



bhm cpa group, inc.
CERTIFIED PUBLIC ACCOUNTANTS

OLD FORT LOCAL SCHOOL DISTRICT
SENECA COUNTY

REGULAR AUDIT

For the Year Ended June 30, 2017
Fiscal Year Audited Under GAGAS: 2017

One East Campus View Blvd. Suite 300 • Columbus, OH 43235 • (614) 389-5775 • FAX (614) 467-3920
PO Box 875 • 129 Pinckney Street • Circleville, OH 43113 • (740) 474-5210 • FAX (740) 474-7319
PO Box 687 • 528 S. West Street • Piketon, OH 45661 • (740) 289-4131 • FAX (740) 289-3639

www.bhmcpgroup.com



Dave Yost • Auditor of State

Members of the Board of Education
Old Fort Local School District
PO Box 64
Old Fort, OH 44861

We have reviewed the *Independent Auditor's Report* of the Old Fort Local School District, Seneca County, prepared by BHM CPA Group, Inc., for the audit period July 1, 2016 through June 30, 2017. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

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

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

Dave Yost
Auditor of State

November 22, 2017

This page intentionally left blank.

OLD FORT LOCAL SCHOOL DISTRICT
Basic Financial Statements
For the Fiscal Year Ended June 30, 2017
Table of Contents

<u>TITLE</u>	<u>PAGE</u>
Independent Auditor’s Report.....	1
Management’s Discussion and Analysis.....	3
Basic Financial Statements:	
Government-Wide Financial Statements:	
Statement of Net Position- Cash Basis	13
Statement of Activities-Cash Basis.....	14
Fund Financial Statements:	
Statement of Assets and Fund Balances-Cash Basis – Governmental Funds	15
Statement of Cash Receipts, Cash Disbursements and Changes in Fund Cash Balances-Cash Basis-Governmental Funds	16
Statement of Receipts, Disbursements and Changes in Fund Balance- Budget and Actual (Budgetary Basis) - General Fund	17
Statement of Fiduciary Net Position-Cash Basis	18
Statement of Changes in Fiduciary Net Position-Cash Basis	19
Notes to the Basic Financial Statements	21
Independent Auditor’s Report on Internal Control over Financial Reporting and on Compliance and Other Matters Required by <i>Government Auditing Standards</i>	49
Schedule of Findings.....	51
Schedule of Prior Audit Findings	52

This page intentionally left blank.



Independent Auditor's Report

Old Fort Local School District
Seneca County
7635 North County Road 51
P.O. Box 64
Old Fort, Ohio 44861-0064

Members of 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 Old Fort Local School District, Seneca County, Ohio (the School District), as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the School 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 School 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 School 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 Old Fort Local School District, Seneca County, Ohio, as of June 30, 2017 and the respective changes in cash financial position and the respective budgetary comparisons for the General fund thereof for the year then ended in accordance with the accounting basis described in Note 2.

Accounting Basis

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

Other Matters

Other Information

We applied no procedures to Management's Discussion and Analysis or to the schedules of School District's proportionate share of the net pension liabilities and contributions listed in the table of contents. Accordingly, we express no opinion or any other assurance on them.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated October 18, 2017, on our consideration of the School 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 School District's internal control over financial reporting and compliance.

BHM CPA Group

BHM CPA Group Inc.
Piketon, Ohio
October 18, 2017

**OLD FORT LOCAL SCHOOL DISTRICT
SENECA COUNTY, OHIO**

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017
(UNAUDITED)

The management's discussion and analysis of the Old Fort Local School District's (the "District") financial performance provides an overall review of the District's financial activities for the year ended June 30, 2017. The intent of this discussion and analysis is to look at the District's financial performance as a whole; readers should also review the cash-basis financial statements and the notes to the financial statements to enhance their understanding of the District's financial performance.

Financial Highlights

Key financial highlights for fiscal year 2017 are as follows:

- The total net cash position of the District increased \$746,326 or 29.40% from fiscal year 2016.
- General cash receipts accounted for \$6,462,989 or 72.33% of total governmental activities cash receipts. Program specific cash receipts accounted for \$2,472,856 or 27.67% of total governmental activities cash receipts.
- The District had \$8,189,519 in cash disbursements related to governmental activities; \$2,472,856 of these cash disbursements were offset by program specific charges for services, grants or contributions. General cash receipts, primarily taxes, unrestricted grants, and entitlements, of \$6,462,989 were adequate to provide for these programs.
- The District's major fund is the general fund. The general fund had total cash receipts and other financing sources of \$7,888,246 in 2017. Cash disbursements of the general fund totaled \$7,137,566 in 2017. The general fund's cash balance increased \$750,680 from 2016 to 2017.

Using the Basic Financial Statements

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

The statement of net position - cash basis and statement of activities - cash basis provide information about the activities of the whole District, presenting an aggregate view of the District's cash basis finances. Fund financial statements provide the next level of detail. For governmental 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 nonmajor funds presented in total in one column. In the case of the District, the general fund is the only major fund.

Basis of Accounting

The District has elected to present its financial statements on a cash basis of accounting. This cash basis of accounting is a comprehensive basis of accounting other than generally accepted accounting principles. The cash basis of accounting involves the measurement of cash and cash equivalents and changes in cash and cash equivalents resulting from cash receipt and disbursement transactions.

Essentially, the only assets reported on this strictly cash receipts and disbursement basis presentation in a statement of net position will be cash, cash equivalents and investments. The statement of activities reports cash receipts and disbursements, or in other words, the sources and uses of cash and cash equivalents. Therefore, when reviewing the financial information and discussion within this annual report, the reader should keep in mind the limitations resulting from the use of the cash basis of accounting.

**OLD FORT LOCAL SCHOOL DISTRICT
SENECA COUNTY, OHIO**

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017
(UNAUDITED)

Reporting the District as a Whole

Statement of Net Position – Cash Basis and the Statement of Activities – Cash Basis

The statement of net position – cash basis and statement of activities – cash basis reflect how the District did financially during fiscal year 2017, within the limitations of the cash basis of accounting. The statement of net position – cash basis presents the cash balances and investments of the governmental type activities of the District at the fiscal year end. The statement of activities compares cash disbursements with program receipts of each governmental program. 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 the 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 net cash position and the changes in cash position. Keeping in mind the limitations of the cash basis accounting, you can think of these changes as one way to measure the District's financial health. Over time, increases or decreases in the District's cash position in one indicator of whether the District's financial health is improving or deteriorating. When evaluating the District's financial condition, you should also consider other nonfinancial factors as well such as the District's property tax base, the condition of the District's capital assets and infrastructure, the extent of the District's debt obligations, the reliance on non-local financial resources for operations and the need for continued growth in the major local revenue sources such as property and income taxes.

In the statement of net position – cash basis and statement of activities – cash basis, the governmental activities include the District's programs and services including instruction, support services, operation and maintenance, pupil transportation, extracurricular activities and food service operations.

Reporting the District's Most Significant Funds

Fund Financial Statements

Fund financial statements provide detailed information about the District's major funds. The District uses many funds to account for a multitude of financial transactions. However, these fund financial statements focus on the District's most significant funds. The District's major governmental fund is the general fund.

Governmental Funds

Most of the District's activities are reported in governmental funds, which focus on how money flows into and out of those funds and the balances left at the year-end available for spending in future periods. The governmental fund financial statements provide a detailed view of the District's general government operations and the basic services it provides. Governmental fund information helps you determine whether there are more or fewer financial resources that can be readily spent to finance various District programs. The District's most significant governmental fund, the general fund, is presented on the financial statements in a separate column. The information for non-major funds (funds whose activities or balances are not large enough to warrant separate reporting) is combined and presented in a single column.

Fiduciary Funds

Fiduciary funds are used to account for resources held for the benefit of parties outside the District. Fiduciary funds are not reflected in the government-wide financial statements because the resources of those funds are not available to support the District's own programs. The District's only fiduciary funds are a private-purpose trust fund and an agency fund.

**OLD FORT LOCAL SCHOOL DISTRICT
SENECA COUNTY, OHIO**

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017
(UNAUDITED)

Notes to the Financial Statements

The notes provide additional information that is essential to full understanding of the data provided in the government-wide and fund financial statements. These notes to the basic financial statements can be found on pages 21-48.

The District as a Whole

The table below provides a summary of the District's net cash position at June 30, 2017 and June 30, 2016.

	Governmental Activities 2017	Governmental Activities 2016
	<u>2017</u>	<u>2016</u>
<u>Assets</u>		
Equity in pooled cash and cash equivalents	\$ 3,284,506	\$ 2,538,180
Total assets	<u>\$ 3,284,506</u>	<u>\$ 2,538,180</u>
<u>Net Cash Position</u>		
Restricted	\$ 535,674	\$ 487,885
Unrestricted	<u>2,748,832</u>	<u>2,050,295</u>
Total net cash position	<u>\$ 3,284,506</u>	<u>\$ 2,538,180</u>

The balance of unrestricted net cash position of \$2,748,832 may be used to meet the government's ongoing obligations to citizens and creditors.

**OLD FORT LOCAL SCHOOL DISTRICT
SENECA COUNTY, OHIO**

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017
(UNAUDITED)

The table below shows the changes in net cash position for fiscal years 2017 and 2016.

