

OTTAWA HILLS LOCAL SCHOOL DISTRICT



Basic Financial Statements

June 30, 2015



Dave Yost • Auditor of State

Board of Education
Ottawa Hills Local School District
3600 Indian Road
Toledo, Ohio 43606

We have reviewed the *Independent Auditor's Report* of the Ottawa Hills Local School District, Lucas County, prepared by Plattenburg & Associates, Inc., for the audit period July 1, 2014 through June 30, 2015. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

Our review was made in reference to the applicable sections of legislative criteria, as reflected by the Ohio Constitution, and the Revised Code, policies, procedures and guidelines of the Auditor of State, regulations and grant requirements. The Ottawa Hills Local School District is responsible for compliance with these laws and regulations.

A handwritten signature in black ink that reads "Dave Yost".

Dave Yost
Auditor of State

March 3, 2016

This Page Intentionally Left Blank

TABLE OF CONTENTS

I

FINANCIAL SECTION

A	Independent Auditor’s Report.....	1
B	Management’s Discussion and Analysis	3
C	Basic Financial Statements:	
	Government-wide Financial Statements:	
	Statement of Net Position	14
	Statement of Activities	15
	Fund Financial Statements:	
	<i>Governmental Funds:</i>	
	Balance Sheet	16
	Reconciliation of Total Governmental Fund Balances to Net Position of Governmental Activities	17
	Statement of Revenues, Expenditures and Changes in Fund Balances	18
	Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities.....	20
	Statement of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual (Non-GAAP Budgetary Basis):	
	General Fund	22
	<i>Fiduciary Funds:</i>	
	Statement of Net Position	24
	Statement of Changes in Net Position....	25
	Notes to the Basic Financial Statements.....	26
D	Required Supplemental Information:	
	Schedule of the District’s Proportionate Share of the Net Pension Liability	64
	Schedule of District Contributions	65

This Page Intentionally Left Blank

INDEPENDENT AUDITOR'S REPORT

Board of Education
Ottawa Hills School District

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Ottawa Hills School District (the District) as of and for the year ended June 30, 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 the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the District, as of June 30, 2015, and the respective changes in financial position and the budgetary comparison for the General Fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note 2 to the financial statements, during the year ended June 30, 2015, the District adopted Governmental Accounting Standard No. 68, *Accounting and Financial Reporting for Pensions – an amendment of GASB Statement No. 27*. We did not modify our opinion regarding this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that management's discussion and analysis and schedules of net pension liabilities and pension contributions be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 17, 2015, 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. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

Plattenburg & Associates, Inc.

Plattenburg & Associates, Inc.
Cincinnati, Ohio
December 17, 2015

OTTAWA HILLS LOCAL SCHOOL DISTRICT

Management's Discussion and Analysis For the Fiscal Year Ended June 30, 2015

Unaudited

The discussion and analysis of Ottawa Hills Local School District's financial performance provides an overall review of the District's financial activities for the fiscal year ended June 30, 2015. The intent of this discussion and analysis is to look at the District's financial performance as a whole. Readers should also review the financial statements and notes to the basic financial statements to enhance their understanding of the District's financial performance.

FINANCIAL HIGHLIGHTS

Key financial highlights for fiscal year 2015 are as follows:

- ❑ Net position increased \$2,274,479, which represents a 25% increase from fiscal year 2014.
- ❑ General revenues accounted for \$15,297,880 in revenue or 92% of all revenues. Program specific revenues in the form of charges for services and grants and contributions accounted for \$1,252,813 or 8% of total revenues of \$16,550,693.
- ❑ The District had \$14,276,214 in expenses related to governmental activities; only \$1,252,813 of these expenses were offset by program specific charges for services, grants or contributions. General revenues of \$15,297,880 were adequate to provide for these programs.
- ❑ The District's General Fund had \$14,417,921 in revenues and \$12,962,662 in expenditures. The General Fund's fund balance increased \$1,426,731 to \$6,795,387.

OVERVIEW OF THE FINANCIAL STATEMENTS

This annual report consists of two parts – management's discussion and analysis and the basic financial statements. The basic financial statements include two kinds of statements that present different views of the District:

These statements are as follows:

1. *The Government-Wide Financial Statements* – These statements provide both long-term and short-term information about the District's overall financial status.
2. *The Fund Financial Statements* – These statements focus on individual parts of the District, reporting the District's operations in more detail than the government-wide statements.

The financial statements also include notes that explain some of the information in the financial statements and provide more detailed data.

OTTAWA HILLS LOCAL SCHOOL DISTRICT

*Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2015*

Unaudited

Government-wide Statements

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

The two government-wide statements report the District's net position and how it has changed. Net position is one way to measure the District's financial health.

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

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

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

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

Fund Financial Statements

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

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

OTTAWA HILLS LOCAL SCHOOL DISTRICT

*Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2015*

Unaudited

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

FINANCIAL ANALYSIS OF THE SCHOOL DISTRICT AS A WHOLE

The following table provides a summary of the District's net position for fiscal year 2015 compared to fiscal year 2014.

	Governmental Activities		Increase (Decrease)
	2015	Restated 2014	
Current and Other Assets	\$19,993,039	\$18,177,588	\$1,815,451
Capital Assets, Net	5,869,858	6,115,234	(245,376)
Total Assets	<u>25,862,897</u>	<u>24,292,822</u>	<u>1,570,075</u>
Deferred Outflows of Resources	<u>1,168,682</u>	<u>960,516</u>	<u>208,166</u>
Net Pension Liability	16,745,377	19,904,319	(3,158,942)
Other Long-Term Liabilities	1,979,546	2,511,680	(532,134)
Other Liabilities	1,297,267	1,316,032	(18,765)
Total Liabilities	<u>20,022,190</u>	<u>23,732,031</u>	<u>(3,709,841)</u>
Deferred Inflows of Resources	<u>13,977,165</u>	<u>10,763,562</u>	<u>3,213,603</u>
Net Position			
Net Investment in Capital Assets	5,204,641	4,846,599	358,042
Restricted	783,205	659,529	123,676
Unrestricted	<u>(12,955,622)</u>	<u>(14,748,383)</u>	<u>1,792,761</u>
Total Net Position	<u><u>(\$6,967,776)</u></u>	<u><u>(\$9,242,255)</u></u>	<u><u>\$2,274,479</u></u>

During 2015, the District adopted GASB Statement 68, "Accounting and Financial Reporting for Pensions—an Amendment of GASB Statement 27," which significantly revises accounting for pension costs and liabilities. For reasons discussed below, many end users of this financial statement will gain a clearer understanding of the District's actual financial condition by adding deferred inflows related to pension and the net pension liability to the reported net position and subtracting deferred outflows related to pension.

Governmental Accounting Standards Board standards are national and apply to all government financial reports prepared in accordance with generally accepted accounting principles. When accounting for pension costs, GASB 27 focused on a funding approach. This approach limited pension costs to contributions annually required by law, which may or may not be sufficient to fully fund each plan's net pension liability. GASB 68 takes an earnings approach to pension accounting; however, the nature of Ohio's statewide pension systems and state law governing those systems requires additional explanation in order to properly understand the information presented in these statements.

OTTAWA HILLS LOCAL SCHOOL DISTRICT

***Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2015***

Unaudited

Under the new standards required by GASB 68, the net pension liability equals the District's proportionate share of each plan's collective:

1. Present value of estimated future pension benefits attributable to active and inactive employees' past service
- 2 Minus plan assets available to pay these benefits

GASB notes that pension obligations, whether funded or unfunded, are part of the "employment exchange" – that is, the employee is trading his or her labor in exchange for wages, benefits, and the promise of a future pension. GASB noted that the unfunded portion of this pension promise is a present obligation of the government, part of a bargained-for benefit to the employee, and should accordingly be reported by the government as a liability since they received the benefit of the exchange. However, the District is not responsible for certain key factors affecting the balance of this liability. In Ohio, the employee shares the obligation of funding pension benefits with the employer. Both employer and employee contribution rates are capped by State statute. A change in these caps requires action of both Houses of the General Assembly and approval of the Governor. Benefit provisions are also determined by State statute. The employee enters the employment exchange with the knowledge that the employer's promise is limited not by contract but by law. The employer enters the exchange also knowing that there is a specific, legal limit to its contribution to the pension system. In Ohio, there is no legal means to enforce the unfunded liability of the pension system as against the public employer. State law operates to mitigate/lessen the moral obligation of the public employer to the employee, because all parties enter the employment exchange with notice as to the law. The pension system is responsible for the administration of the plan.

Most long-term liabilities have set repayment schedules or, in the case of compensated absences (i.e. sick and vacation leave), are satisfied through paid time-off or termination payments. There is no repayment schedule for the net pension liability. As explained above, changes in pension benefits, contribution rates, and return on investments affect the balance of the net pension liability, but are outside the control of the local government. In the event that contributions, investment returns, and other changes are insufficient to keep up with required pension payments, State statute does not assign/identify the responsible party for the unfunded portion. Due to the unique nature of how the net pension liability is satisfied, this liability is separately identified within the long-term liability section of the statement of net position.

In accordance with GASB 68, the District's statements prepared on an accrual basis of accounting include an annual pension expense for their proportionate share of each plan's change in net pension liability not accounted for as deferred inflows/outflows.

As a result of implementing GASB 68, the District is reporting a net pension liability and deferred inflows/outflows of resources related to pension on the accrual basis of accounting. This implementation also had the effect of restating net position at June 30, 2014, from \$9,701,548 to a net deficit of \$9,242,255.

