



Dave Yost • Auditor of State

**OTTAWA-GLANDORF LOCAL SCHOOL DISTRICT
PUTNAM COUNTY
JUNE 30, 2016**

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Dave Yost • Auditor of State

INDEPENDENT AUDITOR'S REPORT

Ottawa-Glandorf Local School District
Putnam County
630 Glendale Avenue
Ottawa, Ohio 45875-1162

To the Board of Education:

Report on the Financial Statements

We have audited the accompanying financial statements of Ottawa-Glandorf Local School District, Putnam County, Ohio (the District), as of and for the year ended June 30, 2016, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for preparing and fairly presenting these financial statements in accordance with the accounting principles generally accepted in the United States of America. This responsibility includes the 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 that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our adverse audit opinion.

Basis for Adverse Opinion

As described in Note 3 of the financial statements, the District prepared these financial statements using the accounting basis Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit. However, Ohio Administrative Code Section 117-2-03(B) requires these statements to follow accounting principles generally accepted in the United States of America. The effects on the financial statements of the variances between the regulatory basis of accounting described in Note 3 and accounting principles generally accepted in the United States of America, although not reasonably determinable, are presumably material. In addition, during fiscal year 2016, the District failed to adopt the provisions of Governmental Accounting Standards Board Statement No. 54 *Fund Balance Reporting and Governmental Fund Type Definitions* as mandated by Auditor of State Bulletin 2011-003 for regulatory financial statements.

Adverse Opinion

In our opinion, because of the matter described in the *Basis for Adverse Opinion* paragraph, the financial statements do not present fairly the financial position, results of operations, and cash flows, where applicable, of Ottawa-Glandorf Local School District as of and for the year ended June 30, 2016, in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Supplementary Information

Our audit was conducted to opine on the financial statements taken as a whole.

The Schedule of Expenditures of Federal Awards presents additional analysis as required by Title 2 U.S. Code of Federal Regulations (CFR) Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards and is also not a required part of the financial statements.

Because of the significance of the matter described in the *Basis for Adverse Opinion* paragraph, it is inappropriate to express and we do not express an opinion on the supplementary information referred to above.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated March 14, 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.

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

Dave Yost
Auditor of State

Columbus, Ohio

March 14, 2017

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**OTTAWA-GLANDORF LOCAL SCHOOL DISTRICT
PUTNAM COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES - ALL GOVERNMENTAL FUND TYPES
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

	Governmental Fund Types			Totals (Memorandum Only)	
	General	Special Revenue	Debt Service		Capital Projects
Cash Receipts:					
Property tax and other local taxes	\$5,441,430	\$82,475	\$1,015,336	\$132,051	\$6,671,292
Intergovernmental	6,882,030	1,257,460	175,409	19,607	8,334,506
Tuition	671,232				671,232
Earnings on investments	23,752	361		10,908	35,021
Transportation Fees	9,446				9,446
Extracurricular Activities		452,552			452,552
Classroom Materials and Fees	97,160				97,160
Miscellaneous	71,287	18,310			89,597
<i>Total Cash Receipts</i>	<u>13,196,337</u>	<u>1,811,158</u>	<u>1,190,745</u>	<u>162,566</u>	<u>16,360,806</u>
Cash Disbursements:					
Instruction:					
Regular	6,691,054	443,023		4,848	7,138,925
Special	1,456,813	242,193			1,699,006
Vocational Education	241,903				241,903
Other Instruction		105,167			105,167
Supporting Services:					
Pupils	405,427	69,789			475,216
Instructional Staff	287,678	59,066			346,744
Board of Education	26,841				26,841
Administration	980,747	153,474			1,134,221
Fiscal Services	373,227	26,752	27,165	3,435	430,579
Business	1,583				1,583
Operation and Maintenance of Plant	981,157	218,537		71,254	1,270,948
Pupil Transportation	707,815	43,032			750,847
Central	173,866				173,866
Non-Instructional Services	408	257,558			257,966
Extracurricular Activities	415,722	250,116			665,838
Facilities Acquisition and Construction	1,272	122,686		1,327,531	1,451,489
Debt Service:					
Principal Retirement			175,249		175,249
Interest and Fiscal Charges			951,739		951,739
<i>Total Cash Disbursements</i>	<u>12,745,513</u>	<u>1,991,393</u>	<u>1,154,153</u>	<u>1,407,068</u>	<u>17,298,127</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>450,824</u>	<u>(180,235)</u>	<u>36,592</u>	<u>(1,244,502)</u>	<u>(937,321)</u>
Other Financing Receipts (Disbursements):					
Sale of Bonds				620,000	620,000
Transfers-In		75,452	35,407		110,859
Transfers-Out	(110,407)				(110,407)
Advances-In	20,000	20,000			40,000
Advances-Out	(20,000)	(20,000)			(40,000)
Sale of Fixed Assets	105,997				105,997
<i>Total Other Financing Receipts (Disbursements)</i>	<u>(4,410)</u>	<u>75,452</u>	<u>35,407</u>	<u>620,000</u>	<u>726,449</u>
<i>Net Change in Fund Cash Balances</i>	446,414	(104,783)	71,999	(624,502)	(210,872)
<i>Fund Cash Balances, July 1</i>	<u>3,954,354</u>	<u>901,468</u>	<u>760,994</u>	<u>2,487,853</u>	<u>8,104,669</u>
<i>Fund Cash Balances, June 30</i>	<u>\$4,400,768</u>	<u>\$796,685</u>	<u>\$832,993</u>	<u>\$1,863,351</u>	<u>\$7,893,797</u>
Reserve for Encumbrances, June 30	<u>\$340,017</u>	<u>\$200,898</u>		<u>\$156,118</u>	<u>\$697,033</u>

THE NOTES TO THE FINANCIAL STATEMENTS ARE AN INTEGRAL PART OF THIS STATEMENT.

**OTTAWA-GLANDORF LOCAL SCHOOL DISTRICT
PUTNAM COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS,
AND CHANGES IN FUND CASH BALANCES
ALL PROPRIETARY AND SIMILAR FIDUCIARY FUND TYPES
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

	Proprietary Fund Type	Fiduciary Fund Type	Totals (Memorandum Only)
	Enterprise	Agency	
Operating Cash Receipts:			
Food Services	\$479,064		\$479,064
Extracurricular Activities		\$161,183	161,183
Charges for Services	32,668		32,668
<i>Total Operating Cash Receipts</i>	<u>511,732</u>	<u>161,183</u>	<u>672,915</u>
Operating Cash Disbursements:			
Personal Services	232,998	12,930	245,928
Employees Retirement and Insurance	113,779	2,026	115,805
Purchased Services	14,052	19,263	33,315
Supplies and Materials	370,834	1,499	372,333
Capital Outlay	416		416
Other Operating Expenses	1,226	122,605	123,831
<i>Total Operating Cash Disbursements</i>	<u>733,305</u>	<u>158,323</u>	<u>891,628</u>
<i>Operating Income (Loss)</i>	<u>(221,573)</u>	<u>2,860</u>	<u>(218,713)</u>
Non-Operating Receipts (Disbursements):			
Intergovernmental receipts	241,229		241,229
Earnings on Investments	1,448		1,448
Miscellaneous	2,289	1,322	3,611
Refund of Prior Year Receipts		(384)	(384)
<i>Total Non-Operating Receipts (Disbursements)</i>	<u>244,966</u>	<u>938</u>	<u>245,904</u>
Income before Transfers	23,393	3,798	27,191
Transfers-Out		(452)	(452)
<i>Net Change in Fund Cash Balances</i>	23,393	3,346	26,739
<i>Fund Cash Balances, July 1</i>	<u>275,650</u>	<u>25,184</u>	<u>300,834</u>
<i>Fund Cash Balances, June 30</i>	<u>\$299,043</u>	<u>\$28,530</u>	<u>\$327,573</u>
Reserve for Encumbrances, June 30	<u>\$14,941</u>	<u>\$1,102</u>	<u>\$16,043</u>

THE NOTES TO THE FINANCIAL STATEMENTS ARE AN INTEGRAL PART OF THIS STATEMENT.

