



Dave Yost • Auditor of State

**OTSEGO LOCAL SCHOOL DISTRICT
WOOD COUNTY**

TABLE OF CONTENTS

TITLE	PAGE
Independent Auditor's Report	1
Management's Discussion and Analysis.....	5
Basic Financial Statements:	
Government-Wide Financial Statements:	
Statement of Net Position – Cash Basis.....	13
Statement of Activities – Cash Basis	14
Fund Financial Statements:	
Statement of Cash Basis Assets and Fund Balances – Governmental Funds	15
Statement of Cash Receipts, Cash Disbursements, and Changes in Cash Basis Fund Balances - Governmental Funds	16
Statement of Receipts, Disbursements, and Changes in Fund Balance – Budget (Non-GAAP Basis) and Actual – General Fund.....	17
Statement of Cash Basis Fiduciary Net Position – Fiduciary Funds	18
Statement of Cash Basis Change in Fiduciary Net Position – Private Purpose Trust Fund	19
Notes to the Basic Financial Statements	21
Federal Awards Receipts and Expenditures Schedule.....	45
Notes to the Federal Awards Receipts and Expenditures Schedule	46
Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Required by <i>Government Auditing Standards</i>	47
Independent Auditor's Report on Compliance with Requirements Applicable to the Major Federal Program and on Internal Control Over Compliance Required by OMB Circular A-133	49
Schedule of Findings.....	51

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INDEPENDENT AUDITOR'S REPORT

Otsego Local School District
Wood County
18505 Tontogany Creek Road, P.O. Box 290
Tontogany, Ohio 43565-0290

To the Board of Education:

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Otsego Local School District, Wood County, Ohio (the District), as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for preparing and fairly presenting these financial statements in accordance with the cash accounting basis Note 2 describes. This responsibility includes determining that the cash accounting basis is acceptable for the circumstances. Management is also responsible for designing, implementing and maintaining internal control relevant to preparing and fairly presenting financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to opine on these financial statements based on our audit. We audited in accordance with auditing standards generally accepted in the United States of America and the financial audit standards in the Comptroller General of the United States' *Government Auditing Standards*. Those standards require us to plan and perform the audit to reasonably assure the financial statements are free from material misstatement.

An audit requires obtaining evidence about financial statement amounts and disclosures. The procedures selected depend on our judgment, including assessing the risks of material financial statement misstatement, whether due to fraud or error. In assessing those risks, we consider internal control relevant to the District's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not to the extent needed to opine on the effectiveness of the District's internal control. Accordingly, we express no opinion. An audit also includes evaluating the appropriateness of management's accounting policies and the reasonableness of their significant accounting estimates, as well as our evaluation of the overall financial statement presentation.

We believe the audit evidence we obtained is sufficient and appropriate to support our audit opinions.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective cash financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Otsego Local School District, Wood County, Ohio, as of June 30, 2014, and the respective changes in cash financial position and the budgetary comparison for the General Fund, thereof for the year then ended in accordance with the accounting basis described in Note 2.

Accounting Basis

Ohio Administrative Code § 117-2-03(B) requires the District to prepare its annual financial report in accordance with accounting principles generally accepted in the United States of America. We draw attention to Note 2 of the financial statements, which describes the basis applied to these statements, which is a basis other than generally accepted accounting principles. We did not modify our opinion regarding this matter.

Other Matters

Supplemental and Other Information

We audited to opine on the District's financial statements that collectively comprise its basic financial statements.

Management's Discussion and Analysis includes tables of net position, changes in net position, and governmental activities. This information provides additional analysis and is not a required part of the basic financial statements.

The Federal Awards Receipts and Expenditures Schedule (the Schedule) also presents additional analysis as required by the U.S. Office of Management and Budget Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations and is also not a required part of the basic financial statements.

These tables and the Schedule are management's responsibility, and derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. We subjected these tables and the Schedule to the auditing procedures we applied to the basic financial statements. We also applied certain additional procedures, including comparing and reconciling these tables and the Schedule directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and in accordance with auditing standards generally accepted in the United States of America. In our opinion, these tables and the Schedule are fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Other than the aforementioned procedures applied to the tables, we applied no procedures to any other information in Management's Discussion and Analysis, and we express no opinion or any other assurance on it.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated November 14, 2014, 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. That report describes the scope of our internal control testing over financial reporting and compliance, and the results of that testing, and does not opine on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

A handwritten signature in black ink that reads "Dave Yost". The signature is written in a cursive style with a large, looping "D" and "Y".

Dave Yost
Auditor of State

Columbus, Ohio

November 14, 2014

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Otsego Local School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2014
Unaudited

The discussion and analysis of Otsego Local School District's financial performance provides an overall review of the School District's financial activities for the fiscal year ended June 30, 2014, within the limitations of cash basis accounting. Readers should also review the basic financial statements and notes to enhance their understanding of the School District's financial performance.

Highlights

Highlights for fiscal year 2014 are as follows:

In total, net position decreased \$351,850, or 6 percent. This decrease was largely due to disbursements related to the Ohio School Facilities Commission construction project for new school facilities.

The School District's general receipts, those being primarily property taxes, income taxes, and unrestricted state entitlements, were 82 percent of the total cash received during the fiscal year.

Using the Basic Financial Statements

This annual report is presented in a format consistent with the presentation requirements of Governmental Accounting Standards Board Statement No. 34, as applicable to the School District's cash basis of accounting.

The School District has elected to present its financial statements on the cash basis of accounting. This basis of accounting is a basis of accounting other than generally accepted accounting principles. Basis of accounting is a reference to when financial events are recorded, such as the timing for recognizing revenues, expenses, and the related assets and liabilities. Under the School District's cash basis of accounting, receipts and disbursements and the related assets and liabilities are recorded when they result in cash transactions.

As a result of using the cash basis of accounting, certain assets and their related revenues (such as accounts receivable) and certain liabilities and their related expenses (such as accounts payable) are not recorded in the financial statements. Therefore, when reviewing the financial information and discussion within this report, the reader must keep in mind the limitations resulting from the use of the cash basis of accounting.

The statement of net position and the statement of activities provide information about the cash activities of the whole School District.

Fund financial statements provide a greater level of detail. For governmental funds, these statements tell how services were financed in the short-term as well as what remains for future spending. The fund financial statements also look at the School District's most significant funds, with all other nonmajor funds presented in total in a single column. For Otsego Local School District, the General Fund, the Bond Retirement debt service fund, and the Ohio School Facilities Commission capital projects fund are the most significant funds.

Otsego Local School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2014
Unaudited

Reporting the School District as a Whole

The statement of net position and the statement of activities reflect how the School District did financially during fiscal year 2014, within the limitations of cash basis accounting. The statement of net position presents the cash balance of the governmental activities of the School District at fiscal year end. The statement of activities compares cash disbursements with program receipts for each function or program of the School District's governmental activities. A function is a group of related activities designed to accomplish a major service or regulatory program for which the School District is responsible. Program receipts include charges paid by the recipient of the program's goods or services and grants and contributions restricted to meeting the operational or capital requirements of a particular program. General receipts are all receipts not classified as program receipts. The comparison of cash disbursements with program receipts identifies how each governmental function draws from the School District's general receipts.

These statements report the School District's cash position and the changes in cash position. Factors which contribute to these changes may also include the School District's property tax base, current property tax laws in Ohio restricting revenue growth, facility conditions, required educational programs, and other factors.

In the statement of net position and the statement of activities, all of the School District's activities are presented as governmental activities. All of the School District's programs and services are reported here including instruction, support services, non-instructional services, extracurricular activities, capital outlay, intergovernmental, and debt service disbursements.

Reporting the School District's Most Significant Funds

Fund financial statements provide detailed information about the School District's major funds. While the School District uses many funds to account for its financial transactions, the fund financial statements focus on the School District's most significant funds. The School District's major funds are the General Fund, the Bond Retirement debt service fund, and the Ohio School Facilities Commission capital projects fund.

Governmental Funds - All of the School District's activities are reported in governmental funds which focus on how monies flow into and out of those funds and the balances left at fiscal year end for spending in future periods. These funds are reported using the cash basis accounting. The governmental fund financial statements provide a detailed short-term view of the School District's general government operations and the basic services it provides. Governmental fund information helps determine whether there are more or less financial resources that can be spent in the near future to finance educational programs.

Fiduciary Funds - Fiduciary funds are used to account for resources held for the benefit of parties outside the School District. Fiduciary funds are not reflected on the government-wide financial statements because the resources from these funds are not available to support the School District's programs.

Otsego Local School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2014
Unaudited

The School District as a Whole

Table 1 provides a summary of the School District's net position for fiscal year 2014 and fiscal year 2013:

Table 1
Net Position

	Governmental Activities		
	2014	2013	Change
<u>Assets:</u>			
Cash and Cash Equivalents	\$5,160,428	\$5,512,278	(\$351,850)
<u>Net Position:</u>			
Restricted	1,965,584	2,159,534	(193,950)
Unrestricted	3,194,844	3,352,744	(157,900)
Total Net Position	\$5,160,428	\$5,512,278	(\$351,850)

As mentioned previously, total net position decreased 6 percent from the prior fiscal year. Most of this decrease can be attributed to spending related to the Ohio School Facilities Commission construction project for new school facilities.

Table 2 reflects the changes in net position for fiscal year 2014 and fiscal year 2013.

