



Dave Yost • Auditor of State

**OTTAWA-GLANDORF LOCAL SCHOOL DISTRICT
PUTNAM COUNTY
JUNE 30, 2017**

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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 end June 30, 2017, 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 such 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 2017, 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 significance of the matters discussed in the *Basis for Adverse Opinion* paragraph, the financial statements referred to above do not present fairly, in accordance with accounting principles generally accepted in the United States of America, the financial position of Ottawa-Glandorf Local School District as of June 30, 2017, and the respective changes in financial position or cash flows thereof for the year then ended.

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 matters 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 February 14, 2018, 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

February 14, 2018

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

**COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS, AND
CHANGES IN FUND BALANCES (CASH BASIS) - ALL GOVERNMENTAL FUND TYPES
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

	Governmental Fund Types				Totals (Memorandum Only)
	General	Special Revenue	Debt Service	Capital Projects	
Cash Receipts:					
Property Tax and Other Local Taxes	\$5,597,310	\$85,966	\$1,003,646	\$138,832	\$6,825,754
Intergovernmental	7,031,848	1,135,667	165,510	14,037	8,347,062
Tuition	577,361				577,361
Earnings on Investments	47,116	915	647	12,406	61,084
Transportation Fees	61,597				61,597
Extracurricular Activities	246	451,388			451,634
Classroom Materials and Fees	95,848				95,848
Miscellaneous	74,287	18,688			92,975
<i>Total Cash Receipts</i>	<u>13,485,613</u>	<u>1,692,624</u>	<u>1,169,803</u>	<u>165,275</u>	<u>16,513,315</u>
Cash Disbursements:					
Instruction:					
Regular	6,969,617	407,274		17,717	7,394,608
Special	1,748,203	304,145			2,052,348
Vocational Education	250,690				250,690
Other Instruction		129,814			129,814
Supporting Services:					
Pupils	454,453	8,300			462,753
Instructional Staff	340,080	65,851			405,931
Board of Education	77,592				77,592
Administration	1,119,601	127,859			1,247,460
Fiscal Services	380,448	28,783	26,157	3,510	438,898
Business	50				50
Operation and Maintenance of Plant	1,128,818	286,891		138,523	1,554,232
Pupil Transportation	772,893	38,980			811,873
Central	85,113				85,113
Non-Instructional Services	150	364,889			365,039
Extracurricular Activities	434,761	254,832		270,193	959,786
Facilities Acquisition and Construction				127,403	127,403
Debt Service:					
Principal Retirement			193,822		193,822
Interest and Fiscal Charges			976,049		976,049
Bond Issuance Costs			133,218		133,218
<i>Total Cash Disbursements</i>	<u>13,762,469</u>	<u>2,017,618</u>	<u>1,329,246</u>	<u>557,346</u>	<u>17,666,679</u>
<i>Excess of Disbursements Over Receipts</i>	<u>(276,856)</u>	<u>(324,994)</u>	<u>(159,443)</u>	<u>(392,071)</u>	<u>(1,153,364)</u>
Other Financing Receipts (Disbursements):					
Refunding Bonds Issued			7,070,000		7,070,000
Premium on Refunding Bonds Issued			939,859		939,859
Payment to Refunded Bond Escrow Agent			(7,875,000)		(7,875,000)
Transfers-In		50,000	70,814		120,814
Transfers-Out	(120,814)				(120,814)
Advances-In	20,000	135,780			155,780
Advances-Out	(135,780)	(20,000)			(155,780)
Sale of Fixed Assets	35,571				35,571
<i>Total Other Financing Receipts (Disbursements)</i>	<u>(201,023)</u>	<u>165,780</u>	<u>205,673</u>		<u>170,430</u>
<i>Net Change in Fund Cash Balances</i>	<u>(477,879)</u>	<u>(159,214)</u>	<u>46,230</u>	<u>(392,071)</u>	<u>(982,934)</u>
<i>Fund Cash Balances, July 1</i>	<u>4,400,768</u>	<u>796,685</u>	<u>832,993</u>	<u>1,863,351</u>	<u>7,893,797</u>
<i>Fund Cash Balances, June 30</i>	<u>\$3,922,889</u>	<u>\$637,471</u>	<u>\$879,223</u>	<u>\$1,471,280</u>	<u>\$6,910,863</u>
Reserve for Encumbrances, June 30	<u>\$431,275</u>	<u>\$296,877</u>		<u>\$4,847</u>	<u>\$732,999</u>