**OTTAWA-GLANDORF LOCAL SCHOOL DISTRICT
PUTNAM COUNTY**

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

NOTE 1 – DESCRIPTION OF THE SCHOOL DISTRICT

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

The District was established in 1962 through the consolidation of existing land areas and school districts. The District serves an area of approximately 66 square miles. It is located in Putnam County and includes the entire Village of Ottawa and Glandorf, all of and portions of surrounding townships. The District is the 313th largest in the State of Ohio (among 612 school districts) in terms of enrollment. It is staffed by 68 classified employees, 93 certified teaching personnel, and 7 administrative employees who provide services to 1,490 students and other community members. The District currently operates 3 buildings.

The reporting entity is composed of the primary government and other organizations that are included to insure the financial statements are not misleading.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Although required by Ohio Administrative Code § 117-2-03(B) to prepare its annual financial report in accordance with accounting principles generally accepted in the United States of America, the District chooses to prepare its financial statements and notes in accordance with standards established by the Auditor of State for governmental entities that are not required to prepare reports in accordance with generally accepted accounting principles. This basis of accounting is similar to the cash receipts and disbursements basis of accounting. 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 expenditures when a commitment is made (i.e. when an encumbrance is approved).

For fiscal year 2016 the District did not modify its financial statements to reflect the modifications outlined in GASB Statement No. 54, "Fund Balance Reporting and Governmental Fund Type Definitions".

GASB Statement No. 54 provides fund balance classifications that can be more consistently applied and clarifies the existing governmental fund type classifications. The requirements of this statement classify fund balance as nonspendable, restricted, committed, assigned, and/or unassigned.

A. The Reporting Entity

The District's reporting entity has been defined in accordance with GASB Statement No. 14, "The Financial Reporting Entity". A reporting entity is comprised of the primary government, component units, and other organizations that are included to insure that the financial statements of the District are not misleading. 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, and student related activities of the District. Component units are legally separate organizations for which the District is financially accountable. The District is financially accountable for an organization if the District appoints a voting majority of the organization's governing board and (1) the District is able to significantly influence the programs or services performed or provided by the organization; or (2) the District is legally entitled to or can otherwise access the organization's resources; the District is legally obligated or has otherwise assumed the responsibility to finance the deficits of, or provide financial support to, the organization or the District is obligated for the debt of the organization. Component units may also include organizations that are fiscally dependent on the District in that the District approves the budget,

**OTTAWA-GLANDORF LOCAL SCHOOL DISTRICT
PUTNAM COUNTY**

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

the issuance of debt, or the levying of taxes for the organization. The financial statements of the reporting entity include only those of the District (the primary government). The District has no component units.

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

Public Entity Risk Pools:

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

Jointly Governed Organizations:

Northwest Ohio Area Computer Services Cooperative;
Millstream Cooperative Career Center;
Northwestern Ohio Educational Research Council, Inc.
State Support Region 1

B. Fund Accounting

The District uses fund accounting to segregate cash and investments which are restricted to use. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain District functions or activities.

For financial statement presentation purposes, the various funds of the District are grouped into the following generic fund types under the broad fund categories governmental, proprietary, and fiduciary.

GOVERNMENTAL FUND TYPES

Governmental funds are those through which most governmental functions of the District are financed. The following are the District's governmental fund types:

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

Special Revenue Funds – Special Revenue Funds are used to account for the proceeds of specific revenue sources (other than major capital projects) that are legally restricted to expenditure for specified purposes.

Debt Service Fund – This fund is used for the accumulation of resources for, and the payment of general obligation long-term debt principal and interest.

Capital Projects Funds – The Capital Projects Funds are used to account for financial resources to be used for the acquisition or construction of major capital facilities (other than those financed by proprietary funds).

PROPRIETARY FUND TYPE

**OTTAWA-GLANDORF LOCAL SCHOOL DISTRICT
PUTNAM COUNTY**

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

Proprietary funds are used to account for the District's ongoing activities which are similar to those found in the private sector.

Enterprise Funds – The Enterprise Funds are used to account for operations that are financed and operated in a manner similar to private business enterprises where the intent is that costs (expenses) of providing services to the general public on a continuing basis be financed or recovered primarily through user charges or where it has been decided that periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability or other purposes.

FIDUCIARY FUND TYPES

Fiduciary funds are used to account for assets held by the District in a trustee capacity or as an agent for individuals, private organizations, other governmental units, and/or other funds. The District's fiduciary funds include agency and trust funds.

C. Basis of Accounting

The District's financial statements are prepared using the cash basis of accounting. Receipts are recorded in the District's financial records and reported in the financial statements when cash is received rather than when earned and disbursements are recorded when cash is paid rather than when a liability is incurred.

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

D. 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.

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 appropriation resolution is subject to amendment throughout the year with the restriction that appropriations cannot exceed estimated resources.

E. Cash and Investments

To improve cash management, cash received by the District is pooled and invested. Monies for all funds are maintained in this pool. Individual fund integrity is maintained through District records. Interest in the pool is included in the cash balances reported by fund type.

**OTTAWA-GLANDORF LOCAL SCHOOL DISTRICT
PUTNAM COUNTY**

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

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

During fiscal year 2016, the District invested in nonnegotiable certificates of deposit and a U.S. Government money market fund.

Following Ohio statutes, the Board of Education has, by resolution, specified the funds to receive an allocation of interest earnings. Interest receipts credited to the General Fund during fiscal year 2016 was \$23,752, which included \$11,816 assigned from other District funds.

F. Restricted Assets

Assets are reported as restricted when limitations on their use change the nature or normal understanding of the availability of the asset. Such constraints are either imposed by creditors, contributors, grantors, or laws of other governments, or imposed by law through constitutional provisions or enabling legislation. The District reported no restricted assets.

G. Inventory and Prepaid Items

The District reports disbursements for inventory and prepaid items when paid. These items are not reflected as assets.

H. Capital Assets

Acquisitions of property, plant and equipment are recorded as disbursements when paid. These items are not reflected as assets.

I. Interfund Receivables/Payables

The District reports advances-in and advances-out for interfund loans. These items are not reflected as assets and liabilities.

J. Accumulated Leave

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

K. Employer Contributions to Cost-Sharing Pension Plans

The District recognizes the disbursement for employer contributions to cost-sharing pension plans when they are paid. As described in Notes 9 and 10, the employer contributions include portions for pension benefits and for postretirement health care benefits.

