
ALGER & ASSOCIATES, LLC



OLMSTED FALLS CITY SCHOOL DISTRICT
CUYAHOGA COUNTY

SINGLE AUDIT

A&A

FOR THE YEAR ENDED

JUNE 30, 2011



Dave Yost • Auditor of State

Board of Education
Olmsted Falls City School District
26937 Bagley Road
Olmsted Falls, Ohio 44138

We have reviewed the *Independent Accountants' Report* of the Olmsted Falls City School District, Cuyahoga County, prepared by Alger and Associates, LLC, for the audit period July 1, 2010 through June 30, 2011. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

Our review was made in reference to the applicable sections of legislative criteria, as reflected by the Ohio Constitution, and the Revised Code, policies, procedures and guidelines of the Auditor of State, regulations and grant requirements. The Olmsted Falls City 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

January 17, 2012

**OLMSTED FALLS CITY SCHOOL DISTRICT
CUYAHOGA COUNTY**

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ALGER & ASSOCIATES, LLC

Certified Public Accountants

INDEPENDENT ACCOUNTANTS' REPORT

Olmsted Falls City School District
Cuyahoga County
26937 Bagley Road
Olmsted Falls, Ohio 44138

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 Olmsted Falls City School District, Cuyahoga County, (the District), as of and for the year ended June 30, 2011, which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the District's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*. Those standards require that we plan and perform the audit to reasonably assure 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 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 Olmsted Falls City School District, Cuyahoga County, Ohio, as of June 30, 2011, and the respective changes in financial position and where applicable, cash flows, thereof and the budgetary comparison for the General Fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

As described in Note 5, the District implemented Governmental Accounting Standard Board Statement No. 54, "Fund Balance Reporting and Governmental Fund Type Definitions" and restated the June 30, 2010 fund balances of the Governmental Funds due to a change in fund balance.

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In accordance with *Government Auditing Standards*, we have also issued our report dated November 9, 2011, on our consideration of the District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. While we did not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting and compliance and the results of that testing. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*. You should read it in conjunction with this report in assessing the results of our audit.

Accounting principles generally accepted in the United States of American require this presentation to include Management's Discussion and Analysis as listed in the table of contents, to supplement the basic financial statements. Although this information is not an part of the basic financial statements, the Governmental Accounting Standards Board considers it essential 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 other assurance.

We conducted our audit to opine on the financial statements that collectively comprise the District's basic financial statements taken as a whole. The federal awards expenditure schedule provides additional information required by the U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the basic financial statements. The federal awards expenditure schedule is management's responsibility, and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. This schedule was subject to the auditing procedures we applied to the basic financial statements. We also applied certain additional procedures, including comparing and reconciling this information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, in accordance with auditing standards generally accepted in the United States of America. In our opinion, this information is fairly stated in all material respects in relation to the basic financial statements taken as a whole

Alger & Associates, LLC
November 9, 2011

Olmsted Falls City School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2011
Unaudited

The discussion and analysis of Olmsted Falls City District's financial performance provides an overall review of the District's financial activities for the fiscal year ended June 30, 2011. The intent of this discussion and analysis is to look at the District's financial performance as a whole; readers should also review the basic financial statements and the notes to those respective statements to enhance their understanding of the District's financial performance.

Financial Highlights

Key financial highlights for 2011 are as follows:

- Net assets totaled \$29,187,740.
- Revenue for governmental activities totaled \$44,379,392 in 2011. Of this total, 88.5 percent consisted of general revenues while program revenues accounted for the balance of 11.5 percent.
- Program expenses totaled \$41,710,568. Instructional expenses comprised 57.1 percent of this total, while support services accounted for 32.8 percent. Other expenses rounded out the balance of 10.1 percent.

Reporting the District as a Whole

Statement of Net Assets and the Statement of Activities

The analysis of the District as a whole begins on page 13. While this document contains all of the funds used by the District to provide programs and activities, the view of the District as a whole considers all financial transactions and asks the questions, "Are we in a better financial position this year than last?" and "why" or "why not". The Statement of Net Assets and the Statement of Activities provide the basis for answering these questions. These statements include all assets and liabilities using the accrual basis of accounting which is similar to that used by most private-sector companies. Accrual accounting takes into account all of the current year's revenues and expenses regardless of when cash is received or paid.

These two statements report the District's net assets and the changes in those assets. The change in net assets is important because it tells the reader that, for the school district as a whole, the financial position of the District has improved or diminished. The causes of this change may be the result of many factors, some financial, some not. Non-financial factors may include, but are not limited to, the District's property tax base, current property tax laws in Ohio restricting revenue growth, facility conditions or needs, required educational programs and other factors.

All of the District's programs and services are reported as Governmental Activities in the Statement of Net Assets and the Statement of Activities. Governmental Activities consist of functions that are principally supported by taxes and intergovernmental revenues. Such activities include instruction, support services, food service operations and extracurricular activities among others for the District.

Currently, the District has no Business-Type Activities, which include functions that are intended to recover all or a significant portion of their costs through user fees and charges.

Olmsted Falls City School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2011
Unaudited

Reporting the District's Most Significant Funds

Fund Financial Statements

The analysis of the District's major funds begins on page 15. Fund financial reports provide detailed information about the District's major funds. The District uses many funds to account for a multitude of financial transactions. However, these fund financial statements focus on the District's most significant funds. The District's major governmental funds are the General Fund, Debt Service Bond Retirement Fund and Classroom Facilities Fund.

Governmental Funds – Most of 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*, 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 difference) between governmental activities (reported in the Statement of Net Assets and the Statement of Activities) and governmental funds is reconciled in the basic financial statements.

Proprietary Funds – Proprietary funds have historically operated as enterprise and internal service funds using the same basis of accounting as business-type activities. The District has no proprietary funds.

Fiduciary Funds – The District's private-purpose trust fund accounts for scholarship programs for students. The District's agency funds account for student managed activities, unclaimed monies and services as fiscal agent for two organizations.

Notes to the Basic Financial Statements – The notes to the basic financial statements provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements.

Olmsted Falls City School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2011
Unaudited

The District as a Whole

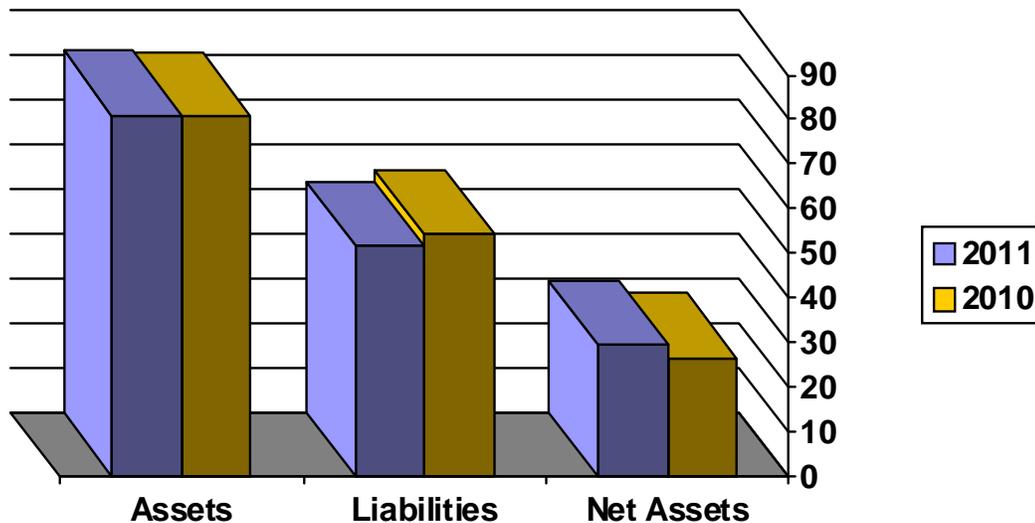
As you may recall, the Statement of Net Assets provides the perspective of the School District as a whole. Table 1 compares summaries of the District's net assets for 2011 and 2010.

Table 1
Net Assets
Table 1 - Total Net Assets

	2011	2010	Change
Assets			
Current and Other Assets	\$39,585,322	\$40,102,845	(\$517,523)
Capital Assets, Net	41,414,884	40,633,805	781,079
Total Assets	81,000,206	80,736,650	263,556
Liabilities			
Current and Other Liabilities	28,048,486	28,409,131	(360,645)
Long Term Liabilities:			
Due Within One Year	1,455,153	1,569,899	(114,746)
Due in More than One Year	22,308,827	24,238,704	(1,929,877)
Total Liabilities	51,812,466	54,217,734	(2,405,268)
Net Assets			
Invested in Capital Assets			
Net of Related Debt	21,710,250	16,290,696	5,419,554
Restricted:			
Debt Services	3,504,916	2,849,609	655,307
Capital Projects	633,625	3,538,110	(2,904,485)
Set Asides	0	223,918	(223,918)
Other Purposes	1,536,216	630,500	905,716
Unrestricted	1,802,733	2,986,083	(1,183,350)
Total Net Assets	\$29,187,740	\$26,518,916	\$2,668,824

Olmsted Falls City School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2011
Unaudited

Graph 1
Net Assets
Governmental Activities
(in \$millions)



Total assets increased by \$263,556. Property taxes receivable contributed \$27,403,385 or 33.8 percent of total assets. Of this amount \$21,177,420 is offset as deferred revenue; revenue to be used in future periods.

Liabilities for Governmental Activities totaled \$51,812,466; of this amount \$23,763,980 or 45.9 percent is included in long-term liabilities. Total liabilities decreased by \$2,405,268.

By comparing assets and liabilities, one can see the overall position of the District is good. The majority of revenue supporting all Governmental Activities is General revenue. General revenue totaled \$39,279,986 or 88.5 percent of total revenue. The most significant portion of the General revenue is the local property tax. The remaining amount of revenue received was in the form of program revenues, which equated to \$5,099,406 or 11.5 percent of total revenue.

Olmsted Falls City School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2011
Unaudited

Table 2 shows the changes in net assets for fiscal years 2011 and 2010.

Table 2
Changes in Net Assets

Table 2 - Governmental Activities

Revenues	2011	2010	Change
Program Revenues:			
Charges for Services and Sales	\$2,292,194	\$2,077,686	\$214,508
Operating Grants, Interest and Contributions	2,682,003	2,593,854	88,149
Capital Grants and Contributions	125,209	346,547	(221,338)
<i>Total Program Revenues</i>	<u>5,099,406</u>	<u>5,018,087</u>	<u>81,319</u>
General Revenues:			
Property Taxes	24,450,274	21,208,210	3,242,064
Grants and Entitlements	14,790,039	14,504,656	285,383
Investment Earnings	39,673	74,232	(34,559)
Miscellaneous	0	0	0
Total General Revenues	<u>39,279,986</u>	<u>35,787,098</u>	<u>3,492,888</u>
Total Revenues	<u>44,379,392</u>	<u>40,805,185</u>	<u>3,574,207</u>
Program Expenses			
Instruction	23,819,008	23,036,261	782,747
Support Services:			
Pupils and Instructional Staff	3,431,259	3,568,019	(136,760)
Board of Education, Administration			
Fiscal, and Business	3,727,833	3,816,770	(88,937)
Operation and Maintenance of Plant	3,643,161	3,242,717	400,444
Pupil Transportation	2,495,126	2,003,474	491,652
Central	388,408	498,015	(109,607)
Operation of Non-Instructional Services:			
Food Service Operations	1,229,953	1,293,080	(63,127)
Other Non_Instructional Services	0	12,953	(12,953)
Extracurricular Activities	1,681,021	1,525,349	155,672
Interest and Fiscal Charges	1,294,799	1,491,960	(197,161)
Total Expenses	<u>41,710,568</u>	<u>40,488,598</u>	<u>1,221,970</u>
Change in Net Assets	2,668,824	316,587	2,352,237
<i>Net Assets, Beginning of Year</i>	<u>26,518,916</u>	<u>26,202,329</u>	<u>316,587</u>
<i>Net Assets, End of Year</i>	<u>\$29,187,740</u>	<u>\$26,518,916</u>	<u>\$2,668,824</u>

Olmsted Falls City School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2011
Unaudited

Program revenues increased in the amount of \$81,319 primarily due to unremarkable fluctuations.

General revenues increased by \$3,492,888 mainly due to increases in property tax revenues and grants and entitlements.

Total fiscal year 2011 expenses increased by \$1,221,970 primarily due to normal increases in cost of operations.

Governmental Activities

The District prepared and closely monitored its five-year financial forecast that included forecasted revenues and expenditures for the District's primary General operating fund.

House Bill 920 effectively freezes tax revenue to a specific dollar amount the minute a levy is passed. This House Bill also eliminates any growth from local revenue; therefore, school districts dependent upon property taxes are hampered by a lack of revenue growth and must regularly return to voters to maintain a constant level of academically excellent service.

Although the District relies heavily upon local property taxes to support its operations, the District does actively solicit and receive grant and entitlement funds to help offset some operating costs. Property taxes made up 55.1 percent of revenues for governmental activities for Olmsted Falls City Schools in fiscal year 2011.