	Change in Net Cash Position	
	Governmental Activities 2017	Governmental Activities 2016
Cash receipts:		
Program cash receipts:		
Charges for services and sales	\$ 1,503,678	\$ 1,414,584
Operating grants and contributions	<u>969,178</u>	<u>608,261</u>
Total program receipts	<u>2,472,856</u>	<u>2,022,845</u>
General cash receipts:		
Property taxes	2,385,893	2,075,419
Income tax	784,674	753,771
Unrestricted grants	3,141,472	3,181,985
Investment earnings	22,722	5,418
Other	<u>128,228</u>	<u>153,118</u>
Total general cash receipts	<u>6,462,989</u>	<u>6,169,711</u>
Total cash receipts	<u>8,935,845</u>	<u>8,192,556</u>

(Continued)

**OLD FORT LOCAL SCHOOL DISTRICT
SENECA COUNTY, OHIO**

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017
(UNAUDITED)

**Change in Net Cash Position
(Continued)**

	Governmental Activities 2017	Governmental Activities 2016
	<u>2017</u>	<u>2016</u>
Cash disbursements:		
Instruction:		
Regular	\$ 3,817,454	\$ 3,391,869
Special	825,644	879,446
Vocational	95	630
Other	79,154	76,367
Support services:		
Pupil	245,261	239,550
Instructional staff	352,009	283,454
Board of education	19,440	15,341
Administration	587,183	532,628
Fiscal	415,841	300,325
Operations and maintenance	794,918	845,011
Pupil transportation	456,196	334,694
Central	61,408	75,426
Non instructional services:		
Food service operations	275,871	238,784
Other non instructional services	-	243
Extracurricular	191,096	196,146
Facilities acquisition and construction	24,723	91,185
Debt service:		
Principal retirement	35,000	35,000
Interest and fiscal charges	8,226	9,329
	<u>8,189,519</u>	<u>7,545,428</u>
Total disbursements		
Change in net cash position	746,326	647,128
Net position at beginning of year	<u>2,538,180</u>	<u>1,891,052</u>
Net position at end of year	<u>\$ 3,284,506</u>	<u>\$ 2,538,180</u>

**OLD FORT LOCAL SCHOOL DISTRICT
SENECA COUNTY, OHIO**

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017
(UNAUDITED)

Governmental Activities

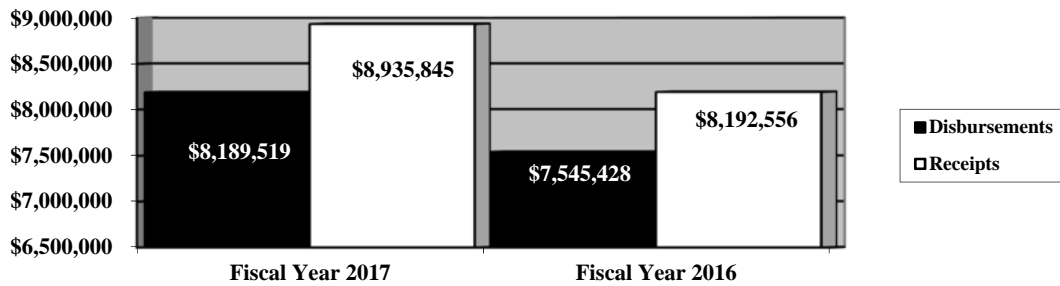
Governmental net cash position increased by \$746,326 in 2017 from 2016. Total governmental disbursements of \$8,189,519 were offset by program receipts of \$2,472,856 and general receipts of \$6,462,989. Program receipts supported 30.20% of the total governmental disbursements.

The primary sources of receipts for governmental activities are derived from property taxes, income taxes and unrestricted grants and entitlements. These sources represent 70.64% of total governmental receipts. Real estate property on which property taxes are levied is reappraised every six years.

The largest disbursement of the District is for instructional programs. Instruction disbursements totaled \$4,722,347 or 57.66% of total governmental disbursements for fiscal year 2017.

The graph below presents the District's governmental activities receipts and disbursements for fiscal years 2017 and 2016.

Governmental Activities - Total Receipts vs. Total Disbursements



The statement of activities shows the cost of program services and the charges for services and grants offsetting those services. The following table shows, for governmental activities, the total cost of 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.

**OLD FORT LOCAL SCHOOL DISTRICT
SENECA COUNTY, OHIO**

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017
(UNAUDITED)

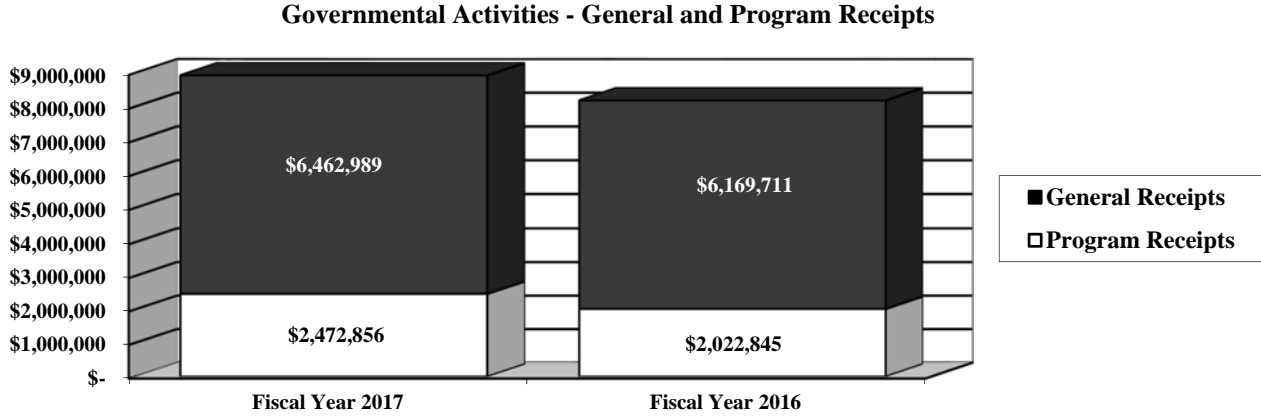
	Governmental Activities			
	Total Cost of Services 2017	Net Cost of Services 2017	Total Cost of Services 2016	Net Cost of Services 2016
	<u>2017</u>	<u>2017</u>	<u>2016</u>	<u>2016</u>
Cash disbursements:				
Instruction:				
Regular	\$ 3,817,454	\$ 2,665,263	\$ 3,391,869	\$ 2,398,708
Special	825,644	175,701	879,446	443,743
Vocational	95	(11,301)	630	(7,264)
Other	79,154	20,606	76,367	33,515
Support services:				
Pupil	245,261	238,781	239,550	237,055
Instructional staff	352,009	198,382	283,454	196,086
Board of education	19,440	19,440	15,341	15,341
Administration	587,183	548,038	532,628	515,110
Fiscal	415,841	409,681	300,325	300,305
Operations and maintenance	794,918	777,668	845,011	805,169
Pupil transportation	456,196	422,554	334,694	311,368
Central	61,408	61,408	75,426	65,526
Non-instructional services:				
Food service operations	275,871	27,645	238,784	(3,295)
Other non-instructional services	-	-	243	243
Extracurricular	191,096	94,848	196,146	75,459
Facilities acquisition and construction	24,723	24,723	91,185	91,185
Debt service:				
Principal retirement	35,000	35,000	35,000	35,000
Interest and fiscal charges	8,226	8,226	9,329	9,329
Total	<u><u>\$ 8,189,519</u></u>	<u><u>\$ 5,716,663</u></u>	<u><u>\$ 7,545,428</u></u>	<u><u>\$ 5,522,583</u></u>

The dependence upon general receipts for governmental activities is apparent; 60.36% of instruction disbursements were dependent upon taxes and other general receipts during 2017. For all governmental activities, general receipts supported 69.80% of disbursements. The District's taxpayers and unrestricted grants and entitlements from the State are by far the primary support of the District's students.

**OLD FORT LOCAL SCHOOL DISTRICT
SENECA COUNTY, OHIO**

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017
(UNAUDITED)

The graph below presents the District's governmental activities receipts for fiscal year 2017 and 2016.



The District's Funds

At June 30, 2017, the District's governmental funds reported a combined fund cash balance of \$3,284,506, which is \$746,326 higher than last year's total of \$2,538,180. The schedule below indicates the fund cash balance and the total change in fund cash balance as of June 30, 2017 and June 30, 2016, for the governmental funds.

	Fund Cash Balance <u>June 30, 2017</u>	Fund Cash Balance <u>June 30, 2016</u>	<u>Change</u>
Major Fund:			
General	\$ 2,800,975	\$ 2,050,295	\$ 750,680
Nonmajor governmental funds	<u>483,531</u>	<u>487,885</u>	<u>(4,354)</u>
Total	<u>\$ 3,284,506</u>	<u>\$ 2,538,180</u>	<u>\$ 746,326</u>

General Fund

The general fund, the District's largest major fund, had total cash receipts and other financing sources of \$7,888,246 in 2017. The cash disbursements of the general fund totaled \$7,137,566 in 2017. The general fund's cash balance increased \$750,680, or 36.61%, from 2016.