L. 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.

**OTTAWA-GLANDORF LOCAL SCHOOL DISTRICT
PUTNAM COUNTY**

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

M. Long-Term Obligations

The District's cash basis does not report liabilities for bonds and other long-term obligations. Proceeds of debt are reported when cash is received and principal and interest payments are reported when paid. Since recording a capital asset when entering into a capital lease is not the result of a cash transaction, neither another financing source nor capital outlay expenditure is reported at inception.

N. Interfund Transactions

Exchange transactions between funds are reported as receipts in the seller funds and as disbursements in the purchaser funds. Subsidies 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 and after nonoperating receipts/cash disbursements in proprietary funds. Repayments from funds responsible for particular cash disbursements to the funds that initially paid for them are not presented in the financial statements.

O. Total Columns on Financial Statements

Total columns on the financial statements are captioned "Total- (Memorandum Only)" to indicate that they are presented only to facilitate financial analysis. This data is not comparable to a consolidation. Interfund –type eliminations have not been made in the aggregation of this data.

NOTE 3 – ACCOUNTING 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 regulatory basis, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. The accompanying financial statements omit assets, liabilities, net position/fund balances, and disclosures that, while material, cannot be determined at this time. The District can be fined and various other administrative remedies may be taken against the District.

B. Changes in Accounting Principles

For fiscal year 2016, the District has implemented Governmental Accounting Standards Board (GASB) Statement No. 72, "Fair Value Measurement and Application", GASB Statement No. 76, "Hierarchy of Generally Accepted Accounting Principles for State and Local Governments", and GASB Statement No. 82, "Pension Issues-an Amendment of GASB Statements No. 67, No. 69, and No. 73".

GASB Statement No. 72 addresses accounting and financial reporting issues related to fair value measurements. This Statement provides guidance for determining a fair value measurement for financial reporting purposes for applying fair value to certain investments and disclosures related to all fair value measurements. These changes were incorporated in the District's fiscal year 2016 financial statements; however, there was no effect on beginning fund balance.

GASB Statement No. 76 identifies, in the context of the current governmental financial reporting environment, the sources of accounting principles used to prepare financial statements of state and local governmental entities in conformity with generally accepted accounting principles (GAAP) and the framework for selecting those principles. The implementation of this statement did not result in any changes to the District's financial statements.

**OTTAWA-GLANDORF LOCAL SCHOOL DISTRICT
PUTNAM COUNTY**

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

GASB Statement No. 82 improves consistency in the application of pension accounting. These changes were incorporated in the District's fiscal year 2016 financial statements; however, there was no effect on beginning fund balance.

NOTE 4 – DEPOSITS

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

Active monies are public monies determined to be necessary to meet current demands upon the District treasury. Active 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 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 bills, bonds, notes, or any other obligation or security issued by the United States Treasury, or any other obligation guaranteed as to principal and interest by the United States;
2. Bonds, notes, debentures, or any other obligation or security issued by any federal government agency or instrumentality including, but not limited to, the Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, Government National Mortgage Association, and Student Loan Marketing Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
3. Written repurchase agreements in the securities listed above provided the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least 2 percent and be marked to market daily, and the term of the agreement must not exceed thirty days;
4. Bonds and other obligations of the State of Ohio or Ohio local governments;
5. Time certificates of deposit or savings or deposit accounts including, but not limited to, passbook accounts;
6. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2) 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).

**OTTAWA-GLANDORF LOCAL SCHOOL DISTRICT
PUTNAM COUNTY**

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

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.

Deposits

Custodial credit risk is the risk that in the event of bank failure, the District will not be able to recover deposits or collateral securities that are in the possession of an outside party. At June 30, 2016, \$466,518 of the District's bank balance of \$7,322,017 was exposed to custodial credit risk because those deposits were uninsured and collateralized with securities held by the pledging financial institution's trust department or agent, but not in the District's name.

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

NOTE 5 – BUDGETARY ACTIVITY

Budgetary activity for the year ending June 30, 2016 follows:

2016 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$13,271,833	\$13,322,334	\$50,501
Special Revenue	2,001,028	1,906,610	(94,418)
Debt Service	1,193,200	1,226,152	32,952
Capital Projects	1,576,701	782,566	(794,135)
Enterprise	740,000	756,698	16,698
Total	\$18,782,762	\$17,994,360	(\$788,402)

2016 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$13,812,400	\$13,215,937	\$596,463
Special Revenue	2,396,743	2,212,291	184,452
Debt Service	1,155,000	1,154,153	847
Capital Projects	3,263,123	1,563,186	1,699,937
Enterprise	789,121	748,246	40,875
Total	\$21,416,387	\$18,893,813	\$2,522,574

NOTE 6 – PROPERTY TAXES

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

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Property taxes include amounts levied against all real property, public utility property, and tangible personal (used in business) property located in the District. Real property tax receipts received in calendar year 2016 represent the collection of calendar years 2015 taxes. Real property taxes received in calendar years 2016 were levied after April 1, 2015, on the assessed values as of January 1, 2015, respectively, 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 years 2016 represent the collection of calendar year 2015 taxes. Public utility real and tangible personal property taxes received in calendar year 2015 became a lien on December 31, 2014, were levied after April 1, 2015, and are collected with real property taxes. Public utility real property is assessed at 35 percent of true value; public utility tangible personal property is currently assessed at varying percentages of true value.

The District receives property taxes from Putnam County. The County Auditor periodically advances to the District its portion of the taxes collected. Second-half real property tax payments collected by the counties by June 30, 2016 are available to finance fiscal year 2016 operations, respectively. The amount available to be advanced can vary based on the date the tax bills are sent.

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

	2015 Second- Half Collections		2016 First- Half Collections	
	Amount	Percent	Amount	Percent
Real Property:				
Agricultural/Residential	\$183,901,910	85%	\$185,412,290	85%
Industrial/Commercial	24,215,250	11%	25,134,360	11%
Public Utility Property	7,992,730	4%	8,692,790	4%
Total Assessed Value	<u>\$216,109,890</u>	100%	<u>\$219,239,440</u>	100%
Tax rate per \$1,000 of assessed valuation	\$29.67		\$29.26	

NOTE 7 – INCOME TAXES

The District levies a voted tax of one-half percent for general operations on the income of residents and of estates. The tax was effective on January 1, 1993 and is a continuing tax. 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. Schools of Ohio Risk Sharing Authority

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.

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Coverage provided through the Schools of Ohio Risk Sharing Authority (SORSA) is as follows:

	<u>Coverage</u>
Property including inland marine – replacement cost (deductible waived)	\$66,138,132
Employee Dishonesty Liability	100,000
Automobile Liability	15,000,000
Uninsured Motorists	1,000,000
Medical Payments - per occurrence/aggregate	10,000/25,000
Educator's Legal Liability – errors or omissions	15,000,000
General District Liability	
Per occurrence	15,000,000
Total per year	15,000,000
Umbrella Liability	17,000,000

Settled claims have none exceeded this commercial coverage in any of the past three years.

SORSA financial statements are available by contacting Patrick Shaver, Schools of Ohio Risk Sharing Authority, 8050 North High St, Columbus, Ohio 43235.