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

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

**COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS,
AND CHANGES IN FUND BALANCES (CASH BASIS)
ALL PROPRIETARY AND SIMILAR FIDUCIARY FUND TYPES
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

	<u>Proprietary Fund Type</u>	<u>Fiduciary Fund Type</u>	Totals (Memorandum Only)
	<u>Enterprise</u>	<u>Agency</u>	
Operating Cash Receipts:			
Food Services	\$502,829		\$502,829
Extracurricular Activities	853	\$168,092	168,945
Charges for Services	32,565		32,565
<i>Total Operating Cash Receipts</i>	<u>536,247</u>	<u>168,092</u>	<u>704,339</u>
Operating Cash Disbursements:			
Personal Services	237,563	13,700	251,263
Employees Retirement and Insurance	131,633	2,135	133,768
Purchased Services	19,718	20,680	40,398
Supplies and Materials	378,092	706	378,798
Other Operating Expenses	1,657	136,464	138,121
<i>Total Operating Cash Disbursements</i>	<u>768,663</u>	<u>173,685</u>	<u>942,348</u>
<i>Operating Loss</i>	<u>(232,416)</u>	<u>(5,593)</u>	<u>(238,009)</u>
Non-Operating Receipts:			
Intergovernmental receipts	244,582		244,582
Earnings on Investments	2,750		2,750
Miscellaneous	4,896	870	5,766
<i>Total Non-Operating Receipts</i>	<u>252,228</u>	<u>870</u>	<u>253,098</u>
<i>Net Change in Fund Cash Balances</i>	19,812	(4,723)	15,089
<i>Fund Cash Balances, July 1</i>	<u>299,043</u>	<u>28,530</u>	<u>327,573</u>
<i>Fund Cash Balances, June 30</i>	<u>\$318,855</u>	<u>\$23,807</u>	<u>\$342,662</u>
Reserve for Encumbrances, June 30	<u>\$18,177</u>	<u>\$1,954</u>	<u>\$20,131</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, 2017**

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 1,526 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 2017 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, 2017
(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 16 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 Team 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 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 – The 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 Funds – The Debt Service Funds are 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).

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

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017
(Continued)**

PROPRIETARY FUND TYPE

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, 2017
(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 2017, 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 2017 was \$47,116 which included \$21,773 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, 2017
(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 2017, the District has implemented GASB Statement No. 77, "*Tax Abatement Disclosures*", GASB Statement No. 78, "*Pensions Provided Through Certain Multiple-Employer Defined Benefit Pension Plans*", GASB Statement No. 80, "*Blending Requirements for Certain Component Units - An Amendment of GASB Statement No. 14*" and GASB Statement No. 82, "*Pension Issues - An Amendment of GASB Statements No. 67, No. 68 and No. 73*".

GASB Statement No. 77 requires governments that enter into tax abatement agreements to disclose certain information about the agreement. GASB Statement No. 77 also requires disclosures related to tax abatement agreements that have been entered into by other governments that reduce the reporting government's tax revenues. The implementation of GASB Statement No. 77 did not have an effect on the financial statements of the District.

GASB Statement No. 78 establishes accounting and financial reporting standards for defined benefit pensions provided to the employees of state or local governmental employers through a cost-sharing multiple-employer defined benefit pension plan (cost-sharing pension plan) that meets the criteria in paragraph 4 of Statement 68 and that (a) is not a state or local governmental pension plan, (b) is used to

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

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017
(Continued)**

provide defined benefit pensions both to employees of state or local governmental employers and to employees of employers that are not state or local governmental employers, and (c) has no predominant state or local governmental employer (either individually or collectively with other state or local governmental employers that provide pensions through the pension plan). The implementation of GASB Statement No. 78 did not have an effect on the financial statements of the District.

GASB Statement No. 80 improves the financial reporting by clarifying the financial statement presentation requirements for certain component units. This Statement applies to component units that are organized as not-for-profit corporations in which the primary government is the sole corporate member. The implementation of GASB Statement No. 80 did not have an effect on the financial statements of the District.

GASB Statement No. 82 addresses issues regarding (1) the presentation of payroll-related measures in required supplementary information, (2) the selection of assumptions and the treatment of deviations from the guidance in an Actuarial Standard of Practice for financial reporting purposes, and (3) the classification of payments made by employers to satisfy employee (plan member) contribution requirements. The implementation of GASB Statement No. 82 did not have an effect on the financial statements of the District.