Approximately 57.1 percent of the School District's budget is used for instructional expenses. Supporting services for pupils, staff and business operations account for an additional 32.8 percent. The remaining amount of program expenses, roughly 10.1 percent, is budgeted to facilitate other obligations of the District including food service operations, extracurricular activities, and interest and fiscal charges.

The District's net assets increased in fiscal year 2011 by \$2,668,824.

The Statement of Activities presents information about the cost of program services and the charges for services and any grants offsetting the cost of providing those services. Table 3, on page 9, shows the total cost of services and the net cost of services for governmental activities. It identifies the cost of these services supported by tax revenue and unrestricted State entitlements.

Olmsted Falls City School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2011
Unaudited

Graph 2
Program Expenses

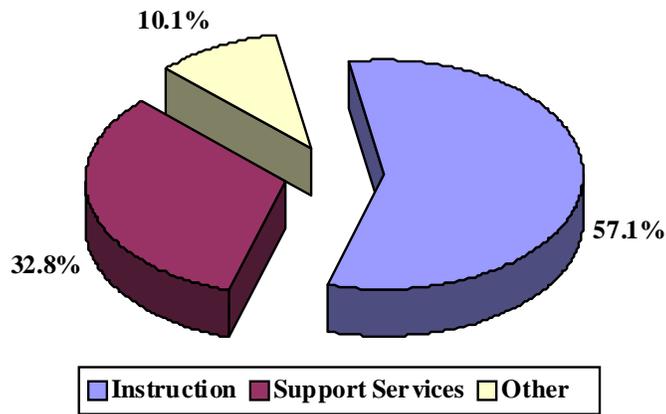


Table 3
Governmental Activities

Programs	Total Cost of Services 2011	Total Cost of Services 2010
Instruction:		
Regular	\$17,535,337	\$17,733,487
Special	5,739,729	4,934,160
Vocational	423,015	309,457
Other	120,927	59,157
Support Services:		
Pupils	1,770,678	1,752,195
Instructional Staff	1,660,581	1,815,824
Board of Education	196,701	166,398
Administration	2,447,456	2,709,927
Fiscal and Business	1,083,676	940,445
Operation and Maintenance of Plant	3,643,161	3,242,717
Pupil Transportation	2,495,126	2,003,474
Central	388,408	498,015
Food Service Operations	1,229,953	1,293,080
Other Non-Instructional Services	0	12,953
Extracurricular Activities	1,681,021	1,525,349
Interest and Fiscal Charges	1,294,799	1,491,960
Total Expenses	\$41,710,568	\$40,488,598

The reliance upon local tax revenues for governmental activities is crucial at Olmsted Falls City Schools. About 58.6 percent of expenses are directly supported by local property taxes. Grants and entitlements not restricted to specific programs, investment earnings and other miscellaneous types of revenues support the remaining general activity costs. Program revenues accounted for only 12.2 percent of all governmental expenses.

Olmsted Falls City School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2011
Unaudited

The residents of the Olmsted Falls City School District are the greatest source of financial support for the students of Olmsted Falls City Schools.

District Funds

Information pertaining to the District's major funds begins on page 15. These funds are accounted for using the modified accrual basis of accounting. All governmental funds had total revenues and other financing sources of \$43,978,112 and expenditures and other financing uses of \$44,306,970.

General Fund Budgeting Highlights

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 General Fund is the most significant fund to be budgeted and is the main operating fund of the District.

During the 2011 fiscal year, the School District amended its general fund budget several times.

The General Fund's estimated budget basis revenue totaled \$35,691,057, which was \$529,151 less than the original budget estimate of \$36,220,208. The estimated budget basis expenditures totaled \$39,005,662, which were \$1,092,693 more than the original appropriations of \$37,912,969.

The District's ending unencumbered cash balance totaled \$5,047,612, which was \$872,016 higher than the originally budgeted amount.

Capital Assets and Debt Administration

Capital Assets (net of depreciation)

At the end of fiscal year 2011, the District had \$41,414,884 in land and land improvements, construction in progress, buildings and improvements, furniture and equipment, and vehicles. Table 4 shows fiscal year 2011 values compared to 2010.

Table 4
Capital Assets (net of depreciation)

	Governmental Activities		Change
	2011	2010	
Land & Land Improvements	\$3,233,902	\$3,233,902	\$0
Construction In Progress	51,243	6,454,739	(6,403,496)
Buildings and Improvements	33,973,636	26,450,917	7,522,719
Furniture and Equipment	2,289,323	2,453,426	(164,103)
Vehicles	1,866,780	2,040,821	(174,041)
Total	\$41,414,884	\$40,633,805	\$781,079

For more information on capital assets refer to Note 9 of the basic financial statements.

Olmsted Falls City School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2011
Unaudited

Debt Administration

At June 30, 2011, the District had \$20,602,052 in bonds outstanding. Table 5 below summarizes the District's bonds and notes outstanding.

Table 5
Outstanding Debt at Year End

	2011	2010
1997 School Improvement Refunding Bonds	\$1,325,166	\$2,536,307
2003 Classroom Facilities Refunding Bonds:		
Bonds	5,098,526	5,051,587
Premium	245,750	280,857
Deferred Loss On Refunding	(196,057)	(224,065)
2007 School Improvement Bonds:		
Bonds	13,912,214	14,327,942
Premium	361,893	376,664
Discount	(145,440)	(151,376)
2002 Energy Conservation Improvement Bond	0	60,502
2008 Bond Anticipation Note	0	0
2007 Energy Conservation Note	0	0
Totals	\$20,602,052	\$22,258,418

At June 30, 2011, the District's overall legal debt margin was \$30,806,728. The debt is well within permissible limits. The District maintains an A+ bond rating from Standard and Poors. More detailed information is presented in Note 16 of the notes to the basic financial statements.

District Outlook

Olmsted Falls City School District has continued to maintain the highest standards of services to our students, parents and community. The District is continually presented with challenges and opportunities.

As the preceding information shows, the District heavily depends on its residential property taxpayers. The previous operating levy for new operating money was a 12.9 mill operating levy that passed in 1999. Through prudent management, the District managed without new operating money until an 8.7 mill levy that will generate \$4,742,114 annually beginning in January 2011 was approved by voters on February 2, 2010.

The continued financial support of the District demonstrates the strong belief of parents and community members that their schools are one of the highest priorities and one of the most important public institutions in their community.

The District has communicated to the community the extent upon which the District relies upon their support for the major part of its operations, and will continue to work diligently to carefully monitor expenses, staying within the District's five-year financial plan. State law retards the growth of income generated by local levies rendering revenue relatively constant. This lack of revenue growth, however, forces the District to come back to the voters from time to time and ask for additional financial support.

Olmsted Falls City School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2011
Unaudited

The Olmsted Falls City School District has committed itself to financial and educational excellence for many years. This report represents the School District's implementation of the Governmental Accounting Standards Board's (GASB) financial reporting model under Governmental Accounting and Financial Reporting Standards Statement No. 34 (GASB Statement No. 34). Olmsted Falls City School District is committed to continuous improvement in financial reporting to our community.

Contacting the School District's Financial Management

This financial report is designed to provide our citizens, taxpayers, and 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 Mark S. Hullman, Treasurer, at Olmsted Falls City School District, 26937 Bagley Road, Olmsted Falls, Ohio 44138, or e-mail at mhullman@ofcs.net.

Olmsted Falls City School District

Statement of Net Assets

June 30, 2011

	<u>Governmental Activities</u>
Assets	
Equity in Pooled Cash and Cash Equivalents	\$11,521,111
Interest Receivable	7,285
Accounts Receivable	40,575
Intergovernmental Receivable	213,555
Materials and Supplies Inventory	166,590
Property Taxes Receivable	27,403,385
Deferred Charges	232,821
Nondepreciable Capital Assets	3,285,145
Depreciable Capital Assets, Net	<u>38,129,739</u>
<i>Total Assets</i>	<u>81,000,206</u>
Liabilities	
Accounts and Contracts Payable	454,281
Accrued Wages and Benefits Payable	4,207,018
Intergovernmental Payable	938,490
Interest Payable	271,277
Deferred Revenue	21,177,420
Notes Payable	1,000,000
Long-Term Liabilities:	
Due Within One Year	1,455,153
Due In More Than One Year	<u>22,308,827</u>
<i>Total Liabilities</i>	<u>51,812,466</u>
Net Assets	
Invested in Capital Assets, Net of Related Debt	21,710,250
Restricted for:	
Debt Services	3,504,916
Capital Projects	633,625
Set Asides	0
Other Purposes	1,536,216
Unrestricted	<u>1,802,733</u>
<i>Total Net Assets</i>	<u>\$29,187,740</u>

See accompanying notes to the basic financial statements

Olmsted Falls City School District
Statement of Activities
For the Fiscal Year Ended June 30, 2011

	Program Revenues				Net (Expense) Revenue and Changes in Net Assets
	Expenses	Charges for Services and Sales	Operating Grants, Interest and Contributions	Capital Grants and Contributions	Governmental Activities
Governmental Activities					
Current:					
Instruction:					
Regular	\$17,535,337	\$439,652	\$1,030,073	\$125,209	(\$15,940,403)
Special	5,739,729	10,372	648,947	0	(5,080,410)
Vocational	423,015	1,606	0	0	(421,409)
Other	120,927	110	0	0	(120,817)
Support Services:					0
Pupils	1,770,678	3,029	12,620	0	(1,755,029)
Instructional Staff	1,660,581	3,899	526,240	0	(1,130,442)
Board of Education	196,701	1,132	0	0	(195,569)
Administration	2,447,456	6,593	9,792	0	(2,431,071)
Fiscal	1,081,075	2,199	0	0	(1,078,876)
Business	2,601	0	0	0	(2,601)
Operation and Maintenance of Plant	3,643,161	14,048	26,430	0	(3,602,683)
Pupil Transportation	2,495,126	227,364	0	0	(2,267,762)
Central	388,408	917	148,838	0	(238,653)
Operation of Non-Instructional Services:					
Food Service Operations	1,229,953	1,123,931	279,063	0	173,041
Other Non-Instructional Services	0	0	0	0	0
Extracurricular Activities	1,681,021	457,342	0	0	(1,223,679)
Interest and Fiscal Charges	1,294,799	0	0	0	(1,294,799)
Totals	<u>\$41,710,568</u>	<u>\$2,292,194</u>	<u>\$2,682,003</u>	<u>\$125,209</u>	<u>(36,611,162)</u>

General Revenues

Property Taxes Levied for:

General Purposes	21,241,653
Special Revenue	199,564
Debt Service	3,009,057
Grants and Entitlements not Restricted to Specific Programs	14,790,039
Investment Earnings	39,673

Total General Revenues 39,279,986

Change in Net Assets 2,668,824

Net Assets, Beginning of Year 26,518,916

Net Assets, End of Year \$29,187,740

See accompanying notes to the basic financial statements

Olmsted Falls City School District

Balance Sheet

Governmental Funds

June 30, 2011

	General	Bond Retirement	Classroom Facilities	Other Governmental	Total Governmental Funds
Assets					
Equity in Pooled Cash and Cash Equivalents	\$6,533,829	\$2,746,198	\$198,687	\$2,042,397	\$11,521,111
Interest Receivable	7,285	0	0	0	7,285
Accounts Receivable	39,061	0	0	1,514	40,575
Interfund Receivable	214,169	0	0	0	214,169
Intergovernmental Receivable	0	0	0	213,555	213,555
Materials and Supplies Inventory	152,257	0	0	14,333	166,590
Property Taxes Receivable	24,774,174	2,427,179	0	202,032	27,403,385
<i>Total Assets</i>	<u>\$31,720,775</u>	<u>\$5,173,377</u>	<u>\$198,687</u>	<u>\$2,473,831</u>	<u>\$39,566,670</u>
Liabilities and Fund Balances					
Liabilities					
Accounts and Contracts Payable	\$295,152	\$0	\$51,243	\$107,886	\$454,281
Accrued Wages and Benefits Payable	3,933,271	0	0	273,747	4,207,018
Intergovernmental Payable	873,339	0	0	65,151	938,490
Interest Payable	9,917	0	0	0	9,917
Interfund Payable	0	0	0	214,169	214,169
Deferred Revenue	21,838,059	2,015,006	0	387,478	24,240,543
Notes Payable	1,000,000	0	0	0	1,000,000
<i>Total Liabilities</i>	<u>27,949,738</u>	<u>2,015,006</u>	<u>51,243</u>	<u>1,048,431</u>	<u>31,064,418</u>
Fund Balances					
Nonspendable	152,257	0	0	114,333	266,590
Restricted	0	3,158,371	147,444	1,311,067	4,616,882
Committed	211,158	0	0	0	211,158
Assigned	1,094,243	0	0	0	1,094,243
Unassigned	2,313,379	0	0	0	2,313,379
<i>Total Fund Balances</i>	<u>3,771,037</u>	<u>3,158,371</u>	<u>147,444</u>	<u>1,425,400</u>	<u>8,502,252</u>
<i>Total Liabilities and Fund Balances</i>	<u>\$31,720,775</u>	<u>\$5,173,377</u>	<u>\$198,687</u>	<u>\$2,473,831</u>	<u>\$39,566,670</u>

