



Dave Yost • Auditor of State

ELMWOOD LOCAL SCHOOL DISTRICT
WOOD COUNTY

TABLE OF CONTENTS

TITLE	PAGE
Independent Auditor's Report	1
Basic Financial Statements:	
Government-Wide Financial Statements:	
Statement of Net Position – Cash Basis.....	3
Statement of Activities – Cash Basis	4
Fund Financial Statements:	
Statement of Cash Basis Assets and Fund Balances – Governmental Funds	5
Statement of Cash Receipts, Cash Disbursements, and Changes in Cash Basis Fund Balances - Governmental Funds	6
Statement of Receipts, Disbursements, and Changes in Fund Balance – Budget (Non-GAAP Budgetary Basis) and Actual General Fund	7
Statement of Fiduciary Net Position – Cash Basis Fiduciary Funds.....	8
Statement of Change in Fiduciary Net Position – Cash Basis Fiduciary Fund.....	9
Notes to the Basic Financial Statements	11
Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Required by <i>Government Auditing Standards</i>	39
Schedule of Findings.....	41
Summary Schedule of Prior Audit Findings (Prepared by Management).....	43

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Dave Yost • Auditor of State

INDEPENDENT AUDITOR'S REPORT

Elmwood Local School District
Wood County
7650 Jerry City Road
Bloomdale, Ohio 44817

To the Board of Education:

Report on the Financial Statements

We have audited the accompanying cash-basis financial statements of the governmental activities, the major fund, and the aggregate remaining fund information of Elmwood Local School District, Wood County, Ohio (the District), as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective cash financial position of the governmental activities, the major fund, and the aggregate remaining fund information of Elmwood Local School District, Wood County, Ohio, as of June 30, 2016,

and the respective changes in cash financial position and the budgetary comparison for the General Fund thereof for the year then ended in accordance with the accounting basis described in Note 2.

Accounting Basis

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated February 21, 2017, on our consideration of the District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. That report describes the scope of our internal control testing over financial reporting and compliance, and the results of that testing, and does not opine on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.



Dave Yost
Auditor of State

Columbus, Ohio

February 21, 2017

**ELMWOOD LOCAL SCHOOL DISTRICT
WOOD COUNTY, OHIO**

STATEMENT OF NET POSITION - CASH BASIS
JUNE 30, 2016

	<u>Governmental Activities</u>
Assets:	
Equity in pooled cash and investments	<u>\$ 6,710,388</u>
 Net cash position:	
Restricted for:	
Debt service	172,504
Classroom facilities maintenance	363,127
Student activities	53,547
Food service operations	40,931
Locally funded programs	5,202
Unrestricted	<u>6,075,077</u>
Total net cash position	<u>\$ 6,710,388</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**ELMWOOD LOCAL SCHOOL DISTRICT
WOOD COUNTY, OHIO**

STATEMENT OF ACTIVITIES - CASH BASIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

	Cash Disbursements	Program Receipts		Net (Disbursements) Receipts and Changes in Net Cash Position
		Charges for Services and Sales	Operating Grants and Contributions	Governmental Activities
Governmental activities:				
Instruction:				
Regular	\$ 5,557,955	\$ 519,394	\$ -	\$ (5,038,561)
Special	2,031,234	73,199	929,031	(1,029,004)
Vocational	234,510	-	99,006	(135,504)
Other	23,291	-	-	(23,291)
Support services:				
Pupil	558,016	-	11,163	(546,853)
Instructional staff	707,233	-	5,546	(701,687)
Board of education	57,387	-	-	(57,387)
Administration	924,697	-	85,809	(838,888)
Fiscal	358,843	-	391	(358,452)
Business	16,277	-	-	(16,277)
Operations and maintenance	1,264,293	9,059	36,158	(1,219,076)
Pupil transportation	947,238	-	19,306	(927,932)
Central	68,804	-	-	(68,804)
Operation of non-instructional services:				
Food service operations	521,158	260,100	213,822	(47,236)
Other non-instructional services	78,072	-	-	(78,072)
Extracurricular activities	582,994	181,514	39,393	(362,087)
Facilities acquisition and construction	127,307	-	-	(127,307)
Debt service:				
Principal retirement	445,000	-	-	(445,000)
Interest and fiscal charges	145,063	-	-	(145,063)
Total governmental activities	\$ 14,649,372	\$ 1,043,266	\$ 1,439,625	(12,166,481)

General cash receipts:

Property taxes levied for:	
General purposes	3,162,370
Debt service	240,681
Classroom facilities maintenance	44,781
School district income taxes	1,739,433
Grants and entitlements not restricted to specific programs	
Investment earnings	46,098
Miscellaneous	27,010
Total general cash receipts	11,912,771
Change in net cash position	(253,710)
Net cash position at beginning of year	6,964,098
Net cash position at end of year	\$ 6,710,388

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**ELMWOOD LOCAL SCHOOL DISTRICT
WOOD COUNTY, OHIO**

STATEMENT OF CASH BASIS ASSETS AND FUND BALANCES
GOVERNMENTAL FUNDS
JUNE 30, 2016

	General	Nonmajor Governmental Funds	Total Governmental Funds
Assets:			
Equity in pooled cash and investments	\$ 6,075,077	\$ 635,311	\$ 6,710,388
Fund cash balances:			
Restricted:			
Debt service.	-	172,504	172,504
Classroom facilities maintenance	-	363,127	363,127
Food service operations	-	40,931	40,931
Other locally funded programs.	-	5,202	5,202
Student activities.	-	53,547	53,547
Committed:			
Termination benefits.	148,438	-	148,438
Assigned:			
Student instruction	4,500	-	4,500
Student and staff support.	18,135	-	18,135
Subsequent year appropriations	419,663	-	419,663
Unassigned	5,484,341	-	5,484,341
Total fund cash balances.	\$ 6,075,077	\$ 635,311	\$ 6,710,388

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**ELMWOOD LOCAL SCHOOL DISTRICT
WOOD COUNTY, OHIO**

STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND CHANGES IN CASH BASIS FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