Table 2
Changes in Net Position

	Governmental Activities		
	2014	2013	Change
<u>Receipts:</u>			
Program Receipts			
Charges for Services	\$1,125,786	\$1,099,433	\$26,353
Operating Grants and Contributions	1,825,470	1,562,887	262,583
Capital Grants and Contributions	0	12,422	(12,422)
Total Program Receipts	2,951,256	2,674,742	276,514
General Receipts			
Property Taxes	5,338,071	5,093,605	244,466
Income Taxes	2,704,264	2,502,720	201,544
Grants and Entitlements	5,532,452	7,355,328	(1,822,876)
Interest	12,361	9,410	2,951
Gifts and Donations	1,523	9,822	(8,299)
Miscellaneous	114,364	172,971	(58,607)
Sale of Capital Assets	97,234	226	97,008
Total General Revenues	13,800,269	15,144,082	(1,343,813)
Total Revenues	16,751,525	17,818,824	(1,067,299)

(continued)

Otsego Local School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2014
Unaudited

Table 2
Changes in Net Position
(continued)

	Governmental Activities		
	2014	2013	Change
<u>Disbursements:</u>			
Instruction:			
Regular	\$6,608,439	\$6,431,096	(\$177,343)
Special	2,072,079	2,016,602	(55,477)
Vocational	3,620	3,332	(288)
Support Services:			
Pupils	697,858	683,060	(14,798)
Instructional Staff	479,112	234,011	(245,101)
Board of Education	17,563	15,955	(1,608)
Administration	1,025,627	947,170	(78,457)
Fiscal	397,589	382,496	(15,093)
Business	12,460	5,615	(6,845)
Operation and Maintenance of Plant	1,367,437	1,171,217	(196,220)
Pupil Transportation	1,078,856	977,575	(101,281)
Central	49,154	1,541	(47,613)
Non-Instructional Services	602,006	607,641	5,635
Extracurricular Activities	463,439	432,409	(31,030)
Capital Outlay	493,674	9,571,666	9,077,992
Intergovernmental	164,307	0	(164,307)
Debt Service:			
Principal Retirement	905,000	860,000	(45,000)
Interest and Fiscal Charges	665,155	695,791	30,636
Total Disbursements	<u>17,103,375</u>	<u>25,037,177</u>	<u>7,933,802</u>
Decrease in Net Position	(351,850)	(7,218,353)	6,866,503
Net Position Beginning of Year	<u>5,512,278</u>	<u>12,730,631</u>	<u>(7,218,353)</u>
Net Position End of Year	<u>\$5,160,428</u>	<u>\$5,512,278</u>	<u>(\$351,850)</u>

There was a 10 percent increase in program receipts in fiscal year 2014 due to an increase in operating grants and contributions primarily related to the Straight A grant. The 9 percent decrease in general revenues was due to the unrestricted grant resources received in the prior year from the Ohio School Facilities Commission for the facilities construction project.

Disbursements also decreased significantly, again related to the Ohio School Facilities project. School facilities construction is coming to a close.

The School District's largest disbursements, as expected, are reflected in the instruction programs, accounting for 51 percent of governmental activities disbursements. Combined with the support services related to instruction, such as pupils, instructional staff, operation and maintenance of plant, and pupil transportation, 72 percent of the School District's costs are related directly to the functions of delivering education and maintaining facilities.

Otsego Local School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2014
Unaudited

Table 3 indicates the total cost of services and the net cost of services for governmental activities. The statement of activities reflects the cost of program services and the charges for services, grants, and contributions offsetting those services. The net cost of services identifies the cost of those services supported by tax receipts and unrestricted state entitlements.

Table 3
Governmental Activities

	Total Cost of Services		Net Cost of Services	
	2014	2013	2014	2013
Instruction:				
Regular	\$6,608,439	\$6,431,096	\$5,753,451	\$5,782,647
Special	2,072,079	2,016,602	873,644	940,561
Vocational	3,620	3,332	969	(741)
Support Services:				
Pupils	697,858	683,060	697,858	683,060
Instructional Staff	479,112	234,011	479,112	234,011
Board of Education	17,563	15,955	17,563	15,955
Administration	1,025,627	947,170	1,025,627	947,170
Fiscal	397,589	382,496	397,589	382,496
Business	12,460	5,615	12,460	5,615
Operation and Maintenance of Plant	1,367,437	1,171,217	1,367,437	1,171,217
Pupil Transportation	1,078,856	977,575	1,070,284	960,160
Central	49,154	1,541	49,154	1,541
Non-Instructional Services	602,006	607,641	(40,680)	(89,384)
Extracurricular Activities	463,439	432,409	219,515	200,670
Capital Outlay	493,674	9,571,666	493,674	9,571,666
Intergovernmental	164,307	0	164,307	0
Debt Service:				
Principal Retirement	905,000	860,000	905,000	860,000
Interest and Fiscal Charges	665,155	695,791	665,155	695,791
Total Disbursements	\$17,103,375	\$25,037,177	\$14,152,119	\$22,362,435

The above table demonstrates the School District's significant dependence on general receipts, primarily taxes and school foundation resources. However, note that several of the School District's programs are substantially provided for through program receipts. For instance, 58 percent of the special instruction program costs were provided for through program receipts, those primarily being operating grants restricted for special instruction purposes. Again in fiscal year 2014, all of the costs of the non-instructional program was paid for through cafeteria sales and state and federal subsidies and donated commodities for food service operations. Extracurricular activities costs are supported by music and athletic fees, ticket sales, and gate receipts at musical and athletic events.

Otsego Local School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2014
Unaudited

The School District's Funds

The School District's governmental funds are accounted for using the cash basis of accounting.

Fund balance in the General Fund decreased less than 1 percent which was not significant.

The Bond Retirement Fund had an increase in fund balance due to annual tax receipts in excess of debt service requirements (principal and interest payments).

The Ohio School Facilities Commission Fund had a decrease in fund balance due to continuing construction on the facilities construction project.

General Fund Budgeting Highlights

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

During fiscal year 2014, the School District amended its General Fund budget as needed. For receipts, there was a 14 percent increase from the original budget to the final budget due to economic improvement generating additional income tax receipts and due to increases in State funding. Changes from the final budget to actual receipts were not significant. For disbursements, there was a 5 percent increase from the original budget to the final budget; however, actual disbursements more closely mirrored the original budget amounts.

Capital Assets and Debt Administration

Capital Assets

At the end of fiscal year 2014, the School District had \$46,831,470 in capital assets for governmental activities. The School District is reflecting capital assets at cost. Donated capital assets are reflected at their fair market value as of the date received. For further information regarding the School District's capital assets, refer to Note 8 to the basic financial statements.

Debt

At June 30, 2014, the School District had outstanding general obligation debt, in the amount of \$20,406,290. For further information regarding the School District's long-term obligations, refer to Note 14 to the basic financial statements.

Otsego Local School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2014
Unaudited

Current Issues

Fiscal responsibility is of paramount importance to the Otsego Board of Education and Administration. Over the past few years, spending disciplines adopted by the Board of Education have been implemented by the School District's Administration. These spending disciplines have provided the School District with the ability to improve carryover balances. Currently, the School District has enough in cash reserves to continue operations at the current level for ninety days in line with the Ohio Department of Education's recommendation for True Days Cash.

The Otsego Local School District has the privilege of a great management team, dedicated staff, and a greatly supportive and involved community. The Board of Education's adoption of spending disciplines would have no effect on the School District's finances without the oversight of the management team and the buy in from staff. The entire School District has worked diligently to do more with less and to cut corners where possible; all with positive outcomes.

There is an ongoing potential for lost revenue with the passage of legislative bills targeted at educational resources. With the passage of HB 59 in June 2013, the School District is slated to receive a small increase of State foundation resources over the next two years as included in the current State biennial budget. While the State foundation funding stream has received incremental increases over the last few years, school districts across the State of Ohio have not been able to recoup the revenues lost during the period that fiscal stabilization resources were provided. According to the State Department of Taxation, the amount of State foundation revenue that has not been restored from earlier reductions is \$607 million state-wide. With that, the State coffers are now reporting an increase to their cash balance in excess of \$1 billion this year alone.

With the number of changes coming from the State Legislature and the Ohio Department of Education, the School District has had to find new ways of operating to meet the ever changing standards. There have been adjustments in administrative practices to allow for shared services; focused more so on services purchased through the local Educational Service Center, but at a reduced cost. The School District has also worked to find additional funding streams through grant writing; both competitive and entitlement. Otsego is acting as the lead district on a Straight A consortium grant for the 2014 funding year. The management team is working to find additional opportunities for the School District which include purchasing consortiums and the renegotiation of existing contracts.

The Ohio School Facilities Commission project has begun to wind its way to completion. The new elementary building opened to students in August 2012 and the junior high building renovation has also been completed and opened in August 2013. The entire School District is now located on a single campus in Tontogany. Unfortunately, this also meant the loss of the School District's oldest buildings; three elementary buildings have been razed - Haskins Elementary, Weston Elementary, and Grand Rapids Elementary. While the School District's staff and community are excited to have all the schools on one campus, it was hard to say goodbye to our aging buildings due to the history and memories each of these building held.

In these times of economic uncertainty, the Board of Education and Administration is given the task of finding new ways to operate. Much of this environment has been created by the loss of State revenues from taxes due to unemployment, the dip in the housing market, the low number of new construction starts, and the subsequent loss of real estate valuations. These factors make school district management difficult but the School District is in the business of educating students and providing them with the skills necessary to become a successful member of society. In order to accomplish these goals, the School

Otsego Local School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2014
Unaudited

District is finding opportunity in adversity; the opportunity to find new ways of operating, educating, and preparing students for continued success.

Contacting the School District's Financial Management

This financial report is designed to provide our citizens, taxpayers, investors, and creditors with a general overview of the School District's finances while providing accountability and transparency for the funding received through State, Federal, and local sources. Questions concerning any of the information in this report or requests for additional information should be directed to Cajon Keeton, Treasurer/CFO, Otsego Local School District, 18505 Tontogany Creek Road, PO Box 290, Tontogany, Ohio 43565-0290.

