



OHIO AUDITOR OF STATE
KEITH FABER



**OTTAWA-GLANDORF LOCAL SCHOOL DISTRICT
PUTNAM COUNTY
JUNE 30, 2019**

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INDEPENDENT AUDITOR'S REPORT

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

To the Board of Education:

Report on the Financial Statements

We have audited the accompanying financial statements of the cash balances, receipts and disbursements by fund type, and related notes of Ottawa-Glandorf Local School District, Putnam County, Ohio (the School District), as of and for the year ended June 30, 2019.

Management's Responsibility for the Financial Statements

Management is responsible for preparing and fairly presenting these financial statements in accordance with the accounting principles generally accepted in the United States of America. This responsibility includes the designing, implementing and maintaining internal control relevant to preparing and fairly presenting financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

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

An audit requires obtaining evidence about financial statement amounts and disclosures. The procedures selected depend on our judgment, including assessing the risks of material financial statement misstatement, whether due to fraud or error. In assessing those risks, we consider internal control relevant to the 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 such opinion. An audit also includes evaluating the appropriateness of management's accounting policies and the reasonableness of their significant accounting estimates, as well as our evaluation of the overall financial statement presentation.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our adverse audit opinion.

Basis for Adverse Opinion

As described in Note 2 of the financial statements, the School District prepared these financial statements using the accounting basis Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit. However, Ohio Administrative Code Section 117-2-03(B) requires these statements to follow accounting principles generally accepted in the United States of America. The effects on the financial statements of the variances between the regulatory basis of accounting described in Note 2 and accounting principles generally accepted in the United States of America, although not reasonably determinable, are presumably material.

Adverse Opinion

In our opinion, because of the significance of the matter discussed in the *Basis for Adverse Opinion* paragraph, the financial statements referred to above do not present fairly, in accordance with accounting principles generally accepted in the United States of America, the financial position of Ottawa-Glandorf Local School District as of June 30, 2019, and the respective changes in financial position or cash flows thereof for the year then ended.

Other Matters

Supplementary Information

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

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

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated December 26, 2019, 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.



Keith Faber
Auditor of State

Columbus, Ohio

December 26, 2019

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

**COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN
FUND BALANCES (CASH BASIS) - ALL GOVERNMENTAL FUND TYPES
FOR THE FISCAL YEAR ENDED JUNE 30, 2019**

	Governmental Fund Types				Totals (Memorandum Only)
	General	Special Revenue	Debt Service	Capital Projects	
Cash Receipts					
Property Tax and Other Local Taxes	\$5,968,914	\$84,225	\$983,150	\$136,930	\$7,173,219
Intergovernmental	7,214,531	857,043	163,433	14,099	8,249,106
Tuition	495,614				495,614
Earnings on Investments	58,724	1,659		28,100	88,483
Transportation Fees	121,087				121,087
Extracurricular Activities		433,984			433,984
Classroom Materials and Fees	85,698				85,698
Miscellaneous	108,657	11,371			120,028
<i>Total Cash Receipts</i>	<u>14,053,225</u>	<u>1,388,282</u>	<u>1,146,583</u>	<u>179,129</u>	<u>16,767,219</u>
Cash Disbursements					
Instruction:					
Regular	8,010,970	280,086			8,291,056
Special	1,810,360	351,219			2,161,579
Vocational Education	167,586				167,586
Other Instruction		10,257			10,257
Supporting Services:					
Pupils	524,936				524,936
Instructional Staff	417,886	25,352			443,238
Board of Education	65,468				65,468
Administration	1,186,362	92,283			1,278,645
Fiscal Services	420,880	2,763	24,896	3,378	451,917
Operation and Maintenance of Plant	1,199,594	146,953		62,449	1,408,996
Pupil Transportation	789,361	44,671		61,643	895,675
Central	119,101				119,101
Non-Instructional Services	7,994	402,187			410,181
Extracurricular Activities	463,324	234,015			697,339
Debt Service:					
Principal Retirement			567,080		567,080
Interest and Fiscal Charges			653,433		653,433
<i>Total Cash Disbursements</i>	<u>15,183,822</u>	<u>1,589,786</u>	<u>1,245,409</u>	<u>127,470</u>	<u>18,146,487</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>(1,130,597)</u>	<u>(201,504)</u>	<u>(98,826)</u>	<u>51,659</u>	<u>(1,379,268)</u>
Other Financing Receipts (Disbursements)					
Transfers-In		75,000	70,813		145,813
Transfers-Out	(155,379)				(155,379)
Advances-In	54,156	20,000			74,156
Advances-Out	(20,000)	(47,156)			(67,156)
Refund of Prior Year Expenditures	24,004				24,004
Sale of Capital Assets	300				300
<i>Total Other Financing Receipts (Disbursements)</i>	<u>(96,919)</u>	<u>47,844</u>	<u>70,813</u>		<u>21,738</u>
<i>Net Change in Fund Cash Balances</i>	<u>(1,227,516)</u>	<u>(153,660)</u>	<u>(28,013)</u>	<u>51,659</u>	<u>(1,357,530)</u>
<i>Fund Cash Balances, July 1</i>	<u>2,986,403</u>	<u>749,616</u>	<u>982,353</u>	<u>1,530,686</u>	<u>6,249,058</u>
<i>Fund Cash Balances, June 30</i>	<u>\$1,758,887</u>	<u>\$595,956</u>	<u>\$954,340</u>	<u>\$1,582,345</u>	<u>\$4,891,528</u>
Reserve for Encumbrances, June 30	<u>\$455,490</u>	<u>\$219,949</u>		<u>\$42,000</u>	<u>\$717,439</u>

The notes to the financial statements are an integral part of this statement.

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

**COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN
FUND BALANCES (CASH BASIS) - ALL PROPRIETARY AND FIDUCIARY FUND TYPES
FOR THE FISCAL YEAR ENDED JUNE 30, 2019**

	Proprietary Fund Type	Fiduciary Fund Type	Totals (Memorandum Only)
	Enterprise	Agency	
Operating Cash Receipts			
Food Services	\$536,854		\$536,854
Extracurricular Activities		\$139,283	139,283
<i>Total Operating Cash Receipts</i>	<u>536,854</u>	<u>139,283</u>	<u>676,137</u>
Operating Cash Disbursements			
Personal Services	233,722	10,186	243,908
Employees Retirement and Insurance	136,780	1,761	138,541
Purchased Services	39,590	1,300	40,890
Supplies and Materials	399,165	771	399,936
Capital Outlay	3,185		3,185
Other Operating Expenses	3,729	117,420	121,149
<i>Total Operating Cash Disbursements</i>	<u>816,171</u>	<u>131,438</u>	<u>947,609</u>
<i>Operating Income (Loss)</i>	<u>(279,317)</u>	<u>7,845</u>	<u>(271,472)</u>
Non-Operating Receipts			
Intergovernmental receipts	229,124		229,124
Earnings on Investments	4,226		4,226
Miscellaneous		987	987
<i>Total Non-Operating Receipts</i>	<u>233,350</u>	<u>987</u>	<u>234,337</u>
<i>Income (Loss) before Transfers and Advances</i>	<u>(45,967)</u>	<u>8,832</u>	<u>(37,135)</u>
Transfers In	9,566		9,566
Advances Out	(7,000)		(7,000)
<i>Net Change in Fund Cash Balances</i>	<u>(43,401)</u>	<u>8,832</u>	<u>(34,569)</u>
<i>Fund Cash Balances, July 1</i>	<u>241,808</u>	<u>26,129</u>	<u>267,937</u>
<i>Fund Cash Balances, June 30</i>	<u>\$198,407</u>	<u>\$34,961</u>	<u>\$233,368</u>
Reserve for Encumbrances, June 30	<u>\$13,634</u>	<u>\$1,314</u>	<u>\$14,948</u>

The notes to the financial statements are an integral part of this statement.

Ottawa-Glandorf Local School District
Putnam County
Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2019

Note 1 – Reporting Entity

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

The School District was established in 1962 through the consolidation of existing land areas and school districts. The School District serves an area of approximately 66 square miles. It is located in Putnam County and includes the entire Villages of Ottawa and Glandorf, and all or portions of Blanchard, Greensburg, Ottawa, and Pleasant Townships. It is staffed by 63 classified employees, 96 certified teaching personnel, and 7 administrative employees who provide services to 1,501 students and other community members. The School District currently operates 3 buildings.