	<u>General</u>	<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
Cash receipts:			
From local sources:			
Property taxes	\$ 3,162,370	\$ 285,462	\$ 3,447,832
Income taxes	1,739,433	-	1,739,433
Tuition	517,209	-	517,209
Earnings on investments	45,295	2,604	47,899
Charges for services	-	260,100	260,100
Extracurricular	13,542	167,205	180,747
Classroom materials and fees	45,595	-	45,595
Rental income	9,059	-	9,059
Contributions and donations	17,292	42,650	59,942
Contract services	13,179	767	13,946
Other local revenues	30,107	2,322	32,429
Intergovernmental - state	7,203,039	208,073	7,411,112
Intergovernmental - federal	-	630,359	630,359
Total cash receipts	<u>12,796,120</u>	<u>1,599,542</u>	<u>14,395,662</u>
Cash disbursements			
Current:			
Instruction:			
Regular	5,557,955	-	5,557,955
Special	1,574,055	457,179	2,031,234
Vocational	234,510	-	234,510
Other	23,291	-	23,291
Support services:			
Pupil	547,202	10,814	558,016
Instructional staff	694,465	12,768	707,233
Board of education	57,387	-	57,387
Administration	838,888	85,809	924,697
Fiscal	355,252	3,591	358,843
Business	16,277	-	16,277
Operations and maintenance	1,213,111	51,182	1,264,293
Pupil transportation	947,238	-	947,238
Central	68,804	-	68,804
Operation of non-instructional services:			
Food service operations	-	521,158	521,158
Other operation of non-instructional	78,072	-	78,072
Extracurricular activities	381,517	201,477	582,994
Facilities acquisition and construction	8,549	118,758	127,307
Debt service:			
Principal retirement	250,000	195,000	445,000
Interest and fiscal charges	80,048	65,015	145,063
Total cash disbursements	<u>12,926,621</u>	<u>1,722,751</u>	<u>14,649,372</u>
Excess cash disbursements over cash receipts	<u>(130,501)</u>	<u>(123,209)</u>	<u>(253,710)</u>
Other financing sources (uses):			
Transfers in	-	75,000	75,000
Transfers (out)	(75,000)	-	(75,000)
Total other financing sources (uses)	<u>(75,000)</u>	<u>75,000</u>	<u>-</u>
Net change in fund cash balances	(205,501)	(48,209)	(253,710)
Fund cash balances at beginning of year	<u>6,280,578</u>	<u>683,520</u>	<u>6,964,098</u>
Fund cash balances at end of year	<u>\$ 6,075,077</u>	<u>\$ 635,311</u>	<u>\$ 6,710,388</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**ELMWOOD LOCAL SCHOOL DISTRICT
WOOD COUNTY, OHIO**

STATEMENT OF RECEIPTS, DISBURSEMENTS AND CHANGES IN
FUND BALANCE - BUDGET (NON-GAAP BUDGETARY BASIS) AND ACTUAL
GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

	<u>Budgeted Amounts</u>			Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
Budgetary basis receipts:				
From local sources:				
Property taxes	\$ 3,106,525	\$ 3,096,525	\$ 3,162,370	\$ 65,845
Income taxes.	1,776,175	1,740,175	1,739,433	(742)
Tuition.	469,000	435,883	517,209	81,326
Earnings on investments	35,000	35,000	45,295	10,295
Classroom materials and fees	45,300	45,300	45,595	295
Rental income	9,500	9,500	9,059	(441)
Contributions and donations	15,000	15,000	13,513	(1,487)
Contract services.	10,000	10,000	13,178	3,178
Other local revenues	31,300	31,300	30,087	(1,213)
Intergovernmental - state	7,090,650	7,077,650	7,203,041	125,391
Total budgetary basis receipts	<u>12,588,450</u>	<u>12,496,333</u>	<u>12,778,780</u>	<u>282,447</u>
Budgetary basis disbursements:				
Current:				
Instruction:				
Regular	5,590,661	5,651,544	5,594,938	56,606
Special.	1,620,614	1,638,262	1,574,055	64,207
Vocational.	236,776	239,354	234,510	4,844
Other.	34,079	34,450	23,291	11,159
Support services:				
Pupil.	565,670	571,830	547,202	24,628
Instructional staff	759,519	767,790	694,465	73,325
Board of education	71,719	72,500	58,387	14,113
Administration.	852,858	862,145	839,663	22,482
Fiscal	365,280	369,258	355,252	14,006
Business	19,488	19,700	16,277	3,423
Operations and maintenance.	1,347,330	1,362,002	1,219,595	142,407
Pupil transportation	1,012,761	1,023,790	948,038	75,752
Central.	76,577	77,411	68,804	8,607
Other operation of non-instructional services	93,452	94,470	78,072	16,398
Extracurricular activities.	385,156	389,350	368,685	20,665
Facilities acquisition and construction	8,630	8,724	8,549	175
Debt service:				
Principal retirement.	247,307	250,000	250,000	-
Interest and fiscal charges	79,188	80,050	80,048	2
Total budgetary basis disbursements	<u>13,367,065</u>	<u>13,512,630</u>	<u>12,959,831</u>	<u>552,799</u>
Excess of budgetary basis disbursements over budgetary basis receipts	<u>(778,615)</u>	<u>(1,016,297)</u>	<u>(181,051)</u>	<u>835,246</u>
Other financing sources (uses):				
Refund of prior year disbursements	35,000	35,000	32,482	(2,518)
Refund of prior year receipts	(2,694)	(2,723)	-	2,723
Transfers (out).	(221,031)	(223,438)	(223,438)	-
Sale of assets	3,500	3,500	20	(3,480)
Total other financing sources (uses)	<u>(185,225)</u>	<u>(187,661)</u>	<u>(190,936)</u>	<u>(3,275)</u>
Net change in budgetary basis fund balance	(963,840)	(1,203,958)	(371,987)	831,971
Fund cash balance at beginning of year	6,255,701	6,255,701	6,255,701	-
Prior year encumbrances appropriated	20,290	20,290	20,290	-
Fund cash balance at end of year	<u>\$ 5,312,151</u>	<u>\$ 5,072,033</u>	<u>\$ 5,904,004</u>	<u>\$ 831,971</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**ELMWOOD LOCAL SCHOOL DISTRICT
WOOD COUNTY, OHIO**

STATEMENT OF FIDUCIARY NET POSITION - CASH BASIS
FIDUCIARY FUNDS
JUNE 30, 2016

	<u>Private Purpose Trust</u>	
	<u>Scholarship</u>	<u>Agency</u>
Assets:		
Equity in pooled cash and investments	<u>\$ 119,685</u>	<u>\$ 71,347</u>
Liabilities:		
Held for student activities		<u>\$ 71,347</u>
Net position:		
Held in trust for scholarships.	<u>\$ 119,685</u>	

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**ELMWOOD LOCAL SCHOOL DISTRICT
WOOD COUNTY, OHIO**

STATEMENT OF CHANGES IN FIDUCIARY NET POSITION - CASH BASIS
FIDUCIARY FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

	Private Purpose Trust
	Scholarship
Additions:	
Interest	\$ 553
Gifts and contributions	23,163
Total cash additions	23,716
 Deductions:	
Scholarships awarded	15,811
 Change in net cash position	7,905
Net cash position at beginning of year	111,780
Net cash position at end of year	\$ 119,685

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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**ELMWOOD LOCAL SCHOOL DISTRICT
WOOD COUNTY, OHIO**

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

NOTE 1 - DESCRIPTION OF THE SCHOOL DISTRICT

Elmwood Local School District (the “District”) is organized under Article VI, Sections 2 and 3 of the Constitution of the State of Ohio. The reporting entity is composed of the primary government, component units, and other organizations that are included to insure the financial statements are not misleading. The District provides educational services as authorized by state and federal guidelines.

The District was established in 1960 through the consolidation of existing land areas and school districts. The District serves an area of approximately 112 square miles. It is located in Wood and Hancock Counties and includes the entire Villages of Bairdstown, Bloomdale, Cygnet, Jerry City, West Millgrove and Wayne, all of and portions of surrounding townships. The District is staffed by 70 classified employees, 91 certified teaching personnel, and 6 administrative employees who provide services to 1,236 students and other community members. The District currently operates one building.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

As discussed in Note 2.D., these financial statements are presented on the cash basis of accounting. The cash basis of accounting differs from accounting principles generally accepted in the United States of America (GAAP). GAAP includes all relevant Governmental Accounting Standards Board (GASB) pronouncements. In cases where these cash basis statements contain items that are the same as, or similar to, those items in financial statements prepared in conformity with GAAP, similar informative disclosures are provided. Following are the more significant of the District’s accounting policies.

