



Dave Yost • Auditor of State



**OTTOVILLE LOCAL SCHOOL DISTRICT  
PUTNAM COUNTY**

**TABLE OF CONTENTS**

<b>TITLE</b>	<b>PAGE</b>
Independent Auditor's Report .....	1
Management's Discussion and Analysis – For the Fiscal Year Ended June 30, 2014 .....	5
Basic Financial Statements:	
Government-Wide Financial Statements:	
Statement of Net Position – Cash Basis – June 30, 2014.....	13
Statement of Activities – Cash Basis – For the Fiscal Year Ended June 30, 2014.....	14
Fund Financial Statements:	
Statement of Assets and Fund Balances – Cash Basis – Governmental Funds – June 30, 2014 .....	15
Statement of Cash Receipts, Disbursements, and Changes in Fund Balances – Cash Basis – Governmental Funds – For the Fiscal Year Ended June 30, 2014.....	16
Statement of Receipts, Disbursements, and Changes in Fund Balance – Budget and Actual – Budget Basis – General Fund – For the Fiscal year Ended June 30, 2014.....	17
Statement of Fiduciary Net Position – Cash Basis – Fiduciary Funds – June 30, 2014.....	18
Notes to the Basic Financial Statements – For the Fiscal Year Ended June 30, 2014.....	19
Management's Discussion and Analysis – For the Fiscal Year Ended June 30, 2013 .....	37
Basic Financial Statements:	
Government-Wide Financial Statements:	
Statement of Net Position – Cash Basis – June 30, 2013.....	44
Statement of Activities – Cash Basis – For the Fiscal Year Ended June 30, 2013.....	45
Fund Financial Statements:	
Statement of Assets and Fund Balances – Cash Basis – Governmental Funds – June 30, 2013 .....	46
Statement of Cash Receipts, Disbursements, and Changes in Fund Balances – Cash Basis – Governmental Funds – For the Fiscal Year Ended June 30, 2013.....	47
Statement of Receipts, Disbursements, and Changes in Fund Balance – Budget and Actual – Budget Basis – General Fund – For the Fiscal year Ended June 30, 2013.....	48
Statement of Fiduciary Net Position – Cash Basis – Fiduciary Funds – June 30, 2013.....	49

**OTTOVILLE LOCAL SCHOOL DISTRICT  
PUTNAM COUNTY**

**TABLE OF CONTENTS  
(Continued)**

<b>TITLE</b>	<b>PAGE</b>
Notes to the Basic Financial Statements – For the Fiscal Year Ended June 30, 2013.....	50
Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Required by <i>Government Auditing Standards</i> .....	71
Schedule of Findings.....	73
Schedule of Prior Audit Findings.....	76
Independent Accountants' Report on Applying Agreed-Upon Procedure .....	77

**This page intentionally left blank.**



# Dave Yost • Auditor of State

## INDEPENDENT AUDITOR'S REPORT

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

To the Board of Education:

### ***Report on the Financial Statements***

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Ottoville Local School District, Putnam County, Ohio (the District), as of and for the years ended June 30, 2014 and 2013, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

### ***Management's Responsibility for the Financial Statements***

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

### ***Auditor's Responsibility***

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

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

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

**Opinion**

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective cash financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Ottoville Local School District, Putnam County, Ohio, as of June 30, 2014 and 2013, and the respective changes in cash financial position and the budgetary comparison for the General Fund thereof for the years then ended in accordance with the accounting basis described in Note 2.

**Accounting Basis**

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

**Emphasis of Matter**

As discussed in Note 3 to the fiscal year 2013 financial statements, during fiscal year 2013, the District has elected to change its financial presentation to the cash basis comparable to the requirements of Governmental Accounting Standard No. 34, *Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments*. We did not modify our opinion regarding this matter.

As discussed in Note 3 to the fiscal year 2013 financial statements, during fiscal year 2013, the District adopted new accounting guidance in Governmental Accounting Standards Board Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*. We did not modify our opinion regarding this matter.

**Other Matters**

*Supplemental and Other Information*

We audited to opine on the District's financial statements that collectively comprise its basic financial statements.

*Management's Discussion and Analysis* includes tables of net position, changes in net position, and governmental activities. This information provides additional analysis and is not a required part of the basic financial statements.

These tables are management's responsibility, and derive from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. We subjected these tables to the auditing procedures we applied to the basic financial statements. We also applied certain additional procedures, including comparing and reconciling these tables directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and in accordance with auditing standards generally accepted in the United States of America. In our opinion, these tables are fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Other than the aforementioned procedures applied to the tables, we applied no procedures to any other information in Management's Discussion and Analysis, and we express no opinion or any other assurance on it.

***Other Reporting Required by Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated December 10, 2014, 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

December 10, 2014

**This page intentionally left blank.**

**OTTOVILLE LOCAL SCHOOL DISTRICT  
PUTNAM COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2014  
UNAUDITED**

This discussion and analysis of Ottoville Local School District's (the District) financial performance provides an overall review of the District's financial activities for the year ended June 30, 2014, within the limitations of the District's cash basis of accounting. Readers should also review the basic financial statements and notes to enhance their understanding of the District's financial performance.

**Financial Highlights**

Key highlights for 2014 are as follows:

Net position of governmental activities decreased \$593,014, from the prior year.

The District's general governmental receipts were \$4,940,909. The majority of these receipts were primarily property taxes and unrestricted state entitlements. Program specific revenues in the form of charges for services and operating grants and contributions accounted for \$1,003,295.

The District had \$5,351,190 in expenses related to governmental activities. Only \$1,003,295 of these expenses were offset by program specific charges for services, grants and contributions. General revenues supporting governmental activities (primarily taxes, unrestricted grants and entitlements) of \$4,940,909 were adequate to provide for these programs.

The District's major governmental funds were the General Fund and Bond Retirement Fund. The General Fund had \$4,928,837 in revenues and \$4,299,072 in expenditures and other financing uses. The Bond Retirement Fund had \$387,011 in revenues and \$346,492 in expenditures. During fiscal year 2013, the General Fund balance increased \$629,765 from \$3,704,170 to \$4,333,935. The Bond Retirement Fund balance increased \$40,519 from \$606,639 to \$647,158.

**Using this Annual Report**

This annual report is presented in a format consistent with the presentation requirements of Governmental Accounting Standards Board Statement No. 34, as applicable to the District's cash basis of accounting.

**Report Components**

The statement of net position and the statement of activities provide information about the cash activities of the District as a whole.

Fund financial statements provide a greater level of detail. For governmental fund types, these statements tell how services were financed in the short-term as well as what remains for future spending. The fund financial statements also look at the District's most significant funds, with all other non-major funds presented in total in a single column. For the District, the General Fund and Bond Retirement Fund are the major funds.

The notes to the financial statements are an integral part of the government-wide and fund financial statements and provide expanded explanation and detail regarding the information reported in the statements.

**Basis of Accounting**

**OTTOVILLE LOCAL SCHOOL DISTRICT  
PUTNAM COUNTY**

MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2014  
UNAUDITED  
(Continued)

Basis of accounting is a reference to when financial events are recorded, such as the timing for recognizing revenues, expenses, and the related assets and liabilities. The District has elected to present its financial statements on the cash basis of accounting. Under the District's cash basis of accounting, receipts and disbursements and the related assets and liabilities are recorded when they result in cash transactions. This basis of accounting is a basis of accounting other than generally accepted accounting principles.

As a result of using the other comprehensive basis of accounting, certain assets and their related revenues (such as accounts receivable) and certain liabilities and their related expenses (such as accounts payable) are not recorded in the financial statements. Therefore, when reviewing the financial information and discussion within this report, the reader must keep in mind the limitations resulting from the use of the cash basis of accounting.

**Reporting the District as a Whole**

The statement of net position and the statement of activities reflect how the District did financially during fiscal year 2014, within the limitations of the cash basis of accounting. The statement of net position presents the cash balances and investments of the governmental activities of the District at fiscal year end. The statement of activities compares cash disbursements with program receipts for each function or program of the District's governmental activities. A function is a group of related activities designed to accomplish a major service or regulatory program for which the District is responsible. Program receipts include charges paid by the recipient of the program's goods or services and grants and contributions restricted to meeting the operational or capital requirements of a particular program. General receipts are all receipts not classified as program receipts. The comparison of cash disbursements with program receipts identifies how each governmental function draws from the District's general receipts.

These statements report the District's cash position and the changes in cash position. Factors which contribute to these changes may include, but not limited to, the District's property tax base, current property tax laws in Ohio restricting revenue growth, facility conditions, and required educational programs.

In the statement of net position and the statement of activities, the Governmental Activities include the District's programs and services including instruction, support services, non-instructional services, extracurricular activities, capital outlay disbursements, and debt service.

**Reporting the District's Most Significant Funds**

Fund financial statements provide detailed information about the District's major funds - not the District as a whole. The District establishes separate funds to better manage its many activities and to help demonstrate that money that is restricted as to how it may be used is being spent for the intended purpose.

The funds of the District are split into two categories: governmental and fiduciary. While the District uses many funds to account for its financial transactions, the fund financial statements focus on the District's most significant funds. The District's major governmental funds are the General Fund and Bond Retirement Fund.

Governmental Funds – Most of the District activities are reported in governmental funds. The governmental fund financial statements provide a detailed view of the District's governmental operations and the basic services it provides. Governmental fund information helps determine whether there are

**OTTOVILLE LOCAL SCHOOL DISTRICT  
PUTNAM COUNTY**

MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2014  
UNAUDITED  
(Continued)

more or less financial resources that can be spent to finance the District's programs. The District's significant governmental funds are presented on the financial statements in separate columns. The information for non-major funds (funds whose activity or balances are not large enough to warrant separate reporting) is combined and presented in total in a single column. The programs reported in governmental funds are closely related to those reported in the governmental activities section of the entity-wide statements.

Fiduciary Funds – Fiduciary Funds are used to account for resources held for the benefit of parties outside the District. Fiduciary Funds are not reflected on the government-wide financial statements because the resources of these funds are not available to support the District's programs.

**The District as a Whole**

Table 1 provides a summary of the District's net position for fiscal year 2014 compared to fiscal year 2013 on another comprehensive basis of accounting.

<b>Table 1</b>		
<b>Net Position</b>		
	Governmental Activities 2014	Governmental Activities 2013
<b>Assets:</b>		
Cash and Cash Equivalents	\$5,575,839	\$4,982,825
<b>Net Position:</b>		
Restricted	\$1,241,904	\$1,278,655
Unrestricted	4,333,935	3,704,170
Total Net Position	\$5,575,839	\$4,982,825

Over time, net position can serve as a useful indicator of a government's financial position. At year end, net position was \$5,575,839 for governmental activities.

A portion of the District's net position, \$1,241,904, represents resources that are subject to external restriction on how they may be used. The remaining balance of unrestricted net position of \$4,333,935 may be used to meet the District's ongoing obligations to the students and creditors.

The increase in cash was attributed to the General Fund's increased revenues and decreased spending.

Table 2 reflects the changes in net position from the prior year:

<b>Table 2</b>		
<b>Change in Net Position</b>		
	Governmental Activities 2014	Governmental Activities 2013
Revenues:		
Program Revenues:		

**OTTOVILLE LOCAL SCHOOL DISTRICT  
PUTNAM COUNTY**

MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2014  
UNAUDITED  
(Continued)

Charges for Services and Sales	\$537,297	\$563,034
Operating Grants and Contributions	465,998	467,853
Total Program Revenues	<u>1,003,295</u>	<u>1,030,887</u>
General Revenues:		
Property and Other Local Taxes	1,571,031	1,663,923
Income Taxes	664,239	556,518
Grants and Entitlements Not Restricted to Specific Programs	2,594,638	2,521,675
Gifts and Donations	63,083	4,716
Interest	27,577	18,212
Insurance Recoveries		23,991
Miscellaneous	20,341	25,739
Total General Revenues	<u>4,940,909</u>	<u>4,814,774</u>
Total Revenues	<u>5,944,204</u>	<u>5,845,661</u>
Expenditures:		
Instruction:		
Regular	2,592,890	2,575,677
Special	352,053	315,615
Vocational	8,750	9,690
Support Services:		
Pupil	71,566	118,416
Instructional Staff	168,370	201,421
Board of Education	17,811	19,060
Administration	360,619	354,084
Fiscal	219,954	231,996
Operation and Maintenance of Plant	526,670	470,943
Pupil Transportation	160,014	172,686
Central	628	318
Operation of Non-Instructional Services	204,737	218,280
Extracurricular Activities	272,458	270,626
Capital Outlay	58,067	4,823
Debt Service	336,603	331,015
Total Expenditures	<u>5,351,190</u>	<u>5,294,650</u>
Increase in Net Position	593,014	551,011
Net Position, July 1	<u>4,982,825</u>	<u>4,431,814</u>
Net Position, June 30	<u>\$5,575,839</u>	<u>\$4,982,825</u>

Net position of the District's governmental activities increased \$593,014. Total governmental expenses of \$5,351,190 were offset by program revenues of \$1,003,295 and general revenues of \$4,940,909. General revenues supported the vast majority of the total governmental expenses.

**OTTOVILLE LOCAL SCHOOL DISTRICT  
PUTNAM COUNTY**

MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2014  
UNAUDITED  
(Continued)

The primary sources of revenue for the governmental activities were property taxes, income taxes and grant and entitlements not restricted to specific programs which represent 81.3 percent of total governmental revenue. Real estate property is reappraised every six years.

Overall revenues increased \$98,543 primarily due to an increase in income tax revenue. Overall expenditures increased \$56,540 largely due to an increase in the cost of operation and maintenance of plant.

**Governmental Activities**

The Statement of Activities shows the cost of program services and the charges for services, grants and contributions off-setting those services. The following table shows the total cost of these services and the net cost of services. That is, it identifies the cost of these services supported by tax revenue and unrestricted State grants and entitlements.