See accompanying notes to the basic financial statements

Olmsted Falls City School District
*Reconciliation of Total Governmental Fund Balances to
 Net Assets of Governmental Activities
 June 30, 2011*

Total Governmental Fund Balances	\$8,502,252
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*Amounts reported for governmental activities in the
 statement of net assets are different because:*

Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.	41,414,884
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Other long-term assets are not available to pay for current-period expenditures and therefore are deferred in the funds. These deferrals are attributed to property taxes, interest and accounts receivable.	3,063,123
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Issuance costs are reported as an expenditure when paid in the governmental funds, but they are deferred and amortized on the statement of activities. This amount represents unamortized issuance costs.	232,821
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Long-term liabilities not due and payable in the current period and therefore not reported in the funds:	
General Obligation Bonds Payable	(20,602,052)
Capital Leases Payable	(7,832)
Retirement Incentive Payable	(154,511)
Compensated Absences Payable	(2,999,585)
Accrued Interest Payable	(261,360)
	(24,625,240)

<i>Net Assets of Governmental Activities</i>	<u><u>\$29,187,740</u></u>
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See accompanying notes to the basic financial statements

Olmsted Falls City School District
Statement of Revenues, Expenditures and Changes in Fund Balances
 Governmental Funds
 For the Fiscal Year Ended June 30, 2011

	General	Bond Retirement	Classroom Facilities	Other Governmental	Total Governmental Funds
Revenues					
Property Taxes	\$20,987,019	\$3,043,397	\$0	\$201,906	\$24,232,322
Intergovernmental	14,279,219	393,305	125,209	2,529,580	17,327,313
Interest	32,832	0	0	4,536	37,368
Tuition and Fees	449,699	0	0	0	449,699
Extracurricular Activities	308,862	0	0	148,480	457,342
Contributions and Donations	16,248	0	0	74,441	90,689
Charges for Services	305,080	0	0	738,484	1,043,564
Rentals	18,210	0	0	0	18,210
Miscellaneous	253,879	0	0	67,726	321,605
<i>Total Revenues</i>	<u>36,651,048</u>	<u>3,436,702</u>	<u>125,209</u>	<u>3,765,153</u>	<u>43,978,112</u>
Expenditures					
Current:					
Instruction:					
Regular	15,961,723	0	0	894,788	16,856,511
Special	5,061,059	0	0	648,417	5,709,476
Vocational	432,881	0	0	0	432,881
Other	120,927	0	0	0	120,927
Support Services:					
Pupils	1,745,958	0	0	12,620	1,758,578
Instructional Staff	1,095,821	0	0	566,157	1,661,978
Board of Education	196,701	0	0	0	196,701
Administration	2,526,283	0	0	16,258	2,542,541
Fiscal	1,065,635	1,419	0	96	1,067,150
Operation and Maintenance of Plant	3,378,430	0	0	209,841	3,588,271
Pupil Transportation	1,961,497	0	0	0	1,961,497
Central	312,376	0	0	14,095	326,471
Operation of Non-Instructional Services	10,567	0	0	1,220,947	1,231,514
Extracurricular Activities	1,428,170	0	0	206,997	1,635,167
Capital Outlay	0	0	1,988,107	381,180	2,369,287
Debt Service:					
Principal Retirement	79,361	1,182,637	0	0	1,261,998
Interest and Fiscal Charges	23,023	1,562,999	0	0	1,586,022
<i>Total Expenditures</i>	<u>35,400,412</u>	<u>2,747,055</u>	<u>1,988,107</u>	<u>4,171,396</u>	<u>44,306,970</u>
<i>Excess of Revenues Over Expenditures</i>	<u>1,250,636</u>	<u>689,647</u>	<u>(1,862,898)</u>	<u>(406,243)</u>	<u>(328,858)</u>
Other Financing Sources (Uses)					
Transfers In	0	0	0	681,496	681,496
Transfers Out	0	0	0	(681,496)	(681,496)
<i>Total Other Financing Sources (Uses)</i>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
<i>Net Change in Fund Balances</i>	1,250,636	689,647	(1,862,898)	(406,243)	(328,858)
<i>Fund Balances, Beginning of Year (Restated - Note 3)</i>	2,520,401	2,468,724	2,010,342	1,831,643	8,831,110
<i>Fund Balances, End of Year</i>	<u>\$3,771,037</u>	<u>\$3,158,371</u>	<u>\$147,444</u>	<u>\$1,425,400</u>	<u>\$8,502,252</u>

See accompanying notes to the basic financial statements

Olmsted Falls City 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, 2011*

Net Change in Fund Balances - Total Governmental Funds (\$328,858)

*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 capital outlays exceeded depreciation in the current period.

Capital Outlay	3,264,557
Depreciation	<u>(2,155,259)</u>

Total	1,109,298
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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. These revenues consisted of property taxes, interest, fees, and miscellaneous revenues.	220,257
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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 governmental funds.	114,906
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The issuance of long-term debt (e.g., bonds, leases, and capital leases) provides current financial resources to the governmental funds, while repayment of the principal of long-term debt consumes the current financial resources of the governmental funds. Neither transaction, however, has any effect on net assets. Also, governmental funds report the effect of issuance costs, premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. This amount is the net effect of these differences in the treatment of long-term debt and related items.	<u>1,553,221</u>
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<i>Change in Net Assets of Governmental Activities</i>	<u><u>\$2,668,824</u></u>
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See accompanying notes to the basic financial statements

Olmsted Falls City School District
Statement of Revenues, Expenditures
and Changes in Fund Balance - Budget (Non-GAAP Basis) and Actual
General Fund
For the Fiscal Year Ended June 30, 2011

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues				
Property Taxes	\$19,694,616	\$19,745,116	\$20,122,080	\$376,964
Intergovernmental	14,688,542	13,811,560	14,170,683	359,123
Interest	70,000	70,000	39,264	(30,736)
Tuition and Fees	143,750	143,750	243,490	99,740
Rentals	10,000	10,000	18,210	8,210
Charges for Services	275,000	275,000	278,162	3,162
Miscellaneous	55,300	365,117	231,160	(133,957)
<i>Total Revenues</i>	34,937,208	34,420,543	35,103,049	682,506
Expenditures				
Current:				
Instruction:				
Regular	15,844,182	17,008,792	15,739,570	1,269,222
Special	4,796,920	4,804,094	5,269,267	(465,173)
Vocational	421,683	469,305	418,262	51,043
Adult/Continuing	50,589	50,589	36,963	13,626
Support Services:				
Pupils	1,812,368	1,813,119	1,768,209	44,910
Instructional Staff	1,360,364	1,270,363	1,121,302	149,061
Board of Education	341,240	341,240	248,007	93,233
Administration	3,326,914	3,206,142	2,621,102	585,040
Fiscal	994,440	994,440	1,082,188	(87,748)
Operation and Maintenance of Plant	3,970,587	3,971,437	3,563,335	408,102
Pupil Transportation	1,915,779	2,076,480	2,091,580	(15,100)
Central	410,196	425,053	577,708	(152,655)
Operations of Non-Instructional Services:				
Food Services Operations	8,268	(79,242)	10,667	(89,909)
Other Non-Instructional Services	0	0	0	0
Extracurricular Activities	538,194	538,194	576,827	(38,633)
Capital Outlay	603,414	597,825	587,321	10,504
Debt Service:				
Principal Retirement	1,243,503	1,243,503	1,243,503	0
Interest and Fiscal Charges	24,328	24,328	24,328	0
<i>Total Expenditures</i>	37,662,969	38,755,662	36,980,139	1,775,523
<i>Excess of Revenues Over (Under) Expenditures</i>	(2,725,761)	(4,335,119)	(1,877,090)	2,458,029
Other Financing Sources (Uses)				
Note Issued	1,033,000	1,000,000	1,000,000	0
Advances In	250,000	270,514	270,514	0
Advances Out	(250,000)	(250,000)	(214,169)	35,831
<i>Net Change in Fund Balance</i>	(1,692,761)	(3,314,605)	(820,745)	2,493,860
<i>Fund Balance, Beginning of Year</i>	4,663,978	4,663,978	4,663,978	0
Prior Year Encumbrances Appropriated	1,204,379	1,204,379	1,204,379	0
<i>Fund Balance, End of Year</i>	\$4,175,596	\$2,553,752	\$5,047,612	\$2,493,860

See accompanying notes to the basic financial statements

Olmsted Falls City School District
Statement of Fiduciary Assets and Liabilities
June 30, 2011

	Private Purpose Trust Fund	Agency Funds
	<u> </u>	<u> </u>
Assets		
Equity in Pooled Cash and Cash Equivalents	\$4,302	\$107,631
Accounts Receivable	0	39
	<u> </u>	<u> </u>
<i>Total Assets</i>	<u><u>\$4,302</u></u>	<u><u>\$107,670</u></u>
 Liabilities		
Accounts Payable	\$0	\$16,463
Due to Students	0	21,221
Undistributed Monies	0	69,986
	<u> </u>	<u> </u>
<i>Total Liabilities</i>	<u><u>\$0</u></u>	<u><u>\$107,670</u></u>
 Net Assets		
Held in Trust for Individuals	<u><u>\$4,302</u></u>	<u><u>\$0</u></u>

See accompanying notes to the basic financial statements

Olmsted Falls City School District
Statement of Changes In Fiduciary Net Assets
June 30, 2011

	Private Purpose Trust Fund
Additions:	
Gifts and Contributions	\$3,975
Deductions:	
Scholarships Awarded	<u>3,830</u>
<i>Change In Net Assets</i>	145
<i>Net Assets At Beginning of Year</i>	<u>4,157</u>
<i>Net Assets At End of Year</i>	<u><u>\$4,302</u></u>

See accompanying notes to the basic financial statements

Olmsted Falls City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2011

NOTE 1 - DESCRIPTION OF THE SCHOOL DISTRICT

The Olmsted Falls City School District (District) operates under a locally-elected five member Board and provides educational services as mandated by State statute and federal guidelines.

The District includes the City of Olmsted Falls, Olmsted Township, small portions of the Cities of Berea and North Olmsted, and a small portion of Columbia Township. All of the communities served are located in Cuyahoga County with the exception of Columbia Township, which is located in Lorain County. The District is staffed by 225 certificated, 163 non-certificated, and 19 administrative personnel who provide services to 3,838 students and other community members. The District currently operates an early childhood center (Pre K-K), primary school (1-3), an intermediate school (4-5), a middle school (6-8) and a high school (9-12).

Reporting Entity

A reporting entity is comprised of the primary government, component units, and other organizations that are included to ensure that the financial statements are not misleading. The primary government of the District consists of funds, agencies, departments and offices that are not legally separate from the District. For Olmsted Falls City School District, the agencies and departments provide the following services: general operations, food service, and student related activities of the District.

Component units are legally separate organizations for which the District is financially accountable. The District is financially accountable for an organization if the District appoints a voting majority of the organization's governing board and (1) the District is able to significantly influence the programs or services performed or provided by the organization; or (2) the District is legally entitled to or can otherwise access the organization's resources; the District is legally obligated or has otherwise assumed the responsibility to finance the deficits of, or provide financial support to, the organization; or the District is obligated for the debt of the organization. Component units may also include organizations that are fiscally dependent on the District in that the District approves the budget, the issuance of debt or the levying of taxes. The District does not have any component units.

The District participates in three jointly governed organizations, one insurance purchasing pool and one risk sharing pool. These organizations are the Lake Erie Educational Computer Association (LEECA), the Ohio Schools Council Association, the Polaris Career Center, the Ohio School Boards Association Workers' Compensation Group Rating Program, and the Schools of Ohio Risk Sharing Authority. These organizations are presented in Note 19, Note 20 and Note 21 of the basic financial statements.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of Olmsted Falls City School District have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The District also applies Financial Accounting Standards Board (FASB) Statements and Interpretations issued on or before November 30, 1989, to its governmental activities and internal service fund provided they do not conflict with or contradict GASB pronouncements. The most significant of the District's accounting policies are described below.

A. Basis of Presentation

The District's basic financial statements consist of government-wide statements, including a statement of net assets and a statement of activities, and fund statements, which provide a more detailed level of financial information.

Olmsted Falls City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2011

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

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. These statements distinguish between those activities of the District that are governmental and those that are considered business-type activities. The District has no business-type activities.

The statement of net assets presents the financial condition of the governmental activities of the District at year-end. The statement of activities presents a comparison between direct expenses and program revenues for each program or function of the District's governmental activities. Direct expenses are those that are specifically associated with a service, program or department and are 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 not classified as program revenues are presented as general revenues of the District. The comparison of direct expenses with program revenues identifies the extent to which each governmental activity is self-financing or draws from the general revenues of the District.

Fund Financial Statements - During the year, the District segregates transactions related to certain District functions or activities in separate funds in order to aid financial management and to demonstrate legal compliance. Fund financial statements report detailed information about the District. The focus of governmental fund financial statements is on major funds. Each major fund is presented in a separate column. Non-major funds are aggregated and presented in a single column. Fiduciary funds are reported by fund type.