A. Reporting Entity

The reporting entity has been defined in accordance with GASB Statement No. 14, “The Financial Reporting Entity” as amended by GASB Statement No. 39, “Determining Whether Certain Organizations Are Component Units” and GASB Statement No. 61, “The Financial Reporting Entity: Omnibus an Amendment of GASB Statements No. 14 and No. 34”. The reporting entity is composed of the primary government, and other organizations that are included to insure the financial statements are not misleading and component units. The primary government consists of all funds, departments, boards and agencies that are not legally separate from the District. For the District, this includes general operations, food service, preschool and student related activities of the District.

Component units are legally separate organizations for which the District is financially accountable. The District is financially accountable for an organization if the District appoints a voting majority of the organization’s Governing Board and (1) the District is able to significantly influence the programs or services performed or provided by the organization; or (2) the District is legally entitled to or can otherwise access the organization’s resources; or (3) the District is legally obligated or has otherwise assumed the responsibility to finance the deficits of, or provide financial support to, the organization; or (4) the District is obligated for the debt of the organization. Component units may also include organizations that are fiscally dependent on the District in that the District approves the budget, the issuance of debt or the levying of taxes. Certain organizations are also included as component units if the nature and significance of the relationship between the primary government and the organization is such that exclusion by the primary government would render the primary government’s financial statements incomplete or misleading. Based upon the application of these criteria, the District has no component units. The basic financial statements of the reporting entity include only those of the District (the primary government).

**ELMWOOD LOCAL SCHOOL DISTRICT
WOOD COUNTY, OHIO**

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

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

The following organizations are described due to their relationship to the District:

JOINTLY GOVERNED ORGANIZATIONS

Northern Ohio Educational Computer Association

The District is a participant in the Northern Ohio Educational Computer Association (NOECA), which is a computer consortium. NOECA is an association of fifty-eight school districts formed for the purpose of applying modern technology (with the aid of computers and other electronic equipment) to administrative and instructional functions among member school districts. NOECA is governed by a Board of Directors chosen from the general membership of the NOECA Assembly. The NOECA Assembly consists of a representative from each participating school district. The degree of control exercised by any participating school district is limited to its representation on the Board of Directors. All revenues are generated from a combination of State funding and annual fees-per-student charged to participating school districts. Financial information is available from Betty Rando, who serves as Director, at 219 Howard Drive, Sandusky, Ohio 44870.

Penta Career Center

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

PUBLIC ENTITY RISK POOLS

The District participates in two public entity risk pools as described in Note 8.B. and Note 8.C. to the financial statements.

B. Fund Accounting

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

GOVERNMENTAL FUNDS

Governmental funds are those through which most governmental functions typically are financed. Governmental fund reporting focuses on the sources, uses and balances of current financial resources. Expendable resources are assigned to the various governmental funds according to the purposes for which they may or must be used.

**ELMWOOD LOCAL SCHOOL DISTRICT
WOOD COUNTY, OHIO**

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

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

The following is the District's major governmental fund:

General Fund - The General Fund is used to account for and report all financial resources not accounted for and reported in another fund. The General Fund cash balance is available for any purpose provided it is disbursed or transferred according to the general laws of Ohio.

Other governmental funds of the District are used to account for (a) financial resources that are committed to disbursements for capital outlays including the acquisition or construction of capital facilities and other capital assets, (b) specific revenue sources that are restricted or committed to a disbursement for specified purposes other than debt service or capital projects and (c) financial resources that are restricted to disbursements for principal and interest.

FIDUCIARY FUNDS

Fiduciary fund reporting focuses on net cash position and changes in net cash position. The fiduciary fund category is split into four classifications: pension trust funds, investment trust funds, private-purpose trust funds and agency funds. Trust funds are used to account for cash assets held by the District under a trust agreement for individuals, private organizations, or other governments and are therefore not available to support the District's own programs. Agency funds are custodial in nature and do not involve measurement of results of operations. The District's trust funds are private-purpose trust funds to account for student scholarship programs. The District's agency fund accounts for student activities.

C. Basis of Presentation

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 statement of activities compares disbursements with program receipts for each function or program of the District's governmental activities. These disbursements are those that are specifically associated with a service, program or department and are therefore clearly identifiable to a particular function. Program receipts 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. Receipts which are not classified as program receipts are presented as general receipts of the District. The comparison of direct disbursements with program receipts identifies the extent to which each governmental function is self-financing on the cash basis or draws from the general receipts of the District.

All assets and net cash position associated with the operation of the District are included on the statement of net position.

**ELMWOOD LOCAL SCHOOL DISTRICT
WOOD COUNTY, OHIO**

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

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (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, and all nonmajor funds are aggregated into one column. Fiduciary funds are reported by fund type.

D. Basis of Accounting

Although required by Ohio Administrative Code § 117-2-03(B) to prepare its annual financial report in accordance with GAAP, the District chooses to prepare its financial statements and notes on the cash basis of accounting. The cash basis of accounting is a comprehensive basis of accounting other than GAAP. Receipts are recognized when received in cash rather than when earned, and disbursements are recognized when paid rather than when a liability is incurred.

Budgetary presentations report budgetary cash disbursements when a commitment is made (i.e., when an encumbrance is approved). The difference between disbursements reported in the fund and government-wide statements and disbursements reported in the budgetary statements is due to current year encumbrances being added to disbursements reported in the budgetary statements.

These statements include adequate disclosure of material matters, in accordance with the basis of accounting described in the preceding paragraphs.

E. Budgetary Process

All funds, except agency funds, are legally required to be budgeted and appropriated. The major documents prepared are the certificate of estimated resources and the appropriations resolution, both of which are prepared on the budgetary basis of accounting. The certificate of estimated resources establishes a limit on the amount the Board of Education may appropriate. The appropriations resolution is the Board's authorization to spend resources and sets annual limits on cash disbursements plus encumbrances at the level of control selected by the Board. The legal level of control has been established by the Board at the fund level for all funds. Budgetary allocations at the function and object level within all funds are made by the Treasurer. Any revisions that alter the level of budgetary control must be approved by the Board of Education.

The certificate of estimated resources may be amended during the fiscal year if projected increases or decreases in receipts are identified by the Treasurer. The amounts reported as the original budgeted receipts reflect the amounts reported in the certificate of estimated resources in effect when the original appropriations were approved. The amounts reported as the final budgeted receipts represent the amounts reported on the final certificate of estimated resources approved before fiscal year-end.

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

**ELMWOOD LOCAL SCHOOL DISTRICT
WOOD COUNTY, OHIO**

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

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

F. Cash and Investments

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

During fiscal year 2016, investments were limited to negotiable certificates of deposit, U.S. government money market mutual funds and investments in the State Treasury Asset Reserve of Ohio (STAR Ohio). In accordance with the cash basis of accounting, all District investments are reported at cost.