Otsego Local School District
Statement of Net Position - Cash Basis
June 30, 2014

	<u>Governmental Activities</u>
<u>Assets:</u>	
Equity in Pooled Cash and Cash Equivalents	<u><u>\$5,160,428</u></u>
<u>Net Position:</u>	
Restricted for:	
Capital Projects	926,210
Debt Service	403,670
Capital Improvements	515,870
Other Purposes	119,834
Unrestricted	<u>3,194,844</u>
Total Net Position	<u><u>\$5,160,428</u></u>

See Accompanying Notes to Basic Financial Statements

Otsego Local School District
Statement of Activities - Cash Basis
For the Fiscal Year Ended June 30, 2014

	Program Cash Receipts			Net (Disbursement) Receipt and Change in Net Position
	Cash Disbursements	Charges for Services	Operating Grants and Contributions	Governmental Activities
<u>Governmental Activities:</u>				
Current:				
Instruction:				
Regular	\$6,608,439	\$490,269	\$364,719	(\$5,753,451)
Special	2,072,079	7,292	1,191,143	(873,644)
Vocational	3,620	0	2,651	(969)
Support Services:				
Pupils	697,858	0	0	(697,858)
Instructional Staff	479,112	0	0	(479,112)
Board of Education	17,563	0	0	(17,563)
Administration	1,025,627	0	0	(1,025,627)
Fiscal	397,589	0	0	(397,589)
Business	12,460	0	0	(12,460)
Operation and Maintenance of Plant	1,367,437	0	0	(1,367,437)
Pupil Transportation	1,078,856	0	8,572	(1,070,284)
Central	49,154	0	0	(49,154)
Non-Instructional Services	602,006	391,872	250,814	40,680
Extracurricular Activities	463,439	236,353	7,571	(219,515)
Capital Outlay	493,674	0	0	(493,674)
Intergovernmental	164,307	0	0	(164,307)
Debt Service:				
Principal Retirement	905,000	0	0	(905,000)
Interest and Fiscal Charges	665,155	0	0	(665,155)
Total Governmental Activities	<u>\$17,103,375</u>	<u>\$1,125,786</u>	<u>\$1,825,470</u>	<u>(14,152,119)</u>
<u>General Receipts:</u>				
Property Taxes Levied for General Purposes				4,040,236
Property Taxes Levied for Debt Service				1,202,906
Property Taxes Levied for Permanent Improvements				94,929
Income Taxes Levied for General Purposes				2,704,264
Grants and Entitlements not Restricted to Specific Programs				5,532,452
Interest				12,361
Gifts and Donations				1,523
Miscellaneous				114,364
Sale of Capital Assets				97,234
Total General Receipts				<u>13,800,269</u>
Change in Net Position				(351,850)
Net Position Beginning of Year				<u>5,512,278</u>
Net Position End of Year				<u>\$5,160,428</u>

See Accompanying Notes to Basic Financial Statements

Otsego Local School District
Statement of Cash Basis Assets and Fund Balances
Governmental Funds
June 30, 2014

	General	Bond Retirement	Ohio School Facilities Commission	Other Governmental	Total Governmental Funds
<u>Assets:</u>					
Equity in Pooled Cash and Cash Equivalents	\$2,895,692	\$403,670	\$848,048	\$497,148	\$4,644,558
<u>Restricted Assets:</u>					
Equity in Pooled Cash and Cash Equivalents	515,870	0	0	0	515,870
Total Assets	<u>\$3,411,562</u>	<u>\$403,670</u>	<u>\$848,048</u>	<u>\$497,148</u>	<u>\$5,160,428</u>
<u>Fund Balances:</u>					
Restricted	\$612,231	\$403,670	\$848,048	\$197,996	\$2,061,945
Committed	0	0	0	309,822	309,822
Assigned	174,286	0	0	0	174,286
Unassigned (Deficit)	2,625,045	0	0	(10,670)	2,614,375
Total Fund Balances	<u>\$3,411,562</u>	<u>\$403,670</u>	<u>\$848,048</u>	<u>\$497,148</u>	<u>\$5,160,428</u>

See Accompanying Notes to Basic Financial Statements

Otsego Local School District
Statement of Cash Receipts, Cash Disbursements, and Changes in Cash Basis Fund Balances
Governmental Funds
For the Fiscal Year Ended June 30, 2014

	General	Bond Retirement	Ohio School Facilities Commission	Other Governmental	Total Governmental Funds
Receipts:					
Property Taxes	\$4,040,236	\$1,202,906	\$0	\$94,929	\$5,338,071
Income Taxes	2,704,264	0	0	0	2,704,264
Intergovernmental	5,938,842	174,357	0	1,219,407	7,332,606
Interest	12,003	0	358	0	12,361
Tuition and Fees	576,361	0	0	0	576,361
Extracurricular Activities	24,108	0	0	212,245	236,353
Charges for Services	0	0	0	313,072	313,072
Gifts and Donations	1,801	0	0	25,038	26,839
Miscellaneous	113,791	0	0	573	114,364
Total Receipts	13,411,406	1,377,263	358	1,865,264	16,654,291
Disbursements:					
Current:					
Instruction:					
Regular	6,461,359	0	0	147,080	6,608,439
Special	1,494,808	0	0	577,271	2,072,079
Vocational	3,620	0	0	0	3,620
Support Services:					
Pupils	601,553	0	0	96,305	697,858
Instructional Staff	456,579	0	0	22,533	479,112
Board of Education	17,563	0	0	0	17,563
Administration	1,019,635	0	0	5,992	1,025,627
Fiscal	390,256	6,698	0	635	397,589
Business	12,460	0	0	0	12,460
Operation and Maintenance of Plant	1,263,327	0	0	104,110	1,367,437
Pupil Transportation	1,078,856	0	0	0	1,078,856
Central	43,354	0	0	5,800	49,154
Non-Instructional Services	359	0	0	601,647	602,006
Extracurricular Activities	257,506	0	0	205,933	463,439
Capital Outlay	19,830	0	470,595	3,249	493,674
Intergovernmental	0	0	0	164,307	164,307
Debt Service:					
Principal Retirement	245,000	660,000	0	0	905,000
Interest and Fiscal Charges	63,811	601,344	0	0	665,155
Total Disbursements	13,429,876	1,268,042	470,595	1,934,862	17,103,375
Excess of Receipts Over (Under) Disbursements	(18,470)	109,221	(470,237)	(69,598)	(449,084)
Other Financing Sources (Uses):					
Sale of Capital Assets	12,926	0	0	84,308	97,234
Transfers In	0	0	0	108,997	108,997
Transfers Out	0	0	0	(108,997)	(108,997)
Total Other Financing Sources (Uses)	12,926	0	0	84,308	97,234
Changes in Fund Balances	(5,544)	109,221	(470,237)	14,710	(351,850)
Fund Balances Beginning of Year	3,417,106	294,449	1,318,285	482,438	5,512,278
Fund Balances End of Year	\$3,411,562	\$403,670	\$848,048	\$497,148	\$5,160,428

See Accompanying Notes to Basic Financial Statement:

Otsego Local School District
Statement of Receipts, Disbursements, and Changes in Fund Balance
Budget (Non-GAAP Basis) and Actual
General Fund
For the Fiscal Year Ended June 30, 2014

	Budgeted Amounts		Actual	Variance with Final Budget Over (Under)
	Original	Final		
<u>Receipts:</u>				
Property Taxes	\$3,618,811	\$4,049,250	\$4,040,236	(\$9,014)
Income Taxes	2,270,611	2,712,945	2,704,264	(8,681)
Intergovernmental	5,012,699	5,933,634	5,938,842	5,208
Interest	5,717	11,644	12,003	359
Tuition and Fees	682,342	598,915	576,361	(22,554)
Extracurricular Activities	21,150	24,063	24,108	45
Gifts and Donations	76,520	2,219	1,801	(418)
Miscellaneous	125,153	80,225	74,140	(6,085)
Total Receipts	<u>11,813,003</u>	<u>13,412,895</u>	<u>13,371,755</u>	<u>(41,140)</u>
<u>Disbursements:</u>				
Current:				
Instruction:				
Regular	6,826,047	6,944,937	6,502,376	442,561
Special	1,331,673	1,621,934	1,508,422	113,512
Vocational	3,299	3,659	3,620	39
Support Services:				
Pupils	633,380	624,004	602,216	21,788
Instructional Staff	199,900	501,246	456,633	44,613
Board of Education	20,152	22,852	17,713	5,139
Administration	950,033	1,066,434	1,026,695	39,739
Fiscal	614,076	435,334	394,581	40,753
Business	5,342	13,259	12,460	799
Operation and Maintenance of Plant	1,334,728	1,372,242	1,294,168	78,074
Pupil Transportation	1,218,418	1,147,204	1,091,090	56,114
Central	88,365	52,169	43,354	8,815
Non-Instructional Services	383	359	359	0
Extracurricular Activities	250,217	267,464	257,506	9,958
Capital Outlay	19,830	19,830	19,830	0
Debt Service:				
Principal Retirement	204,000	245,000	245,000	0
Interest and Fiscal Charges	58,308	63,811	63,811	0
Total Disbursements	<u>13,758,151</u>	<u>14,401,738</u>	<u>13,539,834</u>	<u>861,904</u>
Excess of Disbursements Over Receipts	<u>(1,945,148)</u>	<u>(988,843)</u>	<u>(168,079)</u>	<u>820,764</u>
<u>Other Financing Sources:</u>				
Sale of Capital Assets	14,452	2,493	12,926	10,433
Refund of Prior Year Expenditures	34,388	39,651	39,651	0
Total Other Financing Sources	<u>48,840</u>	<u>42,144</u>	<u>52,577</u>	<u>10,433</u>
Changes in Fund Balance	(1,896,308)	(946,699)	(115,502)	831,197
Fund Balance Beginning of Year	3,209,728	3,209,728	3,209,728	0
Prior Year Encumbrances Appropriated	207,378	207,378	207,378	0
Fund Balance End of Year	<u>\$1,520,798</u>	<u>\$2,470,407</u>	<u>\$3,301,604</u>	<u>\$831,197</u>

See Accompanying Notes to the Basic Financial Statements] 7

Otsego Local School District
Statement of Cash Basis Fiduciary Net Position
Fiduciary Funds
For the Fiscal Year Ended June 30, 2014

	Private Purpose Trust	Agency
<u>Assets:</u>		
Equity in Pooled Cash and Cash Equivalents	\$62,149	\$48,736
<u>Liabilities:</u>		
Due to Students	0	\$48,736
<u>Net Position:</u>		
Held in Trust for Scholarships	34,169	
Endowment	27,980	
Total Net Position	\$62,149	

See Accompanying Notes to Basic Financial Statements

Otsego Local School District
Statement of Cash Basis Change in Fiduciary Net Position
Private Purpose Trust Fund
For the Fiscal Year Ended June 30, 2014

Additions:

Interest	\$4
Donations	4,068
Total Additions	<u>4,072</u>

Deductions:

Non-Instructional Services	<u>3,567</u>
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Change in Net Position 505

Net Position Beginning of Year 61,644

Net Position End of Year \$62,149

See Accompanying Notes to Basic Financial Statements

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Note 1 - Description of the School District and Reporting Entity

Otsego Local School District (the “School District”) is organized under Article VI, Sections 2 and 3 of the Constitution of the State of Ohio. The School District operates under a locally-elected Board form of government consisting of five members elected at-large for staggered four year terms. The School District provides educational services as authorized by state and federal guidelines.