B. Fund Accounting

The District uses funds to report its financial position and the results of its operations. A fund is a separate accounting entity with a self-balancing set of accounts. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain school district activities or functions. Funds are classified into three categories: governmental, proprietary and fiduciary. Each category is divided into separate fund types.

Governmental Funds Governmental funds focus on the sources, uses and balances of current financial resources. Expendable assets are assigned to the various governmental funds according to the purposes for which they may or must be used. Current liabilities are assigned to the fund from which they will be paid. The difference between governmental fund assets and liabilities is reported as fund balance. The following are the District's major governmental funds:

General Fund The general fund is the operating fund of the District and is used to account for all financial resources except those required to be accounted for in another fund.

Bond Retirement Debt Service Fund The bond retirement fund is used to account for the accumulation of property tax revenues for, the payment of general obligation bonds.

Classroom Facilities Fund The classroom facilities fund accounts for Ohio Schools Facilities Commission revenues which were used for capital improvements within the District.

Olmsted Falls City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2011

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

Other governmental funds of the District are used to account for grants and other resources whose uses are restricted to a particular purpose.

Proprietary Fund Type Proprietary funds focus on the determination of operating income, changes in net assets, financial position and cash flows and are classified as either enterprise or internal service. The District has no proprietary funds.

Fiduciary Fund Type Fiduciary fund reporting focuses on net assets and changes in net assets. The fiduciary fund 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 are therefore not available to support the District's own programs. The District's only trust fund is a private-purpose trust which accounts for scholarship programs for students. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. The District's agency funds account for student managed activities, unclaimed monies and services as a fiscal agent for two organizations.

C. Measurement Focus

Government-wide Financial Statements The government-wide statements are prepared using the economic resources measurement focus. All assets and all liabilities associated with the operation of the District are included on the statement of net assets. The statement of activities presents increases (i.e.; revenues) and decreases (i.e.; expenses) in total net assets.

Fund Financial Statements All governmental fund types are accounted for using a flow of current financial resources measurement focus. With this measurement focus, only current assets and current liabilities generally are included on the balance sheet. The statement of revenues, expenditures and changes in fund balances reports on the sources (i.e., revenues and other financing sources) and uses (i.e., expenditures and other financing uses) of current financial resources. This approach differs from the manner in which the governmental activities of the government-wide financial statements are prepared. Governmental fund financial statements therefore include reconciliations with brief explanations to better identify the relationship between the government-wide statements and the statements for governmental funds.

Private-purpose trust funds are reported using the economic resources measurement focus. Agency funds do not report a measurement focus as they do not report operations.

D. Basis of Accounting

Basis of accounting determines when transactions are recorded in the financial records and reported on the financial statements. Government-wide financial statements are prepared using the accrual basis of accounting. Governmental funds use the modified accrual basis of accounting on the fund financial statements. Proprietary and fiduciary funds also use the accrual basis of accounting. Differences between the accrual and the modified accrual basis of accounting arise in the recognition of revenue, the recording of deferred revenue, and in the presentation of expenses versus expenditures.

Olmsted Falls City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2011

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

Revenues - Exchange and Non-exchange Transactions Revenue resulting from exchange transactions, in which each party gives and receives essentially equal value, is recorded on the accrual basis when the exchange takes place. On a modified accrual basis, revenue is recorded in the fiscal year in which the resources are measurable and become available. Available means that the resources will be collected within the current fiscal year or are expected to be collected soon enough thereafter to be used to pay liabilities of the current fiscal year. For the District, available means expected to be received within sixty days of fiscal year-end.

Nonexchange 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.

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.

Under the modified accrual basis, the following revenue sources are considered to be both measurable and available at fiscal year-end: property taxes available as an advance, interest, tuition, grants, student fees and rentals.

Deferred Revenue Deferred revenue arises when assets are recognized before revenue recognition criteria have been satisfied.

Property taxes for which there is an enforceable legal claim as of June 30, 2011, but which were levied to finance fiscal year 2012 operations, have been recorded as deferred revenue. Grants and entitlements received before the eligibility requirements are met are also recorded as deferred revenue.

On governmental fund financial statements, receivables that will not be collected within the available period have been reported as deferred revenue.

Expenses/Expenditures On the accrual basis of accounting, expenses are recognized at the time they are incurred. The measurement focus of governmental fund accounting is on decreases in net financial resources (expenditures) rather than expenses. Expenditures are generally recognized in the accounting period in which the related fund liability is incurred, if measurable. Allocations of cost, such as depreciation and amortization, are not recognized in governmental funds.

Olmsted Falls City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2011

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

E. Budgetary Process

All funds, other than agency funds, are legally required to be budgeted and appropriated. The major documents prepared are the tax budget, the appropriation resolution and the certificate of estimated resources, which are prepared on the budgetary basis of accounting. The tax budget demonstrates a need for existing or increased tax rates. The certificate of estimated resources establishes a limit on the amounts that the Board of Education may appropriate. The appropriation resolution is the Board's authorization to spend resources and sets annual limits on expenditures plus encumbrances at a level of control selected by the Board. The legal level of control has been established by the Board of Education at the fund level. The Treasurer has been given the authority to allocate Board appropriations to the function and object levels within each fund.

The certificate of estimated resources may be amended during the year if projected increases or decreases in revenue are identified by the School District Treasurer. The amounts reported as the original budgeted amounts in the budgetary statements reflect the amounts in the certificate when the original appropriations were adopted. The amounts reported as the final budgeted amounts in the budgetary statements reflect the amounts in the final amended certificate in effect when the final appropriations were passed prior to fiscal year-end.

The appropriation resolution is subject to amendment by the Board throughout the year with the restriction that appropriations may not exceed estimated resources. The amounts reported as the original budgeted amounts reflect the first appropriation for that fund that covered the entire fiscal year, including amounts automatically carried over from prior years. The amounts reported as the final budgeted amounts represent the final appropriation amounts passed by the Board during the year.

F. Cash and Cash Equivalents

To improve cash management, cash received by the District is pooled. Monies for all funds are maintained in this pool. Individual fund integrity is maintained through the District's records. Each fund's interest in the pool is presented as "Equity in Pooled Cash and Cash Equivalents" on the financial statements.

Investments are limited to Federal Home Loan Mortgage Corporation Notes, Federal Home Loan Bank Notes, and investments in the State Treasury Asset Reserve of Ohio (STAR Ohio). Except for nonparticipating investment contracts, investments are reported at fair value which is based on quoted market prices. The District only invested in STAR Ohio.

The District has invested funds in STAR Ohio during fiscal 2011. STAR Ohio is an investment pool managed by the State Treasurer's Office, which allows governments within the state to pool their funds for investment purposes. STAR Ohio is not registered with the SEC as an investment company, but does operate in a manner consistent with Rule 2a7 of the Investment Company Act of 1940. Investments in STAR Ohio are valued at STAR Ohio's shares price which is the price the investment could be sold for on June 30, 2011.

Under existing Ohio statute, interest earnings are allotted to the general fund unless the Board of Education has, by resolution, specified funds to receive an allocation of interest earnings. Interest revenue credited to the general fund during fiscal 2011 amounted to \$32,832.

Investments with original maturities of three months or less at the time they are purchased by the District are presented on the financial statements as cash equivalents. Investments with an initial maturity of more than three months are reported as investments.

Olmsted Falls City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2011

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

G. *Restricted Assets*

Assets are restricted when limitations on their use change the normal understanding of the availability of the asset. Such constraints are either externally imposed by creditors, contributors, grantors, or laws of other governments or imposed by law through constitutional provisions or enabling legislation. The District had no restricted assets at fiscal year-end.

H. *Inventory*

Inventories are presented at cost on a first-in, first-out basis and are expended/expensed when used. Inventories consist of donated food, purchased food, school supplies held for resale and materials and supplies held for consumption.

I. *Capital Assets*

All capital assets of the District are classified as general capital assets. These assets generally result from expenditures in the governmental funds. They are reported in the governmental activities column of the government-wide statement of net assets but are not reported in the fund financial statements.

Capital assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the year. The District maintains a capitalization threshold of \$500. The District does not possess any infrastructure. Improvements are capitalized; the costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not.

All reported capital assets except land and construction-in-progress are depreciated. Improvements are depreciated over the remaining useful lives of the related capital assets. Depreciation is computed using the straight-line method over the following useful lives:

<u>Description</u>	<u>Estimated Lives</u>
Building and Improvements	15-40 years
Furniture and Equipment	5-15 years
Vehicles	5-10 years
Textbooks	5-10 years

J. *Bond Issuance Costs*

On the government-wide financial statements, bond issuance costs are deferred and amortized over the term of applicable bonds using the effective interest method. Within governmental fund statements, bond issuance costs are expended when incurred.

Olmsted Falls City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2011

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

K. Bond Premium and Discount

On the government-wide financial statements, bond premiums and discounts are deferred and amortized over the term of the bonds using the straight line method. Bond premiums are presented as an increase of the face amount of the bonds payable. On the governmental fund statements, bond premiums are received in the year the bonds are issued. On the government-wide financial statements, bond discounts are presented as a decrease of the face amount of the bonds payable. On the fund financial statements, bond discounts are expensed in the year the bonds are issued.

L. Gain/Loss on Refunding

On the government-wide financial statements, the difference between the reacquisition price (funds required to refund the old debt) and the net carrying amount of the old debt, the gain/loss on refunding, is being amortized as a component of interest expense. This deferred amount is amortized over the life of the old or new debt, whichever is shorter, using the effective interest method.

M. Compensated Absences

Vacation benefits are accrued as a liability as the benefits are earned if the employees' rights to receive compensation are attributable to services already rendered and it is probable that the employer will compensate the employees for the benefits through paid time off or some other means. The District records a liability for accumulated unused vacation time when earned for all employees with more than one year of service.

Sick leave benefits are accrued as a liability using the vesting method. The liability includes the employees who are currently eligible to receive termination benefits and those the District has identified as probable to receive payment in the future. The amount is based on accumulated sick leave and employees' wage rates at fiscal year end, taking into consideration any limits specified in the District's termination policy. The District records a liability for accumulated unused sick leave for employees after nine years of current service with the District.

On the governmental fund financial statements, compensated absences are recognized as liabilities and expenditures to the extent payments come due each period upon the occurrence of employee resignations and retirements. These amounts are recorded in the account "accrued wages and benefits payable" in the general fund.

N. Accrued Liabilities and Long-Term Obligations

All payables, accrued liabilities and long-term obligations are reported in the government-wide financial statements.

In general, governmental fund payables and accrued liabilities that, once incurred, are paid in a timely manner and in full from current financial resources are reported as obligations of the funds. However, claims and judgments, compensated absences, contractually required pension contributions and retirement incentives that will be paid from governmental funds are reported as a liability in the fund financial statements only to the extent that they are due for the payment during the current fiscal year. Bonds and capital lease obligations are recognized as a liability on the government fund financial statements when due.

Olmsted Falls City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2011

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

O. 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 or through external restrictions imposed by creditors, grantors or laws or regulations of other governments.

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

P. Fund Balance

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

Nonspendable The nonspendable fund balance category includes amounts that cannot be spent because they are not in spendable form, or they are legally or contractually required to be maintained intact. The “not in spendable form” criterion includes items that are not expected to be converted to cash. It also includes the long-term amount of loans receivable, as well as property acquired for resale, unless the use of the proceeds from the collection of those receivables or from the sale of properties is restricted, committed, or assigned.

Restricted Fund balance is reported as restricted when constraints placed on the use of resources are externally imposed by creditors through debt covenants, grantors, contributors, laws or regulations of other governments, or imposed by law through constitutional provisions.

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

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

Unassigned Unassigned fund balance is the residual classification for the general fund and includes spendable amounts not contained in the other classifications. In other governmental funds, the unassigned classification is used only to report a deficit balance resulting from overspending for specific purposes for which amounts had been restricted, committed, or assigned.

The District applies restricted resources first when expenditures are incurred for purposes for which either restricted or unrestricted (committed, assigned, and unassigned) amounts are available. Similarly, within unrestricted fund balance, committed amounts are reduced first and followed by assigned and then unassigned amounts when expenditures are incurred for purposes for which amounts in any of the unrestricted fund balance classifications could be used.

Olmsted Falls City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2011

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

Q. Interfund Activity

On fund financial statements, receivables and payables resulting from short-term interfund loans are classified as "interfund loans receivable/payable." These amounts are eliminated in the governmental activities column on the statement of net assets.

R. Operating Revenues and Expenses

Operating revenues are those revenues that are generated directly from the primary activity of the proprietary funds. Operating expenses are necessary costs incurred to provide the goods or service that are the primary activity of the funds. All revenues and expenses not meeting this definition are reported as non-operating.

S. 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. Neither type of transaction occurred during fiscal 2011.

T. Estimates

The preparation of the basic financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the amounts reported in the basic financial statements and accompanying notes. Actual results may differ from those estimates.