The District has invested funds in STAR Ohio during fiscal year 2016. STAR Ohio is an investment pool managed by the State Treasurer's Office, which allows governments within the State to pool their funds for investment purposes. STAR Ohio is not registered with the SEC as an investment company, but does operate in a manner consistent with Rule 2a7 of the Investment Company Act of 1940. Investments in STAR Ohio are valued at STAR Ohio's shares price which is the price the investment could be sold for on June 30, 2016.

Under existing Ohio statutes, all investment earnings are assigned to the general fund unless statutorily required to be credited to a specific fund or by policy of the Board of Education. Interest receipts credited to the general fund during fiscal year 2016 amounted to \$45,295, which includes \$3,008 assigned from other District funds.

For presentation on the basic financial statements, investments of the cash management pool and investments with original maturities of three months or less at the time they are purchased by the District are considered to be cash equivalents. Investments with an initial maturity of more than three months are reported as investments.

An analysis of the District's investment account at fiscal year-end is provided in Note 4.

G. Fund Cash Balance

Fund cash 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 cash balance classification includes amounts that cannot be spent because they are not in spendable form or legally required to be maintained intact. The "not in spendable form" criterion includes items that are not expected to be converted to cash.

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

**ELMWOOD LOCAL SCHOOL DISTRICT
WOOD COUNTY, OHIO**

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

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

Committed - The committed fund cash 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 (the highest level of decision making authority). 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 cash 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 cash balance classification are intended to be used by the District for specific purposes but do not meet the criteria to be classified as restricted nor committed. In governmental funds other than the general fund, assigned fund cash balance represents the remaining amount that is not restricted or committed. In the general fund, assigned amounts represent intended uses established by policies of the District Board of Education, which includes giving the Treasurer the authority to constrain monies for intended purposes.

Unassigned - Unassigned fund cash 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 only used to report a deficit fund cash 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 restricted and unrestricted (committed, assigned, and unassigned) fund cash balance is available. Similarly, within unrestricted fund cash 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 cash balance classifications could be used.

H. Net Cash Position

Net cash position is reported as restricted when there are limitations imposed on its use either through enabling legislation adopted by the District or through external restrictions imposed by creditors, grantors or laws or regulations of other governments. The District did not have any net cash position restricted by enabling legislation at June 30, 2016.

The District first applies restricted resources when a disbursement is incurred for purposes for which both restricted and unrestricted net cash position is available.

I. Interfund Activity

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

**ELMWOOD LOCAL SCHOOL DISTRICT
WOOD COUNTY, OHIO**

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

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

J. Restricted Cash Assets

Cash assets are reported as restricted when limitations on their use change the normal understanding of the availability of the cash assets. Such constraints are either imposed by creditors, contributors, grantors, or laws of other governments or imposed by enabling legislation. The District did not have any restricted cash assets at June 30, 2016.

K. Inventory and Prepaid Items

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

L. Capital Assets

Acquisition of property, plant, and equipment purchased are recorded as cash disbursements when paid. These items are not reflected as assets in the accompanying financial statements under the cash basis of accounting. Depreciation has not been reported for any capital assets.

M. Compensated Absences

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

N. Pensions

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

O. Long-Term Obligations

Long-term obligations are not recognized as liabilities in the financial statements under the cash basis of accounting. These statements report proceeds of debt when cash is received, and debt service disbursements for debt principal and interest payments.

**ELMWOOD LOCAL SCHOOL DISTRICT
WOOD COUNTY, OHIO**

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

NOTE 3 - ACCOUNTABILITY AND COMPLIANCE

A. Compliance

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

B. Change in Accounting Principles

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

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

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

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

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

**ELMWOOD LOCAL SCHOOL DISTRICT
WOOD COUNTY, OHIO**

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

NOTE 4 - DEPOSITS AND INVESTMENTS

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

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

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

Interim deposits are deposits of interim monies. Interim monies are those monies which are not needed for immediate use, but which will be needed before the end of the current period of designation of depositories.

Interim deposits must be evidenced by time certificates of deposit maturing not more than one year from the date of deposit or by savings or deposit accounts including passbook accounts.

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

1. United States Treasury Notes, Bills, Bonds, or any other obligation or security issued by the United States Treasury or any other obligation guaranteed as to principal and interest by the United States;
2. Bonds, notes, debentures, or any other obligations or securities issued by any federal government agency or instrumentality, including, but not limited to, the Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, Government National Mortgage Association, and Student Loan Marketing Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
3. Written repurchase agreements in the securities listed above provided that the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least two percent and be marked to market daily, and that the term of the agreement must not exceed thirty days;
4. Bonds and other obligations of the State of Ohio, or legal governments;
5. Time certificates of deposit or savings or deposit accounts including but not limited to passbook accounts;
6. No-load money market mutual funds consisting exclusively of obligations described in items (1) and (2) above and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions;
7. The State Treasurer's investment pool (STAR Ohio); and,
8. Certain banker's acceptance and commercial paper notes for a period not to exceed one hundred eighty days from the purchase date in an amount not to exceed twenty-five percent of the interim monies available for investment at any one time.

**ELMWOOD LOCAL SCHOOL DISTRICT
WOOD COUNTY, OHIO**

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

NOTE 4 - DEPOSITS AND INVESTMENTS - (Continued)

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

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

A. Cash on Hand

At fiscal year end, the District had \$250 in undeposited cash on hand, which is included on the financial statements of the District as part of "equity in pooled cash and investments".

B. Deposits with Financial Institutions

At June 30, 2016, the carrying amount of all District deposits was \$660,473. Based on the criteria described in GASB Statement No. 40, "Deposits and Investment Risk Disclosures", as of June 30, 2016, \$499,500 of the District's bank balance of \$749,500 was exposed to custodial risk as discussed below, while \$250,000 was covered by FDIC.

C. Investments

As of June 30, 2016, the District had the following investment and maturity:

Investment type	Cost	Investment Maturities				
		6 months or less	7 to 12 months	13 to 18 months	19 to 24 months	Greater Than 24 months
Negotiable CDs	\$ 4,976,000	\$ 996,000	\$ 498,000	\$ 1,243,000	\$ 746,000	\$ 1,493,000
U.S. Government Money						
Market Mutual Fund	775,954	775,954	-	-	-	-
STAR Ohio	488,743	488,743	-	-	-	-
Total	\$ 6,240,697	\$ 2,260,697	\$ 498,000	\$ 1,243,000	\$ 746,000	\$ 1,493,000

**ELMWOOD LOCAL SCHOOL DISTRICT
WOOD COUNTY, OHIO**

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

NOTE 4 - DEPOSITS AND INVESTMENTS - (Continued)

During fiscal year 2016, the School District invested in STAR Ohio. STAR Ohio (the State Treasury Asset Reserve of 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 has adopted Governmental Accounting Standards Board (GASB), Statement No. 79, "Certain External Investment Pools and Pool Participants." The School District also implemented GASB Statement No. 79 for 2016. The implementation of this GASB pronouncement had no effect on beginning net position/fund balance. The School District measures their investment in STAR Ohio at the net asset value (NAV) per share provided by STAR Ohio. The NAV per share is calculated on an amortized cost basis that provides an NAV per share that approximates fair value.