OTTAWA HILLS LOCAL SCHOOL DISTRICT

**Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2015**

Unaudited

Changes in Net Position – The following table shows the changes in net position for fiscal year 2015 compared to fiscal year 2014:

	Governmental Activities		Increase (Decrease)
	2015	2014	
Revenues			
Program Revenues:			
Charges for Services and Sales	\$490,295	\$398,787	\$91,508
Operating Grants and Contributions	762,518	756,225	6,293
Total Program Revenues	<u>1,252,813</u>	<u>1,155,012</u>	<u>97,801</u>
General Revenues:			
Property Taxes	11,547,218	11,079,054	468,164
Intergovernmental, Unrestricted	3,553,246	3,409,296	143,950
Other	197,416	111,182	86,234
Total General Revenues	<u>15,297,880</u>	<u>14,599,532</u>	<u>698,348</u>
Total Revenues	<u>16,550,693</u>	<u>15,754,544</u>	<u>796,149</u>
Program Expenses:			
Instruction	8,512,219	8,724,611	(212,392)
Supporting Services:			
Pupils	970,135	827,688	142,447
Instructional Staff	430,319	467,242	(36,923)
Board of Education	26,850	23,190	3,660
Administration	916,835	996,357	(79,522)
Fiscal Services	511,750	515,899	(4,149)
Operation and Maintenance of Plant	1,214,426	1,429,272	(214,846)
Pupil Transportation	48,552	50,437	(1,885)
Central	298,983	303,082	(4,099)
Community Services	457,091	403,575	53,516
Extracurricular Activities	863,057	846,971	16,086
Interest and Fiscal Charges	25,997	39,231	(13,234)
Total Expenses	<u>14,276,214</u>	<u>14,627,555</u>	<u>(351,341)</u>
Total Change in Net Position	2,274,479	1,126,989	1,147,490
Beginning Net Position (Deficit) - Restated	<u>(9,242,255)</u>	N/A	N/A
Ending Net Deficit - Restated	<u>(\$6,967,776)</u>	<u>(\$9,242,255)</u>	<u>\$2,274,479</u>

OTTAWA HILLS LOCAL SCHOOL DISTRICT

***Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2015***

Unaudited

The information necessary to restate the 2014 beginning balances and the 2014 pension expense amounts for the effects of the initial implementation of GASB 68 is not available. Therefore, 2014 functional expenses still include pension expense of \$960,516 computed under GASB 27. GASB 27 required recognizing pension expense equal to the contractually required contributions to the plan. Under GASB 68, pension expense represents additional amounts earned, adjusted by deferred inflows/outflows. The contractually required contribution is no longer a component of pension expense. Under GASB 68, the 2015 statements report pension expense of \$681,402. Consequently, in order to compare 2015 total program expenses to 2014, the following adjustments are needed:

	Governmental Activities
Total 2015 program expenses under GASB 68	\$14,276,214
Pension expense under GASB 68	(681,402)
2015 contractually required contribution	1,010,414
Adjusted 2015 program expenses	14,605,226
Total 2014 program expenses under GASB 27	14,627,555
Change in program expenses not related to pension	(\$22,329)

Governmental Activities

Net position of the District's governmental activities increased \$2,274,479. An increase in charges for services and sales can be attributed to an increase in extracurricular activity receipts, which was the result of the addition of several new programs. In November 2013 a 6.9 mill continuing operating levy was approved. This resulted in an increase in property tax collections in fiscal year 2015. An increase in state foundation distributions resulted in the increase in unrestricted intergovernmental revenues.

This space intentionally left blank.

OTTAWA HILLS LOCAL SCHOOL DISTRICT

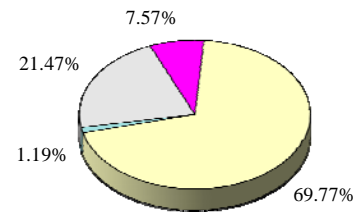
**Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2015**

Unaudited

The unique nature of property taxes in Ohio creates the need to routinely seek voter approval for operating funds. In general, the overall revenue generated by the levy will not increase solely as a result of inflation. As an example, a homeowner with a home valued at \$100,000 and taxed at 1.0 mill would pay \$35.00 annually in taxes. If three years later the home were reappraised and increased to \$200,000 (and this inflationary increase in value is comparable to other property owners) the effective tax rate would become .5 mills and the owner would still pay \$35.00.

Property taxes made up 70% of revenues for governmental activities for Ottawa Hills Local Schools in fiscal year 2015. The District's reliance upon tax revenues is demonstrated by the following graph:

Revenue Sources	2015	Percent of Total
Intergovernmental, Unrestricted	\$3,553,246	21.47%
Program Revenues	1,252,813	7.57%
General Tax Revenues	11,547,218	69.77%
General Other	197,416	1.19%
Total Revenue	<u>\$16,550,693</u>	<u>100.00%</u>



FINANCIAL ANALYSIS OF THE SCHOOL DISTRICT'S FUNDS

The District's governmental funds reported a combined fund balance of \$7,581,043, which is greater than last year's balance of \$6,030,891. The schedule below indicates the fund balance and the total change in fund balance as of June 30, 2015 and 2014.

	Fund Balance June 30, 2015	Fund Balance June 30, 2014	Increase (Decrease)
General	\$6,795,387	\$5,368,656	\$1,426,731
Other Governmental	785,656	662,235	123,421
Total	<u>\$7,581,043</u>	<u>\$6,030,891</u>	<u>\$1,550,152</u>

OTTAWA HILLS LOCAL SCHOOL DISTRICT

**Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2015**

Unaudited

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

	2015 <u>Revenues</u>	2014 <u>Revenues</u>	Increase <u>(Decrease)</u>
Taxes	\$10,592,587	\$10,125,127	\$467,460
Tuition	57,603	32,675	24,928
Transportation Fees	1,241	306	935
Investment Earnings	41,570	24,029	17,541
Extracurricular Activities	123,825	126,172	(2,347)
Class Materials and Fees	86,183	86,410	(227)
Intergovernmental - State	3,409,647	3,246,526	163,121
All Other Revenue	105,265	55,622	49,643
Total	<u>\$14,417,921</u>	<u>\$13,696,867</u>	<u>\$721,054</u>

General Fund revenues increased \$721,054, or approximately 5%. In November 2013 a 6.9 mill continuing operating levy was approved. This resulted in an increase in property tax collections in fiscal year 2015. An increase in state foundation distributions resulted in the increase in unrestricted intergovernmental revenues.

	2015 <u>Expenditures</u>	2014 <u>Expenditures</u>	Increase <u>(Decrease)</u>
Current:			
Instruction	\$8,186,539	\$7,888,228	\$298,311
Supporting Services:			
Pupils	882,288	854,419	27,869
Instructional Staff	441,831	510,117	(68,286)
Board of Education	26,733	23,190	3,543
Administration	938,057	1,011,105	(73,048)
Fiscal Services	495,233	505,032	(9,799)
Operation and Maintenance of Plant	1,134,411	1,256,934	(122,523)
Pupil Transportation	40,750	40,521	229
Central	293,583	293,233	350
Community Services	31,156	3,000	28,156
Extracurricular Activities	492,081	484,830	7,251
Total	<u>\$12,962,662</u>	<u>\$12,870,609</u>	<u>\$92,053</u>

General Fund expenditures increased \$92,053 or less than 1%. Decreases in Supporting Services Instructional Staff and Administration was the result of severance payouts made in the prior fiscal year. A decrease in Operation and Maintenance of Plant can be attributed to one less maintenance employee on staff as well as less repairs needed in fiscal year 2015.

OTTAWA HILLS LOCAL SCHOOL DISTRICT

Management's Discussion and Analysis For the Fiscal Year Ended June 30, 2015

Unaudited

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

During the course of fiscal year 2015 the District amended its General Fund budget several times, none significant.

For the General Fund, final budget basis revenue was 3% more than original revenue estimates due to increases in property tax receipts. Final revenue estimates and actual budget basis revenues were not materially different. Original and final budget basis expenditures were not materially different. Actual budget basis expenditures were 4% less than original and final estimates. The General Fund had an adequate fund balance to cover expenditures.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

At the end of fiscal year 2015 the District had \$5,869,858 net of accumulated depreciation invested in land, improvements, buildings, machinery, equipment and vehicles. The following table shows fiscal year 2015 and 2014 balances:

	Governmental Activities		Increase (Decrease)
	2015	2014	
Land	\$743,629	\$743,629	\$0
Land Improvements	1,910,795	1,908,060	2,735
Buildings and Improvements	8,852,852	8,688,835	164,017
Machinery/Equipment and Furniture/Fixtures	2,498,519	2,407,253	91,266
Vehicles	213,797	199,735	14,062
Less: Accumulated Depreciation	(8,349,734)	(7,832,278)	(517,456)
Totals	<u>\$5,869,858</u>	<u>\$6,115,234</u>	<u>(\$245,376)</u>

Additions to buildings and improvements consisted of a gym roof replacement at the high school as well as restoration of an elementary school cupola. Machinery and equipment additions consisted of various routine equipment purchases. Additional information on the District's capital assets can be found in Note 8.

OTTAWA HILLS LOCAL SCHOOL DISTRICT

Management's Discussion and Analysis For the Fiscal Year Ended June 30, 2015

Unaudited

Debt

At June 30, 2015, the District had \$525,000 in bonds outstanding, \$450,000 due within one year. The following table summarizes the District's debt outstanding as of June 30, 2015 and 2014:

	2015	Restated 2014
Governmental Activities:		
General Obligation Bonds:		
School Improvement Refunding	\$525,000	\$990,000
Net Pension Liability	16,745,377	19,904,319
Capital Leases Payable	140,217	278,635
Compensated Absences	1,314,329	1,243,045
Totals	<u>\$18,724,923</u>	<u>\$22,415,999</u>

Under current state statutes, the District's general obligation bonded debt issues are subject to a legal limitation based on 9% of the total assessed value of real and personal property. At June 30, 2015, the District's outstanding debt was below the legal limit. Additional information on the District's long-term debt can be found in Note 11.

ECONOMIC FACTORS

The Ottawa Hills Local School District relies upon local property taxes and state foundation monies to fund its operations. In fiscal year 2015 the District received approximately 74.13% of its revenues from local property taxes, 13.12% from the state foundation program, 10.5% from the Homestead/Rollback exemption legislation, and the remaining 2.25% from other local sources and all other revenue sources. The District real estate value consists of 96.8% residential real estate, 2.08% commercial real estate, and 1.12% public utilities personal property.