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

Primary Government

The primary government of the School District consists of all funds, departments, boards, and agencies that are not legally separate from the School District. For Ottawa-Glandorf Local School District, this includes general operations, food service, and student related activities of the School District.

Jointly Governed Organizations, Public Entity Risk Pools, and a Related Organization

The School District participates in three jointly governed organizations, three public entity risk pools, and a related organization. These organizations are the Northwest Ohio Area Computer Services Cooperative, Northwestern Ohio Educational Research Council, Inc., State Support Team Region 1, Schools of Ohio Risk Sharing Authority, Ohio School Boards Association Workers' Compensation Group Rating Plan, Putnam County School Insurance Group, and Millstream Cooperative Career Center. These organizations are presented in Notes 14, 15, and 16 to the financial statements.

The financial statements exclude these entities which perform activities within the School District's boundaries for the benefit of its residents because the School District is not financially accountable for these entities nor are they fiscally dependent on the School District.

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

Note 2 – Summary of Significant Accounting Policies

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

For fiscal year 2019 the School District did not modify its financial statements to reflect the modifications outlined in GASB Statement No. 54, "Fund Balance Reporting and Governmental Fund Type Definitions".

Ottawa-Glandorf Local School District
Putnam County
Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2019
(Continued)

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

Fund Accounting

The School District uses funds to maintain its financial records during the fiscal year. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts. The funds of the School District are divided into three categories, governmental, proprietary and fiduciary.

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

General Fund The general fund accounts for and reports all financial resources not accounted for and reported in another fund. The general fund balance is available to the School District for any purpose provided it is expended or transferred according to the general laws of Ohio.

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

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

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

Proprietary Funds The School District classifies funds financed primarily from user charges for goods or services as proprietary. Proprietary funds are classified as either enterprise funds or internal service funds. The School District has no internal service funds.

Enterprise Funds The enterprise funds may be used to account for any activity for which a fee is charged to external users for goods or services.

Fiduciary Funds The fiduciary fund category is split into four classifications: pension trust funds, investment trust funds, private purpose trust funds, and agency funds. The School District's fiduciary funds include agency funds. Agency funds are custodial in nature. The School District's agency fund accounts for various student-managed activities.

Basis of Accounting

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

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

Ottawa-Glandorf Local School District
Putnam County
Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2019
(Continued)

Budgetary Process

All funds, except agency funds, are legally required to be budgeted and appropriated. The major documents prepared are the tax budget, certificate of estimated resources and the appropriations resolution, all of which are prepared on the budgetary basis of accounting. The tax budget demonstrates a need for existing or increased tax rates. The certificate of estimated resources establishes a limit on the amount the Board of Education may appropriate.

The appropriations resolution is the Board's authorization to spend resources and sets annual limits on cash disbursements plus encumbrances at the level of control selected by the Board. The legal level of control has been established by the Board at the fund level for all funds. Budgetary allocations at the fund, function, and object level are made by the Treasurer.

The certificate of estimated resources may be amended during the fiscal year if projected increases or decreases in receipts are identified by the Treasurer.

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

Cash and Investments

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

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

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

During fiscal year 2019, the School District invested in nonnegotiable certificates of deposit and STAR Ohio. Investments are reported at cost, except for STAR Ohio.

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

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 \$100 million per day, requiring the excess amount to be transacted the following business day(s), but only to the \$100 million limit. All accounts of the participant will be combined for these purposes.

Following Ohio statutes, the Board of Education has, by resolution, specified the funds to receive an allocation of interest earnings. Interest receipts credited to the General Fund during fiscal year 2019 was \$58,724 which included \$34,788 assigned from other School District funds.

Ottawa-Glandorf Local School District
Putnam County
Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2019
(Continued)

Restricted Assets

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

Inventory and Prepaid Items

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

Capital Assets

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

Interfund Receivables/Payables

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

Accumulated Leave

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

Employer Contributions to Cost-Sharing Pension Plans

The School District recognizes the disbursement for employer contributions to cost-sharing pension plans when they are paid. As described in Notes 9 and 10, the employer contributions include portions for pension benefits and for other postemployment benefits (OPEB).

Long-Term Obligations

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

Internal Activity

Exchange transactions between funds are reported as receipts in the seller funds and as disbursements in the purchaser funds. Subsidies from one fund to another without a requirement for repayment are reported as interfund transfers. Interfund transfers are reported as other financing sources/uses in governmental funds and after nonoperating receipts/cash disbursements in proprietary funds. Repayments from funds responsible for particular cash disbursements to the funds that initially paid for them are not presented in the financial statements.

Ottawa-Glandorf Local School District
Putnam County
Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2019
(Continued)

Pensions/Other Postemployment Benefits (OPEB)

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

Note 3 – Accountability and Compliance

Compliance

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

Changes in Accounting Principles

For fiscal year 2019, the School District has implemented GASB Statement No. 83, "Certain Asset Retirement Obligations" and GASB Statement No. 88, "Certain Disclosures Related to Debt, Including Direct Borrowings and Direct Placements".

GASB Statement No. 83 addresses accounting and financial reporting for certain asset retirement obligations (AROs). An ARO is a legally enforceable liability associated with the retirement of a tangible capital asset. A government that has legal obligations to perform future asset retirement activities related to its tangible capital assets should recognize a liability. The implementation of GASB Statement No. 83 did not have an effect on the financial statements of the School District.

GASB Statement No. 88 improves the information that is disclosed in notes to the financial statements related to debt, including direct borrowings and direct placements. It also clarifies which liabilities governments should include when disclosing information related to debt. The implementation of GASB Statement No. 88 did not have an effect on the financial statement of the School District.

Note 4 – Budgetary Activity

Budgetary activity for the year ending June 30, 2019 follows:

2019 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$14,242,000	\$14,131,685	(\$110,315)
Special Revenue	1,558,739	1,483,282	(75,457)
Debt Service	1,217,514	1,217,396	(118)
Capital Projects	175,350	179,129	3,779
Enterprise	714,812	779,770	64,958
Total	\$17,908,415	\$17,791,262	(\$117,153)

Ottawa-Glandorf Local School District
Putnam County
Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2019
(Continued)

2019 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$16,258,030	\$15,814,691	\$443,339
Special Revenue	1,898,752	1,856,891	41,861
Debt Service	1,246,014	1,245,409	605
Capital Projects	203,000	169,470	33,530
Enterprise	841,333	836,805	4,528
Total	<u>\$20,447,129</u>	<u>\$19,923,266</u>	<u>\$523,863</u>

Note 5 – Deposits and Investments

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

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

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

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

Protection of the School District's deposits is provided by the Federal Deposit Insurance Corporation (FDIC) or by the financial institutions participation in the Ohio Pooled Collateral System (OPCS), a collateral pool of eligible securities deposited with a qualified trustee and pledged to the Treasurer of State to secure the repayment of all public monies deposited in the financial institution.

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

1. United States Treasury bills, bonds, notes, or any other obligation or security issued by the United States Treasury, or any other obligation guaranteed as to principal and interest by the United States;
2. Bonds, notes, debentures, or any other obligation or security issued by any federal government agency or instrumentality including, but not limited to, the Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, and Government National Mortgage Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
3. Written repurchase agreements in the securities listed above provided the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least two percent and be marked to market daily, and the term of the agreement must not exceed thirty days;

Ottawa-Glandorf Local School District
Putnam County
Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2019
(Continued)

4. Bonds and other obligations of the State of Ohio, and with certain limitations including a requirement for maturity within ten years from the date of settlement, bonds and other obligations of political subdivisions of the State of Ohio, if training requirements have been met;
5. Time certificates of deposit or savings or deposit accounts including, but not limited to, passbook accounts;
6. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2) and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions;
7. The State Treasurer's investment pool (STAR Ohio).
8. Certain bankers' acceptances for a period not to exceed one hundred eighty days) and commercial paper notes (for a period not to exceed two hundred seventy days) in an amount not to exceed 40 percent of the interim monies available for investment at any one time if training requirements have been met.

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

Investments may only be made through specified dealers and institutions. Payment for investments may be made only upon delivery of the securities representing the investments to the treasurer or, if the securities are not represented by a certificate, upon receipt of confirmation of transfer from the custodian.