**OLD FORT LOCAL SCHOOL DISTRICT
SENECA COUNTY, OHIO**

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017
(UNAUDITED)

The following table shows activity of the general fund for fiscal years 2017 and 2016.

	<u>2017</u> <u>Amount</u>	<u>2016</u> <u>Amount</u>	<u>Percentage</u> <u>Change</u>
<u>Cash receipts:</u>			
Taxes	\$ 3,009,321	\$ 2,705,418	11.23 %
Tuition	1,266,137	1,009,339	25.44 %
Earnings on investments	22,722	5,418	319.38 %
Other local revenues	160,232	241,158	(33.56) %
Intergovernmental - State	<u>3,324,624</u>	<u>3,370,937</u>	(1.37) %
Total	<u>\$ 7,783,036</u>	<u>\$ 7,332,270</u>	6.15 %
<u>Cash disbursements</u>			
Instruction	\$ 4,362,559	\$ 3,993,714	9.24 %
Support services	2,655,020	2,307,744	15.05 %
Operation of non-instructional services	-	243	- %
Extracurricular	115,528	126,081	(8.37) %
Facilities acquisition and construction	<u>4,459</u>	<u>48,465</u>	(90.80) %
Total	<u>\$ 7,137,566</u>	<u>\$ 6,476,247</u>	10.21 %

Overall receipts of the general fund increased \$450,766. Tax receipts increased due to increased property and income tax collections during the fiscal year. Tuition receipts increased due to increased open enrollment.

Disbursements of the general fund increased \$661,319 primarily due to an increase in pupil transportation and fiscal disbursements.

Budgeting Highlights - General Fund

The District's budget is prepared according to Ohio law and is based on accounting for certain transactions on a basis of cash receipts, disbursements and encumbrances.

The most significant budgeted fund is the general fund. For the general fund, final budgeted receipts and other financing sources of \$7,335,198 were equal to the original budgeted total. Actual receipts and other financing sources of \$7,878,429 were greater than final budgeted receipts and other financing sources by \$543,231.

The final budgeted disbursements and other financing uses of \$7,214,063 were increased \$100,000 from original budgeted disbursements and other financing uses of \$7,114,063. Actual budgeted disbursements and other financing uses of \$7,219,865 were \$5,802 higher than in the final budget.

**OLD FORT LOCAL SCHOOL DISTRICT
SENECA COUNTY, OHIO**

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017
(UNAUDITED)

Capital Assets and Debt Administration

The District does not record capital assets in the accompanying cash basis basic financial statements, but records payments for capital assets as disbursements. The District's governmental activities had facilities acquisition and construction disbursements of \$24,723 during fiscal year 2017.

Debt Administration

At June 30, 2017, the District had \$246,514 of long-term bonds outstanding at June 30, 2017. Of this total \$35,000 is due within one year and \$211,514 is due in more than one year. The following table summarizes the obligations outstanding.

	Governmental Activities 2017	Governmental Activities 2016
2011 Refunding Bonds	\$ 246,514	\$ 273,713
Total long-term obligations	\$ 246,514	\$ 273,713

Refer to Note 9 to the basic financial statements for further detail.

Current Financial Related Activities

During fiscal year 2017, the District reported income tax cash receipts of \$784,674 which is \$30,903 greater than the income tax cash receipts received in fiscal year 2016. In addition to the income tax, the District currently levies real estate taxes totaling 44.3 mills for general operations and 2 mills for permanent improvements. Total property tax cash receipts for fiscal year 2017 was \$2,385,893. In fiscal year 2017, income tax and property tax cash receipts totaled \$3,009,321, or 38.71 percent, of total general fund cash receipts. The largest receipt category in the general fund continues to be intergovernmental cash receipts, primarily in the form of State Foundation payments, which totaled \$3,324,624 of total general fund cash receipts. This represents a decrease of \$46,313 from fiscal year 2016.

The District's five-year forecast currently projects general fund cash receipts exceeding cash disbursements through fiscal year 2018. Beginning in fiscal year 2019, the District projects general fund cash disbursements will exceed cash receipts; tapping in to the general fund cash balance if all trends continue. Additional cash receipts from new operating levies or budget reductions will be necessary to discontinue such deficits and avoid negative ending cash balances in the 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 show the District's accountability for the money it receives. If you have questions about this report or need additional financial information contact Tom Siloy, Treasurer, Old Fort Local School District, 7635 N. Co. Rd. 51, Old Fort, Ohio 44861.

**OLD FORT LOCAL SCHOOL DISTRICT
SENECA COUNTY, OHIO**

STATEMENT OF NET POSITION - CASH BASIS
JUNE 30, 2017

	Governmental Activities
Assets:	
Equity in pooled cash and cash equivalents. . .	\$ 3,284,506
Total assets.	\$ 3,284,506
 Net cash position:	
Restricted for:	
Capital projects	\$ 198,503
Classroom facilities maintenance	81,091
Debt service.	71,081
State funded programs.	376
Federally funded programs	45,802
Student activities	86,227
Other purposes	52,594
Unrestricted	2,748,832
Total net cash position.	\$ 3,284,506

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**OLD FORT LOCAL SCHOOL DISTRICT
SENECA COUNTY, OHIO**

STATEMENT OF ACTIVITIES - CASH BASIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

	Cash Disbursements	Program Cash Receipts		Net (Disbursements) Receipts and Changes in Net Cash Position
		Charges for Services and Sales	Operating Grants and Contributions	Net Cash Position Governmental Activities
Governmental activities:				
Instruction:				
Regular	\$ 3,817,454	\$ 1,120,661	\$ 31,530	\$ (2,665,263)
Special	825,644	167,662	482,281	(175,701)
Vocational	95	-	11,396	11,301
Other	79,154	-	58,548	(20,606)
Support services:				
Pupil	245,261	-	6,480	(238,781)
Instructional staff	352,009	-	153,627	(198,382)
Board of education	19,440	-	-	(19,440)
Administration	587,183	-	39,145	(548,038)
Fiscal	415,841	-	6,160	(409,681)
Operations and maintenance	794,918	969	16,281	(777,668)
Pupil transportation	456,196	-	33,642	(422,554)
Central	61,408	-	-	(61,408)
Operation of non-instructional services:				
Food service operations	275,871	130,137	118,089	(27,645)
Other non-instructional services	-	-	-	-
Extracurricular activities	191,096	84,249	11,999	(94,848)
Facilities acquisition and construction	24,723	-	-	(24,723)
Debt service:				
Principal retirement	35,000	-	-	(35,000)
Interest and fiscal charges	8,226	-	-	(8,226)
Total governmental activities	8,189,519	1,503,678	969,178	(5,716,663)

General cash receipts:

Property taxes levied for:	
General purposes	2,224,647
Debt service	22,870
Capital outlay	110,729
Classroom facilities maintenance	27,647
Income taxes levied for:	
General purposes	784,674
Grants and entitlements not restricted	
to specific programs	3,141,472
Investment earnings	22,722
Miscellaneous	128,228
Total general cash receipts	6,462,989
Change in net cash position	746,326
Net cash position at beginning of year	2,538,180
Net cash position at end of year	\$ 3,284,506

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**OLD FORT LOCAL SCHOOL DISTRICT
SENECA COUNTY, OHIO**

STATEMENT OF ASSETS AND FUND BALANCES - CASH BASIS
GOVERNMENTAL FUNDS
JUNE 30, 2017

	General	Nonmajor Governmental Funds	Total Governmental Funds
Assets:			
Equity in pooled cash and cash equivalents.	\$ 2,800,975	\$ 483,531	\$ 3,284,506
Total assets	\$ 2,800,975	\$ 483,531	\$ 3,284,506
Fund cash balances:			
Restricted:			
Debt service	\$ -	\$ 71,081	\$ 71,081
Capital improvements	-	198,503	198,503
Classroom facilities maintenance	-	81,091	81,091
Food service operations	-	52,594	52,594
Targeted academic assistance	-	661	661
Extracurricular	-	86,227	86,227
Other purposes.	-	45,517	45,517
Assigned:			
Student instruction	22,467	-	22,467
Student and staff support.	78,775	-	78,775
Facilities acquisition and construction	-	-	-
Other purposes.	3,529	-	3,529
Unassigned	2,696,204	(52,143)	2,644,061
Total fund cash balances	\$ 2,800,975	\$ 483,531	\$ 3,284,506

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**OLD FORT LOCAL SCHOOL DISTRICT
SENECA COUNTY, OHIO**

STATEMENT OF RECEIPTS, DISBURSEMENTS AND CHANGES IN FUND BALANCES - CASH BASIS
GOVERNMENTAL FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