**Table 3  
Governmental Activities**

	Total Cost of Services 2014	Net Cost of Services 2014	Total Cost of Services 2013	Net Cost of Services 2013
Current:				
Instruction:				
Regular	\$2,592,890	\$2,038,785	\$2,575,677	\$2,019,860
Special	352,053	255,922	315,615	221,136
Vocational	8,750	8,750	9,690	9,690
Support Services:				
Pupil	71,566	71,566	118,416	118,416
Instructional Staff	168,370	168,370	201,421	201,421
Board of Education	17,811	17,811	19,060	19,060
Administration	360,619	360,619	354,084	354,084
Fiscal	219,954	219,954	231,996	231,996
Operation and Maintenance of Plant	526,670	513,002	470,943	457,274
Pupil Transportation	160,014	142,900	172,686	161,981
Central	628	628	318	318
Operation of Non-Instructional Services	204,737	6,215	218,280	13,106
Extracurricular Activities	272,458	148,703	270,626	119,583
Capital Outlay	58,067	58,067	4,823	4,823
Debt Service	336,603	336,603	331,015	331,015
Total Disbursements	<u>\$5,351,190</u>	<u>\$4,347,895</u>	<u>\$5,294,650</u>	<u>\$4,263,763</u>

The dependence upon tax receipts and unrestricted state entitlements is apparent as a majority of instructional activities are supported through these general receipts. For all governmental activities, general revenue support is 81.3 percent. The remaining 18.7 percent is derived from charges for services and operating grants and contributions.

**The District's Funds**

**OTTOVILLE LOCAL SCHOOL DISTRICT  
PUTNAM COUNTY**

MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2014  
UNAUDITED  
(Continued)

The District's funds are accounted for using the cash basis of accounting. Total governmental funds had receipts and other financing sources of \$5,944,394 and disbursements and other financing uses of \$5,351,380. The net positive change of \$593,014 in fund balance for the year indicates that the District was able to meet current costs.

**General Fund**

The District's General Fund balance increased by \$629,765.

The table that follows assists in illustrating the financial activities of the General Fund.

**Table 4  
General Fund**

	2014 Amount	2013 Amount
<b>Revenues:</b>		
Taxes	\$1,893,322	\$1,872,265
Tuition	193,951	195,587
Interest	25,984	15,704
Intergovernmental	2,728,288	2,647,077
Other Revenues	87,292	84,121
Total Revenues	<u>\$4,928,837</u>	<u>\$4,814,754</u>
<b>Expenditures:</b>		
Instruction	\$2,770,938	\$2,714,811
Support Services	1,414,728	1,501,334
Extracurricular Activities	113,216	110,973
Transfers Out	190	120
Total Expenditures	<u>\$4,299,072</u>	<u>\$4,327,238</u>

**General Fund Budgeting Highlights**

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

During fiscal year 2014, the District amended its General Fund budget as needed to reflect changing circumstances.

Final estimated revenues and other financing sources were higher than original amounts by \$143,115. The variance was primarily a result of intergovernmental and income tax revenues being higher than originally expected. Actual revenues and other financing sources for fiscal year 2014 were \$56,655 less than the final estimated revenues and other financing sources. The variance was primarily a result of intergovernmental revenues not as high as budgeted.

General Fund original budgeted appropriations of \$4,642,527 were increased to \$4,643,127 in the final budget. The \$600 increase was minimal. Actual budget basis expenditures for fiscal year 2014 totaled \$4,365,975 which was \$277,152 less than the final budget appropriations. The variance is primarily due

**OTTOVILLE LOCAL SCHOOL DISTRICT  
PUTNAM COUNTY**

MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2014  
UNAUDITED  
(Continued)

to a conservative "worst case scenario" approach. The District over-appropriates and uses a contingency appropriation in case significant, unexpected expenditures arise during the fiscal year.

**Capital Assets and Debt Administration**

**Capital Assets**

The District's capital assets are not reflected in the cash basis of accounting statements, however the District does track capital assets through the State provided software program.

**Debt**

At June 30, 2014, the District's outstanding debt included general obligation bonds in the amount of \$2,133,953. Of this total \$32,869 is due within one year and \$2,101,084 is due in more than one year.

The bonds are being retired through the Bond Retirement Fund.

For further information regarding the District's debt, see the notes to the basic financial statements.

**Current Issues**

The challenge for all districts is to provide quality educational services to the public while staying within the restrictions imposed by limited funding, and in some cases shrinking funding. The District relies heavily on unrestricted state entitlements and local taxes. The District's five year forecast predicts no deficits in the near future.

**Contacting the District's Financial Management**

This financial report is designed to provide our citizens, taxpayers, investors, and creditors with a general overview of the District's finances and to reflect the District's accountability for the monies it receives. Questions concerning any of the information in this report or requests for additional information should be directed to Robert Weber, Treasurer, Ottoville Local School District, P.O. Box 248, Ottoville, Ohio 45876-0248.

**This page intentionally left blank.**

**OTTOVILLE LOCAL SCHOOL DISTRICT  
PUTNAM COUNTY**

**Statement of Net Position - Cash Basis  
June 30, 2014**

	<b>Governmental Activities</b>
<b>Assets:</b>	
Equity in Pooled Cash and Cash Equivalents	\$ <u>5,575,839</u>
<b>Net Position:</b>	
Restricted for Debt Service	647,158
Restricted for Capital Outlay	35,044
Restricted for Other Purposes	559,702
Unrestricted	4,333,935
<i>Total Net Position</i>	\$ <u>5,575,839</u>

See Accompanying Notes to the Basic Financial Statements

**OTTOVILLE LOCAL SCHOOL DISTRICT  
PUTNAM COUNTY**

**Statement of Activities - Cash Basis  
For the Fiscal Year Ended June 30, 2014**

	<u>Cash Disbursements</u>		<u>Program Cash Receipts</u>	<u>Net (Disbursements) Receipts and Changes in Net Position</u>
			<u>Charges for Services and Sales</u>	<u>Operating Grants and Contributions</u>
				<u>Governmental Activities</u>
<b>Governmental Activities:</b>				
<b>Instruction:</b>				
Regular	\$ 2,592,890	\$ 237,123	\$ 316,982	\$ (2,038,785)
Special	352,053		96,131	(255,922)
Other	8,750			(8,750)
<b>Support Services:</b>				
Pupils	71,566			(71,566)
Instructional Staff	168,370			(168,370)
Board of Education	17,811			(17,811)
Administration	360,619			(360,619)
Fiscal	219,954			(219,954)
Operation and Maintenance of Plant	526,670		13,668	(513,002)
Pupil Transportation	160,014	17,114		(142,900)
Central	628			(628)
Operation of Non-Instructional Services	204,737	159,305	39,217	(6,215)
Extracurricular Activities	272,458	123,755		(148,703)
Facilities Acquisition and Construction	58,067			(58,067)
<b>Debt Service:</b>				
Principal	41,343			(41,343)
Interest and Fiscal Charges	295,260			(295,260)
<b>Totals</b>	<b>\$ 5,351,190</b>	<b>\$ 537,297</b>	<b>\$ 465,998</b>	<b>(4,347,895)</b>
 <b>General Receipts:</b>				
<b>Taxes:</b>				
Property Taxes, Levied for General Purposes				1,229,083
Property Taxes, Levied for Debt Service				320,280
Property Taxes, Levied for Other				21,668
Income Taxes				664,239
Grants and Entitlements not Restricted to Specific Programs				2,594,638
Gifts and Donations				63,083
Interest				27,577
Miscellaneous				20,341
<b>Total General Receipts</b>				<b>4,940,909</b>
Change in Net Position				593,014
Net Position Beginning of Year				4,982,825
Net Position End of Year				<b>\$ 5,575,839</b>

See Accompanying Notes to the Basic Financial Statements

**OTTOVILLE LOCAL SCHOOL DISTRICT  
PUTNAM COUNTY**

**Statement of Assets and Fund Balances - Cash Basis  
Governmental Funds  
June 30, 2014**

	<b>General Fund</b>	<b>Bond Retirement Fund</b>	<b>Other Governmental Funds</b>	<b>Total Governmental Funds</b>
<b>Assets</b>				
Equity in Pooled Cash and Cash Equivalents	\$ <u>4,333,935</u>	\$ <u>647,158</u>	\$ <u>594,746</u>	\$ <u>5,575,839</u>
<b>Fund Balances</b>				
Restricted		647,158	594,746	1,241,904
Assigned	81,765			81,765
Unassigned	<u>4,252,170</u>			<u>4,252,170</u>
<i>Total Fund Balances</i>	\$ <u>4,333,935</u>	\$ <u>647,158</u>	\$ <u>594,746</u>	\$ <u>5,575,839</u>

See Accompanying Notes to the Basic Financial Statements

**OTTOVILLE LOCAL SCHOOL DISTRICT  
PUTNAM COUNTY**

**Statement of Cash Receipts, Disbursements and Changes in Fund Balances - Cash Basis  
Governmental Funds  
For the Fiscal Year Ended June 30, 2014**

	<b>General Fund</b>	<b>Bond Retirement Fund</b>	<b>All Other Governmental Funds</b>	<b>Total Governmental Funds</b>
<b>Cash Receipts:</b>				
Property and Other Local Taxes	\$ 1,229,083	\$ 320,280	\$ 21,668	\$ 1,571,031
Income Tax	664,239			664,239
Intergovernmental	2,728,288	66,731	265,617	3,060,636
Interest	25,984		1,593	27,577
Tuition	193,951			193,951
Transportation Fees	17,114			17,114
Extracurricular Activities	3,563		120,192	123,755
Gifts and Donations	5,005		58,078	63,083
Customer Sales and Services	43,172		159,305	202,477
Miscellaneous	18,438		1,903	20,341
<i>Total Cash Receipts</i>	<u>4,928,837</u>	<u>387,011</u>	<u>628,356</u>	<u>5,944,204</u>
<b>Cash Disbursements:</b>				
Current:				
Instruction:				
Regular	2,504,937		87,953	2,592,890
Special	257,251		94,802	352,053
Other	8,750			8,750
Support Services:				
Pupils	71,566			71,566
Instructional Staff	162,002		6,368	168,370
Board of Education	17,811			17,811
Administration	338,769		21,850	360,619
Fiscal	209,399	9,889	666	219,954
Operation and Maintenance of Plant	454,539		72,131	526,670
Pupil Transportation	160,014			160,014
Central	628			628
Operation of Non-Instructional Services			204,737	204,737
Extracurricular Activities	113,216		159,242	272,458
Facilities Acquisition and Construction			58,067	58,067
Debt Service:				
Principal		41,043		41,043
Interest		295,560		295,560
<i>Total Cash Disbursements</i>	<u>4,298,882</u>	<u>346,492</u>	<u>705,816</u>	<u>5,351,190</u>
<i>Excess of Cash Receipts Over (Under)</i>				
<i>Cash Disbursements</i>	<u>629,955</u>	<u>40,519</u>	<u>(77,460)</u>	<u>593,014</u>
<b>OTHER FINANCING SOURCES (USES):</b>				
Transfers In			190	190
Transfers Out	(190)			(190)
<i>Total Other Financing Sources (Uses)</i>	<u>(190)</u>		<u>190</u>	
<i>Net Change in Fund Balances</i>	629,765	40,519	(77,270)	593,014
<i>Fund Balances at Beginning of Year</i>	3,704,170	606,639	672,016	4,982,825
<i>Fund Balances at End of Year</i>	<u>\$ 4,333,935</u>	<u>\$ 647,158</u>	<u>\$ 594,746</u>	<u>\$ 5,575,839</u>

See Accompanying Notes to the Basic Financial Statements

**OTTOVILLE LOCAL SCHOOL DISTRICT  
PUTNAM COUNTY**

**Statement of Receipts, Disbursements and Changes in Fund Balance  
Budget and Actual - Budget Basis  
General Fund  
For the Fiscal Year Ended June 30, 2014**

	<b>Original Budget</b>	<b>Final Budget</b>	<b>Actual</b>	<b>Variance with Final Budget</b>
<b>Receipts:</b>				
Property and Other Local Taxes	\$ 1,285,323	\$ 1,212,087	\$ 1,229,083	\$ 16,996
Income Tax	550,000	664,239	664,239	
Intergovernmental	2,687,820	2,782,218	2,728,288	(53,930)
Interest	18,000	18,000	25,984	7,984
Tuition	196,000	196,000	193,951	(2,049)
Transportation Fees	10,000	17,114	17,114	
Extracurricular Activities	3,000	3,600	3,563	(37)
Gifts and Donations			5,005	5,005
Customer Sales and Services	61,000	61,000	43,172	(17,828)
Miscellaneous	20,100	20,100	12,304	(7,796)
<i>Total Receipts</i>	4,831,243	4,974,358	4,922,703	(51,655)
<b>Disbursements:</b>				
Current:				
Instruction:				
Regular	2,650,819	2,650,819	2,529,287	121,532
Special	190,965	190,965	261,329	(70,364)
Other	7,725	7,725	8,750	(1,025)
Support Services:				
Pupils	83,735	83,735	64,825	18,910
Instructional Staff	176,200	176,800	162,646	14,154
Board of Education	27,900	27,900	17,811	10,089
Administration	403,149	403,149	340,785	62,364
Fiscal	247,724	247,724	211,314	36,410
Operation and Maintenance of Plant	535,570	535,570	474,639	60,931
Pupil Transportation	199,367	199,367	182,946	16,421
Central	586	586	628	(42)
Extracurricular Activities	118,787	118,787	111,015	7,772
<i>Total Disbursements</i>	4,642,527	4,643,127	4,365,975	277,152
<i>Excess of Receipts Over Disbursements</i>	188,716	331,231	556,728	225,497
<b>Other Financing Sources:</b>				
Insurance Recoveries	5,000	5,000		(5,000)
<i>Net Change in Fund Balance</i>	193,716	336,231	556,728	220,497
<i>Fund Balance at Beginning of Year</i>	3,597,099	3,597,099	3,597,099	
<i>Prior Year Encumbrances Appropriated</i>	98,343	98,343	98,343	
<i>Fund Balance at End of Year</i>	\$ 3,889,158	\$ 4,031,673	\$ 4,252,170	\$ 220,497

See Accompanying Notes to the Basic Financial Statements

**OTTOVILLE LOCAL SCHOOL DISTRICT  
PUTNAM COUNTY**

**Statement of Fiduciary Net Position - Cash Basis  
Fiduciary Funds  
June 30, 2014**

	<u>Agency Fund</u>
<b>Assets:</b>	
Current Assets:	
Equity in Pooled Cash and Cash Equivalents	\$ <u>19,480</u>
<b>Liabilities:</b>	
Current Liabilities:	
Due to Students	\$ <u>19,480</u>

See Accompanying Notes to the Basic Financial Statements

**OTTOVILLE LOCAL SCHOOL DISTRICT  
PUTNAM COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

**NOTE 1 - DESCRIPTION OF THE SCHOOL DISTRICT AND REPORTING ENTITY**

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

A locally-elected five-member Board governs the District, which provides educational services mandated by the State and federal agencies. This Board of Education controls the District's one instructional/support facility staffed by 17 classified employees, 35 certificated full-time personnel, and 3 administrators who provide services to 433 students and other community members.

