



Dave Yost • Auditor of State

**OTTOVILLE LOCAL SCHOOL DISTRICT
PUTNAM COUNTY
JUNE 30, 2016 AND 2015**

TABLE OF CONTENTS

TITLE	PAGE
Independent Auditor's Report	1
Prepared by Management:	
Basic Financial Statements:	
Government-wide Financial Statements:	
Statement of Net Position – Cash Basis – June 30, 2016	3
Statement of Activities – Cash Basis – For the Fiscal Year Ended June 30, 2016	4
Fund Financial Statements:	
Statement of Assets and Fund Balances – Cash Basis – Governmental Funds – June 30, 2016	5
Statement of Receipts, Disbursements and Changes in Fund Balances – Cash Basis – Governmental Funds – For the Fiscal Year Ended June 30, 2016.....	6
Statement of Receipts, Disbursements, and Changes in Fund Balance – Budget and Actual – Budget Basis – General Fund – For the Fiscal Year Ended June 30, 2016	7
Statement of Fiduciary Net Position – Cash Basis Fiduciary Funds – June 30, 2016	8
Notes to the Basic Financial Statements – For the Fiscal Year Ended June 30, 2016.....	9
Basic Financial Statements:	
Government-wide Financial Statements:	
Statement of Net Position – Cash Basis – June 30, 2015	29
Statement of Activities – Cash Basis – For the Fiscal Year Ended June 30, 2015	30
Fund Financial Statements:	
Statement of Assets and Fund Balances – Cash Basis – Governmental Funds – June 30, 2015	31
Statement of Receipts, Disbursements and Changes in Fund Balances – Cash Basis – Governmental Funds – For the Fiscal Year Ended June 30, 2015.....	32
Statement of Receipts, Disbursements, and Changes in Fund Balance – Budget and Actual – Budget Basis – General Fund – For the Fiscal Year Ended June 30, 2015	33
Statement of Fiduciary Net Position – Cash Basis Fiduciary Funds – June 30, 2015	34
Notes to the Basic Financial Statements – For the Fiscal Year Ended June 30, 2015.....	35

**OTTOVILLE LOCAL SCHOOL DISTRICT
PUTNAM COUNTY
JUNE 30, 2016 AND 2015**

**TABLE OF CONTENTS
(Continued)**

TITLE	PAGE
Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Required by <i>Government Auditing Standards</i>	57
Schedule of Findings	59
Summary Schedule of Prior Audit Findings (Prepared by Management)	60



Dave Yost • Auditor of State

INDEPENDENT AUDITOR'S REPORT

Ottoville Local School District
Putnam County
P.O. Box 248
Ottoville, Ohio 45876-0248

To the Board of Education:

Report on the Financial Statements

We have audited the accompanying cash-basis financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Ottoville Local School District, Putnam County, Ohio (the District), as of and for the years ended June 30, 2016 and 2015, 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 Ottoville Local School District, Putnam County, Ohio, as of June 30, 2016 and 2015, and the respective changes in cash financial position and the budgetary comparison for the General Fund thereof for the years 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. The financial statements are prepared on the cash basis of accounting, which is a basis other than generally accepted accounting principles. We did not modify our opinion regarding this matter.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated May 31, 2017, 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.



Dave Yost
Auditor of State

Columbus, Ohio

May 31, 2017

**OTTOVILLE LOCAL SCHOOL DISTRICT
PUTNAM COUNTY**

**Statement of Net Position - Cash Basis
June 30, 2016**

	<u>Governmental Activities</u>
Assets:	
Equity in Pooled Cash and Cash Equivalents	<u><u>\$5,965,099</u></u>
Net Position:	
Restricted for Debt Service	\$473,321
Restricted for Capital Outlay	2,403
Restricted for Other Purposes	528,795
Unrestricted	<u>4,960,580</u>
<i>Total Net Position</i>	<u><u>\$5,965,099</u></u>

See Accompanying Notes to the Basic Financial Statements

**OTTOVILLE LOCAL SCHOOL DISTRICT
PUTNAM COUNTY**

**Statement of Activities - Cash Basis
For the Fiscal Year Ended June 30, 2016**

	<u>Cash</u> <u>Disbursements</u>	<u>Program Cash Receipts</u>		<u>Net</u> <u>(Disbursements)</u> <u>Receipts and</u> <u>Changes in Net</u> <u>Position</u>
		<u>Charges for</u> <u>Services and</u> <u>Sales</u>	<u>Operating</u> <u>Grants and</u> <u>Contributions</u>	<u>Governmental</u> <u>Activities</u>
Governmental Activities:				
Instruction:				
Regular	\$2,733,829	\$338,997	\$305,868	(\$2,088,964)
Special	388,868		88,631	(300,237)
Other	14,138			(14,138)
Support Services:				
Pupils	104,631			(104,631)
Instructional Staff	178,763			(178,763)
Board of Education	23,280			(23,280)
Administration	368,422			(368,422)
Fiscal	233,180			(233,180)
Operation and Maintenance of Plant	522,219		13,668	(508,551)
Pupil Transportation	228,503	12,309		(216,194)
Central	50,652			(50,652)
Operation of Non-Instructional Services	189,333	165,170	42,356	18,193
Extracurricular Activities	260,960	126,413		(134,547)
Facilities Acquisition and Construction	96,060			(96,060)
Debt Service:				
Principal	180,000			(180,000)
Bond Issuance Costs	37,550			(37,550)
Interest and Fiscal Charges	44,221			(44,221)
Payment to Refunded Bond Escrow Agent	1,592,542			(1,592,542)
Refund of Prior Year Receipts	844			(844)
Totals	<u>\$7,247,995</u>	<u>\$642,889</u>	<u>\$450,523</u>	<u>(6,154,583)</u>

General Receipts:

Taxes:	
Property Taxes, Levied for General Purposes	1,452,369
Property Taxes, Levied for Debt Service	246,594
Property Taxes, Levied for Other	22,223
Income Taxes	603,184
Grants and Entitlements not Restricted to Specific Program:	2,486,681
Gifts and Donations	63,180
Interest	22,395
Sale of Refunding Bonds	1,580,000
Miscellaneous	15,784
Total General Receipts	<u>6,492,410</u>
Change in Net Position	337,827
Net Position Beginning of Year	5,627,272
Net Position End of Year	<u>\$5,965,099</u>

See Accompanying Notes to the Basic Financial Statements

**OTTOVILLE LOCAL SCHOOL DISTRICT
PUTNAM COUNTY**

**Statement of Assets and Fund Balances - Cash Basis
Governmental Funds
June 30, 2016**

	<u>General Fund</u>	<u>Bond Retirement Fund</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
Assets				
Equity in Pooled Cash and Cash Equivalents	\$4,960,580	\$473,321	\$531,198	\$5,965,099
Fund Balances				
Restricted		\$473,321	\$531,198	\$1,004,519
Assigned	\$69,701			69,701
Unassigned	4,890,879			4,890,879
<i>Total Fund Balances</i>	<u>\$4,960,580</u>	<u>\$473,321</u>	<u>\$531,198</u>	<u>\$5,965,099</u>

See Accompanying Notes to the Basic Financial Statements

**OTTOVILLE LOCAL SCHOOL DISTRICT
PUTNAM COUNTY**

**Statement of Receipts, Disbursements and Changes in Fund Balances - Cash Basis
Governmental Funds
For the Fiscal Year Ended June 30, 2016**

	<u>General Fund</u>	<u>Bond Retirement Fund</u>	<u>All Other Governmental Funds</u>	<u>Total Governmental Funds</u>
Cash Receipts:				
Property and Other Local Taxes	\$1,452,369	\$246,594	\$22,223	\$1,721,186
Income Tax	603,184			603,184
Intergovernmental	2,654,571	53,140	229,494	2,937,205
Interest	21,959		436	22,395
Tuition	260,839			260,839
Transportation Fees	12,309			12,309
Extracurricular Activities	5,401		122,483	127,884
Gifts and Donations	1,826		61,354	63,180
Customer Sales and Services	78,158		165,170	243,328
Miscellaneous	11,181		3,131	14,312
<i>Total Cash Receipts</i>	<u>5,101,797</u>	<u>299,734</u>	<u>604,291</u>	<u>6,005,822</u>
Cash Disbursements:				
Current:				
Instruction:				
Regular	2,652,533		81,296	2,733,829
Special	301,769		87,099	388,868
Other	14,138			14,138
Support Services:				
Pupils	104,631			104,631
Instructional Staff	170,740		8,023	178,763
Board of Education	23,280			23,280
Administration	368,422			368,422
Fiscal	225,908	6,678	594	233,180
Operation and Maintenance of Plant	463,482		58,737	522,219
Pupil Transportation	228,503			228,503
Central	50,652			50,652
Operation of Non-Instructional Services			189,333	189,333
Extracurricular Activities	115,722		145,238	260,960
Facilities Acquisition and Construction			96,060	96,060
Debt Service:				
Principal		180,000		180,000
Bond Issuance Costs		37,550		37,550
Interest		44,221		44,221
<i>Total Cash Disbursements</i>	<u>4,719,780</u>	<u>268,449</u>	<u>666,380</u>	<u>5,654,609</u>
<i>Excess of Cash Receipts Over (Under) Cash Disbursements</i>	<u>382,017</u>	<u>31,285</u>	<u>(62,089)</u>	<u>351,213</u>
Other Financing Sources (Uses):				
Sale of Refunding Bonds		1,580,000		1,580,000
Payment to Refunded Bond Escrow Agent		(1,592,542)		(1,592,542)
Refund of Prior Year Receipts			(844)	(844)
<i>Total Other Financing Sources (Uses)</i>		<u>(12,542)</u>	<u>(844)</u>	<u>(13,386)</u>
<i>Net Change in Fund Balances</i>	382,017	18,743	(62,933)	337,827
<i>Fund Balances at Beginning of Year</i>	4,578,563	454,578	594,131	5,627,272
<i>Fund Balances at End of Year</i>	<u>\$4,960,580</u>	<u>\$473,321</u>	<u>\$531,198</u>	<u>\$5,965,099</u>

See Accompanying Notes to the Basic Financial Statements

**OTTOVILLE LOCAL SCHOOL DISTRICT
PUTNAM COUNTY**

**Statement of Receipts, Disbursements and Changes in Fund Balance
Budget and Actual - Budget Basis
General Fund
For the Fiscal Year Ended June 30, 2016**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget</u>
Receipts:				
Property and Other Local Taxes	\$1,276,953	\$1,435,452	\$1,452,369	\$16,917
Income Tax	600,000	600,000	603,184	3,184
Intergovernmental	2,782,172	2,631,696	2,654,571	22,875
Interest	12,000	22,000	21,959	(41)
Tuition	225,000	317,761	260,839	(56,922)
Transportation Fees	15,000	15,000	12,309	(2,691)
Extracurricular Activities	3,500	4,429	3,929	(500)
Gifts and Donations	100	100	1,826	1,726
Customer Sales and Services	70,750	70,750	78,158	7,408
Miscellaneous	15,025	15,025	11,181	(3,844)
<i>Total Receipts</i>	<u>5,000,500</u>	<u>5,112,213</u>	<u>5,100,325</u>	<u>(11,888)</u>
Disbursements:				
Current:				
Instruction:				
Regular	2,635,037	2,635,037	2,665,750	(30,713)
Special	327,604	327,604	303,535	24,069
Other	19,110	19,110	14,138	4,972
Support Services:				
Pupils	128,673	128,673	103,303	25,370
Instructional Staff	174,384	174,384	172,895	1,489
Board of Education	26,080	26,080	23,284	2,796
Administration	378,865	378,865	371,418	7,447
Fiscal	240,165	240,165	229,474	10,691
Operation and Maintenance of Plant	532,925	532,925	496,921	36,004
Pupil Transportation	273,513	273,513	236,735	36,778
Central	51,560	51,560	50,777	783
Extracurricular Activities	116,218	118,409	114,848	3,561
<i>Total Disbursements</i>	<u>4,904,134</u>	<u>4,906,325</u>	<u>4,783,078</u>	<u>123,247</u>
<i>Net Change in Fund Balance</i>	96,366	205,888	317,247	111,359
<i>Fund Balance at Beginning of Year</i>	4,473,502	4,473,502	4,473,502	
<i>Prior Year Encumbrances Appropriated</i>	100,134	100,134	100,134	
<i>Fund Balance at End of Year</i>	<u>\$4,670,002</u>	<u>\$4,779,524</u>	<u>\$4,890,883</u>	<u>\$111,359</u>

See Accompanying Notes to the Basic Financial Statements

**OTTOVILLE LOCAL SCHOOL DISTRICT
PUTNAM COUNTY**

**Statement of Fiduciary Net Position - Cash Basis
Fiduciary Funds
June 30, 2016**

	<u>Agency Fund</u>
Assets:	
Current Assets:	
Equity in Pooled Cash and Cash Equivalents	<u><u>\$17,886</u></u>
Liabilities:	
Current Liabilities:	
Due to Students	<u><u>\$17,886</u></u>

See Accompanying Notes to the Basic Financial Statements

**OTTOVILLE LOCAL SCHOOL DISTRICT
PUTNAM COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

NOTE 1 - DESCRIPTION OF THE DISTRICT AND REPORTING ENTITY

Ottoville Local School District (the District) is a body politic and corporate established to exercise the rights and privileges the constitution and laws of the State of Ohio convey to it.

A locally-elected five-member Board governs the District, which provides educational services mandated by the State and federal agencies. This Board of Education controls the District's one instructional/support facility staffed by 18 classified employees, 37 certificated full-time personnel, and 3 administrators who provide services to 430 students and other community members.

Reporting Entity

A reporting entity is comprised of the primary government, component units and other organizations included ensuring that the basic financial statements are not misleading. The primary government of the District consists of all funds, departments, boards and agencies that are not legally separate from the District. For the District, this includes general operations, food service, community services, and student-related activities.

Component units are legally separate organizations for which the District can "impose its will," such as by appointing a voting majority of the component unit's governing body. Component units may also include organizations fiscally dependent on the District in that the District approves their budget, the issuance of their debt or the levying of their taxes. Component units also include legally separate, tax-exempt entities whose resources are for the direct benefit of the District, are accessible to the District, and are significant in amount to the District. The District has no component units.

The District has no joint ventures.