The Lucas County Auditor's office has completed the 2015 triennial update for properties in Lucas County. There was a 0% change in total valuations for the district. The 2015 valuations have not changed from the 2014 valuations. The current district valuation is \$151,081,110. In 2012, the Lucas County Auditor's office conducted a property revaluation of property values. The 2012 valuation for the Ottawa Hills Local School District decreased to \$151,606,360. This was a loss of (\$10,310,570) or (6.37%) from calendar year 2011. The peak year of valuation for the District was 2006. The calendar year 2006 valuation was \$187,621,220. The economic slowdown has affected home values in the District and in Lucas County. The drop in valuations has reduced the level of valuations to an amount that was last seen in 1999. All operating and permanent improvement levies passed after 1999 have been negatively affected by the drop in valuations. A combination of future tax levies and a reduction of District expenses will need to be evaluated to align with the drop in valuations and decreases in local property tax collections.

The District approved a 6.9 mill continuing operating levy in November 2013 by a 67% margin. The District previously passed a 7.6 mill continuing operating levy in November 2010 by a 64% margin. The District passed a 2.0 mill permanent improvement levy in November 2011 by a 66% margin. The District has also passed a 2.0 mill permanent improvement levy in November 2012 by a 66% margin. Both of the 2.0 mill permanent improvement levies are for a continuing period of time.

OTTAWA HILLS LOCAL SCHOOL DISTRICT

*Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2015*

Unaudited

In conclusion, the Ottawa Hills Local School District's management has committed itself to financial prudence in the years to come.

REQUESTS FOR INFORMATION

This financial report is designed to provide our citizens, taxpayers, investors and creditors with a general overview of the District's finances and to show the District's accountability for the money it receives. If you have questions about this report or need additional financial information, contact Bradley Browne, Treasurer of Ottawa Hills Local School District.

OTTAWA HILLS LOCAL SCHOOL DISTRICT

Statement of Net Position June 30, 2015

	Governmental Activities
Assets:	
Cash and Cash Equivalents	\$ 5,326,931
Cash with Fiscal Agent	298,356
Investments	2,960,183
Receivables:	
Taxes	11,322,864
Accounts	5,474
Intergovernmental	69,704
Interest	9,527
Non-Depreciable Capital Assets	743,629
Depreciable Capital Assets, Net	5,126,229
Total Assets	25,862,897
Deferred Outflows of Resources:	
Pension:	
STRS	957,535
SERS	211,147
Total Deferred Outflows of Resources	1,168,682
Liabilities:	
Accounts Payable	18,163
Accrued Wages and Benefits	856,158
Intergovernmental Payable	187,264
Claims Payable	230,807
Accrued Interest Payable	4,875
Long Term Liabilities:	
Due Within One Year	823,777
Due in More Than One Year:	
Net Pension Liability	16,745,377
Other Amounts Due in More Than One Year	1,155,769
Total Liabilities	20,022,190
Deferred Inflows of Resources:	
Property Tax Levy for Next Fiscal Year	10,939,069
Pension:	
STRS	2,610,103
SERS	427,993
Total Deferred Inflows of Resources	13,977,165
Net Position (Deficit):	
Net Investment in Capital Assets	5,204,641
Restricted For:	
Capital Projects	493,789
Debt Service	139,657
Other Purposes	149,759
Unrestricted (Deficit)	(12,955,622)
Total Net Position	\$ (6,967,776)

See accompanying notes to the basic financial statements

OTTAWA HILLS LOCAL SCHOOL DISTRICT

Statement of Activities For the Fiscal Year Ended June 30, 2015

	Program Revenues			Net (Expense) Revenue and Changes in Net Position
	Expenses	Charges for Services and Sales	Operating Grants and Contributions	Governmental Activities
Governmental Activities:				
Instruction	\$ 8,512,219	\$ 151,937	\$ 232,983	\$ (8,127,299)
Supporting Services:				
Pupils	970,135	0	100,000	(870,135)
Instructional Staff	430,319	0	0	(430,319)
Board of Education	26,850	0	0	(26,850)
Administration	916,835	0	0	(916,835)
Fiscal Services	511,750	0	0	(511,750)
Operation and Maintenance of Plant	1,214,426	4,772	0	(1,209,654)
Pupil Transportation	48,552	1,241	0	(47,311)
Central	298,983	0	3,600	(295,383)
Community Services	457,091	0	425,935	(31,156)
Extracurricular Activities	863,057	332,345	0	(530,712)
Interest and Fiscal Charges	25,997	0	0	(25,997)
Total Governmental Activities	\$ 14,276,214	\$ 490,295	\$ 762,518	\$ (13,023,401)
General Revenues				
Property Taxes Levied for:				
General Purposes				10,553,795
Debt Service				470,573
Capital Outlay				522,850
Intergovernmental, Unrestricted				3,553,246
Investment Earnings				39,775
Miscellaneous				157,641
Total General Revenues				<u>15,297,880</u>
Change in Net Position				2,274,479
Net Deficit Beginning of Year - Restated				<u>(9,242,255)</u>
Net Deficit End of Year				<u>\$ (6,967,776)</u>

See accompanying notes to the basic financial statements

OTTAWA HILLS LOCAL SCHOOL DISTRICT

Balance Sheet
Governmental Funds
June 30, 2015

	General	Other Governmental Funds	Total Governmental Funds
Assets:			
Cash and Cash Equivalents	\$ 4,569,593	\$ 757,338	\$ 5,326,931
Cash with Fiscal Agent	298,356	0	298,356
Investments	2,960,183	0	2,960,183
Receivables:			
Taxes	10,572,727	750,137	11,322,864
Accounts	4,830	644	5,474
Intergovernmental	69,704	0	69,704
Interest	9,527	0	9,527
Total Assets	\$ 18,484,920	\$ 1,508,119	\$ 19,993,039
Liabilities:			
Accounts Payable	\$ 15,308	\$ 2,855	\$ 18,163
Accrued Wages and Benefits	856,158	0	856,158
Intergovernmental Payable	187,161	103	187,264
Claims Payable	230,807	0	230,807
Compensated Absences Payable	148,929	0	148,929
Total Liabilities	1,438,363	2,958	1,441,321
Deferred Inflows of Resources:			
Unavailable Amounts	29,182	2,424	31,606
Property Tax Levy for Next Fiscal Year	10,221,988	717,081	10,939,069
Total Deferred Inflows of Resources	10,251,170	719,505	10,970,675
Fund Balances:			
Restricted	0	785,656	785,656
Committed	11,880	0	11,880
Assigned	111,424	0	111,424
Unassigned	6,672,083	0	6,672,083
Total Fund Balances	6,795,387	785,656	7,581,043
Total Liabilities, Deferred Inflows of Resources and Fund Balances	\$ 18,484,920	\$ 1,508,119	\$ 19,993,039

See accompanying notes to the basic financial statements

OTTAWA HILLS LOCAL SCHOOL DISTRICT

Reconciliation of Total Governmental Fund Balances to Net Position of Governmental Activities June 30, 2015

Total Governmental Fund Balances	\$	7,581,043
<i>Amounts reported for governmental activities in the statement of net position are different because</i>		
Capital Assets used in governmental activities are not resources and therefore are not reported in the funds.		5,869,858
Other long-term assets are not available to pay for current- period expenditures and therefore are deferred in the funds.		31,606
The net pension liability is not due and payable in the current period; therefore, the liability and related deferred inflows/outflows are not reported in governmental funds:		
Deferred Outflows - Pension	1,168,682	
Deferred Inflows - Pension	(3,038,096)	
Net Pension Liability	<u>(16,745,377)</u>	(18,614,791)
Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds.		
General Obligation Bonds Payable	(525,000)	
Capital Leases Payable	(140,217)	
Compensated Absences Payable	(1,165,400)	
Accrued Interest Payable	<u>(4,875)</u>	<u>(1,835,492)</u>
<i>Net Position of Governmental Activities</i>	\$	<u><u>(6,967,776)</u></u>

See accompanying notes to the basic financial statements

OTTAWA HILLS LOCAL SCHOOL DISTRICT

Statement of Revenues, Expenditures and Changes in Fund Balances Governmental Funds For the Fiscal Year Ended June 30, 2015

	General	Other Governmental Funds	Total Governmental Funds
Revenues:			
Local Sources:			
Taxes	\$ 10,592,587	\$ 997,043	\$ 11,589,630
Tuition	57,603	0	57,603
Transportation Fees	1,241	0	1,241
Investment Earnings	41,570	40	41,610
Extracurricular Activities	123,825	208,520	332,345
Class Materials and Fees	86,183	8,151	94,334
Intergovernmental - State	3,409,647	574,743	3,984,390
Intergovernmental - Federal	0	331,374	331,374
All Other Revenue	105,265	57,148	162,413
Total Revenue	14,417,921	2,177,019	16,594,940
Expenditures:			
Current:			
Instruction	8,186,539	490,837	8,677,376
Supporting Services:			
Pupils	882,288	100,000	982,288
Instructional Staff	441,831	0	441,831
Board of Education	26,733	0	26,733
Administration	938,057	0	938,057
Fiscal Services	495,233	15,184	510,417
Operation and Maintenance of Plant	1,134,411	24,054	1,158,465
Pupil Transportation	40,750	0	40,750
Central	293,583	3,600	297,183
Community Services	31,156	425,935	457,091
Extracurricular Activities	492,081	291,125	783,206
Capital Outlay	0	107,573	107,573
Debt Service:			
Principal Retirement	0	603,418	603,418
Interest and Fiscal Charges	0	29,872	29,872
Total Expenditures	12,962,662	2,091,598	15,054,260
Excess (Deficiency) of Revenues			
Over (Under) Expenditures	1,455,259	85,421	1,540,680

(Continued)

OTTAWA HILLS LOCAL SCHOOL DISTRICT

	General	Other Governmental Funds	Total Governmental Funds
Other Financing Sources (Uses):			
Sale of Capital Assets	9,472	0	9,472
Transfers In	0	38,000	38,000
Transfers Out	(38,000)	0	(38,000)
Total Other Financing Sources (Uses)	<u>(28,528)</u>	<u>38,000</u>	<u>9,472</u>
Net Change in Fund Balance	1,426,731	123,421	1,550,152
Fund Balances at Beginning of Year	<u>5,368,656</u>	<u>662,235</u>	<u>6,030,891</u>
Fund Balances End of Year	<u>\$ 6,795,387</u>	<u>\$ 785,656</u>	<u>\$ 7,581,043</u>

See accompanying notes to the basic financial statements

OTTAWA HILLS LOCAL SCHOOL DISTRICT

Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds To the Statement of Activities For the Fiscal Year Ended June 30, 2015

Net Change in Fund Balance - Total Governmental Funds \$ 1,550,152

Amounts reported for governmental activities in the statement of activities are different because

Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which depreciation exceeded capital outlay in the current period.