***Reporting Entity***

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

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

The District has no joint ventures.

The District participates in 3 public entity risk pools and 5 jointly governed organizations. The financial statements exclude these entities which perform activities within the District's boundaries for the benefit of its residents because the District is not financially accountable for these entities nor are these entities fiscally dependent on the District. Notes 8 and 15 to the financial statements provide additional information for these entities. These organizations are:

Public Entity Risk Pool:

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

Jointly Governed Organizations:

Northwest Ohio Area Computer Services Cooperative  
Northwest Ohio Educational Research Council, Inc.  
Northwest Ohio Special Education Regional Resource Center  
State Support Region 1  
Vantage Career Center

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

***A. Basis of Accounting***

Although Ohio Administrative Code Section 117-2-03 (B) requires the District's financial report to follow generally accepted accounting principles, the District chooses to prepare its financial statements and

**OTTOVILLE LOCAL SCHOOL DISTRICT  
PUTNAM COUNTY**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2014  
(Continued)

notes in accordance with the cash basis of accounting. This is a comprehensive basis of accounting other than generally accepted accounting principles.

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

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

***B. Fund Accounting***

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

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

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

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

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

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

***C. Basis of Presentation***

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

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

The government-wide statement of activities compares disbursements with program receipts for each function or program of the District's governmental activities. Disbursements are reported by function. A function is a group of related activities designed to accomplish a major service or regulatory program for

**OTTOVILLE LOCAL SCHOOL DISTRICT  
PUTNAM COUNTY**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2014  
(Continued)

which the government is responsible. Program receipts include charges paid by the recipient of the program's goods or services and grants and contributions restricted to meeting the operational or capital requirements of a particular program. General receipts are all receipts not classified as program receipts, with certain limited exceptions. The comparison of direct disbursements with program receipts identifies the extent to which each governmental function is self-financing on the cash basis or draws from the District's general receipts.

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

***D. Cash, Cash Equivalents, and Investments***

To improve cash management, cash received by the District is pooled and invested. Monies for all funds are maintained in this pool. Individual fund integrity is maintained through District records. Interest in the pool is presented as "Equity in Pooled Cash and Cash Equivalents". Cash and cash equivalents that are held separately in an account at a financial institution for debt service are reported as "Cash and Cash Equivalents with Fiscal Agent".

Investments of the District's cash management pool and investments with an original maturity of three months or less at the time they are purchased by the District are presented on the financial statements as cash equivalents. Investments with an initial maturity of more than three months that were not purchased from the pool are reported as investments.

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

During 2014, the District invested in certificates of deposit. The District values certificates of deposit at cost.

Following Ohio statutes, the Board of Education specified the funds to receive an allocation of interest earnings. Interest revenue credited to the General Fund during fiscal year 2014 amounted to \$25,984, of which \$6,274 was interest assigned from other District funds.

***E. Restricted Assets***

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

***F. Inventory and Prepaid Items***

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

***G. Capital Assets***

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

**OTTOVILLE LOCAL SCHOOL DISTRICT  
PUTNAM COUNTY**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2014  
(Continued)

***H. Accumulated Leave***

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

***I. Intergovernmental Receipts***

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

***J. Long-term Obligations***

The District's cash basis financial statements do not report liabilities for bonds and other long-term obligations. Proceeds of debt are reported when cash is received and principal and interest payments are reported when paid.

***K. Fund Balance***

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

**Nonspendable** - The nonspendable classification includes amounts that cannot be spent because they are not in spendable form or legally or contractually required to be maintained intact. The "not in spendable form" includes items that are not expected to be converted to cash.

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

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

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

**Unassigned** - Unassigned fund balance is the residual classification for the General Fund and includes all spendable amounts not contained in the other classifications. In other governmental funds, the unassigned classification is used only to report a deficit balance resulting from overspending for specific purposes for which amounts had been restricted, committed, or assigned.

**OTTOVILLE LOCAL SCHOOL DISTRICT  
PUTNAM COUNTY**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2014  
(Continued)

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

***L. Net Position***

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

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

***M. Interfund Activity***

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

The statements report interfund loans as advances when made or repaid. There were no unpaid advances as of June 30, 2014.

***N. Budgetary Data***

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

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

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

**NOTE 3 – ACCOUNTABILITY AND COMPLIANCE**

**OTTOVILLE LOCAL SCHOOL DISTRICT  
PUTNAM COUNTY**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2014  
(Continued)

**A. Change in Accounting Principles**

For 2014, the District implemented Governmental Accounting Standard Board (GASB) Statement No. 67, "Financial Reporting of Pension Plans" and GASB Statement No. 70, "Accounting and Financial Reporting for Nonexchange Financial Guarantees".

GASB Statement No. 67 replaces the requirements of GASB Statement No. 25 and GASB Statement No. 50 as they relate to pension plans that are administered through trusts or similar arrangements meeting certain criteria.

The Statement builds upon the existing framework for financial reports of defined benefit pension plans, which includes a statement of fiduciary net position (the amount held in a trust for paying retirement benefits) and a statement of changes in fiduciary net position. The implementation of GASB Statement No. 67 did not have an effect on the financial statements of the District.

GASB Statement No. 70 provides accounting and financial reporting guidance to state and local governments that offer non-exchange financial guarantees to others and for governments that receive guarantees on their obligations.

A non-exchange transaction occurs when a government gives value or benefit, such as providing a guarantee of an obligation, to another party without receiving equal value in exchange. Because no value is exchanged, the transaction is not often recorded on the financial statements of the government. However, GASB Statement No. 70 now defines circumstances that require the government to recognize a liability. The statement addresses the guarantee of an obligation by the government entity with a legally separate entity or individual, including another government, a not-for profit organization, a private entity or blended or discretely presented component unit. The implementation of GASB Statement No. 70 did not have an effect on the financial statements of the District.

**B. Compliance**

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

**NOTE 4 - BUDGETARY BASIS OF ACCOUNTING**

The budgetary basis as provided by law is based upon accounting for certain transactions on the basis of cash receipts, disbursements, and encumbrances. The Statement of Cash Receipts, Cash Disbursements and Changes in Fund Balance (Budgetary Basis) presented for the General Fund is prepared on the budgetary basis to provide a meaningful comparison of actual results with the budget. The difference between the budgetary basis and the cash basis is outstanding year end encumbrances are treated as cash disbursements (budgetary basis) rather than as a reservation of fund balance (cash basis). The encumbrances outstanding at year end (budgetary basis) amounted to \$76,078 in the General Fund.

**OTTOVILLE LOCAL SCHOOL DISTRICT  
PUTNAM COUNTY**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2014  
(Continued)

In addition, as part of Governmental Accounting Standards Board Statement No. 54, “Fund Balance Reporting”, certain funds that are legally budgeted in separate special revenue funds (uniform school supplies and public school support funds) are considered part of the General fund on the cash basis.

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

Net Change in Fund Cash Balance	
	General Fund
Cash Basis	\$629,765
Funds Budgeted Elsewhere	3,041
Adjustment for Encumbrances	(76,078)
Budget Basis	\$556,728

**NOTE 5 - 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 held by the District can 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

**OTTOVILLE LOCAL SCHOOL DISTRICT  
PUTNAM COUNTY**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2014  
(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).
8. Commercial paper and bankers acceptances if training requirements have been met.

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.

***Deposits with Financial Institutions:*** At June 30, 2014, the carrying amount of all District deposits was \$5,595,319. Based on the criteria described in GASB Statement No. 40, "Deposits and Investment Risk Disclosures", as of June 30, 2014, \$5,398,042 of the District's bank accounts were exposed to custodial risk. Custodial credit risk otherwise is discussed in the next paragraph.

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

**NOTE 6 - PROPERTY TAXES**

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

Property taxes include amounts levied against all real property, public utility property and tangible personal (used in business) property located in the District. Real property tax revenues received in calendar year 2014 represent the collection of calendar year 2013 taxes. Real property taxes received in calendar year 2014 were levied after April 1, 2013, on the assessed values as of January 1, 2013, 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.

**OTTOVILLE LOCAL SCHOOL DISTRICT  
PUTNAM COUNTY**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2014  
(Continued)

Public utility property tax revenues received in calendar year 2014 represent the collection of calendar year 2013 taxes.

Public utility real and tangible personal property taxes received in calendar year 2014 became a lien on December 31, 2012, were levied after April 1, 2013, 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. Public utility property taxes are payable on the same dates as real property taxes described previously.

The District receives property taxes from Putnam County and Paulding County. The County Auditors periodically advance to the District its portion of the taxes collected. Second-half real property tax payments collected by the Counties by June 30, 2014, are available to finance fiscal year 2014 operations. The amount of second-half real property taxes available for advance at fiscal year end can vary based on the date the tax bills are sent.

The assessed values upon which the fiscal year 2014 taxes were collected are:

	2013 Second Half Collections		2014 First Half Collections	
	<u>Amount</u>	<u>Percent</u>	<u>Amount</u>	<u>Percent</u>
Residential/Agricultural	\$56,812,660	88.75%	\$57,407,580	88.70%
Commercial/Industrial	5,221,390	8.16%	5,317,610	8.22%
Public Utility	<u>1,977,810</u>	<u>3.09%</u>	<u>1,995,070</u>	<u>3.08%</u>
Total	<u><u>\$64,011,860</u></u>	<u><u>100.00%</u></u>	<u><u>\$64,720,260</u></u>	<u><u>100.00%</u></u>
Tax rate per \$1,000 of assessed valuation	\$31.37		\$28.87	

**NOTE 7 - SCHOOL DISTRICT INCOME TAX**

On February 3, 2009, the District passed a .75 percent continuing school district income tax for general operations. The income tax was effective on January 1, 2010. Employers of residents are required to withhold income tax on compensation and remit the tax to the State. Taxpayers are required to file an annual return. The State makes quarterly distributions to the District after withholding amounts for administrative fees and estimated refunds. Income tax revenue is credited to the General Fund and totaled \$664,239 for fiscal year 2014.

**NOTE 8 - RISK MANAGEMENT**

**A. Risk Pool Membership**

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

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

**OTTOVILLE LOCAL SCHOOL DISTRICT  
PUTNAM COUNTY**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2014  
(Continued)

- Crime

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

The District paid \$34,357 in premiums to the pool during fiscal year 2013 for coverage during fiscal year 2014.

SORSA financial statements are available by contacting SORSA at:

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

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

***B. Employee Medical Benefits***

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

***C. Workers' Compensation***

For fiscal year 2014 the District participated in the Ohio School Boards Association (OSBA) Workers' Compensation Group Rating Program (GRP), an insurance purchasing pool. The intent of the GRP is to achieve a reduced premium for the District by virtue of its grouping and representation with other participants in the GRP. The workers' compensation experience of the participating school districts is calculated as one experience and a common premium rate is applied to all school districts in the GRP. Each participant pays its workers' compensation premium to the State based on the rate for the GRP rather than its individual rate. GRP then calculates total savings and each participant's individual performance is compared to the overall Plan's savings percentage. A participant then either receives money from or contributes to GRP's equity pooling fund. This equity pooling arrangement insures that each participant shares equally in the overall performance of the GRP. Participation in the GRP is limited to school districts that can meet the GRP's selection criteria.

**NOTE 9 - PENSION PLANS**

***A. School Employee Retirement System***

Plan Description - The District contributes to the School Employees Retirement System (SERS), a cost-sharing multiple employer pension plan. SERS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Authority to establish and amend benefits is provided by Chapter 3309 of the Ohio Revised Code. SERS issues a publicly available, stand-alone financial report that includes financial statements and required supplementary information. That report may be obtained by writing to the School Employees Retirement System, 300

**OTTOVILLE LOCAL SCHOOL DISTRICT  
PUTNAM COUNTY**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2014  
(Continued)

East Broad Street, Suite 100, Columbus, Ohio 43215-3746, by calling (800) 878-5853, or by visiting the SERS website at [www.ohsers.org](http://www.ohsers.org), under Forms and Publications.

Funding Policy - Plan members are required to contribute 10 percent of their annual covered salary and the District is required to contribute at an actuarially determined rate. The current District rate is 14 percent of annual covered payroll. A portion of the District's contribution is used to fund pension obligations with the remainder being used to fund health care benefits; for fiscal year 2014, 13.10 percent of annual covered salary was the portion used to fund pension obligations. The contribution requirements of plan members and employers are established and may be amended by the SERS' Retirement Board up to a statutory maximum amount of 10 percent for plan members and 14 percent for employers.

Chapter 3309 of the Ohio Revised Code provides statutory authority for member and employer contributions. The District's required contributions for pension obligations to SERS for the fiscal years ended June 30, 2014, 2013 and 2012 were \$73,298, \$72,829, and \$56,800, respectively; 41 percent has been contributed for fiscal year 2014 and 100 percent for fiscal years 2013 and 2012.

***B. State Teachers Retirement System***

Plan Description - The District participates in the State Teachers Retirement System of Ohio (STRS Ohio), a cost-sharing, multiple employer public employee retirement plan. STRS Ohio provides retirement and disability benefits to members and death and survivor benefits to beneficiaries. STRS Ohio issues a stand-alone financial report that may be obtained by writing to STRS Ohio, 275 E. Broad St., Columbus, OH 43215-3771, by calling (888) 227-7877, or by visiting the STRS Ohio Web site at [www.strsoh.org](http://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. The DB plan offers an annual retirement allowance based on final average salary times a percentage that varies based on years of service, or an allowance based on a member's lifetime contributions and earned interest matched by STRS Ohio funds divided by an actuarially determined annuity factor. The DC Plan allows members to place all their member contributions and employer contributions equal to 10.5 percent of earned compensation into an investment account. Investment decisions are made by the member. 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 DC Plan and the DB Plan. In the Combined Plan, member contributions are invested by the member, and employer contributions are used to fund the defined benefit payment at a reduced level from the regular DB Plan. The DB portion of the Combined Plan payment is payable to a member on or after age 60; the DC portion of the account may be taken as a lump sum or converted to a lifetime monthly annuity at age 50. Benefits are established by Chapter 3307 of the Ohio Revised Code.