NOTE 4 – DEPOSITS AND INVESTMENTS

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

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

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017
(Continued)**

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).

Investments in stripped principal or interest obligations, reverse repurchase agreements and derivatives are prohibited. The issuance of taxable notes for the purpose of arbitrage, the use of leverage and short selling are also prohibited. An investment must mature within five years from the date of purchase unless matched to a specific obligation or debt of the District, and must be purchased with the expectation that it will be held to maturity.

Investments may only be made through specified dealers and institutions. Payment for investments may be made only upon delivery of the securities representing the investments to the treasurer or, if the securities are not represented by a certificate, upon receipt of confirmation of transfer from the custodian. At year end, the District had \$1,020 in undeposited cash on hand which is included as part of "Fund Cash Balances".

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, 2017, \$315,868 of the District's bank balance of \$6,465,281 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. Effective July 1, 2017, the Ohio Pooled Collateral System (OPCS) was implemented by the Office of the Ohio Treasurer of State. Financial institutions can elect to participate in the OPCS and will collateralize at 102 percent or a rate set by the Treasurer of State. Financial institution opting not to participate in OPCS will collateralize utilizing the specific pledge method at 105 percent.

Investments

As of June 30, 2017, the District had the following investment and maturities:

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	Measurement Value	Maturity
U.S. Government Money Market Mutual Fund	\$1,115,200	Less than 1 year

Interest Rate Risk: As a means of limiting its exposure to fair value losses arising from rising interest rates and according to State law, the District's investment policy limits investment portfolio maturities to five years or less.

Credit Risk: The District's investment in the US Government mutual fund was not rated. The District's investment policy does not specifically address credit risk beyond the adherence to all relevant sections of the Ohio Revised Code.

Custodial Credit Risk: For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the District will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The District has no investment policy dealing with investment custodial risk beyond the requirement in State statute that prohibits payment for investments prior to the delivery of the securities representing such investments to the Treasurer or qualified trustee.

Concentration of Credit Risk: The District places no limit on the amount that may be invested in any one issuer other than for commercial paper and banker's acceptances. The only investment held by the District at June 30, 2017 was the U. S. Government Money Market Mutual Fund.

NOTE 5 – BUDGETARY ACTIVITY

Budgetary activity for the year ending June 30, 2017 follows:

2017 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$13,558,735	\$13,541,184	(\$17,551)
Special Revenue	2,129,219	1,878,404	(250,815)
Debt Service	9,249,869	9,250,476	607
Capital Projects	177,308	165,275	(12,033)
Enterprise	790,000	788,475	(1,525)
Total	\$25,905,131	\$25,623,814	(\$281,317)

2017 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$14,540,017	\$14,450,338	\$89,679
Special Revenue	2,644,020	2,334,495	309,525
Debt Service	9,205,000	9,204,246	754
Capital Projects	1,594,118	562,193	1,031,925
Enterprise	809,941	786,840	23,101
Total	\$28,793,096	\$27,338,112	\$1,454,984

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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.

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 2017 represent the collection of calendar years 2016 taxes. Real property taxes received in calendar years 2017 were levied after April 1, 2016, on the assessed values as of January 1, 2016, 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 2017 represent the collection of calendar year 2016 taxes. Public utility real and tangible personal property taxes received in calendar year 2016 became a lien on December 31, 2015, were levied after April 1, 2016 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, 2017 are available to finance fiscal year 2017 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 2017 taxes were collected are:

	2016 Second- Half Collections		2017 First- Half Collections	
	Amount	Percent	Amount	Percent
Real Property:				
Agricultural/Residential	\$185,412,290	85%	\$187,212,130	84%
Industrial/Commercial	25,134,360	11%	25,623,410	12%
Public Utility Property	8,692,790	4%	8,882,550	4%
Total Assessed Value	<u>\$219,239,440</u>	100%	<u>\$221,718,090</u>	100%
Tax rate per \$1,000 of assessed valuation	\$29.26		\$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.

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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 2017, the District contracted for the following insurance coverage.

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.

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(Continued)**

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.