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

The District participates in the Ohio School Board Association's Worker's Compensation Group Rating Program (GRP), an insurance purchasing pool. 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. The GRP's business and affairs are conducted by a 25 member Board of Directors consisting of two representatives from each county elected by a majority vote of all charter member schools within each county plus one representative from the fiscal agency A-site. The Treasurer of Findlay City Schools serves as coordinator of the program. Each year, the participating school districts pay an enrollment fee to the GRP to cover the costs of administering the program.

C. Putnam County Schools Insurance Group

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

The District provides prescription drug insurance benefits to employees through a self-insurance program. The premiums and related disbursements are accounted for in the general fund. All claims are paid by the District with the request for reimbursement submitted by the employee on behalf of the District. The District has no stop loss insurance and has not set a maximum amount payable per beneficiary. However, the District's liability is limited to the employee's unpaid deductible and maximum out of pocket expense.

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Post employment health care is provided to plan participants or their beneficiaries through the respective retirement systems discussed in Note 10. As such, no funding provisions are required by the District.

NOTE 9 – DEFINED BENEFIT PENSION PLANS

Net Pension Liability

For fiscal year 2016, Governmental Accounting Standards Board (GASB) Statement No. 68, "Accounting and Financial Reporting for Pensions" and GASB Statement No. 71, "Pension Transition for Contributions Made Subsequent to the Measurement Date—an amendment of GASB Statement No. 68" were effective. These GASB pronouncements had no effect on beginning net position as reported June 30, 2015, as the net pension liability is not reported in the accompanying financial statements. The net pension liability has been disclosed below.

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

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

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

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

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

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

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

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

Funding Policy - Plan members are required to contribute 10 percent of their annual covered salary and the District is required to contribute 14 percent of annual covered payroll. The contribution requirements of plan members and employers are established and may be amended by the SERS Retirement Board up to statutory maximum amounts of 10 percent for plan members and 14 percent for employers. The Retirement Board, acting with the advice of the actuary, allocates the employer contribution rate among four of the System's funds (Pension Trust Fund, Death Benefit Fund, Medicare B Fund, and Health Care Fund). For the fiscal year ended June 30, 2016, the allocation to pension, death benefits, and Medicare B was 14 percent. No allocation was made to the Health Care Fund.

The District's contractually required contribution to SERS was \$238,276 for fiscal year 2016.

Plan Description - State Teachers Retirement System (STRS)

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

New members have a choice of three retirement plans; a Defined Benefit Plan (DBP), a Defined Contribution Plan (DCP), and a Combined Plan (CP). Benefits are established by Ohio Revised Code Chapter 3307.

The DBP 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 2 percent of the original base benefit. For members retiring August 1, 2013, or later, the first 2 percent is paid on the fifth anniversary of the retirement benefit. Members are eligible to retire at age sixty with five years of qualifying service credit, at age fifty-five with twenty-five years of service credit, or thirty years of service credit regardless of age.

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Age and service requirements for retirement increased effective August 1, 2015, and will continue to increase periodically until they reach age sixty with thirty-five years of service or age sixty-five with five years of service on August 1, 2026.

The DCP allows members to place all their member contributions and 9.5 percent of the 14 percent employer contribution 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 fifty and termination of employment. The member may elect to receive a lifetime monthly annuity or a lump sum withdrawal.

The CP offers features of both the DBP and the DCP. In the CP, 11 percent of the 12 percent member rate goes to the DCP and 1 percent goes to the DBP. Member contributions to the DCP are allocated among investment choices by the member and contributions to the DBP from the employer and the member are used to fund the defined benefit payment at a reduced level from the regular DBP. The defined benefit portion of the CP payment is payable to a member on or after age sixty with five years of service. The defined contribution portion of the account may be taken as a lump sum payment or converted to a lifetime monthly annuity at age fifty.

New members who choose the DCP or CP will have another opportunity to reselect a permanent plan during their fifth year of membership. Members may remain in the same plan or transfer to another STRS plan. The optional annuitization of a member's defined contribution account or the defined contribution portion of a member's CP account to a lifetime benefit results in STRS bearing the risk of investment gain or loss on the account. STRS has therefore included all three plan options as one defined benefit plan for GASB Statement No. 68 reporting purposes.

A DBP or CP 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 DCP who become disabled are entitled only to their account balance. If a member of the DCP dies before retirement benefits begin, the member's designated beneficiary is entitled to receive the member'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. For the fiscal year ended June 30, 2016, plan members were required to contribute 13 percent of their annual covered salary. Effective July 1, 2016, the statutory maximum employee contribution rate was increased 1 percent to 14 percent. 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 was \$821,860 for fiscal year 2016.

Net Pension Liability

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

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	SERS	STRS	Total
Proportionate Share of the Net Pension Liability	\$3,135,711	\$15,150,197	\$18,285,908
Proportion of the Net Pension Liability	0.054954%	0.0548184%	

Actuarial Assumptions - SERS

SERS' total pension liability was determined by their actuaries in accordance with GASB Statement No. 67 as part of the 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 percent to 22 percent
COLA or Ad Hoc COLA	3 percent
Investment Rate of Return	7.75 percent net of investment expenses, including inflation
Actuarial Cost Method	entry age normal

For postretirement 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 an arithmetic weighted average of the expected real return premiums for each asset class, adding the projected inflation rate, and adding the expected return from rebalanced uncorrelated asset classes.

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The target allocation and the long-term expected real rate of return for each major asset class are summarized in the following table.

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

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

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

	1% Decrease (6.75%)	Current Discount Rate (7.75%)	1% Increase (8.75%)
School District's proportionate share of the net pension liability	\$3,967,911	\$2,781,175	\$1,783,028

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.

Actuarial Assumptions - STRS

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

Inflation	2.75 percent
Projected Salary Increases	12.25 percent at age 20 to 2.75 percent at age 70
Investment Rate of Return	7.75 percent, net of investment expenses

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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 commences 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 eighty-nine and no set back for age ninety and above. Females younger than age eighty are set back four years, one year set back from age eighty through eighty-nine, and no set back from age ninety 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.

STRS' investment consultant develops best estimates for the investment return assumption based on the target allocation adopted by the retirement board. The target allocation and long-term expected rate of return for each major asset class are summarized as follows.

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

* 10 year annualized geometric nominal returns include the real rate of return and inflation of 2.25 percent.

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' fiduciary net position was projected to be available to make all projected future benefit payments to current plan members as of June 30, 2015. Therefore, the long-term expected rate of return on pension plan investments of 7.75 percent was applied to all periods of projected benefit payment to determine the total pension liability as of June 30, 2015.

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

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	1% Decrease █ (6.75%)	Current Discount Rate █ (7.75%)	1% Increase █ (8.75%)
School District's proportionate share of the net pension liability	\$19,088,684	\$13,333,727	\$8,466,970

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, all five members of the Board of Education have elected Social Security. The Board's liability is 6.2 percent of wages paid.

NOTE 10 – POSTEMPLOYMENT BENEFITS

School Employees Retirement System (SERS)

Health Care Plan Description - The District contributes to the SERS Health Care Fund administered by SERS for classified retirees and their beneficiaries. For GASB Statement No. 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 by visiting the SERS website at www.ohsers.org under employers/audit resources.