Capital Outlay	279,089	
Depreciation Expense	(523,063)	(243,974)

Governmental funds only report the disposal of capital assets to the extent proceeds are received from the sale. In the statement of activities, a gain or loss is reported for each disposal. This is the amount of the loss on the disposal of capital assets net of proceeds received. (1,402)

Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds. (44,247)

Contractually required contributions are reported as expenditures in governmental funds; however, the statement of net position reports these amounts as deferred outflows. 1,010,414

Except for amounts reported as deferred inflows/outflows, changes in the net pension liability are reported as pension expense in the statement of activities. (681,402)

The issuance of long-term debt provides current financial resources to governmental funds, but has no effect on net position. In addition, repayment of debt principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the governmental activities.

General Obligation Bond Principal Payment	465,000	
Capital Lease Principal Payment	138,418	603,418

In the statement of activities, interest is accrued on outstanding bonds, whereas in governmental funds, an interest expenditure is reported when due. 3,875

Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in the governmental funds.

Change in Compensated Absences		77,645
--------------------------------	--	--------

Change in Net Position of Governmental Activities **\$ 2,274,479**

See accompanying notes to the basic financial statements

This Page Intentionally Left Blank

OTTAWA HILLS LOCAL SCHOOL DISTRICT

**Statement of Revenues, Expenditures and Changes in
Fund Balance – Budget and Actual (Non-GAAP Budgetary Basis)
General Fund
For the Fiscal Year Ended June 30, 2015**

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
Revenues:				
Local Sources:				
Taxes	\$ 10,321,454	\$ 10,694,913	\$ 10,694,913	\$ 0
Tuition	22,275	57,603	57,603	0
Transportation Fees	800	0	1,241	1,241
Investment Earnings	20,000	23,500	23,890	390
Extracurricular Activities	109,055	86,303	102,346	16,043
Class Material and Fees	0	19,921	19,921	0
Intergovernmental - State	3,410,871	3,409,647	3,409,647	0
All Other Revenues	12,004	6,080	6,143	63
Total Revenues	<u>13,896,459</u>	<u>14,297,967</u>	<u>14,315,704</u>	<u>17,737</u>
Expenditures:				
Current:				
Instruction	8,192,548	8,224,481	8,051,338	173,143
Supporting Services:				
Pupils	889,963	913,281	881,056	32,225
Instructional Staff	467,633	458,789	443,572	15,217
Board of Education	37,250	28,164	26,733	1,431
Administration	971,788	993,021	944,412	48,609
Fiscal Services	498,035	519,645	497,315	22,330
Operation and Maintenance of Plant	1,270,397	1,263,887	1,129,776	134,111
Pupil Transportation	42,940	41,342	40,738	604
Central	334,032	308,623	296,943	11,680
Community Services	14,000	3,000	3,000	0
Extracurricular Activities	559,515	555,867	493,641	62,226
Total Expenditures	<u>13,278,101</u>	<u>13,310,100</u>	<u>12,808,524</u>	<u>501,576</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	618,358	987,867	1,507,180	519,313

(Continued)

OTTAWA HILLS LOCAL SCHOOL DISTRICT

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	Variance with Final Budget Positive (Negative)
Other Financing Sources (Uses):				
Sale of Capital Assets	0	9,472	9,472	0
Transfers Out	(147,000)	(162,000)	(162,000)	0
Advances Out	(20,000)	(5,000)	0	5,000
Refund of Prior Year Expenditures	37,000	102,562	102,562	0
Total Other Financing Sources (Uses):	<u>(130,000)</u>	<u>(54,966)</u>	<u>(49,966)</u>	<u>5,000</u>
Net Change in Fund Balance	488,358	932,901	1,457,214	524,313
Fund Balance at Beginning of Year	5,796,486	5,796,486	5,796,486	0
Prior Year Encumbrances	51,176	51,176	51,176	0
Fund Balance at End of Year	<u>\$ 6,336,020</u>	<u>\$ 6,780,563</u>	<u>\$ 7,304,876</u>	<u>\$ 524,313</u>

See accompanying notes to the basic financial statements

OTTAWA HILLS LOCAL SCHOOL DISTRICT

***Statement of Net Position
Fiduciary Funds
June 30, 2015***

	Private Purpose Trust Funds	Agency Funds	Total
Assets:			
Cash and Cash Equivalents	\$ 79,336	\$ 57,509	\$ 136,845
Total Assets	<u>79,336</u>	<u>57,509</u>	<u>136,845</u>
Liabilities:			
Due to Students	0	57,509	57,509
Total Liabilities	<u>0</u>	<u>57,509</u>	<u>57,509</u>
Net Position:			
Held in Trust	79,336	0	79,336
Total Net Position	<u>\$ 79,336</u>	<u>\$ 0</u>	<u>\$ 79,336</u>

See accompanying notes to the basic financial statements

OTTAWA HILLS LOCAL SCHOOL DISTRICT

***Statement of Changes in Net Position
Fiduciary Funds
For the Fiscal Year Ended June 30, 2015***

	<u>Private Purpose Trust Funds</u>
Additions:	
Contributions:	
Private Donations	\$ 25,592
Total Contributions	<u>25,592</u>
Investment Earnings:	
Interest	<u>19</u>
Total Investment Earnings	<u>19</u>
Total Additions	<u>25,611</u>
Deductions:	
Community Gifts, Awards and Scholarships	<u>7,371</u>
Total Deductions	<u>7,371</u>
Change in Net Position	18,240
Net Position at Beginning of Year	<u>61,096</u>
Net Position End of Year	<u>\$ 79,336</u>

See accompanying notes to the basic financial statements

OTTAWA HILLS LOCAL SCHOOL DISTRICT

Notes to the Basic Financial Statements For the Fiscal Year Ended June 30, 2015

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Reporting Entity

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

The District is governed by a locally elected five member Board of Education (the Board) which provides educational services. The Board controls the District's instructional support facilities staffed by 29 noncertified, 67 certified teaching personnel and 9 administrative employees providing education to 949 students.

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

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

B. Basis of Presentation - Fund Accounting

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

The following fund types are used by the District:

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

OTTAWA HILLS LOCAL SCHOOL DISTRICT

Notes to the Basic Financial Statements For the Fiscal Year Ended June 30, 2015

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

B. Basis of Presentation - Fund Accounting (Continued)

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

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

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

C. Basis of Presentation – Financial Statements

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

The government-wide statements are prepared using the economic resources measurement focus, which differs from the manner in which governmental fund financial statements are prepared. Governmental fund financial statements therefore include a reconciliation with brief explanations to better identify the relationship between the government-wide statements and the statements for governmental funds.

The government-wide statement of activities presents a comparison between direct expenses and program revenues for each function or program of the District's governmental activities. Direct expenses are those that are specifically associated with a service, program or department and therefore clearly identifiable to a particular function. Program revenues include charges paid by the recipient of the goods or services offered by the program and grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues which are not classified as program revenues are presented as general revenues of the District, with certain limited exceptions. The comparison of direct expenses with program revenues identifies the extent to which each governmental function is self-financing or draws from the general revenues of the District.

OTTAWA HILLS LOCAL SCHOOL DISTRICT

Notes to the Basic Financial Statements For the Fiscal Year Ended June 30, 2015

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C. Basis of Presentation – Financial Statements (Continued)

Fund Financial Statements – Fund financial statements report detailed information about the District. The focus of governmental fund financial statements is on major funds rather than reporting funds by type. Each major fund is presented in a separate column. Nonmajor funds are aggregated and presented in a single column. Fiduciary funds are reported by fund type.

The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. All governmental fund types are accounted for using a flow of current financial resources measurement focus. The financial statements for governmental funds are a balance sheet, which generally includes only current assets, current liabilities, deferred outflows/inflows of resources, and a statement of revenues, expenditures and changes in fund balances, which reports on the sources (i.e., revenues and other financing sources) and uses (i.e., expenditures and other financing uses) of current financial resources.

Fiduciary funds are reported using the economic resources measurement focus.

D. Basis of Accounting

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

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

Under the modified accrual basis, the following revenue sources are considered susceptible to accrual at year end: property taxes, tuition, grants and entitlements, student fees and interest on investments.

Current property taxes measurable at June 30, 2015, but which are not intended to finance fiscal 2015 operations, have been recorded as deferred inflows of resources. Delinquent property taxes measurable and available (received within 60 days) and amounts available as an advance on future tax settlements are recognized as revenue at year end.

OTTAWA HILLS LOCAL SCHOOL DISTRICT

Notes to the Basic Financial Statements For the Fiscal Year Ended June 30, 2015

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Basis of Accounting (Continued)

The accrual basis of accounting is utilized for reporting purposes by the government-wide financial statements, agency funds and the private-purpose trust funds. Revenues are recognized when they are earned and expenses are recognized when incurred.

Revenue resulting from exchange transactions, in which each party gives and receives essentially equal value, is recorded on the accrual basis when the exchange takes place.