The District participates in 3 public entity risk pools and 4 jointly governed organizations. The financial statements exclude these entities which perform activities within the District's boundaries for the benefit of its residents because the District is not financially accountable for these entities nor are these entities fiscally dependent on the District. Notes 8 and 15 to the financial statements provide additional information for these entities. These organizations are:

Public Entity Risk Pool:

Schools of Ohio Risk Sharing Authority
Putnam County School Insurance Group
Ohio School Boards Association CompManagement Workers' Compensation
Group Rating Program

Jointly Governed Organizations:

Northwest Ohio Area Computer Services Cooperative
Northwest Ohio Special Education Regional Resource Center
State Support Region 1
Vantage Vocational School

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Basis of Accounting

Although Ohio Administrative Code Section 117-2-03 (B) requires the District's financial report to follow generally accepted accounting principles, the District chooses to prepare its financial statements and notes in accordance with the cash basis of accounting. This is a comprehensive basis of accounting other than generally accepted accounting principles.

**OTTOVILLE LOCAL SCHOOL DISTRICT
PUTNAM COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016
(Continued)**

The cash basis of accounting differs from accounting principles generally accepted in the United States of America (GAAP). The District recognizes receipts when received in cash rather than when earned and recognizes disbursements when paid rather than when a liability is incurred.

Budgetary presentations report budgetary expenditures when a commitment is made (i.e., when an encumbrance is approved). Differences between disbursements reported in the fund and entity wide statements versus budgetary expenditures result from encumbrances outstanding at the beginning and end of the fiscal year.

B. Fund Accounting

The District uses funds to maintain its financial records during the fiscal year. Fund accounting is designed to demonstrate legal compliance and to aid management by segregating transactions related to certain functions or activities. A fund is a fiscal and accounting entity with a self-balancing set of accounts. The District classifies each fund as either governmental or fiduciary.

Governmental: The District classifies funds financed primarily from taxes, intergovernmental receipts (e.g. grants) and other nonexchange transactions as governmental funds. The following are the District's major governmental funds:

General Fund – The General Fund accounts for all financial resources except for restricted resources requiring a separate accounting. The General Fund balance is available for any purpose provided it is disbursed or transferred according to Ohio law.

Bond Retirement Fund – The Bond Retirement Fund accounts for resources received from property taxes to pay school improvement general obligation bond principal, interest and related costs.

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

Fiduciary: The fiduciary fund category is split into four classifications: pension trust funds, investment trust funds, private purpose trust funds, and agency funds. Trust funds are used to account for assets held by the District under a trust agreement for individuals, private organizations, or other governments and are not available to support the District's own programs. Agency funds are custodial in nature. The District's agency fund accounts for various student-managed activities.

C. Basis of Presentation

The District's basic financial statements consist of a government-wide statement of activities and fund financial statements providing more detailed financial information.

Government-wide Financial Statement of Activities: This statement displays information about the District as a whole, except for fiduciary funds.

The government-wide statement of activities compares disbursements with program receipts for each function or program of the 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 government 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

**OTTOVILLE LOCAL SCHOOL DISTRICT
PUTNAM COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016
(Continued)**

the extent to which each governmental function is self-financing on the cash basis or draws from the District's general receipts.

Fund Financial Statements: Fund financial statements report more detailed information about the District. The focus of governmental fund financial statements is on major funds. Fund statements present each major fund in a separate column and aggregate nonmajor funds in a single column. Fiduciary Funds are reported by type.

D. Cash, Cash Equivalents, and Investments

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

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

During 2016, the District invested in certificates of deposit. The District values certificates of deposit at cost.

Following Ohio statutes, the Board of Education specified the funds to receive an allocation of interest earnings. Interest revenue credited to the General Fund during fiscal year 2016 amounted to \$21,959, of which \$3,947 was interest assigned from other District funds.

E. Restricted Assets

The financial statements classify cash, cash equivalents and investments as restricted when external limitations change the nature or normal understanding of their use. Creditors, contributors, grantors, laws of other governments or enabling legislation are the sources of the restrictions.

F. Inventory and Prepaid Items

The District reports disbursements for inventory and prepaid items when paid. These items are not reflected as assets in the accompanying financial statements.

G. Capital Assets

Acquisitions of property, plant and equipment are recorded as disbursements when paid. These items are not reflected as assets in the accompanying financial statements.

H. Accumulated Leave

In certain circumstances, such as upon leaving employment, employees are entitled to cash payments for unused leave. Unpaid leave is not reflected as a liability under the District's cash basis of accounting.

I. Intergovernmental Receipts

Unrestricted intergovernmental receipts received on the basis of entitlement are recorded as receipts when the entitlement is received. Intergovernmental receipts and disbursements made on-behalf-of the District by

**OTTOVILLE LOCAL SCHOOL DISTRICT
PUTNAM COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016
(Continued)**

the Putnam County Educational Service Center are recorded during the year.

J. Long-term Obligations

The District's 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 paid.

K. Pensions

For purposes of measuring the net pension liability, information about the fiduciary net position of the pension plans and additions to/deductions from their fiduciary net position have been determined on the same basis as they are reported by the pension systems. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. The pension systems report investments at fair value.

L. Fund Balance

Fund Balance is divided into five classifications based primarily on the extent to which the District is bound to observe constraints imposed upon 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 is imposed by law through constitutional provisions.

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

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 resulting from overspending for specific purposes for which amounts had been restricted, committed, or assigned.

**OTTOVILLE LOCAL SCHOOL DISTRICT
PUTNAM COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016
(Continued)**

The 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.

M. Net Position

The statements report restricted net position when enabling legislation or creditors, grantors or laws or regulations of other governments have imposed limitations on their use.

The District first applies restricted resources when incurring a disbursement for which it may use either restricted or unrestricted resources.

N. Interfund Activity

The statements report exchange transactions between funds as receipts in the seller funds and as disbursements in the purchasing funds. Nonexchange flows of cash from one fund to another are reported as interfund transfers. Governmental funds report interfund transfers as other financing sources/uses. The statements do not report repayments from funds responsible for particular disbursements to the funds initially paying the costs.

The statements report interfund loans as advances when made or repaid. There were no unpaid advances as of June 30, 2016.

O. Budgetary Data

Ohio law requires the Board of Education to budget and appropriate all funds, other than agency funds. The major documents prepared are the appropriation resolution and the certificate of estimated resources, which use the budgetary basis of accounting. The budgetary basis reports expenditures when a commitment is made (i.e., when an encumbrance is approved). The certificate of estimated resources establishes a limit on the amounts the Board of Education may appropriate. The appropriation resolution is the Board's authorization to spend resources and sets annual limits on expenditures plus encumbrances at a level of control the Board selects. The Board of Education uses the fund as its legal level of control. Although the legal level of budgetary control was established at the fund level of expenditures, the District has elected to present the General Fund budgetary statement comparison at the fund and function level.

The certificate of estimated resources may be amended during the year if the District Treasurer projects increases or decreases in receipts. The amounts reported as the original budget in the budgetary statements reflect the amounts in the certificate when the Board adopted the original appropriations. The amounts reported as the final budget in the budgetary statements reflect the amounts in the amended certificate in effect at the time the final appropriations were passed.

The Board may amend appropriations throughout the year with the restriction that appropriations may not exceed estimated resources. The amounts reported as the original budget reflect the first appropriation for a fund covering the entire fiscal year, including amounts automatically carried over from prior years. The amounts reported as the final budget represent the final appropriation the Board passed during the year.

NOTE 3 - ACCOUNTABILITY AND COMPLIANCE

A. Compliance

Ohio Administrative Code, Section 117-2-03(B), requires the District to prepare its annual financial report in accordance with generally accepted accounting principles. However, the District prepared its financial statements on a cash basis, which is a comprehensive basis of accounting other than accounting principles

**OTTOVILLE LOCAL SCHOOL DISTRICT
PUTNAM COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016
(Continued)**

generally accepted in the United States of America. The accompanying financial statements omit assets, liabilities, net position / fund balances, and disclosures that, while material, cannot be determined at this time. The District can be fined and various other administrative remedies may be taken against the District.

B. Change in Accounting Principles

For fiscal year 2016, the District has implemented GASB Statement No. 72, "Fair Value Measurement and Application", GASB Statement No. 73 "Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68", GASB Statement No. 76, "The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments", and GASB Statement No. 79, "Certain External Investment Pools and Pool Participants".

GASB Statement No. 72 addresses accounting and financial reporting issues related to fair value measurement. This Statement also provides guidance for applying fair value to certain investments and disclosures related to all fair value measurements. The implementation of GASB Statement No. 72 did not have an effect on the financial statements of the District.

GASB Statement No. 73 improves the usefulness of information about pensions included in the general purposes external financial reports of state and local governments for making decisions and assessing accountability. The implementation of GASB Statement No. 73 did not have an effect on the financial statements of the District.

GASB Statement No. 76 identifies - in the context of the current governmental financial reporting environment - the hierarchy of generally accepted accounting principles (GAAP). This Statement reduces the GAAP hierarchy to two categories of authoritative GAAP and addresses the use of authoritative and nonauthoritative literature in the event that the accounting treatment for a transaction or other event is not specified within a source of authoritative GAAP. The implementation of GASB Statement No. 76 did not have an effect on the financial statements of the District.

GASB Statement No. 79 establishes criteria for an external investment pool to qualify for making the election to measure all of its investments at amortized cost for financial reporting purposes. The implementation of GASB Statement No. 79 did not have an effect on the financial statements of the District.

NOTE 4 – BUDGETARY BASIS

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 and Actual - Budgetary Basis 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 that are treated as cash disbursements (budgetary basis) rather than as a reservation of fund balance (cash basis). The encumbrances outstanding at year end (budgetary basis) amounted to \$65,866 in the General Fund.

In addition, as part of Governmental Accounting Standards Board Statement No. 54, "Fund Balance Reporting", certain funds that are legally budgeted in separate Special Revenue Funds (Public School Support Funds) are considered part of the General Fund on the cash basis.

The following table summarizes the adjustments necessary to reconcile the cash basis statement to the budgetary basis statement for the General Fund:

**OTTOVILLE LOCAL SCHOOL DISTRICT
PUTNAM COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016
(Continued)**

Net Change in Fund Cash Balance

	<u>General Fund</u>
Cash basis	\$ 382,017
Funds budgeted elsewhere	1,096
Adjustment for encumbrances	<u>(65,866)</u>
Budget basis	<u><u>\$ 317,247</u></u>

NOTE 5 - DEPOSITS AND INVESTMENTS

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

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

Inactive deposits are public deposits that the Board of Education has identified as not required for use within the current two-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 may be deposited or invested in the following securities:

1. United States treasury notes, bills, bonds, or other obligations or security issued by the United States treasury or any other obligation guaranteed as to principal and interest by the United States;
2. Bonds, notes, debentures, or any other obligations or securities issued by any federal government agency or instrumentality, including but not limited to, the Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, Government National Mortgage Association, and Student Loan Marketing Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
3. Written repurchase agreements in the securities listed above provided that the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least two percent and be marked to market daily, and that the term of the agreement must not exceed thirty days;
4. Bonds and other obligations of the State of Ohio;
5. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2) of this section and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions;
6. The State Treasurer's investment pool (STAR Ohio); 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

**OTTOVILLE LOCAL SCHOOL DISTRICT
PUTNAM COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016
(Continued)**

Company Act of 1940;

7. Certain bankers' acceptances and commercial paper notes for a period not to exceed one hundred and eighty days in an amount not to exceed twenty-five percent of the interim moneys available for investment at any one time;
8. Under certain circumstances, corporate debt interests rated in either of the two highest rating classifications by at least two nationally recognized rating agencies.

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

Undeposited Cash: At year end, the District had no un-deposited cash on hand, included on the financial statements as part of equity in pooled cash and cash equivalents.

Deposits with Financial Institutions: At June 30, 2016, the carrying amount of all District deposits was \$5,982,985. Based on the criteria described in GASB Statement No. 40, "Deposits and Investment Risk Disclosures", as of June 30, 2016, \$5,754,343 of the District's bank accounts were exposed to custodial risk. Custodial credit risk otherwise is discussed in the next paragraph.

Custodial credit risk is the risk that, in the event of bank failure, the District's deposits may not be returned. All deposits are collateralized with eligible securities in amounts equal to at least 105% of the carrying value of the deposits. Such collateral, as permitted by the Ohio Revised Code, is held in single financial institution collateral pools at Federal Reserve Banks, or at member banks of the federal reserve system, in the name of the respective depository bank and pledged as a pool of collateral against all of the public deposits it holds or as specific collateral held at the Federal Reserve Bank in the name of the District. The District has no deposit policy for custodial credit risk beyond the requirements of State statute.

NOTE 6 - PROPERTY TAXES

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

Property taxes include amounts levied against all real property and public utility property. Real property tax revenues received in calendar year 2016 represent the collection of calendar year 2015 taxes. Real property taxes received in calendar year 2016 were levied after April 1, 2015, on the assessed values as of January 1, 2015, 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 2016 represent the collection of calendar year 2015 taxes. Public utility real and personal property taxes received in calendar year 2016 became a lien on December 31, 2014, were levied after April 1, 2015, 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 District receives property taxes from Putnam County and Paulding County. The County Auditors

**OTTOVILLE LOCAL SCHOOL DISTRICT
PUTNAM COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016
(Continued)**

periodically advances to the District its portion of the taxes collected. Second-half real property tax payments collected by the County by June 30, 2016, are available to finance fiscal year 2016 operations. The amount of second-half real property taxes available for advance at fiscal year-end can vary based on the date the tax bills are sent.

The assessed values upon which the fiscal year 2016 taxes were collected are:

	2015 Second Half Collections		2016 First Half Collections	
	<u>Amount</u>	<u>Percent</u>	<u>Amount</u>	<u>Percent</u>
Agricultural/residential	\$ 72,192,230	90.60%	\$ 72,455,460	90.05%
Commercial/Industrial	5,381,070	6.75%	5,368,880	6.67%
Public Utility Personal	<u>2,107,730</u>	<u>2.65%</u>	<u>2,638,480</u>	<u>3.28%</u>
Total	<u>\$ 79,681,030</u>	<u>100.00%</u>	<u>\$ 80,462,820</u>	<u>100.00%</u>
Tax rate per \$1,000 of assessed valuation:	\$ 26.87		\$ 26.67	

NOTE 7 - INCOME TAX

On February 3, 2009, the District passed a .75 percent continuing school district income tax for general operations. The income tax was effective on January 1, 2010. 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 District after withholding amounts for administrative fees and estimated refunds. Income tax revenue is credited to the General Fund and totaled \$603,184 for fiscal year 2016.