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

Funding Policy - State statute permits SERS to fund the health care benefits through employer contributions. Each year, after the allocation for statutorily required basic benefits, the Retirement Board allocates the remainder of the employer contribution of 14 percent of covered payroll to the Health Care Fund. For fiscal year 2016, no allocation 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. State statute provides that no employer shall pay a health care surcharge greater than 2 percent of that employer's SERS covered payroll; nor may SERS collect in aggregate more than 1.5 percent of the total statewide SERS covered payroll for the health care surcharge. For fiscal year 2016, the District's surcharge obligation was \$10,389.

The District's contribution for health care for the fiscal years ended June 30, 2016, 2015, and 2014 was \$13,956, \$12,561, and \$2,020, respectively. For fiscal year 2016, 65.23 percent has been contributed. The full amount has been contributed for fiscal years 2015 and 2014.

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State Teachers Retirement System (STRS)

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

Funding Policy - Ohio Revised Code Chapter 3307 authorizes STRS to offer the health care plan and gives the Retirement Board authority over how much, if any, of the health care costs will be absorbed by STRS. Active employee members do not contribute to the health care plan. Nearly all health care plan enrollees, for the most recent year, pay a portion of the health care costs in the form of a monthly premium. Under Ohio law, funding for postemployment health care may be deducted from employer contributions. For the fiscal years ended June 30, 2016, and June 30, 2015, STRS did not allocate any employer contributions to postemployment health care. For the fiscal year ended June 30, 2014, 1 percent of covered payroll was allocated to postemployment health care. The District's contribution for health care for the fiscal years ended June 30, 2016, 2015, and 2014 were \$0, \$0, and \$55,082 respectively. The full amount has been contributed for all three fiscal years.

NOTE 11 – DEBT

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

	Principal Outstanding 6/30/15	Additions	Reductions	Principal Outstanding 6/30/16	Amounts Due in One Year
<u>General Obligation Bonds:</u>					
Capital appreciation bonds – 2003	\$10,000		\$10,000		
General obligation bonds – 2007	7,960,000		85,000	\$7,875,000	
Capital appreciation bonds – 2007	155,341			155,341	\$83,590
General obligation bonds - 2010	75,000		25,000	50,000	25,000
Capital appreciation bonds - 2010	99,994			99,994	
General obligation bonds - 2014	6,875,000		25,000	6,850,000	30,000
Total Governmental Activities	<u>15,175,335</u>		<u>145,000</u>	<u>15,030,335</u>	<u>138,590</u>
<u>Other Long Term Obligations:</u>					
Energy Conservation Note:		\$620,000	30,249	589,751	55,231
Total General Obligation Bonds					
And Other Long Term Obligations	<u>\$15,175,335</u>	<u>\$620,000</u>	<u>\$175,249</u>	<u>\$15,620,086</u>	<u>\$193,821</u>

Series 2003 School Improvement General Obligation Bonds – Interest Rates 1.55 – 5.375%: During fiscal year 2003, the voters of the District authorized the issuance of \$13,485,000 in general obligation bonds, for the purpose of renovating and otherwise improving school facilities. During 2007, \$9,289,995 of the current interest bonds were advance refunded. During 2014, \$1,210,000 of the current interest bonds were advance refunded. The remaining bonds will be retired from proceeds of a bonded debt tax levy and will be paid from the Bond Retirement Fund.

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The Series 2003 school improvement general obligation bond issue included both current interest bonds, par value \$13,465,000, and capital appreciation bonds, par value \$1,005,000. The capital appreciation bonds mature on December 1, 2013-2015, at a redemption price equal to 100% of the principal, plus accrued interest to the redemption date. At June 30, 2015, the total amount of these bonds including accretion was \$371,545. The current interest bonds maturing on or after December 1, 2012, were subject to early redemption at the sole option of the District, at the following redemption prices, plus accrued interest:

<u>Redemption Date</u>	<u>Redemption Price</u>
December 1, 2012 and thereafter	100% of par

The final maturity stated of the only outstanding capital appreciation bond remaining after the 2014 advance refunding is December 1, 2015.

2007 Advance Refunding of 2003 Bonds – Interest Rates 3.55 – 4.375%: Proceeds from the outstanding bonds were used for the purpose of advance refunding of general obligation bonds, dated September 15, 2002, which were issued for the purpose of renovating and otherwise improving school facilities. The bonds were issued on November 28, 2006. The bonds consisted of \$6,890,000 in current interest serial bonds and \$2,040,000 in term bonds and \$359,995, in capital appreciation bonds. This current refunding was undertaken to reduce total debt service payments over the next 24 years by \$652,293 and resulted in an economic gain of \$422,390.

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	\$495,000	4.000%
2020	520,000	4.000%
2021	550,000	4.125%
2022	585,000	4.125%
2023	615,000	4.000%
2024	650,000	4.125%
2027	765,000	4.000%
2028	805,000	4.000%
2029	850,000	4.000%

The term bond which matures on December 1, 2025, has an interest rate of 4.125 percent per year, and is subject to mandatory sinking fund redemption at a redemption price of 100.529 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
2026	\$755,000

The term bond which matures on December 1, 2030, has an interest rate of 4.375 percent per year, and is subject to mandatory sinking fund redemption at a redemption price of 102.403 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:

**OTTAWA-GLANDORF LOCAL SCHOOL DISTRICT
PUTNAM COUNTY**

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

<u>Fiscal Year</u>	<u>Principal Amount to be Redeemed</u>
2031	\$1,285,000

The capital appreciation bonds were issued in the aggregate original principal amount of \$359,995 and mature on December 1, in the years, have the original principal amounts and mature with the accreted values at maturity, as follows:

<u>Fiscal Year</u>	<u>Original Principal Amount</u>	<u>Accreted Value at Maturity</u>
2017	\$83,590	\$475,000
2018	71,751	485,000

At June 30, 2016, the total amount of these bonds including accretion was \$809,325. The bonds are being retired through the Bond Retirement Debt Service Fund.

2010 School Facilities Construction and Improvement Bonds – On July 14, 2010, the District issued \$5,999,994, in general obligation bonds for the construction of a school building. The bond issue included serial, term, and capital appreciation bonds, in the original amount of \$175,000, \$5,725,000, and \$99,994, respectively. The bonds were issued for a twenty-six year period, with final maturity during fiscal year 2037. During 2014, \$5,725,000 of the current term bonds were advance refunded. The remaining bonds will be retired through the Bond Retirement service fund.

The Series 2010A serial bonds are subject to optional prior redemption, by and at the sole option of the District, either in whole or in part and in integral multiples of \$5,000, on any date on or after June 1, 2020, at a redemption equal to 100 percent of the principal amount redeemed plus accrued interest to the redemption date.

The capital appreciation bonds are not subject to prior redemption. The capital appreciation bonds will mature in fiscal years 2018-2022. The maturity amount of the bonds is \$865,000. For fiscal year 2016, \$66,466 was accreted for a total bond value of \$346,696 at fiscal year-end.

2014 Advance Refunding of 2002 and 2010 Bonds – Interest Rates 1.00 – 4.00%: Proceeds from the outstanding bonds were used for the purpose of advance refunding of general obligation bonds, dated September 15, 2002, which were issued for the purpose of renovating and otherwise improving school facilities; and for the advance refunding of the advance refunding bonds dated November 28, 2006. The 2014 advance refunding bonds issued in total of \$6,875,000 consisted of \$4,415,000 in current interest serial bonds and \$2,460,000 in term bonds. This current refunding was undertaken to reduce total debt service payments over the next 24 years by \$790,200 and resulted in an economic gain of \$448,315.