	<u>General</u>	<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
Cash receipts:			
From local sources:			
Property taxes	\$ 2,224,647	\$ 161,246	\$ 2,385,893
Income taxes	784,674	-	784,674
Tuition	1,266,137	-	1,266,137
Earnings on investments	22,722	-	22,722
Charges for services	-	130,137	130,137
Extracurricular	4,640	80,529	85,169
Classroom materials and fees	22,186	-	22,186
Contributions and donations	4,976	6,904	11,880
Other local revenues	128,430	49	128,479
Intergovernmental - state	3,324,624	20,336	3,344,960
Intergovernmental - federal	-	753,608	753,608
Total cash receipts	<u>7,783,036</u>	<u>1,152,809</u>	<u>8,935,845</u>
Cash disbursements:			
Current:			
Instruction:			
Regular	3,789,929	27,525	3,817,454
Special	551,891	273,753	825,644
Vocational	95	-	95
Other	20,644	58,510	79,154
Support services:			
Pupil	239,604	5,657	245,261
Instructional staff	201,002	151,007	352,009
Board of education	19,440	-	19,440
Administration	553,010	34,173	587,183
Fiscal	411,958	3,883	415,841
Operations and maintenance	765,074	29,844	794,918
Pupil transportation	403,524	52,672	456,196
Central	61,408	-	61,408
Operation of non-instructional services:			
Food service operations	-	275,871	275,871
Other non-instructional services	-	-	-
Extracurricular activities	115,528	75,568	191,096
Facilities acquisition and construction	4,459	20,264	24,723
Debt service:			
Principal retirement	-	35,000	35,000
Interest and fiscal charges	-	8,226	8,226
Total cash disbursements	<u>7,137,566</u>	<u>1,051,953</u>	<u>8,189,519</u>
Excess of receipts over disbursements	<u>645,470</u>	<u>100,856</u>	<u>746,326</u>
Other financing sources (uses):			
Advances in	105,210	-	105,210
Advances (out)	-	(105,210)	(105,210)
Total other financing sources (uses)	<u>105,210</u>	<u>(105,210)</u>	<u>-</u>
Net change in fund cash balances	750,680	(4,354)	746,326
Fund cash balances at beginning of year	<u>2,050,295</u>	<u>487,885</u>	<u>2,538,180</u>
Fund cash balances at end of year	<u>\$ 2,800,975</u>	<u>\$ 483,531</u>	<u>\$ 3,284,506</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**OLD FORT LOCAL SCHOOL DISTRICT
SENECA COUNTY, OHIO**

STATEMENT OF RECEIPTS, DISBURSEMENTS AND CHANGE IN
FUND BALANCE - BUDGET AND ACTUAL (BUDGETARY BASIS)
GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

	<u>Budgeted Amounts</u>			Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
Budgetary basis receipts:				
From local sources:				
Property taxes	\$ 1,971,717	\$ 1,971,717	\$ 2,224,647	\$ 252,930
Income taxes.	765,078	765,078	784,674	19,596
Tuition.	1,026,699	1,026,699	1,266,137	239,438
Earnings on investments	5,817	5,817	22,722	16,905
Classroom materials and fees	21,305	21,305	22,186	881
Other local receipts.	43,944	43,944	93,478	49,534
Intergovernmental - state	3,493,866	3,493,866	3,324,625	(169,241)
Total receipts	<u>7,328,426</u>	<u>7,328,426</u>	<u>7,738,469</u>	<u>410,043</u>
Budgetary basis disbursements:				
Current:				
Instruction:				
Regular	3,608,120	3,703,795	3,811,766	(107,971)
Special.	547,200	546,737	551,891	(5,154)
Vocational.	1,630	1,629	1,045	584
Other.	26,789	26,767	20,814	5,953
Support services:				
Pupil.	254,509	261,585	240,480	21,105
Instructional staff	172,735	172,589	201,526	(28,937)
Board of education	16,536	16,522	19,440	(2,918)
Administration.	570,728	570,245	553,120	17,125
Fiscal	369,108	368,795	423,588	(54,793)
Operations and maintenance.	774,031	785,224	806,982	(21,758)
Pupil transportation	478,263	477,858	412,207	65,651
Central.	57,416	57,367	61,408	(4,041)
Operation of non-instructional services:				
Other non-instructional services	121	120	-	120
Extracurricular activities.	123,490	123,386	111,627	11,759
Facilities acquisition and construction	59,288	47,390	4,459	42,931
Total disbursements	<u>7,059,964</u>	<u>7,160,009</u>	<u>7,220,353</u>	<u>(60,344)</u>
Excess of receipts over disbursements.	<u>268,462</u>	<u>168,417</u>	<u>518,116</u>	<u>349,699</u>
Other financing sources (uses):				
Refund of prior year's disbursements	6,772	6,772	34,750	(27,978)
Advances in.			105,210	105,210
Advances (out)	(50,641)	(50,598)	-	(50,598)
Other financing sources (uses).	(3,458)	(3,456)	488	(3,944)
Total other financing sources (uses)	<u>(47,327)</u>	<u>(47,282)</u>	<u>140,448</u>	<u>22,690</u>
Net change in fund cash balance	221,135	121,135	658,564	372,389
Fund cash balance at beginning of year	1,944,829	1,944,829	1,944,829	-
Prior year encumbrances appropriated	92,811	92,811	92,811	-
Fund cash balance at end of year	<u>\$ 2,258,775</u>	<u>\$ 2,158,775</u>	<u>\$ 2,696,204</u>	<u>\$ 372,389</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**OLD FORT LOCAL SCHOOL DISTRICT
SENECA COUNTY, OHIO**

STATEMENT OF FIDUCIARY NET POSITION - CASH BASIS
FIDUCIARY FUNDS
JUNE 30, 2017

	Private-Purpose Trust	
	Scholarship	Agency
Assets:		
Equity in pooled cash and cash equivalents	\$ 2,500	\$ 35,773
Total assets.	2,500	\$ 35,773
Liabilities:		
Due to other governments	\$ -	\$ 1,373
Due to students.	-	34,400
Total liabilities	-	\$ 35,773
Net cash position:		
Held in trust for scholarships	\$ 2,500	

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**OLD FORT LOCAL SCHOOL DISTRICT
SENECA COUNTY, OHIO**

STATEMENT OF CHANGES IN FIDUCIARY NET POSITION - CASH BASIS
FIDUCIARY FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

	Private-Purpose Trust	
	Scholarship	
Deductions:		
Scholarships awarded	\$	1,000
Change in net cash position		(1,000)
Net cash position at beginning of year.		3,500
Net cash position at end of year	\$	2,500

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

THIS PAGE IS INTENTIONALLY LEFT BLANK

**OLD FORT LOCAL SCHOOL DISTRICT
SENECA COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

NOTE 1 - REPORTING ENTITY

The Old Fort Local School District (the "District") is located in Seneca County and encompasses the towns of Old Fort and Fort Seneca. The District serves an area of approximately 49 square miles.

The District was established in 1841 through the consolidation of existing land areas and school districts and is organized under Section 2 and 3, Articles VI of the Constitution of the State of Ohio. Under such laws there is no authority for a school district to have a charter or adopt local laws. The legislative power of the school district is vested in the Board of Education, consisting of five members elected at large for staggered four-year terms.

The District currently operates 1 elementary school and 1 comprehensive middle/high school. The District employs 29 non-certified employees, 51 certified employees and 4 administrators to provide services to 583 students in grades K through 12 and various community groups.

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

A. Primary Government

The reporting entity has been defined in accordance with GASB Statement No. 14, "The Financial Reporting Entity" as amended by GASB Statement No. 39, "Determining Whether Certain Organizations Are Component Units" and GASB Statement No. 61, "The Financial Reporting Entity: Omnibus an amendment of GASB Statements No. 14 and No. 34". The reporting entity is composed of the primary government and component units. 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, and student related activities of the District.

B. Component Units

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

**OLD FORT LOCAL SCHOOL DISTRICT
SENECA COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

NOTE 1 - REPORTING ENTITY - (Continued)

C. Other Organizations

The basic financial statements of the reporting entity include only those of the District (the primary government). The following organizations are described due to their relationship to the District:

JOINTLY GOVERNED ORGANIZATIONS

Northern Ohio Educational Computer Association (NOECA)

The District is a participant in the NOECA, which is a computer consortium. NOECA is an association of forty-one public school districts formed for the purpose of applying modern technology with the aid of computers and other electronic equipment to administrative and instructional functions among member school districts. The NOECA Board of Directors consists of two representatives from each county in which participating school districts are located, the chairman of each of the operating committees, and a representative from the fiscal agent. Financial information can be obtained from Betty Schwiefert, who serves as Controller, 2900 South Columbus Avenue, Sandusky, Ohio 44870.

Vanguard-Sentinel Career Centers

The Vanguard-Sentinel Career Centers is a distinct political subdivision of the State of Ohio operated under the direction of a Board consisting of one representative from each of the participating school districts' elected boards, which possesses its own budgeting and taxing authority. To obtain financial information write to the Vanguard-Sentinel Career Centers at 1306 Cedar Street, Fremont, Ohio 43420.

Bay Area Council of Governments (BACG)

The BACG is a jointly governed organization. Members of the BACG consist of twenty-six school districts representing seven counties (Ottawa, Sandusky, Seneca, Erie, Huron, Wood, and Crawford). The BACG was formed for the purpose of purchasing goods and services at a lower cost. The items currently being purchased through the council of governments are natural gas and insurance. The only cost to the District is an administrative charge if they participate in purchasing through the BACG. The BACG consists of the superintendent of each participating school district. The Board of Directors of the BACG consist of one elected representative of each county, the superintendent of the fiscal agent, and two non-voting members (administrator and fiscal officer). Members of the Board serve staggered two-year terms. The District paid \$4,515 during fiscal year 2017 for natural gas. Financial information is available from the North Point Educational Service Center (fiscal agent), at 1210 E. Bogart Road, Sandusky, Ohio 44870.