At year end, the School District had \$970 in undeposited cash on hand which is included as part of fund balance.

Deposits

Custodial credit risk for deposits is the risk that in the event of bank failure, the School District will not be able to recover deposits or collateral securities that are in the possession of an outside party. At year end, \$499,347 of the School District's bank balance of \$2,315,547 was exposed to custodial credit risk because it was uninsured and collateralized.

The School District has no deposit policy for custodial risk beyond the requirements of State statute. Ohio law requires that deposits either be insured or be protected by:

Eligible securities pledged to the School District and deposited with a qualified trustee by the financial institution as security for repayment whose market value at all times shall be at least 105 percent of the deposits being secured; or

Participation in the Ohio Pooled Collateral System (OPCS), a collateral pool of eligible securities deposited with a qualified trustee and pledged to the Treasurer of State to secure the repayment of all public monies deposited in the financial institution. OPCS requires the total market value of the securities pledged to be 102 percent of the deposits being secured or a rate set by the Treasurer of State.

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Investments

As of June 30, 2019, the School District had investments with STAR Ohio with a carrying balance of \$3,339,568.

STAR Ohio carries a rating of AAAM by Standard and Poor's. The School District has no investment policy dealing with investment credit risk beyond the requirements in state statutes. Ohio law requires that STAR Ohio maintain the highest rating provided by at least one nationally recognized standard rating service.

Note 6 – Taxes

Property Taxes

Property taxes are levied and assessed on a calendar year basis while the School District fiscal year runs from July through June. First half tax collections are received by the School 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 and public utility property located in the School District. Real property tax revenue received in calendar 2019 represents collections of calendar year 2018 taxes. Real property taxes received in calendar year 2019 were levied after April 1, 2018, on the assessed value listed as of January 1, 2018, the lien date. Assessed values for real property taxes are established by State law at 35 percent of appraised market value. Real property taxes are payable annually or semi-annually. If paid annually, payment is due December 31; if paid semi-annually, 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 revenue received in calendar 2019 represents collections of calendar year 2018 taxes. Public utility real and tangible personal property taxes received in calendar year 2019 became a lien December 31, 2017, were levied after April 1, 2018 and are collected with real property taxes. Public utility real property is assessed at 35 percent of true value; public utility tangible personal property currently is assessed at varying percentages of true value.

The School District receives property taxes from Putnam County. The County Auditor periodically advances to the School District its portion of the taxes collected. Second-half real property tax payments collected by the County by June 30, 2019, are available to finance fiscal year 2020 operations. The amount available to be advanced can vary based on the date the tax bills are sent.

The assessed values upon which the fiscal year 2019 taxes were collected are:

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	2018 Second- Half Collections		2019 First- Half Collections	
	Amount	Percent	Amount	Percent
Real Property:				
Agricultural/Residential	\$189,019,380	84%	\$190,711,170	84%
Industrial/Commercial	26,928,600	12%	27,034,650	12%
Public Utility Property	9,572,800	4%	10,179,260	4%
Total Assessed Value	<u>\$225,520,780</u>	100%	<u>\$227,925,080</u>	100%
Tax rate per \$1,000 of assessed valuation	\$29.01		\$29.01	

Income Taxes

The School District levies a voted tax of 1.5 percent for general operations on the income of residents and of estates. A one-half percent tax was effective on January 1, 1993, and is a continuing tax. The School District levied an additional one percent tax effective on January 1, 2019, which is also a continuing tax. Employers of residents are required to withhold income tax on compensation and remit the tax to the State. Taxpayers are required to file an annual return. The State makes quarterly distributions to the School District after withholding amounts for administrative fees and estimated refunds. Income tax receipts are recorded in the General Fund.

Note 7 – Interfund Transfers

During fiscal year 2019, the following transfers were made:

		<u>Transfers Out</u>
Transfers In		<u>General</u>
	Special Revenue	\$75,000
	Debt Retirement	70,813
	Enterprise	9,566
	Total	<u>\$155,379</u>

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

Note 8 – Risk Management

Schools of Ohio Risk Sharing Authority

The School District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During fiscal year 2019, the School District contracted for the following insurance coverage.

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

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	<u>Coverage</u>
Property including inland marine – replacement cost (deductible waived)	\$68,330,125
Employee Dishonesty Liability	1,000,000
Automobile Liability	15,000,000
Uninsured Motorists	1,000,000
Medical Payments - per occurrence/aggregate	10,000/25,000
Educator’s Legal Liability – errors or omissions	15,000,000
General District Liability	
Per occurrence	15,000,000
Total per year	17,000,000

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

Ohio School Boards Association Workers’ Compensation Group Rating Plan

For fiscal year 2019, the School District participated in the Ohio School Boards Association Workers’ Compensation Group Rating Plan (Plan), an insurance purchasing pool. The Plan is intended to achieve the benefit of a reduced premium for the School District by virtue of its grouping and representation with other participants in the Plan. The workers’ compensation experience of the participating members is calculated as one experience and a common premium rate is applied to all members in the Plan. Each member pays its workers’ compensation premium to the State based on the rate for the Plan rather than its individual rate. Total savings are then calculated and each participant’s individual performance is compared to the overall Plan. A participant will then either receive money from or be required to contribute to the “Equity Pooling Fund”. This “equity pooling” arrangement insures that each participant shares equally in the overall performance of the Plan. Participation in the Plan is limited to participants that can meet the Plan’s selection criteria. The firm of Gates McDonald & Co. provides administrative, cost control and actuarial services to the Plan.

Putnam County Schools Insurance Group

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

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

Note 9 – Defined Benefit Pension Plans

The Statewide retirement systems provide both pension benefits and other postemployment benefits (OPEB).

Net Pension Liability/Net OPEB Liability

Pensions and OPEB are a component of exchange transactions—between an employer and its employees—of salaries and benefits for employee services. Pensions/OPEB 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.

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The net pension/OPEB liability (asset) represent the School District's proportionate share of each pension/OPEB plan's collective actuarial present value of projected benefit payments attributable to past periods of service, net of each pension/OPEB plan's fiduciary net position. The net pension/OPEB liability (asset) 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 these estimates annually.

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

GASB 68/75 assumes the liability is solely the obligation of the employer, because (1) they benefit from employee services; and (2) State statute requires funding to come from these employers. All pension contributions to date have come solely from these employers (which also includes pension costs paid in the form of withholdings from employees). The retirement systems may allocate a portion of the employer contributions to provide for these OPEB benefits. In addition, health care plan enrollees pay a portion of the health care costs in the form of a monthly premium. State statute requires the retirement systems to amortize unfunded pension liabilities within 30 years. If the pension amortization period exceeds 30 years, each retirement system's board must propose corrective action to the State legislature. Any resulting legislative change to benefits or funding could significantly affect the net pension/OPEB liability (asset). Resulting adjustments to the net pension/OPEB liability (asset) would be effective when the changes are legally enforceable. The Ohio revised Code permits, but does not require the retirement systems to provide healthcare to eligible benefit recipients.

The remainder of this note includes the required pension disclosures. See Note 10 for the required OPEB disclosures.

Plan Description – School Employees Retirement System (SERS)

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

Age and service requirements for retirement are as follows:

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

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

Annual retirement benefits are calculated based on final average salary multiplied by a percentage that varies based on years 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.

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An individual whose benefit effective date is before April 1, 2018, is eligible for a cost of living adjustment (COLA) on the first anniversary date of the benefit. Beginning April 1, 2018, new benefit recipients must wait until the fourth anniversary of their benefit for COLA eligibility. The COLA is added each year to the base benefit amount on the anniversary date of the benefit. A three-year COLA suspension is in effect for all benefit recipients for the years 2018, 2019, and 2020. Upon resumption of the COLA, it will be indexed to the percentage increase in the CPI-W, not to exceed 2.5 percent and with a floor of 0 percent.

Funding Policy – Plan members are required to contribute 10 percent of their annual covered salary and the School 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, 2019, the allocation to pension, death benefits, and Medicare B was 13.5 percent. The remaining .5 percent was allocated to the Health Care Fund.

The School District's contractually required contribution to SERS was \$270,632 for fiscal year 2019.