NOTE 8 - RISK MANAGEMENT

A. Risk Pool Membership

The District is a member of the Schools of Ohio Risk Sharing Authority (SORSA). SORSA is a member owned organization having approximately 112 members. SORSA is a joint self-insurance pool. SORSA assumes the risk of loss up to the limits of the District's policy. SORSA covers the following risks:

- General Liability
- Automobile Liability
- School Officials Errors and Omissions
- Property
- Crime

The District contributes to the funding, operating and maintaining of the SORSA joint self-insurance pool. The District's contributions cover deductible losses, loss fund contributions, insurance costs, and administration costs.

The District paid \$39,302 in premiums to the pool during fiscal year 2015 for coverage during fiscal year 2016.

SORSA financial statements are available by contacting SORSA at:

**OTTOVILLE LOCAL SCHOOL DISTRICT
PUTNAM COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016
(Continued)**

Schools of Ohio Risk Sharing Authority, Inc.
OSBA Building
8050 North High Street
Columbus, Ohio 43235-6483

Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three years. There has been no significant reduction in amounts of insurance coverage from 2008.

B. Employee Medical Benefits

The District participates as a member of the Putnam County School Insurance Group (the Group), a public entity risk pool, administered by Huntington Trust. The District converted its fully-insured medical insurance program to partial self-insurance through participation in this public entity risk pool. Medical Mutual of Ohio provides claim review and processing. The District maintains stop-loss coverage for its medical insurance program. Aggregate stop loss is maintained for expected claims.

C. Workers' Compensation

For fiscal year 2016 the District participated in the Ohio School Boards Association (OSBA) CompManagement Workers' Compensation Group Rating Program (GRP), an insurance purchasing pool. The intent of the GRP is to achieve a reduced premium for the District by virtue of its grouping and representation with other participants in the GRP. The workers' compensation experience of the participating school districts is calculated as one experience and a common premium rate is applied to all school districts in the GRP. Each participant pays its workers' compensation premium to the State based on the rate for the GRP rather than its individual rate. GRP then calculates total savings and each participant's individual performance is compared to the overall Plan's savings percentage. A participant then either receives money from or contributes to GRP's equity pooling fund. This equity pooling arrangement insures that each participant shares equally in the overall performance of the GRP. Participation in the GRP is limited to school districts that can meet the GRP's selection criteria.

NOTE 9 - PENSION PLANS

Net Pension Liability

Pensions are a component of exchange transactions—between an employer and its employees—of salaries and benefits for employee services. Pensions are provided to an employee—on a deferred-payment basis—as part of the total compensation package offered by an employer for employee services each financial period.

The net pension liability represents the District's proportionate share of each pension plan's collective actuarial present value of projected benefit payments attributable to past periods of service, net of each pension plan's fiduciary net position. The net pension liability calculation is dependent on critical long-term variables, including estimated average life expectancies, earnings on investments, cost of living adjustments and others. While these estimates use the best information available, unknowable future events require adjusting this estimate annually.

The Ohio Revised Code limits the District's obligation for this liability to annually required payments. The District cannot control benefit terms or the manner in which pensions are financed; however, the District does receive the benefit of employees' services in exchange for compensation including pension.

GASB 68 assumes the liability is solely the obligation of the employer, because (1) they benefit from employee services; and (2) State statute requires all funding to come from these employers. All contributions to date have come solely from these employers (which also includes costs paid in the form of withholdings from employees). State statute requires the pension plans to amortize unfunded liabilities

**OTTOVILLE LOCAL SCHOOL DISTRICT
PUTNAM COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016
(Continued)**

within 30 years. If the amortization period exceeds 30 years, each pension plan's board must propose corrective action to the State legislature. Any resulting legislative change to benefits or funding could significantly affect the net pension liability. Resulting adjustments to the net pension liability would be effective when the changes are legally enforceable.

Plan Description - School Employees Retirement System (SERS)

Plan Description - The District non-teaching employees participate in SERS, a cost-sharing multiple-employer defined benefit pension plan administered by SERS. 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 Ohio Revised Code Chapter 3309. SERS issues a publicly available, stand-alone financial report that includes financial statements, required supplementary information and detailed information about SERS' fiduciary net position. That report can be obtained by visiting the SERS website at www.ohsers.org under Employers/Audit Resources.

Age and service requirements for retirement are as follows:

	Eligible to Retire on or before August 1, 2017 *	Eligible to Retire on or after August 1, 2017
Full benefits	Any age with 30 years of service credit	Age 67 with 10 years of service credit; or Age 57 with 30 years of service credit
Actuarially reduced benefits	Age 60 with 5 years of service credit Age 55 with 25 years of service credit	Age 62 with 10 years of service credit; or Age 60 with 25 years of service credit

* Members with 25 years of service credit as of August 1, 2017, will be included in this plan.

Annual retirement benefits are calculated based on final average salary multiplied by a percentage that varies based on year of service; 2.2 percent for the first thirty years of service and 2.5 percent for years of service credit over 30. Final average salary is the average of the highest three years of salary.

One year after an effective benefit date, a benefit recipient is entitled to a three percent cost-of-living adjustment (COLA). This same COLA is added each year to the base benefit amount on the anniversary date of the benefit.

Funding Policy - Plan members are required to contribute 10 percent of their annual covered salary and the District is required to contribute 14 percent of annual covered payroll. The contribution requirements of plan members and employers are established and may be amended by the SERS' Retirement Board up to statutory maximum amounts 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, 2016, the allocation to pension, death benefits, and Medicare B was 14 percent. None of the employer contribution rate was allocated to the Health Care Fund.

The District's contractually required contribution to SERS was \$87,943 for fiscal year 2016.

Plan Description - State Teachers Retirement System of Ohio (STRS Ohio)

Plan Description - District licensed teachers and other faculty members participate in STRS Ohio, a cost-sharing multiple-employer public employee retirement system administered by STRS Ohio. 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 includes financial statements, required supplementary information and detailed information about STRS Ohio's fiduciary net position. That report can be obtained

**OTTOVILLE LOCAL SCHOOL DISTRICT
PUTNAM COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016
(Continued)**

by writing to STRS Ohio, 275 E. Broad St., Columbus, OH 43215-3771, by calling (888) 227-7877, or by visiting the STRS Ohio website at www.strsoh.org.

New members have a choice of three retirement plans; a Defined Benefit (DB) Plan, a Defined Contribution (DC) Plan and a Combined Plan. Benefits are established by Ohio Revised Code Chapter 3307. The DB plan offers an annual retirement allowance based on final average salary multiplied by a percentage that varies based on years of service. Effective August 1, 2015, the calculation is 2.2 percent of final average salary for the five highest years of earnings multiplied by all years of service. With certain exceptions, the basic benefit is increased each year by two percent of the original base benefit. For members retiring August 1, 2013, or later, the first two percent is paid on the fifth anniversary of the retirement benefit. Members are eligible to retire at age 60 with five year of qualifying service credit, or age 55 with 25 years of service, or 30 years of service regardless of age. Age and service requirements for retirement increased effective August 1, 2015, and will continue to increase periodically until they reach age 60 with 35 years of service or age 65 with five year of service on August 1, 2026.

The DC Plan allows members to place all their member contributions and 9.5 percent of the 14 percent employer contributions into an investment account. Investment allocation decisions are determined by the member. The remaining 4.5 percent of the 14 percent employer rate is allocated to the defined benefit unfunded liability. A member is eligible to receive a retirement benefit at age 50 and termination of employment. The member may elect to receive a lifetime monthly annuity or a lump sum withdrawal.

The Combined Plan offers features of both the DB Plan and the DC Plan. In the Combined Plan, member contributions are allocated among investment choices by the member, and employer contributions are used to fund the defined benefit payment at a reduced level from the regular DB Plan. The defined benefit portion of the Combined Plan payment is payable to a member on or after age 60 with five years of services. The defined contribution portion of the account may be taken as a lump sum payment or converted to a lifetime monthly annuity at age 50.

New members who choose the DC plan or Combined Plan will have another opportunity to reselect a permanent plan during their fifth year of membership. Members may remain in the same plan or transfer to another STRS Ohio plan. The optional annuitization of a member's defined contribution account or the defined contribution portion of a member's Combined Plan account to a lifetime benefit results in STRS Ohio bearing the risk of investment gain or loss on the account. STRS Ohio has therefore included all three plan options as one defined benefit plan for GASB 68 reporting purposes.

A DB or Combined Plan member with five or more years of credited service who is determined to be disabled may qualify for a disability benefit. Eligible survivors of members who die before service retirement may qualify for monthly benefits. New members on or after July 1, 2013, must have at least ten years of qualifying service credit that apply for disability benefits. Members in the DC Plan who become disabled are entitled only to their account balance. If a member of the DC Plan dies before retirement benefits begin, the member's designated beneficiary is entitled to receive the member's account balance.

Funding Policy - Employer and member contribution rates are established by the State Teachers Retirement Board and limited by Chapter 3307 of the Ohio Revised Code. The statutory maximum employee contribution rate was increased one percent July 1, 2015, and will be increased one percent each year until it reaches 14 percent on July 1, 2016. For the fiscal year ended June 30, 2016, plan members were required to contribute 13 percent of their annual covered salary. The District was required to contribute 14 percent; the entire 14 percent was the portion used to fund pension obligations. The fiscal year 2016 contribution rates were equal to the statutory maximum rates.

The District's contractually required contribution to STRS Ohio was \$302,324 for fiscal year 2016.

**OTTOVILLE LOCAL SCHOOL DISTRICT
PUTNAM COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016
(Continued)**

Net Pension Liability

The net pension liability was measured as of June 30, 2015, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The District's proportion of the net pension liability was based on the District's share of contributions to the pension plan relative to the projected contributions of all participating entities. Following is information related to the proportionate share:

	SERS	STRS Ohio	Total
Proportionate share of the net pension liability	\$ 1,169,670	\$ 5,429,942	\$ 6,599,612
Proportion of the net pension liability	0.0204986%	0.01964731%	

Actuarial Assumptions - SERS

SERS' total pension liability was determined by their actuaries in accordance with GASB Statement No. 67, as part of their annual actuarial valuation for each defined benefit retirement plan. Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts (e.g., salaries, credited service) and assumptions about the probability of occurrence of events far into the future (e.g., mortality, disabilities, retirements, employment termination). Actuarially determined amounts are subject to continual review and potential modifications, as actual results are compared with past expectations and new estimates are made about the future.

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employers and plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing benefit costs between the employers and plan members to that point. The projection of benefits for financial reporting purposes does not explicitly incorporate the potential effects of legal or contractual funding limitations.

Actuarial calculations reflect a long-term perspective. For a newly hired employee, actuarial calculations will take into account the employee's entire career with the employer and also take into consideration the benefits, if any, paid to the employee after termination of employment until the death of the employee and any applicable contingent annuitant. In many cases actuarial calculations reflect several decades of service with the employer and the payment of benefits after termination.

Key methods and assumptions used in calculating the total pension liability in the latest actuarial valuation, prepared as of June 30, 2015, are presented below:

Wage inflation		3.25 percent
Future salary increases, including inflation		4.00 percent to 22 percent
COLA or ad hoc COLA		3 percent
Investment rate of return	7.75 percent net of investments expense, including inflation	
Actuarial cost method		Entry age normal

For post-retirement mortality, the table used in evaluating allowances to be paid is the 1994 Group Annuity Mortality Table set back one year for both men and women. Special mortality tables are used for the period after disability retirement.

The most recent experience study was completed June 30, 2010.

The long-term return expectation for the Pension Plan Investments has been determined using a building-block approach and assumes a time horizon, as defined in SERS' *Statement of Investment Policy*. A

**OTTOVILLE LOCAL SCHOOL DISTRICT
PUTNAM COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016
(Continued)**

forecasted rate of inflation serves as the baseline for the return expectation. Various real return premiums over the baseline inflation rate have been established for each asset class. The long-term expected nominal rate of return has been determined by calculating a weighted averaged of the expected real return premiums for each asset class, adding the projected inflation rate, and adding the expected return from rebalancing uncorrelated asset classes. The target allocation and best estimates of arithmetic real rates of return for each major assets class are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long Term Expected Real Rate of Return</u>
Cash	1.00 %	0.00 %
US Stocks	22.50	5.00
Non-US Stocks	22.50	5.50
Fixed Income	19.00	1.50
Private Equity	10.00	10.00
Real Assets	10.00	5.00
Multi-Asset Strategies	15.00	7.50
 Total	 <u>100.00 %</u>	

Discount Rate - The total pension liability was calculated using the discount rate of 7.75 percent. The projection of cash flows used to determine the discount rate assumed the contributions from employers and from the members would be computed based on contribution requirements as stipulated by State statute. Projected inflows from investment earning were calculated using the long-term assumed investment rate of return (7.75 percent). Based on those assumptions, the plan's fiduciary net position was projected to be available to make all future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefits to determine the total pension liability.

Sensitivity of the District's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate - Net pension liability is sensitive to changes in the discount rate, and to illustrate the potential impact the following table presents the net pension liability calculated using the discount rate of 7.75 percent, as well as what each plan's net pension liability would be if it were calculated using a discount rate that is one percentage point lower (6.75 percent), or one percentage point higher (8.75 percent) than the current rate.

	<u>1% Decrease (6.75%)</u>	<u>Current Discount Rate (7.75%)</u>	<u>1% Increase (8.75%)</u>
District's proportionate share of the net pension liability	\$ 1,621,912	\$ 1,169,670	\$ 788,845

Changes Between Measurement Date and Report Date

In April 2016, the SERS Board adopted certain assumption changes which impacted their annual actuarial valuation prepared as of June 30, 2016. The most significant change is a reduction in the discount rate from 7.75 percent to 7.5 percent. Although the exact amount of these changes is not known, the impact to the District's net pension liability is expected to be significant.

**OTTOVILLE LOCAL SCHOOL DISTRICT
PUTNAM COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016
(Continued)**

Actuarial Assumptions - STRS Ohio

The total pension liability in the June 30, 2015, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.75 percent
Projected salary increases	2.75 percent at age 70 to 12.25 percent at age 20
Investment rate of return	7.75 percent, net of investment expenses
Cost-of-living adjustments (COLA)	2 percent simple applied as follows: for members retiring before August 1, 2013, 2 percent per year; for members retiring August 1, 2013, or later, 2 percent COLA paid on fifth anniversary of retirement date.

Mortality rates were based on the RP-2000 Combined Mortality Table (Projection 2022—Scale AA) for Males and Females. Males' ages are set-back two years through age 89 and no set-back for age 90 and above. Females younger than age 80 are set back four years, one year set back from age 80 through 89 and not set back from age 90 and above.

Actuarial assumptions used in the June 30, 2015, valuation are based on the results of an actuarial experience study, effective July 1, 2012.