For the fiscal year 2016, there were no limitations or restrictions on any participant withdrawals due to redemption notice periods, liquidity fees, or redemption gates. However, notice must be given 24 hours in advance of all deposits and withdrawals exceeding \$25 million. STAR Ohio reserves the right to limit the transaction to \$50 million, requiring the excess amount to be transacted the following business day(s), but only to the \$50 million limit. All accounts of the participant will be combined for these purposes.

Interest Rate Risk: Interest rate risk arises because potential purchasers of debt securities will not agree to pay face value for those securities if interest rates substantially increase. As a means of limiting its exposure to fair value losses arising from rising interest rates and according to State law, the District's investment policy limits investment portfolio maturities to five years or less and states that an investment must be purchased with the expectation that it will be held to maturity. Interim certificates of deposit must mature within one year and inactive certificates of deposit must mature no later than the expiration date of the depository agreement.

Credit Risk: STAR Ohio and the U.S. government money market mutual fund carry a rating of AAAM by Standard & Poor's. Ohio law requires that STAR Ohio maintain the highest rating provided by at least one nationally recognized standard rating service. The negotiable CD's are fully covered by the FDIC. The District's investment policy does not address credit risk beyond the requirements of State statutes.

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 investments or collateral securities that are in the possession of an outside party. The District has no investment policy dealing with investment custodial credit risk beyond the requirement in State statute that prohibits payment for investments prior to the delivery of the securities representing such investments to the Treasurer or qualified trustee.

Concentration of Credit Risk: The District places no limit on the amount that may be invested in any one issuer. The following table includes the percentage of each investment type held by the District at June 30, 2016:

**ELMWOOD LOCAL SCHOOL DISTRICT
WOOD COUNTY, OHIO**

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

NOTE 4 - DEPOSITS AND INVESTMENTS - (Continued)

<u>Investment type</u>	<u>Cost</u>	<u>% of Total</u>
Negotiable CDs	\$ 4,976,000	79.74
U.S. Government Money Market Mutual Fund	775,954	12.43
STAR Ohio	<u>488,743</u>	<u>7.83</u>
Total	<u>\$ 6,240,697</u>	<u>100.00</u>

D. Reconciliation of Cash and Investments to the Statement of Net Position

The following is a reconciliation of cash and investments as reported in the note disclosure above to cash and investments as reported on the statement of net position as of June 30, 2016:

Cash and investments per note disclosure

Carrying amount of deposits	\$ 660,473
Investments	6,240,697
Cash on hand	<u>250</u>
Total	<u>\$ 6,901,420</u>

Cash and investments per statement of net position

Governmental activities	\$ 6,710,388
Private-purpose trust funds	119,685
Agency funds	<u>71,347</u>
Total	<u>\$ 6,901,420</u>

NOTE 5 - BUDGETARY BASIS OF ACCOUNTING

While reporting financial position, results of operations, and changes in fund balance on the cash basis, the budgetary basis as provided by law is based upon accounting for certain transactions on a basis of cash receipts, disbursements and encumbrances.

The statement of cash receipts, disbursements and change in fund balance - budget and actual (budgetary basis) presented for the general fund is presented on the budgetary basis to provide a meaningful comparison of actual results with the budget.

The major differences between the budget basis and the cash basis are that:

- (a) In order to determine compliance with Ohio law, and to reserve that portion of the applicable appropriation, total outstanding encumbrances (budget basis) are recorded as the equivalent of a cash disbursement, as opposed to assigned, committed, or restricted fund cash balance for that portion of outstanding encumbrances (cash basis); and,
- (b) Some funds are included in the general fund (cash basis), but have separate legally adopted budgets (budget basis).

**ELMWOOD LOCAL SCHOOL DISTRICT
WOOD COUNTY, OHIO**

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

NOTE 5 - BUDGETARY BASIS OF ACCOUNTING - (Continued)

The adjustments necessary to convert the results of operations for the year on the budget basis to the cash basis for the general fund is as follows:

Net Change in Fund Cash Balance

	<u>General fund</u>
Budget basis	\$ (371,987)
Funds budgeted elsewhere	152,927
Adjustment for encumbrances	<u>13,559</u>
Cash basis	<u>\$ (205,501)</u>

The public school support fund is legally budgeted as a separate special revenue fund; however, this fund is considered part of the general fund for financial reporting purposes.

NOTE 6 - PROPERTY TAXES

Property taxes are levied and assessed on a calendar year basis while the District fiscal year runs from July through June. First half tax collections are received by the District in the second half of the fiscal year. The amount available to be advanced can vary based on the date the tax bills are sent.

Property taxes include amounts levied against all real property and public utility property located within the District. Real property tax receipts received in calendar year 2016 represent the collection of calendar year 2015 taxes. Real property taxes received in calendar year 2016 were levied after April 1, 2015, on the assessed values as of January 1, 2015, the lien date. Assessed values for real property taxes are established by State statute at 35 percent of appraised market value. Real property taxes are payable annually or semiannually. If paid annually, payment is due December 31; if paid semiannually, the first payment is due December 31, with the remainder payable by June 20. Under certain circumstances, State statute permits alternate payment dates to be established. Public utility property tax receipts received in calendar year 2016 represent the collection of calendar year 2015 taxes. Public utility real and tangible personal property taxes received in calendar year 2016 became a lien on December 31, 2014, were levied after April 1, 2015, and are collected with real property taxes. Public utility real property is assessed at 35 percent of true value; public utility tangible personal property is currently assessed at varying percentages of true value.

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

**ELMWOOD LOCAL SCHOOL DISTRICT
WOOD COUNTY, OHIO**

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

NOTE 6 - PROPERTY TAXES - (Continued)

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

	2015 Second Half Collections		2016 First Half Collections	
	<u>Amount</u>	<u>Percent</u>	<u>Amount</u>	<u>Percent</u>
Agricultural/residential and other real estate	\$ 158,922,860	94.51	\$ 159,298,810	94.36
Public utility personal	<u>9,238,840</u>	<u>5.49</u>	<u>9,519,780</u>	<u>5.64</u>
Total	<u>\$ 168,161,700</u>	<u>100.00</u>	<u>\$ 168,818,590</u>	<u>100.00</u>
Tax rate per \$1,000 of assessed valuation	\$40.10		\$40.10	

NOTE 7 - INCOME TAXES

The District levies a voted tax of 1.25 percent for general operations on the income of residents and of estates. This tax is comprised of two levies, .50 percent expires on January 1, 2020 and .75 expires January 1, 2021. Both levies were renewed on November 5, 2013 for an additional five years. Employers of residents are required to withhold income tax on compensation and remit the tax to the State. Taxpayers are required to file an annual return. The State makes quarterly distributions to the District after withholding amounts for administrative fees and estimated refunds. Income tax receipts are recorded in the General Fund.

NOTE 8 - RISK MANAGEMENT

A. Phelan Insurance Agency - Liberty Mutual

The District is exposed to various risks of loss related to torts; theft, or damage to, and destruction of assets; errors and omissions; injuries to employees and natural disaster. During fiscal year 2016, the District contracted for the following insurance coverage.