PUBLIC ENTITY RISK POOLS

Ohio School Plan (the "Plan")

The District participates in the Plan, an insurance purchasing pool established under Section 2744.081 of the Ohio Revised Code. See Note 10.A. for detailed information about the plan.

**OLD FORT LOCAL SCHOOL DISTRICT
SENECA COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

NOTE 1 - REPORTING ENTITY - (Continued)

North Central Ohio Joint Self-Insurance Association (Association)

The Association is a public entity risk pool consisting of the North Central Ohio Educational Service Center and six local school districts - Tiffin, Old Fort, Bettsville, Seneca East, Mohawk and New Riegel. The Association was established pursuant to Section 9.833, Ohio Revised Code, in order to act as a common risk management and insurance program. The Association's Board of Directors is comprised of one member from each of the local school districts and the North Central Ohio Educational Service Center. The North Central Ohio Educational Service Center acts as fiscal agent to the Association. Refer to Note 10.B. for further information on this public entity risk pool.

Workers' Compensation Group Rating Program

The District participates in the Sheakley UniServe Workers' Compensation Group Retrospective Rating Program (GRP). The GRP is administered by Sheakley UniServe, Inc. The intent of the GRP is to achieve the benefit of a reduced premium for the District by virtue of its grouping and representation with other participants in the GRP. The District pays a fee to the GRP to cover the costs of administering the program.

The District's management believes these financial statements present all activities for which the District is financially accountable.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

As discussed in Note 2.A, these financial statements are presented on the cash basis of accounting. The cash basis of accounting differs from accounting principles generally accepted in the United States of America (GAAP). Generally accepted accounting principles include all relevant Governmental Accounting Standards Board (GASB) pronouncements, which have been applied to the extent they are applicable to the cash basis of accounting. Following are the more significant of the District's accounting policies.

A. Basis of Accounting

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

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

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

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

**OLD FORT LOCAL SCHOOL DISTRICT
SENECA COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

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

B. Fund Accounting

The District uses funds to maintain its financial records during the year. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts. There are three categories of funds: governmental, proprietary and fiduciary. The District does not have any proprietary funds.

GOVERNMENTAL FUNDS

Governmental funds are those through which most governmental functions typically are financed. The following is the District's only major governmental funds:

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

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

FIDUCIARY FUNDS

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

C. Basis of Presentation

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

**OLD FORT LOCAL SCHOOL DISTRICT
SENECA COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

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

The government-wide statement of activities compares disbursements with program receipts for each function or program of the District's governmental activities. These disbursements are those that are specifically associated with a service, program or department and are therefore clearly identifiable to a particular function. Program receipts include charges paid by the recipient of the goods or services offered by the program and grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Receipts which are not classified as program receipts are presented as general receipts of the District. The comparison of direct disbursements with program receipts identifies the extent to which each business segment or governmental function is self-financing on the cash basis or draws from the general receipts of the District.

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

D. Budgetary Process

The budgetary process is prescribed by provisions of the Ohio Revised Code and entails the preparations of budgetary documents within an established timetable. The major documents prepared are the tax budget, the certificate of estimated resources, and the appropriation resolution, all of which are prepared on the budgetary basis of accounting. The Seneca County Budget Commission has waived the requirement to file a tax budget; however, an Alternative Tax Budget Information form is to be completed and filed with the County Budget Commission. The certificate of estimated resources and the appropriation resolution are subject to amendment throughout the year with the legal restriction that appropriations cannot exceed estimated resources, as certified. All funds, other than agency funds, are legally required to be budgeted and appropriated. The legal level of budgetary control is at the fund level. Any budgetary modifications at this level may only be made by resolution of the Board of Education.

Advances in and advances out are not required to be budgeted since they represent temporary cash flow resources and are expected to be repaid.

1. Alternative Tax Budget Information

Prior to January 15, the Superintendent and Treasurer submit to the Board of Education a proposed operating budget for the fiscal year commencing the following July 1. The alternative tax budget information includes proposed expenditures and the means of financing for all funds. Public hearings are publicized and conducted to obtain taxpayers' comments. The purpose of this budget document is to reflect the need for existing (or increased) tax rates. By no later than January 20, the board-adopted budget is filed with the County Budget Commission for rate determination.

**OLD FORT LOCAL SCHOOL DISTRICT
SENECA COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

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

2. Estimated Resources

Prior to April 1, the Board of Education accepts, by formal resolution, the tax rates as determined by the Budget Commission and receives the Commission's certificate of estimated resources which states the projected revenue of each fund. Prior to July 1, the District must revise its budget so that total contemplated expenditures from any fund during the ensuing year will not exceed the amount stated in the certificate of estimated resources. The revised budget then serves as a basis for the appropriation measure. On or about July 1, the certificate is amended to include any unencumbered balances from the preceding year as reported by the District Treasurer. The certificate may be further amended during the year if projected increases or decreases in revenue are identified by the District Treasurer.

Estimated receipts reported in the budgetary statements reflect the amounts in the final amended certificate issued during fiscal year 2017 and do not include the unencumbered fund balance as of July 1, 2016. However, those fund balances are available for appropriations.

3. Appropriations

By July 1, the annual appropriation resolution is legally enacted by the Board of Education at the fund level of expenditures, which is the legal level of budgetary control. State statute permits a temporary appropriation to be effective until no later than October 1 of each year. Resolution appropriations by fund level must be within the estimated resources as certified by the County Budget Commission and the total of expenditures and encumbrances may not exceed the appropriation totals. Any revisions that alter the total of any fund level appropriation must be approved by the Board of Education.

4. Encumbrances

As part of formal budgetary control, purchase orders, contracts, and other commitments for the expenditure of monies are recorded as the equivalent of expenditures on the budgetary basis in order to reserve that portion of the applicable appropriation and to determine and maintain legal compliance. Encumbrances plus expenditures may not legally exceed appropriations at the legal level of control. In the budgetary financial statements, encumbrances are included in budgetary expenditures. The budgetary fund balance is cash minus outstanding encumbrances.

5. Lapsing of Appropriations

Unencumbered appropriations lapse at year-end. Encumbered appropriations are carried forward to the succeeding fiscal year and need not be reappropriated. Expenditures plus encumbrances may not legally exceed budgeted appropriations at the fund level.

**OLD FORT LOCAL SCHOOL DISTRICT
SENECA COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

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

E. Cash and Investments

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

During fiscal year 2017, the District invested in STAR Ohio. STAR Ohio (the State Treasury Asset Reserve of Ohio), is an investment pool managed by the State Treasurer's Office which allows governments within the State to pool their funds for investment purposes. STAR Ohio is not registered with the SEC as an investment company, but has adopted Governmental Accounting Standards Board (GASB), Statement No. 79, "Certain External Investment Pools and Pool Participants." The District measures its investment in STAR Ohio at the net asset value (NAV) per share provided by STAR Ohio. The NAV per share is calculated on an amortized cost basis that provides an NAV per share that approximates fair value.

For fiscal year 2017, there were no limitations or restrictions on any participant withdrawals due to redemption notice periods, liquidity fees, or redemption gates. However, notice must be given 24 hours in advance of all deposits and withdrawals exceeding \$25 million. STAR Ohio reserves the right to limit the transaction to \$50 million, requiring the excess amount to be transacted the following business day(s), but only to the \$50 million limit. All accounts of the participant will be combined for these purposes.

Under existing Ohio statutes all investment earnings are assigned to the general fund unless statutorily required to be credited to a specific fund. By policy of the Board of Education, investment earnings are assigned to the fund from which the investment was made. Interest revenue credited to the general fund during fiscal year 2017 amounted to \$22,722, which includes \$4,055 assigned from other funds.

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

An analysis of the District's investment account at year end is provided in Note 5.

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 purchased are recorded as disbursements when paid. These items are not reflected as assets on the accompanying financial statements.

**OLD FORT LOCAL SCHOOL DISTRICT
SENECA COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

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

H. Accumulated Leave

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

I. Employer Contributions to Cost-Sharing Pension Plans

The District recognizes the disbursements for employer contributions to cost-sharing pension plans when they are paid. As described in Notes 11 and 12, the employer contributions include portions for pension benefits and for postretirement health care benefits.

J. Long-Term Obligations

Bonds and other long-term obligations are not recognized as a liability in the financial statements under the cash basis of accounting. These statements report proceeds of debt when cash is received, and debt service disbursements for debt principal payments.

K. Fund Balance

The District reports classifications of fund balance based on the extent to which the District is bound to honor constraints on the specific purposes for which amounts in those funds can be spent. The following categories are used:

Nonspendable - The nonspendable fund balance classification includes amounts that cannot be spent because they are not in spendable form or legally required to be maintained intact. The “not in spendable form” criterion includes items that are not expected to be converted to cash.

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

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

Assigned - Amounts in the assigned fund balance classification are intended to be used by the District for specific purposes, but do not meet the criteria to be classified as restricted nor 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 policies of the District Board of Education, which includes giving the Treasurer the authority to constrain monies for intended purposes.