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

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

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

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

GASB 68 assumes the liability is solely the obligation of the employer, because (1) they benefit from employee services; and (2) State statute requires all funding to come from these employers. All contributions to date have come solely from these employers (which also includes costs paid in the form of withholdings from employees). State statute requires the pension plans to amortize unfunded liabilities within 30 years. If the amortization period exceeds 30 years, each pension plan's board must propose corrective action to the State legislature. Any resulting legislative change to benefits or funding could significantly affect the net pension liability. Resulting adjustments to the net pension liability would be effective when the changes are legally enforceable.

Plan Description - School Employees Retirement System (SERS)

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

Age and service requirements for retirement are as follows:

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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, 2017, the allocation to pension, death benefits, and Medicare B was 14 percent. None of the employer contribution rate was allocated to the Health Care Fund.

The District's contractually required contribution to SERS was \$256,160 for fiscal year 2017.

Plan Description - State Teachers Retirement System (STRS)

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

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

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

The Combined Plan offers features of both the DB Plan and the DC Plan. In the Combined Plan, 11.5% of the 13% member rate goes to the DC Plan and the remaining 1.5% is applied to the DB Plan. Member contributions to the DC Plan are allocated among investment choices by the member, and contributions to the DB Plan from the employer and the member are used to fund the defined benefit payment at a reduced level from the regular DB Plan. The defined benefit portion of the Combined Plan payment is payable to a member on or after age 60 with five years of services. The defined contribution portion of the account may be taken as a lump sum payment or converted to a lifetime monthly annuity at age 50.

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

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

Funding Policy - Employer and member contribution rates are established by the State Teachers Retirement Board and limited by Chapter 3307 of the Ohio Revised Code. For fiscal year 2017, plan members were required to contribute 14 percent of their annual covered salary. The District was required to contribute 14 percent; the entire 14 percent was the portion used to fund pension obligations. The 2017 contribution rates were equal to the statutory maximum rates.

The District's contractually required contribution to STRS Ohio was \$867,125 for fiscal year 2017.

Net Pension Liability

The net pension liability was measured as of June 30, 2016, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The District's proportion of the net pension liability was based on the District's share of contributions to the pension plan relative to the projected contributions of all participating entities. Following is information related to the proportionate share:

	<u>SERS</u>	<u>STRS Ohio</u>	<u>Total</u>
Proportion of the net pension liability prior measurement date	0.05495370%	0.05481838%	
Proportion of the net pension liability current measurement date	<u>0.05752570%</u>	<u>0.05451323%</u>	
Change in proportionate share	<u>0.00257200%</u>	<u>-0.00030515%</u>	
Proportionate share of the net pension liability	\$ 4,210,350	\$ 18,247,221	\$ 22,457,571

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Actuarial Assumptions - SERS

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

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

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

Key methods and assumptions used in calculating the total pension liability in the latest actuarial valuation, prepared as of June 30, 2016, are presented below:

Wage inflation	3.00 percent
Future salary increases, including inflation	3.50 percent to 18.20 percent
COLA or ad hoc COLA	3 percent
Investment rate of return	7.50 percent net of investments expense, including inflation
Actuarial cost method	Entry age normal (level percent of payroll)

For post-retirement mortality, the table used in evaluating allowances to be paid is the RP-2014 Blue Collar Mortality Table with fully generational projection and Scale BB, with 120% of male rates and 110% of female rates used. The RP-2000 Disabled Mortality Table with 90% for male rates and 100% for female rates set back five years is used for the period after disability retirement. Special mortality tables are used for the period after disability retirement.

The actuarial assumptions used in the June 30, 2016 valuation were based on the results of an experience study that was completed June 30, 2015. As a result of the actuarial experience study, the following changes of assumptions affected the total pension liability since the prior measurement date: (a) the assumed rate of inflation was reduced from 3.25% to 3.00%, (b) payroll growth assumption was reduced from 4.00% to 3.50%, (c) assumed real wage growth was reduced from 0.75% to 0.50%, (d) Rates of withdrawal, retirement and disability were updated to reflect recent experience, (e) mortality among active members was updated to RP-2014 Blue Collar Mortality Table with fully generational projection and a five year age set-back for both males and females, (f) mortality among service retired members, and beneficiaries was updated to the following RP-2014 Blue Collar Mortality Table with fully generational projection with Scale BB, 120% of male rates, and 110% of female rates and (g) mortality among disable member was updated to RP-2000 Disabled Mortality Table, 90% for male rates and 100% for female rates, set back five years is used for the period after disability retirement.

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

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expected nominal rate of return has been determined by calculating a weighted averaged of the expected real return premiums for each asset class, adding the projected inflation rate, and adding the expected return from rebalancing uncorrelated asset classes.