A DB or Combined Plan member with five or more years credited service who becomes disabled may qualify for a disability benefit. Eligible spouses and dependents of these active members who die before retirement may qualify for survivor 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 - For the fiscal year ended June 30, 2014, plan members were required to contribute 11 percent of their annual covered salaries. The District was required to contribute 14 percent; 13 percent was the portion used to fund pension obligations. For fiscal year 2013, the portion used to fund pension obligations was also 13 percent. Contribution rates are established by the State.

**OTTOVILLE LOCAL SCHOOL DISTRICT  
PUTNAM COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2014  
(Continued)**

Teachers Retirement Board, upon recommendations of its consulting actuary, not to exceed statutory maximum rates of 10 percent for members through June 30, 2013 (then one percent increases annually through July 1, 2016) and 14 percent for employers. Chapter 3307 of the Ohio Revised Code provides statutory authority for member and employer contributions.

The District's required contributions for pension obligations to STRS Ohio for the fiscal years ended June 30, 2014, 2013, and 2012 were \$273,374, \$272,606, and \$254,342, respectively; 84 percent has been contributed for fiscal year 2014 and 100 percent for fiscal years 2013 and 2012.

***C. Social Security System***

Effective July 1, 1991, all employees not otherwise covered by the SERS/STRS Ohio have an option to choose Social Security or the SERS/STRS Ohio. As of June 30, 2014 two Board of Education members have elected Social Security. The Board's liability is 6.2 percent of wages paid.

**NOTE 10 - POSTEMPLOYMENT BENEFITS**

***A. School Employee Retirement System***

Plan Description – The District participates in two cost-sharing multiple employer defined benefit OPEB plans administered by the School Employees Retirement System for non-certificated retirees and their beneficiaries, a Health Care Plan and a Medicare Part B Plan. The Health Care Plan includes hospitalization and physicians' fees through several types of plans including HMO's, PPO's and traditional indemnity plans as well as a prescription drug program. The Medicare Part B Plan reimburses Medicare Part B premiums paid by eligible retirees and beneficiaries up to a statutory limit. Benefit provisions and the obligations to contribute are established by the System based on authority granted by State statute. The financial reports of both Plans are included in the SERS Comprehensive Annual Financial Report which is available by contacting SERS at 300 East Broad St., Suite 100, Columbus, Ohio 43215-3746.

Funding Policy – State statute permits SERS to fund the health care benefits through employer contributions. Each year, after the allocation for statutorily required benefits, the Retirement Board allocates the remainder of the employer contribution of 14 percent of covered payroll to the Health Care Fund. The Health Care Fund was established and is administered in accordance with Internal Revenue Code Section 401h. For 2014, 14 percent of covered payroll was allocated to health care. In addition, employers pay a surcharge for employees earning less than an actuarially determined amount; for 2014, this amount was \$20,250.

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

The District's contributions for health care for the fiscal years ended June 30, 2014, 2013, and 2012 were \$47,981, \$59,508, and \$70,634 respectively; 99 percent has been contributed for fiscal year 2014 and 100 percent for fiscal years 2013 and 2012.

The Retirement Board, acting with advice of the actuary, allocates a portion of the employer contribution to the Medicare B Fund. For 2014, this actuarially required allocation was 0.76 percent of covered payroll. The District's contributions for Medicare Part B for the fiscal years ended June 30, 2014, 2013 and 2012 was \$4,252, \$4,301 and \$3,354, respectively; 41percent has been contributed for fiscal year 2014 and 100 percent for fiscal year 2013 and 2012.

**OTTOVILLE LOCAL SCHOOL DISTRICT  
PUTNAM COUNTY**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2014  
(Continued)

**B. State Teachers Retirement System**

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

Funding Policy – Ohio law authorizes STRS Ohio to offer the Plan and gives the Retirement Board authority over how much, if any, of the health care costs will be absorbed by STRS Ohio. Active employee members do not contribute to the Plan. All benefit recipients pay a monthly premium. Under Ohio law, funding for post-employment health care may be deducted from employer contributions. For 2014, STRS Ohio allocated employer contributions equal to 1 percent of covered payroll to the Health Care Stabilization Fund. The District’s contributions for health care for the fiscal years ended June 30, 2014, 2013, and 2012 were \$21,036, \$20,970, and \$19,565, respectively; 84 percent has been contributed for fiscal year 2014 and 100 percent for fiscal years 2013 and 2012.

**NOTE 11 – DEBT**

The changes in the District’s long-term obligations during fiscal year 2014 were as follows:

	Principal Outstanding 7/1/2013	Reductions	Principal Outstanding 6/30/2014	Amount Due In One Year
<u>General Obligation Bonds</u>				
2004 Advance Refunding of 1995 School Improvement Bonds:				
Current Interest Bonds	\$500,000		\$500,000	
Capital Appreciation Bonds	15,000	\$8,375	6,625	\$6,625
2006 Advance Refunding of 2001 School Construction Bonds:				
Current Interest Bonds	1,580,000		1,580,000	
Capital Appreciation Bonds	79,996	32,668	47,328	26,244
Total Long Term Obligations	<u>\$2,174,996</u>	<u>\$41,043</u>	<u>\$2,133,953</u>	<u>\$32,869</u>

**School Improvement Bonds – 2004**

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

The term bond which matures on December 1, 2018, has an interest rate of 3.95 percent per year, and is subject to mandatory sinking fund redemption at a redemption price of 106.585 percent of the principal amount to be redeemed, plus accrued interest to the date of redemption, on December 1, in the year in the respective principal amount as follows:

**OTTOVILLE LOCAL SCHOOL DISTRICT  
PUTNAM COUNTY**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2014  
(Continued)

<u>Fiscal Year</u>	<u>Principal Amount to be Redeemed</u>
2019	\$280,000

The term bond which matures on December 1, 2021, has an interest rate of 4.20 percent per year, and is subject to mandatory sinking fund redemption at a redemption price of 97.579 percent of the principal amount to be redeemed, plus accrued interest to the date of redemption, on December 1, in the year in the respective principal amount as follows:

<u>Fiscal Year</u>	<u>Principal Amount to be Redeemed</u>
2022	\$220,000

The capital appreciation bonds were issued in the aggregate original principal amount of \$15,000 and mature on December 1, in the years, have the original principal amounts and mature with the accreted values at maturity, as follows:

<u>Maturity Date</u>	<u>Original Principal Amount</u>	<u>Accreted Value at Maturity</u>
2015	\$6,625	\$70,000

The bonds are being retired through the Bond Retirement Fund.

**School Construction General Obligation Bonds – 2006**

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

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

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

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

**OTTOVILLE LOCAL SCHOOL DISTRICT  
PUTNAM COUNTY**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2014  
(Continued)

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

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

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

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

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

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

<u>Maturity Date</u>	<u>Original Principal Amount</u>	<u>Accreted Value at Maturity</u>
2015	\$26,244	\$180,000
2016	21,084	180,000

The bonds are being retired through the Bond Retirement Fund.

Principal and interest requirements to retire general obligation bonds outstanding at June 30, 2014, were as follows:

**OTTOVILLE LOCAL SCHOOL DISTRICT  
PUTNAM COUNTY**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2014  
(Continued)

Year Ended	General Obligation Bonds			Capital Appreciation Bonds		
	Principal	Interest	Total	Principal	Interest	Total
2015		\$86,603	\$86,603	\$32,869	\$217,131	\$250,000
2016	\$70,000	84,941	154,941	21,084	158,916	180,000
2017	250,000	77,790	327,790			
2018	255,000	66,709	321,709			
2019	265,000	55,553	320,553			
2020-2024	1,240,000	114,330	1,354,330			
Total	<u>\$2,080,000</u>	<u>\$485,926</u>	<u>\$2,565,926</u>	<u>\$53,953</u>	<u>\$376,047</u>	<u>\$430,000</u>

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

The effects of the debt limitations at June 30, 2014 were a voted debt margin of \$4,338,028 and an unvoted debt margin of \$64,720.

**NOTE 12 – FUND BALANCE**

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

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

<u>Fund Balance</u>	<u>General Fund</u>	<u>Bond Retirement Fund</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
Restricted for:				
Athletics			\$93,890	\$93,890
Food Service Operations			14,945	45,945
Scholarships			33,608	33,608
Capital Improvements			35,044	35,044
Facilities Maintenance			417,559	417,559
Debt Service Payments		\$647,158		647,158
Total Restricted		647,158	594,746	1,241,904
Assigned for:				
Other	\$5,687			5,687
Unpaid Obligations	76,078			76,078
Total Assigned	81,765			81,765
Unassigned	4,252,170			4,252,170
Total Fund Balance	<u>\$4,333,935</u>	<u>\$647,158</u>	<u>\$594,746</u>	<u>\$5,575,839</u>

**NOTE 13 - SET-ASIDE CALCULATIONS**

The District is required by State statute to annually set aside in the General Fund an amount based on a

**OTTOVILLE LOCAL SCHOOL DISTRICT  
PUTNAM COUNTY**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2014  
(Continued)

statutory formula for the acquisition and construction of capital improvements. Amounts not spent by year-end or offset by similarly restricted resources received during the year must be held in cash at year-end and carried forward to be used for the same purposes in future years.

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

	<b>Capital Maintenance</b>
Set-Aside Reserve Balance June 30, 2013	
Current Year Set Aside Requirement	\$78,400
Qualifying Expenditures	(233,952)
Total	(\$155,552)
Balance Carried Forward to July 1, 2014	

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 14 - CONTINGENCIES**

**A. Grants**

The District receives financial assistance from Federal and State agencies in the form of grants. Disbursing grant funds generally requires compliance with terms and conditions specified in the grant agreements and are subject to audit. Any disallowed claims resulting from such audits could become a liability. However, in the opinion of management, any such disallowed claims through June 30, 2014 will not have a material adverse effect on the District.

**B. Litigation**

The District is not a party to any legal proceedings.

**NOTE 15 - JOINTLY GOVERNED ORGANIZATIONS**

**A. Northwest Ohio Area Computer Services Cooperative**

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

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

**OTTOVILLE LOCAL SCHOOL DISTRICT  
PUTNAM COUNTY**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2014  
(Continued)

***B. 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.

***C. Northwest Ohio Special Education Regional Resource Center***

The Northwest Ohio Special Education Regional Resource Center (SERRC) is a jointly governed organization formed to initiate, expand, and improve special education programs and services for children and disabilities and their parents. The SERRC is made up of school districts from Defiance, Fulton, Hancock, Henry, Lucas, Ottawa, Paulding, Putnam, Sandusky, Seneca, Van Wert, Williams, and Wood counties. The SERRC is governed by a thirty-three member board consisting of twenty-six superintendents, one director of student services, one parent representative, one representative from a community school, one representative from a mental health board, one representative from a parent advisory council, one representative from Bowling Green State University, and one representative from the University of Toledo. The degree of control exercised by any participating school district is limited to its representation on the Board. Financial information can be obtained from David Michel, Eastwood Local Schools, 4800 Sugar Ridge Road, Pemberville, Ohio 43450.

***D. State Support Team Region 1***

The State Support Region 1 (SSTR1) provides specialized core work related to building regional capacity for district, building, and community school implementation of the Ohio Improvement Process (OIP) at a high level. The service region of the SSTR1 includes Defiance, Fulton, Hancock, Henry, Lucas, Ottawa, Paulding, Putnam, Sandusky, Van Wert, Williams, and Wood counties, and Fostoria Community School in Seneca County. The 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](http://www.sstr1.org).

***E. Vantage Career Center***

The Vantage Career Center (Vantage) is a district political subdivision of the State of Ohio established under § 3313.90. Vantage operates under the direction of a Board of Education consisting of one representative from each of the participating school district's elected boards. The Board possesses its own budgeting and taxing authority. Financial information is available from Vantage's Treasurer, Lori Davis, at 818 N. Franklin Street, Van Wert, Ohio 45891-1304.

**OTTOVILLE LOCAL SCHOOL DISTRICT  
PUTNAM COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2013  
UNAUDITED**

This discussion and analysis of Ottoville Local School District's (the District) financial performance provides an overall review of the District's financial activities for the year ended June 30, 2013, within the limitations of the District's cash basis of accounting. Readers should also review the basic financial statements and notes to enhance their understanding of the District's financial performance.

**Financial Highlights**

Key highlights for 2013 are as follows:

Net position of governmental activities increased \$551,011

The District's general governmental receipts were \$4,814,774. The majority of these receipts were primarily property taxes and unrestricted state entitlements. Program specific revenues in the form of charges for services and operating grants and contributions accounted for \$1,030,887.

The District had \$5,294,650 in expenses related to governmental activities. Only \$1,030,887 of these expenses were offset by program specific charges for services, grants and contributions. General revenues supporting governmental activities (primarily taxes, unrestricted grants and entitlements) of \$4,814,774 were adequate to provide for these programs.

The District's major governmental funds were the General Fund and Bond Retirement Fund. The General Fund had \$4,814,754 in receipts and other financing sources and \$4,327,238 in disbursements and other financing uses. The Bond Retirement Fund had \$393,525 in receipts and \$341,025 in disbursements. During fiscal year 2013, the General Fund balance increased \$487,516 from \$3,216,654 to \$3,704,170. The Bond Retirement Fund balance increased \$52,500 from \$554,139 to \$606,639.

**Using this Annual Report**

This annual report is presented in a format consistent with the presentation requirements of Governmental Accounting Standards Board Statement No. 34, as applicable to the District's cash basis of accounting.

**Report Components**

The statement of net position and the statement of activities provide information about the cash activities of the District as a whole.

Fund financial statements provide a greater level of detail. For governmental type funds, these statements tell how services were financed in the short-term as well as what remains for future spending. The fund financial statements also look at the District's most significant funds, with all other non-major funds presented in total in a single column. For the District, the General Fund and Bond Retirement Fund are the major funds.

The notes to the financial statements are an integral part of the government-wide and fund financial statements and provide expanded explanation and detail regarding the information reported in the statements.