**ELMWOOD LOCAL SCHOOL DISTRICT
WOOD COUNTY, OHIO**

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

NOTE 8 - RISK MANAGEMENT - (Continued)

Coverage provided through the Phelan Insurance Agency - Liberty Mutual is as follows:

	<u>Coverage</u>
Property - replacement cost \$2,500 Deductible	\$ 57,437,700
<u>Inland Marine</u>	
Data Processing Equipment - \$1,000 Deductible	721,200
Computer Property In Transit - Hardware/Software	100,000/10,000
Computer Unnamed Locations - Hardware/Software	100,000/10,000
Musical Instruments - \$1,000 Deductible	118,014
Audio Visual Equipment - \$1,000 Deductible	546,364
<u>Crime</u>	
Employee Dishonesty - \$1,000 Deductible	25,000
Forgery or Alteration - \$1,000 Deductible	25,000
Computer Fraud - \$1,000 Deductible	25,000
Theft, Disappearance & Destruction - \$1,000 deductible	10,000
<u>Commercial General Liability</u>	
General Aggregate/Each Occurrence	2,000,000/1,000,000
Products and Completed Operations Aggregate	2,000,000
Personal and Advertising Injury	1,000,000
Fire Damage	500,000
Medical Payments (excluding students)	15,000
Employers Stop Gap Liability - Extended	1,000,000
Sexual Misconduct - Occurrence/Aggregate	1,000,000/1,000,000
School Leaders Errors & Omissions - Occurrence/Aggregate	1,000,000/1,000,000
Violent Event Response Coverage - Occurrence/Aggregate	1,000,000/1,000,000
<u>Commercial Auto</u>	
Liability	1,000,000
Uninsured Motorists	50,000
Medical Payments	5,000
Hired & Non-Owned Liability	1,000,000
Physical Damage - Comprehensive Deductible/Collision Deductible	1,000/1,000

Settled claims have not exceeded this commercial coverage in any of the past three years. There have been no significant reductions in amounts of insurance coverage.

**ELMWOOD LOCAL SCHOOL DISTRICT
WOOD COUNTY, OHIO**

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

NOTE 8 - RISK MANAGEMENT - (Continued)

B. Ohio SchoolComp

The District participates in Ohio SchoolComp, a Worker's Compensation Group Rating Program (GRP), an insurance purchasing pool sponsored by the Ohio School Board Association (OSBA) and the Ohio Association of School Business Officials (OASBO). The GRP is intended to reduce premiums for the participants. The workers' compensation experience of the participating school districts is calculated as one experience and a common premium rate is applied to all school districts in the GRP. Each participant pays its workers' compensation premium to the State based on the rate for the GRP rather than its individual rate. Participation in the GRP is limited to educational entities that can meet the GRP's selection criteria. Each participant must apply annually. The GRP provides the participants with a centralized program for processing, analysis and management of worker's compensation claims and a risk management program to assist in developing safer work environments. Each participant must pay its premiums, enrollment or other fees, and perform its obligations in accordance with the terms of the agreement. CompManagement, Inc. provides administrative, cost control and actuarial services to the Plan.

C. Wood County Schools Benefit Plan

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

NOTE 9 - PENSION PLANS

Net Pension Liability

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

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

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

**ELMWOOD LOCAL SCHOOL DISTRICT
WOOD COUNTY, OHIO**

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

NOTE 9 - PENSION PLANS - (Continued)

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.

Plan Description - School Employees Retirement System (SERS)

Plan Description - The District non-teaching employees participate in SERS, a cost-sharing multiple-employer defined benefit pension plan administered by SERS. SERS provides retirement, disability and survivor benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Authority to establish and amend benefits is provided by Ohio Revised Code Chapter 3309. SERS issues a publicly available, stand-alone financial report that includes financial statements, required supplementary information and detailed information about SERS' fiduciary net position. That report can be obtained by visiting the SERS website at www.ohsers.org under Employers/Audit Resources.

Age and service requirements for retirement are as follows:

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

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

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

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

**ELMWOOD LOCAL SCHOOL DISTRICT
WOOD COUNTY, OHIO**

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

NOTE 9 - PENSION PLANS - (Continued)

Funding Policy - Plan members are required to contribute 10 percent of their annual covered salary and the District is required to contribute 14 percent of annual covered payroll. The contribution requirements of plan members and employers are established and may be amended by the SERS' Retirement Board up to statutory maximum amounts of 10 percent for plan members and 14 percent for employers. The Retirement Board, acting with the advice of the actuary, allocates the employer contribution rate among four of the System's funds (Pension Trust Fund, Death Benefit Fund, Medicare B Fund, and Health Care Fund). For the fiscal year ended June 30, 2016, the allocation to pension, death benefits, and Medicare B was 14 percent. None of the employer contribution rate was allocated to the Health Care Fund.

The District's contractually required contribution to SERS was \$274,208 for fiscal year 2016.

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

Plan Description - District licensed teachers and other faculty members participate in STRS Ohio, a cost-sharing multiple-employer public employee retirement system administered by STRS Ohio. STRS Ohio provides retirement and disability benefits to members and death and survivor benefits to beneficiaries. STRS Ohio issues a stand-alone financial report that includes financial statements, required supplementary information and detailed information about STRS Ohio's fiduciary net position. That report can be obtained by writing to STRS Ohio, 275 E. Broad St., Columbus, OH 43215-3771, by calling (888) 227-7877, or by visiting the STRS Ohio website at www.strsoh.org.

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

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

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

**ELMWOOD LOCAL SCHOOL DISTRICT
WOOD COUNTY, OHIO**

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

NOTE 9 - PENSION PLANS - (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 Ohio plan. The optional annuitization of a member's defined contribution account or the defined contribution portion of a member's Combined Plan account to a lifetime benefit results in STRS Ohio bearing the risk of investment gain or loss on the account. STRS Ohio has therefore included all three plan options as one defined benefit plan for GASB 68 reporting purposes.

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

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

The District's contractually required contribution to STRS Ohio was \$792,457 for fiscal year 2016.

Net Pension Liability

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

	<u>SERS</u>	<u>STRS Ohio</u>	<u>Total</u>
Proportionate share of the net pension liability	\$3,577,283	\$14,407,674	\$17,984,957
Proportion of the net pension liability	0.0626923%	0.0521317%	

**ELMWOOD LOCAL SCHOOL DISTRICT
WOOD COUNTY, OHIO**

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

NOTE 9 - PENSION PLANS - (Continued)

Actuarial Assumptions - SERS

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

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

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

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

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

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

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

The long-term return expectation for the Pension Plan Investments has been determined using a building-block approach and assumes a time horizon, as defined in SERS' *Statement of Investment Policy*. A forecasted rate of inflation serves as the baseline for the return expectation. Various real return premiums over the baseline inflation rate have been established for each asset class. The long-term expected nominal rate of return has been determined by calculating a weighted averaged of the expected real return premiums for each asset class, adding the projected inflation rate, and adding the expected return from rebalancing uncorrelated asset classes. The target allocation and best estimates of arithmetic real rates of return for each major assets class are summarized in the following table:

**ELMWOOD LOCAL SCHOOL DISTRICT
WOOD COUNTY, OHIO**

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

NOTE 9 - PENSION PLANS - (Continued)

<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	<u>15.00</u>	7.50
 Total	 <u><u>100.00 %</u></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.