The target allocation and best estimates of arithmetic real rates of return for each major assets class are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long Term Expected Real Rate of Return</u>
Cash	1.00 %	0.50 %
US Equity	22.50	4.75
International Equity	22.50	7.00
Fixed Income	19.00	1.50
Private Equity	10.00	8.00
Real Assets	15.00	5.00
Multi-Asset Strategies	10.00	3.00
Total	<u>100.00 %</u>	

Discount Rate - The total pension liability was calculated using the discount rate of 7.50 percent. The projection of cash flows used to determine the discount rate assumed the contributions from employers and from the members would be computed based on contribution requirements as stipulated by State statute. Projected inflows from investment earning were calculated using the long-term assumed investment rate of return (7.50 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 7.50 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 (6.50 percent), or one percentage point higher (8.50 percent) than the current rate.

	<u>1% Decrease 6.50%</u>	<u>Discount Rate 7.50%</u>	<u>1% Increase 8.50%</u>
District's proportionate share of the net pension liability	\$ 5,574,242	\$ 4,210,350	\$ 3,068,717

Actuarial Assumptions - STRS Ohio

The total pension liability in the June 30, 2016, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

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

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

Actuarial assumptions used in the June 30, 2016, valuations are based on the results of an actuarial experience study, effective July 1, 2012.

STRS Ohio's investment consultant develops an estimate range 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:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long Term Expected Real Rate of Return *</u>
Domestic Equity	31.00 %	8.00 %
International Equity	26.00	7.85
Alternatives	14.00	8.00
Fixed Income	18.00	3.75
Real Estate	10.00	6.75
Liquidity Reserves	<u>1.00</u>	3.00
Total	<u>100.00 %</u>	<u>7.61 %</u>

*10-Year geometric nominal returns, which include the real rate of return and inflation of 2.50% and does not include investment expenses. The total fund long-term expected return reflects diversification among the asset classes and therefore is not a weighted average return of the individual asset classes.

Discount Rate - The discount rate used to measure the total pension liability was 7.75 percent as of June 30, 2016. 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, 2016. 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, 2016.

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:

	<u>1% Decrease (6.75%)</u>	<u>Discount Rate (7.75%)</u>	<u>1% Increase (8.75%)</u>
District's proportionate share of the net pension liability	\$ 24,249,074	\$ 18,247,221	\$ 13,184,304

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Changes Between Measurement Date and Report Date - In March 2017, the STRS Board adopted certain assumption changes which impacted their annual actuarial valuation prepared as of July 1, 2016. The most significant changes are a reduction in the expected investment return to 7.45% from 7.75% and a change to updated generational mortality tables. Although the exact amount of these changes is not known, the impact to the District's net pension liability is expected to be significant.

NOTE 10 - POSTEMPLOYMENT BENEFITS

A. School Employees Retirement System

Health Care Plan Description - The District contributes to the SERS Health Care Fund, administered by SERS for non-certificated retirees and their beneficiaries. For GASB 45 purposes, this plan is considered a cost-sharing, multiple-employer, defined benefit other postemployment benefit (OPEB) plan. The Health Care Plan includes hospitalization and physicians' fees through several types of plans including HMO's, PPO's, Medicare Advantage, and traditional indemnity plans as well as a prescription drug program. The financial report of the Plan is included in the SERS Comprehensive Annual Financial Report which can be obtained on SERS' website at [at www.ohsers.org](http://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 2017, no portion of covered payroll was allocated to health care. In addition, employers pay a surcharge for employees earning less than an actuarially determined minimum compensation amount, pro-rated according to service credit earned. For fiscal year 2017, this amount was \$23,500. Statutes provide that no employer shall pay a health care surcharge greater than 2 percent of that employer's SERS-covered payroll; nor may SERS collect in aggregate more than 1.5 percent of the total statewide SERS-covered payroll for the health care surcharge.

The District's contributions for health care for the fiscal years ended June 30, 2017, 2016, and 2015 were \$29,252, \$10,389, and \$16,217, respectively. 100 percent has been contributed for fiscal years 2017, 2016 and 2015.