**Basis of Accounting**

**OTTOVILLE LOCAL SCHOOL DISTRICT  
PUTNAM COUNTY**

MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2013  
UNAUDITED  
(Continued)

Basis of accounting is a reference to when financial events are recorded, such as the timing for recognizing revenues, expenses, and the related assets and liabilities. The District has elected to present its financial statements on the cash basis of accounting. Under the District's cash basis of accounting, receipts and disbursements and the related assets and liabilities are recorded when they result in cash transactions. This basis of accounting is a basis of accounting other than generally accepted accounting principles.

As a result of using the other comprehensive basis of accounting, certain assets and their related revenues (such as accounts receivable) and certain liabilities and their related expenses (such as accounts payable) are not recorded in the financial statements. Therefore, when reviewing the financial information and discussion within this report, the reader must keep in mind the limitations resulting from the use of the cash basis of accounting.

**Reporting the District as a Whole**

The statement of net position and the statement of activities reflect how the District did financially during fiscal year 2013, within the limitations of the cash basis of accounting. The statement of net position presents the cash balances and investments of the governmental activities of the District at fiscal year end. The statement of activities compares cash disbursements with program receipts for each function or program of the District's governmental activities. A function is a group of related activities designed to accomplish a major service or regulatory program for which the District is responsible. Program receipts include charges paid by the recipient of the program's goods or services and grants and contributions restricted to meeting the operational or capital requirements of a particular program. General receipts are all receipts not classified as program receipts. The comparison of cash disbursements with program receipts identifies how each governmental function draws from the District's general receipts.

These statements report the District's cash position and the changes in cash position. Factors which contribute to these changes may include, but not limited to, the District's property tax base, current property tax laws in Ohio restricting revenue growth, facility conditions, and required educational programs.

In the statement of net position and the statement of activities, the Governmental Activities include the District's programs and services including instruction, support services, non-instructional services, extracurricular activities, capital outlay disbursements, and debt service.

**Reporting the District's Most Significant Funds**

Fund financial statements provide detailed information about the District's major funds - not the District as a whole. The District establishes separate funds to better manage its many activities and to help demonstrate that money that is restricted as to how it may be used is being spent for the intended purpose.

The funds of the District are split into two categories: governmental and fiduciary. While the District uses many funds to account for its financial transactions, the fund financial statements focus on the District's most significant funds. The District's major governmental funds are the General Fund and Bond Retirement Fund.

Governmental Funds – Most of the District activities are reported in governmental funds. The governmental fund financial statements provide a detailed view of the District's governmental operations

**OTTOVILLE LOCAL SCHOOL DISTRICT  
PUTNAM COUNTY**

MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2013  
UNAUDITED  
(Continued)

and the basic services it provides. Governmental fund information helps determine whether there are more or less financial resources that can be spent to finance the District's programs. The District's significant governmental funds are presented on the financial statements in separate columns. The information for non-major funds (funds whose activity or balances are not large enough to warrant separate reporting) is combined and presented in total in a single column. The programs reported in governmental funds are closely related to those reported in the governmental activities section of the entity-wide statements.

Fiduciary Funds – Fiduciary Funds are used to account for resources held for the benefit of parties outside the District. Fiduciary Funds are not reflected on the government-wide financial statements because the resources of these funds are not available to support the District's programs.

**The District as a Whole**

Table 1 provides a summary of the District's net position for fiscal year 2013 compared to fiscal year 2012 on another comprehensive basis of accounting.

**Table 1  
Net Position**

	Governmental Activities 2013	Governmental Activities 2012
<b>Assets:</b>		
Cash and Cash Equivalents	\$4,982,825	\$4,431,814
<b>Net Position:</b>		
Restricted	\$1,278,655	\$1,215,160
Unrestricted	3,704,170	3,216,564
Total Net Position	\$4,982,825	\$4,431,814

Over time, net position can serve as a useful indicator of a government's financial position. At year end, net position was \$4,982,825 for governmental activities.

A portion of the District's net position, \$1,278,655, represents resources that are subject to external restriction on how they may be used. The remaining balance of unrestricted net position of \$3,704,170 may be used to meet the District's ongoing obligations to the students and creditors.

The increase in cash was attributed to the General Fund's increased revenues and decreased spending.

Table 2 reflects the changes in net position in net assets in 2013. Since the District did not prepare financial statements in this format for 2012, a comparative analysis of government-wide data has not been presented. In future years, when prior year information is available, a comparative analysis will be presented.

**Table 2  
Change in Net Assets  
Governmental Activities**

**OTTOVILLE LOCAL SCHOOL DISTRICT  
PUTNAM COUNTY**

MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2013  
UNAUDITED  
(Continued)

	2013
Revenues:	
Program Revenues:	
Charges for Services and Sales	\$563,034
Operating Grants and Contributions	467,853
Total Program Revenues	1,030,887
General Revenues:	
Property and Other Local Taxes	1,663,923
Income Taxes	556,518
Grants and Entitlements Not Restricted to Specific Programs	2,521,675
Gifts and Donations	4,716
Interest	18,212
Insurance Recoveries	23,991
Miscellaneous	25,739
Total General Revenues	4,814,774
Total Revenues	5,845,661
 Expenditures:	
Instruction:	
Regular	2,575,677
Special	315,615
Vocational	9,690
Support Services:	
Pupil	118,416
Instructional Staff	201,421
Board of Education	19,060
Administration	354,084
Fiscal	231,996
Operation and Maintenance of Plant	470,943
Pupil Transportation	172,686
Central	318
Operation of Non-Instructional Services	218,280
Extracurricular Activities	270,626
Facilities Acquisition and Construction	4,823
Debt Service	331,015
Total Expenditures	5,294,650
 Increase in Net Position	 551,011
 Net Position, July 1	 4,431,814
Net Position, June 30	\$4,982,825

**OTTOVILLE LOCAL SCHOOL DISTRICT  
PUTNAM COUNTY**

MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2013  
UNAUDITED  
(Continued)

Net position of the District's governmental activities increased \$551,011. Total governmental expenses of \$5,294,650 were offset by program revenues of \$1,030,887 and general revenues of \$4,814,774. General revenues supported the vast majority of the total governmental expenses.

The primary sources of revenue for the governmental activities were property taxes, income taxes and grant and entitlements not restricted to specific programs which represent 81.1 percent of total governmental revenue. Real estate property is reappraised every six years.

**Governmental Activities**

The Statement of Activities shows the cost of program services and the charges for services, grants and contributions off-setting those services. The following table shows the total cost of these services and the net cost of services. That is, it identifies the cost of these services supported by tax revenue and unrestricted State grants and entitlements.

**Table 3  
Governmental Activities**

	Total Cost of Services 2013	Net Cost of Services 2013
Current:		
Instruction:		
Regular	\$2,575,677	\$2,019,860
Special	315,615	221,136
Vocational	9,690	9,690
Support Services:		
Pupil	118,416	118,416
Instructional Staff	201,421	201,421
Board of Education	19,060	19,060
Administration	354,084	354,084
Fiscal	231,996	231,996
Operation and Maintenance of Plant	470,943	457,274
Pupil Transportation	172,686	161,981
Central	318	318
Operation of Non-Instructional Services	218,280	13,106
Extracurricular Activities	270,626	119,583
Capital Outlay	4,823	4,823
Debt Service	331,015	331,015
Total Disbursements	\$5,294,650	\$4,263,763

The dependence upon tax receipts and unrestricted state entitlements is apparent as a majority of instructional activities are supported through these general receipts. For all governmental activities, general revenue support is 80.5 percent. The remaining 19.5 percent is derived from charges for services and operating grants and contributions.

**The District's Funds**

**OTTOVILLE LOCAL SCHOOL DISTRICT  
PUTNAM COUNTY**

MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2013  
UNAUDITED  
(Continued)

The District's funds are accounted for using the cash basis of accounting. Total governmental funds had receipts and other financing sources of \$5,845,781 and disbursements and other financing uses of \$5,294,770. The net positive change of \$551,011 in fund balance for the year indicates that the District was able to meet current costs.

**General Fund**

The District's General Fund balance increased by \$487,516.

The table that follows assists in illustrating the financial activities of the General Fund.

**Table 4  
General Fund**

	2013 Amount
<b>Revenues:</b>	
Taxes	\$1,872,265
Tuition	195,587
Interest	15,704
Intergovernmental	2,647,077
Other Revenues	84,121
Total Revenues	\$4,814,754
<b>Expenditures:</b>	
Instruction	\$2,714,811
Support Services	1,501,334
Extracurricular Activities	110,973
Transfers Out	120
Total Expenditures	\$4,327,238

**General Fund Budgeting Highlights**

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

During fiscal year 2013, the District amended its General Fund budget as needed to reflect changing circumstances.

Final estimated revenues and other financing sources were higher than original amounts by \$228,085. The variance was primarily a result of income taxes and intergovernmental revenues being higher than originally expected. Actual revenues and other financing sources for fiscal year 2013 were \$15,092 less than the final estimated revenues and other financing sources. The variance was primarily a result of intergovernmental revenues not as high as budgeted.

General Fund original budgeted appropriations of \$4,474,119 were the same as the final budget. Actual budget basis expenditures for fiscal year 2013 totaled \$4,420,761 which was \$53,358 less than the final budget appropriations. The variance is primarily due to a conservative "worst case scenario" approach.

**OTTOVILLE LOCAL SCHOOL DISTRICT  
PUTNAM COUNTY**

MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2013  
UNAUDITED  
(Continued)

The District over-appropriates and uses a contingency appropriation in case significant, unexpected expenditures arise during the fiscal year.

**Capital Assets and Debt Administration**

**Capital Assets**

The District's capital assets are not reflected in the cash basis of accounting statements, however the District does track capital assets through the State provided software program.

**Debt**

At June 30, 2013, the District's outstanding debt included general obligation bonds in the amount of \$2,174,996. Of this total \$41,043 is due within one year and \$2,133,953 is due in more than one year.

The bonds are being retired through the Bond Retirement Fund.

For further information regarding the District's debt, see the notes to the basic financial statements.

**Current Issues**

The challenge for all districts is to provide quality educational services to the public while staying within the restrictions imposed by limited funding, and in some cases shrinking funding. The District relies heavily on unrestricted state entitlements and local taxes. The District's five year forecast predicts no deficits in the near future.

**Contacting the District's Financial Management**

This financial report is designed to provide our citizens, taxpayers, investors, and creditors with a general overview of the District's finances and to reflect the District's accountability for the monies it receives. Questions concerning any of the information in this report or requests for additional information should be directed to Robert Weber, Treasurer, Ottoville Local School District, P.O. Box 248, Ottoville, Ohio 45876-0248.

**OTTOVILLE LOCAL SCHOOL DISTRICT  
PUTNAM COUNTY**

**Statement of Net Position - Cash Basis  
June 30, 2013**

	<b>Governmental Activities</b>
<b>Assets:</b>	
Equity in Pooled Cash and Cash Equivalents	\$ <u>4,982,825</u>
<b>Net Position:</b>	
Restricted for Debt Service	606,639
Restricted for Capital Outlay	68,435
Restricted for Other Purposes	603,581
Unrestricted	<u>3,704,170</u>
<i>Total Net Position</i>	\$ <u>4,982,825</u>

See Accompanying Notes to the Basic Financial Statements

**OTTOVILLE LOCAL SCHOOL DISTRICT  
PUTNAM COUNTY**

**Statement of Activities - Cash Basis  
For the Fiscal Year Ended June 30, 2013**

		<u>Program Cash Receipts</u>		<u>Net (Disbursements) Receipts and Changes in Net Position</u>
	<u>Cash Disbursements</u>	<u>Charges for Services and Sales</u>	<u>Operating Grants and Contributions</u>	<u>Governmental Activities</u>
<b>Governmental Activities:</b>				
<b>Instruction:</b>				
Regular	\$ 2,575,677	\$ 239,046	\$ 316,771	\$ (2,019,860)
Special	315,615		94,479	(221,136)
Other	9,690			(9,690)
<b>Support Services:</b>				
Pupils	118,416			(118,416)
Instructional Staff	201,421			(201,421)
Board of Education	19,060			(19,060)
Administration	354,084			(354,084)
Fiscal	231,996			(231,996)
Operation and Maintenance of Plant	470,943		13,669	(457,274)
Pupil Transportation	172,686	10,705		(161,981)
Central	318			(318)
Operation of Non-Instructional Services	218,280	162,240	42,934	(13,106)
Extracurricular Activities	270,626	151,043		(119,583)
Facilities Acquisition and Construction	4,823			(4,823)
<b>Debt Service:</b>				
Principal	240,000			(240,000)
Interest and Fiscal Charges	91,015			(91,015)
<b>Totals</b>	<b>\$ <u>5,294,650</u></b>	<b>\$ <u>563,034</u></b>	<b>\$ <u>467,853</u></b>	<b><u>(4,263,763)</u></b>
 <b>General Receipts:</b>				
<b>Taxes:</b>				
Property Taxes, Levied for General Purposes				1,315,747
Property Taxes, Levied for Debt Service				326,615
Property Taxes, Levied for Other				21,561
Income Taxes				556,518
Grants and Entitlements not Restricted to Specific Programs				2,521,675
Gifts and Donations				4,716
Interest				18,212
Insurance Recoveries				23,991
Miscellaneous				25,739
<b>Total General Receipts</b>				<b><u>4,814,774</u></b>
Change in Net Position				551,011
Net Position Beginning of Year				4,431,814
Net Position End of Year				<b>\$ <u>4,982,825</u></b>

See Accompanying Notes to the Basic Financial Statements

**OTTOVILLE LOCAL SCHOOL DISTRICT  
PUTNAM COUNTY**

**Statement of Assets and Fund Balances - Cash Basis  
Governmental Funds  
June 30, 2013**

	<b>General Fund</b>	<b>Bond Retirement Fund</b>	<b>Other Governmental Funds</b>	<b>Total Governmental Funds</b>
<b>Assets</b>				
Equity in Pooled Cash and Cash Equivalents	\$ <u>3,704,170</u>	\$ <u>606,639</u>	\$ <u>672,016</u>	\$ <u>4,982,825</u>
<b>Fund Balances</b>				
Restricted		606,639	672,016	1,278,655
Assigned	107,070			107,070
Unassigned	<u>3,597,100</u>			<u>3,597,100</u>
<i>Total Fund Balances</i>	\$ <u>3,704,170</u>	\$ <u>606,639</u>	\$ <u>672,016</u>	\$ <u>4,982,825</u>