Olmsted Falls City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2011

NOTE 3 - ACCOUNTABILITY AND COMPLIANCE

A. Change in Accounting Principles

In fiscal year 2011, the District implemented GASB Statement No. 54, “Fund Balance Reporting and Governmental Fund Type Definitions” which enhances the usefulness of fund balance information by providing clearer fund balance classifications that can be more consistently applied and by clarifying existing governmental fund type definitions. This statement establishes fund balance classifications that comprise a hierarchy based primarily on the extent to which a government is bound to observe constraints imposed upon the use of the resources reported in governmental funds. The implementation of this statement had the following effect on previously reported fund balances:

	General	Bond Retirement	Classroom Facilities	Other Governmental	Total Governmental Funds
Previous June 30, 2010 Fund Balances	\$2,234,282	\$2,468,724	\$2,010,342	\$2,117,762	\$8,831,110
Change In Fund Structure	<u>286,119</u>	<u>0</u>	<u>0</u>	<u>(286,119)</u>	<u>0</u>
Adjusted June 30, 2010 Fund Balances	<u>\$2,520,401</u>	<u>\$2,468,724</u>	<u>\$2,010,342</u>	<u>\$1,831,643</u>	<u>\$8,831,110</u>

The District also implemented GASB Statement No. 59, “Financial Instruments Omnibus” which updates and improves guidance for financial reporting and disclosure requirements of certain financial instruments and external pools. The implementation of GASB Statement No. 59 did not have an effect on these financial statements.

B. Fund Deficits

The following funds had a deficit fund balance as of June 30, 2011:

Special Revenue Funds:

IDEA Part B	\$167,804
Title I	43,056
Improving Teacher Quality	2,705

The deficits in the special revenue funds resulted from the recognition of accrued liabilities. The general fund is liable for any deficit in these funds and provides operating transfers when cash is required, rather than when accruals occur.

Olmsted Falls City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2011

NOTE 4 - BUDGETARY BASIS OF ACCOUNTING

While the District is reporting financial position, results of operations and changes in fund balance on the basis of generally accepted accounting principles (GAAP basis), the budgetary basis as provided by law is based upon accounting for certain transactions on a basis of cash receipts, disbursements and encumbrances. The Statement of Revenues, Expenditures and Changes in Fund Balance - Budget (Non-GAAP Basis) and Actual presented for the general fund is presented on the budgetary basis to provide a meaningful comparison of actual results with the budget. The major differences between the budget basis and GAAP basis are that:

1. Revenues are recorded when received in cash (budget basis) as opposed to when susceptible to accrual (GAAP basis).
2. Expenditures are recorded when paid in cash (budget basis) as opposed to when the liability is incurred (GAAP basis).
3. Encumbrances are treated as expenditures (budget basis) rather than as a reservation of fund balance (GAAP basis).

The following table summarizes the adjustments necessary to reconcile the GAAP basis statement to the budgetary basis statement on a fund type basis for the general fund.

Net Change in Fund Balance	
GAAP Basis	\$1,250,636
Net Adjustment for Revenue Accruals	(277,485)
Net Adjustment for Expenditure Accruals	(699,653)
Adjustment for Encumbrances	<u>(1,094,243)</u>
Budget Basis	<u><u>(\$820,745)</u></u>

Olmsted Falls City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2011

NOTE 5 – FUND BALANCES

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

	General	Bond Retirement	Classroom Facilities	Other Governmental	Total Governmental Funds
Nonspendable					
Inventory	\$152,257	\$0	\$0	\$14,333	\$166,590
Nonexpendable Permanent Fund	0	0	0	100,000	100,000
Total Nonspendable	152,257	0	0	114,333	266,590
Restricted					
Debt Services	0	3,158,371	0	0	3,158,371
Permanent Improvements	0	0	147,444	486,181	633,625
Nonexpendable Permanent Fund	0	0	0	3,053	3,053
Food Service Operations	0	0	0	151,329	151,329
Expendable Trust Fund	0	0	0	41,750	41,750
Maintenance Fund	0	0	0	724,632	724,632
Athletics	0	0	0	25,574	25,574
Grants	0	0	0	(121,452)	(121,452)
Total Restricted	0	3,158,371	147,444	1,311,067	4,616,882
Committed					
Other Purposes	211,158	0	0	0	211,158
Assigned					
Other Purposes	1,094,243	0	0	0	1,094,243
Unassigned					
	2,313,379	0	0	0	2,313,379
Total Fund Balances	\$3,771,037	\$3,158,371	\$147,444	\$1,425,400	\$8,502,252

Olmsted Falls City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2011

NOTE 6 – DEPOSITS AND INVESTMENTS

State statutes classify monies held by the District into three categories.

Active deposits are public deposits necessary to meet current demands on the treasury. Such monies must be maintained either as cash in the District treasury, in commercial accounts payable or withdrawable on demand, including negotiable order of withdrawal (NOW) accounts, or in money market deposit accounts.

Inactive deposits are public deposits that the Board of Education has identified as not required for use within the current five year period of designation of depositories. Inactive deposits must either be evidenced by certificates of deposit maturing not later than the end of the current period of designation of depositories, or by savings or deposit accounts including, but not limited to, passbook accounts.

Interim deposits are deposits of interim monies. Interim moneys are those monies which are not needed for immediate use but which will be needed before the end of the current period of designation of depositories. Interim deposits must be evidenced by time certificates of deposit maturing not more than one year from the date of deposit or by savings or deposit accounts including passbook accounts.

Protection of the District's deposits is provided by the Federal Deposit Insurance Corporation (FDIC), by eligible securities pledged by the financial institution as security for repayment, by surety company bonds deposited with the Treasurer by the financial institution or by a single collateral pool established by the financial institution to secure the repayment of all public monies deposited with the institution.

Interim monies to be deposited or invested in the following securities:

1. 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 and interest by the United States;
2. 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;
3. 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;
4. Bonds and other obligations of the State of Ohio;
5. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2) 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;
6. The State Treasurer's investment pool (STAROhio);
7. Certain banker's acceptance and commercial paper notes for a period not to exceed one hundred eighty days from the purchase date in an amount not to exceed twenty-five percent of the interim monies available for investment at any one time: and,

Olmsted Falls City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2011

NOTE 6 – DEPOSITS AND INVESTMENTS - (Continued)

8. Under limited circumstances, corporate debt interests rated in either of the two highest classifications by at least two nationally recognized rating agencies.

Investments in stripped principal or interest obligations reverse repurchase agreements and derivatives are prohibited. The issuance of taxable notes for the purpose of arbitrage, the use of leverage and short selling are also prohibited. An investment must mature within five years from the date of purchase unless matched to a specific obligation or debt of the District, and must be purchased with the expectation that it will be held to maturity. Investments may only be made through specified dealers and institutions. Payment for investments may be made only upon delivery of the securities representing the investments to the Treasurer or, if the securities are not represented by a certificate, upon receipt of confirmation of transfer from the custodian.

Cash on Hand At year end, the District had \$10,850 in undeposited cash on hand which is included on the balance sheet of the District as part of equity in pooled cash and cash equivalents.

The following information classifies deposits and investments by categories of risk as defined in GASB Statement No. 3, “Deposits with Financial Institutions, Investments (including Repurchase Agreements), and Reverse Repurchase Agreements”.

Deposits At fiscal year-end, the carrying amount of the School District's deposits was \$11,586,978 and the bank balance was \$11,857,250. Of the bank balance:

1. \$2,253,243 of the bank balance was covered by depository insurance; and
2. \$9,604,007 was uninsured and uncollateralized. Although the securities serving as collateral were held by the pledging institution in the pledging institution’s name, and all State statutory requirements for the deposit of money had been followed, noncompliance with federal requirements could potentially subject the School District to a successful claim by the FDIC.

Based on the criteria described in GASB Statement No. 40, “Deposits and Investment Risk Disclosures”, as of June 30, 2011, \$9,604,007 of the District’s bank balance of \$11,857,250 was exposed to custodial risk as discussed below, while \$2,253,243 was covered by FDIC.

Custodial credit risk is the risk that, in the event of bank failure, the District’s deposits may not be returned. All deposits are collateralized with eligible securities in amounts equal to at least 105% of the carrying value of the deposits. Such collateral, as permitted by the Ohio Revised Code, is held in single financial institution collateral pools at Federal Reserve Banks, or at member banks of the federal reserve system, in the name of the respective depository bank and pledged as a pool of collateral against all public deposits it holds or as specific collateral held at the Federal Reserve Bank in the name of the District.

Investments As of June 30, 2011, the District had \$35,216 invested in STAROhio.

Interest Rate Risk: As a means of limiting its exposure to fair value losses arising from interest rates and according to state law, the District’s investment policy limits investment portfolio maturities to five years or less.

Olmsted Falls City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2011

NOTE 6 – DEPOSITS AND INVESTMENTS - (Continued)

Custodial Credit Risk: For an investment, custodial risk is the risk that, in the event of the failure of the counterparty, the District will not be able to recover the value of its investment or collateral securities that are in the possession of an outside party. Of the District's investments in a FHLMC/Huntington Bank account, the entire balance is collateralized by underlying securities pledged by the investment's counterparty, not in the name of the District. Standard and Poor's has assigned STAROhio and FHLMC/Huntington Bank an AAA rating.

Concentration of Credit Risk: The District places no limit on the amount that may be invested in any one issuer. As of June 30, 2011, STAROhio represented 100.00 percent of investments.

Reconciliation of Cash and Investments to the Statement of Net Assets

The following is a reconciliation of cash and investments as reported in the footnote above, to cash and investments as reported on the Statement of Net Assets as of June 30, 2011:

Cash and Investments per footnote

Carrying amount of deposits	\$11,586,978
Investments	35,216
Cash on hand	<u>10,850</u>
Total	<u><u>\$11,633,044</u></u>

Cash and Investments per Statement of Net Assets

Unrestricted and Restricted Cash	\$11,521,111
Agency Fund	<u>111,933</u>
Total	<u><u>\$11,633,044</u></u>

NOTE 7 - PROPERTY TAXES

Property taxes are levied and assessed on a calendar year basis while the District fiscal year runs from July through June. First half tax collections are received by the District in the second half of the fiscal year. Second half tax distributions occur in the first half of the following fiscal year.

Property taxes include amounts levied against all real, public utility and tangible personal property (used in business) located in the District. Real property tax revenue received in calendar 2011 represents collections of calendar year 2010 taxes. Real property taxes received in calendar year 2011 were levied after April 1, 2010 on the assessed value listed as of January 1, 2010 the lien date. Assessed values for real property taxes are established by State law at thirty-five percent of appraised market value. Real property taxes are payable annually or semi-annually. If paid annually, payment is due December 31; if paid semi-annually, the first payment is due December 31 with the remainder payable by June 20. Under certain circumstances, State statute permits alternate payment dates to be established.

Olmsted Falls City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2011

NOTE 7 - PROPERTY TAXES - (Continued)

Public utility property tax revenue received in calendar 2011 represents collections of calendar year 2010 taxes. Public utility real and tangible personal property taxes received in calendar year 2011 became a lien December 31, 2009 were levied after April 1, 2010 and are collected in 2011 with real property taxes. Public utility real property is assessed at thirty-five percent of true value; public utility tangible personal property currently is assessed at varying percentages of true value.

Tangible personal property tax revenue received during calendar 2010 (other than public utility property) represents the collection of 2011 taxes. Tangible personal property taxes received in calendar year 2010 were levied after April 1, 2010, on the value as of December 31, 2010. For 2011, tangible personal property is assessed at 12.5% for property including inventory. This percentage was reduced to zero for 2011. Payments by multi-county taxpayers are due September 20. Single county taxpayers may pay annually or semi-annually. If paid annually, payment is due April 30; if paid semi-annually, the first payment is due April 30, with the remainder payable by September 20. Tangible personal property taxes paid by April 30 are usually received by the District prior to June 30.

House Bill No. 66 was signed into law on June 30, 2005. House Bill No. 66 phases out the tax on tangible personal property of general businesses, telephone and telecommunications companies, and railroads. The tax on general business and railroad property was eliminated by calendar year 2009 and 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. The bill replaces the revenue lost by the District due to the phasing out of the tax. In calendar years 2008-2010, the District will be fully reimbursed for the lost revenue. In calendar years 2011-2017, the reimbursements will be phased out.

The District receives property taxes from Cuyahoga County and Lorain County. The County Auditors periodically advance to the District its portion of the taxes collected. Second-half real property tax payments collected by the County by June 30, 2011, are available to finance fiscal year 2011 operations. The amount available to be advanced can vary based on the date the tax bills are sent.

Accrued property taxes receivable includes real property, public utility property and tangible personal property taxes which are measurable as of June 30, 2011 and for which there is an enforceable legal claim. Although total property tax collections for the next fiscal year are measurable, only the amount of real property taxes available as an advance at June 30 was levied to finance current fiscal year operations and is reported as revenue at fiscal year end. The portion of the receivable not levied to finance current fiscal year operations is offset by a credit to deferred revenue.

The amount available for advance at June 30, 2011 was \$2,942,811 in the general fund, \$412,173 in the bond retirement debt service fund, and \$28,109 in the classroom facilities maintenance special revenue fund.

On a full accrual basis, collectible delinquent property taxes have been recorded as a receivable and revenue, while on a modified accrual basis the revenue has been deferred.