B. State Teachers Retirement System of Ohio

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

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

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017
(Continued)**

Funding Policy - Ohio law authorizes STRS Ohio to offer the Plan and gives the Retirement Board authority over how much, if any, of the health care costs will be absorbed by STRS Ohio. Active employee members do not contribute to the Plan. All benefit recipients pay a monthly premium. Under Ohio law, funding for post-employment health care may be deducted from employer contributions. For 2017, STRS Ohio did not allocate any employer contributions to the Health Care Stabilization Fund. The District did not make any contributions for health care for the fiscal years ended June 30, 2017, 2016 and 2015.

NOTE 11 – DEBT

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

	Principal Outstanding 6/30/16	Additions	Reductions	Principal Outstanding 6/30/17	Amounts Due in One Year
<u>General Obligation Bonds:</u>					
General obligation bonds – 2016		\$7,070,000		\$7,070,000	
General obligation bonds – 2007	\$7,875,000		\$7,875,000		
Capital appreciation bonds – 2007	155,341		83,591	71,750	\$71,750
Capital appreciation bonds Interest	653,984	110,354	391,409	372,929	372,929
General obligation bonds - 2010	50,000		25,000	25,000	25,000
Capital appreciation bonds - 2010	99,994			99,994	
Capital appreciation bonds Interest	246,702	82,231		328,933	
General obligation bonds - 2014	6,850,000		30,000	6,820,000	30,000
Total Governmental Activities	15,931,021	7,262,585	8,405,000	14,788,606	499,679
<u>Other Long Term Obligations:</u>					
Energy Conservation Note:	589,751		55,231	534,520	56,735
Total General Obligation Bonds					
And Other Long Term Obligations	\$16,520,772	\$7,262,585	\$8,460,231	\$15,323,126	\$556,414

2016 Bonds Refunding of 2007 Advance Refunding Bonds – Interest Rates 2.000 – 4.000%: Proceeds from this issuance were used for the purpose of refunding the advance refunding bonds, dated November 28, 2006, which were used to retire general obligation bonds dated September 15, 2002. The 2016 General Obligation Refunding Bonds in total of \$7,070,000 were issued on October 20, 2016. This current refunding was undertaken to reduce total debt service payments over the next 14 years and resulted in an economic savings of \$1,220,673.

These general obligation refunding 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
2018	\$450,000	2%
2019	470,000	4%
2020	500,000	4%
2021	530,000	4%
2022	560,000	4%

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

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017
(Continued)**

2023	590,000	4%
2025	660,000	4%
2026	700,000	4%
2027	735,000	4%
2028	775,000	3%
2029	805,000	3%
2030	295,000	3%

The 2016 general obligation refunding bonds are subject to optional 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, 2026, at a redemption equal to 100 percent of the principal amount redeemed plus accrued interest to the redemption date. The bonds are being retired through the Bond Retirement Debt Service Fund.

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. On December 1, 2016, the outstanding \$7,875,000 of current interest serial and term bonds were refunded. The remaining capital appreciation bond will be retired with a bonded debt tax levy and will be repaid from the Bond Retirement Fund in fiscal year 2018.

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

Fiscal Year	Original Principal Amount	Accreted Value at Maturity
2018	\$71,750	\$485,000

At June 30, 2017, the total amount of this bond including accretion was \$444,679. 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 2017, \$82,231 was accreted for a total bond value of \$428,927 at fiscal year-end.

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

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017
(Continued)**

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>
2018	\$30,000	3.00%
2019	30,000	1.50%
2020	30,000	2.00%
2025	950,000	3.00%
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:

<u>Fiscal Year</u>	<u>Principal Amount to be Redeemed</u>
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:

<u>Fiscal Year</u>	<u>Principal Amount to be Redeemed</u>
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.

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

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017
(Continued)**

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:

<u>Fiscal Year</u>	<u>Principal Amount to be Redeemed</u>
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, 2017, 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, 2017 are as follows:

<u>Year 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>
2018	\$55,000	\$504,750	\$559,750	\$71,750	\$413,250	\$485,000
2019	480,000	499,200	979,200	28,800	141,200	170,000
2020	500,000	484,775	984,775	23,963	151,037	175,000
2021	530,000	464,625	994,625	47,231	472,769	520,000
2022	560,000	443,125	1,003,125			
2023-2027	4,340,000	1,803,494	6,143,494			
2028-2032	4,835,000	909,169	5,744,169			
2033-2037	2,615,000	282,500	2,897,500			
Total	<u>\$13,915,000</u>	<u>\$5,391,638</u>	<u>\$19,306,638</u>	<u>\$171,744</u>	<u>\$1,178,256</u>	<u>\$1,350,000</u>

<u>Year Ended</u>	<u>Energy Conservation Note</u>		
	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
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	63,173	7,641	70,814
2022-2027	234,965	12,883	247,848
Total	<u>\$534,520</u>	<u>\$67,397</u>	<u>\$601,917</u>

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

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017
(Continued)**

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 \$6,747,107. The District exceeded its overall unvoted debt margin by \$312,802. 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 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 2017.