The 10 year expected real rate of return on pension plan investments was determined by STRS Ohio's investment consultant by developing best estimates of expected future real rates of return for each major asset class. The target allocation and best estimates of geometric real rates of return for each major asset class are summarized as follows:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long Term Expected Real Rate of Return</u>
Domestic Equity	31.00 %	8.00 %
International Equity	26.00	7.85
Alternatives	14.00	8.00
Fixed Income	18.00	3.75
Real Estate	10.00	6.75
Liquidity Reserves	<u>1.00</u>	3.00
Total	<u>100.00 %</u>	

Discount Rate - The discount rate used to measure the total pension liability was 7.75 percent as of June 30, 2015. The projection of cash flows used to determine the discount rate assumes member and employer contributions will be made at the statutory contribution rates in accordance with rate increases described above. For this purpose, only employer contributions that are intended to fund benefits of current plan members and their beneficiaries are included. Projected employer contributions that are intended to fund the service costs of future plan members and their beneficiaries, as well as projected contributions from future plan members, are not included. Based on those assumptions, STRS Ohio's fiduciary net position was projected to be available to make all projected future benefit payments to current plan members as of June 30, 2015. Therefore, the long-term expected rate of return on pension plan investments of 7.75 percent was applied to all periods of projected benefit payment to determine the total pension liability as of June 30, 2015.

Sensitivity of the District's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate - The following table presents the District's proportionate share of the net pension liability calculated using the current period discount rate assumption of 7.75 percent, as well as what the District's

**OTTOVILLE LOCAL SCHOOL DISTRICT
PUTNAM COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016
(Continued)**

proportionate share of the net pension liability would be if it were calculated using a discount rate that is one-percentage-point lower (6.75 percent) or one-percentage-point higher (8.75 percent) than the current rate:

	1% Decrease (6.75%)	Current Discount Rate (7.75%)	1% Increase (8.75%)
District's proportionate share of the net pension liability	\$ 7,542,599	\$ 5,429,942	\$ 3,643,375

Social Security System

Effective July 1, 1991, all employees not otherwise covered by the School Employees Retirement System or the State Teachers Retirement System of Ohio have an option to choose Social Security or the School Retirement System. As of June 30, 2015, two of the members of the Board of Education have elected Social Security. The contribution rate is 6.2 percent of wages.

NOTE 10 - POSTEMPLOYMENT BENEFITS

A. School Employees Retirement System

Health Care Plan Description - The District contributes to the SERS Health Care Fund, administered by SERS for non-certificated retirees and their beneficiaries. For GASB 45 purposes, this plan is considered a cost-sharing, multiple-employer, defined benefit other postemployment benefit (OPEB) plan. The Health Care Plan includes hospitalization and physicians' fees through several types of plans including HMO's, PPO's, Medicare Advantage, and traditional indemnity plans as well as a prescription drug program. The financial report of the Plan is included in the SERS Comprehensive Annual Financial Report which can be obtained on SERS' website at www.ohsers.org under Employers/Audit Resources.

Access to health care for retirees and beneficiaries is permitted in accordance with Section 3309 of the Ohio Revised Code. The Health Care Fund was established and is administered in accordance with Internal Revenue Code Section 105(e). SERS' Retirement Board reserves the right to change or discontinue any health plan or program. Health care is financed through a combination of employer contributions and retiree premiums, copays and deductibles on covered health care expenses, investment returns, and any funds received as a result of SERS' participation in Medicare programs. 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.

Funding Policy - State statute permits SERS to fund the health care benefits through employer contributions. Each year, after the allocation for statutorily required basic benefits, the Retirement Board allocates the remainder of the employer contribution of 14 percent of covered payroll to the Health Care Fund. For fiscal year 2016, no portion of covered payroll was allocated to health care. In addition, employers pay a surcharge for employees earning less than an actuarially determined minimum compensation amount, pro-rated according to service credit earned. For fiscal year 2016, this amount was \$23,000. Statutes provide that no employer shall pay a health care surcharge greater than 2 percent of that employer's SERS-covered payroll; nor may SERS collect in aggregate more than 1.5 percent of the total statewide SERS-covered payroll for the health care surcharge.

The District's contributions for health care for the fiscal years ended June 30, 2016, 2015, and 2014 were \$15,062, \$14,741, and \$47,981 respectively. 100 percent has been contributed for fiscal years 2016, 2015 and 2014.

**OTTOVILLE LOCAL SCHOOL DISTRICT
PUTNAM COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016
(Continued)**

B. State Teachers Retirement System of Ohio

Plan Description - The District contributes to the cost sharing, multiple employer defined benefit Health Plan (the "Plan") administered by the State Teachers Retirement System of Ohio (STRS Ohio) for eligible retirees who participated in the defined benefit or combined pension plans offered by STRS Ohio. Benefits include hospitalization, physicians' fees, prescription drugs and reimbursement of monthly Medicare Part B premiums. The Plan is included in the report of STRS Ohio which may be obtained by visiting www.strsoh.org, under "Publications" or by calling (888) 227-7877.

Funding Policy - Ohio law authorizes STRS Ohio to offer the Plan and gives the Retirement Board authority over how much, if any, of the health care costs will be absorbed by STRS Ohio. Active employee members do not contribute to the Plan. All benefit recipients pay a monthly premium. Under Ohio law, funding for post-employment health care may be deducted from employer contributions. For 2016, STRS Ohio did not allocate any employer contributions to the Health Care Stabilization Fund. The District's contributions for health care for the fiscal years ended June 30, 2016, 2015 and 2014 were \$0, \$0 and \$21,036, respectively; 100 percent has been contributed for fiscal year 2014.

NOTE 11 - DEBT OBLIGATIONS

The changes in the District's long-term obligations during fiscal year 2016 were as follows:

	Principal Outstanding 06/30/2015	Additions	Reductions	Principal Outstanding 06/30/2016	Amounts Due In One Year
General Obligation Bonds:					
General obligation bonds – 2006	\$1,580,000		\$1,580,000		
Capital appreciation bonds – 2006	180,000		180,000		
General obligation bonds – 2016		\$1,580,000		\$1,580,000	\$200,000
Total General Obligation Bonds	\$1,760,000	\$1,580,000	\$1,760,000	\$1,580,000	\$200,000

School Construction General Obligation Bonds – 2006

Proceeds from the outstanding bonds were used for the purpose of advance refunding a portion of general obligation bonds, dated December 1, 2001, which were issued for the purpose of constructing a new instructional building. The bonds were issued on January 31, 2006. The bonds consisted of \$435,000 in current interest serial bonds and \$1,580,000 in term bonds and \$79,996, in capital appreciation bonds. The outstanding current interest bonds were refunded during fiscal year 2016.

Refunding General Obligation Bonds-2016

On January 12, 2016, the District issued general obligation bonds to advance refund the outstanding Series 2006 current general obligation bonds. These bonds are general obligations of the District, for which its full faith and credit is pledged. The source of payment is derived from proceeds of a 5.57 mil bonded debt tax levy.

This issue is comprised of current interest bonds, par value \$1,580,000, bearing an annual interest rate of 1.962%. Interest payments on the current interest bonds are due December 1 of each year. The final maturity stated in the issue is December 1, 2023. The refunding resulted in an economic gain of \$96,050 for the District.

The scheduled payments of principal and interest on debt outstanding at June 30, 2016 are as follows:

**OTTOVILLE LOCAL SCHOOL DISTRICT
PUTNAM COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016
(Continued)**

Fiscal Year Ending June 30	General Obligation Current Interest Bonds		
	Principal	Interest	Total
2017	\$ 200,000	\$ 29,038	\$ 229,038
2018	195,000	25,163	220,163
2019	200,000	21,288	221,288
2020	200,000	17,363	217,363
2021	205,000	13,390	218,390
2022 - 2024	580,000	15,794	595,794
Total	\$ 1,580,000	\$ 122,036	\$ 1,702,036

The Ohio Revised Code provides that voted net general obligation debt of the District shall never exceed 9% of the total assessed valuation of the District. The code further provides that unvoted indebtedness shall not exceed 1/10 of 1% of the property valuation of the District.

The effects of the debt limitations at June 30, 2016 were a voted debt margin of \$6,134,975 and an unvoted debt margin of \$80,463.

NOTE 12 – FUND BALANCE

Fund balance is classified as nonspendable, restricted, committed, assigned, and/or unassigned based primarily on the extent to which the District is bound to observe constraints imposed upon the use of the resources in governmental funds.

The constraints placed on fund balance for the major governmental funds and all other governmental funds are presented below:

<u>Fund Balance</u>	<u>General Fund</u>	<u>Bond Retirement Fund</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
Restricted for:				
Athletics			\$65,150	\$65,150
Food Service Operations			49,629	49,629
Scholarships			31,725	31,725
Capital Improvements			2,403	2,403
Facilities Maintenance			382,291	382,291
Debt Service Payments		\$473,321		473,321
Total Restricted		473,321	531,198	1,004,519
Assigned for:				
Other	\$3,835			3,835
Unpaid Obligations	65,866			65,866
Total Assigned	69,701			69,701
Unassigned	4,890,879			4,890,879
Total Fund Balance	\$4,960,580	\$473,321	\$531,198	\$5,965,099

NOTE 13 – SET ASIDE CALCULATIONS

The District is required by State law to annually set-aside certain general fund revenue amounts, as defined by 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 year must be held in

**OTTOVILLE LOCAL SCHOOL DISTRICT
PUTNAM COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016
(Continued)**

cash at fiscal year-end. This amount must be carried forward to be used for the same purpose in future years.

The following cash-basis information describes the change in the fiscal year-end set-aside amount for capital improvements. Disclosure of this information is required by State statute.

	<u>Maintenance</u>
Set-Aside Reserve Balance June 30, 2015	
Current year set-aside requirement	\$ 72,916
Qualifying Disbursements	<u>(318,538)</u>
Total	\$ <u>(245,622)</u>
Balance Carried Forward to July 1, 2016	

Although the District had qualifying disbursements during the fiscal year that reduced the set aside amount below zero for the capital improvements set aside, this amount may not be used to reduce the set aside requirements of future years. This negative balance is therefore not presented as being carried forward to future years.

NOTE 14 - CONTINGENCIES

A. Grants

The 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 are subject to audit by the grantor agencies.

Any disallowed claims resulting from such audits could become a liability of the General Fund or other applicable funds. However, in the opinion of management, any such disallowed claims will not have a material adverse effect on the overall financial position of the District at June 30, 2016.

B. Litigation

The District is not a party to any legal proceedings.

C. School Funding

School District Foundation funding is based on the annualized full-time equivalent (FTE) enrollment of each student. Effective for the 2014-2015 school year, traditional school districts must comply with minimum hours of instruction, instead of a minimum number of school days each year. The funding formula the Ohio Department of Education (ODE) is legislatively required to follow will continue to adjust as enrollment information is updated by the school district, which can extend past the fiscal year end. As of the date of this report, ODE has not finalized the impact of enrollment adjustments to the June 30, 2016 Foundation funding for the school district; therefore, the financial statement impact is not determinable at this time. ODE and management believe this will result in either a receivable to or liability of the District.

NOTE 15 - JOINTLY GOVERNED ORGANIZATIONS

A. Northwest Ohio Area Computer Services Cooperative

Northwest Ohio Area Computer Services Cooperative ("NOACSC") is a jointly governed organization among forty-seven Districts. The jointly governed organization was formed for the purpose of applying

**OTTOVILLE LOCAL SCHOOL DISTRICT
PUTNAM COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016
(Continued)**

modern technology with the aid of computers and other electronic equipment to administrative and instructional functions among member Districts. Each of the governments of these schools supports NOACSC based upon a per pupil charge dependent upon the software package utilized.

The NOACSC Assembly consists of a representative from each participating District and the superintendent from the fiscal agent. The Board of Directors consists of the superintendent from the fiscal agent, the two Assembly members from each county in which participating Districts are located. The degree of control exercised by any participating District is limited to its representation of the Board. Financial information can be obtained by contacting Ray Burden, who serves as Director, at 645 South Main Street, Lima, Ohio 45804.

B. Northwest Ohio Special Education Regional Resource Center

The Northwest Ohio Special Education Regional Resource Center ("SERRC") is a jointly governed organization formed to initiate, expand, and improve special education programs and services for children with disabilities and their parents. The SERRC is governed by a fifty-two member board consisting of the superintendent from the fifty participating Districts, one representative from a non-public school, and one representative from Wright State University. The degree of control exercised by any participating District is limited to its representation on the Board. Financial information can be obtained from the Hardin County Educational Service Center, 1 Court House Square, Suite 50, Kenton, Ohio 43326-2385.

C. State Support Team Region 1

The State Support Team Region 1 (SSTR1) provides specialized core work related to building regional capacity for district, building, and community school implementation of the Ohio Improvement Process (OIP) at a high level. The service region of the SSTR1 includes Defiance, Fulton, Hancock, Henry, Lucas, Ottawa, Paulding, Putnam, Sandusky, Van Wert, Williams and Wood counties, and Fostoria Community School in Seneca County. The Educational Service Center of Lake Erie West is the fiscal agent for the SSTR1. Executive Director and Single Point of Contact is Sue Zake. Contact information is available at www.sstr1.org.

D. Vantage Vocational School

The Vantage Vocational School is a distinct political subdivision of the State of Ohio operated under the direction of a Board consisting of one representative from each of the participating Districts' elected boards, which possesses its own budgeting and taxing authority. To obtain financial information, write to the Vantage Vocational School, Laura Peters, who serves as Treasurer, at 818 North Franklin Street, Van Wert, Ohio 45891.