Olmsted Falls City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2011

NOTE 7 - PROPERTY TAXES - (Continued)

The assessed values upon which the fiscal year 2011 taxes were collected are:

	2010 Second Half Collections		2011 First Half Collections	
	<u>Amount</u>	<u>Percent</u>	<u>Amount</u>	<u>Percent</u>
Agricultural/Residential and Other Real Estate	\$509,528,070	98.17%	\$506,760,440	98.10%
Public Utility Personal	<u>9,492,670</u>	<u>1.83%</u>	<u>9,808,290</u>	<u>1.90%</u>
Total	<u><u>\$519,020,740</u></u>	<u><u>100.00%</u></u>	<u><u>\$516,568,730</u></u>	<u><u>100.00%</u></u>
Tax rate per \$1,000 of assessed valuation:	\$93.00		\$101.70	

NOTE 8 - RECEIVABLES

Receivables at June 30, 2011 consisted of taxes, accounts (rent, tuition, and student fees), accrued interest, and intergovernmental grants and entitlements. All receivables are considered collectible 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. A summary of the principal items of receivables reported on the statement of net assets follows:

Governmental Activities	
Taxes	\$27,403,385
Accounts	40,575
Intergovernmental	213,555
Accrued interest	<u>7,285</u>
Total governmental activities	<u><u>\$27,664,800</u></u>

Olmsted Falls City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2011

NOTE 9 – CAPITAL ASSETS

Capital asset activity for the fiscal year ended June 30, 2011, was as follows:

	Balance 6/30/10	Additions	Deletions	Balance 6/30/11
Governmental Activities				
<i>Capital Assets, not being depreciated:</i>				
Land	\$3,233,902	\$0	\$0	\$3,233,902
Construction In Progress	6,454,739	51,243	(6,454,739)	51,243
<i>Total Capital Assets, not being depreciated</i>	<u>\$9,688,641</u>	<u>\$51,243</u>	<u>(\$6,454,739)</u>	<u>\$3,285,145</u>
<i>Capital Assets, being Depreciated</i>				
Buildings and Improvements	38,877,212	8,799,106	0	47,676,318
Furniture and Equipment	9,821,209	653,406	(402,229)	10,072,386
Vehicles	3,248,623	215,541	(166,994)	3,297,170
<i>Total Capital Assets, being Depreciated</i>	<u>\$51,947,044</u>	<u>\$9,668,053</u>	<u>(\$569,223)</u>	<u>\$61,045,874</u>
Less: Accumulated Depreciation:				
Buildings and Improvements	(12,426,295)	(1,276,387)	0	(13,702,682)
Furniture and Equipment	(7,367,783)	(656,284)	241,004	(7,783,063)
Vehicles	(1,207,802)	(222,588)	0	(1,430,390)
<i>Total Accumulated Depreciation</i>	<u>(21,001,880)</u>	<u>(2,155,259)</u>	<u>241,004</u>	<u>(22,916,135)</u>
<i>Total Capital Assets, being Depreciated, Net</i>	<u>30,945,164</u>	<u>7,512,794</u>	<u>(328,219)</u>	<u>38,129,739</u>
<i>Governmental Activities Capital Assets, Net</i>	<u>\$40,633,805</u>	<u>\$7,564,037</u>	<u>(\$6,782,958)</u>	<u>\$41,414,884</u>

* Depreciation expense was charged to governmental functions as follows:

Regular	\$1,393,768
Special	13,083
Other	34,009
Support Services:	
Pupils	8,918
Instructional Staff	2,680
Administration	4,475
Fiscal	1,873
Operation and Maintenance of Plant	39,564
Pupil Transportation	544,403
Central	61,937
Operation of Non-Instructional Services	38,689
Extracurricular	11,860
Total Depreciation Expense	<u>\$2,155,259</u>

Olmsted Falls City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2011

NOTE 10 – 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; injuries to employees and natural disasters. During fiscal year 2011, the District contracted with the Schools of Ohio Risk Sharing Authority (SORSA) for property insurance. The primary deductibles are \$1,000 for property coverage. Professional liability is protected by the SORSA for all Board Members, administrators and employees with a limit of \$11,000,000 per occurrence and \$11,000,000 aggregate limit.

The Hylant Administrative Services Company maintains a \$20,000 public official bond each for the Superintendent and the Board President. A \$20,000 public officials bond for the treasurer is maintained with Harcum-Hyre Insurance. Other employees handling money are covered by a blanket bond in the amount of \$100,000.

Settled claims have not exceeded this commercial coverage in any of the past three years and there has been no significant reduction in coverage from the prior year.

The District participates in the Ohio School Boards Association Workers' Compensation Group Rating Program (GRP), an insurance purchasing pool. The GRP's business and affairs are conducted by a three member Board of Directors consisting of the President, the President-Elect, and the immediate Past President of the Ohio School Boards Association. Each year, the participating school districts pay an enrollment fee to the GRP to cover the costs of administering the program.

The District provides health, prescription drugs, dental and vision insurance benefits to eligible employees who elect to participate. These benefits are fully insured.

NOTE 11 – DEFINED BENEFIT PENSION PLANS

A. School Employees Retirement System of Ohio

Plan Description - The District contributes to the School Employees Retirement System (SERS), a cost-sharing, multiple-employer defined benefit pension plan. SERS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Authority to establish and amend benefits is provided by Chapter 3309 of the Ohio Revised Code. SERS issues a publicly available, stand-alone financial report that includes financial statements and required supplementary information. That report may be obtained by writing to the School Employees Retirement System, 300 East Broad Street, Suite 100, Columbus, Ohio 43215-3746. It is also posted on the SERS' Ohio 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 2011, 11.81 percent of annual covered salary was the portion used to fund pension obligations. The contribution requirements of plan members and employers are established and may be amended by the SERS' Retirement Board up to a statutory maximum amount of 10 percent for plan members and 14 percent for employers. Chapter 3309 of the Ohio Revised Code provides statutory authority for member and employer contributions.

The District's required contributions for pension obligations to SERS for the fiscal years ended June 30, 2011, 2010 and 2009 were \$821,859, \$815,991 and \$824,916, respectively; 47.48 percent has been contributed for fiscal year 2011 and 100 percent for fiscal years 2010 and 2009.

Olmsted Falls City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2011

NOTE 11 – DEFINED BENEFIT PENSION PLANS - (Continued)

B. State Teachers Retirement System of Ohio

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. 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 fiscal year 2011, plan members were required to contribute 10 percent of their annual covered salaries. The District was required to contribute 14 percent; 13 percent was the portion used to fund pension obligations. 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, 2011, 2010 and 2009 were \$2,325,541, \$2,319,842 and \$2,414,919 respectively; 82.98 percent has been contributed for fiscal year 2011 and 100 percent for fiscal years 2010 and 2009.

C. Social Security System

Effective July 1, 1991, all employees not otherwise covered by the SERS or the STRS have an option to choose Social Security or the SERS/STRS. As of June 30, 2011, certain members of the Board of Education have elected Social Security. The District's obligation is 6.2% of wages paid.

Olmsted Falls City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2011

NOTE 12 - POSTEMPLOYMENT BENEFITS

A. School Employees 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 System based on authority granted by State statute. The financial reports of both Plans are included in the SERS Comprehensive Annual Financial Report which is available by contacting SERS at 300 East Broad St., Suite 100, Columbus, Ohio 43215-3746.

Funding Policy - State statute permits SERS to fund the health care benefits through employer contributions. Each year, after the allocation for statutorily required benefits, the Retirement Board allocates the remainder of the employer contribution of 14 percent of covered payroll to the Health Care Fund. The Health Care Fund was established and is administered in accordance with Internal Revenue Code Section 105(e). For 2011, 1.43 percent of covered payroll was allocated to health care. In addition, employers pay a surcharge for employees earning less than an actuarially determined amount; for 2011, the surcharge amount was \$84,475.

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

The District's contributions for health care for the fiscal years ended June 30, 2011, 2010, and 2009 were \$168,422, \$111,790 and \$113,831 respectively; 47.48 percent has been contributed for fiscal year 2011 and 100 percent for fiscal years 2010 and 2009.

The Retirement Board, acting with advice of the actuary, allocates a portion of the employer contribution to the Medicare B Fund. For fiscal year 2011, this actuarially required allocation was 0.76 percent of covered payroll. The District's contributions for Medicare Part B for the fiscal years ended June 30, 2011, 2010, and 2009 were \$44,615, \$44,297 and \$44,781 respectively; 47.48 percent has been contributed for fiscal year 2011 and 100 percent for fiscal years 2010 and 2009.

B. State Teachers Retirement System of Ohio

Plan Description - The District contributes to the cost sharing, multiple employer defined benefit Health Plan (the "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.

Olmsted Falls City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2011

NOTE 12 - POSTEMPLOYMENT BENEFITS- (Continued)

Funding Policy - Ohio law authorizes STRS Ohio to offer the Plan and gives the Retirement Board authority over how much, if any, of the health care costs will be absorbed by STRS Ohio. Active employee members do not contribute to the Plan. All benefit recipients pay a monthly premium. Under Ohio law, funding for post-employment health care may be deducted from employer contributions. For 2011, STRS Ohio allocated employer contributions equal to 1 percent of covered payroll to the Health Care Stabilization Fund. The District's contributions for health care for the fiscal years ended June 30, 2011, 2010, and 2009 were \$166,110, \$165,703 and \$172,494 respectively; 82.98 percent has been contributed for fiscal year 2010 and 100 percent for fiscal years 2010 and 2009.

NOTE 13 – OTHER EMPLOYEE BENEFITS

A. Compensated Absences

The criteria for determining vacation and sick leave benefits are derived from negotiated agreements and State laws. Classified employees earn up to twenty five days of vacation per fiscal year, depending upon length of service. Accumulated unused vacation time is paid to classified employees and administrators upon termination of employment. Teachers do not earn vacation time. Teachers, administrators and classified employees earn sick leave at the rate of one and one-fourth days per month. Upon retirement, payment is one-fourth of accrued, but unused sick leave credit to a maximum payment of 90 days.

B. Retirement Incentive

Certified Employees:

Any teacher who has not been eligible to retire prior to July 1, 2003 under the State Teachers Retirement System (STRS) pursuant to Ohio Revised Code Section 3307.38 and any applicable STRS regulations and who becomes eligible to retire can receive a retirement incentive of \$1,200 for each year of STRS service up to a maximum of thirty years, if the teacher retires at the end of the school year in which the teacher first becomes eligible. If an eligible teacher has not yet completed thirty years of service and does not retire at the end of the school year in which the teacher first becomes eligible, the teacher will have one more opportunity to take advantage of this incentive by retiring at the end of the school year which the teacher completes thirty years of service. This incentive, combined with any severance pay entitlement will be paid in three installments over a period of three years, with any lump sum severance pay to be issued within thirty days of the effective date of the teacher's retirement; 50 percent of the retirement incentive to be payable one year following the teacher's effective retirement date, with the remaining 50 percent to be paid two years after the effective date of retirement. To be eligible for this incentive, the teacher must submit a resignation on for before March 1 of the school year in which the teacher first becomes eligible to retire and must retire no later than June 30 of that school year. The teacher seeking this retirement incentive is responsible for insuring the Board has accurate information regarding the teacher's service credit. The Board will provide a courtesy reminder of the teacher's eligibility for this incentive by December 15 of the school year in which the teacher is first eligible for retirement. This courtesy does not impact the teacher's notice requirements.

Classified Employees:

Any employee who has not been eligible to retire prior to July 1, 2004 under the School Employees Retirement System (SERS) pursuant to Ohio Revised Code Section 3309.34 and any applicable SERS regulations and who becomes eligible to retire can receive a retirement incentive of 40 percent of the employee's base wage at the time of retirement, excluding overtime, bonuses, extra trips or "extra" compensation if the employee retires at the end of the school year in which the employee first becomes eligible. If the employee has not yet completed 30 years of SERS

Olmsted Falls City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2011

NOTE 13 – OTHER EMPLOYEE BENEFITS – (Continued)

service and does not retire at the end of the school year in which the employee first becomes eligible, the employee will have one more opportunity to take advantage of this incentive by retiring during or at the end of the school year in which the employee completes 30 years of SERS service. This incentive, combined with any severance pay entitlements, will be paid in three installments, with any lump sum severance pay to be issued within 30 days of proof of retirement and 50 percent of the retirement incentive to be payable the first pay period in July following the next full fiscal year following the date of retirement. The balance of the incentive will be payable the first pay period in July following two full fiscal years after the employee’s effective retirement date. To be eligible for this incentive, the employee must submit a resignation 90 days prior to the employee’s date of retirement.

C. Life Insurance

The School District provides life insurance and accidental death and dismemberment insurance to its employees. Coverage is equal to double the employee’s annual salary amount rounded to the nearest one thousand dollars. Life insurance is covered through Metropolitan Life Insurance.

NOTE 14 - LEASES

In prior years, the District entered into capitalized leases for copiers. These lease agreements meet the criteria of capital lease as defined by FASB Statement No. 13, “Accounting for Leases”, which defines a capital lease generally as one which transfers benefits and risks of ownership to the lessee. Capital lease payments have been reclassified and are reflected as debt service expenditures in the financial statements for the governmental funds. These expenditures are reported as function expenditures on the budgetary statements.

