000)	5,895,000
<hr/>				
Total General Obligation Bonds (General Obligation Note)		580,000	5,765,000	6,345,000
Bond Anticipation Note Due August 5, 1998	5.750%	5,000,000	(5,000,000)	0
		5,580,000	765,000	6,345,000
<hr/>				
<b>Other General Long-Term Obligations:</b>				
Intergovernmental Payable		44,510	2,178	46,688
Capital Lease		16,127	(7,407)	8,720
Compensated Absences		836,008	56,120	892,128
Total Other General Long-Term Obligations		896,645	50,891	947,536
Total General Long-Term Debt and Other General Long-Term Obligations		<u>\$6,476,645</u>	<u>\$815,891</u>	<u>\$7,292,536</u>

**A. Principal and Interest Requirements**

A summary of the District's future long-term debt funding requirements, including principal and interest payments as of June 30, 1999, follows:

Years	General Obligation Bond	
	Principal	Interest
2000	\$320,000	\$303,050
2001	335,000	284,894
2002	360,000	265,600
2003	210,000	250,681
2004	220,000	240,588
2005 - 2009	1,320,000	1,030,277
2010 - 2014	1,775,000	670,345
2015 - 2018	1,805,000	199,263
Totals	<u>\$6,345,000</u>	<u>\$3,244,698</u>

**NOTE 10 - CAPITALIZED LEASES**

The District leases two copiers under capital lease. The cost of the equipment obtained under capital lease is included in the General Fixed Assets Account Group and the related liability included in the General Long-Term Obligations Account Group.

The following is a schedule of future minimum lease payments under the capital leases together with the present value of the net minimum lease payments as of June 30, 1999:

Year Ending June 30,	Capital Lease
2000	\$8,429
2001	702
Minimum Lease Payments	9,131
Less: Amount representing interest at the District's incremental borrowing rate of interest	(411)
Present Value of minimum lease payments	<u>\$8,720</u>

**NOTE 11 - 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 1999 the District contracted with several different insurance providers for various insurance coverages, as follows:

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

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

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

**NOTE 12 - JOINTLY GOVERNED ORGANIZATION**

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

**NOTE 13 - 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, 1999.

**B. Litigation**

The District is not a party to any legal proceedings which seek damages or injunctive relief generally incidental to its operations and pending projects as of June 30, 1999.

**C. State School Funding**

On March 24, 1997, the Ohio Supreme Court rendered a decision declaring certain portions of the Ohio school funding plan unconstitutional. The Court stayed the effect of its ruling for one year to allow the Ohio General Assembly to design a plan to remedy the perceived defects in the system. Declared unconstitutional was the State's "school foundation program," which provides significant amounts of monetary support to the District. During the fiscal year ended June 30, 1999, the District received \$809,482 of school foundation support for its general fund. Since the Supreme Court ruling, numerous pieces of legislation have been passed by the Ohio General Assembly in an attempt to address the issues identified by the Court. The Court of Common Pleas in Perry County has reviewed the new laws, and in a decision issued on February 26, 1999, determined they are not sufficiently responsive to the constitutional issues raised under the "thorough and efficient" clause of the Ohio Constitution. The State has appealed the decision made by the Court of Common Pleas to the Ohio Supreme Court. At this time, the Ohio Supreme Court has not rendered an opinion on this issue. The decision of the Court of Common Pleas in Perry County has been stayed by the Ohio Supreme Court, and, as such, school districts are still operating under the laws that the Common Pleas Court declared unconstitutional. As of the date of these financial statements, the District is unable to determine what effect, if any, this ongoing litigation will have on its future State funding under this program and on its financial operations.

**NOTE 14 – STATUTORY RESERVES**

The District is required by state law to set aside certain general fund revenue amounts, as defined, into various reserves. During the fiscal year ended June 30, 1999, the reserve activity (cash-basis) was as follows:

	Textbook Reserve	Capital Acquisition Reserve	Budget Stabilization Reserve	Total
Set-aside Cash Balance as of June 30, 1998	\$0	\$0	\$39,541	\$39,541
Current Year Set-Aside Requirement	127,926	127,926	0	255,852
Current Year Offset Credits	(14,844)	0	0	(14,844)
Qualifying Disbursements	(148,074)	(307,944)	0	(456,018)
Total	<u>(\$34,992)</u>	<u>(\$180,018)</u>	<u>\$39,541</u>	<u>(\$175,469)</u>
Cash Balance Carried Forward to FY 2000	<u>\$0</u>	<u>\$0</u>	<u>\$39,541</u>	<u>\$39,541</u>
Amount Restricted for Budget Stabilization				<u>39,541</u>
Total Restricted Assets				<u>\$39,541</u>

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



**OTTAWA HILLS LOCAL SCHOOL DISTRICT, OHIO**  
**STATEMENT OF CHANGES IN ASSETS AND LIABILITIES**  
**AGENCY FUND**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 1999**

	Balance June 30, 1998	Additions	Deductions	Balance June 30, 1999
<b><u>Student Managed Activity Fund</u></b>				
Assets				
Cash and Cash Equivalents	\$24,694	\$26,347	(\$25,090)	\$25,951
Total Assets	<u>\$24,694</u>	<u>\$26,347</u>	<u>(\$25,090)</u>	<u>\$25,951</u>
Liabilities				
Due to Students	\$24,694	\$26,347	(\$25,090)	\$25,951
Total Liabilities	<u>\$24,694</u>	<u>\$26,347</u>	<u>(\$25,090)</u>	<u>\$25,951</u>

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

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

To the Board of Education:

We have audited the financial statements of Ottawa Hills Local School District as of and for the year ended June 30, 1999, and have issued our report thereon dated March 17, 2000. We conducted our audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

**Compliance**

As part of obtaining reasonable assurance about whether Ottawa Hills Local School District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*. However, we noted certain immaterial instances of noncompliance that we have reported to management of the District in a separate letter dated March 17, 2000.

**Internal Control Over Financial Reporting**

In planning and performing our audit, we considered Ottawa Hills Local School District's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses. However, we noted other matters involving the internal control over financial reporting that do not require inclusion in this report, that we have reported to the management of Ottawa Hills Local School District in a separate letter dated March 17, 2000.

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

**Jim Petro**  
Auditor of State

March 17, 2000



STATE OF OHIO  
OFFICE OF THE AUDITOR  

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JIM PETRO, AUDITOR OF STATE

88 East Broad Street  
P.O. Box 1140  
Columbus, Ohio 43216-1140  
Telephone 614-466-4514  
800-282-0370  
Facsimile 614-466-4490

**OTTAWA HILLS LOCAL SCHOOL DISTRICT**

**LUCAS COUNTY**

**CLERK'S CERTIFICATION**

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

*Susan Babbitt*

**CLERK OF THE BUREAU**

**CERTIFIED  
APRIL 11, 2000**