Non-exchange transactions, in which the District receives value without directly giving equal value in return, include property taxes, grants, entitlements and donations. On an accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied. Revenue from grants, entitlements and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied. Grants and entitlements received before eligibility requirements are met are recorded as deferred inflows of resources.

Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the fiscal year when use is first permitted, matching requirements, in which the District must provide local resources to be used for a specified purpose, and expenditure requirements, in which the resources are provided to the District on a reimbursement basis. On a modified accrual basis, revenue from nonexchange transactions must also be available before it can be recognized.

E. Budgetary Process

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

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

1. Tax Budget

By January 15, the Superintendent and Treasurer submit an annual operating budget for the following fiscal year to the Board of Education for consideration and passage. The adopted budget is submitted to the County Auditor, as Secretary of the County Budget Commission, by January 20 of each year for the period July 1 to June 30 of the following fiscal year. The Lucas County Budget Commission waived the tax budget filing requirement for fiscal year 2015.

OTTAWA HILLS LOCAL SCHOOL DISTRICT

Notes to the Basic Financial Statements For the Fiscal Year Ended June 30, 2015

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

E. Budgetary Process (Continued)

2. Estimated Resources

Prior to January 15, the Board accepts by formal resolution, the tax rates as determined by the County Budget Commission and receives the Commission's Certificate of Estimated Resources which states the projected revenue of each fund. Prior to June 30, the District must revise its budget so that the total contemplated expenditures from any fund during the ensuing fiscal year will not exceed the amount available as stated in the certificate of estimated resources. The revised budget then serves as the basis for the annual appropriations measure. On or about July 1, the certificate of estimated resources is amended to include any unencumbered fund balances from the preceding year. The certificate may be further amended during the year if a new source of revenue is identified or actual receipts exceed current estimates. The amounts reported on the budgetary statement reflect the amounts in the first and final amended official certificate of estimated resources issued during fiscal year 2015.

3. Appropriations

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

4. Lapsing of Appropriations

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

OTTAWA HILLS LOCAL SCHOOL DISTRICT

***Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2015***

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

E. Budgetary Process (Continued)

5. Budgetary Basis of Accounting

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

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

	Net Change in Fund Balance
	General Fund
GAAP Basis (as reported)	\$1,426,731
Increase (Decrease):	
Accrued Revenues	
at June 30, 2015,	
received during FY 2016	(692,525)
Accrued Revenues	
at June 30, 2014,	
received during FY 2015	600,707
Accrued Expenditures	
at June 30, 2015,	
paid during FY 2016	1,438,363
Accrued Expenditures	
at June 30, 2014,	
paid during FY 2015	(1,231,171)
Encumbrances Outstanding	(12,983)
Perspective Difference:	
Activity of Funds Reclassified	
for GAAP Reporting Purposes	(71,908)
Budget Basis	\$1,457,214

OTTAWA HILLS LOCAL SCHOOL DISTRICT

Notes to the Basic Financial Statements For the Fiscal Year Ended June 30, 2015

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

F. Cash and Cash Equivalents

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

The District pools its cash for investment and resource management purposes. Each fund's equity in pooled cash and investments represents the balance on hand as if each fund maintained its own cash and investment account. See Note 4, "Cash, Cash Equivalents and Investments."

G. Investments

Investment procedures and interest allocations are restricted by provisions of the Ohio Constitution and the Ohio Revised Code. In accordance with GASB Statement No. 31, "Accounting and Financial Reporting for Certain Investments and for External Investment Pools", the District records all its investments at fair value except for nonparticipating investment contracts which are reported at cost, which approximates fair value. See Note 4, "Cash, Cash Equivalents and Investments." During fiscal year 2015, investments were limited to federal agency securities and marketable certificates of deposit.

The District invested funds in the State Treasury Asset Reserve of Ohio during fiscal year 2015. STAR Ohio is an investment pool managed by the State Treasurer's Office which allows governments within the State to pool their funds for investment purposes. STAR Ohio is not registered with the SEC as an investment company, but does operate in a manner consistent with Rule 2a7 of the Investment Company Act of 1940. Investments in STAR Ohio are valued at STAR Ohio's share price, which is the price the investment could be sold for on June 30, 2015.

Interest revenue credited to the General Fund during fiscal year 2015 amounted to \$41,570. Of that amount, \$3,832 was the amount allocated by other funds.

OTTAWA HILLS LOCAL SCHOOL DISTRICT

Notes to the Basic Financial Statements For the Fiscal Year Ended June 30, 2015

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

H. Capital Assets and Depreciation

1. Property, Plant and Equipment - Governmental Activities

Governmental activities capital assets are acquired or constructed for governmental activities and are recorded as expenditures in the governmental funds and are capitalized at cost (or estimated historical cost for assets not purchased in recent years). These assets are reported in the Governmental Activities column of the Government-wide Statement of Net Position, but they are not reported in the Fund Financial Statements. The District follows the policy of not capitalizing assets with a cost of less than \$1,500.

Contributed capital assets are recorded at fair market value at the date received. The District does not possess any infrastructure. Capital asset values were initially determined by identifying historical costs where such information was available. In cases where information supporting original cost was not obtainable, estimated historical costs were developed. For certain capital assets, the estimates were arrived at by indexing estimated current costs back to the estimated year of acquisition.

2. Depreciation

All capital assets are depreciated, excluding land and construction in progress. Depreciation has been provided using the straight-line method over the following estimated useful lives:

<u>Description</u>	<u>Estimated Lives (in years)</u>
Land Improvements	20
Buildings and Improvements	30
Machinery/Equipment and Furniture/Fixtures	6-10
Vehicles	10

I. Long-Term Obligations

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

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

OTTAWA HILLS LOCAL SCHOOL DISTRICT

Notes to the Basic Financial Statements For the Fiscal Year Ended June 30, 2015

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

J. Compensated Absences

In accordance with GASB Statement No. 16, "Accounting for Compensated Absences," vacation benefits are accrued as a liability when an employee's right to receive compensation is attributable to services already rendered, and it is probable that the employee will be compensated through paid time off or some other means, such as cash payments at termination or retirement. Administrators and classified staff who work twelve month contracts are granted vacation leave based on length of service and position. Sick leave benefits are accrued as a liability using the vesting method. Employees earn 1.25 days of sick leave per month of service up to a maximum of 270 days for STRS and SERS employees. Upon retirement, employees that pay into STRS and SERS will receive up to 36% of the accumulated sick leave up to a maximum of 97 days. Administrators earn sick leave up to 315 days and will be paid up to 37% of accumulated sick leave up to a maximum of 115 days. For governmental funds, that portion of unpaid compensated absences that is expected to be paid using expendable, available resources is reported as an expenditure in the fund from which the individual earning the leave is paid, and a corresponding liability is reflected in the account "Compensated Absences Payable." In the government-wide statement of net position, "Compensated Absences Payable" is recorded within the "Due within one year" account and the long-term portion of the liability is recorded within the "Due in more than one year" account.

K. Net Position

Net position represents the difference between assets, liabilities, and deferred outflows/inflows of resources. Net investment in capital assets consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction or improvement of those assets. Net position is reported as restricted when there are limitations imposed on use either through the enabling legislation adopted by the District or through external restrictions imposed by creditors, grantors or laws or regulations of other governments.

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

L. Pensions

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, 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.

OTTAWA HILLS LOCAL SCHOOL DISTRICT

Notes to the Basic Financial Statements For the Fiscal Year Ended June 30, 2015

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

M. Interfund Transactions

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

N. Fund Balance

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

Nonspendable - The nonspendable fund balance category includes amounts that cannot be spent because they are not in spendable form, or legally or contractually required to be maintained intact. The “not in spendable form” criterion includes items that are not expected to be converted to cash. For the District this category includes prepaid items.

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

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

OTTAWA HILLS LOCAL SCHOOL DISTRICT

Notes to the Basic Financial Statements For the Fiscal Year Ended June 30, 2015

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

N. Fund Balance (Continued)

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

O. Estimates

The preparation of the financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results could differ from those estimates.

P. Extraordinary and Special Items

Extraordinary items are transactions or events that are both unusual in nature and infrequent in occurrence. Special items are transactions or events that are within the control of the Board of Education and that are either unusual in nature or infrequent in occurrence. The District had no extraordinary or special items during fiscal year 2015.

Q. Deferred Outflows/Inflows of Resources

In addition to assets, the statement of net position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expenditure) until then. For the District, deferred outflows of resources are reported on the government-wide statement of net position for pension. The deferred outflows of resources related to pension are explained in Note 9.

OTTAWA HILLS LOCAL SCHOOL DISTRICT

Notes to the Basic Financial Statements For the Fiscal Year Ended June 30, 2015

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Q. Deferred Outflows/Inflows of Resources (Continued)

In addition to liabilities, the statement of net position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. For the District, deferred inflows of resources include property taxes, pension, and unavailable revenue. On the government-wide statement of net position and governmental funds balance sheet, property taxes that are intended to finance future fiscal periods are reported as deferred inflows. In addition, the governmental funds balance sheet reports deferred inflows which arise only under a modified accrual basis of accounting. Accordingly, the item, unavailable amounts, is reported only in the governmental funds balance sheet. The governmental funds report unavailable amounts for property taxes, investment earnings, and grants. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available. Deferred inflows of resources related to pension are reported on the government-wide statement of net position and are explained in Note 9.

NOTE 2 – CHANGE IN ACCOUNTING PRINCIPLE AND RESTATEMENT OF NET POSITION

For fiscal year 2015, the District implemented the 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.” GASB 68 established standards for measuring and recognizing pension liabilities, deferred outflows of resources, deferred inflows of resources, and expense/expenditure. The implementation of this pronouncement had the following effect on net position as reported June 30, 2014:

	Governmental Activities
Net position June 30, 2014	<u>\$9,701,548</u>
Adjustments:	
Net Pension Liability	(19,904,319)
Deferred Outflow - Payments Subsequent to Measurement Date	<u>960,516</u>
Restated Net Position June 30, 2014	<u><u>(\$9,242,255)</u></u>

Other than employer contributions subsequent to the measurement date, the District made no restatement for deferred inflows/outflows of resources as the information needed to generate these restatements was not available.