	Capital Maintenance
Balance at June 30, 2016	
Current Year Set Aside Requirement	\$259,489
Qualifying Disbursements	(259,489)
Balance at June 30, 2017	

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 2017 the following transfers were made:

Transfer Out	Transfers In		Total
	Special Revenue	Debt Retirement	
Governmental Fund:			
General	\$50,000	\$70,814	\$120,814

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.

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

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017
(Continued)**

NOTE 14 – INTERFUND ADVANCES

During 2017 the following advances were made:

		Advances In		
		General	Special Revenue	Total
Advances Out	Governmental Funds:			
	General		\$135,780	\$135,780
	Special Revenue	\$20,000		20,000
	Total	\$20,000	\$135,780	\$155,780

NOTE 15 – 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 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, 2017.

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. The Ohio Department of Education (ODE) is legislatively required to adjust/reconcile funding as enrollment information is updated by schools throughout the State, which can extend past the fiscal year end. As of the date of this report, additional ODE adjustments for fiscal year 2017 are not finalized. As a result, the impact of future FTE adjustments on the fiscal year 2017 financial statements is not determinable, at this time. Management believes this may result in either an additional receivable to or a liability of the District.

NOTE 16 – 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.

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

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017
(Continued)**

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

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

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

FEDERAL GRANTOR Pass through Grantor Program / Cluster Title	Federal CFDA Number	Total Federal Expenditures
U.S. DEPARTMENT OF AGRICULTURE		
Passed Through Ohio Department of Education		
<u>Nutrition Cluster:</u>		
National School Lunch Program:		
Cash Assistance	10.555	\$214,156
Non-Cash Assistance (Food Distribution)	10.555	26,447
Total National School Lunch Program		<u>240,603</u>
School Breakfast Program	10.553	<u>72,920</u>
Total Nutrition Cluster		<u>313,523</u>
Total U.S. Department of Agriculture		<u>313,523</u>
U.S. DEPARTMENT OF EDUCATION		
Passed Through Ohio Department of Education		
Title I Grants to Local Educational Agencies	84.010	15,848
Total Title I Grants to Local Educational Agencies		<u>106,740</u>
Supporting Effective Instruction State Grants	84.367	2,980
Total Supporting Effective Instruction State Grants		<u>33,548</u>
<u>Special Education Cluster:</u> Special Education Grants to States	84.027	29,221
Total Special Education Grants to States		<u>280,352</u>
Special Education Preschool Grants	84.173	1,100
Total Special Education Preschool Grants		<u>8,045</u>
Total Special Education Cluster		<u>318,718</u>
Twenty-First Century Community Learning Centers	84.287	58,595
Total Twenty-First Century Community Learning Centers		<u>379,963</u>
Passed Through Mercer County Educational Service Center English Language Acquisition State Grants	84.365	1,861
Total U.S. Department of Education		<u>918,253</u>
Total Expenditures of Federal Awards		<u><u>\$1,231,776</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, 2017**

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, 2017. 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, changes in net position, or cash flows 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 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 C - 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.



Dave Yost • Auditor of State

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

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, 2017, and the related notes to the financial statements and have issued our report thereon dated February 14, 2018, wherein we issued an adverse opinion as the District followed financial reporting provisions Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit 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 opinions on the financial statements, but not to the extent necessary to opine on the effectiveness of the District's internal control. Accordingly, we have not opined on it.

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all internal control deficiencies that might be material weaknesses or significant deficiencies. 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 2017-001 through 2017-003 to be material weaknesses.

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 2017-001.

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 report is not suitable for any other purpose.



Dave Yost
Auditor of State

Columbus, Ohio

February 14, 2018



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'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 Ottawa-Glandorf Local School District's major federal programs for the year ended June 30, 2017. 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, Ottawa-Glandorf Local School District complied, in all material respects with the compliance requirements referred to above that could directly and materially affect each of its major federal programs for the year ended June 30, 2017.

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.

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.