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

<u>Fiscal Year</u>	<u>Principal Maturing</u>	<u>Interest Rate</u>
2017	\$30,000	1.00%
2018	30,000	3.00%
2019	30,000	1.50%
2020	30,000	2.00%
2025	950,000	3.00%

**OTTAWA-GLANDORF LOCAL SCHOOL DISTRICT
PUTNAM COUNTY**

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

2029	330,000	3.50%
2030	335,000	4.00%
2031	870,000	4.00%
2032	375,000	4.00%
2033	420,000	4.00%
2034	470,000	4.00%
2035	520,000	4.00%

The Term Bonds maturing on December 1, 2023 are subject to mandatory sinking fund redemption at a redemption price of 100% of the principal amount to be redeemed, plus accrued interest to the date of redemption, on December 1 of the years and in the respective principal amounts as follows:

Fiscal Year	Principal Amount to be Redeemed
2021	\$30,000
2022	30,000
2023	30,000

The remaining principal amount of such Term Bonds (\$235,000) will be paid at stated maturity on December 1, 2023.

The Term Bonds maturing on December 1, 2027 are subject to mandatory sinking fund redemption at a redemption price of 100% of the principal amount to be redeemed, plus accrued interest to the date of redemption, on December 1 of the years and in the respective principal amounts as follows:

Fiscal Year	Principal Amount to be Redeemed
2026	\$305,000
2027	310,000

The remaining principal amount of such Term Bonds (\$315,000) will be paid at stated maturity on December 1, 2027.

The Term Bonds maturing on December 1, 2036 are subject to mandatory sinking fund redemption at a redemption price of 100% of the principal amount to be redeemed, plus accrued interest to the date of redemption, on December 1 of the years and in the respective principal amounts as follows:

Fiscal Year	Principal Amount to be Redeemed
2026	\$575,000

The remaining principal amount of such Term Bonds (\$630,000) will be paid at stated maturity on December 1, 2036.

Energy conservation note: On February 10, 2016, the District issued \$620,000 in energy conservation notes for the purpose of purchasing and installing energy conservation measures.. The notes were issued for a ten year period, with final maturity in fiscal year 2025. The notes bear an interest rate of 2.69% and are retired through the debt service fund.

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

**OTTAWA-GLANDORF LOCAL SCHOOL DISTRICT
PUTNAM COUNTY**

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

<u>Year</u> <u>Ended</u>	<u>General Obligation Bonds</u>			<u>Capital Appreciation Bonds</u>		
	<u>Principal</u>	<u>Interest</u>	<u>Total</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2017	\$55,000	\$573,981	\$628,981	\$83,590	\$391,410	\$475,000
2018	55,000	572,694	627,694	71,751	413,249	485,000
2019	525,000	561,744	1,086,744	28,800	141,200	170,000
2020	550,000	540,919	1,090,919	23,963	151,037	175,000
2021	2,460,000	1,370,453	3,830,453	47,231	472,769	520,000
2022- 2026	5,585,000	1,684,072	7,269,072			
2027- 2031	2,555,000	1,064,028	3,619,028			
2032- 2036	2,360,000	382,000	2,742,000			
2037	630,000	12,600	642,600			
Total	<u>\$14,775,000</u>	<u>\$6,762,491</u>	<u>\$21,537,491</u>	<u>\$255,335</u>	<u>\$1,569,665</u>	<u>\$1,825,000</u>

<u>Year</u> <u>Ended</u>	<u>Energy Conservation Note</u>		
	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2017	\$55,231	\$15,582	\$70,813
2018	56,735	14,078	70,813
2019	58,281	12,533	70,814
2020	59,868	10,946	70,814
2021	61,498	9,316	70,814
2022- 2026	263,204	20,051	283,255
2027	34,934	473	35,407
Total	<u>\$589,751</u>	<u>\$82,979</u>	<u>\$672,730</u>

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

The District had a voted debt margin of \$5,534,208. The District exceeded its overall unvoted debt margin by \$370,512. Ohio Revised Code 133.06 (G)(2)(c) allows a district to issue securities in excess of the legal debt margin for the purpose of participating in the HB-264 School Energy Conservation Financing program.

NOTE 12 – SET ASIDE REQUIREMENTS

The District is required by State statute to annually set aside, in the General Fund, an amount based on a statutory formula for the acquisition and construction of capital improvements. Amounts not spent by the

**OTTAWA-GLANDORF LOCAL SCHOOL DISTRICT
PUTNAM COUNTY**

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

end of the fiscal year or offset by similarly restricted resources received during the fiscal year must be held in cash at fiscal year end. These amounts must be carried forward and used for the same purpose in future years.

The following cash basis information identifies the changes in the fund balance reserve for capital improvements, during 2016.

	Capital Maintenance
Balance at June 30, 2015	
Current Year Set Aside Requirement	\$248,991
Qualifying Disbursements	(248,991)
Balance at June 30, 2016	

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

NOTE 13 – INTERFUND TRANSFERS

During 2016 the following transfers were made:

		Transfers In		
		Special Revenue	Debt Retirement	Total
Transfers Out	Governmental Funds:			
	General	\$75,000	\$35,407	\$110,407
	Fiduciary Funds:			
	Agency	452		452
	Total	\$75,452	\$35,407	\$110,859

Transfers are used to move receipts from the fund that statute or budget requires to collect them to the fund that statute or budget requires to expend them, move receipts restricted to debt service from the funds collecting the receipts to the debt service fund as debt service payments become due, and use unrestricted receipts collected in the General Fund to finance various programs accounted for in other funds in accordance with budgetary authorizations.

NOTE 14 – CONTINGENCIES

A. Grants

The District received financial assistance from federal and state agencies in the form of grants. The expenditure of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements, and is subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the General Fund or other

**OTTAWA-GLANDORF LOCAL SCHOOL DISTRICT
PUTNAM COUNTY**

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

applicable funds. However, in the opinion of management, any such disallowed claims will not have a material adverse effect on the overall financial position of the District at June 30, 2016.

B. Litigation

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

C. School Funding

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

NOTE 15 – JOINTLY GOVERNED ORGANIZATIONS

A. Northwest Ohio Area Computer Services Cooperative

The District is a participant in the Northwest Ohio Area Computer Services Cooperative (NOACSC) which is a computer consortium. NOACSC is an association of public school districts within the boundaries of Allen, Hancock, Paulding, Putnam, and Van Wert counties, and the cities of St. Marys and Wapakoneta. The organization was formed for the purpose of applying modern technology (with the aid of computers and other electronic equipment) to administrative and instructional functions among member school districts.

The governing board of NOACSC consists of two representatives from each county elected by majority vote of all charter member school districts within each county plus one representative from the fiscal agent school district. Financial information can be obtained from Ray Burden, who serves as director, at 645 South Main Street, Lima, Ohio 45804.

B. Millstream Cooperative Career Center

The Millstream Cooperative Career Center is a distinct political subdivision of the State of Ohio established under Section 3313.90. The Career Center operates under the direction of an Advisory Council consisting of the superintendent of each participating school district and one additional representative appointed by the Findlay City School District. The Putnam and Hancock Counties Educational Service Centers serve in an ex-officio capacity for all meetings. To obtain financial information write to the Findlay City School District, Michael Barnhart, Treasurer, at 227 South West Street, Findlay, Ohio 45840-3377.