**OTTOVILLE LOCAL SCHOOL DISTRICT
PUTNAM COUNTY**

**Statement of Net Position - Cash Basis
June 30, 2015**

	<u>Governmental Activities</u>
Assets:	
Equity in Pooled Cash and Cash Equivalents	<u>\$5,627,272</u>
Net Position:	
Restricted for Debt Service	\$454,578
Restricted for Capital Outlay	48,525
Restricted for Other Purposes	545,606
Unrestricted	<u>4,578,563</u>
<i>Total Net Position</i>	<u>\$5,627,272</u>

See Accompanying Notes to the Basic Financial Statements

**OTTOVILLE LOCAL SCHOOL DISTRICT
PUTNAM COUNTY**

**Statement of Activities - Cash Basis
For the Fiscal Year Ended June 30, 2015**

		Program Cash Receipts		Net (Disbursements) Receipts and Changes in Net Position
Cash Disbursements	Charges for Services and Sales	Operating Grants and Contributions	Governmental Activities	
Governmental Activities:				
Instruction:				
Regular	\$2,677,759	\$297,101	\$312,984	(\$2,067,674)
Special	336,294		92,340	(243,954)
Other	15,914			(15,914)
Support Services:				
Pupils	82,292			(82,292)
Instructional Staff	157,944			(157,944)
Board of Education	20,681			(20,681)
Administration	349,388			(349,388)
Fiscal	242,778			(242,778)
Operation and Maintenance of Plant	527,364		13,668	(513,696)
Pupil Transportation	137,614	18,115		(119,499)
Operation of Non-Instructional Services	183,045	155,200	41,094	13,249
Extracurricular Activities	254,868	123,763		(131,105)
Facilities Acquisition and Construction	38,555			(38,555)
Debt Service:				
Principal	750,000			(750,000)
Interest and Fiscal Charges	75,553			(75,553)
Totals	\$5,850,049	\$594,179	\$460,086	(4,795,784)
 General Receipts:				
Taxes:				
Property Taxes, Levied for General Purposes				1,342,489
Property Taxes, Levied for Debt Service				281,467
Property Taxes, Levied for Other				21,983
Income Taxes				591,497
Grants and Entitlements not Restricted to Specific Programs				2,527,227
Gifts and Donations				53,760
Interest				11,924
Sale of Assets				200
Miscellaneous				16,670
Total General Receipts				4,847,217
Change in Net Position				51,433
<i>Net Position Beginning of Year</i>				5,575,839
<i>Net Position End of Year</i>				\$5,627,272

See Accompanying Notes to the Basic Financial Statements

**OTTOVILLE LOCAL SCHOOL DISTRICT
PUTNAM COUNTY**

**Statement of Assets and Fund Balances - Cash Basis
Governmental Funds
June 30, 2015**

	<u>General Fund</u>	<u>Bond Retirement Fund</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
Assets				
Equity in Pooled Cash and Cash Equivalents	\$4,578,563	\$454,578	\$594,131	\$5,627,272
Fund Balances				
Restricted		\$454,578	\$594,131	\$1,048,709
Assigned	\$105,163			105,163
Unassigned	4,473,400			4,473,400
<i>Total Fund Balances</i>	<u>\$4,578,563</u>	<u>\$454,578</u>	<u>\$594,131</u>	<u>\$5,627,272</u>

See Accompanying Notes to the Basic Financial Statements

**OTTOVILLE LOCAL SCHOOL DISTRICT
PUTNAM COUNTY**

**Statement of Receipts, Disbursements and Changes in Fund Balances - Cash Basis
Governmental Funds
For the Fiscal Year Ended June 30, 2015**

	<u>General Fund</u>	<u>Bond Retirement Fund</u>	<u>All Other Governmental Funds</u>	<u>Total Governmental Funds</u>
Cash Receipts:				
Property and Other Local Taxes	\$1,342,489	\$281,467	\$21,983	\$1,645,939
Income Tax	591,497			591,497
Intergovernmental	2,687,815	61,328	238,171	2,987,314
Interest	10,740		1,184	11,924
Tuition	226,867			226,867
Transportation Fees	18,115			18,115
Extracurricular Activities	6,142		120,472	126,614
Gifts and Donations	25		53,735	53,760
Customer Sales and Services	70,235		155,200	225,435
Miscellaneous	11,895		1,922	13,817
<i>Total Cash Receipts</i>	<u>4,965,820</u>	<u>342,795</u>	<u>592,667</u>	<u>5,901,282</u>
Cash Disbursements:				
Current:				
Instruction:				
Regular	2,603,622		74,137	2,677,759
Special	245,999		90,295	336,294
Other	15,914			15,914
Support Services:				
Pupils	82,292			82,292
Instructional Staff	149,298		8,646	157,944
Board of Education	20,681			20,681
Administration	349,388			349,388
Fiscal	234,058	8,104	616	242,778
Operation and Maintenance of Plant	470,918		56,446	527,364
Pupil Transportation	137,614			137,614
Operation of Non-Instructional Services			183,045	183,045
Extracurricular Activities	113,186		141,682	254,868
Facilities Acquisition and Construction			38,555	38,555
Debt Service:				
Principal		750,000		750,000
Interest		75,553		75,553
<i>Total Cash Disbursements</i>	<u>4,422,970</u>	<u>833,657</u>	<u>593,422</u>	<u>5,850,049</u>
<i>Excess of Cash Receipts Over (Under)</i>				
<i>Cash Disbursements</i>	<u>542,850</u>	<u>(490,862)</u>	<u>(755)</u>	<u>51,233</u>
Other Financing Sources (Uses):				
Transfers In	5,586	303,868	140	309,594
Transfers Out	(304,008)	(5,586)		(309,594)
Sale of Assets	200			200
<i>Total Other Financing Sources (Uses)</i>	<u>(298,222)</u>	<u>298,282</u>	<u>140</u>	<u>200</u>
<i>Net Change in Fund Balances</i>	244,628	(192,580)	(615)	51,433
<i>Fund Balances at Beginning of Year</i>	4,333,935	647,158	594,746	5,575,839
<i>Fund Balances at End of Year</i>	<u>\$4,578,563</u>	<u>\$454,578</u>	<u>\$594,131</u>	<u>\$5,627,272</u>

**OTTOVILLE LOCAL SCHOOL DISTRICT
PUTNAM COUNTY**

**Statement of Receipts, Disbursements and Changes in Fund Balance
Budget and Actual - Budget Basis
General Fund
For the Fiscal Year Ended June 30, 2015**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget</u>
Receipts:				
Property and Other Local Taxes	\$1,144,445	\$1,294,921	\$1,342,489	\$47,568
Income Tax	665,000	665,000	591,497	(73,503)
Intergovernmental	2,815,251	2,815,251	2,687,815	(127,436)
Interest	25,000	25,000	10,740	(14,260)
Tuition	195,000	195,000	226,867	31,867
Transportation Fees	15,000	15,000	18,115	3,115
Extracurricular Activities	3,600	3,600	3,291	(309)
Gifts and Donations	1,000	1,000	25	(975)
Customer Sales and Services	45,300	45,300	70,235	24,935
Miscellaneous	17,168	17,168	11,895	(5,273)
<i>Total Receipts</i>	<u>4,926,764</u>	<u>5,077,240</u>	<u>4,962,969</u>	<u>(114,271)</u>
Disbursements:				
Current:				
Instruction:				
Regular	2,740,101	2,740,101	2,633,118	106,983
Special	272,688	272,688	247,094	25,594
Other	7,525	7,525	15,914	(8,389)
Support Services:				
Pupils	85,067	85,067	79,858	5,209
Instructional Staff	171,374	171,374	152,038	19,336
Board of Education	30,675	30,675	21,081	9,594
Administration	388,462	388,462	351,478	36,984
Fiscal	254,076	254,076	237,573	16,503
Operation and Maintenance of Plant	537,861	537,861	504,681	33,180
Pupil Transportation	285,705	285,705	164,276	121,429
Central	1,000	1,000		1,000
Extracurricular Activities	123,615	123,615	112,522	11,093
<i>Total Disbursements</i>	<u>4,898,149</u>	<u>4,898,149</u>	<u>4,519,633</u>	<u>378,516</u>
<i>Excess of Receipts Over Disbursements</i>	<u>28,615</u>	<u>179,091</u>	<u>443,336</u>	<u>264,245</u>
Other Financing Sources (Uses):				
Transfers In			5,586	5,586
Transfers Out			(303,868)	(303,868)
Sale of Fixed Assets			200	200
<i>Total Other Financing Sources (Uses)</i>			<u>(298,082)</u>	<u>(298,082)</u>
<i>Net Change in Fund Balance</i>	28,615	179,091	145,254	(33,837)
<i>Fund Balance at Beginning of Year</i>	4,252,170	4,252,170	4,252,170	
Prior Year Encumbrances Appropriated	76,078	76,078	76,078	
<i>Fund Balance at End of Year</i>	<u>\$4,356,863</u>	<u>\$4,507,339</u>	<u>\$4,473,502</u>	<u>(\$33,837)</u>

See Accompanying Notes to the Basic Financial Statements

**OTTOVILLE LOCAL SCHOOL DISTRICT
PUTNAM COUNTY**

**Statement of Fiduciary Net Position - Cash Basis
Fiduciary Funds
June 30, 2015**

	<u>Agency Fund</u>
Assets:	
Current Assets:	
Equity in Pooled Cash and Cash Equivalents	<u><u>\$19,219</u></u>
Liabilities:	
Current Liabilities:	
Due to Students	<u><u>\$19,219</u></u>

See Accompanying Notes to the Basic Financial Statements

**OTTOVILLE LOCAL SCHOOL DISTRICT
PUTNAM COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

NOTE 1 - DESCRIPTION OF THE DISTRICT AND REPORTING ENTITY

Ottoville Local School District (the District) is a body politic and corporate established to exercise the rights and privileges the constitution and laws of the State of Ohio convey to it.

A locally-elected five-member Board governs the District, which provides educational services mandated by the State and federal agencies. This Board of Education controls the District's one instructional/support facility staffed by 17 classified employees, 35 certificated full-time personnel, and 3 administrators who provide services to 418 students and other community members.

Reporting Entity

A reporting entity is comprised of the primary government, component units and other organizations included ensuring that the basic financial statements are not misleading. The primary government of the District consists of all funds, departments, boards and agencies that are not legally separate from the District. For the District, this includes general operations, food service, community services, and student-related activities.

Component units are legally separate organizations for which the District can "impose its will," such as by appointing a voting majority of the component unit's governing body. Component units may also include organizations fiscally dependent on the District in that the District approves their budget, the issuance of their debt or the levying of their taxes. Component units also include legally separate, tax-exempt entities whose resources are for the direct benefit of the District, are accessible to the District, and are significant in amount to the District. The District has no component units.

The District has no joint ventures.

The District participates in 3 public entity risk pools and 4 jointly governed organizations. The financial statements exclude these entities which perform activities within the District's boundaries for the benefit of its residents because the District is not financially accountable for these entities nor are these entities fiscally dependent on the District. Notes 8 and 17 to the financial statements provide additional information for these entities. These organizations are:

Public Entity Risk Pool:

Schools of Ohio Risk Sharing Authority
Putnam County School Insurance Group
Ohio School Boards Association CompManagement Workers' Compensation
Group Rating Program

Jointly Governed Organizations:

Northwest Ohio Area Computer Services Cooperative
Northwest Ohio Special Education Regional Resource Center
State Support Region 1
Vantage Vocational School

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Basis of Accounting

Although Ohio Administrative Code Section 117-2-03 (B) requires the District's financial report to follow generally accepted accounting principles, the District chooses to prepare its financial statements and notes in accordance with the cash basis of accounting. This is a comprehensive basis of accounting other than generally accepted accounting principles.

**OTTOVILLE LOCAL SCHOOL DISTRICT
PUTNAM COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015
(Continued)**

The cash basis of accounting differs from accounting principles generally accepted in the United States of America (GAAP). The District recognizes receipts when received in cash rather than when earned and recognizes disbursements when paid rather than when a liability is incurred.

Budgetary presentations report budgetary expenditures when a commitment is made (i.e., when an encumbrance is approved). Differences between disbursements reported in the fund and entity wide statements versus budgetary expenditures result from encumbrances outstanding at the beginning and end of the fiscal year.

B. Fund Accounting

The District uses funds to maintain its financial records during the fiscal year. Fund accounting is designed to demonstrate legal compliance and to aid management by segregating transactions related to certain functions or activities. A fund is a fiscal and accounting entity with a self-balancing set of accounts. The District classifies each fund as either governmental or fiduciary.

Governmental: The District classifies funds financed primarily from taxes, intergovernmental receipts (e.g. grants) and other nonexchange transactions as governmental funds. The following are the District's major governmental funds:

General Fund – The General Fund accounts for all financial resources except for restricted resources requiring a separate accounting. The General Fund balance is available for any purpose provided it is disbursed or transferred according to Ohio law.

Bond Retirement Fund – The Bond Retirement Fund accounts for resources received from property taxes to pay school improvement general obligation bond principal, interest and related costs.

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

Fiduciary: The fiduciary fund category is split into four classifications: pension trust funds, investment trust funds, private purpose trust funds, and agency funds. Trust funds are used to account for assets held by the District under a trust agreement for individuals, private organizations, or other governments and are not available to support the District's own programs. Agency funds are custodial in nature. The District's agency fund accounts for various student-managed activities.

C. Basis of Presentation

The District's basic financial statements consist of a government-wide statement of activities and fund financial statements providing more detailed financial information.

Government-wide Financial Statement of Activities: This statement displays information about the District as a whole, except for fiduciary funds.

The government-wide statement of activities compares disbursements with program receipts for each function or program of the 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 government 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 the cash basis or draws from the District's general receipts.

**OTTOVILLE LOCAL SCHOOL DISTRICT
PUTNAM COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015
(Continued)**

Fund Financial Statements: Fund financial statements report more detailed information about the District. The focus of governmental fund financial statements is on major funds. Fund statements present each major fund in a separate column and aggregate nonmajor funds in a single column. Fiduciary Funds are reported by type.

D. Cash, Cash Equivalents, and Investments

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

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

During 2015, the District invested in certificates of deposit. The District values certificates of deposit at cost.

Following Ohio statutes, the Board of Education specified the funds to receive an allocation of interest earnings. Interest revenue credited to the General Fund during fiscal year 2015 amounted to \$10,740, of which \$2,225 was interest assigned from other District funds.

E. Restricted Assets

The financial statements classify cash, cash equivalents and investments as restricted when external limitations change the nature or normal understanding of their use. Creditors, contributors, grantors, laws of other governments or enabling legislation are the sources of the restrictions.

F. Inventory and Prepaid Items

The District reports disbursements for inventory and prepaid items when paid. These items are not reflected as assets in the accompanying financial statements.

G. Capital Assets

Acquisitions of property, plant and equipment are recorded as disbursements when paid. These items are not reflected as assets in the accompanying financial statements.

H. Accumulated Leave

In certain circumstances, such as upon leaving employment, employees are entitled to cash payments for unused leave. Unpaid leave is not reflected as a liability under the District's cash basis of accounting.

I. Intergovernmental Receipts

Unrestricted intergovernmental receipts received on the basis of entitlement are recorded as receipts when the entitlement is received. Intergovernmental receipts and disbursements made on-behalf-of the District by the Putnam County Educational Service Center are recorded during the year.

**OTTOVILLE LOCAL SCHOOL DISTRICT
PUTNAM COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015
(Continued)**

J. Long-term Obligations

The District's 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 paid.

K. Pensions

For purposes of measuring the net pension liability, information about the fiduciary net position of the pension plans and additions to/deductions from their fiduciary net position have been determined on the same basis as they are reported by the pension systems. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. The pension systems report investments at fair value.