**OLD FORT LOCAL SCHOOL DISTRICT
SENECA COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

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

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

The District applies restricted resources first when an expense is incurred for purposes for which restricted and unrestricted fund balance is available. The District considers committed, assigned, and unassigned fund balances, respectively, to be spent when expenditures are incurred for purposes for which any of the unrestricted fund balance classifications could be used.

L. Net Position

Net position is reported as restricted when enabling legislation or creditors, grantors or laws or regulations of other governments have imposed limitations on its use.

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

M. Interfund Activity

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

N. Pensions

For purposes of measuring the net pension liability as described in Note 11, information about the fiduciary net position of the pension plans and additions to/deductions from their fiduciary net position have been determined on the same basis as they are reported by the pension systems. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. The pension systems report investments at fair value.

NOTE 3 - ACCOUNTABILITY AND COMPLIANCE

A. Accountability

Fund balances at June 30, 2017 included the following individual fund deficits:

<u>Nonmajor Governmental Funds</u>	<u>Deficit</u>
Title I: Migrant Children	\$ 43,365
IDEA, Part B	6,712
Title I: Disadvantaged Children	2,066
Total	<u>\$ 52,143</u>

**OLD FORT LOCAL SCHOOL DISTRICT
SENECA COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

NOTE 3 - ACCOUNTABILITY AND COMPLIANCE - (Continued)

B. Compliance

Ohio Administrative Code, Section 117-2-03(B), requires the District to prepare its annual financial report in accordance with GAAP. However, the District prepared its financial statements on a cash basis, which is a comprehensive basis of accounting other than GAAP. The accompanying financial statements omit assets, deferred outflows of resources, liabilities, deferred inflows of resources, 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.

C. Change in Accounting Principles

For fiscal year 2017, the District has, to the extent it applies to the cash basis of accounting, implemented GASB Statement No. 77, "*Tax Abatement Disclosures*", GASB Statement No. 78, "*Pensions Provided Through Certain Multiple-Employer Defined Benefit Pension Plans*", GASB Statement No. 80, "*Blending Requirements for Certain Component Units - An Amendment of GASB Statement No. 14*" and GASB Statement No. 82, "*Pension Issues - An Amendment of GASB Statements No. 67, No. 68 and No. 73*".

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

GASB Statement No. 78 establishes accounting and financial reporting standards for defined benefit pensions provided to the employees of state or local governmental employers through a cost-sharing multiple-employer defined benefit pension plan (cost-sharing pension plan) that meets the criteria in paragraph 4 of Statement 68 and that (a) is not a state or local governmental pension plan, (b) is used to provide defined benefit pensions both to employees of state or local governmental employers and to employees of employers that are not state or local governmental employers, and (c) has no predominant state or local governmental employer (either individually or collectively with other state or local governmental employers that provide pensions through the pension plan). The implementation of GASB Statement No. 78 did not have an effect on the financial statements of the District.

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

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

**OLD FORT LOCAL SCHOOL DISTRICT
SENECA COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

NOTE 4 - BUDGETARY BASIS OF ACCOUNTING

While the District is reporting financial position, results of operations and changes in fund balances on the cash basis, the budgetary basis as provided by law is based upon accounting for certain transactions on a basis of cash receipts, disbursements and encumbrances. The statement of receipts, disbursements and changes in fund balance - budget and actual (budgetary basis) presented for the general fund is presented on the budgetary basis to provide a meaningful comparison of actual results with the budget. The difference between the budget basis and the cash basis is outstanding year end encumbrances are treated as disbursements (budget) rather than assigned or committed fund balance (cash).

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

Net Change in Fund Balance

	<u>General fund</u>
Cash basis	\$ 750,680
Funds budgeted elsewhere **	(5,917)
Adjustment for encumbrances	(86,199)
Budget basis	\$ 658,564

** As part of Governmental Accounting Standards Board Statement No. 54, "Fund Balance Reporting", certain funds that are legally budgeted in separate special revenue funds are considered part of the general fund on a GAAP basis. This includes the special trust fund, the rotary fund, the public school support fund and the self-insurance fund.

NOTE 5 - DEPOSITS AND INVESTMENTS

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

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

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

Interim deposits are deposits of interim monies. Interim monies are those monies which are not needed for immediate use, but which will be needed before the end of the current period of designation of depositories. Interim deposits must be evidenced by time certificates of deposit maturing not more than one year from the date of deposit or by savings or deposit accounts including passbook accounts.

**OLD FORT LOCAL SCHOOL DISTRICT
SENECA COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

NOTE 5 - DEPOSITS AND INVESTMENTS - (Continued)

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

1. United States Treasury Notes, Bills, Bonds, or any other obligation or security issued by the United States Treasury or any other obligation guaranteed as to principal and interest by the United States;
2. Bonds, notes, debentures, or any other obligations or securities issued by any federal government agency or instrumentality, including, but not limited to, the Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, Government National Mortgage Association, and Student Loan Marketing Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
3. Written repurchase agreements in the securities listed above provided that the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least two percent and be marked to market daily, and that the term of the agreement must not exceed thirty days;
4. Bonds and other obligations of the State of Ohio;
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 items described in 1 or 2 above and repurchase agreements secured by such obligations, provided that investments in such securities are made only through eligible institutions; and,
7. The State Treasurer's investment pool (STAR Ohio).

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

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

A. Deposits with Financial Institutions

At June 30, 2017, the carrying amount of all District deposits was \$34,425. Based on the criteria described in GASB Statement No. 40, "Deposits and Investment Risk Disclosures", as of June 30, 2017, the District's entire bank balance of \$66,623 was covered by the FDIC.

**OLD FORT LOCAL SCHOOL DISTRICT
SENECA COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

NOTE 5 - DEPOSITS AND INVESTMENTS - (Continued)

B. Investments

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

<u>Investment type</u>	<u>Carrying Amount</u>	<u>Investment Maturities 6 months or less</u>
STAR Ohio	<u>\$ 3,288,354</u>	<u>\$ 3,288,354</u>

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

Credit Risk: Standard & Poor's has assigned STAR Ohio an AAAM money market rating. Ohio law requires that STAR Ohio maintain the highest rating provided by at least one nationally recognized rating service. The District has no investment policy that would further limit its investment choices.

Concentration of Credit Risk: The District places no limit on the amount that may be invested in any one issuer. The following table includes the percentage of each investment type held by the District at June 30, 2017:

<u>Investment type</u>	<u>Carrying Amount</u>	<u>% of Total</u>
STAR Ohio	<u>\$ 3,288,354</u>	<u>100.00</u>

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

The following is a reconciliation of cash and investments as reported in the note above to cash and investments as reported on the statement of net position as of June 30, 2017:

<u>Cash and investments per note</u>	
Carrying amount of deposits	\$ 34,425
Investments	<u>3,288,354</u>
Total	<u>\$ 3,322,779</u>
 <u>Cash and investments per statement of net position</u>	
Governmental activities	\$ 3,284,506
Private-purpose trust fund	2,500
Agency funds	<u>35,773</u>
Total	<u>\$ 3,322,779</u>

**OLD FORT LOCAL SCHOOL DISTRICT
SENECA COUNTY, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

NOTE 6 - INTERFUND TRANSACTIONS

Advances in/advances out consisted of the following at June 30, 2017 as reported on the fund statement:

<u>Advances in</u>	<u>Advances out</u>	<u>Amount</u>
General Fund	Nonmajor governmental funds	<u>\$ 105,210</u>

The primary purpose of the advances is to cover costs in specific funds where revenues were not received by June 30. The advances will be repaid once the anticipated revenues are received. The advances made in fiscal year 2017 were to repay prior year advances.

Advances between governmental funds are eliminated on the government-wide financial statements.

NOTE 7 - 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 certain tangible personal (used in business) property located in the District. Real property tax revenues received in calendar year 2017 represent the collection of calendar year 2016 taxes. Real property taxes received in calendar year 2017 were levied after April 1, 2016, on the assessed values as of January 1, 2016, 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 2017 represent the collection of calendar year 2016 taxes. Public utility real and tangible personal property taxes received in calendar year 2017 became a lien on December 31, 2015, were levied after April 1, 2016, and are collected with real property taxes. Public utility real property is assessed at 35 percent of true value; public utility tangible personal property is currently assessed at varying percentages of true value.

The District receives property taxes from Seneca and Sandusky Counties. The County Auditors periodically advance to the District its portion of the taxes collected.

**OLD FORT LOCAL SCHOOL DISTRICT
SENECA COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

NOTE 7 - PROPERTY TAXES - (Continued)

The assessed values upon which the fiscal year 2017 taxes were collected are:

	2016 Second Half Collections		2017 First Half Collections	
	<u>Amount</u>	<u>Percent</u>	<u>Amount</u>	<u>Percent</u>
Agricultural/residential and other real estate	\$ 91,921,220	93.75	\$ 92,514,180	87.66
Public utility personal	<u>6,129,380</u>	<u>6.25</u>	<u>13,019,020</u>	<u>12.34</u>
Total	<u>\$ 98,050,600</u>	<u>100.00</u>	<u>\$ 105,533,200</u>	<u>100.00</u>
Tax rate per \$1,000 of assessed valuation	\$46.30		\$47.05	

NOTE 8 - SCHOOL DISTRICT INCOME TAX

The District levies a voted tax of one percent (1.00%) for general operations on the income of residents and of estates. The tax was a five year levy effective on January 1, 1995. In November 2008, a five-year 1.00% income tax levy was renewed by voters of the District. The renewal income tax levy became effective on January 1, 2010.