C. Northwestern Ohio Educational Research Council, Inc.

The Northwestern Ohio Educational Research Council, Inc. (NOERC) is a jointly governed organization formed to bring educational entities into a better understanding of their common educational problems, facilitate and conduct practical educational research, coordinate educational research among members, provide a means for evaluating and disseminating the results of research, serve as a repository for research and legislative materials, and provide opportunities for training. The NOERC serves a twenty-

**OTTAWA-GLANDORF LOCAL SCHOOL DISTRICT
PUTNAM COUNTY**

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

five county area in Northwest Ohio. The Board of Directors consists of superintendents from two educational service centers, two exempted village school districts, five local school districts, and five city school districts, as well as representative from two private or parochial schools and three institutions of higher education. Each active member is entitled to one vote on all issues addressed by the Board of Directors. Financial information can be obtained from the Northwestern Ohio Educational Research Council, Inc., Box 456, Ashland, Ohio 44805.

D. State Support Team Region 1

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

NOTE 16 – SUBSEQUENT EVENTS

On October 20, 2016, the District issued refunding bonds in the amount of \$7,070,000 for the purpose of refunding the 2007 General Obligation Bonds.

**OTTAWA-GLANDORF LOCAL SCHOOL DISTRICT
PUTNAM COUNTY**

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

FEDERAL GRANTOR <i>Pass through Grantor</i>	Federal CFDA Number	Total Federal Expenditures
Program Title/Cluster Title		
UNITED STATES DEPARTMENT OF AGRICULTURE		
<i>Passed Through Ohio Department of Education:</i>		
<u>Nutrition Cluster:</u>		
National School Lunch Program:		
Cash Assistance	10.555	\$216,039
Non-Cash Assistance (Food Distribution)	10.555	<u>53,986</u>
Total National School Lunch Program		270,025
 School Breakfast Program	 10.553	 <u>21,109</u>
Total United States Department of Agriculture		<u>291,134</u>
UNITED STATES DEPARTMENT OF EDUCATION		
<i>Passed Through Ohio Department of Education</i>		
Title I Grants to Local Educational Agencies	84.010	21,887
		<u>90,196</u>
Total Title I Grants to Local Educational Agencies		112,083
 Supporting Effective Instruction State Grant	 84.367	 5,733
		<u>35,369</u>
Total Supporting Effective Instruction State Grant		41,102
<u>Special Education Cluster:</u>		
Special Education - Grants to States	84.027	39,347
		<u>274,285</u>
Total Special Education - Grants to States		313,632
 Special Education - Preschool Grants	 84.173	 1,441
		<u>8,147</u>
Total Special Education - Preschool Grants		9,588
Total Special Education Cluster		<u>323,220</u>
 Twenty-First Century Community Learning Centers	 84.287	 88,627
		<u>402,885</u>
Total Twenty-First Century Community Learning Centers		491,512
<i>Passed Through Mercer County Educational Service Center</i>		
English Language Acquisition State Grants	84.365	1,774
		<u>1,774</u>
Total United States Department of Education		<u>969,691</u>
Total Schedule of Expenditures of Federal Awards		<u><u>\$1,260,825</u></u>

The accompanying notes are an integral part of this schedule.

**OTTAWA-GLANDORF LOCAL SCHOOL DISTRICT
PUTNAM COUNTY**

**NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
2 CFR 200.510(b)(6)
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

NOTE A – BASIS OF PRESENTATION

The accompanying Schedule of Expenditures of Federal Awards (the Schedule) includes the federal award activity of Ottawa-Glandorf Local School District (the District's) under programs of the federal government for the year ended June 30, 2016. The information on this Schedule is prepared in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of the District, it is not intended to and does not present the financial position of the District.

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Expenditures reported on the Schedule are reported on the cash basis of accounting. Such expenditures are recognized following either the cost principles contained in OMB Circular A-87 *Cost Principles for State, Local, and Indian Tribal Governments* (codified in 2 CFR Part 225), or the cost principles contained in Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, wherein certain types of expenditures may or may not be allowable or may be limited as to reimbursement. The District has elected not to use the 10-percent de minimis indirect cost rate as allowed under the Uniform Guidance.

NOTE D - CHILD NUTRITION CLUSTER

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

NOTE E – FOOD DONATION PROGRAM

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

NOTE F - TRANSFERS BETWEEN PROGRAM YEARS

Federal regulations require schools to obligate certain federal awards by June 30. However, with ODE's consent, schools can transfer unobligated amounts to the subsequent fiscal year's program. The District transferred the following amounts from 2015 to 2016 programs:

<u>Program Title</u>	<u>CFDA Number</u>	<u>Amt. Transferred</u>
Special Education - Grants to States	84.027	\$1,413
Title I Grants to Local Education Agencies	84.010	232



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

Ottawa-Glandorf Local School District
Putnam County
630 Glendale Avenue
Ottawa, Ohio 45875-1162

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 Ottawa-Glandorf Local School District, Putnam County, Ohio (the District) as of and for the year ended June 30, 2016, and the related notes to the financial statements, and have issued our report thereon dated March 14, 2017, wherein we issued an adverse opinion on the District's financial statements because the District prepared its financial statements using accounting practices the Auditor of State prescribes or permits for governments not required to report using accounting principles generally accepted in the United States of America and wherein we noted the District did not adopt the provisions of Governmental Accounting Standards Board Statement No. 54 *Fund Balance Reporting and Governmental Fund Type Definitions*.

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 opinion 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. Therefore, unidentified material weaknesses or significant deficiencies may exist. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings that we consider material weaknesses. We consider findings 2016-001 and 2016-002 to be material weaknesses.

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

Compliance and Other Matters

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

Entity's Responses to Findings

The District's responses to the findings identified in our audit are described in the accompanying schedule of findings. We did not audit the District's responses and, accordingly, we express no opinion on them.

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

March 14, 2017



Dave Yost • Auditor of State

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH MAJOR FEDERAL PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE

Ottawa-Glandorf Local School District
Putnam County
630 Glendale Avenue
Ottawa, Ohio 45875-1162

To the Board of Education:

Report on Compliance for Each Major Federal Program

We have audited Ottawa-Glandorf Local School District, Putnam County, Ohio's (the District) compliance with the applicable requirements described in the U.S. Office of Management and Budget (OMB) *Compliance Supplement* that could directly and materially affect each of the Ottawa-Glandorf Local School District's major federal programs for the year ended June 30, 2016. The *Summary of Auditor's Results* in the accompanying schedule of findings identifies the District's major federal programs.

Management's Responsibility

The District's Management is responsible for complying with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to opine on the District's compliance for each of the District's major federal programs based on our audit of the applicable compliance requirements referred to above. Our compliance audit followed auditing standards generally accepted in the United States of America; the standards for financial audits included in the Comptroller General of the United States' *Government Auditing Standards*; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). These standards and the Uniform Guidance require us to plan and perform the audit to reasonably assure whether noncompliance with the applicable compliance requirements referred to above that could directly and materially affect a major federal program occurred. An audit includes examining, on a test basis, evidence about the District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

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

Opinion on Each Major Federal Program

In our opinion, the District complied, in all material respects with the compliance requirements referred to above that could directly and materially affect its major federal programs for the year ended June 30, 2016.