L. Fund Balance

Fund Balance is divided into five classifications based primarily on the extent to which the District is bound to observe constraints imposed upon 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 is imposed by law through constitutional provisions.

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

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 resulting from overspending for specific purposes for which amounts had been restricted, committed, or assigned.

The 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.

**OTTOVILLE LOCAL SCHOOL DISTRICT
PUTNAM COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015
(Continued)**

M. Net Position

The statements report restricted net position when enabling legislation or creditors, grantors or laws or regulations of other governments have imposed limitations on their use.

The District first applies restricted resources when incurring a disbursement for which it may use either restricted or unrestricted resources.

N. Interfund Activity

The statements report exchange transactions between funds as receipts in the seller funds and as disbursements in the purchasing funds. Nonexchange flows of cash from one fund to another are reported as interfund transfers. Governmental funds report interfund transfers as other financing sources/uses. The statements do not report repayments from funds responsible for particular disbursements to the funds initially paying the costs.

The statements report interfund loans as advances when made or repaid. There were no unpaid advances as of June 30, 2015.

O. Budgetary Data

Ohio law requires the Board of Education to budget and appropriate all funds, other than agency funds. The major documents prepared are the appropriation resolution and the certificate of estimated resources, which use the budgetary basis of accounting. The budgetary basis reports expenditures when a commitment is made (i.e., when an encumbrance is approved). The certificate of estimated resources establishes a limit on the amounts the Board of Education may appropriate. The appropriation resolution is the Board's authorization to spend resources and sets annual limits on expenditures plus encumbrances at a level of control the Board selects. The Board of Education uses the fund as its legal level of control. Although the legal level of budgetary control was established at the fund level of expenditures, the District has elected to present the General Fund budgetary statement comparison at the fund and function level.

The certificate of estimated resources may be amended during the year if the District Treasurer projects increases or decreases in receipts. The amounts reported as the original budget in the budgetary statements reflect the amounts in the certificate when the Board adopted the original appropriations. The amounts reported as the final budget in the budgetary statements reflect the amounts in the amended certificate in effect at the time the final appropriations were passed.

The Board may amend appropriations throughout the year with the restriction that appropriations may not exceed estimated resources. The amounts reported as the original budget reflect the first appropriation for a fund covering the entire fiscal year, including amounts automatically carried over from prior years. The amounts reported as the final budget represent the final appropriation the Board passed during the year.

NOTE 3 - ACCOUNTABILITY AND COMPLIANCE

A. Compliance

Ohio Administrative Code, Section 117-2-03(B), requires the District to prepare its annual financial report in accordance with generally accepted accounting principles. However, the District prepared its financial statements on a cash basis, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. The accompanying financial statements omit assets, liabilities, net position / fund balances, and disclosures that, while material, cannot be determined at this time. The District can be fined and various other administrative remedies may be taken against the District.

**OTTOVILLE LOCAL SCHOOL DISTRICT
PUTNAM COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015
(Continued)**

B. Change in Accounting Principles

For fiscal year 2015, the District has implemented GASB Statement No. 68, "Accounting and Financial Reporting for Pensions - an Amendment of GASB Statement No. 27", GASB Statement No. 69 "Government Combinations and Disposals of Government Operations", and GASB Statement No. 71, "Pension Transition for Contributions Made Subsequent to the Measurement Date - an Amendment of GASB Statement No. 68".

GASB Statement No. 68 improves the accounting and financial reporting by state and local governments for pensions. It also improves information provided by state and local governmental employers about financial support for pensions that is provided by other entities. The implementation of GASB Statement No. 68 affected the District's pension plan disclosures, as presented in Note 9 to the financial statements, and added required supplementary information.

GASB Statement No. 69 establishes accounting and financial reporting standards related to government combinations and disposals of government operations. The Statement improves the decision usefulness of financial reporting by requiring that disclosures be made by governments about combination arrangements in which they engage and for disposals of government operations. The implementation of GASB Statement No. 69 did not have an effect on the financial statements of the District.

GASB Statement No. 71 improves the accounting and financial reporting by addressing an issue in GASB Statement No. 68, concerning transition provisions related to certain pension contributions made to defined benefit pension plans prior to implementation of that Statement by employers and nonemployer contributing entities. The implementation of GASB Statement No. 71 did not have an effect on the financial statements of the District.

NOTE 4 – BUDGETARY BASIS

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 and Actual - Budgetary Basis 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 that are treated as cash disbursements (budgetary basis) rather than as a reservation of fund balance (cash basis). The encumbrances outstanding at year end (budgetary basis) amounted to \$100,134 in the General Fund.

In addition, as part of Governmental Accounting Standards Board Statement No. 54, "Fund Balance Reporting", certain funds that are legally budgeted in separate Special Revenue Funds (Public School Support Funds) are considered part of the General Fund on the cash basis.

The following table summarizes the adjustments necessary to reconcile the cash basis statement to the budgetary basis statement for the General Fund:

Net Change in Fund Cash Balance	
	<u>General Fund</u>
Cash basis	\$ 244,628
Funds budgeted elsewhere	760
Adjustment for encumbrances	<u>(100,134)</u>
Budget basis	<u>\$ 145,254</u>

**OTTOVILLE LOCAL SCHOOL DISTRICT
PUTNAM COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015
(Continued)**

NOTE 5 - DEPOSITS AND INVESTMENTS

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

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

Inactive deposits are public deposits that the Board of Education has identified as not required for use within the current two-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 may be deposited or invested in the following securities:

1. United States treasury notes, bills, bonds, or other obligations or security issued by the United States treasury or any other obligation guaranteed as to principal and interest by the United States;
2. Bonds, notes, debentures, or any other obligations or securities issued by any federal government agency or instrumentality, including but not limited to, the Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, Government National Mortgage Association, and Student Loan Marketing Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
3. Written repurchase agreements in the securities listed above provided that the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least two percent and be marked to market daily, and that the term of the agreement must not exceed thirty days;
4. Bonds and other obligations of the State of Ohio;
5. 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) of this section and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions;
7. The State Treasurer's investment pool (STAR Ohio); 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;
8. Certain bankers' acceptances and commercial paper notes for a period not to exceed one hundred and eighty days in an amount not to exceed twenty-five percent of the interim moneys available for investment at any one time;

**OTTOVILLE LOCAL SCHOOL DISTRICT
PUTNAM COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015
(Continued)**

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

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

Undeposited Cash: At year end, the District had no un-deposited cash on hand, included on the financial statements as part of equity in pooled cash and cash equivalents.

Deposits with Financial Institutions: At June 30, 2015, the carrying amount of all District deposits was \$5,646,491. Based on the criteria described in GASB Statement No. 40, "Deposits and Investment Risk Disclosures", as of June 30, 2015, \$5,360,357 of the District's bank accounts were exposed to custodial risk. Custodial credit risk otherwise is discussed in the next paragraph.

Custodial credit risk is the risk that, in the event of bank failure, the District's deposits may not be returned. All deposits are collateralized with eligible securities in amounts equal to at least 105% of the carrying value of the deposits. Such collateral, as permitted by the Ohio Revised Code, is held in single financial institution collateral pools at Federal Reserve Banks, or at member banks of the federal reserve system, in the name of the respective depository bank and pledged as a pool of collateral against all of the public deposits it holds or as specific collateral held at the Federal Reserve Bank in the name of the District. The District has no deposit policy for custodial credit risk beyond the requirements of State statute.

NOTE 6 - PROPERTY TAXES

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

Property taxes include amounts levied against all real property and public utility property. Real property tax revenues received in calendar year 2015 represent the collection of calendar year 2014 taxes. Real property taxes received in calendar year 2015 were levied after April 1, 2014, on the assessed values as of January 1, 2014, 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 2015 represent the collection of calendar year 2014 taxes. Public utility real and personal property taxes received in calendar year 2015 became a lien on December 31, 2013, were levied after April 1, 2014, 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 District receives property taxes from Putnam County and Paulding County. The County Auditors periodically advances to the District its portion of the taxes collected. Second-half real property tax payments collected by the County by June 30, 2015, are available to finance fiscal year 2015 operations. The amount of second-half real property taxes available for advance at fiscal year-end can vary based on the date the tax bills are sent.

The assessed values upon which the fiscal year 2015 taxes were collected are:

**OTTOVILLE LOCAL SCHOOL DISTRICT
PUTNAM COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015
(Continued)**

	2014 Second Half Collections		2015 First Half Collections	
	<u>Amount</u>	<u>Percent</u>	<u>Amount</u>	<u>Percent</u>
Agricultural/residential	\$ 57,407,580	88.70%	\$ 72,192,230	90.60%
Commercial/Industrial	5,317,610	8.22%	5,381,070	6.75%
Public Utility Personal	<u>1,995,070</u>	<u>3.08%</u>	<u>2,107,730</u>	<u>2.65%</u>
Total	<u>\$ 64,720,260</u>	<u>100.00%</u>	<u>\$ 79,681,030</u>	<u>100.00%</u>
Tax rate per \$1,000 of assessed valuation:	\$ 28.87		\$ 26.87	

NOTE 7 - INCOME TAX

On February 3, 2009, the District passed a .75 percent continuing school district income tax for general operations. The income tax was effective on January 1, 2010. 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 District after withholding amounts for administrative fees and estimated refunds. Income tax revenue is credited to the General Fund and totaled \$591,497 for fiscal year 2015.

NOTE 8 - RISK MANAGEMENT

A. Risk Pool Membership

The District is a member of the Schools of Ohio Risk Sharing Authority (SORSA). SORSA is a member owned organization having approximately 112 members. SORSA is a joint self-insurance pool. SORSA assumes the risk of loss up to the limits of the District's policy. SORSA covers the following risks:

- General Liability
- Automobile Liability
- School Officials Errors and Omissions
- Property
- Crime

The District contributes to the funding, operating and maintaining of the SORSA joint self-insurance pool. The District's contributions cover deductible losses, loss fund contributions, insurance costs, and administration costs.

The District paid \$37,861 in premiums to the pool during fiscal year 2014 for coverage during fiscal year 2015.

SORSA financial statements are available by contacting SORSA at:

Schools of Ohio Risk Sharing Authority, Inc.
OSBA Building
8050 North High Street
Columbus, Ohio 43235-6483

Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three years. There has been no significant reduction in amounts of insurance coverage from 2008.

**OTTOVILLE LOCAL SCHOOL DISTRICT
PUTNAM COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015
(Continued)**

B. Employee Medical Benefits

The District participates as a member of the Putnam County School Insurance Group (the Group), a public entity risk pool, administered by Huntington Trust. The District converted its fully-insured medical insurance program to partial self-insurance through participation in this public entity risk pool. Medical Mutual of Ohio provides claim review and processing. The District maintains stop-loss coverage for its medical insurance program. Aggregate stop loss is maintained for expected claims.

C. Workers' Compensation

For fiscal year 2015 the District participated in the Ohio School Boards Association (OSBA) CompManagement Workers' Compensation Group Rating Program (GRP), an insurance purchasing pool. The intent of the GRP is to achieve a reduced premium for the District by virtue of its grouping and representation with other participants in the GRP. The workers' compensation experience of the participating school districts is calculated as one experience and a common premium rate is applied to all school districts in the GRP. Each participant pays its workers' compensation premium to the State based on the rate for the GRP rather than its individual rate. GRP then calculates total savings and each participant's individual performance is compared to the overall Plan's savings percentage. A participant then either receives money from or contributes to GRP's equity pooling fund. This equity pooling arrangement insures that each participant shares equally in the overall performance of the GRP. Participation in the GRP is limited to school districts that can meet the GRP's selection criteria.

NOTE 9 - PENSION PLANS

Net Pension Liability

For fiscal year 2015, Governmental Accounting Standards Board (GASB) Statement No. 68, "Accounting and Financial Reporting for Pensions" and GASB Statement No. 71, "Pension Transition for Contributions Made Subsequent to the Measurement Date — an amendment of GASB Statement No. 68" were effective. These GASB pronouncements had no effect on beginning net position as reported June 30, 2014, as the net pension liability is not reported in the accompanying financial statements. The net pension liability has been disclosed below.

Pensions are a component of exchange transactions — between an employer and its employees — of salaries and benefits for employee services. Pensions are provided to an employee — on a deferred-payment basis — as part of the total compensation package offered by an employer for employee services each financial period.

The net pension liability represents the District's proportionate share of each pension plan's collective actuarial present value of projected benefit payments attributable to past periods of service, net of each pension plan's fiduciary net position. The net pension liability calculation is dependent on critical long-term variables, including estimated average life expectancies, earnings on investments, cost of living adjustments and others. While these estimates use the best information available, unknowable future events require adjusting this estimate annually.

Ohio Revised Code limits the District's obligation for this liability to annually required payments. The District cannot control benefit terms or the manner in which pensions are financed; however, the District does receive the benefit of employees' services in exchange for compensation including pension.

GASB 68 assumes the liability is solely the obligation of the employer, because (1) they benefit from employee services; and (2) State statute requires all funding to come from these employers. All contributions to date have come solely from these employers (which also includes costs paid in the form of withholdings from employees). State statute requires the pension plans to amortize unfunded liabilities within 30 years. If the amortization period exceeds 30 years, each pension plan's board must propose

**OTTOVILLE LOCAL SCHOOL DISTRICT
PUTNAM COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015
(Continued)**

corrective action to the State legislature. Any resulting legislative change to benefits or funding could significantly affect the net pension liability. Resulting adjustments to the net pension liability would be effective when the changes are legally enforceable.

Plan Description - School Employees Retirement System (SERS)

Plan Description – the District’s non-teaching employees participate in SERS, a cost-sharing multiple-employer defined benefit pension plan administered by SERS. 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 Ohio Revised Code Chapter 3309. SERS issues a publicly available, stand-alone financial report that includes financial statements, required supplementary information and detailed information about SERS’ fiduciary net position. That report can be obtained by visiting the SERS website at www.ohsers.org under Employers/Audit Resources.

Age and service requirements for retirement are as follows:

	Eligible to Retire on or before August 1, 2017 *	Eligible to Retire on or after August 1, 2017
Full Benefits	Any age with 30 years of service credit	Age 67 with 10 years of service credit; or Age 57 with 30 years of service credit
Actuarially Reduced Benefits	Age 60 with 5 years of service credit Age 55 with 25 years of service credit	Age 62 with 10 years of service credit; or Age 60 with 25 years of service credit

* Members with 25 years of service credit as of August 1, 2017, will be included in this plan.