See Accompanying Notes to the Basic Financial Statements

**OTTOVILLE LOCAL SCHOOL DISTRICT  
PUTNAM COUNTY**

**Statement of Cash Receipts, Disbursements and Changes in Fund Balances - Cash Basis  
Governmental Funds  
For the Fiscal Year Ended June 30, 2013**

	<b>General Fund</b>	<b>Bond Retirement Fund</b>	<b>All Other Governmental Funds</b>	<b>Total Governmental Funds</b>
<b>Cash Receipts:</b>				
Property and Other Local Taxes	\$ 1,315,747	\$ 326,615	\$ 21,561	\$ 1,663,923
Income Tax	556,518			556,518
Intergovernmental	2,647,077	66,910	275,541	2,989,528
Interest	15,704		2,508	18,212
Tuition	195,587			195,587
Transportation Fees	10,705			10,705
Extracurricular Activities	3,281		147,762	151,043
Gifts and Donations	100		4,616	4,716
Customer Sales and Services	43,459		162,240	205,699
Miscellaneous	22,739		3,000	25,739
<i>Total Cash Receipts</i>	<u>4,810,917</u>	<u>393,525</u>	<u>617,228</u>	<u>5,821,670</u>
<b>Cash Disbursements:</b>				
Current:				
Instruction:				
Regular	2,483,985		91,692	2,575,677
Special	221,136		94,479	315,615
Other	9,690			9,690
Support Services:				
Pupils	118,416			118,416
Instructional Staff	192,976		8,445	201,421
Board of Education	19,060			19,060
Administration	329,084		25,000	354,084
Fiscal	221,331	10,010	655	231,996
Operation and Maintenance of Plant	447,463		23,480	470,943
Pupil Transportation	172,686			172,686
Central	318			318
Operation of Non-Instructional Services				
Extracurricular Activities	110,973		159,653	270,626
Facilities Acquisition and Construction			4,823	4,823
Debt Service:				
Principal		240,000		240,000
Interest		91,015		91,015
<i>Total Cash Disbursements</i>	<u>4,327,118</u>	<u>341,025</u>	<u>626,507</u>	<u>5,294,650</u>
<i>Excess of Cash Receipts Over (Under)</i>				
<i>Cash Disbursements</i>	<u>483,799</u>	<u>52,500</u>	<u>(9,279)</u>	<u>527,020</u>
<b>OTHER FINANCING SOURCES (USES):</b>				
Transfers In			120	120
Transfers Out	(120)			(120)
Insurance Recoveries	3,837		20,154	23,991
<i>Total Other Financing Sources (Uses)</i>	<u>3,717</u>		<u>20,274</u>	<u>23,991</u>
<i>Net Change in Fund Balances</i>	487,516	52,500	10,995	551,011
<i>Fund Balances at Beginning of Year</i>	3,216,654	554,139	661,021	4,431,814
<i>Fund Balances at End of Year</i>	<u>\$ 3,704,170</u>	<u>\$ 606,639</u>	<u>\$ 672,016</u>	<u>\$ 4,982,825</u>

See Accompanying Notes to the Basic Financial Statements

**OTTOVILLE LOCAL SCHOOL DISTRICT  
PUTNAM COUNTY**

**Statement of Receipts, Disbursements and Changes in Fund Balance  
Budget and Actual - Budget Basis  
General Fund  
For the Fiscal Year Ended June 30, 2013**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget</u>
<b>Receipts:</b>				
Property and Other Local Taxes	\$ 1,279,581	\$ 1,280,175	\$ 1,315,747	\$ 35,572
Income Tax	492,000	556,518	556,518	
Intergovernmental	2,543,383	2,690,488	2,647,077	(43,411)
Interest	15,000	15,000	15,704	704
Tuition	180,000	195,587	195,587	
Transportation Fees	10,000	10,000	10,705	705
Extracurricular Activities	3,000	3,281	3,281	
Gifts and Donations	500	500	100	(400)
Customer Sales and Services	51,500	51,500	43,459	(8,041)
Miscellaneous	20,100	20,100	17,042	(3,058)
<i>Total Receipts</i>	<u>4,595,064</u>	<u>4,823,149</u>	<u>4,805,220</u>	<u>(17,929)</u>
<b>Disbursements:</b>				
Current:				
Instruction:				
Regular	2,529,395	2,529,395	2,537,779	(8,384)
Special	194,092	194,092	222,376	(28,284)
Other	10,725	10,725	9,690	1,035
Support Services:				
Pupils	93,250	93,250	115,979	(22,729)
Instructional Staff	198,202	198,202	193,551	4,651
Board of Education	28,700	28,700	19,060	9,640
Administration	350,337	350,337	331,582	18,755
Fiscal	243,599	243,599	221,755	21,844
Operation and Maintenance of Plant	492,261	492,261	477,808	14,453
Pupil Transportation	209,893	209,893	181,967	27,926
Central	400	400	504	(104)
Extracurricular Activities	123,265	123,265	108,710	14,555
<i>Total Disbursements</i>	<u>4,474,119</u>	<u>4,474,119</u>	<u>4,420,761</u>	<u>53,358</u>
<i>Excess of Receipts Over Disbursements</i>	<u>120,945</u>	<u>349,030</u>	<u>384,459</u>	<u>35,429</u>
<b>Other Financing Sources:</b>				
Proceeds from Sale of Fixed Assets	1,000	1,000		(1,000)
Insurance Recoveries			3,837	3,837
<i>Total Other Financing Sources</i>	<u>1,000</u>	<u>1,000</u>	<u>3,837</u>	<u>2,837</u>
<i>Net Change in Fund Balance</i>	121,945	350,030	388,296	38,266
<i>Fund Balance at Beginning of Year</i>	3,117,684	3,117,684	3,117,684	
<i>Prior Year Encumbrances Appropriated</i>	91,119	91,119	91,119	
<i>Fund Balance at End of Year</i>	<u>\$ 3,330,748</u>	<u>\$ 3,558,833</u>	<u>\$ 3,597,099</u>	<u>\$ 38,266</u>

See Accompanying Notes to the Basic Financial Statements

**OTTOVILLE LOCAL SCHOOL DISTRICT  
PUTNAM COUNTY**

**Statement of Fiduciary Net Position - Cash Basis  
Fiduciary Funds  
June 30, 2013**

	<u>Agency Fund</u>
<b>Assets:</b>	
Current Assets:	
Equity in Pooled Cash and Cash Equivalents	\$ <u>18,553</u>
<b>Liabilities:</b>	
Current Liabilities:	
Due to Students	\$ <u>18,553</u>

See Accompanying Notes to the Basic Financial Statements

**OTTOVILLE LOCAL SCHOOL DISTRICT  
PUTNAM COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2013**

**NOTE 1 - DESCRIPTION OF THE SCHOOL DISTRICT AND REPORTING ENTITY**

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

A locally-elected five-member Board governs the District, which provides educational services mandated by the State and federal agencies. This Board of Education controls the District's one instructional/support facility staffed by 17 classified employees, 35 certificated full-time personnel, and 3 administrators who provide services to 472 students and other community members.

***Reporting Entity***

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

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

The District has no joint ventures.

The District participates in 3 public entity risk pools and 5 jointly governed organizations. The financial statements exclude these entities which perform activities within the District's boundaries for the benefit of its residents because the District is not financially accountable for these entities nor are these entities fiscally dependent on the District. Notes 8 and 15 to the financial statements provide additional information for these entities. These organizations are:

Public Entity Risk Pool:

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

Jointly Governed Organizations:

Northwest Ohio Area Computer Services Cooperative  
Northwest Ohio Educational Research Council, Inc.  
Northwest Ohio Special Education Regional Resource Center  
State Support Region 1  
Vantage Career Center

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

***A. Basis of Accounting***

**OTTOVILLE LOCAL SCHOOL DISTRICT  
PUTNAM COUNTY**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2013  
(Continued)

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

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

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

***B. Fund Accounting***

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

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

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

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

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

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

***C. Basis of Presentation***

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

**OTTOVILLE LOCAL SCHOOL DISTRICT  
PUTNAM COUNTY**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2013  
(Continued)

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

The government-wide statement of activities compares disbursements with program receipts for each function or program of the District's governmental activities. Disbursements are reported by function. A function is a group of related activities designed to accomplish a major service or regulatory program for which the government is responsible. Program receipts include charges paid by the recipient of the program's goods or services and grants and contributions restricted to meeting the operational or capital requirements of a particular program. General receipts are all receipts not classified as program receipts, with certain limited exceptions. The comparison of direct disbursements with program receipts identifies the extent to which each governmental function is self-financing on the cash basis or draws from the District's general receipts.

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

**D. Cash, Cash Equivalents, and Investments**

To improve cash management, cash received by the District is pooled and invested. Monies for all funds are maintained in this pool. Individual fund integrity is maintained through District records. Interest in the pool is presented as "Equity in Pooled Cash and Cash Equivalents". Cash and cash equivalents that are held separately in an account at a financial institution for debt service are reported as "Cash and Cash Equivalents with Fiscal Agent".

Investments of the District's cash management pool and investments with an original maturity of three months or less at the time they are purchased by the District are presented on the financial statements as cash equivalents. Investments with an initial maturity of more than three months that were not purchased from the pool are reported as investments.

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

During 2013, the District invested in certificates of deposit. The District values certificates of deposit at cost.

Following Ohio statutes, the Board of Education specified the funds to receive an allocation of interest earnings. Interest revenue credited to the General Fund during fiscal year 2013 amounted to \$15,704, of which \$4,205 was interest assigned from other District funds.

**E. Restricted Assets**

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

**OTTOVILLE LOCAL SCHOOL DISTRICT  
PUTNAM COUNTY**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2013  
(Continued)

***F. Inventory and Prepaid Items***

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

***G. Capital Assets***

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

***H. Compensated Absences***

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

***I. Intergovernmental Receipts***

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

***J. Long-term Obligations***

The District's cash basis financial statements do not report liabilities for bonds and other long-term obligations. Proceeds of debt are reported when cash is received and principal and interest payments are reported when paid.

***K. Fund Balance***

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

**Nonspendable** - The nonspendable classification includes amounts that cannot be spent because they are not in spendable form or legally or contractually required to be maintained intact. The "not in spendable form" includes items that are not expected to be converted to cash.

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

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

**OTTOVILLE LOCAL SCHOOL DISTRICT  
PUTNAM COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2013  
(Continued)**

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

Unassigned - Unassigned fund balance is the residual classification for the General Fund and includes all spendable amounts not contained in the other classifications. In other governmental funds, the unassigned classification is used only to report a deficit balance resulting from overspending for specific purposes for which amounts had been restricted, committed, or assigned.

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

***L. Net Position***

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

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

***M. Interfund Activity***

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

The statements report interfund loans as advances when made or repaid. There were no unpaid advances as of June 30, 2013.

***N. Budgetary Data***

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

**OTTOVILLE LOCAL SCHOOL DISTRICT  
PUTNAM COUNTY**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2013  
(Continued)

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

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

**NOTE 3 - ACCOUNTABILITY AND COMPLIANCE**

***A. Change in Basis of Accounting***

In prior years the District prepared its financial statements on a regulatory basis of accounting. For fiscal year 2013, the District revised its financial presentation to the cash basis of accounting comparable to the requirements of Governmental Accounting Standard No. 34, *Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments*. Rather than presenting a separate column for each fund type, the District now presents entity wide statements and also statements with a separate column for each major fund with all other funds combined in a separate column.

For fiscal year 2013, the District modified 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 definitions. The requirements of this statement classify fund balance as nonspendable, restricted, committed, assigned and/or unassigned.

For 2013, the District has implemented GASB Statement No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA pronouncements*. GASB Statement No. 62 codifies accounting and financial reporting guidance contained in pre-November 30, 1989 FASB and AICPA pronouncements in an effort to codify all sources of GAAP for State and local governments so that they derive from a single source. The implementation of GASB Statement No. 62 did not have an effect on the financial statements of the District.

The restatement due to the implementation of GASB Statement No. 54 and GASB Statement No. 34 had the following effect on fund balance of the major and nonmajor funds of the District as they were previously reported.

**OTTOVILLE LOCAL SCHOOL DISTRICT  
PUTNAM COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2013  
(Continued)**

	General	Special Revenue	Debt Service	Capital Project	Enterprise	Other Governmental
Fund Balance at June 30, 2012	\$3,208,803	\$578,836	\$554,139	\$60,289	\$29,747	
Change in Fund Structure	7,851	(\$578,836)		(60,289)	(29,747)	\$661,021
Adjusted Fund Balance at July 1, 2012	<u>\$3,216,654</u>	<u></u>	<u>\$554,139</u>	<u></u>	<u></u>	<u>\$661,021</u>

**B. Compliance**

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

**NOTE 4 - BUDGETARY BASIS OF ACCOUNTING**

The budgetary basis as provided by law is based upon accounting for certain transactions on the basis of cash receipts, disbursements, and encumbrances. The Statement of Cash Receipts, Cash Disbursements and Changes in Fund Balance (Budgetary Basis) presented for the General Fund is prepared on the budgetary basis to provide a meaningful comparison of actual results with the budget. The difference between the budgetary basis and the cash basis is outstanding year end encumbrances are treated as cash disbursements (budgetary basis) rather than as a reservation of fund balance (cash basis). The encumbrances outstanding at year end (budgetary basis) amounted to \$98,343 in the General Fund.

In addition, as part of Governmental Accounting Standards Board Statement No. 54, "Fund Balance Reporting", certain funds that are legally budgeted in separate special revenue funds (uniform school supplies and public school support funds) are considered part of the General fund on the cash basis.

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

<u>Net Change in Fund Cash Balance</u>	
	<u>General Fund</u>
Cash Basis	\$487,516
Funds Budgeted Elsewhere	(877)
Adjustment for Encumbrances	(98,343)
Budget Basis	<u>\$388,296</u>

**NOTE 5 - DEPOSITS AND INVESTMENTS**

**OTTOVILLE LOCAL SCHOOL DISTRICT  
PUTNAM COUNTY**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2013  
(Continued)

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 held by the District can be deposited or invested in the following securities:

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

**OTTOVILLE LOCAL SCHOOL DISTRICT  
PUTNAM COUNTY**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2013  
(Continued)

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

**Deposits with Financial Institutions:** At June 30, 2013, the carrying amount of all District deposits was \$5,001,378. Based on the criteria described in GASB Statement No. 40, "Deposits and Investment Risk Disclosures", as of June 30, 2013, \$4,811,306 of the District's bank accounts were exposed to custodial risk. Custodial credit risk otherwise is discussed in the next paragraph.