Report on Internal Control Over Compliance

The District's management is responsible for establishing and maintaining effective internal control over compliance with the applicable compliance requirements referred to above. In planning and performing our compliance audit, we considered the District's internal control over compliance with the applicable requirements that could directly and materially affect a major federal program, to determine our auditing procedures appropriate for opining on each major federal program's compliance and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not to the extent needed to opine on the effectiveness of internal control over compliance. Accordingly, we have not opined on the effectiveness of the District's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, when performing their assigned functions, to prevent, or to timely detect and correct, noncompliance with a federal program's applicable compliance requirement. A *material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a federal program compliance requirement will not be prevented, or timely detected and corrected. A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with federal program's applicable compliance requirement that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Ottawa-Glandorf Local School District
Putnam County
Independent Auditor's Report on Compliance with Requirements
Applicable to Each Major Federal Program and on Internal Control
Over Compliance Required by the Uniform Guidance
Page 3

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

This report only describes the scope of our internal control over compliance tests and the results of this testing based on Uniform Guidance requirements. Accordingly, this report is not suitable for any other purpose.

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

Dave Yost
Auditor of State

Columbus, Ohio

March 14, 2017

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**OTTAWA-GLANDORF LOCAL SCHOOL DISTRICT
PUTNAM COUNTY**

**SCHEDULE OF FINDINGS
2 CFR § 200.515
JUNE 30, 2016**

1. SUMMARY OF AUDITOR'S RESULTS
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(d)(1)(i)	Type of Financial Statement Opinion	Adverse
(d)(1)(ii)	Were there any material weaknesses in internal control reported at the financial statement level (GAGAS)?	Yes
(d)(1)(ii)	Were there any significant deficiencies in internal control reported at the financial statement level (GAGAS)?	No
(d)(1)(iii)	Was there any reported material noncompliance at the financial statement level (GAGAS)?	Yes
(d)(1)(iv)	Were there any material weaknesses in internal control reported for major federal programs?	No
(d)(1)(iv)	Were there any significant deficiencies in internal control reported for major federal programs?	No
(d)(1)(v)	Type of Major Programs' Compliance Opinion	Unmodified
(d)(1)(vi)	Are there any reportable findings under 2 CFR § 200.516(a)?	No
(d)(1)(vii)	Major Programs (list):	Special Education Cluster Twenty-First Century Community Learning Centers CFDA #84.287
(d)(1)(viii)	Dollar Threshold: Type A/B Programs	Type A: > \$ 750,000 Type B: all others
(d)(1)(ix)	Low Risk Auditee under 2 CFR §200.520?	No

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

FINDING NUMBER 2016-001

Noncompliance Citation and Material Weakness

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

Ohio Admin. Code § 117-2-03(B), which further clarifies the requirements of Ohio Rev. Code § 117.38, requires school districts to prepare their annual financial report in accordance with accounting principles generally accepted in the United States of America.

The District lacked a GASB 34 policy and therefore prepares its financial statements in accordance with standards established by the Auditor of State for governmental entities not required to prepare annual reports in accordance with generally accepted accounting principles. The accompanying financial statements and notes omit assets, liabilities, fund equities, and disclosures that, while material, cannot be determined at this time. The District can be fined and various other administrative remedies may be taken against the District.

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

Officials' Response:

The Board of Education and management of the District are knowledgeable concerning the required reporting format (GASB 34 / Generally Accepted Accounting Principles) and the similarities and differences from the required reporting format and the method currently incorporated by the District (Cash Basis of Accounting). District personnel considered the cost-benefit of the two reporting formats and determined reporting on the Cash Basis of Accounting format to be the more fiscally responsible format at this time.

FINDING NUMBER 2016-002

Material Weakness

Implementation of GASB 54

Governmental Accounting Standards Board (GASB) Statement No. 54, Fund Balance Reporting and Governmental Fund Type Definitions introduces five fund balance classifications and clarifies the existing governmental fund type definitions. The fund balance classifications relate to constraints imposed upon the use of its governmental-fund resources. Those classifications include: Non-spendable, Restricted, Committed, Assigned, and Unassigned.

The District failed to adopt the provisions of Governmental Accounting Standards Board Statement No. 54 Fund Balance Reporting and Governmental Fund Type Definitions for the year ended June 30, 2016 as mandated by the Auditor of State Bulletin 2011-004 for regulatory basis financial statements.

By not implementing GASB No. 54 the District is not fully disclosing the manner in which fund balances are restricted. Noncompliance due to a lack of a GASB 54 policy could also affect the classification of funds and increases the risk fund balances may be improperly spent.

We recommend the District adopt the provisions of GASB No. 54 as specified in Auditor of State Bulletin 2011-004.

Officials' Response:

The Board of Education and management of the District are knowledgeable concerning the required reporting format of GASB 54 and the similarities and differences from the required reporting format and the method currently incorporated by the District. District personnel considered the cost-benefit of the two reporting formats and determined our current reporting format to be the more fiscally responsible format at this time.

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**OTTAWA-GLANDORF LOCAL SCHOOL DISTRICT
PUTNAM COUNTY**

**SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
2 CFR 200.511(b)
JUNE 30, 2016**

Finding Number	Finding Summary	Status	Additional Information
2015-001	Ohio Rev. Code § 117.38 and Ohio Admin. Code § 117-2-03(B) for reporting on basis other than generally accepted accounting principles.	No	District personnel considered the cost-benefit of the two reporting formats and determined our current reporting format to be the more fiscally responsible format at this time.
2015-002	Material weakness for not adopting the provisions of Governmental Accounting Standards Board Statement No. 54 Fund Balance Reporting and Governmental Fund Type Definitions.	No	District personnel considered the cost-benefit of the two reporting formats and determined our current reporting format to be the more fiscally responsible format at this time.
2015-003	Material weakness to improve monitoring of financial statement errors.	Partially corrected and moved to the Management Letter.	The client declined to offer an explanation why the finding reoccurred or what further corrective action they may anticipate.
2015-004	34 CFR 80.20(b)(7) for not spending cash drawdowns timely	Finding no longer valid	30 day rule was repealed when Uniform Guidance was implemented.

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**OTTAWA-GLANDORF LOCAL SCHOOL DISTRICT
PUTNAM COUNTY**

**CORRECTIVE ACTION PLAN
2 CFR § 200.511(c)
JUNE 30, 2016**

Finding Number	Planned Corrective Action	Anticipated Completion Date	Responsible Contact Person
2016-001	District personnel considered the cost-benefit of the two reporting formats and determined our current reporting format to be the more fiscally responsible format at this time. The District Treasurer annually reviews the decision to prepare financial reports following the regulatory basis of accounting.	N/A	Kathy Fruchey
2016-002	District personnel considered the cost-benefit of the two reporting formats and determined our current reporting format to be the more fiscally responsible format at this time. The District Treasurer annually reviews the decision to prepare financial reports following the regulatory basis of accounting.	N/A	Kathy Fruchey

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Dave Yost • Auditor of State

OTTAWA GLANDORF LOCAL SCHOOL DISTRICT

PUTNAM COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

CERTIFIED
APRIL 6, 2017