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

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

	1% Decrease (6.75%)	Current Discount Rate (7.75%)	1% Increase (8.75%)
District's proportionate share of the net pension liability	\$4,960,407	\$3,577,283	\$2,412,580

Actuarial Assumptions - STRS Ohio

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

**ELMWOOD LOCAL SCHOOL DISTRICT
WOOD COUNTY, OHIO**

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

NOTE 9 - PENSION PLANS - (Continued)

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

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

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

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

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

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

**ELMWOOD LOCAL SCHOOL DISTRICT
WOOD COUNTY, OHIO**

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

NOTE 9 - PENSION PLANS - (Continued)

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%)
District's proportionate share of the net pension liability	\$20,013,346	\$14,407,674	\$9,667,243

Social Security System

Effective July 1, 1991, all employees not otherwise covered by the State Teachers Retirement System or the School Employees Retirement System have an option to choose Social Security or the State Teachers Retirement System/School Employees Retirement System. As of June 30, 2016, two of the Board of Education members have elected Social Security. The Board's liability is 6.2 percent of wages paid.

NOTE 10 - POSTEMPLOYMENT BENEFITS

A. School Employees Retirement System

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

Access to health care for retirees and beneficiaries is permitted in accordance with Section 3309 of the Ohio Revised Code. The Health Care Fund was established and is administered in accordance with Internal Revenue Code Section 105(e). SERS' Retirement Board reserves the right to change or discontinue any health plan or program. Health care is financed through a combination of employer contributions and retiree premiums, copays and deductibles on covered health care expenses, investment returns, and any funds received as a result of SERS' participation in Medicare programs. Active employee members do not contribute to the Health Care Plan. Retirees and their beneficiaries are required to pay a health care premium that varies depending on the plan selected, the number of qualified years of service, Medicare eligibility and retirement status.

**ELMWOOD LOCAL SCHOOL DISTRICT
WOOD COUNTY, OHIO**

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

NOTE 10 - POSTEMPLOYMENT BENEFITS - (Continued)

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

The District's contributions for health care for the fiscal years ended June 30, 2016, 2015, and 2014 were \$31,799, \$47,854, and \$35,509, respectively. 99.28 percent has been contributed for fiscal year 2016 and 100 percent has been contributed for fiscal years 2015 and 2014.

B. State Teachers Retirement System of Ohio

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

Funding Policy - Ohio law authorizes STRS Ohio to offer the Plan and gives the Retirement Board authority over how much, if any, of the health care costs will be absorbed by STRS Ohio. Active employee members do not contribute to the Plan. All benefit recipients pay a monthly premium. Under Ohio law, funding for post-employment health care may be deducted from employer contributions. For 2016, STRS Ohio did not allocate any employer contributions to the Health Care Stabilization Fund. The District's contributions for health care for the fiscal years ended June 30, 2016, 2015 and 2014 were \$0, \$0 and \$54,940, respectively; 100 percent has been contributed for fiscal year 2014.

NOTE 11 - DEBT

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

<u>Description</u>	<u>Balance</u> <u>06/30/15</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance</u> <u>06/30/16</u>	<u>Amount Due</u> <u>in One Year</u>
General Obligation Bonds 2001	\$ 360,000	\$ -	\$ (175,000)	\$ 185,000	\$ 185,000
General Obligation Bonds 2011	1,470,000	-	(20,000)	1,450,000	20,000
Capital Appreciation Bonds 2011	24,999	-	-	24,999	-
Accretion to Bonds 2012	70,314	37,874	-	108,188	-
Certificates of Participation 2012	1,440,000	-	(65,000)	1,375,000	65,000
Certificates of Participation 2014	1,360,000	-	(185,000)	1,175,000	190,000
Total Debt Obligations	<u>\$ 4,725,313</u>	<u>\$ 37,874</u>	<u>\$ (445,000)</u>	<u>\$ 4,318,187</u>	<u>\$ 460,000</u>

**ELMWOOD LOCAL SCHOOL DISTRICT
WOOD COUNTY, OHIO**

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

NOTE 11 - DEBT - (Continued)

2014 Certificates of Participation - Interest Rates 1.0% to 3.0%: During fiscal year 2014, the District issued Certificates of Participation totaling \$1,560,000 for financing a band facility, lighting and technology equipment. The Certificates of Participation were issued on May 22, 2014 for a 10 year term with principal payments from December 1, 2014 through December 1, 2023.

2012 Certificates of Participation - Interest Rates 1.600% to 4.625%: During fiscal year 2012, the District issued Certificates of Participation totaling \$1,630,000 for the financing of the renovation of the athletic complex including demolition, relocation of existing lighting and construction of an all-weather track, press box, stands, fencing and walkways. The Certificates of Participation were issued December 19, 2011 for a 20 year term with principal payments from December 1, 2012 through December 1, 2031.

2011 Advance Refunding of 2001 Bonds - Interest Rates 2.25 - 3.8%: Proceeds from the outstanding bonds were used for the purpose of advance refunding of general obligation bonds, dated April 15, 2001, which were issued for the purpose of constructing a new pre-kindergarten through grade 12 school building. The bonds were issued on May 5, 2011. The bonds consisted of \$1,430,000 in current interest serial bonds and \$140,000 in term bonds and \$24,999, in capital appreciation bonds.

The serial bonds shall bear interest at the rates per year and will mature in the principal amounts and on the following dates:

Fiscal Year	Principal Amount	Interest Rate
2019	\$ 225,000	2.90%
2020	225,000	3.20%
2021	225,000	3.40%
2022	245,000	3.50%
2023	250,000	3.70%
2024	260,000	3.80%

The term bond which matures on December 1, 2016, has an interest rate of 2.25 percent per year, and is subject to mandatory sinking fund redemption at a redemption price of 100 percent of the principal amount to be redeemed, plus accrued interest to the date of redemption, on December 1, in the year in the respective principal amounts as follows:

Fiscal Year	Principal Amount to be Redeemed
2017	\$ 140,000

**ELMWOOD LOCAL SCHOOL DISTRICT
WOOD COUNTY, OHIO**

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

NOTE 11 - DEBT - (Continued)

The capital appreciation bonds were issued in the aggregate original principal amount of \$24,999 and mature on December 1, 2017, have the original principal amounts and mature with the accreted values at maturity, as follows:

Fiscal Year	Original Principal Amount	Accreted Value at Maturity
2018	\$ 24,999	\$ 220,000

At June 30, 2016, the total amount of these bonds including accretion was \$133,187. The bonds are being retired through the Bond Retirement Debt Service Fund (a nonmajor governmental fund).

Series 2001 School Improvement General Obligation Bonds - Interest Rates 3.4% to 5.0%: During fiscal year 2001, the voters of the District authorized the issuance of \$3,673,000 in general obligation bonds, for the purpose of renovating and otherwise improving school facilities. During 2011, \$1,594,999 of the current interest bonds were advance refunded. These bonds were redeemed early on December 1, 2011 at the 101% call price. The remaining bonds will be retired from proceeds of a bonded debt tax levy and will be paid from the Bond Retirement Fund.