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

**NOTE 6 - PROPERTY TAXES**

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

Property taxes include amounts levied against all real property, public utility property and tangible personal (used in business) property located in the District. Real property tax revenues received in calendar year 2013 represent the collection of calendar year 2012 taxes. Real property taxes received in calendar year 2013 were levied after April 1, 2012, on the assessed values as of January 1, 2012, the lien date. Assessed values for real property taxes are established by State statute at 35 percent of appraised market value. Real property taxes are payable annually or semiannually. If paid annually, payment is due December 31; if paid semiannually, the first payment is due December 31, with the remainder payable by June 20. Under certain circumstances, State statute permits alternate payment dates to be established. Public utility property tax revenues received in calendar year 2013 represent the collection of calendar year 2012 taxes.

Public utility real and tangible personal property taxes received in calendar year 2013 became a lien on December 31, 2011, were levied after April 1, 2012, 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. Public utility property taxes are payable on the same dates as real property taxes described previously.

The District receives property taxes from Putnam County and Paulding County. The County Auditors periodically advance to the District its portion of the taxes collected. Second-half real property tax payments collected by the Counties by June 30, 2013, are available to finance fiscal year 2013 operations. The amount of second-half real property taxes available for advance at fiscal year end can vary based on the date the tax bills are sent.

**OTTOVILLE LOCAL SCHOOL DISTRICT  
PUTNAM COUNTY**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2013  
(Continued)

The assessed values upon which the fiscal year 2013 taxes were collected are:

	2012 Second Half Collections		2013 First Half Collections	
	<u>Amount</u>	<u>Percent</u>	<u>Amount</u>	<u>Percent</u>
Residential/Agricultural	\$56,579,460	88.90%	\$56,812,660	88.75%
Commercial/Industrial	5,199,200	8.17%	5,221,390	8.16%
Public Utility	<u>1,867,450</u>	<u>2.93%</u>	<u>1,977,810</u>	<u>3.09%</u>
Total	<u><u>\$63,646,110</u></u>	<u><u>100.00%</u></u>	<u><u>\$64,011,860</u></u>	<u><u>100.00%</u></u>
Tax rate per \$1,000 of assessed valuation	<u>\$31.87</u>		<u>\$31.37</u>	

**NOTE 7 - SCHOOL DISTRICT INCOME TAX**

On February 3, 2009, the District passed a .75 percent continuing school district income tax for general operations. The income tax was effective on January 1, 2010. Employers of residents are required to withhold income tax on compensation and remit the tax to the State. Taxpayers are required to file an annual return. The State makes quarterly distributions to the District after withholding amounts for administrative fees and estimated refunds. Income tax revenue is credited to the General Fund and totaled \$556,518 for fiscal year 2013.

**NOTE 8 - RISK MANAGEMENT**

***A. Risk Pool Membership***

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

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

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

The District paid \$29,120 in premiums during fiscal year 2012 for coverage in fiscal year 2013.

SORSA financial statements are available by contacting SORSA at:

Schools of Ohio Risk Sharing Authority, Inc.

**OTTOVILLE LOCAL SCHOOL DISTRICT  
PUTNAM COUNTY**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2013  
(Continued)

OSBA Building  
8050 North High Street  
Columbus, Ohio 43235-6483

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

***B. Employee Medical Benefits***

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

***C. Workers' Compensation***

For fiscal year 2013 the District participated in the Ohio School Boards Association (OSBA) Workers' Compensation Group Rating Program (GRP), an insurance purchasing pool. The intent of the GRP is to achieve a reduced premium for the District by virtue of its grouping and representation with other participants in the GRP. The workers' compensation experience of the participating school districts is calculated as one experience and a common premium rate is applied to all school districts in the GRP. Each participant pays its workers' compensation premium to the State based on the rate for the GRP rather than its individual rate. GRP then calculates total savings and each participant's individual performance is compared to the overall Plan's savings percentage. A participant then either receives money from or contributes to GRP's equity pooling fund. This equity pooling arrangement insures that each participant shares equally in the overall performance of the GRP. Participation in the GRP is limited to school districts that can meet the GRP's selection criteria.

**NOTE 9 - PENSION PLANS**

***A. State Teachers Retirement System***

Plan Description - The District participates in the State Teachers Retirement System of Ohio (STRS Ohio), a cost-sharing, multiple-employer public employee retirement plan. STRS Ohio provides retirement and disability benefits to members and death and survivor benefits to beneficiaries. STRS Ohio issues a stand-alone financial report that may be obtained by writing to STRS Ohio, 275 E. Broad St., Columbus, OH 43215-3771, by calling (888) 227-7877, or by visiting the STRS Ohio website at [www.strsoh.org](http://www.strsoh.org), under "Publications".

New members have a choice of three retirement plans, a Defined Benefit (DB) Plan, a Defined Contribution (DC) Plan and a Combined Plan. The DB plan offers an annual retirement allowance based on final average salary times a percentage that varies based on years of service, or an allowance based on a member's lifetime contributions and earned interest matched by STRS Ohio funds divided by an actuarially determined annuity factor. The DC Plan allows members to place all their member contributions and employer contributions equal to 10.5 percent of earned compensation into an investment account. Investment decisions are made by the member. A member is eligible to receive a retirement benefit at age 50 and termination of employment. The member may elect to receive a lifetime

**OTTOVILLE LOCAL SCHOOL DISTRICT  
PUTNAM COUNTY**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2013  
(Continued)

monthly annuity or a lump sum withdrawal. The Combined Plan offers features of both the DC Plan and the DB Plan. In the Combined Plan, member contributions are invested by the member, and employer contributions are used to fund the defined benefit payment at a reduced level from the regular DB Plan. The DB portion of the Combined Plan payment is payable to a member on or after age 60; the DC portion of the account may be taken as a lump sum or converted to a lifetime monthly annuity at age 50. Benefits are established by Chapter 3307 of the Ohio Revised Code.

A DB or Combined Plan member with five or more years credited service who becomes disabled may qualify for a disability benefit. Eligible spouses and dependents of these active members who die before retirement may qualify for survivor 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 - For fiscal year 2013, plan members were required to contribute 10 percent of their annual covered salaries. The District was required to contribute 14 percent; 13 percent was the portion used to fund pension obligations. Contribution rates are established by the State Teachers Retirement Board, upon recommendations of its consulting actuary, not to exceed statutory maximum rates of 10 percent for members and 14 percent for employers. Chapter 3307 of the Ohio Revised Code provides statutory authority for member and employer contributions.

The District's required contribution for pension obligations to STRS Ohio for the fiscal years ended June 30, 2013, 2012, and 2011 were \$272,606, \$254,342, and \$253,662 respectively; 83 percent has been contributed for fiscal year 2013 and 100 percent for fiscal years 2012 and 2011.

***B. School Employees Retirement System***

Plan Description - The District contributes to the School Employees Retirement System (SERS), a cost-sharing, multiple-employer defined benefit pension plan. SERS provides retirement, disability, survivor benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Authority to establish and amend benefits is provided by Chapter 3309 of the Ohio Revised Code. SERS issues a publicly available, stand-alone financial report that includes financial statements and required supplementary information. That report may be obtained by writing to the School Employees Retirement System, 300 East Broad Street, Suite 100, Columbus, Ohio 43215-3746. It is also posted on the SERS' Ohio website, [www.ohsers.org](http://www.ohsers.org), under "Employers/Audit Resources".

Funding Policy - Plan members are required to contribute 10 percent of their annual covered salary and the District is required to contribute at an actuarially determined rate. The current District rate is 14 percent of annual covered payroll. A portion of the District's contribution is used to fund pension obligations with the remainder being used to fund health care benefits. For fiscal year 2013, 13.05 percent and 0.05 percent of annual covered salary was the portion used to fund pension obligations and death benefits, respectively. The contribution requirements of plan members and employers are established and may be amended by the SERS' Retirement Board up to a statutory maximum amount of 10 percent for plan members and 14 percent for employers. Chapter 3309 of the Ohio Revised Code provides statutory authority for member and employer contributions. . The District's required contribution for pension obligations to SERS for the fiscal years ended June 30, 2013, 2012, and 2011 were \$72,829, \$56,800, and \$51,275, respectively; 41 percent has been contributed for fiscal year 2013 and 100 percent for fiscal years 2012 and 2011.

**OTTOVILLE LOCAL SCHOOL DISTRICT  
PUTNAM COUNTY**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2013  
(Continued)

**C. Social Security System**

Effective July 1, 1991, all employees not otherwise covered by the SERS/STRS Ohio have an option to choose Social Security or the SERS/STRS Ohio. As of June 30, 2013 two Board of Education members have elected Social Security. The Board's liability is 6.2 percent of wages paid.

**NOTE 10 - POSTEMPLOYMENT BENEFITS**

**A. State Teachers Retirement System**

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](http://www.strsoh.org), under "Publications" or by calling (888) 227-7877.

Funding Policy - Ohio law authorizes STRS Ohio to offer the Plan and gives the Retirement Board authority over how much, if any, of the health care costs will be absorbed by STRS Ohio. Active employee members do not contribute to the Plan. All benefit recipients pay a monthly premium. Under Ohio law, funding for post-employment health care may be deducted from employer contributions. For 2013, STRS Ohio allocated employer contributions equal to 1 percent of covered payroll to the Health Care Stabilization Fund. The District's contribution for health care for the fiscal years ended June 30, 2013, 2012, and 2011 were \$20,970, \$19,565, and \$19,512 respectively; 83 percent has been contributed for fiscal year 2013 and 100 percent for fiscal years 2012 and 2011.

**B. School Employees Retirement System**

Plan Description - The District participates in two cost-sharing, multiple employer postemployment benefit plans administered by the School Employees Retirement System (SERS) for non-certificated retirees and their beneficiaries, a Health Care Plan and a Medicare Part B 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. A prescription drug program is also available to those who elect health coverage. SERS employs two third-party administrators and a pharmacy benefit manager to manage the self-insurance and prescription drug plans, respectively. The Medicare Part B Plan reimburses Medicare Part B premiums paid by eligible retirees and beneficiaries as set forth in Section 3309.69 of the Ohio Revised Code. Qualified benefit recipients who pay Medicare Part B premiums may apply for and receive a monthly reimbursement from SERS. The reimbursement amount is limited by statute to the lesser of the January 1, 1999 Medicare Part B premium or the current premium. The Medicare Part B monthly premium for calendar year 2013 (latest information available) was \$104.90 for most participants, but could be as high as \$335.70 per month depending on their income and the SERS' reimbursement to retirees was \$45.50. Benefit provisions and the obligations to contribute are established by the System based on authority granted by State statute. The financial reports of both Plans are included in the SERS Comprehensive Annual Financial Report which is available by contacting SERS at 300 East Broad St., Suite 100, Columbus, Ohio 43215-3746. It is also posted on the SERS' Ohio website, [www.ohsers.org](http://www.ohsers.org), under "Employers/Audit Resources".

**OTTOVILLE LOCAL SCHOOL DISTRICT  
PUTNAM COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2013  
(Continued)**

Funding Policy - State statute permits SERS to fund the health care benefits through employer contributions. Each year, after the allocation for statutorily required benefits, the Retirement Board allocates the remainder of the employer contribution of 14 percent of covered payroll to the Health Care Fund. The Health Care Fund was established and is administered in accordance with Internal Revenue Code Section 105(e). For 2013, 0.16 percent of covered payroll was allocated to health care. An additional health care surcharge on employers is collected for employees earning less than an actuarially determined minimum compensation amount, pro-rated according to service credit earned. Statutes provide that no employer shall pay a health care surcharge greater than 2.0 percent of that employer's SERS-covered payroll; nor may SERS collect in aggregate more than 1.5 percent of the statewide SERS-covered payroll for the health care surcharge. For fiscal year 2013, the actuarially determined amount was \$20,525.

Active members do not contribute to the postemployment benefit plans. The Retirement Board establishes the rules for the premiums paid by the retirees for health care coverage for themselves and their dependents or for their surviving beneficiaries. Premiums vary depending on the plan selected, qualified years of service, Medicare eligibility and retirement status.

The District's contribution for health care for the fiscal years ended June 30, 2013, 2012, and 2011 were \$59,508, \$70,634, and \$75,121 respectively; 97 percent has been contributed for fiscal year 2013 and 100 percent for fiscal years 2012 and 2011.

The Retirement Board, acting with advice of the actuary, allocates a portion of the employer contribution to the Medicare Part B Fund. For fiscal year 2012, this actuarially required allocation was .74 percent of covered payroll. The District's contribution for Medicare Part B for the fiscal year ended June 30, 2013, 2012, and 2011 were \$4,301, \$3,354, and \$3,300, respectively; 41 percent has been contributed for fiscal year 2013 and 100 percent for fiscal years 2012 and 2011.

**NOTE 11 – DEBT**

The changes in the District's long-term obligations during fiscal year 2013 were as follows:

**OTTOVILLE LOCAL SCHOOL DISTRICT  
PUTNAM COUNTY**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2013  
(Continued)

	Principal Outstanding 7/1/2012	Reductions	Principal Outstanding 6/30/2013	Amount Due In One Year
<u>General Obligation Bonds</u>				
2004 Advance Refunding of 1995 School Improvement Bonds:				
Current Interest Bonds	\$570,000	\$70,000	\$500,000	
Capital Appreciation Bonds	15,000		15,000	\$8,375
2006 Advance Refunding of 2001 School Construction Bonds:				
Current Interest Bonds	1,750,000	170,000	1,580,000	
Capital Appreciation Bonds	79,996		79,996	32,668
Total Long Term Obligations	<u>\$2,414,996</u>	<u>\$240,000</u>	<u>\$2,174,996</u>	<u>\$41,043</u>

**School Improvement Bonds – 2004**

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

The term bond which matures on December 1, 2018, has an interest rate of 3.95 percent per year, and is subject to mandatory sinking fund redemption at a redemption price of 106.585 percent of the principal amount to be redeemed, plus accrued interest to the date of redemption, on December 1, in the year in the respective principal amount as follows:

Fiscal Year	Principal Amount to be Redeemed
2019	\$280,000

The term bond which matures on December 1, 2021, has an interest rate of 4.20 percent per year, and is subject to mandatory sinking fund redemption at a redemption price of 97.579 percent of the principal amount to be redeemed, plus accrued interest to the date of redemption, on December 1, in the year in the respective principal amount as follows:

Fiscal Year	Principal Amount to be Redeemed
2022	\$220,000

The capital appreciation bonds were issued in the aggregate original principal amount of \$15,000 and mature on December 1, in the years, have the original principal amounts and mature with the accreted values at maturity, as follows:

**OTTOVILLE LOCAL SCHOOL DISTRICT  
PUTNAM COUNTY**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2013  
(Continued)

<b>Maturity Date</b>	<b>Original Principal Amount</b>	<b>Accreted Value at Maturity</b>
2014	\$8,375	\$70,000
2015	6,625	70,000

The bonds are being retired through the Bond Retirement Fund.