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
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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

February 14, 2018

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

**SCHEDULE OF FINDINGS
2 CFR § 200.515
JUNE 30, 2017**

1. SUMMARY OF AUDITOR'S RESULT

<i>(d)(1)(i)</i>	Type of Financial Statement Opinion	Adverse
<i>(d)(1)(ii)</i>	Were there any material weaknesses in internal control reported at the financial statement level (GAGAS)?	Yes
<i>(d)(1)(ii)</i>	Were there any significant deficiencies in internal control reported at the financial statement level (GAGAS)?	No
<i>(d)(1)(iii)</i>	Was there any reported material noncompliance at the financial statement level (GAGAS)?	Yes
<i>(d)(1)(iv)</i>	Were there any material weaknesses in internal control reported for major federal programs?	No
<i>(d)(1)(iv)</i>	Were there any significant deficiencies in internal control reported for major federal programs?	No
<i>(d)(1)(v)</i>	Type of Major Programs' Compliance Opinion	Unmodified
<i>(d)(1)(vi)</i>	Are there any reportable findings under 2 CFR § 200.516(a)?	No
<i>(d)(1)(vii)</i>	Major Programs (list):	Special Education Cluster Twenty-First Century Community Learning Centers CFDA #84.287
<i>(d)(1)(viii)</i>	Dollar Threshold: Type A/B Programs	Type A: > \$ 750,000 Type B: all others
<i>(d)(1)(ix)</i>	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 2017-001

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 2017-002

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, 2017 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.

FINDING NUMBER 2017-003

Material Weakness

Monitoring of the Financial Statements

Accurate financial reporting is the responsibility of the Treasurer and is essential to ensure the information provided to the readers of the financial statements accurately reflects the District's activity.

The District lacked a policy regarding financial review which contributed to the following errors:

- Estimated receipts in the budgetary note to the financial statements were understated by \$8,056,669 in the Debt Service Funds and overstated by \$1,399,393 in the Capital Projects Funds.
- Actual receipts in the budgetary note to the financial statements were understated by \$8,024,324 in the Debt Service Funds and overstated by \$1,419,594 in the Capital Projects Funds.
- Appropriations in the budgetary note to the financial statements were understated by \$8,050,000 in the Debt Service Funds and overstated by \$1,669,005 in the Capital Projects Funds.
- Actual expenditures in the budgetary note to the financial statements were understated by \$1,234,402 and \$8,050,093 in the General and Debt Service Funds, respectively. Actual expenditures in the budgetary note to the financial statements were overstated by \$1,803,296 in the Capital Projects Funds.

As a result, the District's budgetary note did not correctly reflect the financial activity of the District. The accompanying financial statements and notes to the financial statements have been adjusted to correct these and other errors.

We recommend that the Treasurer post all transactions in accordance with the guidance established by the Uniform School Accounting System and loan documents. Further, the District should adopt policies and procedures including a final review of the notes and financial statements by the District and Board to help ensure that errors and omissions are detected and corrected.

Officials' Response:

District personnel failed to update numbers for budgetary activity from the previous year. More diligent efforts will be made to ensure that all notes are updated in subsequent years.

3. FINDINGS FOR FEDERAL AWARDS

None

Ottawa-Glandorf Local School District

Administrative Offices
630 Glendale Avenue
Ottawa, OH 45875

419-523-5261 or 419-523-5690 - Fax 419-523-5978



SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS 2 CFR 200.511(b) JUNE 30, 2017

Finding Number	Finding Summary	Status	Additional Information
2016-001	Ohio Rev. Code § 117.38 and Ohio Admin. Code § 117-2-03(B) for reporting on basis other than generally accepted accounting principles.	Not corrected and repeated as finding 2017-001 in this report.	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.
2016-002	Material weakness for not adopting the provisions of Governmental Accounting Standards Board Statement No. 54 Fund Balance Reporting and Governmental Fund Type Definitions.	Not corrected and repeated as finding 2017-002 in this report.	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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Kathy Fruchey
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CORRECTIVE ACTION PLAN 2 CFR § 200.511(c) JUNE 30, 2017

Finding Number	Planned Corrective Action	Anticipated Completion Date	Responsible Contact Person
2017-001	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, Treasurer
2017-002	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, Treasurer
2017-003	District personnel failed to update numbers for budgetary activity from the previous year. More diligent efforts will be made to ensure that all notes are updated in subsequent years.	June 30, 2018	Kathy Fruchey, Treasurer

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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
MARCH 6, 2018