The School District serves an area of approximately one hundred forty-four square miles. It is located in portions of Wood, Lucas, and Henry Counties, including the villages of Tontogany, Haskins, Grand Rapids, and Weston, and portions of surrounding townships. The School District is the 332nd largest in the State of Ohio (among 612 school districts) in terms of enrollment. It is staffed by seventy-nine classified employees, ninety-eight certified teaching personnel, and thirteen administrative employees who provide services to 1,595 students and other community members. The School District currently operates one elementary school, one middle school, and one comprehensive high school.

Reporting Entity

A reporting entity is composed of the primary government, component units, and other organizations that are included to insure the financial statements are not misleading. The primary government of the School District consists of all funds, departments, boards, and agencies that are not legally separate from the School District. For Otsego Local School District, this includes general operations, food service, and student related activities of the School District.

Component units are legally separate organizations for which the School District is financially accountable. The School District is financially accountable for an organization if the School District appoints a voting majority of the organization’s governing board and (1) the School District is able to significantly influence the programs or services performed or provided by the organization; or (2) the School District is legally entitled to or can otherwise access the organization’s resources; the School District is legally obligated or has otherwise assumed the responsibility to finance the deficits of, or provide financial support to, the organization; or the School District is obligated for the debt of the organization. Component units may also include organizations that are fiscally dependent on the School District in that the School District approves the budget, the issuance of debt, or the levying of taxes, and there is a potential for the organization to provide specific financial benefits to or impose specific financial burdens on the School District. There are no component units of the Otsego Local School District.

The School District participates in four jointly governed organizations, a related organization, and two insurance pools. These organizations are the Northwest Ohio Computer Association, Northern Buckeye Education Council, Penta Career Center, Northwestern Ohio Educational Research Council, Inc., Weston Public Library, Wood County Schools Benefit Plan Association, and the Ohio School Boards Association Workers’ Compensation Group Rating Plan. These organizations are presented in Notes 20, 21, and 22 to the basic financial statements.

Note 2 - Summary of Significant Accounting Policies

These financial statements are presented on a cash basis of accounting. This basis of accounting differs from accounting principles generally accepted in the United States of America (GAAP). Generally accepted accounting principals include all relevant Governmental Accounting Standards Board (GASB) pronouncements, which have been applied to the extent they are applicable to the cash basis of accounting. Following are the more significant of the School District’s accounting policies.

Note 2 - Summary of Significant Accounting Policies (continued)

A. Basis of Presentation

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

Government-Wide Financial Statements

The statement of net position and the statement of activities display information about the School District as a whole. These statements include the financial activities of the primary government, except for fiduciary funds.

The statement of net position presents the cash balance of the governmental activities of the School District at fiscal year end. The statement of activities compares disbursements with program receipts for each function or program of the School District's governmental activities. Disbursements are reported by function. A function is a group of related activities designed to accomplish a major service or regulatory program for which the School District is responsible. Program receipts include charges paid by the recipient of the program's goods or services and grants and contributions restricted to meeting the operational or capital requirements of a particular program. General receipts are all receipts not classified as program receipts, with certain limited exceptions. The comparison of direct disbursements with program receipts identifies the extent to which each governmental function is self-financing on a cash basis or draws from the School District's general receipts.

Fund Financial Statements

During the fiscal year, the School District segregates transactions related to certain School District functions or activities in separate funds in order to aid financial management and to demonstrate legal compliance. Fund financial statements are designed to present financial information of the School District at this more detailed level. The focus of governmental fund financial statements is on major funds. Each major fund is presented in a separate column. Nonmajor funds are aggregated and presented in a single column. Fiduciary funds are reported by type.

B. Fund Accounting

The School District uses funds to maintain its financial records during the fiscal year. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts. The funds of the School District are divided into two categories, governmental and fiduciary.

Governmental Funds

The School District classifies funds financed primarily from taxes, intergovernmental receipts (e.g. grants), and other nonexchange transactions as governmental funds. The School District's three major funds are the General Fund, the Bond Retirement debt service fund, and the Ohio School Facilities Commission capital projects fund.

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

Note 2 - Summary of Significant Accounting Policies (continued)

Bond Retirement Fund - The Bond Retirement Fund is used to account for property taxes restricted for the payment of principal, interest, and related costs on general obligation debt.

Ohio School Facilities Commission Fund - The Ohio School Facilities Commission Fund is used to account for resources received and restricted for expenditures in connection with contracts entered into by the School District and the Ohio School Facilities Commission for building one new elementary school to house grades Pre-K thru 5, renovations to the high school, and demolition of three elementary schools.

The other governmental funds of the School District account for grants and other resources whose use is restricted, committed, or assigned for a particular purpose.

Fiduciary Funds

Fiduciary fund reporting focuses on net position and changes in net position. 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 School District under a trust agreement for individuals, private organizations, or other governments and are not available to support the School District's own programs. The School District's private purpose trust fund accounts for programs that provide college scholarships and loans to students after graduation. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. The School District's agency fund accounts for various student-managed activities.

C. Basis of Accounting

The School District's financial statements are prepared using the cash basis of accounting. Except for modifications having substantial support, receipts are recorded in the School District's financial records and reported in the financial statements when cash is received rather than when earned and disbursements are recorded when cash is paid rather than when a liability is incurred.

As a result of the use of the cash basis of accounting, certain assets and their related revenues (such as accounts receivable and revenue for billed or provided services not yet collected) and certain liabilities and their related expenses (such as accounts payable and expenses for goods or services received but not yet paid, and accrued expenses and liabilities) are not recorded in the financial statements.

D. Budgetary Process

All funds, except agency funds, are legally required to be budgeted and appropriated. The major documents prepared are the tax budget, the certificate of estimated resources, and the appropriations resolution, all of 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 amount the Board of Education may appropriate. The appropriations resolution is the Board's authorization to spend resources and sets annual limits on expenditures plus encumbrances at the level of control selected by the Board. The legal level of control selected by the Board is at the fund level for all funds. Budgetary allocations at the function and object level for all funds are made by the School District Treasurer.

Otsego Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2014

Note 2 - Summary of Significant Accounting Policies (continued)

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

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

E. Cash and Investments

To improve cash management, cash received by the School District is pooled. Monies for all funds are maintained in this pool. Individual fund integrity is maintained through School District records. Interest in the pool is presented as "Equity in Pooled Cash and Cash Equivalents".

During fiscal year 2014, investments consisted of negotiable certificates of deposit and STAR Ohio. Investments are reported at fair value, which is based on quoted market price. 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 net asset value per share, which is the price the investment could be sold for on June 30, 2014.

The School District allocates interest according to State statutes. Interest revenue credited to the General Fund during fiscal year 2014 was \$12,003, which includes \$2,981 assigned from other School District funds.

Investments of the School District's cash management pool and investments with an original maturity of three months or less at the time they are purchased by the School District are presented on the financial statements as cash equivalents. Investments with an initial maturity of more than three months that were not purchased from the pool are reported as investments.

Investments are reported as assets. Accordingly, purchases of investments are not recorded as disbursements, and sales of investments are not recorded as receipts. Gains or losses at the time of sale are recorded as receipts or negative receipts (contra revenue), respectively.

Note 2 - Summary of Significant Accounting Policies (continued)

F. Restricted Assets

Assets are reported as restricted when limitations on their use change the nature or normal understanding of the availability of the asset. Such constraints are either externally imposed by creditors, contributors, grantors, laws of other governments, or imposed by law through constitutional provisions. Restricted assets in the General Fund represent amounts required by State statute to be set aside for the acquisition and construction of capital improvements.

G. Capital Assets

Acquisitions of property, plant, and equipment are recorded as disbursements when paid. The financial statements do not report these assets.

H. Compensated Absences

Employees are entitled to cash payments for unused vacation and sick leave in certain circumstances, such as upon leaving employment. Unpaid vacation and sick leave are not reflected as liabilities under the cash basis of accounting used by the School District.

I. Long-Term Obligations

Cash basis financial statements do not report liabilities for bonds and other long-term obligations. Proceeds of debt are reported when cash is received and principal and interest payments are reported when disbursements are made.

J. Net Position

Net position is reported as restricted when there are limitations imposed on its use either through external restrictions imposed by creditors, grantors, or laws or regulations of other governments. Net position restricted for other purposes includes resources restricted for food service operations and federal and state grants. The School District's policy is to first apply restricted resources when an expense is incurred for purposes for which both restricted and unrestricted net position is available.

K. Fund Balance

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

Nonspendable - The nonspendable classification includes amounts that cannot be spent because they are not in spendable form or legally or contractually required to be maintained intact. The "not in spendable form" includes items that are not expected to be converted to cash.

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

Otsego Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2014

Note 2 - Summary of Significant Accounting Policies (continued)

Committed - The committed classification includes amounts that can be used only for the specific purposes imposed by a formal action (resolution) of the Board of Education. The committed amounts cannot be used for any other purpose unless the 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 classification are intended to be used by the School 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. Assigned amounts represent intended uses established by the Board of Education. The Board of Education has authorized the Treasurer to assign fund balance for purchases on order provided such amounts have been lawfully appropriated.

Unassigned - Unassigned fund balance is the residual classification for the General Fund and includes all spendable amounts not contained in the other classifications. In other governmental funds, the unassigned classification is used only to report a deficit balance.

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

L. Interfund Activity

Transfers within governmental activities are eliminated on the government-wide financial statements.

Internal allocations of overhead expenses from one function to another or within the same function are eliminated on the statement of activities. Payments for interfund services provided and used are not eliminated.