Plan Description – State Teachers Retirement System (STRS)

Plan Description – School District licensed teachers and other faculty members participate in STRS Ohio, a cost-sharing multiple employer public employee 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 is 2.2 percent of final average salary for the five highest years of earnings multiplied by all years of service. In April 2017, the Retirement Board made the decision to reduce COLA granted on or after July 1, 2017, to 0 percent to preserve the fiscal integrity of the retirement system. Benefit recipients' base benefit and past cost-of living increases are not affected by this change. Members are eligible to retire at age 60 with five years of qualifying service credit, or age 55 with 27 years of service, or 30 years of service regardless of age. Eligibility changes will be phased in until August 1, 2026, when retirement eligibility for unreduced benefits will be five years of service credit and age 65, or 35 years of service credit and at least age 60.

The DC Plan allows members to place all their member contributions and 9.53 percent of the 14 percent employer contributions into an investment account. Investment allocation decisions are determined by the member. The remaining 4.47 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, 12 percent of the 14 percent member rate goes to the DC Plan and the remaining 2 percent goes 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 service.

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The defined contribution portion of the account may be taken as a lump sum payment or converted to a lifetime monthly annuity after termination of employment at age 50 or later.

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 to apply for disability benefits. Members in the DC Plan who become disabled are entitled only to their account balance. If a member of the DC Plan dies before retirement benefits begin, the member's designated beneficiary is entitled to receive the member's account balance.

Funding Policy – Employer and member contribution rates are established by the State Teachers Retirement Board and limited by Chapter 3307 of the Ohio Revised Code. For the fiscal year ended June 30, 2019, the employer rate was 14 percent and the plan members were also required to contribute 14 percent of covered salary. For fiscal year 2019, the contributions rates were equal to the statutory maximum rates and the full employer contribution was allocated to pension.

The School District's contractually required contribution to STRS was \$892,574 for fiscal year 2019.

Net Pension Liability

The net pension liability was measured as of June 30, 2018, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The School District's proportion of the net pension liability was based on the School District's share of contributions to the pension plan relative to the contributions of all participating entities. Following is information related to the proportionate share and pension expense:

	<u>SERS</u>	<u>STRS</u>	<u>Total</u>
Proportion of the Net Pension Liability Prior Measurement Date	0.05893470%	0.05561554%	
Proportion of the Net Pension Liability Current Measurement Date	<u>0.05689730%</u>	<u>0.05512211%</u>	
Change in Proportionate Share	<u>-0.00203740%</u>	<u>-0.00049343%</u>	
Proportionate Share of the Net Pension Liability	\$3,258,614	\$12,120,114	\$15,378,728

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.

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

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

Key methods and assumptions used in calculating the total pension liability in the latest actuarial valuation, prepared as of June 30, 2018, are presented below:

Inflation	3.00 percent
Future Salary Increases, including inflation COLA or Ad Hoc COLA	3.50 percent to 18.20 percent 2.5 percent
Investment Rate of Return	7.50 percent net of investment expenses, including inflation
Actuarial Cost Method	Entry Age Normal (Level Percent of Payroll)

Mortality rates were based on the RP-2014 Blue Collar Mortality Table with fully generational projection and a five year age set-back for both males and females. Mortality among service retired members, and beneficiaries were based upon the RP-2014 Blue Collar Mortality Table with fully generational projection with Scale BB, 120 percent of male rates, and 110 percent of female rates. Mortality among disabled members were based upon the RP-2000 Disabled Mortality Table, 90 percent for male rates and 100 percent for female rates, set back five years is used for the period after disability retirement.

The most recent experience study was completed for the five year period ended June 30, 2015.

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

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

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 School 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%)
School District's proportionate share of the net pension liability	\$4,590,003	\$3,258,614	\$2,142,333

Actuarial Assumptions – STRS

Key methods and assumptions used in the latest actuarial valuation, reflecting experience study results used in the July 1, 2018, actuarial valuation, are presented below:

Inflation	2.50 percent
Projected salary increases	12.50 percent at age 20 to 2.50 percent at age 65
Investment Rate of Return	7.45 percent, net of investment expenses, including inflation
Discount Rate of Return	7.45 percent
Payroll Increases	3 percent
Cost-of-Living Adjustments (COLA)	0.0 percent, effective July 1, 2017

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Post-retirement mortality rates for healthy retirees are based on the RP-2014 Annuitant Mortality Table with 50 percent of rates through age 69, 70 percent of rates between ages 70 and 79, 90 percent of rates between ages 80 and 84, and 100 percent of rates thereafter, projected forward generationally using mortality improvement scale MP-2016. Post-retirement disabled mortality rates are based on the RP-2014 Disabled Mortality Table with 90 percent of rates for males and 100 percent of rates for females, projected forward generationally using mortality improvement scale MP-2016. Pre-retirement mortality rates are based on RP-2014 Employee Mortality Table, projected forward generationally using mortality improvement scale MP-2016.

Actuarial assumptions used in the July 1, 2018 valuation are based on the results of an actuarial experience study for the period July 1, 2011 through June 30, 2016.

STRS' 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:

Asset Class	Target Allocation	Long-Term Expected Rate of Return *
Domestic Equity	28.00 %	7.35 %
International Equity	23.00	7.55
Alternatives	17.00	7.09
Fixed Income	21.00	3.00
Real Estate	10.00	6.00
Liquidity Reserves	1.00	2.25
Total	100.00 %	

*10 year annualized geometric nominal returns, which include the real rate of return and inflation of 2.25 percent and does not include investment expenses. Over a 30-year period, STRS' investment consultant indicates that the above target allocations should general a return above the actuarial rate of return, without net value added by management.

Discount Rate The discount rate used to measure the total pension liability was 7.45 percent as of June 30, 2018. The projection of cash flows used to determine the discount rate assumes that 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. 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, 2018. Therefore, the long-term expected rate of return on pension plan investments of 7.45 percent was applied to all periods of projected benefit payment to determine the total pension liability as of June 30, 2018.

Sensitivity of the School District's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate The following table presents the School District's proportionate share of the net pension liability calculated using the current period discount rate assumption of 7.45 percent, as well as what the School 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 (6.45 percent) or one-percentage-point higher (8.45 percent) than the current rate:

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	1% Decrease <u>(6.45%)</u>	Current Discount Rate <u>(7.45%)</u>	1% Increase <u>(8.45%)</u>
School District's proportionate share of the net pension liability	\$17,699,831	\$12,120,114	\$7,397,641

Note 10 – Defined Benefit OPEB Plans

See Note 9 for a description of the net OPEB liability

Plan Description – School Employees Retirement System (SERS)

Health Care Plan Description – The School District contributes to the SERS Health Care Fund, administered by SERS for non-certificated retirees and their beneficiaries. For GASB 75 purposes, this plan is considered a cost-sharing other postemployment benefit (OPEB) plan. SERS' Health Care Plan provides healthcare benefits to eligible individuals receiving retirement, disability, and survivor benefits, and to their eligible dependents. Members who retire after June 1, 1986, need 10 years of service credit, exclusive of most types of purchased credit, to qualify to participate in SERS' health care coverage. In addition to age and service retirees, disability benefit recipients and beneficiaries who are receiving monthly benefits due to the death of a member or retiree, are eligible for SERS' health care coverage. Most retirees and dependents choosing SERS' health care coverage are over the age of 65 and therefore enrolled in a fully insured Medicare Advantage plan; however, SERS maintains a traditional, self-insured preferred provider organization for its non-Medicare retiree population. For both groups, SERS offers a self-insured prescription drug program. Health care is a benefit that is permitted, not mandated, by statute. The financial report of the Plan is included in the SERS Comprehensive Annual Financial Report which can be obtained on SERS' website at www.ohsers.org under Employers/Audit Resources.

Access to health care for retirees and beneficiaries is permitted in accordance with Section 3309 of the Ohio Revised Code. The Health Care Fund was established and is administered in accordance with Internal Revenue Code Section 105(e). SERS' Retirement Board reserves the right to change or discontinue any health plan or program. Active employee members do not contribute to the Health Care Plan. The SERS Retirement Board established the rules for the premiums paid by the retirees for health care coverage for themselves and their dependents or for their surviving beneficiaries. Premiums vary depending on the plan selected, qualified years of service, Medicare eligibility, and retirement status.