The Bettsville Local School District which merged with the District effect July 1, 2014, has a 1% income tax levy which was renewed in 2007 and is set to expire in 2018.

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. Total income tax receipts for fiscal year 2017 equaled \$784,674.

NOTE 9 - LONG-TERM OBLIGATIONS

The changes in the District's long-term obligations during fiscal year 2017 were as follows:

	Balance			Balance Outstanding <u>06/30/17</u>	Amounts Due in <u>One Year</u>
	Outstanding <u>06/30/16</u>	<u>Additions</u>	<u>Reductions</u>		
General Obligation Bonds:					
2011 Refunding Bonds:					
Current Interest Bonds	\$ 235,000	\$ -	\$ (35,000)	\$ 200,000	\$ 35,000
Capital Appreciation Bonds	15,000	-	-	15,000	-
Accreted Interest	<u>23,713</u>	<u>7,801</u>	<u>-</u>	<u>31,514</u>	<u>-</u>
Total long-term obligations, General Obligation Bonds	<u>\$ 273,713</u>	<u>\$ 7,801</u>	<u>\$ (35,000)</u>	<u>\$ 246,514</u>	<u>\$ 35,000</u>

**OLD FORT LOCAL SCHOOL DISTRICT
SENECA COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

NOTE 9 - LONG-TERM OBLIGATIONS - (Continued)

During fiscal year 2011, the District issued \$425,000 in refunding bonds for the purpose of repaying the classroom facilities improvement bonds issued in 2001. The refunding bonds consisted of \$410,000 in current interest bonds and \$15,000 in capital appreciation bonds. The interest bonds were issued for a thirteen year period with a final maturity of December 1, 2024. The capital appreciation bonds will mature December 1, 2019 and December 1, 2020.

The capital appreciation bonds, issued at \$15,000, are not subject to prior redemption. The maturity amount of the capital appreciation bonds is \$80,000. For fiscal year 2017, the capital appreciation bonds were accreted \$7,801 for a total accreted amount of \$31,514 at June 30, 2017.

Principal and interest requirements to retire the general obligation bonds outstanding at June 30, 2017, are as follows:

Fiscal Year Ending June 30,	General Obligation Bonds			Capital Appreciation Bonds		
	Principal	Interest	Total	Principal	Interest	Total
2018	\$ 35,000	\$ 7,124	\$ 42,124	\$ -	\$ -	\$ -
2019	40,000	5,943	45,943	-	-	-
2020	-	5,313	5,313	7,500	32,500	40,000
2021	-	5,312	5,312	7,500	32,500	40,000
2022	40,000	4,462	44,462	-	-	-
2023 - 2024	85,000	3,718	88,718	-	-	-
Total	<u>\$ 200,000</u>	<u>\$ 31,872</u>	<u>\$ 231,872</u>	<u>\$ 15,000</u>	<u>\$ 65,000</u>	<u>\$ 80,000</u>

Legal Debt Margin

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 code additionally states that unvoted indebtedness related to energy conservation debt shall not exceed 9/10 of 1% of the property valuation of the District. The effects of these debt limitations at June 30, 2017, are a voted debt margin of \$9,369,069 and an unvoted debt margin of \$105,533.

**OLD FORT LOCAL SCHOOL DISTRICT
SENECA COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

NOTE 10 - RISK MANAGEMENT

A. Comprehensive

The District is exposed to various risks of loss related to torts, theft or damage to and destruction of assets, errors and omissions, injuries to employees and natural disasters. During fiscal year 2017, the District contracted with the Ohio School Plan (the "Plan") for insurance coverage. The Plan is an unincorporated nonprofit association of its members which enables the participants to provide for a formalized joint insurance purchasing program for maintaining adequate insurance protection and provides risk management programs and other administrative services. The Plan's business and affairs are conducted by a fifteen member Board consisting of superintendents, treasurers, and a member of the Harcum-Schuett Insurance Agency, Inc., and a member of the Hylant Group, Inc. The Hylant Group, Inc. is the Plan's administrator and is responsible for processing claims. The Hylant Group, Inc also serves as the sales and marketing representative which establishes agreements between the Plan and its members. The Plan has over 300 school districts insured. Financial information can be obtained from Harcum-Schuett Insurance Agency, 246 East Sycamore Street, Columbus, Ohio 43206.

The following is a description of the District's insurance coverage:

<u>Coverage</u>	<u>Insurer</u>	<u>Coverage</u>	<u>Deductible</u>
General liability:			
Aggregate	Ohio School Plan	\$ 4,000,000	\$ -
Each occurrence	Ohio School Plan	2,000,000	-
Fire damage	Ohio School Plan	500,000	-
Medical expense	Ohio School Plan	10,000	-
Excess liability:			
Each occurrence	Ohio School Plan	10,000,000	-
Commercial Property:			
Building	Ohio School Plan	\$47,625,761	1,000
Business Personal Property - included in Building Coverage			
Boiler and machinery - included in Building Coverage			
Fleet:			
Comprehensive	Ohio School Plan	Actual cash value	1,000
Collision	Ohio School Plan	Actual cash value	1,000

Settled claims have not exceeded these coverages in any of the past three years, and there has been no significant reduction in insurance coverage from the prior fiscal year.

B. Health Insurance

The District joined together with other area school districts to form the North Central Ohio Joint Self Insurance Association, a public entity risk pool comprised of six member school districts and an educational service center. The risk of loss transfers entirely to the pool. The pool is self-sustaining through member premiums. The District paid a monthly premium to the pool for health insurance. The agreement for formation of the pool provided that it will be self-sustaining through member premiums and the pool will purchase stop-loss insurance policies through commercial companies to cover claims in excess of \$250,000 for any employee.

**OLD FORT LOCAL SCHOOL DISTRICT
SENECA COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

NOTE 10 - RISK MANAGEMENT - (Continued)

C. Workers' Compensation

For fiscal year 2017, the District participated in the Sheakley Group Rating Program (GRP), an insurance purchasing pool. The intent of the GRP is to achieve the benefit of 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 tiered into groups based upon past workers' compensation experience. Within each tiered group, a common premium rate is applied to all school districts within that group. Each participant pays its workers' compensation premium to the state based on the rate for the GRP rather than its individual rate. Total savings are then calculated and each participant's individual performance is compared to the overall savings percentage of their tiered group. Participation in the GRP is limited to school districts that can meet the GRP's selection criteria. The firm of Sheakley, Inc. provides administrative, cost control and actuarial services to the GRP.

NOTE 11 - PENSION PLANS

Net Pension Liability

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

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

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

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

**OLD FORT LOCAL SCHOOL DISTRICT
SENECA COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

NOTE 11 - PENSION PLANS - (Continued)

Plan Description - School Employees Retirement System (SERS)

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

Age and service requirements for retirement are as follows:

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

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

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

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

Funding Policy - Plan members are required to contribute 10 percent of their annual covered salary and the District is required to contribute 14 percent of annual covered payroll. The contribution requirements of plan members and employers are established and may be amended by the SERS' Retirement Board up to statutory maximum amounts of 10 percent for plan members and 14 percent for employers. The Retirement Board, acting with the advice of the actuary, allocates the employer contribution rate among four of the System's funds (Pension Trust Fund, Death Benefit Fund, Medicare B Fund, and Health Care Fund). For the fiscal year ended June 30, 2017, the allocation to pension, death benefits, and Medicare B was 14 percent. None of the employer contribution rate was allocated to the Health Care Fund.

The District's contractually required contribution to SERS was \$115,994 for fiscal year 2017.

**OLD FORT LOCAL SCHOOL DISTRICT
SENECA COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

NOTE 11 - PENSION PLANS - (Continued)

Plan Description - State Teachers Retirement System (STRS)

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

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

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

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

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

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

**OLD FORT LOCAL SCHOOL DISTRICT
SENECA COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

NOTE 11 - PENSION PLANS - (Continued)

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

The District's contractually required contribution to STRS Ohio was \$430,801 for fiscal year 2017.

Net Pension Liability

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

	<u>SERS</u>	<u>STRS Ohio</u>	<u>Total</u>
Proportion of the net pension liability prior measurement date	0.02562370%	0.02516152%	
Proportion of the net pension liability current measurement date	<u>0.02491930%</u>	<u>0.02715225%</u>	
Change in proportionate share	<u>(0.00070440)%</u>	<u>0.00199073%</u>	
Proportionate share of the net pension liability	\$ 1,823,863	\$ 9,088,677	\$ 10,912,540

Actuarial Assumptions - SERS

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

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

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

**OLD FORT LOCAL SCHOOL DISTRICT
SENECA COUNTY, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

NOTE 11 - PENSION PLANS - (Continued)

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

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

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

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

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

**OLD FORT LOCAL SCHOOL DISTRICT
SENECA COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

NOTE 11 - PENSION PLANS - (Continued)

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

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

Discount Rate - The total pension liability was calculated using the discount rate of 7.50 percent. The projection of cash flows used to determine the discount rate assumed the contributions from employers and from the members would be computed based on contribution requirements as stipulated by State statute. Projected inflows from investment earning were calculated using the long-term assumed investment rate of return (7.50 percent). Based on those assumptions, the plan's fiduciary net position was projected to be available to make all future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefits to determine the total pension liability.