Annual retirement benefits are calculated based on final average salary multiplied by a percentage that varies based on year of service; 2.2 percent for the first thirty years of service and 2.5 percent for years of service credit over 30. Final average salary is the average of the highest three years of salary.

One year after an effective benefit date, a benefit recipient is entitled to a three percent cost-of-living adjustment (COLA). This same COLA is added each year to the base benefit amount on the anniversary date of the benefit.

Funding Policy – Plan members are required to contribute 10 percent of their annual covered salary and the District is required to contribute 14 percent of annual covered payroll. The contribution requirements of plan members and employers are established and may be amended by the SERS’ Retirement Board up to statutory maximum amounts 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, 2015, the allocation to pension, death benefits, and Medicare B was 13.18 percent. The remaining 0.82 percent of the 14 percent employer contribution rate was allocated to the Health Care Fund.

The District’s contractually required contribution to SERS was \$80,712 for fiscal year 2015.

Plan Description - State Teachers Retirement System (STRS)

Plan Description – the District’s licensed teachers and other faculty members participate in STRS Ohio, a cost-sharing multiple-employer public employee retirement system administered by STRS. STRS provides retirement and disability benefits to members and death and survivor benefits to beneficiaries. STRS issues a stand-alone financial report that includes financial statements, required supplementary information and detailed information about STRS’ fiduciary net position. That report can be obtained by writing to

**OTTOVILLE LOCAL SCHOOL DISTRICT
PUTNAM COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015
(Continued)**

STRS, 275 E. Broad St., Columbus, OH 43215-3771, by calling (888) 227-7877, or by visiting the STRS Web site at www.strsoh.org.

New members have a choice of three retirement plans; a Defined Benefit (DB) Plan, a Defined Contribution (DC) Plan and a Combined Plan. Benefits are established by Ohio Revised Code Chapter 3307. The DB plan offers an annual retirement allowance based on final average salary multiplied by a percentage that varies based on years of service. Effective August 1, 2015, the calculation will be 2.2 percent of final average salary for the five highest years of earnings multiplied by all years of service. With certain exceptions, the basic benefit is increased each year by two percent of the original base benefit. For members retiring August 1, 2013, or later, the first two percent is paid on the fifth anniversary of the retirement benefit. Members are eligible to retire at age 60 with five years of qualifying service credit, or age 55 with 25 years of service, or 30 years of service regardless of age. Age and service requirements for retirement will increase effective August 1, 2015, and will continue to increase periodically until they reach age 60 with 35 years of service or age 65 with five years of service on August 1, 2026.

The DC Plan allows members to place all their member contributions and 9.5 percent of the 14 percent employer contributions into an investment account. Investment allocation decisions are determined by the member. The remaining 4.5 percent of the 14 percent employer rate is allocated to the defined benefit unfunded liability. A member is eligible to receive a retirement benefit at age 50 and termination of employment. The member may elect to receive a lifetime monthly annuity or a lump sum withdrawal.

The Combined Plan offers features of both the DB Plan and the DC Plan. In the Combined Plan, member contributions are allocated among investment choices by the member, and employer contributions are used to fund the defined benefit payment at a reduced level from the regular DB Plan. The defined benefit portion of the Combined Plan payment is payable to a member on or after age 60 with five years of services. The defined contribution portion of the account may be taken as a lump sum payment or converted to a lifetime monthly annuity at age 50.

New members who choose the DC plan or Combined Plan will have another opportunity to reselect a permanent plan during their fifth year of membership. Members may remain in the same plan or transfer to another STRS plan. The optional annuitization of a member's defined contribution account or the defined contribution portion of a member's Combined Plan account to a lifetime benefit results in STRS bearing the risk of investment gain or loss on the account. STRS has therefore included all three plan options as one defined benefit plan for GASB 68 reporting purposes.

A DB or Combined Plan member with five or more years of credited service who is determined to be disabled may qualify for a disability benefit. Eligible survivors of members who die before service retirement may qualify for monthly benefits. New members on or after July 1, 2013, must have at least ten years of qualifying service credit that apply for disability benefits. Members in the DC Plan who become disabled are entitled only to their account balance. If a member of the DC Plan dies before retirement benefits begin, the member's designated beneficiary is entitled to receive the member's account balance.

Funding Policy – Employer and member contribution rates are established by the State Teachers Retirement Board and limited by Chapter 3307 of the Ohio Revised Code. The statutory maximum employee contribution rate was increased one percent July 1, 2014, and will be increased one percent each year until it reaches 14 percent on July 1, 2016. For the fiscal year ended June 30, 2015, plan members were required to contribute 12 percent of their annual covered salary. The School District was required to contribute 14 percent; the entire 14 percent was the portion used to fund pension obligations. The fiscal year 2015 contribution rates were equal to the statutory maximum rates.

The District's contractually required contribution to STRS was \$290,257 for fiscal year 2015.

**OTTOVILLE LOCAL SCHOOL DISTRICT
PUTNAM COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015
(Continued)**

Net Pension Liability

The net pension liability was measured as of June 30, 2014, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The District's proportion of the net pension liability was based on the District's share of contributions to the pension plan relative to the projected contributions of all participating entities. Following is information related to the proportionate share:

	SERS	STRS	Total
Proportionate Share of the Net Pension Liability	\$974,535	\$4,931,718	\$5,906,253
Proportion of the Net Pension Liability	0.019256%	0.02027556%	

Actuarial Assumptions - SERS

SERS' total pension liability was determined by their actuaries in accordance with GASB Statement No. 67, as part of their annual actuarial valuation for each defined benefit retirement plan. Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts (e.g., salaries, credited service) and assumptions about the probability of occurrence of events far into the future (e.g., mortality, disabilities, retirements, employment termination). Actuarially determined amounts are subject to continual review and potential modifications, as actual results are compared with past expectations and new estimates are made about the future.

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employers and plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing benefit costs between the employers and plan members to that point. The projection of benefits for financial reporting purposes does not explicitly incorporate the potential effects of legal or contractual funding limitations.

Actuarial calculations reflect a long-term perspective. For a newly hired employee, actuarial calculations will take into account the employee's entire career with the employer and also take into consideration the benefits, if any, paid to the employee after termination of employment until the death of the employee and any applicable contingent annuitant. In many cases actuarial calculations reflect several decades of service with the employer and the payment of benefits after termination.

Key methods and assumptions used in calculating the total pension liability in the latest actuarial valuation, prepared as of June 30, 2014, are presented below:

Wage Inflation		3.25 percent
Future Salary Increases, including inflation		4.00 percent to 22 percent
COLA or Ad Hoc COLA		3 percent
Investment Rate of Return	7.75 percent net of investments expense, including inflation	
Actuarial Cost Method		Entry Age Normal

For post-retirement mortality, the table used in evaluating allowances to be paid is the 1994 Group Annuity Mortality Table set back one year for both men and women. Special mortality tables are used for the period after disability retirement.

The most recent experience study was completed June 30, 2010.

The long-term return expectation for the Pension Plan Investments has been determined using a building-block approach and assumes a time horizon, as defined in SERS' *Statement of Investment Policy*. A

**OTTOVILLE LOCAL SCHOOL DISTRICT
PUTNAM COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015
(Continued)**

forecasted rate of inflation serves as the baseline for the return expectation. Various real return premiums over the baseline inflation rate have been established for each asset class. The long-term expected nominal rate of return has been determined by calculating a weighted averaged of the expected real return premiums for each asset class, adding the projected inflation rate, and adding the expected return from rebalancing uncorrelated asset classes. The target allocation and best estimates of arithmetic real rates of return for each major assets class are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Cash	1.00 %	0.00 %
US Stocks	22.50	5.00
Non-US Stocks	22.50	5.50
Fixed Income	19.00	1.50
Private Equity	10.00	10.00
Real Assets	10.00	5.00
Multi-Asset Strategies	15.00	7.50
 Total	 <u>100.00 %</u>	

Discount Rate The total pension liability was calculated using the discount rate of 7.75 percent. The projection of cash flows used to determine the discount rate assumed the contributions from employers and from the members would be computed based on contribution requirements as stipulated by State statute. Projected inflows from investment earning were calculated using the long-term assumed investment rate of return (7.75 percent). Based on those assumptions, the plan's fiduciary net position was projected to be available to make all future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefits to determine the total pension liability.

Sensitivity of the District's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate Net pension liability is sensitive to changes in the discount rate, and to illustrate the potential impact the following table presents the net pension liability calculated using the discount rate of 7.75 percent, as well as what each plan's net pension liability would be if it were calculated using a discount rate that is one percentage point lower (6.75 percent), or one percentage point higher (8.75 percent) than the current rate.

	1% Decrease (6.75%)	Current Discount Rate (7.75%)	1% Increase (8.75%)
School District's proportionate share of the net pension liability	\$1,390,372	\$974,535	\$624,780

Changes Between Measurement Date and Report Date

In April 2016, the SERS Board adopted certain assumption changes which impacted their annual actuarial valuation prepared as of June 30, 2016. The most significant change is a reduction in the discount rate from 7.75 percent to 7.5 percent. Although the exact amount of these changes is not known, the impact to the District's net pension liability is expected to be significant.

**OTTOVILLE LOCAL SCHOOL DISTRICT
PUTNAM COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015
(Continued)**

Actuarial Assumptions - STRS

The total pension liability in the June 30, 2014, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.75 percent
Projected salary increases	2.75 percent at age 70 to 12.25 percent at age 20
Investment Rate of Return	7.75 percent, net of investment expenses
Cost-of-Living Adjustments (COLA)	2 percent simple applied as follows: for members retiring before August 1, 2013, 2 percent per year; for members retiring August 1, 2013 or later, 2 percent COLA paid on fifth anniversary of retirement date.

Mortality rates were based on the RP-2000 Combined Mortality Table (Projection 2022—Scale AA) for Males and Females. Males' ages are set-back two years through age 89 and no set-back for age 90 and above. Females younger than age 80 are set back four years, one year set back from age 80 through 89 and not set back from age 90 and above.

Actuarial assumptions used in the June 30, 2014, valuation are based on the results of an actuarial experience study, effective July 1, 2012.

The 10 year expected real rate of return on pension plan investments was determined by STRS' investment consultant by developing best estimates of expected future real rates of return for each major asset class. The target allocation and best estimates of geometric real rates of return for each major asset class are summarized as follows:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Domestic Equity	31.00 %	8.00 %
International Equity	26.00	7.85
Alternatives	14.00	8.00
Fixed Income	18.00	3.75
Real Estate	10.00	6.75
Liquidity Reserves	1.00	3.00
 Total	 <u>100.00 %</u>	

Discount Rate The discount rate used to measure the total pension liability was 7.75 percent as of June 30, 2014. The projection of cash flows used to determine the discount rate assumes member and employer contributions will be made at the statutory contribution rates in accordance with rate increases described above. For this purpose, only employer contributions that are intended to fund benefits of current plan members and their beneficiaries are included. Projected employer contributions that are intended to fund the service costs of future plan members and their beneficiaries, as well as projected contributions from future plan members, are not included. Based on those assumptions, STRS' fiduciary net position was projected to be available to make all projected future benefit payments to current plan members as of June 30, 2014. Therefore, the long-term expected rate of return on pension plan investments of 7.75 percent was applied to all periods of projected benefit payment to determine the total pension liability as of June 30, 2014.

Sensitivity of the District's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate The following table presents the District's proportionate share of the net pension liability calculated using the current period discount rate assumption of 7.75 percent, as well as what the District's proportionate share of the net pension liability would be if it were calculated using a discount rate that is

**OTTOVILLE LOCAL SCHOOL DISTRICT
PUTNAM COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015
(Continued)**

one-percentage-point lower (6.75 percent) or one-percentage-point higher (8.75 percent) than the current rate:

	1% Decrease █ (6.75%)	Current Discount Rate █ (7.75%)	1% Increase █ (8.75%)
School District's proportionate share of the net pension liability	\$7,060,292	\$4,931,718	\$3,131,661

Social Security System

Effective July 1, 1991, all employees not otherwise covered by the School Employees Retirement System or the State Teachers Retirement System of Ohio have an option to choose Social Security or the School Retirement System. As of June 30, 2015, two of the members of the Board of Education have elected Social Security. The contribution rate is 6.2 percent of wages.

NOTE 10- POSTEMPLOYMENT BENEFITS

School Employees Retirement System

Health Care Plan Description - The District contributes to the SERS Health Care Fund, administered by SERS for non-certificated retirees and their beneficiaries. For GASB 45 purposes, this plan is considered a cost-sharing, multiple-employer, defined benefit other postemployment benefit (OPEB) plan. The Health Care Plan includes hospitalization and physicians' fees through several types of plans including HMO's, PPO's, Medicare Advantage, and traditional indemnity plans as well as a prescription drug program. The financial report of the Plan is included in the SERS Comprehensive Annual Financial Report which can be obtained on SERS' website at www.ohsers.org under Employers/Audit Resources.

Access to health care for retirees and beneficiaries is permitted in accordance with Section 3309 of the Ohio Revised Code. The Health Care Fund was established and is administered in accordance with Internal Revenue Code Section 105(e). SERS' Retirement Board reserves the right to change or discontinue any health plan or program. Health care is financed through a combination of employer contributions and retiree premiums, copays and deductibles on covered health care expenses, investment returns, and any funds received as a result of SERS' participation in Medicare programs. 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.

Funding Policy - State statute permits SERS to fund the health care benefits through employer contributions. Each year, after the allocation for statutorily required basic benefits, the Retirement Board allocates the remainder of the employer contribution of 14 percent of covered payroll to the Health Care Fund. For fiscal year 2015, 0.82 percent of covered payroll was allocated to health care. In addition, employers pay a surcharge for employees earning less than an actuarially determined minimum compensation amount, pro-rated according to service credit earned. For fiscal year 2015, this amount was \$20,450. Statutes provide that no employer shall pay a health care surcharge greater than 2 percent of that employer's SERS-covered payroll; nor may SERS collect in aggregate more than 1.5 percent of the total statewide SERS-covered payroll for the health care surcharge. For fiscal year 2015, the District's surcharge obligation was \$10,014.

The District's contributions for health care for the fiscal years ended June 30, 2015, 2014, and 2013 were \$14,741, \$47,981, and \$59,508, respectively. For fiscal year 2015, 81.81 percent has been contributed. The full amount has been contributed for fiscal years 2014 and 2013.