Funding Policy – State statute permits SERS to fund the health care benefits through employer contributions. Each year, after the allocation for statutorily required pensions and benefits, the Retirement Board may allocate the remainder of the employer contribution of 14 percent of covered payroll to the Health Care Fund in accordance with the funding policy. For fiscal year 2019, .5 percent of covered payroll was made to health care. An additional health care surcharge on employers is collected for employees earning less than an actuarially determined minimum compensation amount, pro-rated if less than a full year of service credit was earned. For fiscal year 2019, this amount was \$21,600. 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. For fiscal year 2019, the School District's surcharge obligation was \$31,499.

The surcharge, added to the allocated portion of the 14 percent employer contribution rate is the total amount assigned to the Health Care Fund. The School District's contractually required contribution to SERS was \$41,164 for fiscal year 2019.

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Plan Description – State Teachers Retirement System (STRS)

Plan Description – The State Teachers Retirement System of Ohio (STRS) administers a cost-sharing Health Plan administered for eligible retirees who participated in the defined benefit or combined pension plans offered by STRS. Ohio law authorizes STRS to offer this plan. Benefits include hospitalization, physicians' fees, prescription drugs and partial reimbursement of monthly Medicare Part B premiums. Medicare Part B premium reimbursements will be discontinued effective January 1, 2020. The Plan is included in the report of STRS which can be obtained by visiting www.strsoh.org or by calling (888) 227-7877.

Funding Policy – Ohio Revised Code Chapter 3307 authorizes STRS to offer the Plan and gives the Retirement Board discretionary authority over how much, if any, of the health care costs will be absorbed by STRS. Active employee members do not contribute to the Health Care Plan. Nearly all health care plan enrollees, for the most recent year, pay a portion of the health care costs in the form of a monthly premium. Under Ohio law, funding for post-employment health care may be deducted from employer contributions, currently 14 percent of covered payroll. For the fiscal year ended June 30, 2019, STRS did not allocate any employer contributions to post-employment health care.

Net OPEB Liability (Asset)

The net OPEB liability (asset) was measured as of June 30, 2018, and the total OPEB liability used to calculate the net OPEB liability (asset) was determined by an actuarial valuation as of that date. The School District's proportion of the net OPEB liability (asset) was based on the School District's share of contributions to the respective retirement systems relative to the contributions of all participating entities. Following is information related to the proportionate share:

	<u>SERS</u>	<u>STRS</u>	<u>Total</u>
Proportion of the Net OPEB Liability Prior Measurement Date	0.05976190%	0.05561554%	
Proportion of the Net OPEB Liability Current Measurement Date	<u>0.05756190%</u>	<u>0.05512211%</u>	
Change in Proportionate Share	<u>-0.00220000%</u>	<u>-0.00049343%</u>	
Proportionate Share of the Net OPEB Liability	\$1,596,923	\$885,756	\$2,482,679

Actuarial Assumptions – SERS

The total OPEB liability is determined by SERS' actuaries in accordance with GASB Statement No. 74, as part of their annual actuarial valuation for each 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 terminations). 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.

Ottawa-Glandorf Local School District
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Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2019
(Continued)

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

Key methods and assumptions used in calculating the total OPEB liability in the latest actuarial valuation date of June 30, 2018, are presented below:

Inflation	3.00 percent
Wage Increases	3.50 percent or 18.20 percent
Investment Rate of Return	7.50 percent net of inflation expenses, including inflation
Municipal Bond Index Rate:	
Measurement Date	3.62 percent
Prior Measurement Date	3.56 percent
Single Equivalent Interest Rate, net of plan investment expense, including price inflation	6 percent initial, 4 percent ultimate
Measurement Date	3.70 percent
Prior Measurement Date	3.63 percent
Medical Trend Assumption	
Medicare	5.375 to 4.75 percent
Pre-Medicare	7.25 to 4.75 percent

Mortality rates were based on the RP-2014 Blue Collar Mortality Table with fully generational projection and Scale BB, 120 percent of male rates and 110 percent of female rates. RP-2000 Disabled Mortality Table with 90 percent for male rates and 100 percent for female rates set back five years.

The most recent experience study was completed for the five year period ended June 30, 2015.

The long-term expected rate of return on plan assets is reviewed as part of the actuarial five-year experience study. The most recent study covers fiscal years 2010 through 2015, and was adopted by the Board on April 21, 2016. Several factors are considered in evaluating the long-term rate of return assumption including long-term historical data, estimates inherent in current market data, and a log-normal distribution analysis in which best-estimate ranges of expected future real rates of return were developed by the investment consultant for each major asset class. These ranges were combined to produce the long-term expected rate of return, 7.50 percent, by weighting the expected future real rates of return by the target asset allocation percentage and then adding expected inflation. The capital market assumptions developed by the investment consultant are intended for use over a 10-year horizon and may not be useful in setting the long-term rate of return for funding pension plans which covers a longer timeframe. The assumption is intended to be a long-term assumption and is not expected to change absent a significant change in the asset allocation, a change in the inflation assumption, or a fundamental change in the market that alters expected returns in future years.

The target asset allocation and best estimates of arithmetic real rates of return for each major asset class, as used in the June 30, 2015 five-year experience study, are summarized as follows:

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For the Fiscal Year Ended June 30, 2019
(Continued)

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

Discount Rate The discount rate used to measure the total OPEB liability at June 30, 2018 was 3.70 percent. The discount rate used to measure total OPEB liability prior to June 30, 2018 was 3.63 percent. The projection of cash flows used to determine the discount rate assumed that contributions will be made from members and the System at the state statute contribution rate of 2.00 percent of projected covered employee payroll each year, which includes a 1.50 percent payroll surcharge and 0.50 percent of contributions from the basic benefits plan. Based on these assumptions, the OPEB plan's fiduciary net position was projected to become insufficient to make future benefit payments during the fiscal year ending June 30, 2025. Therefore, the long-term expected rate of return on OPEB plan assets was used to present value the projected benefit payments through the fiscal year ending June 30, 2024 and the Fidelity General Obligation 20-year Municipal Bond Index rate of 3.62 percent, as of June 30, 2018 (i.e. municipal bond rate), was used to present value the projected benefit payments for the remaining years in the projection. The total present value of projected benefit payments from all years was then used to determine the single rate of return that was used as the discount rate. The projection of future benefit payments for all current plan members was until the benefit payments ran out.

Sensitivity of the School District's Proportionate Share of the Net OPEB Liability to Changes in the Discount Rate and Changes in the Health Care Cost Trend Rates The net OPEB liability is sensitive to changes in the discount rate and the health care cost trend rate. The following table presents the net OPEB liability of SERS, what SERS' net OPEB liability would be if it were calculated using a discount rate that is 1 percentage point lower (2.70%) and higher (4.70%) than the current discount rate (3.70%). Also shown is what SERS' net OPEB liability would be based on health care cost trend rates that are 1 percentage point lower (6.25% decreasing to 3.75%) and higher (8.25% decreasing to 5.75%) than the current rate.

	<u>1% Decrease (2.70%)</u>	<u>Current Discount Rate (3.70%)</u>	<u>1% Increase (4.70%)</u>
School District's proportionate share of the net OPEB liability	\$1,937,740	\$1,596,923	\$1,327,059
	<u>1% Decrease (6.25 % decreasing to 3.75%)</u>	<u>Trend Rate (7.25 % decreasing to 4.75%)</u>	<u>1% Increase (8.25 % decreasing to 5.75%)</u>
School District's proportionate share of the net OPEB liability	\$1,288,424	\$1,596,923	\$2,005,431

Ottawa-Glandorf Local School District
Putnam County
Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2019
(Continued)

Actuarial Assumptions – STRS

Key methods and assumptions used in the latest actuarial valuation, reflecting experience study results used in the June 30, 2018, actuarial valuation are presented below:

Projected salary increases	12.50 percent at age 20 to 2.50 percent at age 65
Investment Rate of Return	7.45 percent, net of investment expenses, including inflation
Payroll Increases	3 percent
Discount Rate of Return	7.45 percent
Health Care Cost Trends	
Medical	
Pre-Medicare	6 percent initial, 4 percent ultimate
Medicare	5 percent initial, 4 percent ultimate
Prescription Drug	
Pre-Medicare	8 percent initial, 4 percent ultimate
Medicare	-5.23 initial, 4 percent ultimate

Projections of benefits include the historical pattern of sharing benefit costs between the employers and retired plan members.