Capital assets consisting of equipment have been capitalized in the amount of \$224,860. This amount represents the present value of the minimum lease payments at the time of acquisition. A corresponding liability is recorded in the government-wide financial statements. Principal payments in fiscal year 2011 totaling \$18,859 were paid by the general fund.

The following is a schedule of the future long-term minimum lease payments required under the capital lease and the present value of the future minimum lease payments as of June 30, 2011:

<u>Fiscal Year Ending June 30,</u>	<u>Governmental Activities</u>
2012	\$5,014
2013	3,406
Total	<u>8,420</u>
Less: Amount Representing Interest	(588)
Present Value of Net Minimum Lease Payments	<u><u>\$7,832</u></u>

Olmsted Falls City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2011

NOTE 15 – FUND OBLIGATIONS

The School District’s note activity, including amounts outstanding and interest rates, are as follows:

	<u>Outstanding June 30, 2010</u>	<u>Additions</u>	<u>Deletions</u>	<u>Outstanding June 30, 2011</u>
1.875% 2009 Bond Anticipation Note - Maturing January 13, 2011	\$875,000	\$0	(\$875,000)	\$0
1.75% 2008 Energy Conservation Note - Maturing December 8, 2011	\$1,183,000	\$1,000,000	(\$1,183,000)	\$1,000,000

On January 13, 2011, the District completely paid off a \$875,000 general obligation bond anticipation note that was issued for the purpose of adding to, constructing, furnishing, equipping and otherwise improving District buildings and facilities. The coupon interest rate was 1.875% and the note matured on January 13, 2011.

On December 8, 2010, the District issued a \$1,000,000 energy conservation note for the purpose of paying cost to install, modify, and remodel District buildings to conserve energy. The coupon interest rate is 1.75% and the note matures on December 8, 2011.

NOTE 16 - LONG-TERM OBLIGATIONS

The original issue date, interest rate, original issue amount and date of maturity of each of the School District’s bonds and notes are:

<u>Debt Issue</u>	<u>Interest Rate</u>	<u>Original Issue Amount</u>	<u>Date of Maturity</u>
General Obligation Bonds:			
School Improvement Funding - 1997	3.85-6.75%	\$8,828,772	December 15, 2011
Energy Conservation Improvement - 2002	6.12%	605,025	December 1, 2010
Classroom Facilities Refunding - 2003	2.0-14.065%	5,789,978	December 15, 2017

Olmsted Falls City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2011

NOTE 16 - LONG-TERM OBLIGATIONS - (Continued)

A. The following is a schedule of the changes in long-term obligations during fiscal year 2011:

	Balance <u>June 30, 2010</u>	<u>Additions</u>	<u>Reductions</u>	Balance <u>June 30, 2011</u>	Due in <u>One Year</u>
Governmental Activities:					
General Obligation Bonds:					
1997 School Improvement Refunding					
Capital Appreciation Bonds	\$1,107,343	\$0	(\$567,637)	\$539,706	\$539,706
Accretion on Capital Appreciation Bonds	1,428,964	128,859	(772,363)	785,460	0
2003 Classroom Facilities Refunding					
Serial Bonds	3,905,000	0	(120,000)	3,785,000	125,000
Capital Appreciation Bonds	449,978	0	0	449,978	0
Accretion on Capital Appreciation Bonds	696,609	166,939	0	863,548	0
Premium	280,857	0	(35,107)	245,750	0
Deferred Loss on Refunding	(224,065)	0	28,008	(196,057)	0
2007 School Improvement Bonds					
Serial Bonds	13,675,000	0	(495,000)	13,180,000	550,000
Capital Appreciation Bonds	475,972	0	0	475,972	0
Accretion on Capital Appreciation Bonds	176,970	79,272	0	256,242	0
Premium	376,664	0	(14,771)	361,893	0
Discount	(151,376)	0	5,936	(145,440)	0
2002 Energy Conservation Improvement	60,502	0	(60,502)	0	0
<i>Total General Obligation Bonds</i>	22,258,418	375,070	(2,031,436)	20,602,052	1,214,706
Capital lease obligation	26,691	0	(18,859)	7,832	4,557
Retirement Incentive	201,127	116,596	(163,212)	154,511	55,915
Compensated absences	3,322,367	236,960	(559,742)	2,999,585	179,975
Total governmental activities long-term liabilities	<u>\$ 25,808,603</u>	<u>\$ 728,626</u>	<u>\$ (2,773,249)</u>	<u>\$23,763,980</u>	<u>\$1,455,153</u>

All general obligation bonds will be paid from property taxes. Capital lease obligations will be paid from the general fund. Compensated absences will be paid from the general fund and the food service, auxiliary services and IDEA Part B special revenue funds.

Olmsted Falls City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2011

NOTE 16 - LONG-TERM OBLIGATIONS - (Continued)

The 1997 general obligation bonds include capital appreciation bonds. This year the addition on these bonds was \$128,859, which represents accretion of discounted interest remaining on the bonds. In fiscal year 2011, the District paid down the accretion on these bonds by \$772,363. The bonds are being retired from the bond retirement fund.

On August 13, 2003, the District issued \$5,709,978 in voted general obligation bonds which included \$5,260,000 in serial bonds and \$449,978 in capital appreciation bonds at interest rates varying from 2% to 14.065%. The general obligation bonds were issued for the purpose of refunding a portion of the 1995 classroom facilities improvement bonds to take advantage of lower interest rates. The bonds were issued at a premium of \$351,071. The serial bonds were issued for a 15 year period with a final maturity at December 15, 2017. The capital appreciation bonds were issued for a 12 year period with a final maturity at December 15, 2014. For fiscal year 2011, \$166,939 was accreted. The bonds are being retired from the bond retirement fund.

The serial bonds maturing after December 15, 2017 are subject to redemption at the option of the District, either in whole or part, in such order as the District shall determine, on any interest payment date on or after December 15, 2017, at redemption prices equal to 100% of the principal amount redeemed plus, in each case, accrued interest to the date fixed for redemption.

On September 13, 2007, the District issued \$14,280,000 in general obligation bonds for the purpose of adding to, constructing, furnishing, equipping and otherwise improving District buildings and facilities. Some of the bonds were sold at a premium of \$406,206 and some of the bonds were sold at a discount of \$163,249. The bonds have varying interest rates between 4% to 5%, and a final maturity date of December 1, 2035. Voters passed the 2 mill bond issue in May 2007 to fund payment of these bonds.

The 2007 general obligation bonds include \$475,972 in capital appreciation bonds. The capital appreciation bonds were issued for a 10 year period with a final maturity at December 1, 2016. For the fiscal year 2011, \$79,272 was accreted. The bonds are being retired from the bond retirement fund.

The District's overall legal debt margin was \$30,806,728 with an unvoted debt margin of \$1,003,759 at June 30, 2011. Principal and interest requirements to retire general obligation bonds outstanding at June 30, 2011, are as follows:

Fiscal Year Ending	General Obligation Bonds			Capital Appreciation Bonds		
	Principal	Interest	Total	Principal	Interest	Total
2012	\$675,000	\$756,633	\$1,431,633	\$539,706	\$830,293	\$1,369,999
2013	375,000	735,821	1,110,821	240,255	614,745	855,000
2014	390,000	720,521	1,110,521	209,723	645,277	855,000
2015	860,000	695,951	1,555,951	177,146	227,857	405,003
2016	900,000	661,181	1,561,181	157,966	247,034	405,000
2017 - 2021	3,630,000	2,755,095	6,385,095	140,863	264,137	405,000
2022 - 2026	2,635,000	2,151,161	4,786,161	0	0	0
2027 - 2031	3,305,000	1,455,944	4,760,944	0	0	0
2032 - 2036	4,195,000	545,125	4,740,125	0	0	0
Total	\$16,965,000	\$10,477,432	\$27,442,432	\$1,465,659	\$2,829,343	\$4,295,002

Olmsted Falls City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2011

NOTE 17 – CONSTRUCTION AND OTHER SIGNIFICANT COMMITMENTS

As of June 30, 2011, the District had the following contractual purchase commitments outstanding:

<u>Contractor</u>	<u>Contract Amount</u>	<u>Amount Paid</u>	<u>Remaining on Contract</u>
Blaze Building Corporation	\$6,933,004	\$6,820,696	\$112,308
M.H. Koppes Clay Products Co. Inc.	99,865	99,865	0
R.J. Martin Electrical Contracting Inc.	1,824,275	1,824,275	0
Miller Plumbing and Heating Co.	960,953	960,953	0
S.A. Comunale Company Inc.	236,434	236,434	0
Trimark SS Kemp	336,666	336,666	0
Price and James Heating and Cooling	1,744,747	1,744,747	0
DiGioia-Suburban Excavating	1,029,238	1,029,238	0
Regency Construction Services	1,382,580	1,349,965	32,615
Jamison Well Drilling	1,081,706	1,046,894	34,812
Brewer Garrett Company	63,768	60,131	3,637
Architectural Vision Group	1,425,305	1,412,832	12,473
Continental Educational Environments	196,074	196,074	0
Playworld Midstates	85,889	85,889	0
Southeast Security Corp.	209,867	179,157	30,710
Mobilease Modular Space	58,435	58,435	0
Telamon Construction Inc.	3,319,091	3,319,091	0
Lake Erie Electric	1,203,153	1,201,075	2,078
Einheit Electric Construction Co.	33,980	33,980	0
The John Gallagher Co.	528,554	528,554	0
Zenith Systems Co.	510,967	491,967	19,000
Fire Protection Inc.	68,000	68,000	0
Tom Sexton & Associates	188,571	188,571	0
PK Mechanical Inc.	1,239,953	1,239,953	0
	<u>1,239,953</u>	<u>1,239,953</u>	<u>0</u>
Total	<u>\$24,761,075</u>	<u>\$24,513,442</u>	<u>\$247,633</u>

NOTE 18 - SET ASIDES

The District is required by state statute to annually set-aside in the general fund an amount based on a statutory formula for the purchase of textbooks and other instructional materials and an equal amount for the acquisition and construction of capital improvements. Amounts not spent by the end of the fiscal year or offset by similarly restricted resources received during the year must be held in cash at year-end. These amounts must be carried forward to be used for the same purposes in future years.

Olmsted Falls City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2011

NOTE 18 - SET ASIDES- (Continued)

The following cash basis information describes the change in the year-end set-aside amounts for the textbooks/instructional materials and capital acquisition reserves. Disclosure of this information is required by State statute.

	<u>Textbooks/ Instructional Materials</u>	<u>Capital Improvement Reserve</u>	<u>Budget Reserve</u>
Set-aside balance as of June 30, 2010	(\$906,675)	\$0	\$223,918
Current year set-aside requirement	561,865	561,865	0
Offsets During the Fiscal Year	0	0	0
Qualifying Disbursements	(216,344)	(5,244,651)	0
Budget Reserve Transferred To Unrestricted	<u>-</u>	<u>-</u>	<u>(223,918)</u>
Total	<u>(\$561,154)</u>	<u>(\$4,682,786)</u>	<u>\$0</u>
Set-aside Balance Carried Forward to Future Fiscal Years	<u>(\$561,154)</u>	<u>\$0</u>	<u>\$0</u>
Set-aside Reserve Balance as of June 30, 2011	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>

On November 15, 2010, the Olmsted Falls City School District approved the transfer of \$223,918 from General Fund Restricted for Budget Reserve to General Fund Unrestricted in accordance with Senate Bill 345 which became effective on April 1, 2001. The District had qualifying disbursements during the fiscal year that reduced the set-aside amount to below zero for the capital acquisition. This amount may not be used to reduce the set-aside requirement of future years.

NOTE 19 – JOINTLY GOVERNED ORGANIZATIONS

Lake Erie Educational Computer Association (LEECA)

The Lake Erie Educational Computer Association (LEECA) is a jointly governed organization among thirty-one School Districts. The jointly governed 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 member districts. Each of the school districts support LEECA based upon a per pupil charge dependent upon the software package utilized. The LEECA assembly consists of a superintendent or designated representative from each participating school district and a representative from the fiscal agent. LEECA is governed by a Board of Directors chosen from the general membership of the LEECA Assembly. The Board of Directors consists of a representative from the fiscal agent, the chairman of each of the operating committees, and at least one Assembly member from each county in which participating school districts are located. The degree of control exercised by any participating school district is limited to its representation on the Board. The Olmsted Falls City School District paid \$49,231 to LEECA for fiscal year 2011. Financial information can be obtained by contacting the Treasurer at the Lorain County Educational Service Center, who serves as the fiscal agent, at 1885 Lake Avenue, Elyria, Ohio 44035.