OTTAWA HILLS LOCAL SCHOOL DISTRICT

Notes to the Basic Financial Statements For the Fiscal Year Ended June 30, 2015

NOTE 3 – FUND BALANCES

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

<u>Fund Balances</u>	<u>General Fund</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
Restricted:			
Extracurricular Activities	\$0	\$100,669	\$100,669
Other Purposes	0	49,090	49,090
Debt Service Payments	0	143,384	143,384
Capital Acquisition and Improvement	0	492,513	492,513
Total Restricted	<u>0</u>	<u>785,656</u>	<u>785,656</u>
Committed:			
Severance Pay	11,880	0	11,880
Total Committed	<u>11,880</u>	<u>0</u>	<u>11,880</u>
Assigned to Other Purposes	111,424	0	111,424
Unassigned	6,672,083	0	6,672,083
Total Fund Balances	<u>\$6,795,387</u>	<u>\$785,656</u>	<u>\$7,581,043</u>

This space intentionally left blank.

OTTAWA HILLS LOCAL SCHOOL DISTRICT

Notes to the Basic Financial Statements For the Fiscal Year Ended June 30, 2015

NOTE 4 - CASH, CASH EQUIVALENTS AND INVESTMENTS

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

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

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

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

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

OTTAWA HILLS LOCAL SCHOOL DISTRICT

Notes to the Basic Financial Statements For the Fiscal Year Ended June 30, 2015

NOTE 4 - CASH, CASH EQUIVALENTS AND INVESTMENTS (Continued)

A. Deposits

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

At year end the carrying amount of the District's deposits was \$2,206,777 and the bank balance was \$2,213,282. Federal depository insurance covered \$1,253,290 of the bank balance and \$959,992 was collateralized by the financial institutions' public entity deposit pools in the manner described above.

In addition, the District reported \$298,356 of cash with fiscal agent, which is held by the District's self-insurance third party administrator for the payment of claims and related costs.

B. Investments

The District's investments at June 30, 2015 were as follows:

	Fair Value	Credit Rating	Investment Maturities (in Years)		
			less than 1	1-3	3-5
STAR Ohio	\$3,555,355	AAAm ¹	\$3,555,355	\$0	\$0
Money Market	36,591	AAA ^{1,2}	36,591	0	0
FNMA	676,021	AAA ^{1,2}	251,183	0	424,838
FHLB	169,823	AAA ^{1,2}	0	169,823	0
Marketable CD's	2,077,748	AAA ³	546,172	894,257	637,319
Total Investments	<u>\$6,515,538</u>		<u>\$4,389,301</u>	<u>\$1,064,080</u>	<u>\$1,062,157</u>

¹ Standard & Poor's

² Moody's Investor Service

³ All are fully FDIC insured and therefore have an implied AAA credit rating

OTTAWA HILLS LOCAL SCHOOL DISTRICT

Notes to the Basic Financial Statements For the Fiscal Year Ended June 30, 2015

NOTE 4 - CASH, CASH EQUIVALENTS AND INVESTMENTS (Continued)

B. Investments (Continued)

Interest Rate Risk – The Ohio Revised Code generally limits security purchases to those that mature within five years of settlement date.

Concentration of Credit Risk – The District places no limit on the amount the District may invest in one issuer. Of the District’s total investments, 54.5% are STAR Ohio, 0.6% is a money market investment, 10.4% are FNMA, 2.6% are FHLB, and 31.9% are marketable certificates of deposit.

Custodial Credit Risk – For an investment, custodial credit risk is the risk that in the event of the failure of the counterparty, the District will not be able to recover the value of its investment or collateral securities that are in the possession of an outside party.

C. Reconciliation of Cash, Cash Equivalents and Investments

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

	<u>Cash and Cash Equivalents</u>	<u>Investments</u>
Per Financial Statements	\$5,762,132	\$2,960,183
STAR Ohio	<u>(3,555,355)</u>	<u>3,555,355</u>
Per GASB Statement No. 3	<u><u>\$2,206,777</u></u>	<u><u>\$6,515,538</u></u>

NOTE 5 - 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 and public utility property located in the District. Real property tax revenue received in calendar year 2015 represents collections of calendar year 2014 taxes. Real property taxes received in calendar year 2015 were levied after April 1, 2014, on the assessed value listed as of January 1, 2014, the lien date. Assessed values for real property taxes are established by State law at 35 percent of appraised market value. Real property taxes are payable annually or semi-annually. If paid annually, payment is due December 31; if paid semi-annually, the first payment is due December 31 with the remainder payable by June 20. Under certain circumstances, State statute permits alternate payment dates to be established.

OTTAWA HILLS LOCAL SCHOOL DISTRICT

**Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2015**

NOTE 5 – TAXES (Continued)

Public utility property tax revenue received in calendar year 2015 represents collections of calendar year 2014 taxes. Public utility real and tangible personal property taxes received in calendar year 2015 became a lien 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 currently is assessed at varying percentages of true value.

The County Treasurer collects property taxes on behalf of all taxing districts in the County including Ottawa Hills Local School District. The County Auditor periodically remits to the District its portion of the taxes collected. The assessed values for collection in 2015 were as follows:

	2014 Second Half Collections	2015 First Half Collections
	<u> </u>	<u> </u>
Agricultural/Residential and Other Real Estate	\$149,623,560	\$149,392,480
Public Utility Personal	1,347,170	1,688,630
Total Assessed Value	<u>\$150,970,730</u>	<u>\$151,081,110</u>
Tax rate per \$1,000 of assessed valuation	\$142.65	\$142.65

NOTE 6 - RECEIVABLES

Receivables at June 30, 2015 consisted of taxes, accounts, intergovernmental, and interest receivables.

NOTE 7 - TRANSFERS

Following is a summary of transfers in and out for all funds at June 30, 2015:

Fund	Transfer In	Transfer Out
<u> </u>	<u> </u>	<u> </u>
General Fund	\$0	\$38,000
Other Governmental Funds	38,000	0
Total All Funds	<u>\$38,000</u>	<u>\$38,000</u>

All transfers made in fiscal year 2015 were in accordance with Ohio Revised Code Sections 5705.14, 5705.15 and 5705.16.

OTTAWA HILLS LOCAL SCHOOL DISTRICT

Notes to the Basic Financial Statements For the Fiscal Year Ended June 30, 2015

NOTE 8 - CAPITAL ASSETS

Summary by category of changes in governmental activities capital assets at June 30, 2015:

Historical Cost:

Class	June 30, 2014	Additions	Deletions	June 30, 2015
<i>Capital assets not being depreciated:</i>				
Land	\$743,629	\$0	\$0	\$743,629
<i>Capital assets being depreciated:</i>				
Land Improvements	1,908,060	2,735	0	1,910,795
Buildings and Improvements	8,688,835	164,017	0	8,852,852
Machinery/Equipment and Furniture/Fixtures	2,407,253	91,266	0	2,498,519
Vehicles	199,735	21,071	(7,009)	213,797
Total Cost	<u>\$13,947,512</u>	<u>\$279,089</u>	<u>(\$7,009)</u>	<u>\$14,219,592</u>

Accumulated Depreciation:

Class	June 30, 2014	Additions	Deletions	June 30, 2015
Land Improvements	(\$1,104,907)	(\$93,858)	\$0	(\$1,198,765)
Buildings and Improvements	(5,055,805)	(197,781)	0	(5,253,586)
Machinery/Equipment and Furniture/Fixtures	(1,552,660)	(215,143)	0	(1,767,803)
Vehicles	(118,906)	(16,281)	5,607	(129,580)
Total Depreciation	<u>(\$7,832,278)</u>	<u>(\$523,063) *</u>	<u>\$5,607</u>	<u>(\$8,349,734)</u>
<i>Net Value:</i>	<u>\$6,115,234</u>			<u>\$5,869,858</u>

* Depreciation expenses were charged to governmental functions as follows:

Instruction	\$326,407
Supporting Services:	
Pupils	117
Board of Education	117
Administration	117
Operation and Maintenance of Plant	92,189
Pupil Transportation	8,221
Extracurricular Activities	95,895
Total Depreciation Expense	<u>\$523,063</u>

OTTAWA HILLS LOCAL SCHOOL DISTRICT

Notes to the Basic Financial Statements For the Fiscal Year Ended June 30, 2015

NOTE 9- DEFINED BENEFIT PENSION PLANS

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

A. Net Pension Liability

The net pension liability reported on the statement of net position represents a liability to employees for pensions. 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 obligation to sacrifice resources for pensions is a present obligation because it was created as a result of employment exchanges that already have occurred.

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 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.

The proportionate share of each plan's unfunded benefits is presented as a long-term net pension liability on the accrual basis of accounting. Any liability for the contractually-required pension contribution outstanding at the end of the year is included in intergovernmental payable on both the accrual and modified accrual bases of accounting.

OTTAWA HILLS LOCAL SCHOOL DISTRICT

Notes to the Basic Financial Statements For the Fiscal Year Ended June 30, 2015

NOTE 9 - DEFINED BENEFIT PENSION PLANS (Continued)

B. Plan Description

School Employees Retirement System (SERS)

Plan Description –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, 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 \$188,703 for fiscal year 2015.

OTTAWA HILLS LOCAL SCHOOL DISTRICT

Notes to the Basic Financial Statements For the Fiscal Year Ended June 30, 2015

NOTE 9 - DEFINED BENEFIT PENSION PLANS (Continued)

B. Plan Description (Continued)

State Teachers Retirement System (STRS)

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. 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 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.

OTTAWA HILLS LOCAL SCHOOL DISTRICT

Notes to the Basic Financial Statements For the Fiscal Year Ended June 30, 2015

NOTE 9 - DEFINED BENEFIT PENSION PLANS (Continued)

B. Plan Description (Continued)

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 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 \$821,711 for fiscal year 2015. Of this amount \$136,618 is reported as an intergovernmental payable.