For healthy retirees the mortality rates are based on the RP-2014 Annuitant Mortality Table with 50 percent of rates through age 69, 70 percent of rates between ages 70 and 79, 90 percent of rates between ages 80 and 84, and 100 percent of rates thereafter, projected forward generationally using mortality improvement scale MP-2016. For disabled retirees, mortality rates are based on the RP-2014 Disabled Mortality Table with 90 percent of rates for males and 100 percent of rates for females, projected forward generationally using mortality improvement scale MP-2016.

Actuarial assumptions used in the June 30, 2018, valuation are based on the results of an actuarial experience study for the period July 1, 2011 through June 30, 2016.

Since the Prior Measurement Date, the discount rate was increased from the blended rate of 4.13 percent to the long-term expected rate of return of 7.45 percent based on the methodology defined under GASB *Statement No. 74, Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans (OPEB)*. Valuation year per capita health care costs were updated.

Also since the prior measurement date, the subsidy multiplier for non-Medicare benefit recipients was increased from 1.9 percent to 1.944 percent per year of service effective January 1, 2019. The non-Medicare frozen subsidy base premium was increased effective January 1, 2019 and all remaining Medicare Part B premium reimbursements were scheduled to be discontinued beginning January 1, 2020. However, in June of 2019, the STRS Board voted to extend the current Medicare Part B partial reimbursement for one year.

STRS' 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:

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Putnam County
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For the Fiscal Year Ended June 30, 2019
(Continued)

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Rate of Return *</u>
Domestic Equity	28.00 %	7.35 %
International Equity	23.00	7.55
Alternatives	17.00	7.09
Fixed Income	21.00	3.00
Real Estate	10.00	6.00
Liquidity Reserves	1.00	2.25
Total	<u>100.00 %</u>	

*10 year annualized geometric nominal returns, which include the real rate of return and inflation of 2.25 percent and does not include investment expenses. Over a 30-year period, STRS' investment consultant indicates that the above target allocations should general a return above the actuarial rate of return, without net value added by management.

Discount Rate The discount rate used to measure the total OPEB liability was 7.45 percent as of June 30, 2018. The blended discount rate used to measure the total OPEB liability was 4.13 percent as of June 30, 2017. The projection of cash flows used to determine the discount rate assumes STRS Ohio continues to allocate no employer contributions to the health care fund. Based on these assumptions, the OPEB plan's fiduciary net position was projected to be available to make all projected future benefit payments to current plan members. Therefore, the long-term expected rate of return on health care plan investments of 7.45 percent was used to measure the total OPEB liability as of June 30, 2018. The blended discount rate of 4.13 percent, which represents the long-term expected rate of return of 7.45 percent for the funded benefit payments and the Bond Buyer 20-year municipal bond rate of 3.58 percent for the unfunded benefit payments, was used to measure the total OPEB liability as of June 30, 2017.

Sensitivity of the School District's Proportionate Share of the Net OPEB Asset to Changes in the Discount and Health Care Cost Trend Rate The following table represents the net OPEB asset as of June 30, 2018, calculated using the current period discount rate assumption of 7.45 percent, as well as what the net OPEB asset would be if it were calculated using a discount rate that is one percentage point lower (6.45 percent) or one percentage point higher (8.45 percent) than the current assumption. Also shown is the net OPEB asset as if it were calculated using health care cost trend rates that are one percentage point lower or one percentage point higher than the current health care cost trend rates.

	<u>1% Decrease (6.45%)</u>	<u>Current Discount Rate (7.45%)</u>	<u>1% Increase (8.45%)</u>
School District's proportionate share of the net OPEB asset	(\$759,176)	(\$885,756)	(\$992,141)

	<u>1% Decrease</u>	<u>Current Trend Rate</u>	<u>1% Increase</u>
School District's proportionate share of the net OPEB asset	(\$986,135)	(\$885,756)	(\$783,813)

Ottawa-Glandorf Local School District
Putnam County
Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2019
(Continued)

Note 11 – Debt

The changes in the School District’s long term debt during fiscal year 2019 were as follows:

	Principal Outstanding June 30, 2018	Additions	Deletions	Principal Outstanding June 30, 2019	Amounts Due in One Year
General Obligation Bonds:					
General obligation bonds - 2016	\$7,070,000		(\$450,000)	\$6,620,000	\$470,000
Capital appreciation bond - 2010	99,994		(28,800)	71,194	23,963
Capital appreciation bonds Interest	430,669	\$106,777	(141,200)	396,246	151,037
General obligation bonds - 2014	6,790,000		(30,000)	6,760,000	30,000
Total Governmental Activities	14,390,663	106,777	(650,000)	13,847,440	675,000
Other Long-Term Obligations:					
Energy Conservation Notes	477,784		(58,280)	419,504	59,868
Total General Obligation Bonds and Other Long-Term Obligations	<u>\$14,868,447</u>	<u>\$106,777</u>	<u>(\$708,280)</u>	<u>\$14,266,944</u>	<u>\$734,868</u>

General Obligation Bonds

2016 Bonds Refunding of 2007 Advance Refunding Bonds – Interest Rates 2.00 – 4.00%: Proceeds from the issuance were used for the purpose of refunding the advance refunding bonds, dated November 28, 2006, which were used to retire general obligation bonds dated September 15, 2002. The 2016 General Obligation Refunding Bonds in total of \$7,070,000 were issued on October 20, 2016. This current refunding was undertaken to reduce total debt service payments over the next 14 years and resulted in an economic savings of \$1,220,673.

These general obligation refunding bonds shall bear interest at the rates per year and will mature in the principal amounts on the following dates:

Fiscal Year	Principal Amount	Interest Rate
2020	\$470,000	4.00%
2021	500,000	4.00%
2022	530,000	4.00%
2023	560,000	4.00%
2025	590,000	4.00%
2026	660,000	4.00%
2027	700,000	4.00%
2028	735,000	4.00%
2029	775,000	3.00%
2030	805,000	3.00%
2031	295,000	3.00%

The 2016 general obligation refunding bonds are subject to optional redemption, by and at the sole option of the School District, either in whole or in part and in integral multiples of \$5,000, on any date on or after June 1, 2026, at a redemption equal to 100 percent of the principal amount redeemed plus accrued interest to the redemption date. The bonds are being retired through the Bond Retirement Debt Service Fund.

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

Ottawa-Glandorf Local School District
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Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2019
(Continued)

During 2014, \$5,725,000 of the current term bonds were advance refunded. The remaining bonds will be retired through the Bond Retirement service fund.

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

The capital appreciation bonds are not subject to prior redemption. The capital appreciation bonds will mature in fiscal years 2018-2022. The maturity amount of the bonds is \$865,000. For fiscal year 2019, \$106,777 was accreted for a total bond value of \$467,440 at fiscal year-end.

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

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

<u>Fiscal Year</u>	<u>Principal Maturing</u>	<u>Interest Rate</u>
2020	\$30,000	2.00%
2025	950,000	3.00%
2029	330,000	3.50%
2030	335,000	4.00%
2031	870,000	4.00%
2032	375,000	4.00%
2033	420,000	4.00%
2034	470,000	4.00%
2035	520,000	4.00%

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

<u>Fiscal Year</u>	<u>Principal Amount to be Redeemed</u>
2021	\$30,000
2022	30,000
2023	30,000

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

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

Ottawa-Glandorf Local School District
Putnam County
Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2019
(Continued)

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

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

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

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

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

Notes Payable

Energy conservation note: On February 10, 2017, the School District issued \$620,000 in energy conservation notes for the purpose of purchasing and installing energy conservation measures. The notes were issued for a ten year period, with final maturity in fiscal year 2025. The notes bear an interest rate of 2.69% and are retired through the debt service fund.