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

Note 3 - Budgetary Basis of Accounting

The budgetary basis as provided by law is based upon accounting for certain transactions on the basis of cash, receipts, disbursements, and encumbrances. The Statement of Receipts, Disbursements, and Changes in Fund Balance - Budget (Non-GAAP Basis) and Actual presented for the General Fund is prepared on the budgetary basis to provide a meaningful comparison of actual results with the budget. The difference between the budgetary basis and the cash basis is outstanding year end encumbrances which are treated as cash disbursements (budgetary basis) rather than as committed or assigned fund balance (cash basis). The General Fund encumbrances outstanding at year end (budgetary basis) were \$109,958.

Note 4 - Accountability

At June 30, 2014, the Miscellaneous Local Grants, Race to the Top, and Title VI-B special revenue funds had deficit fund balances, in the amount of \$770, \$8,800 and \$1,100, respectively. The General Fund provides transfers to cover deficit balances; however, this is done when cash is needed.

Note 5 - Deposits and Investments

Monies held by the School District are classified by State statute into three categories.

Active monies are public monies determined to be necessary to meet current demands upon the School District treasury. Active monies must be maintained either as cash in the School 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 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 monies 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.

Interim monies held by the School District may be deposited or invested in the following securities:

1. United States Treasury bills, bonds, notes, 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 obligation or security 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;
4. Bonds and other obligations of the State of Ohio or Ohio local governments;
5. Time certificates of deposit or savings or deposit accounts including, but not limited to, passbook accounts;
6. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2);

Otsego Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2014

Note 5 - Deposits and Investments (continued)

7. The State Treasurer's investment pool (STAR Ohio); and
8. Commercial paper and bankers' acceptances if training requirements have been met.

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 School 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.

Deposits

Custodial credit risk for deposits is the risk that in the event of bank failure, the School District will not be able to recover deposits or collateral securities that are in the possession of an outside party. At fiscal year end, \$703,060 of the School District's bank balance of \$2,063,014 was exposed to custodial credit risk because it was uninsured and uncollateralized. Although 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.

The School District has no deposit policy for custodial credit risk beyond the requirements of State statute. Ohio law requires that deposits be either insured or be protected by eligible securities pledged to and deposited either with the School District or a qualified trustee by the financial institution as security for repayment, or by a collateral pool of eligible securities deposited with a qualified trustee and pledged to secure the repayment of all public monies deposited in the financial institution whose market value at all times shall be at least 105 percent of the deposits being secured.

Investments

As of June 30, 2014, the School District had the following investments:

	Fair Value	Maturity
Negotiable Certificates of Deposit	\$200,000	9/19/14
Negotiable Certificates of Deposit	200,000	10/3/14
Negotiable Certificates of Deposit	200,000	10/17/14
Negotiable Certificates of Deposit	200,000	3/18/15
Negotiable Certificates of Deposit	200,000	4/6/15
Negotiable Certificates of Deposit	200,000	4/30/15
Negotiable Certificates of Deposit	200,000	9/14/15
Negotiable Certificates of Deposit	200,000	10/13/15
Negotiable Certificates of Deposit	200,000	1/28/16
Negotiable Certificates of Deposit	200,000	3/21/16
Negotiable Certificates of Deposit	200,000	5/9/16
STAR Ohio	1,140,809	51.4 Days
	\$3,340,809	

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. The investment policy restricts the Treasurer from investing in any securities other than those identified in the Ohio Revised Code and that all investments must mature within five years from the date of investment unless they are matched to a specific obligation or debt of the School District.

Otsego Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2014

Note 5 - Deposits and Investments (continued)

The negotiable certificates of deposit are covered by FDIC insurance. STAR Ohio carries a rating of AAA by Standard and Poor's. The School District has no investment policy dealing with credit risk beyond the requirements of State statute. STAR Ohio must maintain the highest rating provided by at least one nationally recognized standard rating service.

Negotiable certificates of deposit make up 66 percent of the School District's total portfolio.

Note 6 - Property Taxes

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

Property taxes include amounts levied against all real and public utility property located in the School District. Real property tax revenues received in calendar year 2014 represent the collection of calendar year 2013 taxes. Real property taxes received in calendar year 2014 were levied after April 1, 2013, on the assessed values as of January 1, 2013, the lien date. Assessed values for real property taxes are established by State statute at 35 percent of appraised market value. Real property taxes are payable annually or semiannually. If paid annually, payment is due December 31; if paid semiannually, 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.

Public utility property tax revenues received in calendar year 2014 represent the collection of calendar year 2013 taxes. Public utility real and tangible personal property taxes received in calendar year 2014 became a lien on December 31, 2012, were levied after April 1, 2013, and are collected with real property taxes. Public utility real property is assessed at 35 percent of true value; public utility tangible personal property is currently assessed at varying percentages of true value.

The School District receives property taxes from Wood, Lucas, and Henry Counties. The County Auditors periodically advance to the School District its portion of the taxes collected. Second-half real property tax payments collected by the counties by June 30, 2014, are available to finance fiscal year 2014 operations. The amount available to be advanced can vary based on the date the tax bills are sent.

Otsego Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2014

Note 6 - Property Taxes (continued)

The assessed values upon which fiscal year 2014 taxes were collected are:

	2013 Second- Half Collections		2014 First- Half Collections	
	Amount	Percent	Amount	Percent
Agricultural/Residential	\$193,615,730	90.00%	\$194,433,600	89.73%
Industrial/Commercial	13,910,610	6.46	13,918,640	6.42
Public Utility Real	153,330	.07	159,080	.07
Public Utility Personal	7,460,750	3.47	8,184,710	3.78
Total Assessed Value	<u>\$215,140,420</u>	<u>100.00%</u>	<u>\$216,696,030</u>	<u>100.00%</u>
Tax rate per \$1,000 of assessed valuation	\$46.10		\$48.70	

Note 7 - Income Taxes

The School District levies a voted tax of 1 percent for general operations on the income of residents and of estates. The tax was effective on January 1, 2003, and is for a continuing period. Employers of residents are required to withhold income tax on compensation and remit the tax to the State. Taxpayers are required to file an annual return. The State makes quarterly distributions to the School District after withholding amounts for administrative fees and estimated refunds. Income tax revenue is credited to the General Fund.

Note 8 - Capital Assets

Capital asset activity for the fiscal year ended June 30, 2014, was as follows:

	Balance at 6/30/13	Additions	Reductions	Balance at 6/30/14
Governmental Activities				
Nondepreciable Capital Assets				
Land	\$143,659	\$0	\$0	\$143,659
Construction in Progress	22,291,950	128,449	(22,420,399)	0
Total Nondepreciable Capital Assets	<u>22,435,609</u>	<u>128,449</u>	<u>(22,420,399)</u>	<u>143,659</u>
Depreciable Capital Assets				
Land Improvements	699,846	24,558	0	724,404
Building and Building Improvements	22,079,563	22,420,399	(942,715)	43,557,247
Furniture, Fixtures, and Equipment	907,619	73,773	0	981,392
Vehicles	955,840	468,928	0	1,424,768
Total Depreciable Capital Assets	<u>24,642,868</u>	<u>22,987,658</u>	<u>(942,715)</u>	<u>46,687,811</u>
Governmental Activities Capital Assets	<u>\$47,078,477</u>	<u>\$23,116,107</u>	<u>(\$23,363,114)</u>	<u>\$46,831,470</u>

Note 9 - Risk Management

The School 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 2014, the School District contracted for the following insurance coverage:

Coverage provided by the Ohio School Plan is as follows:

General School District Liability	
Per Occurrence	\$3,000,000
Aggregate	5,000,000
Building and Contents	62,171,471
Umbrella Liability	1,000,000
Automobile Liability	3,000,000
Uninsured Motorists	1,000,000

Settled claims have not exceeded this commercial coverage in any of the past three years. There was a significant increase in all of the liability insurance coverage from the prior fiscal year due to the change in the School District's capital asset inventory (completion and occupancy of the new building and disposal of old buildings).

The School District participates in the Wood County Schools Benefit Plan Association (Association), a public entity shared risk pool consisting of six local school districts, two exempted village school districts, a city school district, a joint vocational school, and the Educational Service Center. The School District pays monthly premiums to the Association for employee medical and dental benefits. The Association is responsible for the management and operations of the program and the payment of all claims. Upon withdrawal from the Association, a participant is responsible for the payment of all liabilities to its employees, dependents, and designated beneficiaries accruing as a result of withdrawal.

For fiscal year 2014, the School District participated in the Ohio School Boards Association Workers' Compensation Group Rating Plan (GRP), an insurance purchasing pool. The intent of the GRP is to achieve the benefit of a reduced premium for the School District by virtue of its grouping and representation with other participants in the GRP. The workers' compensation experience of the participants is calculated as one experience and a common premium rate is applied to all participants in the GRP. Each participant pays its workers' compensation premium to the State based on the rate for the GRP rather than its individual rate. Participation in the GRP is limited to participants that can meet the GRP's selection criteria. The firm of Gates McDonald & Co. provides administrative, cost control, and actuarial services to the GRP.

Otsego Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2014

Note 10 - Contractual Commitments

The School District has several outstanding contracts for professional services. The following amounts remain on these contracts as of June 30, 2014:

Vendor	Contract Amount	Amount Paid as of 6/30/14	Outstanding Balance
Environmental Service, Inc.	\$15,348	\$1,128	\$14,220
Stan & Associates, Inc.	63,396	25,218	38,178

At fiscal year end, the amount of significant encumbrances expected to be honored upon performance by the vendor in fiscal year 2015 are as follows:

General Fund	\$109,958
Ohio School Facilities Commission Fund	70,960
Other Governmental Funds	627,661
Total	\$808,579

Note 11 - Defined Benefit Pension Plans

A. State Teachers Retirement System

Plan Description - The School District participates in the State Teachers Retirement System of Ohio (STRS Ohio), a cost-sharing multiple-employer public employee retirement system. 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 can be obtained by writing to the State Teachers Retirement System of Ohio, 275 East Broad Street, Columbus, Ohio 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 Plan (DBP), a Defined Contribution Plan (DCP), and a Combined Plan (CP). The DBP offers an annual retirement allowance based on final average salary multiplied by a percentage that varies based on years of service or on 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 DCP 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 fifty and termination of employment. The member may elect to receive a lifetime monthly annuity or a lump sum withdrawal. The CP offers features of both the DBP and the DCP. In the CP, 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 DBP. The DBP portion of the CP payment is payable to a member on or after age sixty; the DCP portion of the account may be taken as a lump sum payment or converted to a lifetime monthly annuity at age fifty. Benefits are established by Chapter 3307 of the Ohio Revised Code.