**OTTOVILLE LOCAL SCHOOL DISTRICT
PUTNAM COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015
(Continued)**

State Teachers Retirement System of Ohio

Plan Description – The District participates in the cost-sharing multiple-employer defined benefit Health Plan administered by the State Teachers Retirement System of Ohio (STRS) for eligible retirees who participated in the defined benefit or combined pension plans offered by STRS. Ohio law authorizes STRS to offer this plan. Benefits include hospitalization, physicians’ fees, prescription drugs and reimbursement of monthly Medicare Part B premiums. The Plan is included in the report of STRS which can be obtained by visiting www.strsoh.org or by calling (888) 227-7877.

Funding Policy – Ohio Revised Code Chapter 3307 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. 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 post-employment health care may be deducted from employer contributions. For fiscal year 2015, STRS did not allocate any employer contributions to post-employment health care. The School District’s contributions for health care for the fiscal years ended June 30, 2015, 2014, and 2013 were \$0, \$21,036, and \$20,970 respectively. The full amount has been contributed for fiscal years 2015, 2014 and 2013.

NOTE 11 - DEBT OBLIGATIONS

The changes in the District’s long-term obligations during fiscal year 2015 were as follows:

	Principal Outstanding 06/30/2014	Reductions	Principal Outstanding 06/30/2015	Amounts Due In One Year
General Obligation Bonds:				
General obligation bonds – 2006	\$1,580,000		\$1,580,000	
Capital appreciation bonds – 2006	360,000	\$180,000	180,000	\$180,000
General obligation bonds – 2004	500,000	500,000		
Capital appreciation bonds - 2004	70,000	70,000		
Total General Obligation Bonds	\$2,510,000	\$750,000	\$1,760,000	\$180,000

School Improvement Bonds – 2004

On November 1, 2004, the District issued General Obligation Advance Refunding Bonds in the amount of \$990,000 for the purpose of advance refunding a portion of general obligation bonds, dated November 1, 1995, which were issued for the purpose of constructing a school building addition. The bonds consisted of \$475,000 in current interest serial bonds and \$500,000 in term bonds and \$15,000, in capital appreciation bonds. These bonds were paid off during fiscal year 2015.

School Construction General Obligation Bonds – 2006

Proceeds from the outstanding bonds were used for the purpose of advance refunding a portion of general obligation bonds, dated December 1, 2001, which were issued for the purpose of constructing a new instructional building. The bonds were issued on January 31, 2006. The bonds consisted of \$435,000 in current interest serial bonds and \$1,580,000 in term bonds and \$79,996, in capital appreciation bonds. This current refunding was undertaken to reduce total debt service payments over the next 18 years by \$76,753 and resulted in an economic gain of \$80,217.

The term bond which matures on December 1, 2017, has an interest rate of 4.25 percent per year, and is subject to mandatory sinking fund redemption at a redemption price of 103.729 percent of the principal amount to be redeemed, plus accrued interest to the date of redemption, on December 1, in the year in the respective principal amount as follows:

**OTTOVILLE LOCAL SCHOOL DISTRICT
PUTNAM COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015
(Continued)**

<u>Fiscal Year</u>	<u>Principal Amount to be Redeemed</u>
2018	\$365,000

The term bond which matures on December 1, 2019, has an interest rate of 4.00 percent per year, and is subject to mandatory sinking fund redemption at a redemption price of 100.559 percent of the principal amount to be redeemed, plus accrued interest to the date of redemption, on December 1, in the year in the respective principal amount as follows:

<u>Fiscal Year</u>	<u>Principal Amount to be Redeemed</u>
2020	\$395,000

The term bond which matures on December 1, 2021, has an interest rate of 4.00 percent per year, and is subject to mandatory sinking fund redemption at a redemption price of 99.415 percent of the principal amount to be redeemed, plus accrued interest to the date of redemption, on December 1, in the year in the respective principal amount as follows:

<u>Fiscal Year</u>	<u>Principal Amount to be Redeemed</u>
2022	\$430,000

The term bond which matures on December 1, 2023, has an interest rate of 4.10 percent per year, and is subject to mandatory sinking fund redemption at a redemption price of 99.370 percent of the principal amount to be redeemed, plus accrued interest to the date of redemption, on December 1, in the year in the respective principal amount as follows:

<u>Fiscal Year</u>	<u>Principal Amount to be Redeemed</u>
2024	\$390,000

The capital appreciation bonds were issued in the aggregate original principal amount of \$79,996 and mature on December 1, in the years, have the original principal amounts and mature with the accreted values at maturity, as follows:

<u>Maturity Date</u>	<u>Original Principal Amount</u>	<u>Accreted Value at Maturity</u>
2016	21,084	180,000

The bonds are being retired through the Bond Retirement Fund.

Principal and interest requirements to retire general obligation bonds outstanding at June 30, 2015, were as follows:

**OTTOVILLE LOCAL SCHOOL DISTRICT
PUTNAM COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015
(Continued)**

Year Ended	General Obligation Bonds			Capital Appreciation Bonds		
	Principal	Interest	Total	Principal	Interest	Total
2016		\$ 64,503	\$ 64,503			
2017	\$ 180,000	60,678	240,678			
2018	185,000	52,921	237,921			
2019	195,000	45,090	240,090			
2020	200,000	37,190	237,190			
2021-2024	820,000	64,140	884,140	\$21,084	\$ 158,916	\$ 180,000
Total	\$ 1,580,000	\$ 324,522	\$ 1,904,522	\$21,084	\$ 158,916	\$ 180,000

The Ohio Revised Code provides that voted net general obligation debt of the District shall never exceed 9% of the total assessed valuation of the District. The code further provides that unvoted indebtedness shall not exceed 1/10 of 1% of the property valuation of the District.

The effects of the debt limitations at June 30, 2015 were a voted debt margin of \$6,024,787 and an unvoted debt margin of \$79,681.

NOTE 12 – FUND BALANCE

Fund balance is classified as nonspendable, restricted, committed, assigned, and/or unassigned based primarily on the extent to which the District is bound to observe constraints imposed upon the use of 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 Fund	Bond Retirement Fund	Other Governmental Funds	Total Governmental Funds
Restricted for:				
Athletics			\$66,650	\$66,650
Food Service Operations			29,252	29,252
Scholarships			33,205	33,205
Grants			15,348	15,348
Capital Improvements			48,524	48,524
Facilities Maintenance			401,152	401,152
Debt Service Payments		\$454,578		454,578
Total Restricted		454,578	594,131	1,048,709
Assigned for:				
Other	\$5,029			5,029
Unpaid Obligations	100,134			100,134
Total Assigned	105,163			105,163
Unassigned	4,473,400			4,473,400
Total Fund Balance	\$4,578,563	\$454,578	\$594,131	\$5,627,272

NOTE 13 – SET ASIDE CALCULATIONS

The District is required by State law to annually set-aside certain General Fund revenue amounts, as defined by 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 year must

**OTTOVILLE LOCAL SCHOOL DISTRICT
PUTNAM COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015
(Continued)**

be held in cash at fiscal year-end. This amount must be carried forward to be used for the same purpose in future years.

The following cash-basis information describes the change in the fiscal year-end set-aside amount for capital maintenance. Disclosure of this information is required by State statute.

	<u>Capital Maintenance</u>
Set-Aside Reserve Balance June 30, 2014	
Current year set-aside requirement	\$ 73,001
Qualifying Disbursements	(193,240)
Total	\$ (120,239)
Balance Carried Forward to July 1, 2015	_____

Although the District had qualifying disbursements during the fiscal year that reduced the set aside amount below zero for the capital improvements set aside, this amount may not be used to reduce the set aside requirements of future years. This negative balance is therefore not presented as being carried forward to future years.

NOTE 14 – TRANSFERS

Interfund transfers for the year ended June 30, 2015, consisted of the following, as reported on the fund statements:

		Transfers In			
		General	Bond Retirement	Other Governmental	Total
Transfers Out	Governmental Funds:				
	General		\$303,868	\$140	\$304,008
	Bond Retirement	\$5,586			5,586
	Total	\$5,586	\$303,868	\$140	\$309,594

Transfers are used to move revenues from the fund that statute or budget required to collect them to the fund that statute or budget requires to expend them and to use unrestricted revenues collected in the General Fund to finance various programs accounted for in other funds in accordance with budgetary authorizations. Interfund transfers between governmental funds are eliminated on the government-wide financial statements.

NOTE 15 – COMMITMENTS

The District utilizes encumbrance accounting as part of its budgetary controls. Encumbrances outstanding at year-end are reservations of fund balance for subsequent-year expenditures and may be reported as part of restricted, committed, or assigned classifications of fund balance. At year end, the District's commitments for encumbrances in the governmental funds were as follows:

<u>Fund</u>	<u>Year-end Encumbrances</u>
General Fund	\$ 100,134
Other Governmental	92,712
Total	\$ 192,846

**OTTOVILLE LOCAL SCHOOL DISTRICT
PUTNAM COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015
(Continued)**

NOTE 16 - CONTINGENCIES

A. Grants

The 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 are subject to audit by the grantor agencies.

Any disallowed claims resulting from such audits could become a liability of the General Fund or other applicable funds. However, in the opinion of management, any such disallowed claims will not have a material adverse effect on the overall financial position of the District at June 30, 2015.

B. Litigation

The District is not a party to any legal proceedings.

NOTE 17 - JOINTLY GOVERNED ORGANIZATIONS

A. Northwest Ohio Area Computer Services Cooperative

Northwest Ohio Area Computer Services Cooperative ("NOACSC") is a jointly governed organization among forty-seven Districts. The jointly governed organization was formed for the purpose of applying modern technology with the aid of computers and other electronic equipment to administrative and instructional functions among member Districts. Each of the governments of these schools supports NOACSC based upon a per pupil charge dependent upon the software package utilized.

The NOACSC Assembly consists of a representative from each participating District and the superintendent from the fiscal agent. The Board of Directors consists of the superintendent from the fiscal agent, the two Assembly members from each county in which participating Districts are located. The degree of control exercised by any participating District is limited to its representation of the Board. Financial information can be obtained by contacting Ray Burden, who serves as Director, at 645 South Main Street, Lima, Ohio 45804.

B. Northwest Ohio Special Education Regional Resource Center

The Northwest Ohio Special Education Regional Resource Center ("SERRC") is a jointly governed organization formed to initiate, expand, and improve special education programs and services for children with disabilities and their parents. The SERRC is governed by a fifty-two member board consisting of the superintendent from the fifty participating Districts, one representative from a non-public school, and one representative from Wright State University. The degree of control exercised by any participating District is limited to its representation on the Board. Financial information can be obtained from the Hardin County Educational Service Center, 1 Court House Square, Suite 50, Kenton, Ohio 43326-2385.

C. State Support Team Region 1

The State Support Team Region 1 (SSTR1) provides specialized core work related to building regional capacity for district, building, and community school implementation of the Ohio Improvement Process (OIP) at a high level. The service region of the SSTR1 includes Defiance, Fulton, Hancock, Henry, Lucas, Ottawa, Paulding, Putnam, Sandusky, Van Wert, Williams and Wood counties, and Fostoria Community School in Seneca County. The Educational Service Center of Lake Erie West is the fiscal agent for the SSTR1. Executive Director and Single Point of Contact is Sue Zake. Contact information is available at www.sstr1.org.

**OTTOVILLE LOCAL SCHOOL DISTRICT
PUTNAM COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015
(Continued)**

D. Vantage Vocational School

The Vantage Vocational School is a distinct political subdivision of the State of Ohio operated under the direction of a Board consisting of one representative from each of the participating Districts' elected boards, which possesses its own budgeting and taxing authority. To obtain financial information, write to the Vantage Vocational School, Laura Peters, who serves as Treasurer, at 818 North Franklin Street, Van Wert, Ohio 45891.

NOTE 18 – SUBSEQUENT EVENTS

On January 12, 2016, the District issued general obligation bonds to refund the outstanding Series 2006 current general obligation bonds in the amount of \$1,580,000.



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*

Ottoville Local School District
Putnam County
P.O. Box 248
Ottoville, Ohio 45876-0248

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 cash-basis financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Ottoville Local School District, Putnam County, Ohio, (the District) as of and for the years ended June 30, 2016 and 2015, and the related notes to the financial statements, which collectively comprise the District's basic financial statements and have issued our report thereon dated May 31, 2017, 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 an instance of noncompliance or other matters we must report under *Government Auditing Standards* which is described in the accompanying schedule of findings as item 2016-001.

Entity's Response to Findings

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

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.



Dave Yost
Auditor of State

Columbus, Ohio

May 31, 2017

**OTTOVILLE LOCAL SCHOOL DISTRICT
PUTNAM COUNTY**

**SCHEDULE OF FINDINGS
JUNE 30, 2016 AND 2015**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS
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FINDING NUMBER 2016-001

Noncompliance Citation

Ohio Rev. Code § 117.38 provides that each public office “shall file a financial report for each fiscal year. The auditor of state may prescribe forms by rule or may issue guidelines, or both, for such reports. If the auditor of state has not prescribed a rule regarding the form for the report, the public office shall submit its report on the form utilized by the public office.”

Ohio Admin. Code § 117-2-03(B) adds to the general requirements of Ohio Rev. Code § 117.38 by requiring Districts to prepare their annual financial report in accordance with accounting principles generally accepted in the United States of America.

The District lacked a GASB 34 policy and prepared its financial statements on the cash basis of accounting, which is a basis other than generally accepted accounting principles. The accompanying financial statements and notes omit assets, liabilities, fund equities, and disclosures that, while material, cannot be determined at this time. The District may be fined and various other administrative remedies may be taken against the District.

We recommend the District prepare its financial statements in accordance with generally accepted accounting principles.

Officials’ Response:

At this time, the Ottoville Board of Education feels it is more cost effective to file the OCBOA statement in lieu of the GAAP statement. The District is aware that it may be subject to a fine for not complying with the requirement of filing the District’s financial reports based on GAAP.

**OTTOVILLE LOCAL SCHOOL DISTRICT
PUTNAM COUNTY**

**SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
JUNE 30, 2016 AND 2015**

Finding Number	Finding Summary	Status	Additional Information
2014-001	Ohio Rev. Code § 117.38 and Ohio Admin. Code § 117-2-03(B) for reporting on basis other than generally accepted accounting principles.	Not corrected and repeated as finding 2016-001 in this report.	At this time, the Ottoville Board of Education feels it is more cost effective to file the OCBOA statement in lieu of the GAAP statement.
2014-002	Material weakness to improve monitoring of financial statement errors.	Corrective action taken and finding is fully corrected.	
2014-003	Reporting and Budgeting Ohio Department of Education Grants, pass through activity was not recorded by the District	Corrective action taken and finding is fully corrected.	



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OTTOVILLE LOCAL SCHOOL DISTRICT

PUTNAM 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
JUNE 13, 2017