Principal and interest requirements to retire long-term liabilities outstanding at June 30, 2019 are as follows:

<u>Year Ended</u>	<u>General Obligation Bonds</u>			<u>Capital Appreciation Bonds</u>		
	<u>Principal</u>	<u>Interest</u>	<u>Total</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2020	\$500,000	\$484,775	\$984,775	\$23,963	\$151,037	\$175,000
2021	530,000	464,625	994,625	19,369	155,631	175,000
2022	560,000	443,125	1,003,125	15,208	154,792	170,000
2023	590,000	420,425	1,010,425	12,654	162,346	175,000
2024	825,000	393,450	1,218,450			
2025-2029	5,080,000	1,463,238	6,543,238			
2030-2034	3,570,000	610,150	4,180,150			
2035-2037	1,725,000	107,900	1,832,900			
Total	<u>\$13,380,000</u>	<u>\$4,387,688</u>	<u>\$17,767,688</u>	<u>\$71,194</u>	<u>\$623,806</u>	<u>\$695,000</u>

<u>Energy Conservation Note</u>			
<u>Year Ended</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2020	\$59,868	\$10,945	\$70,813
2021	61,498	9,316	70,814
2022	63,173	7,641	70,814
2023	64,894	5,920	70,814
2024	66,660	4,153	70,813
2025	103,411	2,810	106,221
Total	<u>\$419,504</u>	<u>\$40,785</u>	<u>\$460,289</u>

Ottawa-Glandorf Local School District
Putnam County
Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2019
(Continued)

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

The School District had a voted debt margin of \$8,016,403. The School District exceeded its overall unvoted debt margin by \$191,579. Ohio Revised Code 133.06 (G)(2)(c) allows a School District to issue securities in excess of the legal debt margin for the purpose of participating in the HB-264 School Energy Conservation Financing program.

Note 12 – Construction and Contractual Commitments

Contractor	Project	Original Contract Amount	Contract Balance 6/30/19
Vantage Financial	Digital camera system	\$135,780	\$87,904
Energy Optimizers	HVAC upgrades	30,000	12,150
Village of Ottawa	Tennis court maintenance	22,500	22,500
Jostens	Yearbook	23,000	20,235
Glandorf Drainage	Level soccer field	12,000	12,000
Medical Mutual of Ohio	Employee insurance	91,298	11,783
Schoolhouse Electronics	BENQ boards	19,570	19,570
CDW Government	Dell laptops for students	17,157	17,157

Note 13 – Contingent Liabilities

Grants

Amounts grantor agencies pay to the School District are subject to audit and adjustment by the grantor, principally the federal government. Grantors may require refunding any disallowed costs. Management cannot presently determine amounts grantors may disallow. However, based on prior experience, management believes any refunds would be immaterial.

Litigation

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

School Foundation

School District foundation funding is based on the annualized full-time equivalent (FTE) enrollment of each student. The Ohio Department of Education (ODE) is legislatively required to adjust/reconcile funding as enrollment information is updated by schools throughout the State, which can extend past the fiscal year end. As of the date of this report, FTE adjustment No. 1 was made on August 23, 2019 and resulted in ODE owing the School District \$17,204. This amount is not recorded in the financial statements.

Note 14 – Jointly Governed Organizations

Northwest Ohio Area Computer Services Cooperative

The School District is a participant in the Northwest Ohio Area Computer Services Cooperative (NOACSC) which is a computer consortium. NOACSC is an association of public school districts within the boundaries of Allen, Hancock, Paulding, Putnam, and Van Wert counties, and the cities of St. Marys and Wapakoneta.

Ottawa-Glandorf Local School District
Putnam County
Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2019
(Continued)

The organization was formed for the purpose of applying modern technology (with the aid of computers and other electronic equipment) to administrative and instructional functions among member school districts.

The governing board of NOACSC consists of two representatives from each county elected by majority vote of all charter member school districts within each county plus one representative from the fiscal agent school district. Financial information can be obtained from Ray Burden, who serves as director, at 4277 East Road, Elida, Ohio 45807.

Northwestern Ohio Educational Research Council, Inc.

The Northwestern Ohio Educational Research Council, Inc. (NOERC) is a jointly governed organization formed to bring educational entities into a better understanding of their common educational problems, facilitate and conduct practical educational research, coordinate educational research among members, provide a means for evaluating and disseminating the results of research, serve as a repository for research and legislative materials, and provide opportunities for training. The NOERC serves a twentyfive county area in Northwest Ohio. The Board of Directors consists of superintendents from two educational service centers, two exempted village school districts, five local school districts, and five city school districts, as well as representative from two private or parochial schools and three institutions of higher education. Each active member is entitled to one vote on all issues addressed by the Board of Directors. Financial information can be obtained from the Northwestern Ohio Educational Research Council, Inc., Box 456, Ashland, Ohio 44805.

State Support Team Region 1

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

Note 15 – Public Entity Risk Pools

Schools of Ohio Risk Sharing Authority

The School District participates as a member of the Schools of Ohio Risk Sharing Authority (SORSA). SORSA is a non-profit, member owned consortium, providing property, bus fleet and educator liability insurance for public schools in Ohio. SORSA is governed by public school administrators and managed by insurance professionals, and serves 106 members across Ohio. SORSA financial statements are available by contacting Patrick Shaver, Schools of Ohio Risk Sharing Authority, 8050 North High St, Columbus, Ohio 43235. See Note 8 for a listing of the coverage provided to the School District for fiscal year 2019.

Ohio School Boards Association Workers' Compensation Group Rating Plan

The School District participates in a group rating plan for workers' compensation as established under Section 4123.29 of the Ohio Revised Code. The Ohio School Boards Association Workers' Compensation Group Rating Plan (Plan) was established through the Ohio School Boards Association (OSBA) as an insurance purchasing pool.

The Plan's business and affairs are conducted by a three member Board of Directors consisting of the President, the President-Elect, and the Immediate Past President of the OSBA. The Executive Director of the OSBA, or his designee, serves as coordinator of the Plan. Each year, the participants pay an enrollment fee to the Plan to cover the costs of administering the program.

Ottawa-Glandorf Local School District
Putnam County
Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2019
(Continued)

Putnam County Schools Insurance Group

The Putnam County School Insurance Group (the Group), a public entity risk pool, administered by Huntington Trust is a public entity shared risk pool consisting of eleven school districts, including the Putnam County Educational Service Center, and the Putnam County Board of DD. The Group is a notfor-profit insurance group and provides medical, prescription drug, and optional dental insurance benefits, to the employees of the participants. Each participant's superintendent is appointed to the Board of Trustees which advises the consultant, Huntington Insurance, concerning aspects of the administration of the Group.

Each school district in the Group (other than the Putnam County Board of DD) must collectively bargain benefit levels with its respective employee unions. Financial information can be obtained from Jan Osborne, Superintendent, Putnam County ESC, 124 Putnam Parkway, Ottawa, Ohio 45875.

Note 16 – Related Organization

Millstream Cooperative Career Center

The School District contracts with the Millstream Cooperative Career Center to provide career-technical education programs under Ohio Revised Code Section 3313.90(A)(3). The Millstream Cooperative Career Center is reported as part of the Findlay City School District who serves as the fiscal agent. Findlay City Schools provides for the administration and supervision of the programs of the Cooperative. The superintendent of each participating school district and one additional representative appointed by the Findlay City School District sits on an Advisory Council for the Cooperative. The Putnam and Hancock Counties Educational Service Centers serve in an ex-officio capacity for all meetings. Financial information can be obtained from the Findlay City School District, Michael Barnhart, Treasurer, at 2019 Broad Street, Findlay, Ohio 45840-2651.

Note 17 – Set-Aside Requirements

The School District is required by State statute to annually set aside, in the General Fund, an amount based on a statutory formula for the acquisition and construction of capital improvements. Amounts not spent by the end of the fiscal year or offset by similarly restricted resources received during the fiscal year must be held in cash at fiscal year end. These amounts must be carried forward and used for the same purposes in future years.