OTTAWA HILLS LOCAL SCHOOL DISTRICT

**Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2015**

NOTE 9 - DEFINED BENEFIT PENSION PLANS (Continued)

C. Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

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 contributions of all participating entities. Following is information related to the proportionate share and pension expense:

	<u>SERS</u>	<u>STRS</u>	<u>Total</u>
Proportionate Share of the Net Pension Liability	\$2,637,004	\$14,108,373	\$16,745,377
Proportion of the Net Pension Liability	0.052105%	0.0580032%	
Pension Expense	\$155,077	\$526,325	\$681,402

At June 30, 2015, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>SERS</u>	<u>STRS</u>	<u>Total</u>
Deferred Outflows of Resources			
Differences between expected and actual experience	\$22,444	\$135,824	\$158,268
School District contributions subsequent to the measurement date	188,703	821,711	1,010,414
Total Deferred Outflows of Resources	<u>\$211,147</u>	<u>\$957,535</u>	<u>\$1,168,682</u>
Deferred Inflows of Resources			
Net difference between projected and actual earnings on pension plan investments	\$427,993	\$2,610,103	\$3,038,096
Total Deferred Inflows of Resources	<u>\$427,993</u>	<u>\$2,610,103</u>	<u>\$3,038,096</u>

\$1,010,414 reported as deferred outflows of resources related to pension resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending June 30, 2016. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pension will be recognized in pension expense as follows:

	<u>SERS</u>	<u>STRS</u>	<u>Total</u>
Fiscal Year Ending June 30:			
2016	(\$101,387)	(\$618,570)	(\$719,957)
2017	(101,387)	(618,570)	(719,957)
2018	(101,387)	(618,570)	(719,957)
2019	(101,388)	(618,569)	(719,957)
Total	<u>(\$405,549)</u>	<u>(\$2,474,279)</u>	<u>(\$2,879,828)</u>

OTTAWA HILLS LOCAL SCHOOL DISTRICT

Notes to the Basic Financial Statements For the Fiscal Year Ended June 30, 2015

NOTE 9 - DEFINED BENEFIT PENSION PLANS (Continued)

D. Actuarial Assumptions

School Employees Retirement System (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 forecasted rate of inflation serves as the baseline for the return expectation.

OTTAWA HILLS LOCAL SCHOOL DISTRICT

**Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2015**

NOTE 9 - DEFINED BENEFIT PENSION PLANS (Continued)

D. Actuarial Assumptions (Continued)

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>
School District's proportionate share of the net pension liability	\$3,762,222	\$2,637,004	\$1,690,599

OTTAWA HILLS LOCAL SCHOOL DISTRICT

***Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2015***

NOTE 9 - DEFINED BENEFIT PENSION PLANS (Continued)

D. Actuarial Assumptions (Continued)

State Teachers Retirement System (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>	

OTTAWA HILLS LOCAL SCHOOL DISTRICT

Notes to the Basic Financial Statements For the Fiscal Year Ended June 30, 2015

NOTE 9 - DEFINED BENEFIT PENSION PLANS (Continued)

D. Actuarial Assumptions (Continued)

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 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	\$20,197,675	\$14,108,373	\$8,958,874

This space intentionally left blank.

OTTAWA HILLS LOCAL SCHOOL DISTRICT

Notes to the Basic Financial Statements For the Fiscal Year Ended June 30, 2015

NOTE 10 - POSTEMPLOYMENT BENEFITS

A. School Employee Retirement System

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 benefits, the Retirement Board allocates the remainder of the employer contribution of 14 percent of covered payroll to the Health Care Fund. The Health Care Fund was established and is administered in accordance with Internal Revenue Code Section 105(e). For 2015, 0.82 percent of covered payroll was allocated to health care. An additional health care surcharge on employers is collected for employees earning less than an actuarially determined minimum compensation amount (\$20,450 for 2015), pro-rated according to service credit earned. Statutes provide that no employer shall pay a health care surcharge greater than 2% of that employer's SERS-covered payroll; nor may SERS collect in aggregate more than 1.5% of the total statewide SERS-covered payroll for the health care surcharge.

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

The District's contributions for health care for the fiscal years ended June 30, 2015, 2014, and 2013 were \$41,269, \$29,464, and \$29,339 respectively; which were equal to the required contributions for each year.

OTTAWA HILLS LOCAL SCHOOL DISTRICT

Notes to the Basic Financial Statements For the Fiscal Year Ended June 30, 2015

NOTE 10 - POSTEMPLOYMENT BENEFITS (Continued)

B. State Teachers Retirement System

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

Funding Policy – Ohio 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 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 2015, STRS Ohio allocated employer contributions equal to zero percent of covered payroll to the Health Care Stabilization Fund. The District's contributions for health care for the fiscal years ended June 30, 2015, 2014, and 2013 were \$0, \$57,687, and \$58,146 respectively; which were equal to the required contributions for each year.

This space intentionally left blank.

OTTAWA HILLS LOCAL SCHOOL DISTRICT

Notes to the Basic Financial Statements For the Fiscal Year Ended June 30, 2015

NOTE 11 - LONG-TERM DEBT AND OTHER OBLIGATIONS

Detail of the changes in long-term debt and other long-term obligations of the District for the year ended June 30, 2015 are as follows:

			Restated Balance June 30, 2014	Additions	Deductions	Balance June 30, 2015	Amount Due Within One Year
Governmental Activities:							
General Obligation Bonds:							
2010	School Improvement Refunding	2.00-3.00%	\$990,000	\$0	(\$465,000)	\$525,000	\$450,000
Net Pension Liability:							
	School Teachers Retirement System		16,805,802	0	(2,697,429)	14,108,373	0
	School Employees Retirement System		3,098,517	0	(461,513)	2,637,004	0
	Total Net Pension Liability		19,904,319	0	(3,158,942)	16,745,377	0
	Capital Leases Payable		278,635	0	(138,418)	140,217	140,217
	Compensated Absences		1,243,045	213,300	(142,016)	1,314,329	233,560
	Total Long-Term Obligations		<u>\$22,415,999</u>	<u>\$213,300</u>	<u>(\$3,904,376)</u>	<u>\$18,724,923</u>	<u>\$823,777</u>

A. Principal and Interest Requirements

A summary of the District's future long-term debt funding requirements, including principal and interest payments as of June 30, 2015, follows:

Years	General Obligation Bonds	
	Principal	Interest
2016	\$450,000	\$14,626
2017	75,000	2,250
Totals	<u>\$525,000</u>	<u>\$16,876</u>

B. Defeased Debt

In fiscal 2010, the District defeased \$2,823,000 of General Obligation Bonds for School Building Improvements issued in fiscal 1999 through the issuance of \$2,955,000 of General Obligation Bonds. The net proceeds of the 2010 Bonds have been invested in obligations guaranteed as to both principal and interest by the United States Government and placed in irrevocable escrow accounts which, including interest earned, will be used to pay the principal and interest on the refunded bonds. The refunded bonds, which have an outstanding balance of \$1,390,000 at June 30, 2015, are not included in the District's outstanding debt since the District has in-substance satisfied its obligations through the advance refunding.

OTTAWA HILLS LOCAL SCHOOL DISTRICT

Notes to the Basic Financial Statements For the Fiscal Year Ended June 30, 2015

NOTE 12 - CAPITALIZED LEASES

The District is obligated under a lease accounted for as a capital lease. The cost of the leased assets are accounted for in the Governmental Activities Capital Assets and the related liability in the Governmental Activities Long-Term Obligations. The leased assets had an original cost of \$568,160 and accumulated depreciation of \$307,758.

The following is a schedule of future minimum lease payments under the capital lease together with the present value of the net minimum lease payments as of June 30, 2015:

<u>Fiscal Year Ending June 30,</u>	<u>Capital Lease</u>
2016	\$142,040
Minimum lease payments	142,040
Less: Amount representing interest at the District's incremental borrowing rate of interest	<u>(1,823)</u>
Present value of minimum lease payments	<u><u>\$140,217</u></u>

NOTE 13 - STATUTORY RESERVES

The District is required by state law to set aside certain general fund revenue amounts, as defined, into capital reserves. During the fiscal year ended June 30, 2015, the reserve activity (cash-basis) was as follows:

	<u>Capital Acquisition Reserve</u>
Set-aside Cash Balance as of June 30, 2014	\$0
Current Year Set-Aside Requirement	163,031
Current Year Offset Credits	<u>(613,231)</u>
Total	<u>(\$450,200)</u>
Cash Balance Carried Forward to FY 2016	<u>\$0</u>
Amount Restricted for Capital Acquisition	<u><u>\$0</u></u>

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

OTTAWA HILLS LOCAL SCHOOL DISTRICT

Notes to the Basic Financial Statements For the Fiscal Year Ended June 30, 2015

NOTE 14 - JOINTLY GOVERNED ORGANIZATIONS

Northwest Ohio Computer Association (NWOCA) - The District is a participant in the Northwest Ohio Computer Association (NWOCA) which is a computer consortium. NWOCA is an association of twenty-eight educational entities, primarily school districts, located in Henry, Fulton, Defiance, Williams, Lucas and Wood Counties. The organization was formed for the purpose of applying modern technology with the aid of computers and other electronic equipment to administrative and instructional functions among members. NWOCA is governed by its participating members, which consists of a representative from each member entity and a representative from the fiscal agent. Total disbursements made by the District to NWOCA during the fiscal year were \$41,210. Financial information can be obtained from the Northwest Ohio Computer Association, Duane Baker, Executive Director, 22-900 State Route 34, Archbold, Ohio 43502.

Northern Buckeye Education Council (NBEC) - The Northern Buckeye Education Council (NBEC) was established in 1979 to foster cooperation among school districts located in Defiance, Fulton, Henry, Lucas, Williams, and Wood counties. NBEC is organized under Ohio laws as a regional council of governments pursuant to a written agreement entered into by its member entities and bylaws adopted by the representatives of the member educational entities. NBEC is governed by an elected Board consisting of two representatives from each of the counties in which the member educational entities are located. The Board is elected from an Assembly consisting of a representative from each participating educational entity. Total disbursements made by the District to NBEC during the fiscal year were \$81,029. To obtain financial information write to the Northern Buckeye Education Council, Cindy Siler, who serves as Treasurer, at 22-900 State Route 34, Archbold, Ohio 43502.