The Series 2001 school improvement general obligation bond issue included both current interest bonds, par value \$3,158,000, and term bonds, par value \$515,000. At June 30, 2016, the total amount of these bonds was \$185,000.

Principal and interest requirements to retire long-term liabilities outstanding at June 30, 2016 are as follows:

Fiscal Year Ending June 30,	<u>General Obligation Bonds</u>			<u>Certificates of Participation</u>		
	<u>Principal</u>	<u>Interest</u>	<u>Total</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2017	\$ 205,000	\$ 54,485	\$ 259,485	\$ 255,000	\$ 76,629	\$ 331,629
2018	-	49,080	49,080	260,000	72,787	332,787
2019	225,000	45,818	270,818	265,000	67,921	332,921
2020	225,000	38,955	263,955	185,000	62,761	247,761
2021	225,000	31,530	256,530	190,000	57,809	247,809
2022 - 2026	755,000	42,862	797,862	775,000	202,187	977,187
2027 - 2031	-	-	-	505,000	86,656	591,656
2032	-	-	-	115,000	2,659	117,659
Total	<u>\$ 1,635,000</u>	<u>\$ 262,730</u>	<u>\$ 1,897,730</u>	<u>\$ 2,550,000</u>	<u>\$ 629,409</u>	<u>\$ 3,179,409</u>

Fiscal Year Ending June 30,	<u>Capital Appreciation Bonds</u>		
	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2017	\$ -	\$ -	\$ -
2018	24,999	195,001	220,000
Total	<u>\$ 24,999</u>	<u>\$ 195,001</u>	<u>\$ 220,000</u>

**ELMWOOD LOCAL SCHOOL DISTRICT
WOOD COUNTY, OHIO**

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

NOTE 11 - DEBT - (Continued)

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

The District had a voted debt margin of \$13,706,178 and an unvoted debt margin of \$168,819.

NOTE 12 - SET-ASIDE REQUIREMENTS

The District is required by State law to annually set-aside certain general fund cash receipt amounts, as defined by statutory formula, for the acquisition and construction of capital improvements. Amounts not spent by the end of the fiscal year or offset by similarly restricted resources received during the year must be held in cash at fiscal year-end. This amount must be carried forward to be used for the same purpose in future years. Disbursements and other applicable offsets exceeding the set-aside requirement may not be carried forward to the next fiscal year.

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

	<u>Capital Improvements</u>
Set-aside balance June 30, 2015	\$ -
Current year set-aside requirement	202,614
Current year offsets	<u>(202,614)</u>
Total	<u>\$ -</u>
Balance carried forward to fiscal year 2017	<u>\$ -</u>

NOTE 13 - CONTINGENCIES

A. Grants

The District received financial assistance from federal and state agencies in the form of grants. The expenditure of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements, and are subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the General Fund or other applicable funds. However, in the opinion of management, any such disallowed claims will not have a material adverse effect on the overall financial position of the District at June 30, 2016.

**ELMWOOD LOCAL SCHOOL DISTRICT
WOOD COUNTY, OHIO**

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

NOTE 13 - CONTINGENCIES - (Continued)

B. School Foundation

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

C. Litigation

The District is involved in no material litigation as either plaintiff or defendant.

NOTE 14 - INTERFUND TRANSFERS

During fiscal year 2016, the General Fund made a transfer to the Food Service Fund in the amount of \$75,000, to subsidize the food service program.



Dave Yost • Auditor of State

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

Elmwood Local School District
Wood County
7650 Jerry City Road
Bloomdale, Ohio 44817

To the Board of Education:

We have audited, in accordance with auditing standards generally accepted in the United States and the Comptroller General of the United States' *Government Auditing Standards*, the financial statements of the governmental activities, the major fund, and the aggregate remaining fund information of Elmwood Local School District, Wood County, Ohio (the District) as of and for the year ended June 30, 2016, and the related notes to the financial statements which collectively comprise the District's basic financial statements and have issued our report thereon dated February 21, 2017, wherein we noted the District uses a special purpose framework other than general accepted accounting principles.

Internal Control Over Financial Reporting

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

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, when performing their assigned functions, to prevent, or detect and timely correct misstatements. A *material weakness* is a deficiency, or combination of internal control deficiencies resulting in a reasonable possibility that internal control will not prevent or detect and timely correct a material misstatement of the District's financial statements. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

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

Compliance and Other Matters

As part of reasonably assuring whether the District's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, opining on compliance with those provisions was not an objective of our audit and accordingly, we do not express an opinion. The results of our tests disclosed an instance of noncompliance or other matters we must report under *Government Auditing Standards* which is described in the accompanying schedule of findings as item 2016-001.

District's Response to Finding

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

Purpose of this Report

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



Dave Yost
Auditor of State

Columbus, Ohio

February 21, 2017

ELMWOOD LOCAL SCHOOL DISTRICT
WOOD COUNTY

SCHEDULE OF FINDINGS
JUNE 30, 2016

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

FINDING NUMBER 2016-001

Noncompliance

Ohio Rev. Code § 117.38 provides that each public office shall file a financial report for each fiscal year. The Auditor of State may prescribe forms by rule or may issue guidelines, or both, for such reports. If the Auditor of State has not prescribed a rule regarding the form for the report, the public office shall submit its report on the form utilized by the public office. Public offices reporting pursuant to generally accepted accounting principles shall file their reports within one hundred fifty days after the close of the fiscal year.

Ohio Admin. Code § 117-2-03 (B), which further clarifies the requirements of **Ohio Rev. Code § 117.38**, requires the District to file annual financial reports which are prepared using generally accepted accounting principles in the United States of America.

Management decided to prepare the District's 2016 financial statements on a cash basis of accounting in a format similar to financial statements prescribed by Governmental Accounting Standard Board Number 34 after evaluating the cost benefits. This presentation differs from accounting principles generally accepted in the United States of America. The accompanying financial statements and notes omit assets, liabilities, fund equities, and disclosures that, while material, cannot be determined at this time. The District can be fined and various other administrative remedies may be taken against the District by the Auditor of State.

We recommend the District prepare its statements in accordance with generally accepted accounting principles in the United States of America.

Officials' Response:

The District is not anticipating having its financial statements prepared in accordance with accounting principles generally accepted in the United State of America. However, the District did file GASB 34 Look-A-Like Statements (OCBOA) and plans to do so in the future.

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**ELMWOOD LOCAL SCHOOL DISTRICT
WOOD COUNTY**

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

Finding Number	Finding Summary	Status	Additional Information
2015-001	Ohio Admin. Code § 117-2-03(B) for reporting on a basis other than generally accepted accounting principles.	Not corrected and reissued as Finding 2016-001 in this report.	The District is not anticipating having their financial statements prepared in accordance with accounting principles generally accepted in the United State of America. However, the District did file GASB 34 Look- A-Like Statements (OCBOA) and plans to do so in the future.

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Dave Yost • Auditor of State

ELMWOOD LOCAL SCHOOL DISTRICT

WOOD COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

CERTIFIED
MARCH 9, 2017