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

	Capital Improvement
Balance at June 30, 2018	
Current Year Set Aside Requirement	\$266,752
Qualifying Disbursements	\$(266,752)
Balance at June 30, 2019	_____

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

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

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2019**

FEDERAL GRANTOR <i>Pass Through Grantor</i> Program / Cluster Title	Federal CFDA Number	Total Federal Expenditures
U.S. DEPARTMENT OF AGRICULTURE		
<i>Passed Through Ohio Department of Education</i>		
<u>Child Nutrition Cluster:</u>		
National School Lunch Program		
Cash Assistance	10.555	\$199,523
Non-Cash Assistance (Food Distribution)	10.555	59,290
Total National School Lunch Program		258,813
School Breakfast Program	10.553	26,188
Total Child Nutrition Cluster		285,001
Total U.S. Department of Agriculture		285,001
U.S. DEPARTMENT OF EDUCATION		
<i>Passed Through Ohio Department of Education</i>		
Title I Grants to Local Educational Agencies	84.010	137,927
Supporting Effective Instruction State Grants	84.367	36,631
<u>Special Education Cluster:</u>		
Special Education Grants to States	84.027	358,368
Special Education Preschool Grants	84.173	11,675
Total Special Education Cluster		370,043
Student Support and Academic Enrichment Program	84.424	13,828
<i>Passed Through Mercer County Educational Service Center</i>		
English Language Acquisition State Grants	84.365	779
Total U.S. Department of Education		559,208
U.S. ENVIRONMENTAL PROTECTION AGENCY		
<i>Direct Program</i>		
National Clean Diesel Emissions Reduction Program	66.039	20,000
Total U.S. Environmental Protection Agency		20,000
Total Expenditures of Federal Awards		\$864,209

The accompanying notes are an integral part of this schedule.

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

**NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
2 CFR 200.510(b)(6)
FOR THE FISCAL YEAR ENDED JUNE 30, 2019**

NOTE A – BASIS OF PRESENTATION

The accompanying Schedule of Expenditures of Federal Awards (the Schedule) includes the federal award activity of Ottawa-Glandorf Local School District (the School District's) under programs of the federal government for the year ended June 30, 2019. The information on this Schedule is prepared in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of the School District, it is not intended to and does not present the fund balances or changes in fund balances of the School District.

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Expenditures reported on the Schedule are reported on the cash basis of accounting. Such expenditures are recognized following the cost principles contained in Uniform Guidance wherein certain types of expenditures may or may not be allowable or may be limited as to reimbursement.

NOTE C – INDIRECT COST RATE

The School District has elected not to use the 10-percent de minimis indirect cost rate as allowed under the Uniform Guidance.

NOTE D – CHILD NUTRITION CLUSTER

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

NOTE E – FOOD DONATION PROGRAM

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



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

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

To the Board of Education:

We have audited, in accordance with auditing standards generally accepted in the United States and the Comptroller General of the United States’ *Government Auditing Standards*, the financial statements of Ottawa-Glandorf Local School District, Putnam County, Ohio (the School District) as of and for the year ended June 30, 2019, and the related notes to the financial statements and have issued our report thereon dated December 26, 2019, wherein we issued an adverse opinion on the School District’s financial statements because the School District did not follow accounting principles generally accepted in the United States of America as required by Ohio Administrative Code Section 117-2-03.

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. Therefore, unidentified material weaknesses or significant deficiencies may exist. We did identify a certain deficiency in internal control, described in the accompanying schedule of findings that we consider a material weakness. We consider finding 2019-002 to be a material weakness.

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 2019-001.

School District's Response to Findings

The School District's responses to the findings identified in our audit are described in the accompanying corrective action plan. We did not subject the School District's responses to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on them.

Purpose of this Report

This report only describes the scope of our internal control and compliance testing and our testing results, and does not opine on the effectiveness of the 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 report is not suitable for any other purpose.



Keith Faber
Auditor of State

Columbus, Ohio

December 26, 2019



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

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

To the Board of Education:

Report on Compliance for the Major Federal Program

We have audited Ottawa-Glandorf Local School District, Putnam County, Ohio's (the School District) compliance with the applicable requirements described in the U.S. Office of Management and Budget (OMB) *Compliance Supplement* that could directly and materially affect Ottawa-Glandorf Local School District's major federal program for the year ended June 30, 2019. The *Summary of Auditor's Results* in the accompanying schedule of findings identifies the School District's major federal program.

Management's Responsibility

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

Auditor's Responsibility

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

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

Opinion on the Major Federal Program

In our opinion, Ottawa-Glandorf Local School District, Putnam County, Ohio complied, in all material respects with the compliance requirements referred to above that could directly and materially affect its major federal program for the year ended June 30, 2019.

Report on Internal Control Over Compliance

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

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

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

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



Keith Faber
Auditor of State

Columbus, Ohio

December 26, 2019

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

**SCHEDULE OF FINDINGS
2 CFR § 200.515
JUNE 30, 2019**

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

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

FINDING NUMBER 2019-001

Noncompliance

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

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

As a cost savings measure, the School District prepared financial statements in accordance with standards established by the Auditor of State for governmental entities that are not required to prepare reports in accordance with generally accepted accounting principles. This basis of accounting is similar to the cash receipts and disbursements basis of accounting. The accompanying financial statements and notes omit certain assets, liabilities, deferred inflows/outflows of resources, fund equities/net position, and disclosures that, while presumed material, cannot be determined at this time.

Pursuant to Ohio Rev. Code § 117.38 the School District may be fined and subject to various other administrative remedies for its failure to file the required financial report. Failure to report on a GAAP basis compromises the School District’s ability to evaluate and monitor the overall financial condition of the School District. To help provide the users with more meaningful financial statements, the School District should prepare its annual financial statements according to generally accepted accounting principles.

Officials’ Response:

See Corrective Action Plan

FINDING NUMBER 2019-002

Material Weakness

Implementation of GASB 54

Governmental Accounting Standards Board (GASB) Statement No. 54, Fund Balance Reporting and Governmental Fund Type Definitions introduces five fund balance classifications (GASB Cod 1800.165 – .179) and clarifies the existing governmental fund type definitions (GASB Cod 1300.104 – 108). The fund balance classifications relate to constraints imposed upon the use of its governmental-fund resources. Those classifications include: Non-spendable, Restricted, Committed, Assigned, and Unassigned.

Due to deficiencies in the School District’s policies over financial reporting, the School District failed to adopt the provisions of Governmental Accounting Standards Board Statement No. 54 Fund Balance Reporting and Governmental Fund Type Definitions for the year ended June 30, 2019, as mandated by Auditor of State Bulletin 2011-004 for regulatory basis financial statements.

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

The School District should adopt the provisions of GASB No. 54 as specified in Auditor of State Bulletin 2011-004.

Officials' Response:

See Corrective Action Plan

3. FINDINGS FOR FEDERAL AWARDS

None

Ottawa-Glandorf Local School District

Administrative Offices
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SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS 2 CFR 200.511(b) JUNE 30, 2019

Finding Number	Finding Summary	Status	Additional Information
2018-001	This finding was first reported in 2006. Ohio Rev. Code § 117.38 and Ohio Admin. Code 117-2-03(B) for reporting on basis other than generally accepted accounting principles.	Not corrected and reissued as Finding 2019-001 in this report.	School District personnel considered the cost-benefit of the two reporting formats and determined our current reporting format to be the more fiscally responsible format at this time.
2018-002	This finding was first reported in 2012. Material weakness for not adopting the provisions of Governmental Accounting Standards Board Statement No. 54 Fund Balance Reporting and Governmental Fund Type Definitions.	Not corrected and reissued as Finding 2019-002 in this report.	School District personnel considered the cost-benefit of the two reporting formats and determined our current reporting format to be the more fiscally responsible format at this time.

Ottawa-Glandorf Local School District

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CORRECTIVE ACTION PLAN **2 CFR § 200.511(c)** **JUNE 30, 2019**

Finding Number:	2019-001
Planned Corrective Action:	School District personnel considered the cost-benefit of the two reporting formats and determined our current reporting format to be the more fiscally responsible format at this time. The School District Treasurer annually reviews the decision to prepare financial reports following the regulatory basis of accounting.
Anticipated Completion Date:	N/A
Responsible Contact Person:	Kathy Fruchey, Treasurer
Finding Number:	2019-002
Planned Corrective Action:	School District personnel considered the cost-benefit of the two reporting formats and determined our current reporting format to be the more fiscally responsible format at this time. The School District Treasurer annually reviews the decision to prepare financial reports following the regulatory basis of accounting.
Anticipated Completion Date:	N/A
Responsible Contact Person:	Kathy Fruchey, Treasurer

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OHIO AUDITOR OF STATE KEITH FABER



OTTAWA GLANDORF LOCAL SCHOOL DISTRICT

PUTNAM COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

CERTIFIED
JANUARY 14, 2020