Sensitivity of the District's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate - Net pension liability is sensitive to changes in the discount rate, and to illustrate the potential impact the following table presents the net pension liability calculated using the discount rate of 7.50 percent, as well as what each plan's net pension liability would be if it were calculated using a discount rate that is one percentage point lower (6.50 percent), or one percentage point higher (8.50 percent) than the current rate.

	1% Decrease (6.50%)	Current Discount Rate (7.50%)	1% Increase (8.50%)
District's proportionate share of the net pension liability	\$ 2,414,681	\$ 1,823,863	\$ 1,329,324

**OLD FORT LOCAL SCHOOL DISTRICT
SENECA COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

NOTE 11 - PENSION PLANS - (Continued)

Actuarial Assumptions - STRS Ohio

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

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

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

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

STRS Ohio's investment consultant develops an estimate range for the investment return assumption based on the target allocation adopted by the Retirement Board. The target allocation and long-term expected rate of return for each major asset class are summarized as follows:

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

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

**OLD FORT LOCAL SCHOOL DISTRICT
SENECA COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

NOTE 11 - PENSION PLANS - (Continued)

Discount Rate - The discount rate used to measure the total pension liability was 7.75 percent as of June 30, 2016. The projection of cash flows used to determine the discount rate assumes member and employer contributions will be made at the statutory contribution rates in accordance with rate increases described above. For this purpose, only employer contributions that are intended to fund benefits of current plan members and their beneficiaries are included. Projected employer contributions that are intended to fund the service costs of future plan members and their beneficiaries, as well as projected contributions from future plan members, are not included. Based on those assumptions, STRS' fiduciary net position was projected to be available to make all projected future benefit payments to current plan members as of June 30, 2016. Therefore, the long-term expected rate of return on pension plan investments of 7.75 percent was applied to all periods of projected benefit payment to determine the total pension liability as of June 30, 2016.

Sensitivity of the District's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate - The following table presents the District's proportionate share of the net pension liability calculated using the current period discount rate assumption of 7.75 percent, as well as what the District's proportionate share of the net pension liability would be if it were calculated using a discount rate that is one-percentage-point lower (6.75 percent) or one-percentage-point higher (8.75 percent) than the current rate:

	1% Decrease (6.75%)	Current Discount Rate (7.75%)	1% Increase (8.75%)
District's proportionate share of the net pension liability	\$ 12,078,113	\$ 9,088,677	\$ 6,566,911

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

NOTE 12 - POSTEMPLOYMENT BENEFITS

A. School Employees Retirement System

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

**OLD FORT LOCAL SCHOOL DISTRICT
SENECA COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

NOTE 12 - POSTEMPLOYMENT BENEFITS - (Continued)

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

Funding Policy - State statute permits SERS to fund the health care benefits through employer contributions. Each year, after the allocation for statutorily required basic benefits, the Retirement Board allocates the remainder of the employer contribution of 14 percent of covered payroll to the Health Care Fund. For fiscal year 2017, no portion of covered payroll was allocated to health care. In addition, employers pay a surcharge for employees earning less than an actuarially determined minimum compensation amount, pro-rated according to service credit earned. For fiscal year 2017, this amount was \$23,500. Statutes provide that no employer shall pay a health care surcharge greater than 2 percent of that employer's SERS-covered payroll; nor may SERS collect in aggregate more than 1.5 percent of the total statewide SERS-covered payroll for the health care surcharge.

The District's contributions for health care for the fiscal years ended June 30, 2017, 2016, and 2015 were \$12,553, \$12,553, and \$17,266, respectively. 100 percent has been contributed for fiscal years 2017, 2016 and 2015.

B. State Teachers Retirement System of Ohio

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

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 fiscal years 2015-2017, STRS Ohio did not allocate any employer contributions to fund postemployment health care.

**OLD FORT LOCAL SCHOOL DISTRICT
SENECA COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

NOTE 13 - CONTINGENCIES

A. Grants

The District receives significant financial assistance from numerous federal, state and local agencies in the form of grants. The disbursement of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and are subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the District. However, in the opinion of management, any such disallowed claims will not have a material effect on the financial position of the District.

B. Litigation

The District is party to legal proceedings. Per management, the litigation will likely be dismissed or settled by insurance and not have a material effect on the District's financial statements.

C. Foundation Funding

The District's Foundation funding is based on the annualized full-time equivalent (FTE) enrollment of each student. Traditional school districts must comply with minimum hours of instruction, instead of a minimum number of school days each year. The funding formula the Ohio Department of Education (ODE) is legislatively required to follow will continue to adjust as enrollment information is updated by the District, which can extend past the fiscal year-end. As of the date of this report, ODE has not finalized the impact of enrollment adjustments to the June 30, 2017 Foundation funding for the District; therefore, the financial statement impact is not determinable at this time.

NOTE 14 - STATUTORY RESERVES

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

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

	<u>Capital Improvements</u>
Set-aside balance June 30, 2016	\$ -
Current year set-aside requirement	102,734
Current year qualifying expenditures	(98,097)
Current year offsets	<u>(4,637)</u>
Total	<u>\$ -</u>
Balance carried forward to fiscal year 2018	<u>\$ -</u>
Set-aside balance June 30, 2017	<u>\$ -</u>

**OLD FORT LOCAL SCHOOL DISTRICT
SENECA COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

NOTE 14 - STATUTORY RESERVES - (Continued)

Although the District had qualifying disbursements during the year that reduced the set-aside amount below zero for the capital acquisition reserve, this extra amount may not be used to reduce the set-aside requirement for future years and is therefore not presented as being carried forward to the next fiscal year.

NOTE 15 - OTHER COMMITMENTS

The District utilizes encumbrance accounting as part of its budgetary controls. Encumbrances outstanding at year-end are reservations of fund balance for subsequent-year expenditures and may be report as part of restricted, committed, or assigned classifications of fund balance. At year end, the District's commitments for encumbrances in the governmental funds were as follows:

	Year-End
<u>Fund Type</u>	<u>Encumbrances</u>
General fund	\$ 87,339
Other governmental	<u>79,378</u>
Total	<u>\$ 166,717</u>



Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and other Matters Required by *Government Auditing Standards*

Old Fort Local School District
Seneca County
7635 North County Road 51
P.O. Box 64
Old Fort, Ohio 44861 - 0064

Members of 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 Old Fort Local School District, Seneca County, (the School District) as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the School District's basic financial statements and have issued our report thereon dated October 18, 2017 wherein we noted the School District uses a special purpose framework other than generally accepted accounting principles.

Internal Control over Financial Reporting

As part of our financial statement audit, we considered the School 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 School District's internal control. Accordingly, we have not opined on it.

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

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

Compliance and Other Matters

As part of reasonably assuring whether the School District's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, opining on compliance with those provisions was not an objective of our audit and accordingly, we do not express an opinion. The results of our tests disclosed an instance of noncompliance or other matters we must report under *Government Auditing Standards* which is described in the accompanying schedule of findings as item 2017-001.

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 School District's internal control or on compliance. This report is an integral part of an audit performed under *Government Auditing Standards* in considering the School District's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

BHM CPA Group

BHM CPA Group Inc.
Piketon, Ohio
October 18, 2017

**Old Fort Local School District
Schedule of Findings
June 30, 2017**

1. SUMMARY OF AUDITOR'S RESULTS

FINDING NUMBER 2017-001

Material Noncompliance Citation

Ohio Revised Code § 117.38 provides that each public office shall file a financial report for each fiscal year. The Auditor of State may prescribe forms by rule or may issue guidelines, or both, for such reports. If the Auditor of State has not prescribed a rule regarding the form for the report, the public office shall submit its report on the form utilized by the public office. Ohio Administrative Code § 117-2-03 further clarifies the requirements of Ohio Revised Code § 117.38.

Ohio Administrative Code § 117-2-03(B) requires the School District to prepare its annual financial report in accordance with generally accepted accounting principles. The School District prepares its financial statements in accordance with the cash basis of accounting in a report format similar to the requirements of Governmental Accounting Standards Board Statement 34, *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments*. This presentation differs from accounting principles generally accepted in the United States of America (GAAP). There would be variances on the financial statements between this accounting practice and GAAP that, while presumably material, cannot be reasonably determined at this time. The School District can be fined and various other administrative remedies may be taken against the School District.

The School District should take the necessary steps to ensure that the financial report is prepared in accordance with generally accepted accounting principles.

Client Response: We didn't receive a response from Officials to the finding reported above.

**Old Fort Local School District
Schedule of Prior Audit Findings
June 30, 2017**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; Explain:
2016-001	Material Non-Compliance: OAC 117-2-03(B) the District is required to file its annual financial report in accordance with GAAP.	No	Not Corrected. Reissued as finding 2017-001



Dave Yost • Auditor of State

OLD FORT LOCAL SCHOOL DISTRICT

SENECA 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 5, 2017