A DBP or CP 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 DCP who become disabled are entitled only to their account balance. If a member of the DCP dies before retirement benefits begin, the member's designated beneficiary is entitled to receive the member's³² account balance.

Note 11 - Defined Benefit Pension Plans (continued)

Funding Policy - Chapter 3307 of the Ohio Revised Code provides statutory authority for member and employer contributions. Contribution rates are established by the STRS Ohio Board upon the recommendation of its consulting actuary, not to exceed statutory maximum rates of 11 percent for members and 14 percent for employers. The statutory maximum employee contribution rate will be increased 1 percent each year beginning July 1, 2013, until it reaches 14 percent on July 1, 2016. For the fiscal year ended June 30, 2014, plan members were required to contribute 11 percent of their annual covered salary. The School District was required to contribute 14 percent; 13 percent was the portion used to fund pension obligations.

The School District's required contribution to STRS Ohio for the DBP and for the defined benefit portion of the CP were \$723,480 and \$14,131 for the fiscal year ended June 30, 2014, \$697,640 and \$13,703 for the fiscal year ended June 30, 2013, and \$694,579 and \$10,423 for the fiscal year ended June 30, 2012. For fiscal year 2014, 83 percent has been contributed for both the DBP and CP. The full amount has been contributed for fiscal years 2013 and 2012.

The contribution to STRS Ohio for the DCP for fiscal year 2014 was \$13,058 made by the School District and \$10,260 made by the plan members. In addition, member contributions of \$11,103 were made for fiscal year 2014 for the defined contribution portion of the CP.

B. School Employees Retirement System

Plan Description - The School District participates in the School Employees Retirement System (SERS), a cost-sharing multiple-employer defined benefit pension plan. SERS provides retirement, disability and survivor 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 stand-alone financial report that can be obtained by visiting the SERS website at www.ohsers.org under employers/audit resources.

Funding Policy - Plan members are required to contribute 10 percent of their annual covered salary and the School District is required to contribute 14 percent of annual covered payroll. The contribution requirement of plan members and employers is 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. The Retirement Board, acting with the advice of the actuary, allocates the employer contribution rate among four of the system's funds (pension trust fund, death benefit fund, Medicare B fund, and health care fund). For the fiscal year ended June 30, 2014, the allocation to pension and death benefits was 13.1 percent. The remaining .9 percent of the 14 percent employer contribution rate was allocated to the Medicare B and health care funds. The School District's required contribution for pension obligations to SERS for the fiscal years ended June 30, 2014, 2013, and 2012 was \$233,927, \$211,824, and \$208,175, respectively. For fiscal year 2014, 68 percent has been contributed. The full amount has been contributed for fiscal years 2013 and 2012.

C. Social Security System

Effective July 1, 1991, all employees not otherwise covered by the State Teachers Retirement System or the School Employees Retirement System have an option to choose Social Security or the State Teachers Retirement System/School Employees Retirement System. As of June 30, 2014, two of the Board of Education members have elected Social Security. The Board's liability is 6.2 percent of wages paid.

Note 12 - Postemployment Benefits

A. State Teachers Retirement System

Plan Description - The School District participates in a cost-sharing multiple-employer defined benefit Health Care 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. Ohio law authorizes STRS Ohio to offer the Plan. Benefits include hospitalization, physicians' fees, prescription drugs, and reimbursement of monthly Medicare Part B premiums. The Plan is included in STRS Ohio's financial report which can be obtained by calling (888) 227-7877 or by visiting the STRS Ohio Web site at www.strsoh.org.

Funding Policy - Chapter 3307 of the Ohio Revised Code 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 Health Care Plan. All benefit recipients, for the most recent year, pay a monthly premium. Under Ohio law, funding for postemployment health care may be deducted from employer contributions. For fiscal year 2014, STRS Ohio allocated employer contributions equal to 1 percent of covered payroll to postemployment health care. The School District's contribution for health care for the fiscal years ended June 30, 2014, 2013, and 2012 was \$57,744, \$55,506, and \$54,946, respectively. For fiscal year 2014, 83 percent has been contributed. The full amount has been contributed for fiscal years 2013 and 2012.

B. School Employees Retirement System

Plan Description - The School District participates in two cost-sharing multiple-employer defined benefit other postemployment benefit (OPEB) plans administered by the School Employees Retirement System (SERS) for classified 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 obligation to contribute are established by SERS based on authority granted by State statute. The financial reports of both Plans are included in the SERS Comprehensive Annual Financial Report which can be obtained by visiting the SERS website at www.ohsers.org under employers/audit resources.

Funding Policy - State statute permits SERS to fund the health care benefits through employer contributions. Each fiscal 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 fiscal year 2013, .14 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 fiscal year 2014, this amount was \$20,250. For fiscal year 2014, the School District paid \$24,487 in surcharge.

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 School District's contribution for health care for the fiscal years ended June 30, 2014, 2013, and 2012 was \$2,500, \$2,587, and \$9,015, respectively. For fiscal year 2014, 68 percent has been contributed. The full amount has been contributed for fiscal years 2013 and 2012.

Otsego Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2014

Note 12 - Postemployment Benefits (continued)

The Retirement Board, acting with advice of the actuary, allocates a portion of the employer contribution to the Medicare Part B Fund. For fiscal year 2014, this actuarially required allocation was .76 percent of covered payroll. The School District's contribution for Medicare Part B for the fiscal years ended June 30, 2014, 2013, and 2012 was \$13,571, \$11,966, and \$12,294, respectively. For fiscal year 2014, 68 percent has been contributed. The full amount has been contributed for fiscal years 2013 and 2012.

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 ten to twenty-one days of vacation per 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 a rate of one and one-fourth days per month. Sick leave may be accumulated to an unlimited amount for certified employees and administrators and up to a maximum of two hundred ninety-five days for classified employees. Upon retirement, payment is made for one-fourth of accrued but unused sick leave credit to a maximum of seventy days for both certified and classified employees.

B. Health Care Benefits

The School District offers medical and dental benefits to full-time employees through the Wood County Schools Benefit Plan Association. Vision benefits are available through Vision Service Plan. The School District also offers life insurance to all employees through the Northern Buckeye Educational Council (NBEC) Life Insurance Program.

Note 14 - Long-Term Obligations

Changes in the School District's long-term obligations during fiscal year 2014 were as follows:

	Balance at 6/30/13	Additions	Reductions	Balance at 6/30/14	Amounts Due Within One Year
General Obligation Debt					
FY 2010 Certificates of Participation 1.95%	\$3,275,000	\$0	\$245,000	\$3,030,000	\$250,000
FY 2007 School Facilities Construction and Improvement Refunding					
Serial Bonds 4 - 4.125%	6,295,000	0	90,000	6,205,000	0
Term Bonds 4%	2,135,000	0	0	2,135,000	0
Capital Appreciation Bonds	45,000	0	0	45,000	5,166
Accretion on Capital Appreciation Bonds	448,515	218,470	0	666,985	0
Premium	851,633	0	9,044	842,589	0
Discount	(31,065)	0	(330)	(30,735)	0

(continued)

Otsego Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2014

Note 14 - Long-Term Obligations (continued)

	Balance at 6/30/13	Additions	Reductions	Balance at 6/30/14	Amounts Due Within One Year
General Obligation Debt					
Serial Bonds 4 - 4.125%	\$4,735,000	\$0	\$85,000	\$4,650,000	\$85,000
Term Bonds 4%	985,000	0	0	985,000	0
Capital Appreciation Bonds	220,000	0	0	220,000	0
Accretion on Capital Appreciation Bonds	402,557	109,466	0	512,023	0
Premium	603,281	0	8,633	594,648	0
Discount	(39,790)	0	(570)	(39,220)	0
FY 2004 School Facilities					
Construction and Improvement					
Serial Bonds 5.0233%	955,000	0	460,000	495,000	495,000
Premium	1,503	0	1,503	0	0
Discount	(2,777)	0	(2,777)	0	0
FY 1994 School Facilities					
Improvement 5.0983%	120,000	0	25,000	95,000	30,000
Total General Obligation Debt	<u>\$20,998,857</u>	<u>\$327,936</u>	<u>\$920,503</u>	<u>\$20,406,290</u>	<u>\$865,166</u>

FY 2010 Certificates of Participation - On December 18, 2009, the School District issued certificates of participation, in the amount of \$4,000,000, to construct and renovate buildings. The debt was issued in accordance with the American Recovery and Reinvestment Act of 2009, which provides for federal tax credits for the holders of debt in lieu of interest payments. This reduces the issuers costs of borrowing. This debt was issued for a fifteen year period, with final maturity during fiscal year 2025. The debt will be retired through the General Fund.

The debt maturing on September 16, 2024, is subject to mandatory sinking fund redemption, at a redemption price equal to 100 percent of the principal amount redeemed, plus accrued interest to the date of redemption, on December 1 in each year and principal amount as follows:

Year	Amount
2010	\$250,000
2011	235,000
2012	240,000
2013	245,000
2014	250,000
2015	255,000
2016	260,000
2017	265,000
2018	270,000
2019	275,000
2020	280,000
2021	285,000
2022	290,000
2023	295,000

Otsego Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2014

Note 14 - Long-Term Obligations (continued)

The remaining principal, in the amount of \$305,000, will be paid at stated maturity on September 16, 2024.