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

OTTAWA HILLS LOCAL SCHOOL DISTRICT

Notes to the Basic Financial Statements For the Fiscal Year Ended June 30, 2015

NOTE 15 – INSURANCE PURCHASING POOLS

Ohio School Plan - The District participates in the Ohio School Plan (OSP), an insurance purchasing pool. The OSP is created and organized pursuant to and as authorized by Section 2744.081 of the Ohio Revised Code. The OSP is an unincorporated, non-profit association of its members and an instrumentality for each member for the purpose of enabling members of the Plan to provide for a formalized, joint insurance purchasing program to maintain adequate insurance protection, risk management programs and other administrative services. The OSP's business and affairs are conducted by a twelve member Board of Directors consisting of school district superintendents and treasurers. Hylant Administrative Services, LLC is the Administrator of the OSP and is responsible for providing underwriting, claims management, risk management, accounting, system support services, sales, and marketing.

The Ohio Mid-Eastern Regional Educational Service Agency (OME-RESA) Self-Insurance Plan – The District participates in the Ohio Mid-Eastern Regional Educational Service Agency (OME-RESA) Self-Insurance Plan, a risk-sharing, claims servicing, and insurance purchasing pool comprised of over one hundred members, including two insurance consortiums. Each participant appoints a member of the insurance plans' assembly. The Plans' business and affairs are conducted by a nine member Board of Directors elected from the assembly. The plan offers medical, dental and prescription drug coverage to the members on a self-insured basis, as well as the opportunity to participate in the group purchasing of life insurance coverage. The medical coverage plan provides each plan participant the opportunity to choose a self-insurance deductible limit which can range from \$35,000 to \$150,000 under which the individual member is responsible for all claims through the claims servicing pool. Plan participants also participate in a shared risk internal pool for individual claims between the self-insurance deductible limit and \$500,000, and all claims between the deductible and the \$500,000 are paid from the internal shared risk pool. The internal pool is not owned by the plan participants. All participants pay a premium rate that is actuarially calculated based on the participants' actual claims experience which are utilized for the payment of claims within the claims servicing pool up to the self-insurance deductible limit; and for this portion of the plan, all plan participants retain their own risk. All participants pay an additional fee for participation in the internal pool that is based on the claims of the internal pool in aggregate and is not based on individual claims experience. In the event of a deficiency in the internal pool, participants would be charged a higher rate for participation, and in the event of a surplus, the internal pool pays dividends to the participants. For all individual claims exceeding \$500,000, stop loss coverage is purchased, as well as for an annual total plan aggregate claims amount. All plan participants also pay a monthly administrative fee for fiscal services and third party administrative services.

OTTAWA HILLS LOCAL SCHOOL DISTRICT

***Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2015***

NOTE 16 - RISK MANAGEMENT

The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; and natural disasters. During fiscal year 2015 the District contracted for various insurance coverages, as follows:

Insurance Provider	Coverage	Deductible
Ohio School Plan	Commercial Property	\$1,000
Ohio School Plan	Crime: Employee Theft	\$1,000
Ohio School Plan	General Liability	N/A
Ohio School Plan	Crime Coverage: Forgery or Alteration/Theft of Money and Securities/Computer Fraud	\$1,000
Ohio School Plan	Employers Liability (Ohio Stop Gap)	N/A
Ohio School Plan	Fiduciary Liability	\$2,500
Ohio School Plan	Legal Liability: Errors and Omissions/Employment Practices/Declaratory, Equitable and Injunctive Relief Defense Aggregate	\$2,500
Ohio School Plan	Commercial Auto – Trucks	
	Comprehensive	\$250
	Collision	\$500
Ohio School Plan	Commercial Auto – Bus	
	Comprehensive	\$1,000
	Collision	\$1,000
Ohio School Plan	Umbrella Coverage	\$10,000

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

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

OTTAWA HILLS LOCAL SCHOOL DISTRICT

Notes to the Basic Financial Statements For the Fiscal Year Ended June 30, 2015

NOTE 16 - RISK MANAGEMENT (Continued)

In fiscal 2013 the District joined the Ohio Mid-Eastern Regional Educational Service Agency (OME-RESA) Self Insurance Plan, a risk sharing, claims servicing, and insurance purchasing pool, consisting of more than 100 members, in which monthly premiums are paid to the fiscal agent who in turn pays the claims on the District's behalf. Employees were covered for medical and prescription drug coverage through the OME-RESA self-insured plan.

Single coverage premiums are \$496.45 and family premiums are \$1,340.06. The Board pays 88 percent of the premiums for classified employees and 88 percent for certified and administrative employees. Annual deductibles are \$150 for single coverage and \$300 for family coverage.

The claims liability of \$230,807 reported in the General Fund at June 30, 2015 is based on the requirements of GASB Statement No. 30 which requires that a liability for unpaid claims costs, including estimates of costs relating to incurred but not reported claims, be reported. The estimate was not affected by incremental claims adjustment expenses and does not include other allocated or unallocated claims adjustment expenses. Changes in the fund's claims liability amount in fiscal 2015 were as follows:

<u>Fiscal Year</u>	<u>Beginning of Fiscal Year Liability</u>	<u>Current Year Claims and Changes in Estimates</u>	<u>Claims Payments</u>	<u>Balance at Fiscal Year End</u>
2014	\$36,132	\$929,855	(\$772,135)	\$193,852
2015	193,852	979,344	(942,389)	230,807

NOTE 17 - CONTINGENCIES

A. Grants

The District receives financial assistance from federal and state agencies in the form of grants. The disbursement of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and is subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the general fund or other applicable funds. However, in the opinion of management, any such disallowed claims will not have a material adverse effect on the overall financial position of the District at June 30, 2015.

B. Foundation Funding

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 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, 2015 Foundation funding for the 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.

OTTAWA HILLS LOCAL SCHOOL DISTRICT

***Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2015***

NOTE 18 – OPERATING LEASE

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

The following is a schedule of future minimum payments under the operating lease as of June 30, 2015:

<u>Fiscal Year Ending June 30,</u>	
2016	<u>\$31,000</u>
Total Minimum Lease Payments	<u><u>\$31,000</u></u>

This Page Intentionally Left Blank

REQUIRED SUPPLEMENTAL INFORMATION

OTTAWA HILLS LOCAL SCHOOL DISTRICT

Schedule of District's Proportionate Share of the Net Pension Liability Last Two Fiscal Years

State Teachers Retirement System

Fiscal Year	<u>2013</u>	<u>2014</u>
District's proportion of the net pension liability (asset)	0.05800315%	0.05800315%
District's proportionate share of the net pension liability (asset)	\$16,805,802	\$14,108,373
District's covered-employee payroll	\$5,814,600	\$5,765,192
District's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	289.03%	244.72%
Plan fiduciary net position as a percentage of the total pension liability	69.30%	74.70%

Source: District Treasurer's Office and State Teachers Retirement System

School Employees Retirement System

Fiscal Year	<u>2004</u>	<u>2014</u>
District's proportion of the net pension liability (asset)	0.052105%	0.052105%
District's proportionate share of the net pension liability (asset)	\$3,098,517	\$2,637,004
District's covered-employee payroll	\$1,822,861	\$1,522,662
District's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	169.98%	173.18%
Plan fiduciary net position as a percentage of the total pension liability	65.52%	71.70%

Source: District Treasurer's Office and School Employees Retirement System

Notes: The District implemented GASB Statement 68 in 2015 based on 2014 pension plan information. Information prior to 2013 is not available.

The schedule is reported as of the measurement date of the Net Pension Liability.

OTTAWA HILLS LOCAL SCHOOL DISTRICT

***Schedule of District Contributions
Last Two Fiscal Years***

State Teachers Retirement System

Fiscal Year	<u>2014</u>	<u>2015</u>
Contractually required contribution	\$749,475	\$821,711
Contributions in relation to the contractually required contribution	<u>749,475</u>	<u>821,711</u>
Contribution deficiency (excess)	<u>\$0</u>	<u>\$0</u>
District's covered-employee payroll	\$5,765,192	\$5,869,364
Contributions as a percentage of covered-employee payroll	13.00%	14.00%

Source: District Treasurer's Office and State Teachers Retirement System

School Employees Retirement System

Fiscal Year	<u>2014</u>	<u>2015</u>
Contractually required contribution	\$211,041	\$188,703
Contributions in relation to the contractually required contribution	<u>211,041</u>	<u>188,703</u>
Contribution deficiency (excess)	<u>\$0</u>	<u>\$0</u>
District's covered-employee payroll	\$1,522,662	\$1,431,737
Contributions as a percentage of covered-employee payroll	13.86%	13.18%

Source: District Treasurer's Office and School Employees Retirement System

Notes: The District implemented GASB Statement 68 in 2015.

Information prior to 2014 is not available.

This page intentionally left blank.

OTTAWA HILLS LOCAL SCHOOL DISTRICT



Yellow Book Report

June 30, 2015

**INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING
AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL
STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS***

Board of Education
Ottawa Hills School District

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Ottawa Hills School District (the District), as of and for the year ended June 30, 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 December 17, 2015, wherein we noted the District adopted GASB No. 68 as disclosed in Note 2.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the District's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, we do not express an opinion on the effectiveness of the District's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. *A material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. *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 deficiencies in internal control that might be material weaknesses or, significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the District's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Plattenburg & Associates, Inc.

Plattenburg & Associates, Inc.

Cincinnati, Ohio

December 17, 2015

This page intentionally left blank.



Dave Yost • Auditor of State

OTTAWA HILLS LOCAL SCHOOL DISTRICT

LUCAS COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

CERTIFIED
MARCH 17, 2016