Olmsted Falls City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2011

NOTE 19 – JOINTLY GOVERNED ORGANIZATIONS- (Continued)

Ohio Schools Council Association

The Ohio Schools Council Association (the “Council”) is a jointly governed organization comprised of one hundred and twenty-one member districts. The mission of the Council is to identify, plan and provide services to member districts that can be more effectively achieved by cooperative endeavors of member districts than by an individual district operating on its own. Each district supports the Council by paying an annual participation fee. The Council’s Board consists of seven superintendents of the participating districts whose terms rotate every year. The degree of control exercised by any school district is limited to its representation on the Board. In fiscal year 2011, the District paid \$2,450 to the Council for membership and other services. Financial information can be obtained by contacting David Cottrell, the Executive Director of the Ohio Schools Council at 6133 Rockside Road, Suite 10, Independence, Ohio 44131.

Polaris Career Center

The Polaris Career Center is a separate body politic and corporate, established by the Ohio Revised Code to provide for the vocational and special education needs of students. The Board of Education is comprised of representatives from the boards of each participating school district. The board is responsible for approving its own budgets, appointing personnel, and accounting and finance related activities. Olmsted Falls City School District students may attend the Polaris Career Center. Each participating school district’s control is limited to its representation on the board. The School District did not contribute financially to Polaris Career Center during fiscal year 2011. Financial information can be obtained by contacting the Treasurer at Polaris Career Center, 7285 Old Oak Boulevard, Middleburg Heights, Ohio 44130.

NOTE 20 – INSURANCE PURCHASING POOL

The District participates in the Ohio School Boards Association Workers’ Compensation Group Rating Program (GRP), an insurance purchasing pool. The intent of the GRP is to achieve the benefits of a reduced premium for the District by virtue of its grouping and representation with other participants in the GRP. The worker’s compensation experience of the participating school districts is calculated as one experience and a common premium rate is applied to all school districts in the GRP. Each participant pays its worker’s compensation premium to the State based on the rate for the GRP rather than its individual rate. Total savings is then calculated and each participant’s individual performance is compared to the overall savings percentage of the GRP. A participant will then either receive money from or be required to contribute to the “Equity Pooling Fund”. This “equity pooling” arrangement insures that each participant share equally in the overall performance of the GRP. Participation in the GRP is limited to school districts that can meet the GRP’s selection criteria.

NOTE 21 – RISK SHARING POOL

The District participated in the Schools Ohio Risk Sharing Authority (SORSA), a risk sharing pool with over 65 members. SORSA is a 100 percent member-owned, non-profit insurance risk pool owned and governed by the school district members. SORSA is governed by a Board of Directors comprised of representatives of school districts that participate in the program.

SORSA has agreements with several separate organizations whereby each provides certain administrative, executive, accounting, marketing, claim settlement, legal counsel and other services to SORSA and its members. Pursuant to participation agreements with SORSA, each member school district agrees to pay all funding rates associated with the coverage elected. This coverage includes comprehensive general liability, property insurance and automobile liability insurance. To obtain a copy of the SORSA financial statements, write SORSA Executive Director at 8050 North High Street, Suite 160, Columbus, Ohio 43235-6483.

Olmsted Falls City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2011

NOTE 22 - CONTINGENCIES

A. Grants

The District receives significant financial assistance from numerous federal, state and local 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 are subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the District. However in the opinion of management, any such disallowed claims will not have a material effect on the financial position of the District.

B. Litigation

The District is party to legal proceedings. The District is of the opinion that ultimate disposition of claims will not have a material effect, if any, on the financial condition of the District.

NOTE 23 - INTERFUND BALANCES

A. Interfund loans receivable/payable consisted of the following at June 30, 2011, as reported on the fund statements:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General Fund	Nonmajor Governmental Funds	<u>\$214,169</u>

The primary purpose of the interfund balances is to cover costs in specific funds where revenues were not received by June 30. These interfund balances will be repaid once the anticipated revenues are received.

The interfund receivable in the General fund represents the balance of interfund loans made to Special Education Part B-IDEA, Title I, Improving Teacher Quality Title II-A, and Technology Title II-D funds. (nonmajor governmental funds). The interfund loan balance represents the fiscal year-end balance of interfund loans.

Interfund loans between governmental funds are eliminated on the government-wide financial statements.

NOTE 24 – SUBSEQUENT EVENTS

The District was awarded Educational Jobs monies in the amount of \$584,378, which will be expended for fiscal year 2012 financial obligations.

On February 2, 2010 voters approved an 8.7 mill levy that will generate \$4,742,114 annually beginning in January 2011.

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OLMSTED FALLS CITY SCHOOL DISTRICT
CUYAHOGA COUNTY

FEDERAL AWARDS RECEIPTS AND EXPENDITURES SCHEDULE
FOR THE YEAR ENDED JUNE 30, 2011

FEDERAL GRANTOR <i>Pass Through Grantor</i> Program Title	Pass Through Entity Number	Federal CFDA Number	Receipts	Non-Cash Receipts	Expenditures	Non-Cash Expenditures
<u>U.S. DEPARTMENT OF AGRICULTURE</u>						
<i>Passed Through Ohio Department of Education:</i>						
Child Nutrition Cluster:						
School Breakfast Program		10.553	\$44,809	\$0	\$44,809	\$0
National School Lunch Program		10.555	242,874	58,754	242,874	58,754
Total - Nutrition Cluster			287,683	58,754	287,683	58,754
Total U.S. Department of Agriculture			287,683	58,754	287,683	58,754
<u>U.S. DEPARTMENT OF EDUCATION</u>						
<i>Passed Through Ohio Department of Education:</i>						
Title I Grants to Local Educational Agencies Cluster						
Title I Grants to Local Educational Agencies	2010	84.010	48,803	0	53,120	0
Title I Grants to Local Educational Agencies	2011	84.010	175,318	0	174,720	0
ARRA - Title I Grants to Local Educational Agencies	2010	84.389	23,333	0	11,989	0
ARRA - Title I Grants to Local Educational Agencies	2011	84.389	23,779	0	26,627	0
Total Title I Grants to Local Educational Agencies			271,233	0	266,456	0
Special Education Cluster:						
Special Education Grants to States IDEA B	2010	84.027	54,079	0	26,968	0
Special Education Grants to States IDEA B	2011	84.027	553,687	0	561,392	0
Special Education Grants to States	2010	84.173	1,888	0	2,013	0
Special Education Grants to States	2011	84.173	21,012	0	21,012	0
ARRA - Special Education Grants to States IDEA B	2010	84.391	113,371	0	70,114	0
ARRA - Special Education Grants to States IDEA B	2011	84.391	327,804	0	354,381	0
ARRA - Special Education Grants to States Early Child	2010	84.932	8,138	0	4,775	0
ARRA - Special Education Grants to States Early Child	2011	84.932	1,689	0	1,689	0
Total Special Education Cluster			1,081,668	0	1,042,344	0
Total State Grants for Innovative Programs						
Education Technology State Grants	2010	84.318	1,833	0	1,449	0
Education Technology State Grants	2011	84.318	591	0	591	0
Total Education Technology State Grants			2,424	0	2,040	0
Improving Teacher Quality State Grants	2010	84.367	21,084	0	1,265	0
Improving Teacher Quality State Grants	2011	84.367	61,073	0	62,073	0
Total Improving Teacher Quality State Grants			82,157	0	63,338	0
State Fiscal Stabilization Grants						
ARRA - State Fiscal Stabilization	2010	84.394	0	0	76,061	0
ARRA - State Fiscal Stabilization	2011	84.394	861,943	0	649,775	0
Total State Fiscal Stabilization Grants			861,943	0	725,836	0
Total U.S. Department of Education			2,299,425	0	2,100,014	0
Total Federal Financial Assistance			2,587,108	58,754	2,387,697	58,754

The accompanying notes are an integral part of this schedule.

**OLMSTED FALLS CITY SCHOOL DISTRICT
CUYAHOGA COUNTY**

**NOTES TO THE FEDERAL AWARDS RECEIPTS AND EXPENDITURES SCHEDULE
FISCAL YEAR ENDED JUNE 30, 2011**

NOTE A - SIGNIFICANT ACCOUNTING POLICIES

The accompanying Federal Awards Receipts and Expenditures Schedule (the Schedule) reports the Olmsted Falls City School District (the District) federal award programs' receipts and disbursements. The Schedule has been prepared on the cash basis of accounting.

NOTE B - CHILD NUTRITION CLUSTER

The District commingles cash receipts from the U.S. Department of Agriculture with similar State grants. When reporting expenditures on this Schedule, the District assumes it expends federal monies first.

NOTE C – FOOD DONATION PROGRAM

The District reports commodities consumed on the Schedule at the entitlement value. The District allocated donated food commodities to the respective program that benefitted from the use of those donated food commodities.



ALGER & ASSOCIATES, LLC

Certified Public Accountants

INDEPENDENT ACCOUNTANTS' REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH MAJOR FEDERAL PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133

Olmsted Falls City School District
Cuyahoga County
26937 Bagley Road
Olmsted Falls, Ohio 44138

To the Board of Education:

Compliance

We have audited the compliance of Olmsted Falls City School District, Cuyahoga County, Ohio (the District) with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133, Compliance Supplement* that could directly and materially affect Olmsted Falls City School District's major federal programs for the year ended June 30, 2011. The summary of auditor's results section of the accompanying schedule of findings identifies the District's major federal programs. The District's management is responsible for complying with the requirements of laws, regulations, contracts, and grants applicable to each major federal program. Our responsibility is to express an opinion on the District's compliance based on our audit.

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

In our opinion, the Olmsted Falls City School District complied, in all material respects, with the requirements referred to above that could directly and materially affect its major federal programs for the year ended June 30, 2011.

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North Canton, OH 44720
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Delaware, OH 43015
(740) 816-2961

Internal Control Over Compliance

The District's management is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the District's internal control over compliance with requirements that could directly and materially affect a major federal program, to determine our auditing procedures for the purpose of opining on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of opining on the effectiveness of internal control over compliance. Accordingly, we have not opined on the effectiveness of the District's internal control over compliance.

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

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

We did note a certain matter not requiring inclusion in this report that we reported to the District's management in a separate letter dated November 9, 2011.

We intend this report solely for the information and use of management, Board of Education, others within the District, federal awarding agencies, and pass-through entities. It is not intended for anyone other than these specified parties.

Alger & Associates, LLC
November 9, 2011



ALGER & ASSOCIATES, LLC

Certified Public Accountants

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

Olmsted Falls City School District
Cuyahoga County
26937 Bagley Road
Olmsted Falls, Ohio 44138

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 Olmsted Falls City School District, Cuyahoga County, Ohio (the District), as of and for the year ended June 30, 2011, which collectively comprise the District's basic financial statements and have issued our report thereon dated November 9, 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 the Comptroller General of the United States' *Government Auditing Standards*.

Internal Control Over Financial Reporting

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

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

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

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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 an opinion. The results of our tests disclosed no instances of noncompliance or other matters we must report under *Government Auditing Standards*.

We did note certain matters not requiring inclusion in this report that we reported to the District's management in a separate letter dated November 9, 2011.

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

Alger & Associates, LLC
November 9, 2011

**OLMSTED FALLS CITY SCHOOL DISTRICT
CUYAHOGA COUNTY**

**SCHEDULE OF FINDINGS
OMB CIRCULAR A -133 § .505
JUNE 30, 2011**

1. SUMMARY OF AUDITOR'S RESULTS

<i>(d)(1)(i)</i>	Type of Financial Statement Opinion	Unqualified
<i>(d)(1)(ii)</i>	Were there any material control weaknesses reported at the financial statement level (GAGAS)?	No
<i>(d)(1)(ii)</i>	Were there any other significant deficiencies in internal control reported at the financial statement level (GAGAS)?	No
<i>(d)(1)(iii)</i>	Was there any reported material noncompliance at the financial statement level (GAGAS)?	No
<i>(d)(1)(iv)</i>	Were there any material internal control weaknesses reported for major federal programs?	No
<i>(d)(1)(iv)</i>	Were there any other significant deficiencies in internal control reported for major federal programs?	No
<i>(d)(1)(v)</i>	Type of Major Programs' Compliance Opinion	Unqualified
<i>(d)(1)(vi)</i>	Are there any reportable findings under § .510?	No
<i>(d)(1)(vii)</i>	Major Programs (list):	State Fiscal Stabilization 84.394, Special Educational Cluster 84.027, 84.173, 84.391, 84.392
<i>(d)(1)(viii)</i>	Dollar Threshold: Type A\B Programs	Type A: > \$ 300,000 Type B: all others
<i>(d)(1)(ix)</i>	Low Risk Auditee?	Yes

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

None

3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS

None

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ALGER & ASSOCIATES, LLC

Certified Public Accountants

Independent Accountants' Report on Applying Agreed-Upon Procedure

Olmsted Falls City School District
Cuyahoga County
26937 Bagley Road
Olmsted Falls, Ohio 44138

To the Board of Education:

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

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

1. We noted the Board amended its anti-harassment policy at its meeting on October 20, 2010 to include violence within a dating relationship within its definition of harassment, intimidation or bullying.

Ohio Rev. Code Section 3313.666 required the Board to amend its definition by September 28, 2010.

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

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

Alger & Associates, LLC
November 9, 2011

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Dave Yost • Auditor of State

OLMSTED FALLS CITY SCHOOL DISTRICT

CUYAHOGA 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
JANUARY 31, 2012**