FY 2007 School Facilities Construction and Improvement Refunding Bonds - On December 21, 2006, the School District issued bonds, in the amount of \$8,965,000, to partially refund bonds previously issued in fiscal year 2004 for buildings and other improvements. The refunding bond issue included serial, term, and capital appreciation bonds, in the original amount of \$6,785,000, \$2,135,000 and \$45,000, respectively. The bonds were issued for a twenty-six year period, with final maturity during fiscal year 2033. The bonds will be retired through the Bond Retirement debt service fund.

The serial bonds are subject to optional redemption, by and at the sole option of the School District, either in whole or in part and in integral multiples of \$5,000, on any date on or after December 1, 2017, at a redemption price of 100 percent of the principal amount redeemed plus accrued interest to the redemption date.

The capital appreciation bonds are not subject to prior redemption. The capital appreciation bonds (principal and interest) will mature on December 1, 2014, December 1, 2015, and December 1, 2016, in the amount of \$95,000, \$620,000, and \$630,000, respectively. For fiscal year 2014, \$218,470 was accreted on the capital appreciation bonds for a total bond value of \$711,985 at fiscal year end.

At June 30, 2014, \$8,965,000 of the refunded bonds was still outstanding.

FY 2007 School Facilities Construction and Improvement Refunding Bonds - On January 30, 2007, the School District issued bonds, in the amount of \$6,420,000, to partially refund bonds previously issued in fiscal year 2004 for buildings and other improvements. The refunding bond issue included serial, term, and capital appreciation bonds, in the original amount of \$5,215,000, \$985,000 and \$220,000, respectively. The bonds were issued for a twenty-two year period, with final maturity during fiscal year 2029. The bonds will be retired through the Bond Retirement debt service fund.

The serial bonds are subject to optional redemption, by and at the sole option of the School District, either in whole or in part and in integral multiples of \$5,000, on any date on or after December 1, 2028, at a redemption price of 100 percent of the principal amount redeemed plus accrued interest to the redemption date.

The capital appreciation bonds are not subject to prior redemption. The capital appreciation bonds (principal and interest) will mature on December 1, 2017, and December 1, 2018, in the amount of \$690,000, and \$685,000, respectively. For fiscal year 2014, \$109,466 was accreted on the capital appreciation bonds for a total bond value of \$732,023 at fiscal year end.

At June 30, 2014, \$6,420,000 of the refunded bonds was still outstanding.

FY 2004 School Facilities Construction and Improvement Bonds - On June 17, 2004, the School District issued \$18,400,000 in voted general obligation bonds for constructing a new high school building. The bond issue included serial, term, and capital appreciation bonds, in the original amount of \$3,865,000, \$14,300,000, and \$235,000, respectively. The bonds were issued for a twenty-eight year period, with final maturity in fiscal year 2032. During fiscal year 2007, a portion of the serial bonds, in the amount of \$1,085,000, and the term bonds, in the amount of \$14,300,000, were advance refunded. The bonds are being retired through the Bond Retirement debt service fund.

Otsego Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2014

Note 14 - Long-Term Obligations (continued)

The capital appreciation bonds were not subject to redemption prior to maturity. The capital appreciation (principal and interest) bonds matured on December 1, 2010, and December 1, 2011, in the amount of \$405,000 and \$420,000, respectively.

FY 1994 School Facilities Improvement Bonds - On February 1, 1994, the School District issued \$425,000 in voted general obligation bonds for improvements to an existing building. The bonds were issued for a twenty-three year period, with final maturity in fiscal year 2017. The bonds are being retired through the Bond Retirement debt service fund.

The School District's overall debt margin was \$1,309,689 with an unvoted debt margin of \$208,511 at June 30, 2014.

Principal and interest requirements to retire the general obligation debt outstanding at June 30, 2014, were as follows:

Fiscal Year Ending June 30,	General Obligation Debt				
	Serial	Term	Capital	Interest	Total
2015	\$860,000	\$0	\$5,166	\$724,587	\$1,589,753
2016	375,000	0	23,368	1,211,611	1,609,979
2017	390,000	0	16,466	1,218,258	1,624,724
2018	310,000	0	119,273	1,166,628	1,595,901
2019	270,000	50,000	100,727	1,173,167	1,593,894
2020-2024	4,490,000	935,000	0	2,469,174	7,894,174
2025-2029	4,160,000	1,020,000	0	1,462,625	6,642,625
2030-2033	3,620,000	1,115,000	0	388,100	5,123,100
	<u>\$14,475,000</u>	<u>\$3,120,000</u>	<u>\$265,000</u>	<u>\$9,814,150</u>	<u>\$27,674,150</u>

Note 15 - Capital Leases - Lessee Disclosure

The School District has entered into capitalized leases for vehicles.

	Governmental Activities
Vehicles	<u>\$468,928</u>
Less Accumulated Depreciation	<u>(13,027)</u>
Carrying Value at June 30, 2014	<u>\$455,901</u>

Otsego Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2014

Note 15 - Capital Leases - Lessee Disclosure (continued)

The following is a schedule of the future minimum lease payments required under the capital leases and the present value of the minimum lease payments as of June 30, 2014.

Year	Governmental Activities	
	Principal	Interest
2015	\$93,546	\$719
2016	93,778	487
2017	94,018	248
2018	94,265	0
Total	\$375,607	\$1,454

Note 16 - Fund Balance

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

Fund Balance	General	Bond Retirement	Ohio School Facilities Commission	Other Governmental	Total Governmental Funds
Restricted for:					
Athletics and Music	\$0	\$0	\$0	\$79,707	\$79,707
Building Construction	0	0	848,048	0	848,048
Capital Improvements	515,870	0	0	0	515,870
Debt Retirement	0	403,670	0	0	403,670
Food Service Operations	0	0	0	4,945	4,945
Permanent Improvements	0	0	0	78,162	78,162
Regular Instruction	0	0	0	16,117	16,117
Special Instruction	96,361	0	0	19,065	115,426
Total Restricted	612,231	403,670	848,048	197,996	2,061,945
Committed for:					
Facilities Maintenance	0	0	0	309,822	309,822

(continued)

Otsego Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2014

Note 16 - Fund Balance (continued)

Fund Balance	General	Bond Retirement	Ohio School Facilities Commission	Other Governmental	Total Governmental Funds
Assigned for:					
Community Activities	\$4	\$0	\$0	\$0	\$4
Educational Activities	4,276	0	0	0	4,276
Extracurricular Activities	55,731	0	0	0	55,731
Regular Instruction	4,716	0	0	0	4,716
Unpaid Obligations	109,559	0	0	0	109,559
Total Assigned	174,286	0	0	0	174,286
Unassigned (Deficit)	2,625,045	0	0	(10,670)	2,614,375
Total Fund Balance	\$3,411,562	\$403,670	\$848,048	\$497,148	\$5,160,428

Note 17 - Set Asides

The School District is required by State statute to annually set aside, in the General Fund, an amount based on a statutory formula 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 fiscal year must be held in cash at fiscal year end. This amount must be carried forward and used for the same purpose in future years. The following cash basis information identifies the change in the fund balance for capital improvements during fiscal year 2014.

Balance June 30, 2013	\$364,179
Current Year Set Aside Requirement	258,048
Current Year Offsets	(85,871)
Qualifying Expenditures	(20,486)
Balance June 30, 2014	\$515,870

Note 18 - Interfund Transfers

During fiscal year 2014, other governmental funds made transfers to other governmental funds, in the amount of \$108,997 to subsidize various programs in other funds.

Note 19 - Donor Restricted Endowments

The School District's private purpose trust fund includes donor restricted endowments. Endowment, in the amount of \$27,980, represents the principal portion. The amount of net appreciation in donor restricted investments that is available for expenditures by the School District is \$34,169 and is included as held in trust for scholarships. State law permits the School District to appropriate, for purposes consistent with the endowment's intent, net appreciation, realized and unrealized, unless the endowment terms specify otherwise. The endowment indicates that the interest should be used to provide a scholarship each year.

Note 20 - Jointly Governed Organizations

A. Northwest Ohio Computer Association

The School District is a participant in the Northwest Ohio Computer Association (NWOCA), which is a computer consortium. NWOCA is an association of educational entities with the boundaries of Defiance, Fulton, Henry, Lucas, Williams, and Wood counties. The organization was formed for the purpose of applying modern technology with the aid of computers and other electronic equipment to administrative and instructional functions among member educational entities.

The NWOCA Assembly consists of the superintendent from each participating educational entity and a representative from the fiscal agent. The assembly elects the governing Council of two representatives from each of the six counties in which member educational entities are located and the representative from the member educational entity serving as fiscal agent for NWOCA. The degree of control exercised by any participating educational entity is limited to its representation on the Board. During fiscal year 2014, the School District paid \$131,089 to NWOCA for various services. Financial information can be obtained from the Northwest Ohio Computer Association, 209 Nolan Parkway, Archbold, Ohio 43502.

B. Northern Buckeye Education Council

The Northern Buckeye Education Council (NBEC) was established in 1979 to foster cooperation among educational entities located in Defiance, Fulton, Henry, Lucas, Williams, and Wood counties. NBEC is organized under Ohio laws as a regional council of governments pursuant to a written agreement entered into by its member educational entities and bylaws adopted by the representatives of the member educational entities. NBEC is governed by an elected Board consisting of two representatives from each of the six counties in which the member educational entities are located. The board is elected from an Assembly consisting of a representative from each participating educational entity. Financial information can be obtained from the Northern Buckeye Educational Council, 209 Nolan Parkway, Archbold, Ohio 43502.

C. Penta Career Center

The Penta Career Center (Career Center) is a distinct political subdivision of the State of Ohio which provides vocational education to students. The Career Center is operated under the direction of a Board consisting of nine board members appointed from participating School Districts' or Educational Service Centers' elected Board of Education. The Board consists of one representative from each exempted village and/or city school district: Bowling Green, Maumee, Perrysburg, and Rossford; one representative from each of the three least populous counties: Fulton, Ottawa, and Sandusky; and one representative from each of the most populous counties: Lucas and Wood. The Board possesses its own budgeting and taxing authority. Financial information can be obtained from the Penta Career Center, 9301 Buck Road, Perrysburg, Ohio 43551.