**School Construction General Obligation Bonds – 2006**

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

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

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

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

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

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

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

The term bond which matures on December 1, 2023, has an interest rate of 4.10 percent per year, and is subject to mandatory sinking fund redemption at a redemption price of 99.370 percent of the principal

**OTTOVILLE LOCAL SCHOOL DISTRICT  
PUTNAM COUNTY**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2013  
(Continued)

amount to be redeemed, plus accrued interest to the date of redemption, on December 1, in the year in the respective principal amount as follows:

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

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

<u>Maturity Date</u>	<u>Original Principal Amount</u>	<u>Accreted Value at Maturity</u>
2014	\$32,668	\$180,000
2015	26,244	180,000
2016	21,084	180,000

The bonds are being retired through the Bond Retirement Fund.

Principal and interest requirements to retire general obligation bonds outstanding at June 30, 2013, were 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>
2014		\$86,603	\$86,603	\$41,043	\$208,957	\$250,000
2015		86,603	86,603	32,869	217,131	250,000
2016	\$70,000	84,940	154,940	21,084	158,916	180,000
2017	250,000	77,790	327,790			
2018	255,000	66,709	321,709			
2019-2023	1,340,000	166,500	1,506,500			
2024	165,000	3,383	168,383			
Total	\$2,080,000	\$572,528	\$2,652,528	\$94,996	\$585,004	\$680,000

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

The effects of the debt limitations at June 30, 2013 were a voted debt margin of \$4,192,710 and an unvoted debt margin of \$64,012.

**NOTE 12 – FUND BALANCE**

**OTTOVILLE LOCAL SCHOOL DISTRICT  
PUTNAM COUNTY**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2013  
(Continued)

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

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

<u>Fund Balance</u>	<u>General Fund</u>	<u>Bond Retirement Fund</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
Restricted for:				
Athletics			\$97,412	\$97,412
Food Service Operations			19,313	19,313
Scholarships			34,513	34,513
Capital Improvements			68,435	68,435
Facilities Maintenance			449,941	449,941
Regular Instruction			2,402	2,402
Debt Retirement		\$606,639		606,639
Total Restricted		606,639	672,016	1,278,655
Assigned for:				
Educational Activities	\$8,727			8,727
Unpaid Obligations	98,343			98,343
Total Assigned	107,070			107,070
Unassigned	3,597,100			3,597,100
Total Fund Balance	<u>\$3,704,170</u>	<u>\$606,639</u>	<u>\$672,016</u>	<u>\$4,982,825</u>

**NOTE 13 - SET-ASIDE CALCULATIONS**

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 year-end or offset by similarly restricted resources received during the year must be held in cash at year-end and carried forward to be used for the same purposes in future years.

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

	<u>Capital Maintenance</u>
Set-Aside Reserve Balance June 30, 2012	
Current Year Set Aside Requirement	\$79,199
Qualifying Expenditures	<u>(117,982)</u>
Total	<u>(\$38,783)</u>
Balance Carried Forward to July 1, 2013	<u>                    </u>

**OTTOVILLE LOCAL SCHOOL DISTRICT  
PUTNAM COUNTY**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2013  
(Continued)

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 14 - CONTINGENCIES**

***A. Grants***

The District receives financial assistance from Federal and State agencies in the form of grants. Disbursing grant funds generally requires compliance with terms and conditions specified in the grant agreements and are subject to audit. Any disallowed claims resulting from such audits could become a liability. However, in the opinion of management, any such disallowed claims through June 30, 2013 will not have a material adverse effect on the District.

***B. Litigation***

The District is not a party to any legal proceedings.

**NOTE 15 - JOINTLY GOVERNED ORGANIZATIONS**

***A. Northwest Ohio Area Computer Services Cooperative***

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

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

***B. 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

**OTTOVILLE LOCAL SCHOOL DISTRICT  
PUTNAM COUNTY**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2013  
(Continued)

Directors. Financial information can be obtained from the Northwestern Ohio Educational Research Council, Inc., Box 456, Ashland, Ohio 44805.

***C. Northwest Ohio Special Education Regional Resource Center***

The Northwest Ohio Special Education Regional Resource Center (SERRC) is a jointly governed organization formed to initiate, expand, and improve special education programs and services for children and disabilities and their parents. The SERRC is made up of school districts from Defiance, Fulton, Hancock, Henry, Lucas, Ottawa, Paulding, Putnam, Sandusky, Seneca, Van Wert, Williams, and Wood counties. The SERRC is governed by a thirty-three member board consisting of twenty-six superintendents, one director of student services, one parent representative, one representative from a community school, one representative from a mental health board, one representative from a parent advisory council, one representative from Bowling Green State University, and one representative from the University of Toledo. The degree of control exercised by any participating school district is limited to its representation on the Board. Financial information can be obtained from David Michel, Eastwood Local Schools, 4800 Sugar Ridge Road, Pemberville, Ohio 43450.

***D. State Support Team Region 1***

The State Support Region 1 (SSTR1) provides specialized core work related to building regional capacity for district, building, and community school implementation of the Ohio Improvement Process (OIP) at a high level. The service region of the SSTR1 includes Defiance, Fulton, Hancock, Henry, Lucas, Ottawa, Paulding, Putnam, Sandusky, Van Wert, Williams, and Wood counties, and Fostoria Community School in Seneca County. The 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](http://www.sstr1.org).

***E. Vantage Career Center***

The Vantage Career Center (Vantage) is a district political subdivision of the State of Ohio established under § 3313.90. Vantage operates under the direction of a Board of Education consisting of one representative from each of the participating school district's elected boards. The Board possesses its own budgeting and taxing authority. Financial information is available from Vantage's Treasurer, Lori Davis, at 818 N. Franklin Street, Van Wert, Ohio 45891-1304.

**This page intentionally left blank.**



# Dave Yost • Auditor of State

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

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

To the Board of Education:

We have audited in accordance with auditing standards generally accepted in the United States and the Comptroller General of the United States' *Government Auditing Standards*, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Ottoville Local School District, Putnam County, Ohio (the District), as of and for the years ended June 30, 2014 and 2013, and the related notes to the financial statements, which collectively comprise the District's basic financial statements and have issued our report thereon dated December 10, 2014, wherein we noted the District began using a special purpose framework other than generally accepted accounting principles and adopted GASB Statement No. 54, *Fund balance Reporting and Governmental Fund Type Definitions* in fiscal year 2013.

### ***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.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Therefore, unidentified material weaknesses or significant deficiencies may exist. However, as described in the accompanying schedule of findings we identified certain deficiencies in internal control over financial reporting, that we consider material weaknesses.

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 a 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. We consider findings 2014-002 and 2014-003 described in the accompanying schedule of findings 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 2014-001.

***Entity's Response to Findings***

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

***Purpose of this Report***

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



**Dave Yost**  
Auditor of State

Columbus, Ohio

December 10, 2014

**OTTOVILLE LOCAL SCHOOL DISTRICT  
PUTNAM COUNTY**

**SCHEDULE OF FINDINGS  
JUNE 30, 2014 AND 2013**

<b>FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS</b>
--

**FINDING NUMBER 2014-001**

**Noncompliance Citation**

**Ohio Rev. Code § 117.38** provides each public office shall file a financial report for each fiscal year within 60 days after the fiscal year end. 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. The District did not file an annual report with the Auditor of State for fiscal year 2013.

**Ohio Admin. Code § 117-2-03(B)** requires the District to prepare its annual financial report in accordance with accounting principles generally accepted in the United States of America. However, the District prepares its financial statements in a cash format which is a comprehensive basis of accounting other than generally accepted accounting principles. The accompanying financial statements and notes omit assets, liabilities, fund equities, and disclosures that, while material, cannot be determined at this time.

We recommend the District prepare its financial report in accordance with generally accepted accounting principles. In addition, we recommend the District file an annual financial report with the Auditor of State for fiscal year 2013.

**Officials' Response:**

Ottoville Local Schools discontinued reporting on Generally Accepted Accounting Principles as of February 16, 2005.

**FINDING NUMBER 2014-002**

**Material Weakness**

**Monitoring of Financial Statements**

Sound financial reporting is the responsibility of the Treasurer and the Board of Education and is essential to ensure the information provided to the readers of the financial statements is complete and accurate.

The financial statement contained errors such as the following:

- In 2014 and 2013, Operating Grants and Contributions of \$257,426 and \$253,010, respectively, were included in General Revenue on the Statement of Activities.
- In 2014 and 2013, Property Taxes, Levied for Debt Service and Property Taxes, Levied for Other in the amount of \$341,948 and \$348,176, respectively, were incorrectly misclassified as Property Taxes, Levied for General Purposes.
- In 2014 and 2013, outstanding encumbrances in the amount of \$76,078 and \$98,343, respectively, were omitted from actual disbursement column on the General Fund budgetary statement.
- In 2014 and 2013, prior year encumbrances of \$98,343 and \$91,119, respectively, were incorrectly included in beginning unencumbered fund balance instead of being shown separately on the General Fund budgetary statement.
- Activity in Special Revenue Funds and Capital Projects Funds was presented separately instead of being reported as Other Governmental Funds. For fiscal year 2014, the Other Governmental Funds beginning balance was increased \$672,016 while receipts and disbursements were increased \$533,744 and \$516,693, respectively to correct this error. For fiscal year 2013 the Other Governmental Funds beginning balance was increased \$661,021 while receipts and disbursements were increased \$543,023 and \$440,336, respectively to correct this error.

The accompanying financial statements have been adjusted to correct these and other errors, ranging from \$5,687 to \$672,016.

To ensure the District's financial statements and notes to the financial statements are complete and accurate, the District should adopt policies and procedures, including a final review of the statements by the Treasurer and the Board, to identify and correct errors and omissions.

**Officials' Response:**

Financial statements for each fiscal year will be presented, reviewed, and discussed with the Board to identify and correct errors and omissions.

**FINDING NUMBER 2014-003**

**Material Weakness**

**Reporting and Budgeting Ohio Department of Education Grants**

Sound accounting practices require money spent on behalf of the District by other governments be posted to the District's ledgers. Furthermore, Ohio Revised Code § 5705.42 deems the funds appropriated, eliminating the need for the District to approve a formal appropriation for these monies, however, this section does require the District to record the appropriation.

The District was the beneficiary of \$94,802 and \$94,479 in 2014 and 2013, respectively, of Special Education Cluster money paid directly to the Putnam County Educational Service Center (ESC) by the Ohio Department of Education (ODE). This activity and the corresponding appropriations were not recorded on the ledgers of the District. Since ODE forwards the grant to the ESC, the District did not receive this cash. However, Auditor of State Bulletin 2000-08 prescribes recording these transactions as receipts and disbursements when the District applies for a grant and has administrative responsibilities. The accompanying financial statements were adjusted to reflect the amounts in Other Governmental Funds.

We recommend the District record all benefits received from State or Federal grants as a memo receipt and expenditure on the District's records, request an amended certificate of estimated resources for these funds and the Board approve a corresponding appropriation for the expenditure. In addition, District management should review Auditor of State Bulletin 2000-08.

**Officials' Response:**

The District will record all benefits received from State and Federal grants as a memo receipt and expenditure on the District's records.

**OTTOVILLE LOCAL SCHOOL DISTRICT  
PUTNAM COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS  
JUNE 30, 2014 AND 2013**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <b><i>Explain</i></b>
2012-001	Ohio Rev. Code § 117.38 and Ohio Admin. Code § 117-2-03(B) for reporting on basis other than generally accepted accounting principles.	No	Finding has not been corrected and is repeated in this report as finding 2013-001.
2012-002	Material weakness for failure to implement GASB 54.	Yes	



# Dave Yost • Auditor of State

## INDEPENDENT ACCOUNTANTS' REPORT ON APPLYING AGREED-UPON PROCEDURE

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

To the Board of Education:

Ohio Rev. Code Section 117.53 states "the auditor of state shall identify whether the school district or community school has adopted an anti-harassment policy in accordance with Section 3313.666 of the Revised Code. This determination shall be recorded in the audit report. The auditor of state shall not prescribe the content or operation of any anti-harassment policy adopted by a school district or community school."

Accordingly, we have performed the procedure enumerated below, which was agreed to by the Board, solely to assist the Board in evaluating whether Ottoville Local School District, Putnam County, Ohio (the District) has updated its anti-harassment policy in accordance with Ohio Rev. Code Section 3313.666. Management is responsible for complying with this requirement. This agreed-upon procedure engagement was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants. The sufficiency of this procedure is solely the responsibility of the Board. Consequently; we make no representation regarding the sufficiency of the procedure described below either for the purpose for which this report has been requested or for any other purpose.

We noted the Board amended its anti-harassment policy at its meeting on May 15, 2013 to include prohibiting harassment, intimidation, or bullying of any student "on a school bus" or by an "electronic act".

We were not engaged to and did not conduct an examination, the objective of which would be the expression of an opinion on compliance with the anti-harassment policy. Accordingly, we do not express such an opinion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

This report is intended solely for the information and use of the Board and is not intended to be and should not be used by anyone other than these specified parties

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

**Dave Yost**  
Auditor of State

December 10, 2014



# Dave Yost • Auditor of State

**OTTOVILLE LOCAL SCHOOL DISTRICT**

**PUTNAM COUNTY**

**CLERK'S CERTIFICATION**

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

*Susan Babbitt*

**CLERK OF THE BUREAU**

**CERTIFIED  
DECEMBER 30, 2014**