Note 20 - Jointly Governed Organizations (continued)

D. Northwestern Ohio Educational Research Council, Inc.

The Northwestern Ohio Educational Research Council, Inc. (NOERC) is a jointly governed organization formed to bring educational entities into a better understanding of their common educational problems, facilitate and conduct practical educational research, coordinate educational research among members, provide a means for evaluating and disseminating the results of research, serve as a repository for research and legislative materials, and provide opportunities for training. The NOERC serves a twenty-five county area in Northwest Ohio. The Board of Directors consists of superintendents from two educational service centers, two exempted village school districts, five local school districts, and five city school districts, as well as representatives from two private or parochial schools, and three institutions of higher education. Each active member is entitled to one vote on all issues addressed by the Board of Directors. Financial information can be obtained from the Northwestern Ohio Educational Research Council, Inc., 441 East Market Street, Celina, Ohio, 45822.

Note 21 - Related Organization

The Weston Public Library is a distinct political subdivision of the State of Ohio created under Chapter 3375 of the Ohio Revised Code. The Library is governed by a Board of Trustees appointed by the Otsego Local School District Board of Education. The Board of Trustees possesses its own contracting and budgeting authority, hires and fires personnel, and does not depend on the School District for operational subsidies. Although the School District does serve as the taxing authority and may issue tax related debt on behalf of the Library, its role is limited to a ministerial function. The determination to request approval of a tax, the rate, and the purpose are discretionary decisions made solely by the Board of Trustees. Financial information can be obtained from the Weston Public Library, P.O. Box 345, Weston, Ohio 43569.

Note 22 - Insurance Pools

A. Wood County Schools Benefit Plan Association

The Wood County Schools Benefit Plan Association (Association) is a public entity shared risk pool consisting of six local school districts, two exempted village school districts, a city school district, a joint vocational school, and an educational service center. The Association is organized as a Voluntary Employee Benefit Association under Section 501(c)(9) of the Internal Revenue Code and provides medical, dental, and other benefits to the employees of the participating entities. Each participating entity's superintendent is appointed to an Administrative Committee which advises the Trustee, Huntington Bank, concerning aspects of the administration of the Association.

Each entity decides which plans offered by the Administrative Committee will be extended to its employees. Participation in the Association is by written application subject to acceptance by the Administrative Committee and payment of the monthly premiums. Financial information may be obtained from Huntington Bank, 236 South Main Street, Findlay, Ohio 45840.

Note 22 - Insurance Pools (continued)

B. Ohio School Boards Association Workers' Compensation Group Rating Plan

The School District participates in a group rating plan for worker's compensation as established under Section 4123.29 of the Ohio Revised Code. The Ohio School Boards Association Workers' Compensation Group Rating Plan (GRP) was established through the Ohio School Boards Association (OSBA) as 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 OSBA. The Executive Director of the OSBA, or his designee, serves as coordinator of the GRP. Each year, the participants pay an enrollment fee to the GRP to cover the costs of administering the program.

Note 23 - Contingencies

A. Grants

The School District received financial assistance from federal and state agencies in the form of grants. The expenditure of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and is subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the General Fund or other applicable funds. However, in the opinion of management, any such disallowed claims will not have a material adverse effect on the overall financial position of the School District at June 30, 2014.

B. Litigation

There are currently no matters in litigation with the School District as defendant.

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**OTSEGO LOCAL SCHOOL DISTRICT
WOOD COUNTY**

**FEDERAL AWARDS RECEIPTS AND EXPENDITURES SCHEDULE
FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

FEDERAL GRANTOR <i>Pass Through Grantor</i>	Federal CFDA		
Program Title	Number	Receipts	Disbursements
UNITED STATES DEPARTMENT OF AGRICULTURE			
<i>Passed Through Ohio Department of Education:</i>			
<u>Child Nutrition Cluster:</u>			
School Breakfast Program	10.553	\$38,297	\$38,297
National School Lunch Program	10.555		
Cash Assistance		189,917	189,917
Non-Cash Assistance (Commodities)		45,307	45,307
Total National School Lunch Program		<u>235,224</u>	<u>235,224</u>
Total U.S. Department of Agriculture		<u>273,521</u>	<u>273,521</u>
UNITED STATES DEPARTMENT OF EDUCATION			
<i>Passed Through Ohio Department of Education:</i>			
Title I Grants to Local Educational Agencies	84.010	193,319	181,104
<u>Special Education Cluster:</u>			
Special Education - Grants to States	84.027	343,415	367,907
Special Education - Preschool Grants	84.173	16,310	15,979
Total Special Education Cluster:		<u>359,725</u>	<u>383,886</u>
Improving Teacher Quality State Grants	84.367	70,487	67,420
ARRA - State Fiscal Stabilization Fund - Race-to-the-Top Incentive Grants, Recovery Act	84.395	<u>27,719</u>	<u>38,983</u>
Total U.S. Department of Education		<u>651,250</u>	<u>671,393</u>
Total Federal Awards Receipts and Expenditures		<u>\$924,771</u>	<u>944,914</u>

The accompanying notes are an integral part of this Schedule.

**OTSEGO LOCAL SCHOOL DISTRICT
WOOD COUNTY**

**NOTES TO THE FEDERAL AWARDS RECEIPTS AND EXPENDITURES SCHEDULE
FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

NOTE A - SIGNIFICANT ACCOUNTING POLICIES

The accompanying Federal Awards Receipts and Expenditures Schedule (the Schedule) reports the Otsego Local School District (the District's) 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 program that benefitted from the use of those donated food commodities.



Dave Yost • Auditor of State

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

Otsego Local School District
Wood County
18505 Tontogany Creek Road, P.O. Box 290
Tontogany, Ohio 43565-0290

To the Board of Education:

We have audited, in accordance with auditing standards generally accepted in the United States and the Comptroller General of the United States' *Government Auditing Standards*, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Otsego Local School District, Wood County, Ohio (the District) as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the District's basic financial statements and have issued our report thereon dated November 14, 2014, wherein we noted the District uses a special purpose framework other than generally accepted accounting principles.

Internal Control Over Financial Reporting

As part of our financial statement audit, we considered the District's internal control over financial reporting (internal control) to determine the audit procedures appropriate in the circumstances to the extent necessary to support our opinions on the financial statements, but not to the extent necessary to opine on the effectiveness of the District's internal control. Accordingly, we have not opined on it.

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 a reasonable possibility that internal control will not prevent or detect and timely correct a material misstatement of the District's financial statements. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all internal control deficiencies that might be material weaknesses or significant deficiencies. Given these limitations, we did not identify any deficiencies in internal control that we consider material weaknesses. However, unidentified material weaknesses may exist.

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, opining 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*.

Purpose of this Report

This report only describes the scope of our internal control and compliance testing and our testing results, and does not opine on the effectiveness of the District's internal control or on compliance. This report is an integral part of an audit performed under *Government Auditing Standards* in considering the District's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

A handwritten signature in black ink that reads "Dave Yost". The signature is written in a cursive style with a large, looping initial "D".

Dave Yost
Auditor of State

Columbus, Ohio

November 14, 2014



Dave Yost • Auditor of State

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO THE MAJOR FEDERAL PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY OMB CIRCULAR A-133

Otsego Local School District
Wood County
18505 Tontogany Creek Road, P.O. Box 290
Tontogany, Ohio 43565-0290

To the Board of Education:

Report on Compliance for the Major Federal Program

We have audited Otsego Local School District, Wood County, Ohio's (the District's) compliance with the applicable requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133, Compliance Supplement* that could directly and materially affect Otsego Local School District's major federal program for the year ended June 30, 2014. The *Summary of Auditor's Results* in the accompanying schedule of findings identifies the District's major federal program.

Management's Responsibility

The District's Management is responsible for complying with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to opine on the District's compliance for the District's major federal program based on our audit of the applicable compliance requirements referred to above. Our compliance audit followed auditing standards generally accepted in the United States of America; the standards for 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*. These standards and OMB Circular A-133 require us to plan and perform the audit to reasonably assure whether noncompliance with the applicable compliance requirements referred to above that could directly and materially affect a major federal program occurred. An audit includes examining, on a test basis, evidence about the District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe our audit provides a reasonable basis for our compliance opinion on the District's major program. However, our audit does not provide a legal determination of the District's compliance.

Opinion on the Major Federal Program

In our opinion, Otsego Local School District complied, in all material respects with the compliance requirements referred to above that could directly and materially affect its major federal program for the year ended June 30, 2014.

Report on Internal Control Over Compliance

One Government Center, Suite 1420, Toledo, Ohio 43604-2246
Phone: 419-245-2811 or 800-443-9276 Fax: 419-245-2484

www.ohioauditor.gov

The District's management is responsible for establishing and maintaining effective internal control over compliance with the applicable compliance requirements referred to above. In planning and performing our compliance audit, we considered the District's internal control over compliance with the applicable requirements that could directly and materially affect a major federal program, to determine our auditing procedures appropriate for opining on each major federal program's compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not to the extent needed to opine 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's applicable 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. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with federal program's applicable compliance requirement that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

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 material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

This report only describes the scope of our internal control compliance tests and the results of this testing based on OMB Circular A-133 requirements. Accordingly, this report is not suitable for any other purpose.



Dave Yost
Auditor of State

Columbus, Ohio

November 14, 2014

**OTSEGO LOCAL SCHOOL DISTRICT
WOOD COUNTY**

**SCHEDULE OF FINDINGS
OMB CIRCULAR A -133 § .505
JUNE 30, 2014**

1. SUMMARY OF AUDITOR'S RESULTS

<i>(d)(1)(i)</i>	Type of Financial Statement Opinion	Unmodified
<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 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 significant deficiencies in internal control reported for major federal programs?	No
<i>(d)(1)(v)</i>	Type of Major Programs' Compliance Opinion	Unmodified
<i>(d)(1)(vi)</i>	Are there any reportable findings under § .510(a)?	No
<i>(d)(1)(vii)</i>	Major Programs (list):	Special Education Cluster: Special Education – Grants to States CFDA #84.027 Special Education - Preschool Grants CFDA #84.173
<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 FOR FEDERAL AWARDS

None

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OTSEGO LOCAL SCHOOL DISTRICT

WOOD 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
DECEMBER 4, 2014**